NEW ISSUE
(BOOK-ENTRY ONLY)

RATINGS:
Moody's: Aaa
S&P: AAA
Fitch: AAA
See "RATINGS" herein.

*In the opinion of Bond Counsel, based upon an analysis of existing laws, regulations, rulings and judicial decisions, and assuming, among other matters, the accuracy of certain representations and the continued compliance with certain covenants and tax law requirements, interest on the 2019A Bonds and the 2019C Bonds (collectively, the "**Tax-Exempt Bonds**") is excludable from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended, and is not a specific preference item for purposes of the federal alternative minimum tax. INTEREST EARNED ON THE 2019B BONDS (THE "**TAXABLE 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 Tax-Exempt Bonds and the Taxable Bonds (collectively, the "Bonds") is exempt from present State of Georgia income taxation. See APPENDIX E, APPENDIX F, and APPENDIX G 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 the tax status of the Bonds and certain other tax consequences relating to the Bonds, see "LEGAL AND TAX STATUS" herein.*

$950,595,000
STATE OF GEORGIA

Georgia
USA

$636,125,000 General Obligation Bonds 2019A
$278,550,000 General Obligation Bonds 2019B (Federally Taxable)
$35,920,000 General Obligation Refunding Bonds 2019C

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 (respectively, the "2019A Bonds," the "2019B Bonds," and the "2019C Bonds," and 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 maturity, as further described herein.
Purpose	The Bonds are being issued to provide funds for various capital outlay projects of the State, to make grants to various governmental entities for capital outlay projects, 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 18, 2019.

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 Gray Pannell & Woodward LLP, Savannah and 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 and Terminus Municipal Advisors, LLC are serving as Co-Financial Advisors to the State.

The date of this Official Statement is June 20, 2019.

$636,125,000
State of Georgia
General Obligation Bonds 2019A
Maturity Schedule
(Base CUSIP Number 373385[(a)])

Maturing July 1,	Principal Amount	Interest Rate	Yield	CUSIP[(a)] Suffix	Maturing July 1,	Principal Amount	Interest Rate	Yield	CUSIP[(a)] Suffix
2020	$34,105,000	5.000%	1.300%	DU4	2030	$26,775,000	5.000%	1.780%*	EE9
2021	35,860,000	5.000	1.310	DV2	2031	28,150,000	5.000	1.830*	EF6
2022	37,695,000	5.000	1.330	DW0	2032	29,595,000	5.000	1.890*	EG4
2023	39,635,000	5.000	1.340	DX8	2033	30,795,000	3.000	2.400*	EH2
2024	41,660,000	5.000	1.360	DY6	2034	31,730,000	3.000	2.550*	EJ8
2025	22,805,000	5.000	1.400	DZ3	2035	32,700,000	3.000	2.650*	EK5
2026	23,980,000	5.000	1.470	EA7	2036	33,695,000	3.000	2.730*	EL3
2027	25,210,000	5.000	1.550	EB5	2037	34,720,000	3.000	2.770*	EM1
2028	26,505,000	5.000	1.620	EC3	2038	35,780,000	3.000	2.810*	EN9
2029	27,860,000	5.000	1.690	ED1	2039	36,870,000	3.000	2.850*	EP4

*Priced to July 1, 2029 optional redemption date.

$278,550,000
State of Georgia
General Obligation Bonds 2019B (Federally Taxable)
Maturity Schedule
(Base CUSIP Number 373385[(a)])

Maturing July 1,	Principal Amount	Interest Rate	Yield	CUSIP[(a)] Suffix	Maturing July 1,	Principal Amount	Interest Rate	Yield	CUSIP[(a)] Suffix
2020	$15,435,000	2.000%	2.000%	ES8	2030	$12,285,000	3.650%	2.600%*	FC2
2021	15,770,000	2.000	1.940	ET6	2031	12,655,000	2.700	2.700	FD0
2022	16,120,000	2.000	1.870	EU3	2032	13,050,000	2.800	2.800	FE8
2023	16,480,000	2.000	1.910	EV1	2033	13,445,000	2.850	2.850	FF5
2024	16,900,000	2.050	2.000	EW9	2034	13,835,000	2.900	2.900	FG3
2025	10,780,000	2.100	2.100	EX7	2035	14,250,000	2.950	2.950	FH1
2026	11,070,000	2.190	2.190	EY5	2036	14,690,000	3.000	3.000	FJ7
2027	11,345,000	2.350	2.350	EZ2	2037	15,140,000	3.050	3.050	FK4
2028	11,640,000	2.410	2.410	FA6	2039#	31,720,000	3.100	3.100	FM0
2029	11,940,000	2.480	2.480	FB4					

*Priced to July 1, 2029 optional redemption date.

Term bonds subject to mandatory redemption as described herein. See "DESCRIPTION OF BONDS – Redemption Provisions - *Mandatory Redemption of 2019B Bonds"* herein.

$35,920,000
State of Georgia
General Obligation Refunding Bonds 2019C
Maturity Schedule

Maturing July 1,	Principal Amount	Interest Rate	Yield	CUSIP[(a)]
2020	$16,785,000	5.000%	1.300%	373385EQ2
2022	19,135,000	5.000	1.330	373385ER0

[(a)] CUSIP® is a registered trademark of the American Bankers Association ("ABA"). CUSIP data herein are provided by CUSIP Global Services (CGS), operated on behalf of the ABA by S&P Global Market Intelligence, a division of S&P Global Inc. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. The CUSIP numbers listed above have been assigned by an independent company not affiliated with the State and are being provided solely for the convenience of bondholders only at the time of issuance of the Bonds, and neither the State nor the Commission makes any representation with respect to such numbers or undertakes any responsibility for their accuracy now or at any time in the future. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Bonds as a result of various subsequent actions that are applicable to all or a portion of certain maturities of the Bonds.

STATE OF GEORGIA

Governor
BRIAN P. KEMP

Lieutenant Governor
GEOFF DUNCAN

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

Members
BRIAN P. KEMP - Governor, Chair
GEOFF DUNCAN - President of the Senate, Vice-Chair
DAVID RALSTON - Speaker of the House of Representatives
CHRISTOPHER M. CARR - Attorney General
GARY W. BLACK - Commissioner of Agriculture
LYNNE RILEY - State Treasurer
GREG S. GRIFFIN - State Auditor, Secretary and Treasurer

Financing and Investment Division
DIANA POPE - Director

Construction Division
MARTY W. SMITH - Director and
Executive Secretary to the Commission

State Law Department (State's Counsel)
CHRISTOPHER M. CARR - Attorney General

Bond Counsel
GRAY PANNELL & WOODWARD LLP
Savannah and Atlanta, Georgia

Disclosure Counsel
KUTAK ROCK LLP
Atlanta, Georgia

Co-Financial Advisors
PUBLIC RESOURCES ADVISORY GROUP
New York, New York

TERMINUS MUNICIPAL ADVISORS, LLC
Atlanta, Georgia

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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:	$636,125,000 General Obligation Bonds 2019A $278,550,000 General Obligation Bonds 2019B (Federally Taxable) $35,920,000 General Obligation Refunding Bonds 2019C
Maturity:	The 2019A Bonds mature on each July 1, from July 1, 2020 to July 1, 2039. The 2019B Bonds mature on each July 1, from July 1, 2020 to July 1, 2037 and on July 1, 2039. The 2019B Bonds maturing July 1, 2039 are subject to mandatory redemption as described in "DESCRIPTION OF THE BONDS – Redemption Provisions - *Mandatory Redemption of the 2019B Bonds"* herein. The 2019C Bonds mature on July 1, 2020 and July 1, 2022. See the inside front cover herein.
Redemption:	See "DESCRIPTION OF THE BONDS – Redemption Provisions" herein.
Interest:	Interest on the 2019A Bonds, 2019B Bonds, and 2019C Bonds is payable each January 1 and July 1, with the first interest payment due on January 1, 2020, until final payment, as further described in "DESCRIPTION OF THE BONDS" herein.
Dated Date:	Date of Initial Delivery.
Delivery Date:	On or about July 18, 2019.
Purpose:	The 2019A Bonds and the 2019B Bonds are being issued to provide funds for various capital outlay projects of the State and to make grants to various governmental entities for capital outlay projects. See "PURPOSE OF THE 2019A BONDS AND 2019B BONDS" herein for details. The 2019C Bonds are being issued to provide funds to refund certain outstanding general obligation bonds of the State. See "PURPOSE OF THE 2019C BONDS – PLAN OF REFUNDING" herein.
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:	Gray Pannell & Woodward LLP, Savannah and Atlanta, Georgia.
Disclosure Counsel:	Kutak Rock LLP, Atlanta, Georgia.
Co-Financial Advisors:	Public Resources Advisory Group, New York, New York and Terminus Municipal Advisors, LLC, Atlanta, Georgia.
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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$950,595,000
State of Georgia

$636,125,000 General Obligation Bonds 2019A
$278,550,000 General Obligation Bonds 2019B (Federally Taxable)
$35,920,000 General Obligation Refunding Bonds 2019C

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 2019A (the "2019A Bonds"), (ii) State of Georgia General Obligation Bonds 2019B (Federally Taxable) (the "2019B Bonds" or the "Taxable Bonds"), and (iii) State of Georgia General Obligation Refunding Bonds 2019C (the "2019C Bonds"). The 2019A Bonds, 2019B Bonds, and 2019C Bonds are referred to herein, collectively, as the "Bonds" and the 2019A Bonds and 2019C Bonds also are referred to herein, collectively, as the "Tax-Exempt 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 20, 2019 (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 2019A Bonds and 2019B Bonds will be used to finance various capital outlay projects of the State and to make grants to various governmental entities for various capital outlay projects as described under "PURPOSE OF THE 2019A BONDS AND 2019B BONDS" herein. The State currently expects to use the original issue premium generated from the sale of the 2019A Bonds to fund a portion of various capital projects and grants funded by the 2019A Bonds and to pay all or a portion of the costs of issuance of the 2019A Bonds. The State currently expects to use the original issue premium generated from the sale of the 2019B Bonds to pay all or a portion of the costs of issuance of the 2019B Bonds. The State currently expects to use the proceeds and original issue premium generated from the sale of the 2019C Bonds to refund certain outstanding general obligation bonds of the State and also to pay all or a portion of the costs of issuance of the 2019C Bonds as described under "PURPOSE OF THE 2019C BONDS – PLAN OF REFUNDING" herein. See "USE OF PREMIUM ON THE 2019A BONDS AND 2019B BONDS" 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, based upon an analysis of existing laws, regulations, rulings, and judicial decisions, and assuming, among other things, the accuracy of certain representations and the continued compliance with certain covenants and tax law requirements, interest on the Tax-Exempt Bonds is excludable from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended, and is not a specific preference item for purposes of the federal alternative minimum tax. Interest on the Taxable 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 Tax-

Exempt Bonds and Taxable Bonds is exempt from present State of Georgia income taxation. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Bonds. See "APPENDIX E", "APPENDIX F", and "APPENDIX G" herein for the forms of opinions Bond Counsel proposes to deliver in connection with the issuance of the 2019A Bonds, 2019B Bonds, and 2019C Bonds, respectively. For a more complete discussion of the tax status of the Bonds and certain other tax consequences relating to the Bonds, see "LEGAL AND TAX STATUS" 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 Gray Pannell & Woodward LLP, Savannah and 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 18, 2019, 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 Resolutions 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 Bonds is payable semiannually on January 1 and July 1 in each year (each as to the 2019A Bonds, 2019B Bonds, and 2019C Bonds an "Interest Payment Date"), commencing January 1, 2020, until final payment for the respective series of Bonds.

The Bonds will bear interest from the applicable 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 applicable 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.

Redemption Provisions

Optional Redemption of the 2019A Bonds

The 2019A Bonds maturing on or before July 1, 2029 are not subject to optional redemption prior to their stated maturity. The 2019A Bonds maturing on or after July 1, 2030 will be subject to redemption at the option of the Commission, on behalf of the State, on and after July 1, 2029, and prior to their stated maturity, in whole or in part at any time at a redemption price equal to the principal amount of the 2019A Bonds to be redeemed, plus accrued and unpaid interest thereon to the date fixed for redemption.

Mandatory Redemption of the 2019B Bonds

The 2019B Bonds maturing on July 1, 2039 are subject to mandatory sinking fund redemption in part from time to time prior to maturity on July 1 in the years and in the principal amounts indicated below, without a premium, plus accrued interest to the redemption date (the 2039 amount to be paid rather than redeemed):

Redemption Date	Principal Amount
July 1, 2038	$15,615,000
July 1, 2039*	16,105,000

*Final Maturity

If the Commission optionally redeems or purchases 2019B Bonds, the par amount of the 2019B 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.

Optional Redemption of the 2019B Bonds

The 2019B Bonds are subject to redemption on any Business Day prior to their stated maturity at the option of the Commission, on behalf of the State, in whole or in part at any time, at a redemption price, which prior to July 1, 2029 shall equal the Make-Whole Redemption Price (as defined below) and on or after July 1, 2029 shall equal one hundred percent (100%) of the principal amount of the 2019B Bonds to be redeemed plus accrued and unpaid interest thereon to the date fixed for redemption.

The "Make-Whole Redemption Price" is equal to the greater of (i) Amortized Value (as defined below) of the 2019B Bonds (but not less than one hundred percent (100%) of the principal amount of such 2019B Bonds) to be redeemed on the redemption date; or (ii) the sum of the present values of the remaining scheduled payments of principal and interest to the maturity date on the 2019B Bonds to be redeemed, not including any portion of those payments of interest accrued and unpaid as of the date on which the 2019B Bonds are to be redeemed, discounted to the date on which the 2019B Bonds are to be redeemed on a semi-annual basis, assuming a 360-day year consisting of twelve 30-day months, at the Treasury Rate (as defined below), plus (i) with respect to such 2019B Bonds maturing on July 1, 2020 through July 1, 2029, zero (10) basis points, and (ii) with respect to such 2019B Bonds maturing on July 1, 2030 through July 1, 2039, twenty-five (25) basis points; plus, in each case, accrued interest on the 2019B Bonds to be redeemed to the redemption date.

"Amortized Value" means, with respect to a 2019B Bond to be redeemed at a Make-Whole Redemption Price, the principal amount of the 2019B Bond to be redeemed, multiplied by the price of such 2019B Bond expressed as a percentage, calculated based on the industry standard method of calculating bond prices, with a delivery date equal to the redemption date, the maturity date of such 2019B Bond, an initial par call date of July 1, 2029 and a yield equal to such 2019B Bond's original reoffering yield set forth on the inside cover page hereof.

"Treasury Rate" means, with respect to any redemption date for a particular 2019B Bond, the yield to maturity as of such redemption date of United States Treasury securities with a constant maturity (as compiled and published in the Federal Reserve Statistical Release H.15 (519) (the "Statistical Release") that has become publicly available at least two (2) business days, but not more than forty-five (45) calendar days, prior to the redemption date (excluding inflation indexed securities) (or, if such Statistical Release is no longer published, any publicly available source of similar market data)) most nearly equal to the period from the redemption date to the maturity date of the 2019B Bonds to be redeemed.

Optional Redemption of the 2019C Bonds

The 2019C Bonds are not subject to optional redemption prior to their stated maturity.

Redemption Notices - Selection of Bonds to be Redeemed

Upon receipt of notice from the State of its election to redeem any or all of 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 thirty (30) days or more than sixty (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 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 U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments 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.

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.

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 – COMPREHENSIVE FINANCIAL STATEMENTS FOR FISCAL YEAR ENDED JUNE 30, 2018."

PURPOSE OF THE 2019A BONDS AND 2019B 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 general obligation debt or guaranteed revenue debt scheduled to retire on or between the date of this Official Statement and prior to July 1, 2019, as of June 30, 2019, the State will have general obligation debt outstanding in an aggregate principal amount of $9,388,795,000 and guaranteed revenue debt outstanding in an aggregate principal amount of $158,470,000. On July 1, 2019, an aggregate of $405,545,000 outstanding general obligation debt, and no outstanding guaranteed revenue debt, is scheduled to be retired. See "APPENDIX A – DEBT AND REVENUE INFORMATION – DEBT INFORMATION."

The proceeds of the 2019A Bonds and 2019B Bonds, including net original issue premium, 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 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; (ii) 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 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; (iii) 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, as amended by the supplementary General Appropriations Act for State Fiscal Year 2015-2016 (Ga. L. 2016, Volume One Appendix, commencing at p. 1 of 182, Act No. 312, 2016 Regular Session, H.B. 750) signed by the Governor on February 17, 2016; (iv) the General Appropriations Act for State Fiscal Year 2016-2017 (Ga. L. 2016, Volume One Appendix, commencing at p. 1 of 145, Act No. 517, 2016 Regular Session, H.B. 751) signed by the Governor on May 2, 2016, as amended by the supplementary General Appropriations Act for State Fiscal Year 2016-2017 (Ga. L. 2017, Volume One Appendix, commencing at p. 1 of 113, Act No. 5, 2017 Regular Session, H.B. 43) signed by the Governor on February 15, 2017; (v) the General Appropriations Act for State Fiscal Year 2017-2018 (Ga. L. 2017, Volume One Appendix, commencing at p. 1 of 249, Act No. 37, 2017 Regular Session, H.B. 44) signed by the Governor on May 1, 2017, as amended by the supplementary General Appropriations Act for State Fiscal Year 2017-2018 (Ga. L. 2018, Volume One Appendix, commencing at p. 1 of 195, Act No. 286, 2018 Regular Session, H.B. 683) signed by the Governor on March 9, 2018; (vi) the General Appropriations Act for State Fiscal Year 2018-2019 (Ga. L. 2018, Volume One Appendix, commencing at p. 1 of 135, Act No. 301, 2018 Regular Session, H.B. 684) signed by the Governor on May 2, 2018, as amended by the supplementary General Appropriations Act for State Fiscal Year 2018-2019 (commencing at p. 1 of 85, Act No. 1EX, 2018 Special Session, H.B. 1EX) signed by the Governor on November 17, 2018, as further amended by the supplementary General Appropriations Act for State Fiscal Year 2018-

2019 (commencing at p. 1 of 108, Act. No. 3, 2019 Regular Session, H.B. 30) signed by the Governor on March 12, 2019; and (vii) the General Appropriations Act for State Fiscal Year 2019-2020 (commencing at p. 1 of 259, Act No. 319, 2019 Regular Session, H.B. 31) signed by the Governor on May 10, 2019.

Amount[1]	2019A Bonds Purpose
$195,320,000	To finance grants to county and independent school systems for educational facilities and equipment through the State Board of Education (Department of Education)
187,000,000	To finance projects and facilities for the Board of Regents of the University System of Georgia
150,000,000	To finance projects and facilities for the Secretary of State
43,920,000	To finance projects and facilities for the Department of Corrections
18,085,000	To finance projects and facilities for the Department of Natural Resources
17,100,000	To finance projects and facilities for the Department of Defense
14,465,000	To finance projects and facilities for the Department of Public Safety
14,255,000	To finance projects and facilities for the Georgia Bureau of Investigation
13,185,000	To finance grants for public library facilities for counties, municipalities, and boards of trustees of public libraries or boards of trustees of public library systems through the Board of Regents of the University System of Georgia
11,850,000	To finance projects and facilities for the Department of Behavioral Health and Developmental Disabilities
9,500,000	To finance grants to the Georgia Environmental Finance Authority for the purpose of providing loans to local governments and local government entities for water and sewerage facilities or systems or for regional or multijurisdictional solid waste recycling or solid waste facilities or systems
8,450,000	To finance projects and facilities for the Department of Juvenile Justice
5,900,000	To finance projects and facilities for the Georgia Building Authority
6,500,000	To finance projects and facilities for the Georgia General Assembly
4,080,000	To finance projects and facilities for the Department of Agriculture
2,985,000	To finance projects and facilities for the Department of Education
2,575,000	To finance projects and facilities for the Georgia Public Safety Training Center through the Department of Public Safety
2,300,000	To finance projects and facilities for the Department of Public Health
2,140,000	To finance projects and facilities for the Department of Driver Services
2,120,000	To finance projects and facilities for the Department of Veterans Service
1,800,000	To finance projects and facilities for the Georgia State Financing and Investment Commission
1,570,000	To finance projects and facilities for the State Forestry Commission
1,275,000	To finance projects and facilities for the Georgia Military College through the Board of Regents of the University System of Georgia
1,110,000	To finance projects and facilities for the Department of Community Supervision
1,000,000	To finance projects and facilities for the Soil and Water Conservation Commission
$718,485,000	2019A Bonds Total

[1] Note: total amount funded from bond principal and net original issue premium.

Amount[1]	2019B Bonds Purpose
$121,905,000	To finance projects and facilities for the Technical College System of Georgia
58,600,000	To finance projects and facilities for the Board of Regents of the University System of Georgia
42,000,000	To finance projects and facilities for the Georgia World Congress Center Authority through the Department of Economic Development
35,000,000	To finance projects and facilities for the Department of Transportation
6,300,000	To finance projects and facilities for the Lake Lanier Islands Development Authority through the Department of Natural Resources
5,000,000	To finance projects and facilities for the Stone Mountain Memorial Association
4,000,000	To finance projects and facilities for the Department of Natural Resources
3,550,000	To finance projects and facilities for the Department of Agriculture
1,195,000	To finance projects and facilities for the Department of Education
1,000,000	To finance projects and facilities for the Georgia Vocational Rehabilitation Agency
$278,550,000	2019B Bonds Total

[1] Note: total amount funded from bond principal.

The Commission Act provides that the Commission shall be responsible for the proper application of the proceeds of the 2019A Bonds and the 2019B Bonds to the purposes for which they are incurred and that the proceeds received from the sale of the 2019A Bonds and the 2019B 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 2019A BONDS AND 2019B BONDS

The State currently expects to use the original issue premium generated from the sale of the 2019A Bonds to fund a portion of the various purposes of the 2019A Bonds as described above and to pay all or a portion of the costs of issuance of the 2019A Bonds. The State currently expects to use the original issue premium generated from the sale of the 2019B Bonds to pay all or a portion of the costs of issuance of the 2019B Bonds.

PURPOSE OF THE 2019C BONDS – PLAN OF REFUNDING

The State expects to use the proceeds of the 2019C Bonds, including all or a portion of the original issue premium generated from the sale of the 2019C Bonds, to refund all or a portion of certain previously issued State of Georgia general obligation bonds and to pay all or a portion of the cost of issuance on the 2019C Bonds. Simultaneously with the issuance of the 2019C Bonds, the Commission will deposit or cause to be deposited a portion of the proceeds derived from the sale of the 2019C Bonds into a special fund (the "2019C Refunding Escrow Fund") created under the terms of the 2019C Refunding Escrow Agreement, dated as of July 1, 2019 (the "2019C Refunding Escrow Agreement"), by and between the Commission, acting for and on behalf of the State, and The Bank of New York Mellon Trust Company, N.A., in its capacities as refunding escrow agent (the "2019C Refunding Escrow Agent"), and as paying agent and bond registrar for certain previously issued State of Georgia general obligation bonds (in such capacity, the "2019C Refunding Paying Agent"), 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 "2019C

Refunded Bonds"). See "APPENDIX H" herein. The 2019C 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 2019C Refunding Escrow Agent and the 2019C Refunding Paying Agent in accordance with each of their regular billing procedures. The sums deposited into the 2019C Refunding Escrow Fund shall be sufficient to provide for the payment of the principal, interest, and the redemption price of the 2019C Refunded Bonds. Said sums will be held as cash in the 2019C Refunding Escrow Fund, all as set forth in the 2019C Refunding Escrow Agreement. The 2019C Refunding Escrow Fund shall be at all times sufficient to pay the interest on the 2019C Refunded Bonds from the most recent date on which interest has been paid with respect to the 2019C Refunded Bonds to and including the applicable redemption date for any such 2019C Refunded Bonds, and to redeem any such 2019C 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 2019C Refunding Escrow Agreement, the 2019C Paying Agent for the 2019C Refunded Bonds has agreed to give appropriate notice of the redemption of the 2019C Refunded Bonds, as required under the terms of the various resolutions authorizing the issuance thereof. Moneys in the 2019C Refunding Escrow Fund shall be held in trust and used by the 2019C Refunding Escrow Agent to pay such principal and interest and redemption price with respect to the 2019C Refunded Bonds, and will not be available for payment of debt service on the Bonds. Upon issuance of the 2019C Bonds and compliance with the requirements of the 2019C Refunding Escrow Agreement for the payment of all the 2019C Refunded Bonds, pursuant to Article VII, Section IV, Paragraph V of the State Constitution the annual debt service requirements of the 2019C Refunded Bonds shall not be included in any constitutional debt limitations.

The accuracy of the mathematical computations of the adequacy of the funds to be held in the 2019C Refunding Escrow Fund under the terms of the 2019C Refunding Escrow Agreement to pay when due the principal of, interest on, and redemption prices of the 2019C Refunded Bonds will be verified by Samuel Klein and Company, Certified Public Accountants. See "VERIFICATION OF MATHEMATICAL COMPUTATIONS – 2019C BONDS" herein.

AUTHORIZED INDEBTEDNESS

During the 2019 Regular Session, the General Assembly adopted H.B. 31, the General Appropriations Act for the State Fiscal Year beginning July 1, 2019 and ending June 30, 2020 ("FY 2020"), and the Governor approved the authorization of an aggregate principal amount of $1,095,915,000 of new general obligation debt in the FY 2020 budget, the proceeds of which are to be used for various planned capital projects of the State, its departments and agencies as well as grants to county and independent school systems and various government entities; the General Assembly did not repeal any previously authorized but unissued general obligation debt, currently authorized in an aggregate amount of $238,375,000. As of July 1, 2019 the aggregate amount of authorized but unissued general obligation debt will be $1,334,290,000. Upon the issuance of the Bonds, there will remain $337,255,000 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 – COMPREHENSIVE FINANCIAL STATEMENTS FOR FISCAL YEAR ENDED JUNE 30, 2018" 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 investment 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 currently include: repurchase agreements, certificates of deposit, commercial paper, bank deposits held for investment purposes, 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 Treasurer ("OST") manages the Local Government Investment Pools ("LGIP") currently comprised of three LGIP Offerings: Georgia Fund 1 ("GF1"), Georgia Fund 1Plus ("GF1+"), and Georgia Extended Asset Pool Plus ("GEAP+"). The LGIP is administered in accordance to the LGIP Trust Policy approved by the State Depository Board. The LGIP Trust Policy allows commingling local government monies with State operating funds and State agencies' funds. GF1 is managed to maintain a constant net asset value ("NAV") of $1.00 and maintains Standard & Poor's ratings of AAAf for fund credit quality and S1+ for fund volatility. GF1+ also is managed to maintain a constant NAV of $1.00. GEAP+ offers a series of fixed income target maturity funds with emphasis on principal preservation. 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

The Tax-Exempt Bonds

Federal Tax Exemption. In the opinion of Bond Counsel, based upon an analysis of existing laws, regulations, rulings, and judicial decisions, and assuming, among other things, the accuracy of certain representations and the continued compliance with certain covenants and tax law requirements, interest on the Tax-Exempt Bonds is excludable from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code") and is not a specific preference item for purposes of the federal alternative minimum tax. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Bonds.

State Tax Exemption. In the opinion of Bond Counsel, interest on the Tax-Exempt Bonds is exempt from present State of Georgia income taxation.

Maintenance of Tax Status. The Code and the regulations promulgated thereunder contain a number of restrictions, conditions and 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. 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 retroactively 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 has not undertaken to determine or to inform any person whether any action taken or not taken or any event occurring or not occurring after the date of issuance of the Tax-Exempt Bonds may adversely affect the value of, or the tax status of interest on, the Tax-Exempt Bonds.

Current and legislative proposals, if enacted into law, clarification of the Code by the Treasury Department or the Internal Revenue Service, or future court decisions may cause interest on the Tax-Exempt Bonds to be subject, directly or indirectly, in whole or in part, to federal income taxation or otherwise prevent owners of the Tax-Exempt Bonds from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such legislative proposals also may affect the market price for or marketability of the Tax-Exempt Bonds. Prospective purchasers of the Tax-Exempt Bonds are encouraged to consult their own tax advisors regarding any pending or proposed federal legislation, regulatory initiatives or litigation.

The opinions expressed by Bond Counsel are based upon existing law, legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the Tax-Exempt Bonds, cover certain matters not directly addressed by such authorities, and represent Bond Counsel's judgment as to the treatment of the Tax-Exempt Bonds for federal income tax purposes. Such opinions are not binding on the Internal Revenue Service (the "IRS") or the courts. Furthermore, Bond Counsel cannot give and has not given any opinion or assurance about the future activities of the Issuer or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof, or the enforcement thereof by the IRS. The Issuer has covenanted, however, to comply with the requirements of the Code.

Bond Counsel's engagement with respect to the Tax-Exempt Bonds ends with the issuance of the Tax-Exempt Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend the Issuer or the beneficial owners of the Tax-Exempt Bonds regarding the tax-exempt status of the Tax-Exempt Bonds in the event of an audit examination by the IRS. Under current procedures, parties (such as the beneficial owners) other than the Issuer and its appointed counsel would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds is difficult, obtaining an independent review of IRS positions with which the Issuer legitimately disagrees may not be practicable. Any action of the IRS, including but not limited to selection of the Tax-Exempt Bonds for audit, or the course or result of such audit, or an audit of bonds presenting similar tax issues may affect the market price for, or the marketability of, the Tax-Exempt Bonds, and may cause the Issuer or the beneficial owners of the Tax-Exempt Bonds to incur significant expense.

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 forms of opinions of Bond Counsel relating to the Tax-Exempt Bonds attached hereto in APPENDIX E and APPENDIX G for the complete texts thereof. See also "LEGAL MATTERS" herein.

Premium Bonds. Tax-Exempt Bonds purchased, whether at original issuance or otherwise, for an amount higher than their principal amount payable at maturity (or, in some cases, at their earlier call date) (the "Tax-Exempt Premium Bonds") will be treated as having amortizable bond premium. 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. However, the purchaser's basis in a Tax-Exempt Premium Bond will be reduced by the amount of the amortizable bond premium properly allocable to such purchase during each year. 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 § 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 bond 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 such holders of purchasing, holding, selling, or surrendering a Tax-Exempt Premium Bond at its maturity.

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 depending upon their status and income. 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.

Disposition of the Tax-Exempt Bonds. Unless a non-recognition provision of the Code applies, the sale, exchange, redemption, retirement, reissuance or other disposition of a Tax-Exempt Bond may result in a taxable event for federal income tax purposes.

The Taxable Bonds

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.

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.

Federal Income Taxation. Interest earned on the Taxable Bonds is not excludable from gross income of the holders of the Taxable Bonds for federal income tax purposes.

State Income Tax Exemption. In the opinion of Bond Counsel, interest on the Taxable Bonds is exempt from present State of Georgia income taxation.

Reference is made to the proposed form of opinion of Bond Counsel relating to the Taxable Bonds attached hereto as APPENDIX F for the complete text thereof.

Original Issue Premium. Certain Taxable Bonds have been sold to the public at an original issue premium (collectively, the "Taxable Premium Bonds"). 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, § 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 § 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 such holders of purchasing, holding, selling, or surrendering Taxable Premium Bonds at their maturity.

Tax Treatment of Foreign Investors. Under §§ 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 thirty percent (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 also will 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 thirty percent (30%) withholding tax.

Backup Withholding. The Code subjects certain non-corporate owners of Taxable Bonds, under certain circumstances, to "backup withholding" at the 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.

Disposition of the Taxable Bonds. Unless a non-recognition provision of the Code applies, the sale, exchange, redemption, retirement, reissuance or other disposition of a Taxable Bond may result in a taxable event for federal income tax purposes.

Defeasance. Defeasance of any Taxable Bond may result in a deemed reissuance thereof for federal income tax purposes, which may be a taxable event for federal income tax purposes.

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), S&P Global Ratings ("S&P"), a division of Standard & Poor's Financial Services LLC, 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 2019A Bonds, 2019B Bonds, and 2019C Bonds were awarded pursuant to electronic competitive bidding on June 19, 2019 and Commission action on June 20, 2019. The 2019A Bonds maturing on each July 1 from July 1, 2020 to July 1, 2029, inclusive (the "2019A Tranche 1 Bonds"), were awarded to Morgan Stanley & Co. LLC (the "2019A Tranche 1 Underwriter") at an aggregate discount of $142,705.89 from the initial public offering prices derived from the yields set forth on the inside cover page of this Official Statement. The 2019A Tranche 1 Underwriter has supplied the information as to the initial yields on the 2019A Tranche 1 Bonds as set forth on the inside cover of this Official Statement. The 2019A Bonds maturing on each July 1 from July 1, 2030 to July 1, 2039, inclusive (the "2019A Tranche 2 Bonds"), were awarded to Wells Fargo Bank, N.A. (the "2019A Tranche 2 Underwriter") at an aggregate discount of $737,863.00 from the initial public offering prices derived from the yields set forth on the inside cover page of this Official Statement. The 2019A Tranche 2 Underwriter has supplied the information as to the initial yields on the 2019A Tranche 2 Bonds as set forth on the inside cover of this Official Statement. The 2019B Bonds maturing on each July 1 from July 1, 2020 to July 1, 2029, inclusive (the "2019B Tranche 1 Bonds"), were awarded to J.P. Morgan Securities LLC (the "2019B Tranche 1 Underwriter") at an aggregate discount of $13,748.00 from the initial public offering prices derived from the yields set forth on the inside cover page of this Official Statement. The 2019B Tranche 1 Underwriter has supplied the information as to the initial yields on the 2019B Tranche 1 Bonds as set forth on the inside cover of this Official Statement. The 2019B Bonds maturing on each July 1 from July 1, 2030 to July 1, 2039, inclusive (the "2019B Tranche 2 Bonds"), were awarded to Wells Fargo Bank, N.A. (the "2019B Tranche 2 Underwriter") at an aggregate discount of $954,479.62 from the initial public offering prices derived from the yields set forth on the inside cover page of this Official Statement. The 2019B Tranche 2 Underwriter has supplied the information as to the initial yields on the 2019B Tranche 2 Bonds as set forth on the inside cover of this Official Statement. The 2019C Bonds maturing on July 1, 2020 and July 1, 2022 (the "2019C Bonds"), were awarded to Morgan Stanley & Co. LLC (the "2019C Underwriter") at an aggregate discount of $5,487.93 from the initial public offering prices derived from the yields set forth on the inside cover page of this Official Statement. The 2019C Underwriter has supplied the information as to the initial yields on the 2019C 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 2019A Bonds, 2018B Bonds, and 2019C Bonds should be obtained from the respective Underwriters, as applicable, and not from the State.

VERIFICATION OF MATHEMATICAL COMPUTATIONS – 2019C BONDS

The accuracy of, among other things, the mathematical computations of the adequacy of the funds to be held in the 2019C Refunding Escrow Fund under the terms of the 2019C Refunding Escrow Agreement to pay when due the principal of, interest on, and redemption price of the 2019C Refunded Bonds will be verified by Samuel Klein and Company, Certified Public Accounts, a provider of mathematical verification and arbitrage rebate services. Such verification shall be based upon certain information supplied by the Commission. See "PURPOSE OF THE 2019C BONDS – PLAN OF REFUNDING" and "LEGAL AND TAX STATUS – Tax Consequences of Owning the Bonds" herein.

LEGAL MATTERS

Legal matters incident to the validity of the Bonds are subject to the approving opinions of Gray Pannell & Woodward LLP, Savannah and 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 2019A Bonds, the 2019B Bonds, and the 2019C Bonds, respectively, are set forth in APPENDIX E, APPENDIX F, and APPENDIX G. 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 - COMPREHENSIVE FINANCIAL STATEMENTS FOR FISCAL YEAR ENDED JUNE 30, 2018 – Notes to the Financial Statements – Note 20: 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 Comprehensive Financial Statements of the State (the "State CAFR") as of and for the Fiscal Year ended June 30, 2018, included as APPENDIX B, were 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 (the "Annual Report") by not later than twelve (12) months after the end of each fiscal year, commencing with the fiscal year ended June 30, 2019, 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.

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 Resolutions 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 Resolutions. A copy of each 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 Resolutions, 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*
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 – COMPREHENSIVE FINANCIAL STATEMENTS FOR FISCAL YEAR ENDED JUNE 30, 2018" herein.

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Authorized Indebtedness

The following table sets forth 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, 2020. (Note, throughout this Official Statement a State fiscal year beginning on July 1 in one calendar year and on ending on June 30 of the subsequent calendar year (both historical and forward looking) may be referred to, for example, as FY 2020 for the State fiscal year beginning on July 1, 2019 and ending on June 30, 2020, and therefore the table below encompasses the period of FY 1975 through FY 2020.) 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 (Including the Bonds)" and "Unissued Authorized Indebtedness." The amounts reflected in the column labeled "Total State Debt Funded (Including the Bonds)" 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
K-12 School Construction	$7,359,845,000		$7,022,590,000	$337,255,000
University Facilities	6,565,618,000		6,565,618,000	
Transportation	5,045,880,000	$755,245,000	5,801,125,000	
Technical College System	2,192,907,000		2,192,907,000	
Department of Corrections	1,137,980,000		1,137,980,000	
Environmental Finance Authority	828,600,000	97,470,000	926,070,000	
Port Facilities	898,815,000		898,815,000	
Department of Natural Resources	865,205,000		865,205,000	
World Congress Center	822,200,000		822,200,000	
Building Authority	696,815,000		696,815,000	
Human Services Facilities	457,485,000		457,485,000	
Department of Juvenile Justice	443,575,000		443,575,000	
Secretary of State	205,050,000		205,050,000	
Economic Development	190,090,000		190,090,000	
Bureau of Investigations	178,645,000		178,645,000	
Public Safety	177,245,000		177,245,000	
Public Libraries	163,755,000		163,755,000	
Department of Revenue	128,475,000		128,475,000	
Department of Agriculture	105,550,000		105,550,000	
Jekyll Island-State Park Authority	99,065,000		99,065,000	
Department of Community Affairs	81,740,000		81,740,000	
Department of Defense	68,385,000		68,385,000	
Stone Mountain Memorial Association	66,900,000		66,900,000	
Forestry Commission	63,765,000		63,765,000	
Department of Administrative Services	59,605,000		59,605,000	
Department of Labor	56,850,000		56,850,000	
Soil and Water Conservation Commission	43,540,000		43,540,000	
Agricultural Exposition	36,970,000		36,970,000	
Department of Veterans Service	24,390,000		24,390,000	
All Other	87,875,000		87,875,000	
Total	$29,152,820,000	$852,715,000	$29,668,280,000	$337,255,000

Source: Georgia State Financing and Investment Commission

Outstanding Debt

The following table sets forth the projected outstanding principal amount of indebtedness of the State upon issuance of the Bonds. Subsequent to the issuance of the Bonds, there will be $337,255,000 of unissued authorized general obligation debt remaining to be issued. There is no unissued authorized guaranteed revenue debt to be issued.

Description	General Obligation	Guaranteed Revenue	Total Outstanding
Total debt outstanding as of June 30, 2019	$ 9,388,795,000	$158,470,000	$ 9,547,265,000
Less debt scheduled to be retired on July 1, 2019	-405,545,000	0	-405,545,000
Subtotal debt outstanding prior to the Bonds	8,983,250,000	158,470,000	9,141,720,000
Plus the Bonds	950,595,000	0	950,595,000
Less debt refunded by the 2019C Bonds	-38,400,000	0	-38,400,000
Projected total debt outstanding upon issuance of the Bonds	$9,895,445,000	$158,470,000	$10,053,915,000

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. Through May 31, 2019, approximately $73.5 million of Commission approved EPC contract value authority has been utilized; another $6.5 million is expected to be utilized prior to the end of FY 2019. At its June 20, 2019 meeting the Commission approved the Georgia Environmental Finance Authority's request for $8.2 million of EPC contract value authority previously approved for FY 2019 be extended into FY 2020. 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 one-half percent (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 ten percent (10%) debt limit described under "DEBT INFORMATION - Appropriations and Debt Limitations" herein.

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 and signed by the Governor on May 2, 2012, 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 ("BOR"). Through May 31, 2019, the SPC has entered into 66 leases utilizing approximately $449 million of Commission approved multiyear rental agreement contract value authority. At its June 20, 2019 meeting, the Commission approved the SPC's request for an additional $75 million of multiyear rental agreement contract value authority for FY 2019 and also $200 million for new multiyear rental agreement contract value authority for FY 2020. Through May 31, 2019, the BOR had entered into four (4) leases utilizing approximately $125.2 million of Commission approved multiyear rental agreement contract value authority. At its June 20, 2019 meeting the Commission approved the BOR's request for new multiyear rental agreement contract value authority for FY 2020 in the amount of $25 million. Such multiyear rental agreements are not subject to the ten percent (10%) debt limitation described under "DEBT INFORMATION - Appropriations and Debt Limitations" herein.

In addition to the above, 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 – "Leases" in the State CAFR for FY 2018, included herein as APPENDIX B.

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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 schedule are the maximum aggregate scheduled sinking fund payments by fiscal year for all issued and outstanding general obligation bonds and guaranteed revenue bonds as of June 30, 2019, excluding the Bonds.

	General Obligation Bonds		Guaranteed Revenue Bonds		Total Bonds		
Fiscal Year	Principal	Interest	Principal	Interest	Total Principal	Total Interest	Total Debt Service
2020	$ 852,750,000	$ 390,020,387	$ 46,335,000	$ 7,436,250	$ 899,085,000	$ 397,456,637	$ 1,296,541,637
2021	822,675,000	352,116,676	48,675,000	5,094,500	871,350,000	357,211,176	1,228,561,176
2022	751,620,000	315,793,352	21,545,000	2,634,375	773,165,000	318,427,727	1,091,592,727
2023	707,965,000	283,495,404	22,650,000	1,529,500	730,615,000	285,024,904	1,015,639,904
2024	686,955,000	252,908,694	19,265,000	481,625	706,220,000	253,390,319	959,610,319
2025	624,410,000	224,423,142	-	-	624,410,000	224,423,142	848,833,142
2026	605,535,000	196,647,119	-	-	605,535,000	196,647,119	802,182,119
2027	620,370,000	170,670,225	-	-	620,370,000	170,670,225	791,040,225
2028	561,350,000	144,729,377	-	-	561,350,000	144,729,377	706,079,377
2029	536,285,000	120,295,210	-	-	536,285,000	120,295,210	656,580,210
2030	455,005,000	98,186,799	-	-	455,005,000	98,186,799	553,191,799
2031	420,220,000	79,725,695	-	-	420,220,000	79,725,695	499,945,695
2032	405,695,000	62,649,293	-	-	405,695,000	62,649,293	468,344,293
2033	370,480,000	46,914,856	-	-	370,480,000	46,914,856	417,394,856
2034	282,885,000	33,286,045	-	-	282,885,000	33,286,045	316,171,045
2035	230,350,000	23,436,081	-	-	230,350,000	23,436,081	253,786,081
2036	180,275,000	14,974,077	-	-	180,275,000	14,974,077	195,249,077
2037	133,025,000	8,367,085	-	-	133,025,000	8,367,085	141,392,085
2038	69,220,000	3,810,235	-	-	69,220,000	3,810,235	73,030,235
2039	71,725,000	1,307,513	-	-	71,725,000	1,307,513	73,032,513
Total	$9,388,795,000	$2,823,757,265	$158,470,000	$17,176,250	$9,547,265,000	$2,840,933,515	$12,388,198,515

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

Shown below are the rates of scheduled debt retirement on all outstanding general obligation bonds and guaranteed revenue bonds of the State as of June 30, 2019, but not including the Bonds.

Principal Amount Due	Amount	% of Total
In 5 Years (60 Months)	$3,980,435,000	41.7%
In 10 Years (120 Months)	$6,928,385,000	72.6%

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. During the period shown below, very low interest rates available on the invested general obligation bond proceeds 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	Par Value	Purchase Price (a)	Purchase Price as % of Par Value
2014	$880,000	$1,043,224	118.548%
2015	0	0	NA
2016	0	0	NA
2017	0	0	NA
2018	200,000	228,425	114.212
2019(b)	400,000	426,460	106.615

(a) Excluding Accrued Interest
(b) Through May 31, 2019
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 in such State Treasury Receipts is set forth in the third column of the table below.

Fiscal Year	State Treasury Receipts	% Change From Prior Year
2014	$20,256,765,495	3.7%
2015	21,557,498,541	6.4
2016	23,476,964,889	8.9
2017	24,519,402,190	4.4
2018	25,649,499,261	4.6

Source: State Accounting Office – Georgia Revenues and Reserve Report

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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 2018	$2,564,949,926
• Highest debt service for currently outstanding debt in any year (FY 2020)	$1,296,541,637
• FY 2020 Appropriated Debt Service for the Bonds	$106,804,499
• Total highest current outstanding debt service plus appropriated debt service for the Bonds	$1,403,346,136
• As a percent of FY 2018 State Treasury Receipts	5.47%
• Total additional debt service appropriations for all remaining currently authorized but unissued bonds, after issuance of the Bonds	$28,869,028
• Total highest annual commitments in any fiscal year, current outstanding debt service plus debt service appropriations for all currently authorized but unissued bonds	$1,432,215,164
• As a percent of FY 2018 State Treasury Receipts	5.58%
• Projected State Treasury Receipts for FY 2019	$26,690,226,349
• As a percent of FY 2019 Projected State Treasury Receipts	5.37%
• Projected State Treasury Receipts for FY 2020	$27,542,850,393
• As a percent of FY 2020 Projected State Treasury Receipts	5.20%

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
2014	$350,521,082,495	$ 880,263,893,759	39.8%
2015	359,547,653,892	920,500,906,022	39.0
2016	375,667,703,224	969,465,040,579	38.7
2017	394,723,489,792	1,020,220,960,952	38.6
2018[a]	422,974,639,944	1,093,240,216,966	38.6

[a] Note: Amounts for 2018 are preliminary and subject to change until November 15, 2019, when they are scheduled to be finalized and further subject to any ongoing appeals at that time.

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."

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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)	$10,053,915,000
2018 Population Estimate (a)	10,519,475
2018 Total Personal Income Estimate (b)	$481,213,000,000
Debt per Capita	$956
Debt to Personal Income	2.09%
Debt to Estimated Actual Value	0.92%
Debt to Assessed Valuation	2.38%

(a) As of July 1, 2018, U.S. Department of Commerce, Bureau of the Census
(b) U.S. Department of Commerce, Bureau of Economic Analysis – Calendar Year 2018
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 and the Director of the Governor's Office of Planning and Budget ("OPB"). 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 Budget Process

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 interests of the State.

Each year, the General Assembly passes and the Governor signs two separate budgets with the primary one being the budget for the upcoming fiscal year (July 1 – June 30). The other is the "amended" current fiscal year budget, which makes adjustments to the current fiscal year to account for changes in school enrollment and for other unanticipated needs that arise. If necessary, the Governor has the authority to call a special session of the General Assembly to take up a supplemental budget to address critical fiscal issues.

Cash Flow Management

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 OPB. A warrant is the approval of funding a portion 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 Treasurer ("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. 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. 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 2020.

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.

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 one percent (1%) 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 four percent (4%) 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 fifteen percent (15%) of the previous fiscal year's net revenue for any given fiscal year.

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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
2014	$19,168	$1,055	$192	$ 863
2015	20,435	1,635	204	1,431
2016	22,237	2,255	222	2,033
2017	23,268	2,541	233	2,309
2018	24,320	2,800	243	2,557

(a) The amount by which the total Revenue Shortfall Reserve exceeds four percent (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 one percent (1%) for funding increased educational needs (see (b) below) were released by the Governor.

(b) Up to one percent (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 shown above 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.

Reconciliation of Revenue Shortfall Reserve - FY 2018 and FY 2019 Uses

Ending FY 2017 Revenue Shortfall Reserve Balance	$2,308,605,781
Plus Excess of FY 2018 Total Budget-Based Revenues Available Over FY 2018 Appropriations	420,181,440
Plus Audited FY 2018 Agency Lapse of Surplus Funds	71,015,476
Less one percent (1%) Mid-year Adjustment for K-12 Education Appropriation in Amended FY 2019 Budget	(243,198,693)
Ending FY 2018 Revenue Shortfall Reserve Balance	$2,556,604,004

Source: State Accounting Office

Changes to Georgia's Tax Code

During its 2018 legislative session, the General Assembly passed a number of bills that were signed into law by the Governor which amended Georgia's income tax code. Notably, the General Assembly passed and the Governor signed into law House Bill 918 ("HB 918") which took significant steps to align Georgia's income tax code with the federal tax code after passage of the Tax Cut and Jobs Act ("TCJA"), and to adjust Georgia's tax structure in response to expected revenue changes resulting from conformity with the TCJA. The TCJA essentially expanded the tax base for individual and corporate income tax payers and lowered federal income tax rates. Simply conforming to the federal tax base changes would have resulted in significant increases in tax revenues to Georgia. HB 918 implements a three step process to adjust the tax structure. Effective January 1, 2018, the standard deduction for all individual filers was doubled. Effective January 1, 2019, the top tax rate for individual and corporate taxpayers was reduced from 6.0% to 5.75%. Effective January 1, 2020, the top rate is scheduled to be further reduced to 5.5%, but this will require the General Assembly and the Governor to ratify this step during the 2020 legislative session. In addition, these changes sunset on December 31, 2025 concurrent with the sunset of the changes to the federal tax code. HB 918, which includes general, but not absolute, conformity to the TCJA, as well as portions of the Bipartisan Budget Bill and the Disaster Relief Act, is expected to yield an increase in revenue of $265 million in FY 2019 and $393 million in FY 2020. If the third step of reducing the top income tax rate to 5.5% is ratified in 2020, HB 918 is expected to decrease revenues by $467 million in FY 2021.

Prior to the changes included in HB 918 described above, Georgia's income tax structure had remained unchanged since 1937, although an amendment to the State Constitution related to State income taxes which became effective on January 1, 2015 effectively provided that the maximum marginal rate of income tax may not exceed six percent (6%). During the most recent five fiscal years, income taxes, considering both individual and corporate, have accounted for approximately 49.0% of total State Treasury receipts.

In November 2018 the Governor convened a special session of the General Assembly to deal with emergency relief for those impacted by Hurricane Michael. An income tax credit was created to assist taxpayers in funding reforestation efforts. The aggregate amount of credits that can be issued is $200 million. (See *Amended FY 2019 Budget* below for additional information regarding additional budgetary action taken during the special session.)

During the FY 2019 legislative session, the General Assembly passed a number of bills that were signed into law by the Governor that will impact Georgia's tax code. These bills include adjusting thresholds for economic nexus, adjustments to job tax credits, and adjustments to the Title Ad Valorem Tax ("TAVT"). In aggregate, these bills are expected to reduce General Fund revenues by about $8.7 million in FY 2020 and $59.3 million in FY 2021.

Fiscal Performance

FY 2018 Results. FY 2018 state general fund revenues totaled $24.32 billion, an increase of 4.5% over FY 2017 state general fund revenues. Tax revenues totaled $22.64 billion which was 4.6% higher than in FY 2017. Revenues from interest, fees, and sales totaled $1.68 billion, which was 3.9% higher than in FY 2017. Revenue performance in FY 2018 continued to be bolstered by House Bill 170 ("HB 170"), adopted by the General Assembly in its 2015 session and effective July 1, 2015, which restructured motor fuel excise taxes and implemented new fees to fund transportation infrastructure. HB 170 revenues are dedicated to maintaining and enhancing the State's roads and bridges transportation network.

Georgia's key tax components posted revenue growth for FY 2018 compared to FY 2017. FY 2018 individual income tax revenues grew by 6.1% compared to the prior fiscal year. Individual income tax withholding revenues grew by 4.0 % in FY 2018 over FY 2017. In FY 2018, other individual income tax payments, including estimated payments, final return payments, and non-resident payments, grew by 14.0% over FY 2017.

FY 2018 corporate income tax revenues increased by 3.3% compared to FY 2017 revenues. Corporate payments grew by 4.9% in FY 2018 compared to FY 2017 while refunds paid in FY 2018 increased by 11.3 % compared to FY 2017 refund payments.

Sales and use tax revenues grew by 4.0% in FY 2018 compared to FY 2017. In addition, the TAVT, which during FY 2013 had replaced the sales tax on dealer new and used car sales and expanded the tax base to include nearly all vehicle title transactions, decreased by 6.5% in FY 2018 compared to FY 2017. This decrease largely reflects the declining state share of the revenues generated by the 7.0% TAVT tax rate, which is determined by law.

Revenue Shortfall Reserve. Georgia's Revenue Shortfall Reserve ("RSR") increased to $2.56 billion at the end of FY 2018 from $2.31 billion at the end of FY 2017; this amount is net of the appropriation of the Amended FY 2019 budget 1% mid-year adjustment of $243 million for K-12 education needs. The increase in the RSR balance reflected excess funds over appropriations plus agency lapse.

FY 2019 Year to Date Results. For fiscal year to date through May 2019 ("FYTD 2019"), total tax revenues, as reported by the Georgia Department of Revenue, have increased by 4.5% compared to the same eleven-month period for FY 2018 ("FYTD 2018").

Individual income tax revenues have increased by 4.1% FYTD 2019 compared to FYTD 2018. Withholding revenues are up 2.1% and other income tax payment revenues have grown by 5.5%. FYTD 2019 individual income tax refund payments have decreased by 3.0% compared to FYTD 2018. The TCJA and Georgia's HB 918 tax reform legislation have had a significant impact on withholding payments and payments with returns. Withholding taxes have been negatively impacted by the reduction in the top marginal tax rate while provisions which limit certain itemized deductions have contributed to increased payments with returns.

Net Sales and Use tax revenues have grown 5.4% FYTD 2019 compared to FYTD 2018.

Corporate income tax revenues have increased by 27.2% FYTD 2019 compared to FYTD 2018. Corporate payments have increased by 14.6% over this period and refund payments have decreased by30.6%. Tax reform also has impacted corporate revenues by reducing the tax rate but limiting certain deductions in the calculation of taxable income.

Revenues from the TAVT on vehicle title transactions have declined by 4.8% FYTD 2019 compared to FYTD 2018. This decline reflects a small decline in new car sales and a decrease in the State's share of total TAVT revenues.

Motor fuel tax revenues have increased by 2.0% in FYTD 2019 over FYTD 2018.

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 moderate growth in Gross Domestic Product ("GDP"). Growth sped up in 2018, boosted by stimulus from the TCJA. Quarterly GDP growth peaked at 4.2% in the second quarter of calendar 2018 and then slowed to 3.4% in the third quarter and 2.2% in the fourth quarter. Growth picked up in the first quarter of 2019 to 3.2%, but was boosted by factors that are likely to prove temporary - a large inventory build-up and a large improvement in net exports.

The U.S. job market continues to expand. Net job growth averaged just over 150,000 new jobs over the three months ended May 2019. Unemployment is very low at 3.6% as of May 2019, down from 3.8% in May 2018. The broader U-6 measure of unemployment also is very low at 7.1% as of May 2019. Initial unemployment insurance claims are low, averaging around 215,000 new claims per week, and are about in line with year ago levels.

The Institute of Supply Management ("ISM") Indices for Manufacturing and for Services are currently above 50, the dividing line between expansion and contraction; however, both indices are trending down showing that growth is slowing. As of May 2019, the ISM index for manufacturing is 52.1, down from a recent peak of 60.8 in August 2018. Other manufacturing data such as new orders and shipments also show slower growth. The ISM index for Services in May 2019 is 56.9, down from a recent peak of 60.4 in November 2018. Thus, both indices reflect a slowing growth environment.

Non-farm employment in Georgia has grown at a moderate pace over the last year. On a seasonally adjusted basis, non-farm employment grew by about 69,700 jobs from April 2018 to April 2019; this is a growth rate of 1.5%.

Georgia's employment growth has been well diversified across sectors. On a year over year, three month moving average basis as of April 2019, the construction sector has experienced the largest percentage growth at 5.7%, followed by Education & Health and Leisure and Hospitality both at 3.1%. The weakest performing sector over this period was the Information sector which reported job declines of 4.4%. Information is a small sector in terms of total employment and includes declining activities such as print media.

On a regional basis, Georgia's employment growth also has been well diversified across metro areas. All fourteen metro areas in Georgia that are tracked by the U.S. Bureau of Labor Statistics posted net job growth on a year over year, three month moving average basis as of April 2019. Five metro areas reported job growth of 2.0% or higher for this period. Gainesville reported the strongest growth at 4.1%, Dalton reported 3.1% growth while Augusta, Hinesville and Atlanta, the largest metro area, all posted growth of 2.0% for this period.

Over the last year, Georgia's unemployment rate has stabilized below 4.0%. As of April 2019, Georgia's unemployment rate was 3.8%, down from 4.1% in April 2018. Georgia's unemployment rate dropped to 3.8% in July 2018 and has varied little since that time. The improvement in Georgia's unemployment rate has been accompanied by a growing labor force and growth in household employment.

Personal income growth in Georgia is moderate. Growth on a year over year basis equals 4.8% as of the fourth quarter of 2018, the most recent information available. This compares to growth in U.S. personal income of 4.6% for the same quarter. Income from wages and salaries in Georgia has been growing more slowly than total personal income over the last few quarters. Income from wages and salaries grew at 4.5% year over year in fourth quarter of 2017 compared to growth of 4.8% for total personal income.

The housing sector in Georgia and nationally is mixed. Home prices have been rising on a year over year basis since late 2012, but the pace of growth has slowed. The S&P Case Shiller Home Price Index for the Atlanta metropolitan area is up 4.6% as of March 2019 compared to March 2018. Price growth in the Atlanta metro area had been about 6.0% at the end of 2018. Nationally, price growth has slowed more significantly. The composite index for 20 metro areas posted growth of 2.6% in March 2019 compared to March 2018. This is down from growth of about 5.0% in late 2018 and growth in excess of 6.0% in the first half of 2018.

Housing starts in Georgia still are trending up, but starts for the U.S. as a whole have been trending down throughout 2018 and into 2019. New and existing home sales levels are weak and show little sign of sustained improvement.

Mortgage delinquency rates in Georgia and in the U.S. rose slightly in the first quarter of 2019, but still are below pre-Great Recession levels. Foreclosure rates in Georgia and in the U.S. dropped in the first quarter of 2019 and are far below pre-Great Recession levels. Foreclosure rates and mortgage delinquency rates in Georgia remain above the U.S. averages, which is the historical norm. In general, mortgage credit quality in Georgia and the U.S. currently is better than pre-Great Recession levels as a result of strengthening of mortgage lending standards.

Amended FY 2019 Budget. As a result of the impact Hurricane Michael had on southwest Georgia in October of 2018, Governor Nathan Deal convened a special session of the General Assembly in November of 2018 to provide supplemental funding for FY 2019 to address financial needs associated with storm recovery. HB 1EX provided an additional $270 million for storm relief efforts, including $69 million in anticipated additional revenue growth related to HB 170 for road and bridge projects, $69 million for the state emergency fund, and $75 million for direct relief to landowners. Remaining funds primarily were used for economic development efforts to offset potential economic losses from the storm.

Following the fall 2018 special legislative session, the General Assembly convened for its annual legislative session in January 2019 to consider the Amended FY 2019 and FY 2020 budgets. The Amended FY 2019 budget anticipates state general fund revenues growth of 4.1% over the FY 2018 state general fund revenue collections, and total tax revenue growth of 4.1% over the FY 2018 tax revenue collections. The Amended FY 2019 budget was increased over the original FY 2019 budget by $692 million in general fund spending, which includes $270 million appropriated in the supplemental special session budget, $243.2 million for the mid-year K-12 adjustment, and an additional $178 million in revenue resulting from higher than anticipated growth in individual income and sales taxes as well as title ad valorem taxes. For both the original FY 2019 budget and the Amended FY 2019 budget, state agencies were not required to submit budget reductions. Increased revenues from current revenue sources are projected to be sufficient to cover growth needs in core spending areas in addition to funding select one-time budget needs. The required pension contributions for state retirement systems were fully funded in the original FY 2019 budget with no additional funding required in the Amended FY 2019 budget.

The Amended FY 2019 budget funds growth needs in education and human services, providing additional funding (over the original FY 2019 adopted budget amounts) to local governments and school systems, and supporting economic development efforts:

- $88.9 million for a midterm adjustment for K-12 education.
- $42.1 million for the State Commission Charter Schools supplement.
- $69.4 million to provide school security grants.
- $8.4 million for school-based mental health services in high schools.
- $50.9 million for the Indigent Care Trust Fund and Medicaid.
- $9.3 million for Mercer University to establish a new four-year medical school in Columbus.
- $9.8 million to meet increased demand in child welfare services programs.
- $33.8 million for Forestland Protection Act grants.
- $14.3 million for statewide water planning initiatives.
- $20.0 million for additional disaster relief funding to agricultural communities affected by Hurricane Michael.

At this time, growth in revenue collections is in excess of the pace built into the Amended FY 2019 budget revenue estimate. The State will continue to monitor revenue trends and is prepared to take steps should revenue performance deteriorate below expectations.

FY 2020 Budget. The FY 2020 budget revenue estimate assumes tax revenue growth of 3.5% and state general fund revenue growth of 3.2% compared to Amended FY 2019 budget revenue estimate. As in FY 2019, no reductions to agency budgets were necessary in FY 2020, and anticipated revenue growth is sufficient to meet expected growth in K-12 education, higher education, and the state's child welfare programs.

The FY 2020 budget includes an additional $707 million for K-12 education (net amount over the original FY 2019 adopted budget), including increases of $133.2 million for enrollment growth and training and experience, $532.3 million to provide a $3,000 increase to the state base salary schedule for certified teachers and a two percent salary increase for non-certificated employees, \$46.9 million for the State Commission Charter School supplement, and \$78.6 million in additional assistance for low-wealth systems. The budget also provides \$188.6 million for higher education, including \$86.2 million to fully fund enrollment growth for the University System, and \$30.8 million in additional lottery funds to provide a 3% increase in the award amount for the HOPE scholarships and grants. The additional funds for K-12 and higher education also include \$21.5 million to meet the actuarially determined employer contribution to the Teachers Retirement System.

Funding in the FY 2020 budget for human services includes an additional \$165 million for Medicaid, \$12.6 million to meet increased demand in child welfare programs, and \$30.6 million for additional waivers and behavioral health services as part of the Department of Justice settlement extension. Transportation funding includes \$32.2 million for transportation projects as a result of additional revenues from HB 170.

Budget instructions for the Amended FY 2020 budget and the FY 2021 budget are expected to be issued in July 2019. At that time, initial planning estimates for the Amended FY 2020 budget and the FY 2021 budget will be developed for the Governor’s consideration. Those estimates will incorporate a revised outlook based on any legislation passed during the 2019 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 2019 revenue collections as a new baseline for estimating future growth.

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Georgia Revenues
Actual FY 2014 – FY 2018

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

State General Funds	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Net Taxes: Dept. of Revenue					
Income Tax – Individual	$8,965,572,421	$ 9,678,524,026	$10,439,533,668	$10,977,729,901	$11,643,861,634
Income Tax – Corporate	943,806,441	1,000,536,425	981,002,336	971,840,713	1,004,297,542
Sales and Use Tax – General	5,125,501,785	5,390,353,066	5,480,196,159	5,715,917,830	5,945,877,598
Motor Fuel	1,006,493,364	1,025,819,044	1,655,027,765	1,740,963,444	1,801,686,710
Tobacco Taxes	216,640,134	215,055,115	219,870,412	220,773,541	224,910,391
Alcoholic Beverages Tax	181,874,583	184,373,811	190,536,391	193,437,999	195,696,036
Estate Tax	-	-	(414,376)	-	-
Property Tax	38,856,854	26,799,138	14,078,425	376,096	606,083
Motor Vehicle License Tax	337,455,825	339,611,871	368,005,068	368,131,657	398,498,915
Title Ad Valorem Tax	741,933,576	828,133,775	939,049,156	979,494,484	915,854,817
Net Taxes: Other Depts.					
Insurance Premium Tax	372,121,805	419,653,207	428,699,713	480,154,181	505,054,096
Total Net Taxes	17,930,256,787	19,108,859,479	20,715,584,717	21,648,819,846	22,636,343,824
Interest, Fees, and Sales -					
Department of Revenue					
Transportation Fees	-	-	161,252,054	183,158,660	185,640,800
Other Interest, Fees, Sales	325,419,014	338,135,999	366,701,125	379,138,056	396,755,089
Office of State Treasurer					
Interest on Deposits	2,958,365	11,044,230	28,614,277	42,017,828	90,005,539
Other Fees and Sales	678,164	134,254	7,200,674	20,244,589	4,321,963
Behavioral Health	3,017,554	2,516,533	2,152,419	2,032,490	2,183,806
Driver Services	57,586,118	51,274,419	69,405,804	77,825,665	74,352,292
Natural Resources	44,181,240	45,956,400	48,490,740	52,184,809	59,226,724
Secretary of State	81,693,371	78,617,291	84,820,885	93,424,715	95,724,145
Labor	26,334,786	27,724,158	24,863,466	22,024,825	20,604,154
Public Health	11,042,775	9,836,616	11,308,266	13,133,756	12,320,067
Human Services	3,744,711	7,137,755	4,611,720	4,075,705	3,615,307
Banking and Finance	20,941,029	20,531,999	21,400,170	21,915,949	22,568,204
Corrections	13,782,279	15,110,617	14,537,413	14,251,948	12,762,073
Workers' Compensation	21,717,715	22,008,305	22,051,503	20,227,904	18,627,641
Public Service Commission	772,127	833,665	1,101,834	495,954	692,962
Nursing Home Provider Fees	169,521,312	175,413,852	163,523,682	156,746,016	161,574,691
Hospital Provider Payments	237,978,451	278,958,076	270,602,167	285,830,266	304,020,295
Driver Services Super Speeder Fine	20,394,462	22,372,600	21,577,826	21,583,419	21,406,516
Indigent Defense Fees	40,099,349	39,068,313	37,756,236	36,878,313	37,245,210
Peace Officers & Prosecutors Training	24,698,552	24,405,610	23,494,949	22,725,077	22,501,619
All Other	130,988,481	154,802,863	136,340,671	149,685,723	137,376,355
Total Interest, Fees & Sales	1,237,549,854	1,325,883,555	1,521,807,880	1,619,601,667	1,683,525,452
Total State General Funds	19,167,806,641	20,434,743,034	22,237,392,597	23,268,421,512	24,319,869,276
Lottery Funds	946,977,108	982,460,046	1,100,790,077	1,108,123,219	1,157,766,023
Tobacco Settlement Funds	139,892,084	138,441,332	137,152,014	141,256,202	169,773,074
Guaranteed Revenue Debt Common Reserve Fund Interest Earnings	98,713	67,010	168,758	272,331	665,642
National Mortgage Settlement	-	-	-	-	-
Brain and Spinal Injury Trust Fund	1,988,502	1,784,064	1,458,567	1,325,935	1,422,131
Other	2,446	3,054	2,876	2,992	3,114
Total State Treasury Receipts	**20,256,765,495**	**21,557,498,541**	**23,476,964,889**	**24,519,402,190**	**25,649,499,261**
Funds Transferred from State Organizations[a]	280,462,097	113,520,036	306,966,328	260,385,409	196,877,269
Mid-Year Adjustment–Education Reserve	182,958,586	191,678,066	204,347,430	222,373,926	232,684,215
TOTAL STATE FUNDS	$20,720,186,177	$21,862,696,643	$23,988,278,647	$25,002,161,526	$26,079,060,745

[a] The amounts for FY 2014 have been restated to include all agency surplus amounts, rather than just the preliminary figures, resulting in increases in these amounts from the amounts as shown in previous Official Statements for State General Obligation Bonds.

Note: Amounts may not add precisely due to rounding.

Source: State Accounting Office

Georgia Revenues
Amended FY 2019 Budget and FY 2020 Budget

The following table sets forth projected budget-based State revenues available for appropriation for the Amended FY 2019 Budget and the FY 2020 Budget.

State General Funds	Amended FY 2019	Enacted FY 2020
Net Taxes: Department of Revenue		
Income Tax - Individual	$12,304,247,834	$12,753,502,264
Income Tax - Corporate	1,078,070,000	1,259,624,024
Sales and Use Tax-General	6,209,297,000	6,525,181,000
Motor Fuel	1,835,443,645	1,865,866,307
Tobacco Taxes	227,384,400	229,658,200
Alcoholic Beverages Tax	198,044,400	200,222,900
Property Tax	-	-
Motor Vehicle License Tax	403,042,000	409,088,000
Title Ad Valorem Tax	799,136,900	616,896,500
Net Taxes: Other Organizations		
Insurance Premium Tax	512,629,900	523,907,800
Total Net Taxes	23,567,296,079	24,383,946,995
Interest, Fees and Sales - Dept. of Revenue		
Transportation Fees	191,374,200	193,383,600
Other Interest, Fees, and Sales	405,057,000	413,158,000
Office of State Treasurer - Interest on Deposits	137,000,000	137,000,000
Other Fees and Sales:		
Banking and Finance	21,800,000	21,800,000
Behavioral Health	2,100,000	2,050,000
Corrections	12,731,301	12,465,430
Human Services	3,600,000	3,600,000
Labor	20,600,000	20,600,000
Natural Resources	59,649,602	60,026,468
Public Health	12,239,947	13,586,031
Public Service Commission	700,000	800,000
Secretary of State	84,646,000	90,505,000
Workers' Compensation	18,464,539	18,500,000
Driver Services	75,000,000	66,000,000
Driver Services Super Speeder Fine	21,000,000	21,000,000
Nursing Home Provider Fees	157,326,418	157,326,418
Hospital Provider Payment	311,652,534	336,598,954
Indigent Defense Fees	37,000,000	37,000,000
Peace Officers' & Prosecutors' Training Funds	22,800,000	22,800,000
All Other Departments	160,614,981	130,952,757
Total Interest Fees and Sales	1,755,356,522	1,759,152,658
Total State General Funds	25,322,652,601	26,143,099,653
Lottery Funds	1,204,404,860	1,248,181,429
Tobacco Settlement Funds	161,723,031	150,159,978
Brain and Spinal Injury Trust Fund	1,445,857	1,409,333
Total State Treasury Receipts	**26,690,226,349**	**27,542,850,393**
Other Funds Available for Expenditure:		
Funds Transferred from State Organizations	-	-
Mid-year Adjustment Reserve	243,198,693	-
TOTAL STATE FUNDS	$26,933,425,042	$27,542,850,393

Source: Governor’s Office of Planning and Budget

State Treasury Receipts

The following table sets forth, by category, the State Treasury Receipts available for appropriation for the period FY 2014 through FY 2018.

State General Fund Receipts	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Net Taxes					
Department of Revenue					
Income Tax – Individual	$ 8,965,572,421	$ 9,678,524,026	$10,439,533,668	$10,977,729,901	$11,643,861,634
Income Tax – Corporate	943,806,441	1,000,536,425	981,002,336	971,840,713	1,004,297,542
Sales and Use Tax – General	5,125,501,785	5,390,353,066	5,480,196,159	5,715,917,830	5,945,877,598
Motor Fuel					
Excise & Motor Carrier					
Mileage Tax[1]	437,637,790	461,582,179	1,604,961,748	1,740,507,028	1,801,408,958
Prepaid Motor Fuel Sales Tax[1]	568,855,574	564,236,865	50,066,016	456,416	277,753
Tobacco Products Tax	216,640,134	215,055,115	219,870,412	220,773,541	224,910,391
Alcoholic Beverages Tax	181,874,583	184,373,811	190,536,391	193,437,999	195,696,036
Estate Tax	-	-	(414,376)	-	-
Property Tax	38,856,854	26,799,138	14,078,425	376,096	606,083
Motor Vehicle License Tax	337,455,825	339,611,871	368,005,068	368,131,657	398,498,915
Title Ad Valorem Tax	741,933,576	828,133,775	939,049,156	979,494,484	915,854,817
Total Department of Revenue	17,558,134,982	18,689,206,272	20,286,885,004	21,168,665,664	22,131,289,726
Other Departments					
Insurance Premium Tax and Fees	372,121,805	419,653,207	428,699,713	480,154,181	505,054,096
Total Taxes	17,930,256,787	19,108,859,479	20,715,584,717	21,648,819,846	22,636,343,824
Interest, Fees, and Sales	1,237,549,854	1,325,883,555	1,521,807,880	1,619,601,667	1,683,525,452
Total State General Fund Receipts	19,167,806,641	20,434,743,034	22,237,392,597	23,268,421,512	24,319,869,276
Other Revenues Retained[2]	1,088,958,854	1,122,755,507	1,239,572,292	1,250,980,678	1,329,629,985
Total State Treasury Receipts	$20,256,765,495	$21,557,498,541	$23,476,964,889	$24,519,402,190	$25,649,499,261

Source: State Accounting Office

[1] Effective July 1, 2015, both the Prepaid Motor Fuel Sales Tax and the Motor Fuel Excise tax were repealed and replaced with a consolidated excise tax.

[2] Other Revenues Retained include Lottery Funds, Tobacco Settlement Funds, Guaranteed Revenue Debt Common Reserve Fund Earnings, Brain and Spinal Injury Trust Fund, Job and Growth Tax Relief, and Other amounts from the table "Georgia Revenues Actual FY 2014 – FY 2018" herein.

Changes in State Treasury Receipts – FY 2017 to FY 2018

The following table sets forth, by category, the changes in budget-based revenue available for appropriation for FY 2018 as compared to FY 2017.

State General Fund Receipts	FY 2017	FY 2018	Change ($)	Change (%)
Net Taxes				
Department of Revenue				
Income Tax – Individual	$10,977,729,901	$11,643,861,634	$666,131,733	6.1%
Income Tax – Corporate	971,840,713	1,004,297,542	32,456,829	3.3
Sales and Use Tax – General	5,715,917,830	5,945,877,598	229,959,768	4.0
Excise and Motor Carrier Mileage Tax[1]	1,740,507,028	1,801,408,958	60,901,930	3.5
Prepaid Motor Fuel Sales Tax[1]	456,416	277,753	(178,663)	(39.1)
Tobacco Products Tax	220,773,541	224,910,391	4,136,850	1.9
Alcoholic Beverages Tax	193,437,999	195,696,036	2,258,037	1.2
Estate Tax (Refund)	-	-	-	-
Property Tax	376,096	606,083	229,987	61.2
Motor Vehicle License Tax	368,131,657	398,498,915	30,367,258	8.2
Title Ad Valorem Tax	979,494,484	915,854,817	(63,639,667)	(6.5)
Total Department of Revenue	21,168,665,664	22,131,289,726	962,624,062	4.5
Other Departments				
Insurance Premium Tax and Fees	480,154,181	505,054,096	24,899,915	5.2
Total Taxes	21,648,819,846	22,636,343,824	987,523,978	4.6
Interest, Fees, and Sales	1,619,601,667	1,683,525,452	63,923,785	3.9
Total State General Fund Receipts	23,268,421,512	24,319,869,276	1,051,447,764	4.5
Other Revenues Retained[2]	1,250,980,678	1,329,629,985	78,649,307	6.3
Total State Treasury Receipts	$24,519,402,190	$25,649,499,261	$1,130,097,071	4.6

Notes: See above table for explanation of footnotes; 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 2014 through FY 2018.

Category	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Education	$10,747,131,836	$11,419,439,731	$12,124,400,653	$12,770,159,454	$13,560,480,406
Public Health and Welfare	4,628,454,661	4,874,516,201	5,081,448,026	5,195,042,337	5,329,298,864
Transportation	875,808,645	880,489,499	1,661,932,417	1,856,251,002	1,939,372,807
Judicial, Penal and Corrections	1,649,003,797	1,687,527,435	1,751,109,051	1,883,891,032	1,933,324,243
Natural Resources	165,703,469	179,953,073	188,280,731	216,814,121	209,924,947
General Obligation Debt Sinking Fund	1,170,767,561	1,083,144,820	1,215,481,162	1,204,689,739	1,210,798,469
General Government	976,684,297	1,012,732,249	1,035,694,380	1,201,088,204	1,229,800,856
Total Allotments	$20,213,554,266	$21,137,803,008	$23,058,346,420	$24,327,935,889	$25,413,000,592

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 eleven months (July 1 through May 31) of FY 2018 and FY 2019. There are various other revenues of the State which are not listed below that are collected by other State agencies and remitted to the Office of the State Treasurer.

Tax Revenues:	FY 2018	FY 2019	Change ($)	Change (%)
Income Tax – Individual	$10,695,999	$11,132,836	$436,837	4.1%
Income Tax - Corporate	821,606	1,045,445	223,839	27.2
Sales and Use Tax – General				
Sales and Use Tax – Gross	10,552,790	11,347,533	794,744	7.5
Local Sales Tax Distribution[1]	(5,054,453)	(5,563,276)	(508,823)	(10.1)
Sales Tax Refunds/Adjustments	(67,059)	(59,634)	7,425	11.1
Total Net Sales and Use Taxes - General	5,431,277	5,724,623	293,346	5.4
Motor Fuel Taxes	1,640,950	1,673,513	32,563	2.0
Tobacco Taxes	203,051	203,495	444	0.2
Alcohol Beverages Tax	177,386	179,488	2,101	1.2
Property Tax	1,396	1,147	(250)	(17.9)
Motor Vehicle Revenues				
Highway Impact Fees	13,977	15,149	1,172	8.4
Tag, Title and Fees	362,918	356,586	(6,332)	(1.7)
Title Ad Valorem Tax	841,362	800,968	(40,393)	(4.8)
Total Motor Vehicle Revenues	1,218,256	1,172,703	(45,553)	(3.7)
Total Net Tax Revenues	20,189,922	21,133,250	943,328	4.7
Interest, Fees and Sales				
Hotel/Motel Fees	159,247	164,025	4,778	3.0
Other Interest, Fees & Sales[2]	379,180	371,794	(7,386)	(1.9)
Total Interest, Fees and Sales	538,427	535,819	(2,608)	(0.5)
Total Taxes and Other Revenues	$20,728,349	$21,669,069	$940,720	4.5%

[1] The Local Distribution is adjusted with an accrual to reflect payment activity that occurs after the actual distribution (three (3) business days prior to the end of a month).
[2] "Other Interest, Fees and Sales" 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 truncating amounts less than $1,000.
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 2014 through the first ten months of FY 2019.

Month	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
July	$2,766	$3,156	$3,708	$4,781	$5,899	$6,368
August	2,771	3,224	3,833	5,069	5,835	6,602
September	3,200	3,504	4,191	5,534	6,092	6,876
October	2,823	3,051	3,754	4,999	5,583	6,245
November	2,802	2,850	3,825	4,938	5,538	6,302
December	2,993	3,214	4,286	5,374	5,895	6,678
January	3,414	3,650	4,771	5,732	6,815	6,984
February	2,835	3,039	4,287	5,120	5,916	6,086
March	2,799	3,027	4,338	5,131	5,856	5,957
April	3,115	3,561	4,825	5,758	6,553	7,256
May	3,025	3,483	4,833	5,789	6,482	-
June	3,433	3,755	5,164	6,098	6,719	-

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 both the RSR and 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, 2018, TRS and the ERS retirement plan for State employees in the executive branch comprise approximately 96.2% of the net position 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, 2018, 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, 2018, the funded ratio (actuarial value of assets ("AVA") / actuarial accrued liability ("AAL")) improved slightly to 75.3% as compared to 74.7% as of June 30, 2017 and the unfunded actuarial accrued liability ("UAAL") as a percentage of covered payroll also improved slightly to 167.1% as compared to 173.8% as of June 30, 2017.

According to the most recent actuarial valuation of TRS, as of June 30, 2018, the funded ratio improved slightly to 77.4% as compared to 74.2% as of June 30, 2017 and the UAAL as a percentage of covered payroll improved to 186.9% as compared to 218.5% as of June 30, 2017.

ERS and TRS each received 100% of its respective Actuarially Determined Employer Contribution ("ADEC") for FY 2017 and FY 2018. For FY 2019 and FY 2020, 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.

The Georgia General Assembly created the University System of Georgia's Optional Retirement Plan ("ORP"), a defined contribution retirement plan, in 1990 pursuant to the Regents Retirement Plan Act (Section 47-21-1 *et seq.*, Official Code of Georgia Annotated). The Regents Retirement Plan Act allowed eligible employees of the University System of Georgia ("USG") with less than 10 years of service to leave TRS, a defined benefit plan, and participate in the ORP, and thereafter, allowed and continues to allow eligible new employees of the USG to elect to participate in either the TRS or the ORP.

Section 47-21-5 of the Regents Retirement Plan Act states that the USG shall remit to TRS certain amounts determined by the board of directors of TRS as described in such code section – an unfunded accrued liability payment and an amount equal to the increase in the normal contribution rate. The USG made certain payments to TRS related to unfunded accrued liabilities following the inception of ORP until 2001 when the TRS reached the point of being 100% funded; since that time, TRS has neither determined nor requested any payments from the USG pursuant to Section 47-21-5 of the Regents Retirement Plan Act related to unfunded accrued liabilities. Because TRS never determined nor requested any amounts from the USG pursuant to Section 47-21-5 of the Regents Retirement Plan Act related to increased normal contribution rates, the USG has not made any such payments to TRS. Legislation was introduced during the 2019 session of the Georgia General Assembly to repeal Section 47-21-5 of the Regents Retirement Plan Act. This legislation was certified as a fiscal retirement bill (i.e., retirement legislation that has a fiscal impact); therefore, in accordance with State law, it cannot be acted upon by the Georgia General Assembly until the 2020 session.

On February 22, 2019, the Georgia Department of Audits and Accounts ("DOAA") released its report recommending that TRS calculate and bill the USG pursuant to Section 47-21-5 of the Regents Retirement Plan Act for fiscal year 2019 and future fiscal years. The DOAA asserts that TRS should be collecting approximately $170 million from the USG for fiscal year 2019 in accordance with DOAA's interpretation of Section 47-21-5 of the Regents Retirement Plan Act.

In a letter dated February 15, 2019 from the Chancellor of the USG to the State Auditor responding to a discussion draft of the DOAA report, the Chancellor disputed and disagreed with the DOAA report's conclusions and recommendations. On May 15, 2019, the board of trustees of TRS met to discuss, among other things, the DOAA's report and legal advice, and determined that TRS will <u>not</u> calculate and bill the USG any additional amount pursuant to Section 47-21-5 of the Regents Retirement Plan Act for fiscal year 2019 and fiscal year 2020; however, the board of trustees of TRS determined that it will calculate and assess the USG additional amounts pursuant to Section 47-21-5 of the Regents Retirement Plan Act for fiscal year 2021. Since the determination by the board of trustees of TRS to assess the USG pursuant to Section 47-21-5 for fiscal year 2021, the USG has requested guidance regarding the groups of personnel that are addressed by the unfunded accrued liability amount and the amount related to the increase in the normal contribution rate.

There can be no assurance that the Georgia General Assembly will repeal Section 47-21-5 of the Regents Retirement Plan Act. If it is not repealed, the board of trustees for TRS could impose additional assessments pursuant to Section 47-21-5 of the Regents Retirement Plan Act for fiscal year 2021 and for any fiscal year thereafter. The USG will work with the executive and legislative branches of the State, as appropriate, to meet any legal obligation created by such action. The State does not believe that any such payments to TRS will have a material adverse impact on the USG's financial condition.

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 420 employers, of which 419 are not in the State reporting entity. TRS consists of 313 employers, of which 312 are not in the State reporting entity. Membership in the plans as of June 30, 2018 is shown below.

	ERS	TRS
Retirees and beneficiaries currently receiving benefits	50,863	127,223
Terminated employees entitled to benefits, but not yet receiving benefits, vested	6,399	12,729
Terminated employees, non-vested	51,933	93,765
Active plan members	60,406	226,061
Total	169,601	459,778

Sources: ERS and TRS Audited Financial Statements

According to the ERS audited financial statements as of June 30, 2018, ERS receipts (consisting of member and employer contributions and net investment earnings for the year) totaled $1,855,320,000 (compared to $2,136,780,000 for FY 2017) and ERS disbursements (consisting of benefit payments, member refunds, and administrative expenses for the year) totaled $1,428,939,000 (compared to $1,412,048,000 for FY 2017). According to the TRS audited financial statements as of June 30, 2018, TRS receipts (consisting of member and employer contributions, net investment earnings and unrealized appreciation for the year) totaled $9,011,453,000 (compared to $10,342,754,000 for FY 2017) and TRS disbursements (consisting of benefit payments, member refunds, and administrative expenses for the year) totaled $4,791,846,000 (compared to $4,554,193,000 for FY 2017).

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 either the State or TRS.

Obligations and Funded Status. The State reports 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 FY 2006 actuarial valuation report, the ERS and TRS used a 5-year smoothing period. For the FY 2006 through FY 2012 actuarial valuation reports, the ERS and TRS 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 from June 30, 2013 and later 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 studies were completed for the five-year period ending June 30, 2014 with results first reflected in the June 30, 2015 valuations.

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

Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL) – Entry Age	Unfunded AAL (UAAL) (AAL – AVA)	Funded Ratio (AVA/AAL)	Annual Covered Payroll	UAAL as % of Annual Covered Payroll
ERS						
6/30/2018	$13,412,046	$17,812,441	$4,400,395	75.3%	$2,634,129	167.1%
6/30/2017	13,088,185	17,514,898	4,426,713	74.7	2,546,492	173.8
6/30/2016	12,854,518	17,199,688	4,345,170	74.7	2,384,358	182.2
6/30/2015	12,675,649	17,099,527	4,423,878	74.1	2,352,920	188.0
6/30/2014	12,376,120	16,991,963	4,615,843	72.8	2,315,625	199.3
6/30/2013[a]	12,129,804	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
TRS						
6/30/2018	$75,024,364	$96,905,253	$21,880,889	77.4%	$11,704,334	186.9%
6/30/2017	71,212,660	95,981,031	24,768,371	74.2	11,333,997	218.5
6/30/2016	68,161,710	91,721,775	23,560,065	74.3	10,783,277	218.5
6/30/2015	65,514,119	82,791,010	17,276,891	79.1	10,347,332	167.0
6/30/2014	62,061,722	75,772,117	13,710,395	81.9	9,993,686	137.2
6/30/2013[b]	58,594,837	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

[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) (AAL – MVA)	Funded Ratio (MVA / AAL)	Annual Covered Payroll	UAAL as % of Annual Covered Payroll
ERS						
6/30/2018	$13,517,186	$17,812,441	$4,295,255	75.9%	$2,634,129	163.1%
6/30/2017	13,098,299	17,514,898	4,416,599	74.8	2,546,492	173.4
6/30/2016	12,373,567	17,199,688	4,826,121	71.9	2,384,358	202.4
6/30/2015	12,967,964	17,099,527	4,131,563	75.8	2,352,920	175.6
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
TRS						
6/30/2018	$75,532,925	$96,905,253	$21,372,328	77.9%	$11,704,334	182.6%
6/30/2017	71,340,972	95,981,031	24,640,059	74.3	11,333,997	217.4
6/30/2016	65,552,411	91,721,775	26,169,364	71.5	10,783,277	242.7
6/30/2015	66,799,111	82,791,010	15,991,899	80.7	10,347,332	154.5
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

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					
6/30/2018	$13,412,046	$13,517,186	99.2%	75.3%	75.9%
6/30/2017	13,088,185	13,098,299	99.9	74.7	74.8
6/30/2016	12,854,518	12,373,567	103.9	74.7	71.9
6/30/2015	12,675,649	12,967,964	97.7	74.1	75.8
6/30/2014	12,376,120	13,291,531	93.1	72.8	78.2
6/30/2013[a]	12,129,804	12,129,804	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
TRS					
6/30/2018	$75,024,364	$75,532,925	99.3%	77.4%	77.9%
6/30/2017	71,212,660	71,340,972	99.8	74.2	74.3
6/30/2016	68,161,710	65,552,411	104.0	74.3	71.5
6/30/2015	65,514,119	66,799,111	98.1	79.1	80.7
6/30/2014	62,061,722	66,466,091	93.4	81.9	87.7
6/30/2013[b]	58,594,837	58,594,837	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

[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.

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Financial Reporting of Net Pension Liability. ERS and TRS implemented the Governmental Accounting Standards Board ("GASB") Statement No. 67 ("GASB 67") beginning with 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. GASB 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 reported in accordance with 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	Total Pension Liability (TPL)	Fiduciary Net Position (FNP)	Net Pension Liability (NPL)	Fiduciary Net Position as Percentage of Total Pension Liability (FNP/TPL)	Covered Employee Payroll[a]	Net Pension Liability as Percentage of Covered Payroll
ERS						
6/30/2018	$17,628,219	$13,517,186	$4,111,033	76.7%	$2,635,896	156.0%
6/30/2017	17,159,634	13,098,299	4,061,335	76.3	2,565,918	158.3
6/30/2016	17,103,987	12,373,567	4,730,420	72.3	2,390,457	197.9
6/30/2015	17,019,362	12,967,964	4,051,398	76.2	2,353,225	172.2
6/30/2014	17,042,149	13,291,531	3,750,618	78.0	2,335,773	160.6
6/30/2013 [b]	16,982,449	12,129,804	4,852,645	71.4	2,335,773	207.8
TRS						
6/30/2018	$94,095,067	$75,532,925	$18,562,142	80.3%	$12,009,066	154.6%
6/30/2017	89,926,280	71,340,972	18,585,308	79.3	11,596,664	160.3
6/30/2016	86,183,526	65,552,411	20,631,115	76.1	11,075,907	186.3
6/30/2015	82,023,118	66,799,111	15,224,007	81.4	10,697,384	142.3
6/30/2014	79,099,772	66,466,091	12,633,681	84.0	10,349,862	122.1
6/30/2013 [b]	76,019,717	58,594,837	17,424,880	77.1	10,345,916	168.4

[a] Covered Employee Payroll may not equal the amount shown as Annual Covered Payroll in the previous table "Historical Funding Progress – Market Value ($ in thousands)," which amounts present "snapshots" of the annualized compensation of the active members as of the dates of the respective valuations. As shown in this "Net Pension Liability" table, Covered Employee Payroll represents the actual payroll during the fiscal years upon which the employer contributions were made.

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

Sources: ERS and TRS audited financial statements.

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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 twenty-five percent (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 thirty-five (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 two percent (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. Accordingly, current policy is to maintain equity exposure on a cost basis between 55% and 75% and fixed income between 25% and 45%. 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.

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 five percent (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 2018.

Historical Rates of Return

	ERS	TRS
1 year	9.18%	8.95%
3 years	7.57	7.50
5 years	8.66	8.59
10 years	7.47	7.42
20 years	6.00	6.05

Source: Division of Investment Services, ERS and TRS.

The rates of return presented in the table above are "time-weighted rates of return" which reflect investment performance. The percentages above are derived by taking the ending daily plan balance, adjusted for contributions and distributions, and then dividing by beginning daily plan balance (with each daily result then linked together to provide for an annual return). For information on "money-weighted rates of return" for ERS and TRS, which is equivalent to an "internal rate of return" that just compares a beginning balance with an ending balance, see Note 15, "Retirement Systems," in APPENDIX B herein.

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

Historical Rates of Return

	ERS		TRS	
Fiscal Year	Assumed	Actual	Assumed	Actual
2018	7.30%	9.18%	7.25%	8.95%
2017	7.40	12.43	7.50	12.50
2016	7.50	1.40	7.50	1.37
2015	7.50	3.74	7.50	3.70
2014	7.50	17.29	7.50	17.17
2013	7.50	13.33	7.50	13.28
2012	7.50	2.19	7.50	2.16
2011	7.50	21.29	7.50	21.27
2010	7.50	10.99	7.50	11.09
2009	7.50	-12.97	7.50	-13.06

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, thirty (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.

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. (For additional information about the State reporting entity, refer to Note 1.B. *Financial Reporting Entity*, in APPENDIX B hereto.) 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, 2018 is 4.75% of covered compensation paid by the employer on behalf of employees. As described under the heading "Projected Annual Actuarially Determined Employer Contributions," however, it is expected that a portion of the ADEC payments made to ERS and TRS by entities not within the State reporting entity are derived from State general fund appropriations. See "Projected Annual Actuarially Determined Employer Contributions" below.

State Reporting Entity Impact
ERS Annual Contribution Status
($ in thousands)

Fiscal Year	ADEC	Amount Unfunded[a]	State Reporting Entity Portion of ADEC[b]	State Reporting Entity Portion Amount Unfunded	State Reporting Entity Portion as a % of State General Fund Appropriations
2018	$650,073	$(2,095)	$596,729	-	2.47%
2017	624,623	(658)	551,590	-	2.38
2016	595,124	(442)	518,281	-	2.36
2015	517,220	(942)	452,708	-	2.26
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

[a]FY 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 FY 2001, the total deficit of $6,159,000 was expected to be repaid over ten years. Repayment of the deficit commenced in October 2011 and amounts shown in the "Amounts Unfunded" column for FY 2012 through FY 2018 represent such repayments. Although FY 2019 is not shown in the table above, during FY 2019, the repayment was completed, approximately three years ahead of the original schedule.
[b] Amounts reflect the portion of the ADEC funded by organizations within the State reporting entity and consist of State, federal and other monies.
Sources: ERS audited financial statements, ERS actuarial reports, the State of Georgia CAFR and the Governor's Budget in Brief.

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State Reporting Entity Impact
TRS Annual Employer Contribution Status
($ in thousands)

Fiscal Year	ADEC	Amount Unfunded	State Reporting Entity Portion of ADEC[a]	State Reporting Entity Portion Amount Unfunded	State Reporting Entity Portion as a % of State General Fund Appropriations
2018	$2,018,724	-	$349,152	-	1.45%
2017	1,654,844	-	283,994	-	1.23
2016	1,580,532	-	269,656	-	1.23
2015	1,406,706	-	239,464	-	1.20
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

[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.

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Contribution Rate Structure. Actuarially determined employer contribution rates for ERS and TRS for FY 2019, FY 2020, and FY 2021 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
Employer Contributions Expressed as a % of Covered Compensation	Old Plan	New Plan	GSEPS	
For FY 2019				
Normal Cost	5.98%			
Less Employer Offset	-4.75			
Employer Normal Cost	1.23	5.98%	2.98%	7.77%
UAAL	18.68	18.68	18.68	13.13
Total Rate	19.91%	24.66%	21.66%	20.90%
For FY 2020				
Normal Cost	6.06%			
Less Employer Offset	-4.75			
Employer Normal Cost	1.31	6.06%	3.04%	7.77%
UAAL	18.60	18.60	18.60	13.37
Total Rate	19.91%	24.66%	21.64%	21.14%
For FY 2021				
Normal Cost	6.20%			
Less Employer Offset	-4.75			
Employer Normal Cost	1.45	6.20%	3.11%	7.25%
UAAL	18.46	18.46	18.46	11.81
Total Rate	19.91%	24.66%	21.57%	19.06%

Sources: ERS and TRS actuarial reports.

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Employee contribution rates for ERS and TRS for FY 2019, FY 2020, and FY 2021 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%.

Employee Contributions Expressed as a % of Salary	ERS Old Plan	ERS New Plan	ERS GSEPS	TRS
FY 2019				
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%
FY 2020				
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%
FY 2021				
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.

Projected Annual Actuarially Determined Employer Contributions. The following tables indicate, for the applicable fiscal and valuation years, commencing with FY 2019 and the valuation year ending June 30, 2016, 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 per the 2016, 2017, and 2018 actuarial valuations, the estimated prospective funded ratios for valuation years 2019 through 2023, the estimated prospective portion of the projected ADEC funded by State general fund appropriations for fiscal years 2019 through 2026 (including payments made from State general fund appropriations for entities not within the State reporting entity), and the portion of the projected ADEC funded by State general fund appropriations as a percentage of total State general fund appropriations for fiscal years 2019 through 2026. 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, 2018 and utilize the same assumptions as the June 30, 2018 actuarial valuations.

For FY 2019, State general fund appropriations for the ADEC payments for ERS and TRS were approximately $378 million and $1.359 billion, respectively, and comprised, together, approximately 6.8% of total State general fund appropriations.

For FY 2020, State general fund appropriations are estimated to comprise approximately 54% of the ADEC payments for TRS and 69% for ERS. State general fund appropriations in FY 2020 for the ADEC payments for ERS and TRS are estimated to be approximately $401 million and $1.414 billion, respectively, and are estimated to comprise, together, approximately 6.9% of total State general fund appropriations.

State General Fund Appropriations Impact

ERS 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[c]	State Portion of ADEC as % of State General Fund Appropriations[d]
2016	2019	24.66 [a] / 21.66 [b]	$2,380,237	$548,293	$12,854,518	$17,199,688	$4,345,170	74.7%	$378,322	1.48%
2017	2020	24.66 [a] / 21.64 [b]	2,542,257	581,332	13,088,185	17,514,898	4,426,713	74.7	401,119	1.53
2018	2021	24.66 [a] / 21.57 [b]	2,637,598	599,114	13,412,046	17,812,441	4,400,395	75.3	413,389	1.56
2019	2022	24.62 [a] / 21.57 [b]	2,653,413	599,591	13,442,326	17,794,463	4,352,137	75.5	413,718	1.49
2020	2023	24.58 [a] / 21.57 [b]	2,669,218	600,293	13,528,950	17,668,931	4,139,981	76.6	414,202	1.44
2021	2024	24.53 [a] / 21.57 [b]	2,681,337	600,256	13,820,076	17,570,932	3,750,856	78.7	414,177	1.39
2022	2025	24.49 [a] / 21.57 [b]	2,694,061	600,682	13,992,047	17,449,192	3,457,145	80.2	414,471	1.35
2023	2026	24.46 [a] / 21.57 [b]	2,706,649	601,347	14,117,085	17,304,561	3,187,476	81.6	414,929	1.30

[a] Old Plan and New Plan.
[b] GSEPS.
[c] Amounts reflect the portion of the projected ADEC, 69%, estimated to be comprised of State general fund appropriations. This portion of the projected ADEC for FY 2019 – FY 2026 is based upon the estimated percent of payroll to be paid through state general fund appropriations during FY 2019.
[d] State general fund appropriations for FY 2021 – FY 2026 are based on the most recent revenue estimates of the State Economist.

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State General Fund Appropriations Impact

TRS 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[a]	State Portion of ADEC as % of State General Fund Appropriations[b]
2016	2019	20.90%	$12,042,386	$2,516,859	$68,161,710	$91,721,775	$23,560,065	74.3%	$1,359,104	5.32%
2017	2020	21.14	12,391,334	2,619,528	71,212,660	95,981,031	24,768,371	74.2	1,414,545	5.41
2018	2021	19.06	12,608,445	2,403,170	75,024,364	96,905,253	21,880,889	77.4	1,297,712	4.90
2019	2022	19.42	12,852,524	2,495,960	77,965,459	100,319,459	22,354,069	77.7	1,347,818	4.86
2020	2023	19.48	13,107,872	2,553,413	81,505,970	103,718,960	22,212,990	78.6	1,378,843	4.80
2021	2024	19.25	13,369,931	2,573,712	85,654,640	107,113,006	21,458,366	80.0	1,389,804	4.67
2022	2025	19.30	13,632,603	2,631,092	89,241,817	110,509,185	21,267,368	80.8	1,420,790	4.61
2023	2026	19.44	13,904,940	2,703,120	92,662,831	113,901,897	21,239,066	81.4	1,459,685	4.58

[a] Amounts reflect the portion of the projected ADEC estimated to be comprised of State general fund appropriations using the State Auditor's estimate of 54.0%. This portion of the projected ADEC for FY 2019 – FY 2026 is based upon the estimated percent of payroll to be paid through state general fund appropriations during FY 2019.

[b] State general fund appropriations for FY 2021 – FY 2026 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.

The ERS experience study for the five year period ending June 30, 2014 was completed and presented to the ERS Board of Trustees on December 17, 2015. As a result of the study, the ERS Board of Trustees adopted: (1) revised rates of separation from active service due to withdrawal, disability, death, and retirement; (2) revised rates of salary increases; (3) revised rates of post-retirement mortality; and (4) reductions in the price inflation rate from 3.00% to 2.75% and the wage inflation rate from 3.75% to 3.25%. The aggregate effect of the changes noted above resulted in an increase to the ERS UAAL of $80.4 million in valuation year 2015.

The TRS experience study for the five year period ending June 30, 2014 was completed and presented to the TRS Board of Trustees on November 18, 2015. As a result of the study, the TRS Board of Trustees adopted: (1) revised rates of separation from active service due to withdrawal, disability, death, and retirement; (2) revised rates of salary increases; (3) revised rates of post-retirement mortality; and (4) reductions in the price inflation rate from 3.00% to 2.75% and the wage inflation rate from 3.75% to 3.25%. The aggregate effect of the changes noted above resulted in an increase to the TRS UAAL of $688.3 million in valuation year 2015.

The next five year experience studies for TRS and ERS for the period ending June 30, 2019 are expected to be completed in the fall of 2020.

Summary of Recent TRS Changes. 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 (assumed to be 7.5% per year) 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 within five (5) percentile ranks above and below the ultimate investment rate of return over a 40-year period based on TRS market assumptions and asset allocations, which as of the June 30, 2017 actuarial valuation is between 7.20% and 7.78%. 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 were used to develop the benchmarks. At that time, 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 would be amortized over a new 30-year period and in effect "refinanced" the UAAL each year, resulting in the UAAL never being paid off. The new 30-year closed period meant 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, 2018 actuarial valuation was 25.6 years. The purpose of this method was to 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, as 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 prior 7 years and facilitated the transition from 7-year smoothing to 5-year smoothing.

On May 15, 2019, the TRS Board adopted changes to the Board's funding policy to reflect a change from the smoothed valuation interest rate methodology to a constant interest rate method. In conjunction with the change in methodology, the long-term assumed rate of return in assets (discount rate) has been changed from 7.50% to 7.25%, and the assumed annual rate of inflation has been reduced from 2.75% to 2.50%. The combined impact of these changes decreased the UAAL by $133.4 million.

The TRS actuarial report prepared by the TRS enrolled actuary dated May 15, 2019 indicates that, as of June 30, 2018, TRS has an UAAL in the amount of $21.9 billion and was used to set the ADEC for FY 2021. The valuation reflects the TRS Board adopted changes that were made on May 15, 2019 as described above. Significant actuarial assumptions used in the TRS actuarial report as of June 30, 2018 include: (a) an investment rate of return of 7.25%, (b) projected salary increases of 3.25% - 8.75%, (c) an annual inflation rate of 2.50%, (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 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, 2018 of approximately $75.5 billion, an increase of 5.9% from the June 30, 2017 net position restricted for pensions of approximately $71.3 billion. As of April 30, 2019, TRS had a net position restricted for pensions of approximately $78.4 billion (unaudited), an increase of 3.8% from the June 30, 2018 net position restricted for pensions.

Summary of Recent ERS Changes. 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 1,000 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 expected 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, and were completed during Fiscal Year 2019, approximately three years ahead of the original ten-year schedule.

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 would be amortized over a new 30-year period and, 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, 2018 actuarial valuation is 15.3 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 also was set to equal the market value of the assets for the FY 2013 actuarial valuation, which fully recognized the remaining unrealized gains and losses from the prior 7 years and facilitated the transition from 7-year smoothing to 5-year smoothing.

On March 15, 2018, the ERS Board adopted an updated version of its funding policy, effective with the June 30, 2017 valuation, which changes the system's assumed investment rate of return. In the years preceding the June 30, 2017 valuation, the system assumed a 7.50% rate of return. Beginning with the June 30, 2017 valuation, the rate of return assumption will be reduced by 0.1% (10 basis points) from the prior year in any year in which the actual investment rate of return exceeds the assumed rate of return. If the actual rate of return does not exceed the assumed rate of return in a given year, then the assumed rate of return will remain the same for the following year. The reductions in the assumed rate of return will continue until the assumed rate of return reaches the Board's target of a 7.00% return assumption. For the year ended June 30, 2018, the system's actual rate of return of 9.18% exceeded the assumed rate of return of 7.40%, which resulted in a decrease in the rate of return assumption to 7.30% from 7.40%.

The ERS actuarial report prepared by the enrolled actuary dated April 18, 2019 indicates that, as of June 30, 2018, ERS has an UAAL in the amount of $4.4 billion and was used to set the ADEC for FY 2021. The valuation reflects the change in the rate of return assumption as described above; this change had the effect of increasing the AAL by $161.1 million. Significant actuarial assumptions used in the ERS actuarial report as of June 30, 2018 include: (a) an investment rate of return of 7.30%, (b) projected salary increases of 3.25% - 7.00%, (c) an annual inflation rate of 2.75%, (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 show a net position restricted for pensions as of June 30, 2018 of approximately $13.5 billion, an increase of 3.2% from the June 30, 2017 net position restricted for pensions of approximately $13.1 billion. As of April 30, 2019, ERS had a net position restricted for pensions of approximately $13.6 billion (unaudited), an increase of 0.7% from the June 30, 2018 net position restricted for pensions.

Governmental Accounting Standards Board ("GASB") Statements 67 and 68. On June 25, 2012, the Governmental Accounting Standards Board ("GASB") approved GASB Statement Nos. 67 and 68, which impacts 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 FY 2014.

For additional information, refer to the prior section entitled "*Financial Reporting of Net Pension Liability*" 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 (previously, unfunded liabilities typically were 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 was implemented by state and local governments that provide their employees with pension benefits for FY 2015. The State reported a net pension liability for all plans of the primary government of $7.3 billion in its entity-wide financial statements for FY 2018, compared to $8.4 billion for FY 2017. For additional information please refer to Note 15, "Retirement Systems" in APPENDIX B hereto.

Other Post-Employment Benefit Plans

Introduction. 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 ("GTLI"). These types of benefits are made available through plans which commonly are known as "Other Post-Employment Benefit" ("OPEB") plans.

The State provides the following significant OPEB plans:

Multi-employer 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") (For GTLI benefits)

Single-employer Plan
Administered by the Board of Regents of the University System of Georgia ("USG"):
Board of Regents Retiree Health Benefit Fund ("BOR Retiree Plan")

For additional information on the OPEB plans, including details regarding basis of accounting, investments, plan descriptions, plan membership, funding policies, benefits provided, contribution rates, and certain actuarial information, see Note 16, "Postemployment Benefits – Multi-employer Plans," Note 17, "Postemployment Benefits – Single-employer Plans", and "Required Supplementary Information – Other Postemployment Benefits (OPEB)" in APPENDIX B hereto. In addition, APPENDIX B contains certain other OPEB information required by the Governmental Accounting Standards Board ("GASB"), including details regarding funded status, funding progress, and net OPEB liability.

The OPEB disclosures rely on information produced by the plan's management and their enrolled 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.

GASB Statement 74. During FY 2017, the State adopted the provisions of GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* ("GASB 74"). GASB 74 requires the disclosure of the net OPEB liability determined using a specified actuarial cost method, requires expanded footnote disclosure and required supplementary information for OPEB plans, and clarifies what constitutes an OPEB plan.

GASB Statement 75. In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefit Plans Other Than Pensions* ("GASB 75"), effective for fiscal years beginning after June 15, 2017. GASB 75 addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers. GASB 75 establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expenses in the employer financial statements. It also establishes requirements for related note disclosures and required supplementary information. GASB 75 was adopted with the FY 2018 financial statements. With the implementation of GASB 75, the State is not required to report information as previously reported in the Funding Progress Table shown hereinafter. Instead, the State is required to recognize its proportional share of the net OPEB liability of the OPEB plans applicable to said standard. The State reported a net OPEB liability for all plans of the primary government of $7.9 billion in its entity-wide financial statements for FY 2018.

System Membership and Beneficiary Description. The State OPEB Fund and School OPEB Fund are cost-sharing multiple employer defined benefit post-employment healthcare plans. The State OPEB Fund provides postemployment health benefits due under the group health plan for employees of State organizations (including technical colleges) and other entities authorized by law to contract with DCH for inclusion in the plan. Retiree medical eligibility is attained when an employee retires, and is immediately eligible to draw a retirement annuity from ERS, Georgia Judicial Retirement System ("JRS"), and Legislative Retirement System ("LRS"). The School OPEB Fund provides postemployment health benefits due under the group health plan for public school teachers, including librarians, other certified employees of public schools, regional educational service agencies, and non-certified public school employees. Retiree medical eligibility is attained when an employee retires, and is immediately eligible to draw a retirement annuity from TRS and Public School Employees Retirement System ("PSERS"). The SEAD-OPEB Plan is a cost-sharing multiple employer defined benefit post-employment plan that provides post-employment GTLI benefits to eligible members of the ERS, JRS, and LRS on a monthly, renewable term basis, with no return premiums or cash value available to be earned. The BOR Retiree Plan is a single employer, defined benefit, post-employment healthcare plan administered by the Board of Regents ("BOR").

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Membership in the plans as of June 30, 2018 follows:

	State OPEB Fund	School OPEB Fund	SEAD-OPEB	BOR Retiree Plan
Retirees and beneficiaries	39,165	90,430	42,654	19,161
Inactive members entitled to but not yet receiving benefits	81	96	947	-
Active plan members	56,412	177,501	26,032	48,244
Total	95,658	268,027	69,633	67,405

Source: State of Georgia Comprehensive Annual Financial Report Fiscal Year Ended June 30, 2018.

Plan Contribution Information. The State OPEB Fund, the School OPEB Fund, and the BOR Retiree Plan are currently funded in large part on a "pay-as-you-go" basis. That is, annual costs of providing benefits will be funded in the same year as claims occur, with historically, no significant assets accumulating, as would occur in an advance funding strategy. 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 BOR, 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. Neither changes in the UAAL and the actuarially determined employer contribution ("ADEC"), nor changes in OPEB liability under GASB necessarily impact funding decisions, which remain within the discretion of the Board of Community Health, the BOR, and the annual appropriations process. GASB's promulgation of financial reporting standards does not necessarily dictate fiscal management policies or establish legal requirements.

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 funds appropriations, federal revenue, fee income and other income streams available to State agencies. For FY 2019, the budgeted employer share of pay-as-you-go contributions to the State OPEB Fund is approximately $172 million. Approximately $120 million, or 70% of the employer contributions, is budgeted from State funds appropriations.

Employer contributions to the School OPEB Fund currently are funded from local school district direct contributions, a significant portion of which is derived from State funds appropriations. For FY 2019, the budgeted employer share of pay-as-you-go contributions to the School OPEB Fund is approximately $400 million. Approximately $240 million, or 60% of the employer contributions, is budgeted from State funds appropriations.

For FY 2018, the total amount of employer contributions to the State OPEB Fund and the School OPEB Fund were $501.6 million and $518.3 million, respectively, which consisted of a pay-as-you-go amount of $170 million to the State OPEB Fund and $369 million to the School OPEB Fund. These total amounts of employer contributions also included additional contributions which were made voluntarily during the fiscal year of $331.6 million and $149.0 million to the State OPEB Fund and the School OPEB Fund, respectively. Since FY 2014, SHBP has been directed to transfer funds exceeding Incurred But Not Reported ("IBNR") liability, plus a ten percent (10%) contingency reserve, to the State OPEB Fund and the School OPEB Fund each year at fiscal year-end.

In May 2018, the State Depository Board approved the OPEB Trust Fund Investment Policy whereby assets in the State OPEB Fund and the School OPEB Fund are invested to add interest earnings to the funds. As of March 31, 2019, the balances of the investment assets, including investment earnings, were approximately $1.599 billion and $589.0 million in the State OPEB Fund and School OPEB Fund, respectively, for a total of approximately $2.188 billion in assets.

The BOR Retiree Plan is a single-employer plan. Employer contributions are funded through a mix of State appropriations, student tuition, fee income, and other income streams available to BOR.

The total amount of employer contributions to the BOR Retiree Plan for FY 2018 was $158.4 million, which consisted of a pay-as-you-go amount of $102.6 and additional transfers of $55.8 million. Effective May 2017, any reserve funds in the BOR Health Benefit Plan remaining after allowing for the plan's IBNR liability plus twenty percent (20%) of plan benefit claims expense, are transferred to the BOR Retiree Plan annually, upon completion of the financial audit. Additional one-time contributions also may be made on a discretionary basis in connection with de-risking and other objectives upon approval of the BOR.

The SEAD-OPEB plan is administered by a Board of Directors that establishes contributions by plan members and employer contribution rates. Such rates, when added to members' contributions, shall not exceed one percent (1%) of earnable compensation. A valuation analysis is conducted each year to determine if employer contributions will be necessary. There are no required employer contributions for the SEAD-OPEB plan in FY 2019, FY 2020, or FY 2021. Per legislation passed in 2008 and 2009, no new members can be added to this plan.

State OPEB Fund and School OPEB Fund Actuarial Report Information. The Georgia Department of Community Health's most recent available Report of the Actuary on the Retiree Medical Valuations, relating to the State OPEB Fund and the School OPEB Fund, is prepared as of June 30, 2017.

For the State OPEB Fund, the June 30, 2017 UAAL actuarial valuation was approximately $2.8 billion. The UAAL on the June 30, 2016 actuarial valuation was $3.1 billion. The UAAL decreased $306.5 million due to gains from FY 2017 actual contribution, claims and retiree premium experience, changes in actuarial assumptions, and actual experience differing from assumptions. The ADEC was $219.0 million per the June 30, 2016 valuation (for FY 2019) and $210.0 million per the June 30, 2017 valuation (for FY 2020). As of June 30, 2017, the actuary reported $854.9 million as the market value of the State OPEB Fund assets, compared to $516.2 million as of June 30, 2016.

For the School OPEB Fund, the June 30, 2017 UAAL actuarial valuation was approximately $9.9 billion. The UAAL on the June 30, 2016 actuarial valuation was $10.5 billion. The net decrease to the UAAL was $603.7 million, principally due to claims and retiree premium experience gains which exceeded loss due to actual contribution below the ADEC and actual experience differing from assumptions. The ADEC was $833.3 million per the June 30, 2016 valuation (for FY 2019) and $786.9 million per the June 30, 2017 valuation (for FY 2020). As of June 30, 2017, the actuary reported $229.7 million as the market value of the School OPEB Fund assets, compared to $95.4 million as of June 30, 2016.

For the BOR Retiree Plan, the FY 2018 Net OPEB Liability (UAAL actuarial valuation equivalent) was approximately $4.4 billion, compared to a Net OPEB Liability of $4.2 billion as of July 1, 2016 (FY 2017). The increase of approximately $191 million was due to changes in actuarial assumptions and actual experience differing from assumptions. The ADEC was $349.9 million per the July 1, 2016 valuation and $467.3 million per the May 1, 2018 (FY 2018) valuation. As of June 30, 2018, the actuary reported $76 million as the market value of the BOR Retiree Plan assets.

As noted above, the State OPEB Fund, the School OPEB Fund, and the BOR Retiree Plan primarily operate on a pay-as-you-go basis and, thus, changes to or the size of the UAAL do not necessarily impact funding decisions.

BOR Retiree Plan Information. The BOR Retiree Plan is a single-employer, defined benefit, healthcare plan administered by BOR. The BOR Retiree Plan was authorized pursuant to OCGA § 47-21-21 for the purpose of accumulating funds necessary to meet employer costs of retiree post-employment health insurance benefits.

Pursuant to the general powers conferred by the OCGA § 20-3-31, the BOR has established group health and life insurance programs for regular employees of the BOR. It is the policy of the BOR to permit employees of the BOR eligible for retirement, or who become permanently and totally disabled, to continue as members of the group health and life insurance programs. The BOR offers its employees and retirees under the age of 65 access to three self-insured healthcare plan options and one fully insured plan option. For the BOR's Plan Year 2017, the following self-insured health care options were available: Blue Choice HMO plan, (Blue Cross and Blue Shield of Georgia) Consumer Choice HSA plan, and the (Blue Cross and Blue Shield of Georgia) Comprehensive Care plan. The BOR also offers a self-insured dental plan administered by Delta Dental.

Retirees age 65 and older participate in a secondary healthcare coverage for Medicare-eligible retirees and dependents provided through a retiree health care exchange option. The BOR makes contributions to the retirees' health reimbursement account, which can be used by the retiree to pay premiums and out-of-pocket healthcare related expenses.

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Funding Progress Table. The funded status and funding progress of the OPEB plans for each of the past five actuarial valuation dates is presented in the following table.

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

OPEB Plan / 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 % of Covered Payroll ((b-a)/c)
State						
6/30/2017[c]	$854,937	$3,642,056	$2,787,119	23.5%	$2,535,722	109.9%
6/30/2016[a]	516,245	3,609,889	3,093,644	14.3	2,404,901	128.6
6/30/2015[b]	101,450	3,529,010	3,427,560	2.9	2,333,060	146.9
6/30/2014	0	2,871,843	2,871,843	0.0	2,293,104	125.2
6/30/2013	0	3,587,913	3,587,913	0.0	2,328,334	154.1
6/30/2012	0	3,867,927	3,867,927	0.0	2,408,000	160.6
School[e]						
6/30/2017[c]	$229,685	$10,089,950	$9,860,265	2.3%	$10,516,260	93.8%
6/30/2016[a]	95,407	10,559,402	10,463,995	0.9	10,086,189	103.7
6/30/2015[b]	30,853	10,543,010	10,512,157	0.3	9,687,485	108.5
6/30/2014	0	8,514,320	8,514,320	0.0	9,429,531	90.3
6/30/2013	0	10,788,795	10,788,795	0.0	9,445,376	114.2
6/30/2012	0	10,869,930	10,869,930	0.0	9,678,000	112.3
SEAD						
6/30/2018	$1,189,462	$919,157	$(270,305)	129.4%	$1,323,540	(20.4)%
6/30/2017[c]	1,121,251	876,586	(244,665)	127.9	1,394,395	(17.6)
6/30/2016	1,028,541	832,369	(196,172)	123.6	1,442,024	(13.6)
6/30/2015	1,046,559	769,747	(276,812)	136.0	1,521,741	(18.2)
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)
BOR Retiree[f]						
7/1/2016[d]	2,899	3,068,726	3,065,827	0.1%	2,855,309	107.4%
7/1/2015	281	2,657,096	2,656,815	0.0	3,087,013	86.1
7/1/2014	82	4,278,445	4,278,364	0.0	2,608,757	164.0
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

[a] Reflects changes made in September 2017 to reflect additional member data for Fulton County school employees and City of Atlanta school employees who are members of the SHBP but not TRS or PSERS.
[b] Reflects assumption changes based on experience study of 5-year period ending June 30, 2014.
[c] Funding method changed to entry age normal.
[d] Reflects change in plan provisions: Effective January 1, 2016, all post-65 Medicare eligible retirees access medical coverage through an individual Healthcare Exchange marketplace. BOR provides an annual fixed dollar HRA contribution for these retirees.
[e] Annual Covered Payroll: 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 2018, 2017, 2016, 2015, and 2014.
[f] With the implementation of GASB 75, the actuary no longer calculates the information required to expand this table for the BOR Plan for 7/1/2017.
Sources: Plan actuarial reports and underlying actuarial data; and the State CAFR for the fiscal year ended June 30, 2018.

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Employer Contributions Table. The following table provides information regarding actual employer contributions that have been made during the fiscal years shown. Although currently the OPEB plans are funded on a "pay-as-you-go" basis, the actuarial determined employer contribution ("ADEC") is provided for informational purposes only. The Total Employer Contributions received during the fiscal year include the required pay-as-you-go amount plus any additional voluntary contributions from excess funds. The State Entity Portion of Total Employer Contributions is calculated by the State Accounting Office; the average percentage for the fiscal years shown is 93.55% for the State OPEB Plan, 0.59% for the School OPEB Plan, and 100% for the BOR Retiree Plan.

OPEB Plans
Annual Employer Contributions
($ in thousands)

OPEB Plan / Fiscal Year	Actuarial Determined Employer Contribution (ADEC)	Actual Employer Contributions: Pay-As-You-Go Contributions	Actual Employer Contributions: Other Excess Contributions	Actual Employer Contributions: Total Employer Contributions	State Entity Portion of Total Employer Contributions
State					
2018	$232,161	$169,948	$331,626	$501,574	$462,545
2017	202,092	164,222	333,980	498,202	470,934
2016	259,250	152,480	414,827	567,307	533,269
2015	275,681	165,726	101,434	267,160	250,676
2014	321,456	177,045	-	177,045	165,917
School					
2018	$824,872	$369,275	$149,015	$518,290	$3,243
2017	669,894	388,282	133,126	521,408	3,025
2016	873,736	354,113	64,564	418,677	2,345
2015	873,278	375,751	30,848	406,599	2,440
2014	943,310	408,422	-	408,422	2,395
BOR Retiree					
2018	$467,338	$102,563	$55,857	$158,420	$158,420
2017	349,859	99,584	-	99,584	99,584
2016	295,192	111,814	-	111,814	111,814
2015	442,359	129,823	-	129,823	129,823
2014	403,314	120,926	-	120,926	120,926

Sources: Plan annual reports and actuarial reports; the State of Georgia CAFR as of June 30, 2018; audited financial statements of the BOR Retiree Plan as of June 30, 2018; State Accounting Office.

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Financial Reporting of Net OPEB Liability. For OPEB plans that are administered through trusts that meet the specified criteria, GASB 74 requires the net OPEB liability to be measured as the total OPEB liability, less the amount of the OPEB plan's fiduciary net position. The total OPEB liability is actuarially determined. The following schedule is presented from the perspective of the State as the sponsor of the various plans and summarizes the components of the Net OPEB Liability / Net OPEB Asset, by plan (amount in thousands):

Fiscal Year	Total OPEB Liability (TOL)	Plan Fiduciary Net Position (PFNP)	Net OPEB Liability/(Asset) (TOL-PFNP)	Plan Fiduciary Net Position as Percentage of Total OPEB Liability (PFNP/TOL)	Covered Employee Payroll	Net OPEB Liability as Percentage of Covered Employee Payroll
State						
6/30/2018	$3,817,453	$1,201,865	$2,615,588	31.5%	$2,535,722	103.1%
6/30/2017	4,929,142	854,937	4,074,205	17.3	2,483,060	164.1
School						
6/30/2018	$13,092,956	$383,263	$12,709,693	2.9%	NA	NA
6/30/2017	14,279,644	229,685	14,049,959	1.6	NA	NA
SEAD						
6/30/2018	$918,816	$1,189,462	$(270,646)	129.5%	$1,328,485	(20.4)%
6/30/2017	861,346	1,121,251	(259,905)	130.2	1,383,860	(18.8)
BOR Retiree						
6/30/2018	$4,486,796	$76,045	$4,410,751	1.7%	$3,218,771	137.0%
6/30/2017	4,227,583	7,857	4,219,726	0.2	3,122,694	135.1

Source: State CAFR for fiscal year ended June 30, 2018

For additional information on the health benefit plans and OPEB, see Appendix B herein, Note 16 "POSTEMPLOYMENT BENEFITS – MULTI-EMPLOYER PLANS", Note 17 "POSTEMPLOYMENT BENEFITS – SINGLE-EMPLOYER PLANS" and "REQUIRED SUPPLEMENTARY INFORMATION – OTHER POSTEMPLOYMENT BENEFITS (OPEB).

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 have been deposited in the Georgia State Employees' Post-employment Health Benefit Fund. For FY 2019, the budgeted share of the employer contributions to the State Employee's Plan from State appropriations is estimated to be approximately seventy percent (70%).

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 have been deposited in the Georgia School Personnel Post-employment Health Benefit Fund. For FY 2019, the budgeted share of the employer contributions to the Teacher's Plan and the Public School Employees' Plan from State appropriations is approximately sixty percent (60%).

In March 2017 a Dependent Verification audit whereby members with covered dependents were required to submit proof of their dependent's eligibility for coverage under the Plan was completed and resulted in total potential annual savings of approximately $55.9 million per year for the Plan. In Plan Year 2019, SHBP members will continue to have choice in vendors and plan design offerings, including two HMOs, three HRA options, a High-Deductible Health Plan, two standard and two premium Medicare Advantage options, and a Regional HMO. The SHBP continues to prioritize wellness. Members may earn incentive credits by completing various wellness activities.

On August 9, 2018, the DCH board voted to continue the existing rate for the Non Certificated Public School Employee Per Member Per Month (PMPM) Employer Contribution Rate (ECR) to remain the same as the previous year ($945.00). The DCH board also voted to continue the Teachers Plan ECR 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 remained at the annual rate of 30.454% of payroll. House Bill 31, the FY 2020 Appropriations Act, lowered the State Employee ECR percent of payroll to 29.454% effective July 1, 2019.

Board of Regents Health Benefit Fund. The University System of Georgia offers its employees and retirees under the age of 65 access to three self-insured healthcare plan options and one fully insured plan option. For the University System of Georgia's Plan Year 2018, the following self-insured health care options were available: Blue Choice HMO plan, (Blue Cross and Blue Shield of Georgia) Consumer Choice HSA plan, and the (Blue Cross and Blue Shield of Georgia) Comprehensive Care plan. The USG also offers a self-insured dental plan administered by Delta Dental.

The University System of Georgia institutions and participating employees and eligible retirees 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 Anthem, Inc., 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 and eligible retirees of the University System of Georgia, a fully insured HMO healthcare plan option also is offered through Kaiser Permanente. The self-insured plans have a carved-out prescription drug plan administered through CVS Caremark. 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 CVS Caremark for verification, processing, and payment. CVS Caremark 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. Retirees age 65 and older participate in a secondary healthcare coverage for Medicare eligible retirees and dependents provided through a retiree healthcare exchange option. The University System of Georgia makes contributions to a health reimbursement account, which can be used by the retiree to pay premiums and out-of-pocket healthcare related expenses.

The self-funded plan reserve fund had the following cash basis activity for FY 2018: premiums collected of $630,690,752; claims and expenses paid of $596,685,933 net of prescription rebate expense credit of $31,084,052; and other income of $2,654,104 resulting in an overall self-funded plan fund balance at June 30, 2018 of $209,300,800 of which $80,676,422 is held exclusively for OPEB. As of June 30, 2018, the self-funded plans had IBNR claims of $21,910,000 for active employees and $2,900,000 for retirees. As of June 30, 2018, the self-funded plan held cash assets of $22.0 million and investment assets of $187.3 million.

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 a defined contribution pricing model for healthcare plan premiums; self-funded the BlueChoice HMO, a Consumer Choice HSA, and Comprehensive Care 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 co-pays for HMO plans; increased deductibles, co-pays, and co-insurance for the Comprehensive Care and Consumer Choice plans; moved Medicare-eligible retirees to a 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. Most recently, in January 2016 secondary coverage for Medicare eligible retirees 65 and older was moved from the University System healthcare plan to a private retiree healthcare exchange. Retirees purchase secondary coverage through the private retiree healthcare exchange and the University System makes an annual contribution to a health reimbursement account which Medicate eligible retirees then use to pay premiums and out-of-pocket healthcare related expenses. Each year the Board of Regents will determine the amount of the contribution to the health reimbursement account.

SIGNIFICANT CONTINGENT LIABILITIES

The State is a defendant in various legal proceedings pertaining to matters incidental to the performance of routine governmental operations. Unless noted otherwise, 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, or recently concluded, litigation, claims and assessments involving the State. For additional information, see "Appendix B – COMPREHENSIVE FINANCIAL STATEMENTS FOR FISCAL YEAR ENDED JUNE 30, 2018 – Notes to Financial Statements – Note 20: Litigation, Contingencies and Commitments."

Trecia Neal, et al. v. Georgia Department of Community Health

Trecia Neal, et al. v. Georgia Department of Community Health, Ga. Court of Appeals Case No. A19A0369 and *Norman L. Boyd, et al. v. Trecia Neal*, Ga. Court of Appeals Case No. A19A0227, on appeal from Fulton County Superior Court Civil Case No. 2014-CV-246395, May 14, 2014. Plaintiff Neal, who seeks class action status, is a member of the State Health Benefit Plan ("SHBP") who has 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 SHBP members' alleged contracts with SHBP. Plaintiff asserts 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. Plaintiff seeks reimbursement of excess medical premiums paid by the purported class members, plus attorneys' fees. The Department of Community Health ("DCH") filed a motion to dismiss based on sovereign immunity arguing that the SHBP documents do not create an express, written contract with the state employees; however the judge denied the motion. DCH filed an appeal with the Georgia Court of Appeals, and on November 20, 2015 the Court of Appeals issued its decision which granted DCH's appeal and reversed the trial court. *Ga. Dept. of Community Health v. Neal,* 334 Ga. App. 851 (2015), Ga. Court of Appeals Case No. A15A1033. Plaintiff subsequently filed a Petition for Writ of Certiorari with the Georgia Supreme Court. On March 25, 2016, in a separate case, the Georgia Supreme Court issued a decision in *Rivera v. Washington*, which appears to have overruled all Court of Appeals decisions that allowed direct appeals of adverse trial court rulings based on sovereign immunity grounds under the collateral order doctrine, finding that they should have instead been brought as interlocutory appeals. *Rivera v. Washington*, 298 Ga. 770 (2016). The Georgia Supreme Court's decision states that, as a result of its determination of the *Rivera* case, multiple decisions of the Court of Appeals, including the Court of Appeals decision in *Neal,* are therefore overruled. On April 26, 2016, the Georgia Supreme Court granted Plaintiff's Petition for Certiorari, vacated the Court of Appeals decision in *Neal* and, in light of the decision in *Rivera,* remanded the case to the Court of Appeals for reconsideration of its conclusion that it had jurisdiction over the direct appeal. *Neal v. Georgia Department of Community Health*, Ga. Supreme Court Case No. S16C0505 (2015). The Court of Appeals subsequently determined that it did not have jurisdiction and remanded the case back to the Superior Court of Fulton County.

In March 2017, Plaintiff filed a Second Amended Complaint adding, in the alternative, a claim for mandamus relief against the members of the Board of Community Health (the "Board") in their official capacities. In November 2017, Plaintiff filed a Third Amended Complaint which added additional paragraphs and an exhibit, but did not change the counts of the Second Amended Complaint. On November 28, 2017, DCH filed a Motion for Partial Summary Judgment as to the breach of contract claims and the Board filed a separate Motion to Dismiss the mandamus claim. In an Order entered on April 18, 2018, the Superior Court granted DCH's Motion for Partial Summary Judgment and found that sovereign immunity barred the breach of contract action. However, the Superior Court denied the Board's Motion to Dismiss the mandamus claim. The Board sought and received a Certificate of Immediate Review of the denial of the Motion to Dismiss. The Board filed an Application for Interlocutory Review to the Court of Appeals on May 2, 2018. The Court of Appeals granted the appeal and this case is docketed as *Norman L. Boyd, et al. v. Trecia Neal*, Ga. Court of Appeals Case No. A19A0227. Neal filed a cross-appeal against DCH relating to the granting of the Motion for Summary Judgment. This case is docketed as *Trecia Neal, et al. v. Georgia Department of Community Health*, Ga. Court of Appeals Case No. A19A0369. On May 28, 2019, the Court of Appeals issued a written judgment addressing both cases. In Case No. A19A0369, the Court of Appeals affirmed trial court's granting of DCH's motion for partial summary judgment. In Case No. A19A0227, the Court of Appeals found that the Superior Court erred in denying the Board's motion to dismiss the mandamus claim. In each case, Neal has ten (10) days to file a petition for a writ of certiorari with the Georgia Court of Appeals. 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.

Judith Kelly, et al. v. Board of Community Health, et. al.

Judith Kelly, et al. v. Board of Community Health, et. al., Ga. Court of Appeals Case No. A19A0802, on appeal from Fulton County Superior Court Civil Case No. 2017-CV-298686, filed December 4, 2017. Plaintiffs, who seek class action status, are retired state employees, public school teachers, or public school employees, and are enrolled in the health insurance plans administered by the

State Health Benefit Plan ("SHBP"). On December 8, 2011 the Board of Community Health (the "Board") approved a policy modifying the subsidies for certain retired employees based on employee years of service. Plaintiffs have brought suit against the Board of Community Health and the members of Board, in their individual and official capacities, for breach of contract asserting that retroactive modifications to the annuitant subsidy provided to certain retired employees had the effect of breaching the Plaintiffs' alleged contracts with SHBP. Plaintiffs assert this policy is a breach of an alleged contract to provide health insurance to retired employees. Plaintiffs seek monetary damages, a writ of mandamus to require the application of the full subsidy to the purported class members, plus attorneys' fees. After the Board filed a Motion to Dismiss the Complaint, Plaintiffs amended their Complaint to add three additional counts for Equal Protection, Section 1983 and Declaratory Judgment. The Board filed a Motion to Dismiss the Second Amended Complaint on May 11, 2018, claiming that the allegations in the Complaint are either barred by sovereign immunity or fail to state a claim. On August 20, 2018, the trial court granted the Motion to Dismiss and dismissed the case in its entirety. Plaintiffs filed an appeal with the Georgia Court of Appeals and the case is docketed as Ga. Court of Appeals Case No. A19A0802. Briefing of the issues is complete and oral argument is scheduled for June 18, 2019. 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.

T-Mobile South, LLC v. David M. Curry

T-Mobile South, LLC v. David M. Curry, Commissioner, Georgia Department of Revenue, Ga. Tax Tribunal Docket Nos. 1732418, 1800700, filed April 14, 2017 and July 11, 2017, respectively. T-Mobile South seeks refunds of sales and use taxes allegedly paid on purchases of certain tangible personal property for tax periods May 30, 2012 through December 31, 2016, which T-Mobile South asserts to be subject to computer equipment related sales and use tax exemptions pursuant to O.C.G.A. § 48-8-3(68). The total of the sales and use tax refunds claimed by T-Mobile South for such periods is approximately $11,500,000. The Department of Revenue ("DOR") ruled that the computer equipment purchases by T-Mobile South failed to exceed the required purchase amount of $15,000,000 per calendar year and therefore do not qualify for the sales tax exemption. T-Mobile South appealed these decisions with the Georgia Tax Tribunal. The parties have concluded discovery and each filed cross-motions for summary judgment. Oral argument on the motions for summary judgment was heard on April 30, 2019. 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.

CSX Transportation v. David M. Curry

CXS Transportation v. David M. Curry, Commissioner, Georgia Department of Revenue, Ga. Tax Tribunal Docket No. 1622264. CSX has filed multiple appeals of constructive denials of refunds for sales and use tax imposed on diesel fuel starting in 2013. DOR did not act on the refund claims due to the pendency of litigation on a comparable issue in the U.S. Supreme Court against the state of Alabama. The issue is whether the sales and use tax imposed on diesel fuel purchased by rail carriers violates Section 306 of the Railroad Revitalization and Regulatory Reform Act of 1976 (the "4-R Act"), prohibiting discriminatory treatment of rail carriers. CSX contends that the application of a four percent (4%) sales tax rate to its purchase of diesel fuel violates Section 306 of the 4-R Act because motor carriers are subject to state and local taxes but are exempt from the first three percent (3%) of the four percent (4%) sales tax rate under O.C.G.A. § 48-8-31, and because interstate water carriers are exempt from sales and use tax under O.C.G.A. § 48-8-3(17). The total of the sales and use tax refunds claimed by CSX for tax periods October 2010 through June 2015 is approximately $37,500,000.

The Georgia Tax Tribunal cases have been stayed pending the outcome of pending litigation in Alabama in CSX Trans., Inc. v. Alabama Dep't of Revenue, Case No. 17-11705-G. The Eleventh Circuit ruled in CSX Transp., Inc. v. Ala. Dep't of Revenue, 888 F.3d 1163 (11th Cir. 2018) that Alabama's sales and use tax did not discriminate against railroads when compared to motor carriers but did discriminate against railroads when compared to water carriers. Alabama's petition for certiorari to the U.S. Supreme Court was filed on October 8, 2018. CSX also has filed a conditional petition for certiorari. The U.S. Supreme Court has already granted certiorari twice before in the Alabama litigation and reversed both times. 562 U.S. 277 (2011); 135 S. Ct. 1136 (2015). The petition is still pending but the Court has asked the U.S. Solicitor General to weigh in on the case. 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.

OTHER SIGNIFICANT MATTERS

Interstate Water Disputes Among Georgia, Alabama, and Florida

Background.

The State of Georgia 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. These disputes include a suit the State of Florida filed in the U.S. Supreme Court seeking an equitable apportionment of the waters in the ACF River Basin, as well as other cases in federal courts pertaining to the ACF and ACT Basins.

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.

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. This action was docketed as *State of Florida v. State of Georgia,* No. 142 Orig., S.Ct. 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. Commencing on October 31, 2016, and concluding on December 1, 2016, the Special Master conducted an evidentiary hearing on the matter. On February 14, 2017, the Special Master issued a Report. The Special Master found that Florida "failed to show that a consumption cap will afford adequate relief" and, based on that finding, recommended that "the Court deny Florida's request for relief." *Fla. v. Ga.*, Report of Special Master at 69-70 (Feb. 14, 2017). The Special Master concluded that this "single, discrete issue" "resolves this case" and thus did not make any factual findings on other elements of Florida's claim, including the reasonableness of Georgia's water use, whether Florida suffered an injury, or whether any alleged injury was actually caused by Georgia's purportedly inequitable water use. *Id*. at 30. The Special Master's Report was received and deemed filed by the Supreme Court on March 20, 2017. Florida filed exceptions to the Report of the Special Master on May 31, 2017, and Georgia filed a reply in opposition to Florida's exceptions on July 31, 2017. The Supreme Court heard oral arguments regarding Florida's exceptions on January 8, 2018. On June 27, 2018, the Supreme Court issued an opinion sustaining one of Florida's exceptions. The Court ruled on "only the narrow 'threshold' question the Master addressed below" and "reserve[d] judgment as to the ultimate disposition of this case." *Fla. v. Ga.*, 138 S. Ct. 2502, 2518 (2018). The Court remanded the case back to the Special Master, directing him "to make more specific factual findings and definitive recommendations" about whether Florida can demonstrate that the benefits from a cap substantially outweigh the harm to Georgia. *Id.* at 2527. To that end, the Court directed the Special Master to address specific questions on remand, including whether Georgia takes too much water from the Flint River, whether Florida has suffered any injuries, whether any of Florida's injuries were caused by Georgia, whether a consumption cap would increase water flow into Lake Seminole, to what extent additional water from a cap on Georgia's water consumption would result in additional streamflow into the Apalachicola River, and to what extent any additional water in the Apalachicola River might ameliorate Florida's injuries. *Id.* The court appointed a new Special Master on August 9, 2018, and the new Special Master issued a briefing schedule. The parties completed that briefing on February 28, 2019, and on March 12, 2019, Florida moved for oral argument. The Special Master has not ruled on Florida's motion for oral argument and has not yet issued a new report. It is not possible at this time to predict the duration or outcome of this litigation.

In earlier water 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.

Georgia revised its water supply request in a letter to the Corps dated December 4, 2015. On December 16, 2016, the Corps published the Final Environmental Impact Statement for the ACF River Basin Master Water Control Manual Update and Water Supply Storage Assessment. In the Final Environmental Impact Statement, the Corps granted Georgia's revised water supply request. The Corps accepted public comments on the Final Environmental Impact Statement through February 1, 2017. On March 30, 2017, the Corps issued a Record of Decision adopting the water control plans and manuals for the ACF River Basin, as well as the Water Supply Storage Assessment. The ACF Record of Decision authorized the Corps to enter into a water supply agreement with Georgia or its authorized representatives for the use of 254,170 acre-feet of storage in Lake Lanier.

On April 5, 2017, the State of Alabama filed a lawsuit in the United States District Court for the District of Columbia (the "D.C. District Court") challenging the ACF Record of Decision, the Corps' water control manuals, the Final Environmental Impact Statement, and the Water Supply Storage Assessment, asserting that the Corps' actions were contrary to law. This action was docketed as *State of Alabama v. U.S. Army Corps of Engineers, et al.*, D.D.C. District Court Case No. 1:17cv607. Georgia moved to intervene in this action on May 12, 2017 and was granted intervention on May 16, 2017. On June 30, 2017, Georgia moved to transfer this action. The D.C. District Court granted Georgia's motion on March 29, 2018, transferring the case to the United States District Court for the Northern District of Georgia. The transferred action was docketed as *State of Alabama v. U.S. Army Corps of Engineers, et al.*, N.D. Ga. District Court Case No. 1:18cv1529.

On April 27, 2017, the National Wildlife Federation, the Florida Wildlife Federation, and Apalachicola Bay and River Keeper, Inc. also filed a challenge in the D.C. District Court to the ACF water control manuals and the Final Environmental Impact Statement. This action was docketed as *National Wildlife Federation, et al. v. U.S. Army Corps of Engineers, et al.*, D.D.C. District Court Case No. 1:17cv772. Georgia moved to intervene in this action on June 26, 2017 and was granted intervention on July 17, 2017. On August 15, 2017, Georgia moved to transfer this action. The D.C. District Court granted Georgia's motion on March 29, 2018, transferring the case to the United States District Court for the Northern District of Georgia. The transferred action was docketed as *National Wildlife Federation, et al v. U.S. Army Corps of Engineers, et al.*, N.D. Ga. District Court Case No. 1:18cv1530.

On May 7, 2018, Judge Thrash of the United States District Court for the Northern District of Georgia held a consolidated status conference to discuss both the *Alabama* and *National Wildlife Federation* cases. The Court directed the parties to confer and attempt to reach an agreement on a case management order to be submitted within thirty (30) days to establish a schedule for compiling the Administrative Record and for briefing. On May 8, 2018, the Court ordered the two cases to be consolidated into a single action docketed as *In Re ACF Basin Water Litigation*, N.D. Ga. District Court Case No. 1:18-mi-043-TWT. On June 11, 2018, the Court issued a Case Management Order setting dates for the filing of any motions for judgment on the pleadings and for submission and review of the administrative record. The parties have filed motions for partial judgment on the pleadings and are to attempt to resolve any administrative record disagreements through informal negotiation. Pursuant to the Case Management Order, the parties shall submit a proposed schedule for amended complaints, if any, and for summary judgment briefing within fourteen (14) days of the Court's resolution of the parties' motions for partial judgment on the pleadings. It is not possible at this time to predict the duration or outcome of this case.

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. This action is docketed as *The State of Georgia v. The U.S. Army Corps of Engineers, et al.,* N.D. Ga. District Court Case No. 1:14cv3593. 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, Georgia amended its complaint to allege that the Record of Decision failed to meet applicable legal standards. Georgia and the Corps filed motions for summary judgment, and the Court heard oral argument on those motions on August 15, 2017. On September 29, 2017, the Court issued an order finding that the Corps had unreasonably delayed action on Georgia's water supply requests for storage at Lake Allatoona. On January 9, 2018, the Court issued a Final Order directing the Corps to respond to Georgia's water supply request no later than March 1, 2021. The Court retained limited jurisdiction over this action for the purpose of ensuring the Corps' compliance with the Final Order. On March 12, 2018, the Corps filed a Notice of Appeal with the Eleventh Circuit but then filed a motion for voluntary dismissal of the appeal, which was granted on March 20, 2018. Pursuant to the Court's judgment and order of January 9, 2018, the parties are required to file periodic Joint Status Reports regarding the progress of required studies in accordance with a court-prescribed schedule. On February 25, 2019 the Court acknowledged that three of the five required milestones have been completed. The Corps expects to respond to Georgia's water supply requests by the March 2021 deadline established by the Court.

On May 7, 2015, the State of Alabama and Alabama Power also filed challenges in the D.C. District Court 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. Both challenges have been consolidated into one litigation. This action is docketed as *State of Alabama v. U.S. Army Corps of Engineers, et al.*, D.D.C. District Court Case No. 1:15cv696. Those claims, if successful, could affect the Corps' operation of Lake Allatoona, including future water supply allocation and storage. Georgia moved to intervene in this litigation on October 7, 2016, and the D.C. District Court granted Georgia's motion to intervene on March 31, 2017. The parties completed briefing on summary judgement motions on December 11, 2017, and the D.C. District Court has yet to rule on those motions. It is not possible at this time to predict the duration or outcome of this case.

Review of Medicaid Funding Arrangements for Nursing Facilities

Following an onsite review in 2014 of Georgia's nursing facility funding arrangements by the United States Department of Health and Human Services, Centers for Medicare & Medicaid Services ("CMS"), CMS issued a report in November 2015 to the Department of Community Health ("DCH") concluding that certain funding arrangements for the payment of the State's share of upper payment limit payments to certain nursing homes owned by development authorities within the State were in violation of federal law and the State's Medicaid Plan. The report included a demand for the return of such upper payment limit payments for FY 2010 and FY 2011 in an aggregate amount of approximately $76.0 million and the return of any upper payment limit payments made to such nursing homes in subsequent fiscal years, which DCH estimates to be in an aggregate amount of approximately $94.0 million for both FY 2012 and FY 2013. DCH has taken no action to return the funds and appealed the demand. On March 14, 2019, CMS denied DCH's request for reconsideration. DCH has appealed this decision. It is impracticable to predict the outcome of this matter, but DCH expects to vigorously assert its position contesting any unsubstantiated notice of disallowance issued by CMS.

For additional information, see "Appendix B – COMPREHENSIVE FINANCIAL STATEMENTS FOR FISCAL YEAR ENDED JUNE 30, 2018 – Notes to Financial Statements – Note 20: Litigation, Contingencies and Commitments."

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 and other arrangements 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 – COMPREHENSIVE FINANCIAL STATEMENTS FOR FISCAL YEAR ENDED JUNE 30, 2018" "Notes to the Financial Statements – Note 17: RISK MANAGEMENT" herein.

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APPENDIX B

COMPREHENSIVE FINANCIAL STATEMENTS

FOR FISCAL YEAR ENDED

JUNE 30, 2018

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Comprehensive Annual Financial Report
Fiscal Year Ended June 30, 2018

CHATSWORTH WATER WORKS COMMISSION SOLAR ARRAY
Chatsworth, Georgia
Submitted by the Georgia Environmental Finance Authority

The Chatsworth Water Works Commission (CWWC) is committed to providing the best water and wastewater services at the lowest possible rates for its customers. The CWWC received a Georgia Environmental Finance Authority loan of $3 million to finance a 1 megawatt (MW) solar photovoltaic system. The solar array generates electricity to run the utility's main office and the wastewater treatment plant. The projected savings over the next 25 years are approximately $5.5 to $6 million. Inman Solar worked with CWWC to install the solar array. Photograph provided by Inman Solar.

State of Georgia

Comprehensive Annual Financial Report
For the fiscal year ended June 30, 2018

Prepared by:
State Accounting Office


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State of Georgia

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INTRODUCTORY SECTION

DRIFTWOOD BEACH
Jekyll Island, Georgia
Submitted by the State Accounting Office

SAO
State Accounting Office

Brian Kemp
Governor

Thomas Alan Skelton
State Accounting Officer

January 18, 2019

The Honorable Brian Kemp, Governor of Georgia

The Honorable Members of the General Assembly

Citizens of the State of Georgia

It is my privilege to present the *Comprehensive Annual Financial Report* (CAFR) on the operations of the State of Georgia (State) for the fiscal year ended June 30, 2018, in accordance with the Official Code of Georgia Annotated (O.C.G.A.), Section 50-5B-3(a)(7). The objective of this report is to provide a clear picture of our government as a single comprehensive reporting entity.

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

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

Internal Controls

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

Independent Audit

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

Federal regulations also require the State to undergo an annual Single Audit in conformance with the Single Audit Act Amendments of 1996 and the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for

Federal Awards (contained in Title 2 U.S. Code of Federal Regulations Part 200). Information related to the Single Audit, including the schedule of expenditures of federal awards, audit findings and recommendations, summary of prior audit findings, and the Independent Auditor's reports, is issued in a separate report and will be available at a later date.

Management's Discussion and Analysis

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

PROFILE OF THE STATE OF GEORGIA

The State, founded on February 12, 1733, was the last of the original 13 colonies and became the fourth state by ratifying the U.S. Constitution on January 2, 1788. The State is an economic hub of the southeast. Atlanta, the state capital, is the major economic and population center of the State with major regional economic and population centers in Augusta, Savannah, and Macon. The State's economic base is diverse with major port facilities on the coast, agricultural resources throughout the State, manufacturing and service industries, and is a major transportation center with one of the busiest airports in the nation. The State is the eighth largest state with an estimated population of 10.4 million people.

Reporting Entity

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

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

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

Budgetary Control

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

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

The statutory basis of accounting required by state law differs materially from the basis used to report revenues and expenditures in accordance with GAAP. Detailed information on the statutory basis of accounting and the results of operations on that basis for fiscal year 2018 can be found in the separately issued Budgetary Compliance Report (BCR) dated November 2, 2018.

Budget Stabilization

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

Long-term Financial Planning - Debt Management

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

Fiscal Year Budget Overview

State General Fund Receipts deposited with the Office of the State Treasurer during fiscal year 2018 were $24.3 billion, which was 1.8% greater than the final amended revenue estimate of $23.9 billion and 4.5% greater than prior year 2017. Total Net Taxes were 4.6% greater in fiscal year 2018 than fiscal year 2017 and indicated continued economic growth in Georgia. As a result, the balance of the RSR as of June 30, 2018 was $2.8 billion.

By statute, up to 1% of fiscal year 2018 net revenue collections ($243.2 million) may be appropriated from the RSR in fiscal year 2019 for K-12 needs. As of the date of this report, the $2.8 billion RSR balance has not been adjusted for this potential appropriation. In addition, the Governor may release, for appropriation in a subsequent year, funds in excess of 4% of current year (fiscal year 2018) revenue collections.

ECONOMIC FACTORS AND OUTLOOK

Many factors indicate that the State's economy has recovered 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.

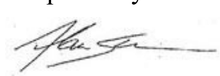
AWARDS AND ACKNOWLEDGEMENTS

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, 2017. This was the sixth consecutive year that the State has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

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

Respectfully submitted,



Thomas Alan Skelton
State Accounting Officer

JUDICIAL

Supreme Court
Court of Appeals
Superior Courts
District Attorneys
Judicial Agencies

EXECUTIVE

Constitutional Officers

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

Governor

Office of Planning and Budget
Governor's Office

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

LEGISLATIVE

General Assembly
Senate
House of Representatives

Legislative Agencies

Department of Audits and Accounts

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State of Georgia

Principal State Officials
June 30, 2018

Executive:

Nathan Deal.. *Governor*

Brian P. Kemp.. *Secretary of State*

Chris Carr.. *Attorney General*

Mark Butler.. *Commissioner of Labor*

Richard Woods .... *State Superintendent of Schools*

Ralph T. Hudgens.. *Commissioner of Insurance*

Gary W. Black.. *Commissioner of Agriculture*

Chuck Eaton (Chairman).. *Public Service Commissioner*
Tim Echols.. *Public Service Commissioner*
H. Doug Everett.. *Public Service Commissioner*
Lauren "Bubba" McDonald, Jr.. *Public Service Commissioner*
Stan Wise.. *Public Service Commissioner*

Legislative:

Casey Cagle.. *Lieutenant Governor/President of the Senate*

David Ralston.. *Speaker of the House of Representatives*

Judicial:

Harold D. Melton.. *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, 2017

Christopher P. Morrill

Executive Director/CEO


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ACKNOWLEDGEMENTS

The Georgia Comprehensive Annual Financial Report (CAFR) for the fiscal year ending June 30, 2018 was prepared by:

STATE ACCOUNTING OFFICE

Kris Martins, Deputy State Accounting Officer, Financial Reporting

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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. A special thank you to Teresa A. MacCartney, State CFO and Director of OPB, and Governor Nathan Deal for their support during their tenure.


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FINANCIAL SECTION

ACADEMIC BUILDING AND DRIVING TRACKS

Forsyth, Georgia

Submitted by the Georgia Department of Public Safety

DEPARTMENT OF AUDITS AND ACCOUNTS

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

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

Independent Auditor's Report

The Honorable Brian P. Kemp, 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 (State), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the State's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the following entities:

AU Health System, Inc.
Augusta University Foundation, Inc. and Subsidiaries
Augusta University Research Institute, Inc.
Employees' Retirement System of Georgia
Georgia Advanced Technology Ventures, Inc. and Subsidiaries
Georgia College & State University Foundation, Inc. and Subsidiaries
Georgia State University Foundation, Inc
Georgia State University Research Foundation, Inc.
Georgia Tech Athletic Association
Georgia Tech Facilities, Inc.
Georgia Tech Foundation, Inc.
Georgia Tech Research Corporation
Kennesaw State University Foundation, Inc.
Medical College of Georgia Foundation, Inc.

Georgia Environmental Finance Authority
Georgia Gwinnett College Foundation, Inc.
Georgia Health Sciences Foundation, Inc.
Georgia Higher Education Facilities Authority
Georgia Housing and Finance Authority
Georgia Lottery Corporation
Georgia Ports Authority
Georgia Southern University Housing Foundation, Inc. and Subsidiaries
Georgia State Financing and Investment Commission
Georgia State University Athletic Association, Inc.
Middle Georgia State University Real Estate Foundation, Inc. and Subsidiaries
Teachers Retirement System of Georgia
University of Georgia Athletic Association, Inc.
University of Georgia Foundation
University of Georgia Research Foundation, Inc. and Subsidiaries
University of North Georgia Real Estate Foundation, Inc. and Subsidiaries
UWG Real Estate Foundation, Inc.
University System of Georgia Foundation, Inc. and Affiliates
VSU Auxiliary Services Real Estate Foundation, Inc.

Those financial statements represent part or all of the total assets, net position or fund balances, and revenues or additions of the governmental activities, the business-type activities, the aggregate discretely presented component units, the major governmental fund-General Obligation Bond Projects fund, and the aggregate remaining fund information as reported in the following table:

Opinion Unit	**Percent of Total Assets**	**Percent of Net Position/ Fund Balance**	**Percent of Total Revenues/ Additions**
Governmental Activities	3%	7%	3%
Business-type Activities	3%	6%	0%
Aggregate Discretely Presented Component Units	86%	79%	86%
Governmental Fund – General Obligation Bond Projects Fund	100%	100%	100%
Aggregate Remaining Fund Information	87%	89%	44%

Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinions, insofar as they relate to the amounts included for the above mentioned entities, are based solely on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The following financial statements, which were audited by other auditors upon whose reports we are relying, were audited in accordance with auditing standards generally accepted in the United States of America, but not in accordance with *Government Auditing Standards:*

Georgia Advanced Technology Ventures, Inc. and Subsidiaries
Georgia College & State University Foundation, Inc. and Subsidiaries
Georgia Gwinnett College Foundation, Inc.
Georgia Health Sciences Foundation, Inc.
Georgia State University Athletic Association
Kennesaw State University Foundation, Inc.
Medical College of Georgia Foundation, Inc.
Middle Georgia State University Real Estate Foundation, Inc. and Subsidiaries
University of Georgia Athletic Association, Inc.

Georgia Lottery Corporation
Georgia Southern University Housing Foundation, Inc. and Subsidiaries
Georgia State University Foundation, Inc.
Georgia Tech Athletic Association
Georgia Tech Facilities, Inc.
Georgia Tech Foundation, Inc.
University of Georgia Foundation
University of North Georgia Real Estate Foundation, Inc. and Subsidiaries
UWG Real Estate Foundation, Inc.
University System of Georgia Foundation, Inc. and Affiliates
VSU Auxiliary Services Real Estate Foundation, Inc.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the State's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the State's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. Georgia statutes, in addition to audit responsibilities, entrust other responsibilities to the Department of Audits and Accounts. Those responsibilities include service by the State Auditor on the governing boards of various agencies, authorities, commissions, and component units of the State. The Department of Audits and Accounts elected not to provide audit services for the organizational units of the State of Georgia associated with these boards. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the State, as of June 30, 2018, 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

Implementation of New Accounting Standards

As described in Note 2 to the financial statements, in 2018, the State adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, as amended by GASB Statement No. 85, *Omnibus 2017*. Our opinions are not modified with respect to these matters.

Correction of Prior Year Errors

As discussed in Notes 2 and 3 to the financial statements, the fiscal year 2017 ending balances of the Governmental Activities, Business-type Activities, Higher Education fund, State Health Benefit Plan fund, Fiduciary funds, Pension and Other Employee Benefit Trust funds, and discretely presented component unit financial statements have been restated to correct errors in previously issued financial statements. Our opinions are not modified with respect to these matters.

Change in Reporting Entity

As discussed in Note 2 to the financial statements, the Business-type Activities, the Nonmajor Enterprise funds, the Nonmajor Internal Service funds, and discretely presented component units have been restated due to changes in the financial reporting entity. Our opinions are not modified with respect to these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

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

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we will also issue our report dated January 18, 2019, on our consideration of State's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. That report will be issued under separate cover in the State's *Single Audit Report*. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the State’s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the State’s internal control over financial reporting and compliance.

Respectfully submitted,

Greg S. Griffin
State Auditor

January 18, 2019


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MANAGEMENT'S DISCUSSION AND ANALYSIS


STATE OF GEORGIA
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INTRODUCTION

The *Management's Discussion and Analysis* (MD&A) of the State of Georgia's *Comprehensive Annual Financial Report* (CAFR) presents an overview and analysis of the financial activities of the State for the fiscal year ended June 30, 2018. It should be read in conjunction with the letter of transmittal, located in the Introductory Section of this report, and the State's financial statements, including the notes to the financial statements, which are an integral part of the statements that follow this narrative.

FINANCIAL HIGHLIGHTS – PRIMARY GOVERNMENT

Government-wide

- Net Position - Total assets and deferred outflows of resources of the State exceeded liabilities and deferred inflows of resources by $21.4 billion. Contributing to this amount, a deficit of $11.7 billion was reported as unrestricted net position.

- Changes in Net Position - The State's total net position decreased by $2.9 billion in fiscal year 2018 compared to the balances reported in the prior year. More specifically, net position of governmental activities decreased by $1.5 billion while net position of business-type activities decreased by $1.4 billion.

- Excess of Revenues over Expenses – Governmental Activities - The State's total revenues for governmental activities, which totaled $43.6 billion were $4.6 billion more than total expenses (excluding transfers). General revenues, which are primarily comprised of tax collections, totaled $24.5 billion, and program revenues, which primarily come from operating grants and contributions, totaled $19.1 billion.

Fund Level

- Governmental Funds – Fund Balances - The governmental funds reported combined ending fund balances of $9.7 billion. This amount represents an increase of $911.2 million (10.4%) (as restated), when compared with the prior year. Of this total fund balance, $52.1 million (0.5%) represents nonspendable fund balance; $6.6 billion (68.1%) represents restricted fund balance; $11.8 million (0.1%) represents committed fund balance; $522.6 million (5.4%) represents assigned fund balance; and $2.5 billion (25.9%) represents unassigned fund balance.

- General Fund – Fund Balances - The General Fund ended the fiscal year with a total fund balance of $8.1 billion, of which $2.5 billion was classified as unassigned fund balance. Total revenues increased by $1.5 billion (3.6%) over the prior year.

- Enterprise Funds – Net position - The Enterprise Funds ended the fiscal year with a total net position of $4.7 billion. More specifically, the major funds areas with significant net positions were the Higher Education Fund of $1.7 billion, the Unemployment Compensation Fund of $2.2 billion, and the State Health Benefit Plan of $689.9 million.

Long-term Debt

The long-term bond debt of the primary government increased $57.1 million (0.5%) during the fiscal year. The increase represents the net difference between new issuances, maturing principal payments and the net effect of refunding bonds. The amount owed for general obligation bonds increased by $191.8 million (1.9%) for the primary government, while the amount owed for revenue bonds decreased $134.7 million (13.3%) for the primary government. The State issued new bonded debt, including refunding bonds, during the year in the amount of $1.7 billion for the primary government. The State continues to balance the need to issue debt for capital improvements against State management's desire to maintain a conservative approach to debt management.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

- Governmental Activities - The majority of the State's basic services fall under this activity, including services related to general government, education, health and welfare, transportation, public safety, economic development and assistance, culture and recreation, and conservation. Taxes and intergovernmental revenues are the major funding sources for these programs.

- Business-Type Activities - The State operates certain activities similar to private-sector businesses by charging fees to customers to recover all or a significant portion of their costs of providing goods and services. The Unemployment Compensation Fund, the self-insured State Health Benefit Plan (SHBP), and the Higher Education Fund are some examples of business-type activities. The Higher Education Fund consists of the University System of Georgia and the Technical College System of Georgia.

- Component Units - Certain organizations are legally separate from the State; however, the State remains financially accountable for them. The Georgia Environmental Finance Authority, Georgia Housing and Finance Authority, and Georgia Lottery Corporation are examples of component units.

Fund Financial Statements – Reporting the State's Most Significant Funds

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

- Governmental Funds - Most of the basic services provided by the State are financed through governmental funds and are essentially the same functions reported as governmental activities in the government-wide financial statements. Governmental funds use the modified accrual basis of accounting, and focus on short-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. These statements provide a detailed short-term view of the State's finances that assist in determining whether there will be adequate financial resources available to meet the current needs of the State.

- Proprietary Funds - The Proprietary funds, which include enterprise funds and internal service funds, account for state activities that are similar to private-sector businesses. Like government-wide statements, proprietary fund statements are presented using the full-accrual basis of accounting. Activities whose customers are mostly outside of state government are accounted for in enterprise funds and are the same functions reported as business-type activities. The enterprise fund financial statements provide more detail and additional information than in the government-wide statements, such as cash flows. Activities whose customers are mostly other state organizations are accounted for in internal service funds. The internal service fund activities are allocated proportionately between the governmental activities (predominately) and the business-type activities in the government-wide statements based on the benefit of the services provided to those activities.

- Fiduciary Funds - These funds are used to account for resources held for the benefit of parties outside the state government. The State is responsible for ensuring these assets are used for their intended purposes. Fiduciary funds use full-accrual accounting but are not reflected in the government-wide financial statements because the resources from these funds are not available to support the State's own programs.

Reconciliation between Government-wide and Fund Statements

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

- Capital outlays result in capital assets on the government-wide statements but are reported as expenditures in the governmental fund financial statements.

- Bond proceeds are recorded as long-term debt on the government-wide statements but are listed as current financial resources on the governmental fund statements.

- Net pension and other postemployment (OPEB) assets/liabilities are reported on the government-wide statements but are not reported 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 essential to a complete understanding of the financial statements. The notes are applicable to both the government-wide financial statements and the fund financial statements.

Required and Other Supplementary Information

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

FINANCIAL ANALYSIS OF THE STATE AS A WHOLE

Net Position

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

As shown in Table 1 on the following page, the State reported a total net position of $21.4 billion, which is comprised of $24.4 billion in net investment in capital assets, $8.7 billion in restricted net position, and an unrestricted portion of net position deficit of $11.7 billion.

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

(Table on next page)

Table 1 - Net Position As of June 30, 2018 and 2017 (in thousands)						
	Governmental Activities		Business-type Activities		Total Primary Government	
	2018	2017	2018	2017	2018	2017
Assets						
Non-Capital Assets	$ 17,187,431	$ 16,083,546	$ 6,407,815	$ 5,885,362	$ 23,595,246	$ 21,968,908
Net Capital Assets	23,009,176	22,100,118	11,072,098	11,116,972	34,081,274	33,217,090
Total Assets	40,196,607	38,183,664	17,479,913	17,002,334	57,676,520	55,185,998
Deferred Outflows of Resources	1,705,307	1,604,253	1,024,781	1,041,915	2,730,088	2,646,168
Liabilities						
Noncurrent Liabilities	18,555,692	15,970,995	11,740,526	10,152,483	30,296,218	26,123,478
Current Liabilities	5,787,154	5,245,385	1,092,444	1,205,616	6,879,598	6,451,001
Total Liabilities	24,342,846	21,216,380	12,832,970	11,358,099	37,175,816	32,574,479
Deferred Inflows of Resources	730,905	193,622	1,116,502	758,281	1,847,407	951,903
Net Position						
Net Investment in Capital Assets	19,542,361	18,575,368	7,849,961	7,773,009	24,372,160	23,502,948
Restricted	5,792,152	5,013,504	2,955,296	2,639,561	8,747,448	7,653,065
Unrestricted	(8,506,350)	(5,210,957)	(6,250,035)	(4,484,701)	(11,736,223)	(6,850,229)
Total Net Position	$ 16,828,163	$ 18,377,915	$ 4,555,222	$ 5,927,869	$ 21,383,385	$ 24,305,784
Percent Change in Total:						
Net Position from Prior Year	(8.4)%		(23.2)%		(12.0)%	
Percent Change after Restatements	10.8 %		16.8 %		12.0 %	

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

Net position for governmental activities as originally reported decreased by $1.5 billion (8.4%), but increased by $1.6 billion (10.8%), when adjusted for restatements. The deficit unrestricted balance of $8.5 billion is primarily the result of the following three types of transactions:

- The State continues to issue general obligation debt for the purposes of capital acquisition and construction on behalf of county and independent school systems. Since the issuance of this debt does not result in capital assets acquisitions for governmental activities, the debt of $5.2 billion is not reflected in the net position category, net investment in capital assets, but rather in the unrestricted net position category.

- GASB Statement No. 68 (GASB 68), as related to pensions, required the State to recognize its proportional share of the net pension liability of the pension plans applicable to said standard. As of June 30, 2018, this liability resulted in a $3.2 billion impact to unrestricted net position.

- GASB Statement No. 75 (GASB 75), as related to OPEB, required the State to recognize its proportional share of the net OPEB liability of the OPEB plans applicable to said standard. As of June 30, 2018, this liability resulted in a $2.9 billion impact to unrestricted net position.

Net position for business-type activities as originally reported decreased by $1.4 billion (23.2%), but increased by $653.6 million (16.8%), when adjusted for restatements. The deficit unrestricted balance of $6.3 billion is primarily due to the recognition of net pension and OPEB liabilities.

- GASB 68, as related to pensions, required the State to recognize its proportional share of the net pension liability of the pension plans applicable to said standard. As of June 30, 2018, this liability resulted in a $2.8 billion impact to unrestricted net position.

- GASB 75, as related to OPEB, required the State to recognize its proportional share of the net OPEB liability of the OPEB plans applicable to said standard. As of June 30, 2018, this liability resulted in a $4.7 billion impact to unrestricted net position.

Changes in Net Position

The revenue and expense information, as shown in Table 2 on the following page, was derived from the government-wide *Statement of Activities* and summarizes the State's total revenues, expenses and changes in net position for fiscal year 2018. Consistent with the prior year, the State received a majority of its $54.0 billion in revenues from taxes and operating grants and contributions. Expenses of the primary government during fiscal year 2018 were $51.7 billion with the increase over the prior year driven largely by education, transportation, and healthcare costs. As a result of the excess revenues over expenses, the total net position of the primary government increased by $2.3 billion, net of transfers.

(Table on next page)

Table 2 - Changes in Net Position For the Years Ended June 30, 2018 and 2017 (in thousands)	Governmental Activities		Business-type Activities		Total Primary Government		Total Percentage Change
	2018	2017	2018	2017	2018	2017	2017 to 2018
Revenues:							
Program Revenues:							
Sales and Charges for Services	$ 1,261,263	$ 1,414,743	$ 7,236,472	$ 6,480,908	$ 8,497,735	$ 7,895,651	7.6 %
Operating Grants/Contributions	16,277,251	15,611,324	3,031,969	2,788,516	19,309,220	18,399,840	4.9 %
Capital Grants/Contributions	1,560,745	1,608,086	107,167	79,085	1,667,912	1,687,171	(1.1)%
General Revenues:							
Taxes	22,258,729	21,769,211	—	—	22,258,729	21,769,211	2.2 %
Lottery for Education - Lottery Proceeds	1,143,515	1,101,062	—	—	1,143,515	1,101,062	3.9 %
Nursing Home and Hospital Provider Fees	465,595	442,576	—	—	465,595	442,576	5.2 %
Tobacco Settlement Funds	168,926	140,938	—	—	168,926	140,938	19.9 %
Unrestricted Investment Income	104,230	50,631	—	—	104,230	50,631	105.9 %
Unclaimed Property	151,462	143,683	—	—	151,462	143,683	5.4 %
Other	184,240	196,046	—	—	184,240	196,046	(6.0)%
Total Revenues	43,575,956	42,478,300	10,375,608	9,348,509	53,951,564	51,826,809	4.1 %
Expenses:							
General Government	1,380,132	1,229,891	—	—	1,380,132	1,229,891	12.2 %
Education	13,266,545	12,655,824	—	—	13,266,545	12,655,824	4.8 %
Health and Welfare	18,082,536	17,238,499	—	—	18,082,536	17,238,499	4.9 %
Transportation	2,400,875	1,964,380	—	—	2,400,875	1,964,380	22.2 %
Public Safety	2,525,521	2,628,645	—	—	2,525,521	2,628,645	(3.9)%
Economic Development and Assistance	524,516	645,604	—	—	524,516	645,604	(18.8)%
Culture and Recreation	308,917	279,375	—	—	308,917	279,375	10.6 %
Conservation	72,135	60,603	—	—	72,135	60,603	19.0 %
Interest and Other Charges on Long-Term Debt	379,211	394,388	—	—	379,211	394,388	(3.8)%
Higher Education Fund	—	—	9,300,291	9,063,716	9,300,291	9,063,716	2.6 %
State Health Benefit Plan	—	—	2,882,954	2,296,062	2,882,954	2,296,062	25.6 %
Unemployment Compensation Fund	—	—	325,523	328,266	325,523	328,266	(0.8)%
Nonmajor Enterprise Funds	—	—	207,054	194,402	207,054	194,402	6.5 %
Total Expenses	38,940,388	37,097,209	12,715,822	11,882,446	51,656,210	48,979,655	5.5 %
Increase (Decrease) in Net Position Before Contributions and Transfers	4,635,568	5,381,091	(2,340,214)	(2,533,937)	2,295,354	2,847,154	
Contributions to Permanent Endowments	—	—	345	833	345	833	
Transfers	(2,993,509)	(2,803,960)	2,993,509	2,803,960	—	—	
Change in Net Position	1,642,059	2,577,131	653,640	270,856	2,295,699	2,847,987	
Net Position July 1 - Restated	15,186,104	15,800,784	3,901,582	5,657,013	19,087,686	21,457,797	
Net Position June 30	$ 16,828,163	$ 18,377,915	$ 4,555,222	$ 5,927,869	$ 21,383,385	$ 24,305,784	(12.0)%

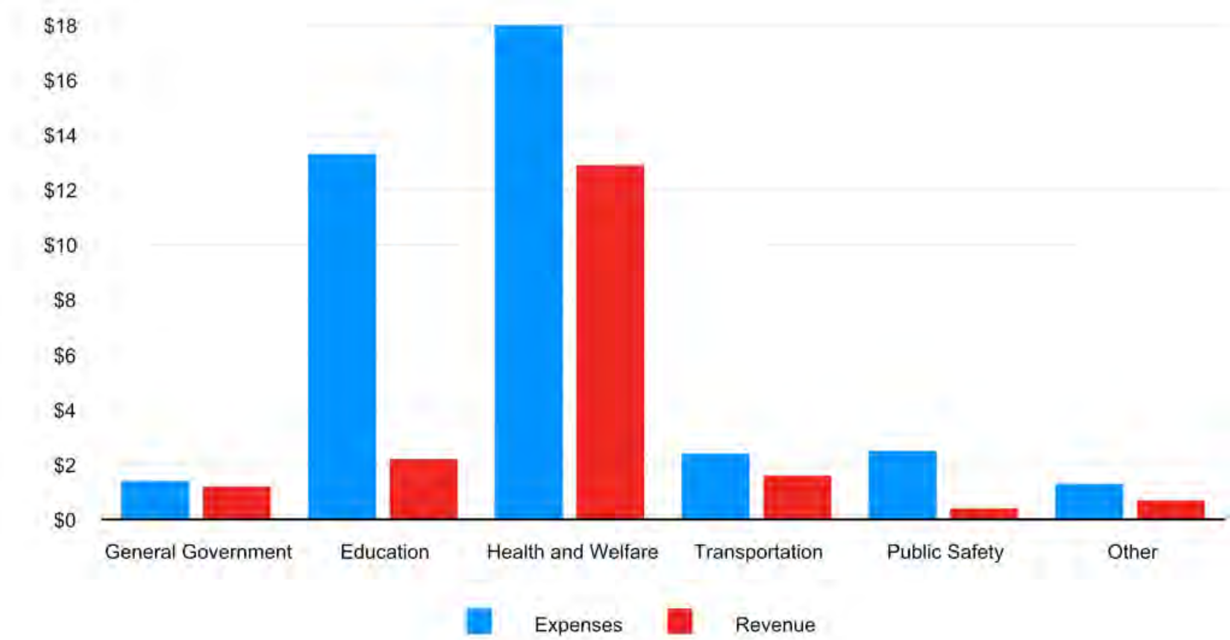
Note: Prior year adjustments recorded in the current year have not been reflected in the prior year column in the table above.

Governmental Activities

The State's total revenues for governmental activities from all sources increased by $1.1 billion (2.6%). The primary driver of this change was an increase in tax revenue totaling $489.5 million which continues to reflect the overall economic growth of the state economy. However, while tax revenues within the general fund increased by $1.0 billion, taxes for governmental activities were negatively impacted in fiscal year 2018 by the removal of tax liens not renewed due to a change in State law and an increase in the allowance for doubtful accounts. Additionally, operating grants and contributions increased by $665.9 million, primarily due to increases in federal Medicaid and associated healthcare reimbursements.

The following table shows to what extent program revenues (charges for services and grants) covered program expenses. During fiscal year 2018, program revenues covered $19.1 billion (49.0%) of the $38.9 billion in total program expenses. For the remaining $19.8 billion (51.0%) of the total program expenses, the State relied on taxes and other general revenues.

Table 3 – Net Program Revenue
For the Year Ended June 30, 2018 (in billions)



Business-type Activities

Net position of business-type activities (as restated) increased by $653.6 million (16.8%) during the fiscal year. Total revenues and expenses for the State's business-type activities increased by $1.0 billion and $833.4 million (11.0%) and 7.0% from prior year respectively.

In fiscal year 2018, business-type activities expenses were funded 81.6% from program revenues compared to 78.7% in the prior year. The amount of funding for these activities coming from program revenues increased from $9.3 billion the prior year to $10.4 billion in fiscal year 2018. The remaining expenses were funded by $3.0 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, 2018, the State's governmental funds reported a combined ending fund balance of $9.7 billion. Of this amount, $52.1 million (0.5%) is nonspendable, either due to its form or legal constraints and $6.6 billion (68.1%) is restricted for specific programs by constitutional provisions, external constraints, or contractual obligations. Fund balance that is restricted by the Constitution principally includes motor fuel taxes that can be used only to build roads and bridges and lottery funds held for education purposes. Restrictions by external parties include general obligation bonds that can only be used for authorized capital projects. Additionally, $11.8 million (0.1%) of total fund balance, has been committed to specific purposes. Committed amounts cannot be used for any other purpose unless approved by the General Assembly and the Governor. An additional $522.6 million (5.4%) of total fund balance has been assigned to specific purposes, as expressed by the intent of State management. The remaining $2.5 billion (25.9%) of fund balance is unassigned.

General Fund

The General Fund is the chief operating fund of the State and had a total fund balance of $8.1 billion as of fiscal year end. The net change in fund balance (as restated) during the fiscal year was $733.8 million (9.9%). The following major revenues, expenditures and other sources/uses contributed to the change in fund balance:

- Revenues - Revenues of the General Fund totaled $43.8 billion in the fiscal year, for an increase of $1.5 billion (3.6%). The primary factor contributing to this change was a $1.0 billion increase in tax revenues from fiscal year 2017 as a result of continued overall growth in the Georgia economy. This growth was consistent with the expected growth in taxes contemplated by the fiscal year 2018 budget. In addition to the increase in tax revenues, intergovernmental revenues increased by $506.0 million.

- Expenditures - Expenditures of the General Fund totaled $38.8 billion in the fiscal year, an increase of $1.5 billion over the prior year. The State continues to focus additional budgetary funding in the areas of education and healthcare. For example, the two largest factors contributing to this change include:

    - Education expenses increased $665.6 million consistent with additional funds allocated in the fiscal year 2018 budget for K-12 education to fund enrollment growth and teacher training and experience.

    - Health and welfare expenses increased $980.2 million, which is consistent with increasing healthcare costs.

Capital Project Fund - General Obligation Bond Projects Fund

Fund balance in the General Obligation Bond Projects Fund increased by $62.6 million (5.8%) from the prior year. This was primarily the result of general revenues, debt issuances, and transfers in exceeding capital expenditures and transfers out. Capital outlay expenditures increased by $107.4 million from the prior year.

FINANCIAL ANALYSIS OF THE STATE'S PROPRIETARY FUNDS

Higher Education Fund

The total net position of the Higher Education Fund (as restated) increased $234.8 million (16.5%) primarily due to an increase in transfers in from the general fund.

Operating revenues of the Higher Education Fund increased by $105.5 million (2.0%), primarily due to increase in operating grants and contributions of $79.8 million and net student tuition and fees revenue of $29.4 million. Nonoperating revenues (net of expenses) increased $163.9 million primarily due to grants and contributions. In addition, the Higher Education Fund received an increase of $204.7 million (8.2%) of transfers in, primarily from the General Fund, compared to the prior year.

Operating expenses increased $252.9 million (2.8%), compared to the prior year. Of this amount, $234.9 million is related to Board of Regents, which is primarily attributable to the following functional classifications: Research ($28.3 million), Academic Support ($19.1 million), Institutional Support ($59.2 million), Plant Operations ($50.1 million), Scholarships and Fellowships ($20.5 million), and Patient Care ($22.4 million).

State Health Benefit Plan

Operating revenues for SHBP increased by $777.0 million and operating expenses increased by $586.9 million, which resulted in operating income of $82.1 million. The increase in operating revenues and expenses is primarily due to a change in reporting of payments from the State Health Benefit Fund to fiduciary funds from contra-revenue to benefits expense.

Unemployment Compensation Fund

Georgia's unemployment rate at June 30, 2018 improved from 4.7% to 4.1% in fiscal year 2018. As a result, unemployment claims were slightly lower and unemployment benefit payments continued to decline annually and decreased $2.7 million (0.8%) this year as compared to the prior year. In addition, employer unemployment rates were reduced and the corresponding federal revenue and unemployment tax revenue decreased by $60.2 million (8.5%). Employer taxes and other revenues exceeded benefit payments by $366.9 million. Employer Unemployment Insurance (UI) tax bills are based on both a base rate and the employer's experience rating. The base rate did not change during state fiscal year 2018; however, the experience ratings for many of Georgia's employers declined due to the continued decrease in the state's unemployment rate. This led to lower UI tax bills and a lower UI receivable.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The State's capital assets increased by a net $0.9 billion (2.6%) during the year. The change consisted of a net increase in infrastructure of $271.6 million, as well as net increases in software, land, buildings, and construction in progress of $39.4 million, $178.7 million, $61.1 million, and $400.3 million respectively.

At June 30, 2018, the State had general fund commitments of $2.3 billion and capital project fund commitments of $562.5 million for highway infrastructure and bridge construction. The State Road and Tollway Authority had $465.2 million of commitments, which is primarily due to $343.9 million for the I-285/GA 400 Interchange, $109.4 million for the I-85 Widening Project and $5.5 million for the Northwest Corridor Express Lane Project. Additionally, the Board of Regents had $50.9 million for various construction and renovation projects.

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

Table 4 - Capital Assets, Net of Accumulated Depreciation

As of June 30, 2018 and 2017 (in thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2018	2017	2018	2017	2018	2017
Buildings/Building Improvements	$ 2,138,265	$ 2,073,874	$ 9,012,743	$ 9,016,019	$ 11,151,008	$ 11,089,893
Improvements Other Than Buildings	87,447	83,018	175,874	293,384	263,321	376,402
Infrastructure	12,000,811	11,723,433	227,688	233,430	12,228,499	11,956,863
Intangibles - Other Than Software	123,822	122,724	—	—	123,822	122,724
Land	4,206,006	4,049,892	491,297	468,702	4,697,303	4,518,594
Library Collections	—	—	179,577	179,466	179,577	179,466
Machinery and Equipment	270,800	258,420	550,794	538,478	821,594	796,898
Software	267,735	244,245	85,946	70,057	353,681	314,302
Works of Art and Collections	1,391	1,391	57,006	56,736	58,397	58,127
Construction in Progress	3,912,899	3,543,121	291,173	260,700	4,204,072	3,803,821
Total	$ 23,009,176	$ 22,100,118	$ 11,072,098	$ 11,116,972	$ 34,081,274	$ 33,217,090

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

Debt Administration

The Constitution authorizes issuing general obligation debt only as approved by the legislature and prohibits the issuance of general obligation bonds for operating purposes. The Constitution requires the State to maintain a reserve sufficient to pay annual debt service requirements on all general obligation debt. If for any reason the reserve balance is insufficient to make all debt service payments when due, the first revenues received thereafter in the General Fund will be set aside for such use. The Constitution also stipulates that no debt may be incurred when the highest aggregate annual debt service requirements for any year for outstanding general obligation debt and guaranteed revenue debt, including proposed debt, exceed 10% of the total revenue receipts, less refunds in the state treasury, in the fiscal year immediately preceding the year in which any such debt is to be incurred. At June 30, 2018, the State was $1.1 billion below the annual debt service limit established by the Constitution.

Table 5 - Net Outstanding Bond Debt

As of June 30, 2018 and 2017 (in thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2018	2017	2018	2017	2018	2017
General Obligation Bonds	$10,043,489	$ 9,851,713	$ —	$ —	$10,043,489	$ 9,851,713
GARVEE Revenue Bonds	397,825	482,039	—	—	397,825	482,039
Revenue Bonds	215,945	263,438	266,150	269,136	482,095	532,574
	$10,657,259	$10,597,190	$266,150	$ 269,136	$10,923,409	$10,866,326

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

At the end of the fiscal year, the State had $10.9 billion in total outstanding bonded debt. Of this amount $10.3 billion (including premiums and discounts), (93.9%), is secured by the full faith and credit of the government for general obligation bonds and guaranteed revenue bonds; $266.2 million (2.4%), is secured primarily by lease arrangements with the Board of Regents or applicable security deed and related assignment of contract documents; and $397.8 million (3.6%) in State Road and Tollway Authority GARVEE debt is secured by Federal Highway Administration grant funds and state motor fuel funds.

Total general obligation bonds and revenue bonds payable, net of premiums and discounts, increased $191.8 million (1.9%) and decreased $134.7 million (13.3%) respectively. During the fiscal year, the State issued $1.0 billion of general obligation bonds, excluding premiums, discounts, and refunding issues. Of the general obligation bonds issued, $226.4 million was issued for K-12 school facilities, $394.0 million was issued for higher education facilities, $108.0 million was issued for transportation projects, $55.0 million for projects and facilities for the Georgia World Congress Center, $8.0 million for water and sewer loans to local governments, and $249.6 million for various state agency facilities.

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

BUDGETARY HIGHLIGHTS

Fiscal Year 2018 Budget Highlights

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

Transportation Infrastructure

- $162.6 million for transportation projects as a result of additional revenues from HB 170.
- $100 million in GO bonds to repair, renovate, or replace bridges statewide.

Education

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

Health and Welfare

- $48.2 million for Medicaid and PeachCare for Kids.
- $79.6 million to meet increased demand in child welfare programs.
- $25.9 million for additional waivers and services as part of the DOJ settlement extension.

Other
- $223.6 million to meet the ADEC for the Teachers Retirement System.
- $117.4 million to continue to address state employee salary needs through merit increases.
- $55.4 million for a 20% pay increase for law enforcement officers.

Amended Fiscal Year 2018 Budget Highlights

Amended fiscal year 2018 (AFY 2018) appropriations bill was signed by the Governor on March 9, 2018 as passed by the General Assembly with no vetoes. The AFY 2018 budget was built on a 2.7% increase in net revenue collections over fiscal year 2017 actuals, including a 2.9% increase in tax revenues.

Limited changes in AFY 2018 to meeting growth needs in education and human services, providing additional funding to local governments and school systems, and supporting economic development efforts:

Education
- $101.4 million for a mid-term adjustment for a 0.38% increase in enrollment in the Quality Basic Education (QBE) program.
- $15.7 million for school buses for local school systems.
- $9.6 million for growth in the Dual Enrollment program.
- $8.2 million in additional lottery funds for growth in the HOPE Scholarships programs.

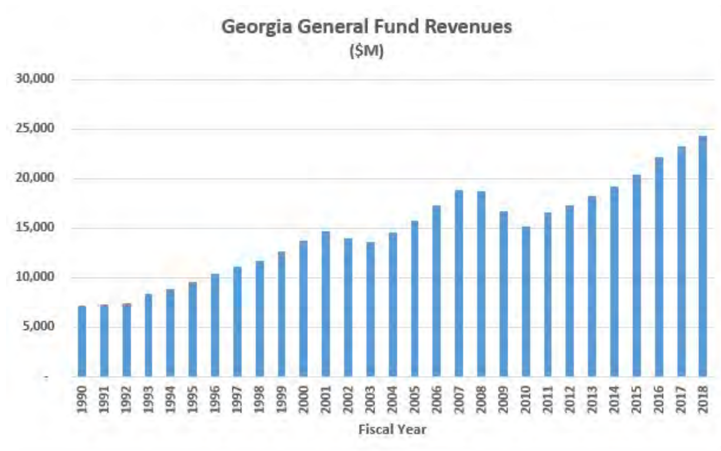
Health and Welfare
- $28.2 million for the Indigent Care Trust Fund and Medicaid.
- $1.2 million for hospitals to offset costs due to the high number of flu cases.
- $15.1 million to meet increased demand in child welfare services programs.
- $3.5 million for autism services for children under 21.

Other
- $25.9 million for airport runway extension projects to spur economic development and business investment in rural areas.
- $60.7 million in additional funds for Forestland Protection Act reimbursements.
- $10 million for the Governor’s Emergency Fund.
- $10 million for grants to local communities for beach nourishment infrastructure projects.

Fiscal Performance

Total state fund revenues increased by 4.5% to $24.3 billion, which includes a 4.6% increase in tax revenue collections over fiscal year 2017, exceeding the revenue estimate by 2.6% and enabling the State to add to the revenue shortfall reserve.

State General Fund Receipts (Net Revenue Collections), which consist primarily of tax revenues collected less applicable refunds issued, now exceed the pre-recession peak. Total funds deposited with the Office of the State Treasurer during fiscal year 2018 were $1.1 billion more than the initial revenue estimate used for the budget. Of the major tax sources, individual income tax, general sales and use tax and motor vehicle taxes/motor vehicle ad valorem tax were the largest components of overall tax growth at $748.8 million (6.9%); $315.0 million (5.6%); and $143.7 million (4.8%) respectively.

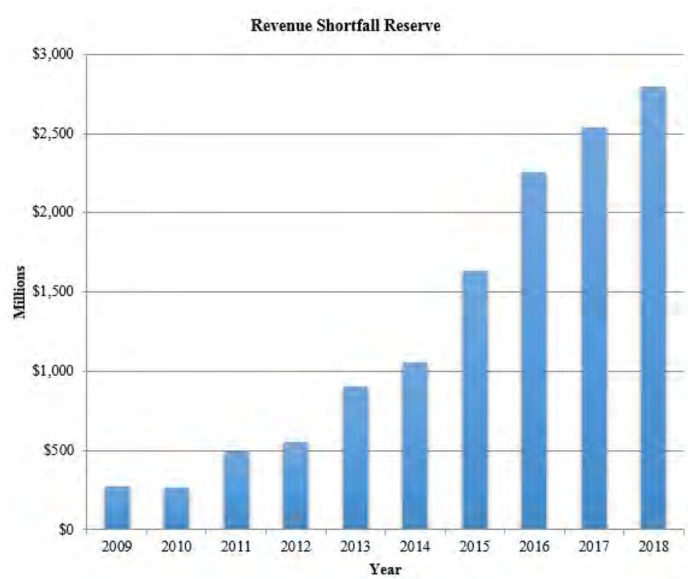


These results are consistent with the State's practice of setting conservative revenue estimates and corresponding budgets. These results have a direct impact on the State's revenue shortfall reserve discussed below.

Revenue Shortfall Reserve (RSR)

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

The ending balance in the RSR is a critical tool in helping to address budget shortfalls similar to those witnessed during the Great Recession. After reaching a peak in fiscal year 2007 at $1.7 billion (9.2% of state general fund receipts/net revenue collections), the State's RSR balance declined to a low of $268.2 million in fiscal year 2010. For the year ended June 30, 2018, the RSR increased by $258.0 million and has a current balance of $2.8 billion. The RSR balance is now the largest balance in the history of the state.



The increase to the RSR was accomplished due to revenue collections exceeding revenue estimates ($1.0 billion) and return of unexpended and unobligated funds by agencies. By statute, 1% of fiscal year 2018 state general fund receipts/ net revenue collections ($243.2 million) is available from the RSR for the mid-year K-12 education appropriation adjustment in the amended fiscal year 2018 budget. However, this amount had not been appropriated as of the date of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

Economic Results During 2018

The U.S. economy continued to grow during fiscal year 2018. Real GDP posted strong growth of 2.8% annualized in the first quarter of the fiscal year (2017 Q3). Growth slowed during the middle two quarters of the fiscal year before accelerating sharply in the last quarter of the fiscal year. Growth in this quarter (2018 Q2) equaled 4.2% annualized. Figure A illustrates Real GDP growth since 2016. The U.S. labor market added 2.24 million net new jobs during fiscal year 2018. This equated to 1.6% growth. Figure B illustrates net job additions by month on a 3 month moving average basis. As shown, monthly job growth is volatile but averaged about 200,000 new jobs per month.

Table A - US Real GDP Growth

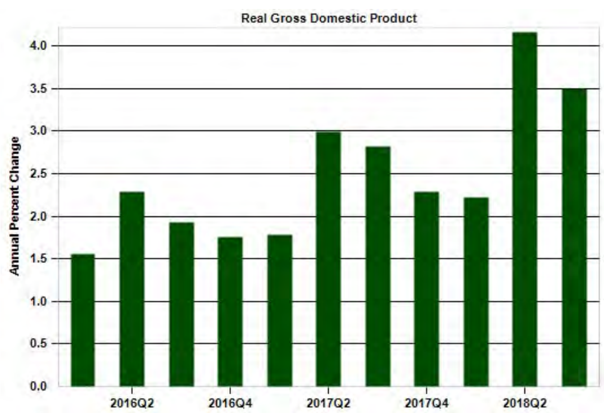
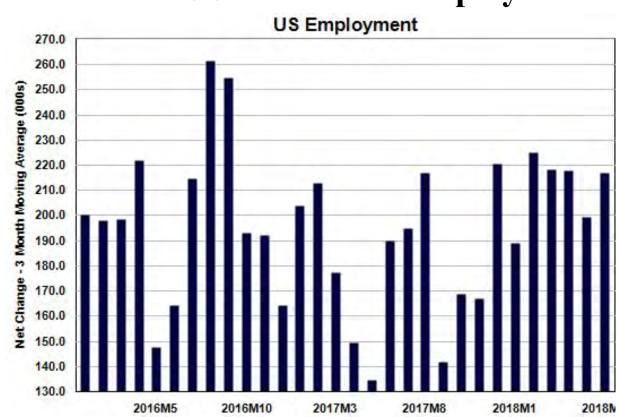


Table B - US Non-Farm Employment



Georgia's labor market experienced strong growth during fiscal year 2018. Net job additions totaled 80,800 for the fiscal year; a growth rate of 1.8%. As shown in Figure C, monthly job growth on a 3 month moving average basis is volatile but averaged just over 6,700 jobs per month. Georgia's labor market expanded more quickly than the U.S. labor market during the fiscal year. Figure D shows the rate of job growth in Georgia on a 3 month moving average basis exceeded that of the U.S. labor market throughout the fiscal year.

(Table on next page)

Table C - Georgia Job Additions

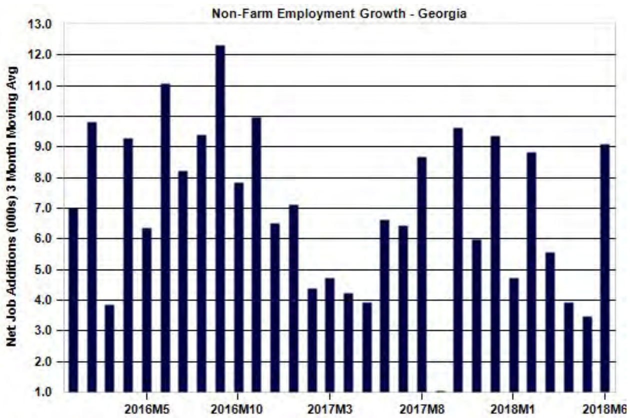
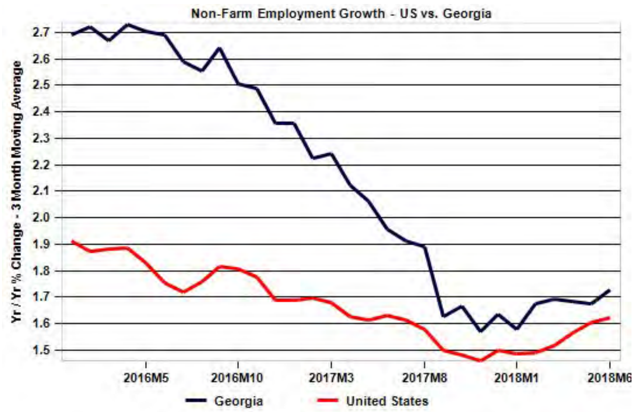


Table D - U.S. vs Georgia Job Growth



As shown in Figure E, Georgia's unemployment situation continued its strong performance during fiscal year 2018. The unemployment rate fell by 0.6 percentage points over the course of fiscal year 2018; starting the fiscal year at 4.7% and finishing the fiscal year at 4.1%. In addition, Georgia's labor force and household employment both grew over the fiscal year. These data are indicative of healthy labor market growth. Figure F illustrates that personal income growth in Georgia outperformed that of the U.S. during the first two quarters of fiscal year 2018 but slightly underperformed in the last two quarters

Table E - Georgia Unemployment Situation

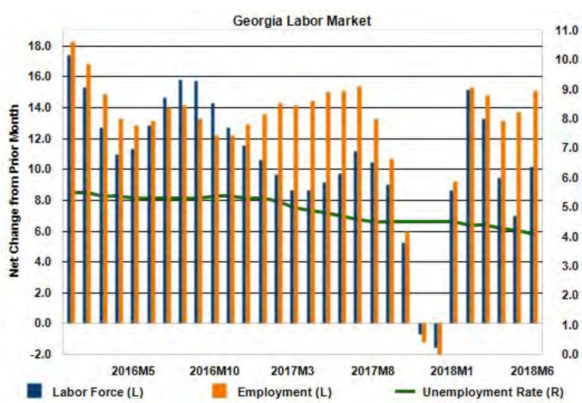
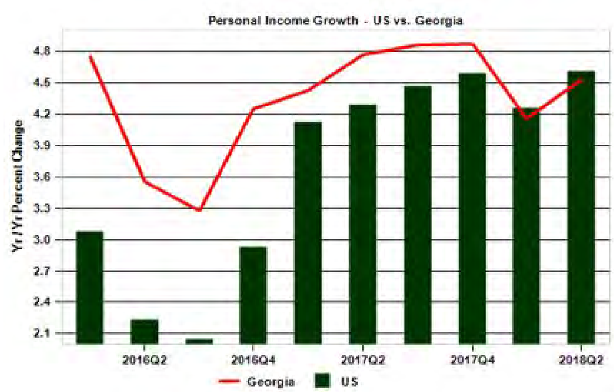


Table F - Georgia vs U.S. Personal Income Growth



<u>Fiscal Year 2019 Budget Highlights</u>

The fiscal year 2019 budget focuses on meeting growth needs in education, addressing needs in human services programming, and continuing to meet the state's pension obligations. The budget is built on 4.1% net revenue growth over the amended fiscal year 2018 budget, including 4.1% expected tax growth.

Education
- $114.9 million in additional funds for the Quality Basic Education (QBE) program to fund enrollment growth and teacher training and experience.
- $166.8 million to eliminate remaining austerity adjustments and fully fund the QBE funding formula.
- $30.7 million for the QBE Equalization program to assist low-wealth school systems.

Higher Education
- $54.3 million to fully fund enrollment growth for the University System.
- $82.4 million in federal funds to transfer the Governor's Office of Workforce Development from the Department of Economic Development to leverage workforce development initiatives and education resources to meet industry workforce training demands.
- $68.1 million in additional lottery funds to provide a 3% increase in the award amount for the HOPE scholarships and grants.
- $26.7 million for growth in the Dual Enrollment program.

Health and Welfare
- $240.9 million for Medicaid.
- $41.2 million to meet increased demand in child welfare programs.
- $19.1 million for behavioral health services as recommended by the Commission on Children's Mental Health.
- $11.8 million for additional waivers and services as part of the DOJ settlement extension.

Transportation Infrastructure
- $31.6 million for transportation projects as a result of additional revenues from HB 170.
- $100 million in bond funds for the repair, replacement, and renovation of bridges throughout the state.
- $100 million in bond funds for transit grants statewide.
- $35 million in bond funds for the Savannah Harbor Deepening project.

Other
- $364.9 million to meet the ADEC for the Teachers Retirement System.

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.

STATE OF GEORGIA

CONSTITUTION

WISDOM JUSTICE MODERATION

1776

BASIC FINANCIAL STATEMENTS

STATE OF GEORGIA

CONSTITUTION

WISDOM JUSTICE MODERATION

1776

Statement of Net Position
June 30, 2018
(dollars in thousands)

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Units
Assets				
Cash and Cash Equivalents	$ 3,796,625	$ 1,349,512	$ 5,146,137	$ 700,687
Pooled Investments with State Treasury	3,882,536	883,080	4,765,616	1,589,660
Investments	2,825,795	627,084	3,452,879	2,373,669
Receivables (Net)	5,534,536	656,911	6,191,447	5,623,077
Due from Primary Government	—	—	—	47,010
Due from Component Units	110,242	448,658	558,900	—
Internal Balances	386,820	(386,820)	—	—
Inventories	38,009	30,701	68,710	32,046
Prepaid Items	30,392	71,363	101,755	42,592
Other Assets	69,025	2,906	71,931	178,629
Restricted Assets				
Cash and Cash Equivalents	—	2,352,676	2,352,676	470,560
Pooled Investments with State Treasury	190,095	116,079	306,174	73,020
Investments	—	244,558	244,558	2,043,286
Receivables (Net)	—	—	—	1,239,607
Net Pension Asset	102,268	—	102,268	6,479
Net OPEB Asset	221,088	11,107	232,195	3,195
Capital Assets				
Nondepreciable	8,243,789	834,395	9,078,184	696,241
Depreciable (Net of Accumulated Depreciation)	14,765,387	10,237,703	25,003,090	3,597,176
Total Assets	40,196,607	17,479,913	57,676,520	18,716,934
Deferred Outflows of Resources	1,705,307	1,024,781	2,730,088	138,277
Liabilities				
Accounts Payable and Accrued Liabilities	1,703,869	258,917	1,962,786	345,563
Local Education Agencies Payable	1,626,612	—	1,626,612	—
Due to Primary Government	—	—	—	558,900
Due to Component Units	35,709	11,301	47,010	—
Benefits Payable	918,720	261,867	1,180,587	6
Accrued Interest Payable	245,958	1,118	247,076	38,142
Contracts Payable	92,863	35,115	127,978	33,330
Funds Held for Others	142,358	116,557	258,915	34,009
Unearned Revenue	48,086	382,394	430,480	144,387
Claims and Judgments Payable	829,268	1,063	830,331	1,280
Other Liabilities	143,711	24,112	167,823	1,201,293
Noncurrent Liabilities:				
Net Pension Liability	3,943,623	3,358,759	7,302,382	207,483
Net OPEB Liability	3,274,853	4,671,802	7,946,655	147,208
Due within one year	1,206,944	313,505	1,520,449	253,333
Due in more than one year	10,130,272	3,396,460	13,526,732	4,789,427
Total Liabilities	24,342,846	12,832,970	37,175,816	7,754,361
Deferred Inflows of Resources	730,905	1,116,502	1,847,407	62,373

(continued)

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

Statement of Net Position
June 30, 2018
(dollars in thousands)

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Units
Net Position				
Net Investment in Capital Assets [1]	19,542,361	7,849,961	24,372,160	3,502,204
Restricted for:				
Bond Covenants/Debt Service	64,016	—	64,016	98,887
Capital Projects	—	11,658	11,658	193,953
Guaranteed Revenue Debt Common Reserve Fund	53,776	—	53,776	—
Loan and Grant Programs	—	—	—	1,754,988
Lottery for Education	1,237,666	—	1,237,666	—
Motor Fuel Tax Funds	3,371,797	—	3,371,797	—
Nonexpendable:				
Permanent Trust	—	204,781	204,781	1,706,795
Other Programs	—	—	—	37,440
Other Postemployment Benefits	—	289,207	289,207	—
Other Purposes	1,064,897	263,055	1,327,952	292,167
Permanent Trust Expendable	—	—	—	1,375,058
Unemployment Compensation Benefits	—	2,186,595	2,186,595	—
Unrestricted [1]	(8,506,350)	(6,250,035)	(11,736,223)	2,076,985
Total Net Position	$ 16,828,163	$ 4,555,222	$ 21,383,385	$ 11,038,477

[1] Refer to Note 4 for additional details


STATE OF GEORGIA
CONSTITUTION
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Statement of Activities
For the Fiscal Year Ended June 30, 2018
(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	$ 1,380,132	$ 724,539	$ 428,460	$ 84,595
Education	13,266,545	10,721	2,202,253	—
Health and Welfare	18,082,536	78,995	12,819,287	3,014
Transportation	2,400,875	48,363	117,363	1,464,029
Public Safety	2,525,521	184,472	246,673	3,244
Economic Development and Assistance	524,516	42,814	351,855	—
Culture and Recreation	308,917	159,352	89,830	4,160
Conservation	72,135	12,007	21,530	1,703
Interest and Other Charges on Long-Term Debt	379,211	—	—	—
Total Governmental Activities	38,940,388	1,261,263	16,277,251	1,560,745
Business-type Activities:				
Higher Education	9,300,291	3,578,611	2,951,490	22,760
State Health Benefit Plan	2,882,954	2,965,082	10,628	—
Unemployment Compensation	325,523	649,655	42,504	—
Other Business Type Activities	207,054	43,124	27,347	84,407
Total Business-type Activities	12,715,822	7,236,472	3,031,969	107,167
Total Primary Government	$ 51,656,210	$ 8,497,735	$ 19,309,220	$ 1,667,912
Component Units				
Georgia Environmental Finance Authority	$ 35,064	$ 34,522	$ 87,652	$ —
Geo. L. Smith II Georgia World Congress Center Authority	313,703	220,286	3,158	184,568
Georgia Housing and Finance Authority	189,366	78,734	117,426	—
Georgia Lottery Corporation	4,362,493	4,354,308	—	—
Georgia Ports Authority	304,939	426,382	4,574	4,921
Georgia Tech Foundation, Incorporated	124,729	29,656	136,019	—
Nonmajor Component Units	3,013,936	1,471,798	1,580,885	17,381
Total Component Units	$ 8,344,230	$ 6,615,686	$ 1,929,714	$ 206,870

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

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
$ (142,538)		$ (142,538)	
(11,053,571)		(11,053,571)	
(5,181,240)		(5,181,240)	
(771,120)		(771,120)	
(2,091,132)		(2,091,132)	
(129,847)		(129,847)	
(55,575)		(55,575)	
(36,895)		(36,895)	
(379,211)		(379,211)	
(19,841,129)		(19,841,129)	
	$ (2,747,430)	(2,747,430)	
	92,756	92,756	
	366,636	366,636	
	(52,176)	(52,176)	
	(2,340,214)	(2,340,214)	
(19,841,129)	(2,340,214)	(22,181,343)	
			$ 87,110
			94,309
			6,794
			(8,185)
			130,938
			40,946
			56,128
			408,040
11,109,361	—	11,109,361	—
5,905,929	—	5,905,929	—
1,800,191	—	1,800,191	—
1,314,354	—	1,314,354	—
1,004,524	—	1,004,524	—
1,124,370	—	1,124,370	20,468
1,143,515	—	1,143,515	—
465,595	—	465,595	—
168,926	—	168,926	—
104,230	—	104,230	126,984
151,462	—	151,462	—
184,240	—	184,240	—
—	—	—	95,445
—	345	345	104,722
—	—	—	11,332
(2,993,509)	2,993,509	—	—
21,483,188	2,993,854	24,477,042	358,951
1,642,059	653,640	2,295,699	766,991
15,186,104	3,901,582	19,087,686	10,271,486
$ 16,828,163	$ 4,555,222	$ 21,383,385	$ 11,038,477

Balance Sheet
Governmental Funds
June 30, 2018
(dollars in thousands)

	General Fund	General Obligation Bond Projects Fund	Nonmajor Funds	Total
Assets				
Cash and Cash Equivalents	$ 2,899,647	$ 649,155	$ 236,117	$ 3,784,919
Pooled Investments with State Treasury	3,753,298	—	9,562	3,762,860
Investments	2,070,544	637,229	64,562	2,772,335
Receivables (Net)	5,396,617	—	34,733	5,431,350
Due from Other Funds	19,639	—	25,654	45,293
Due from Component Units	110,196	—	—	110,196
Inventories	22,253	—	—	22,253
Restricted Assets				
Pooled Investments with State Treasury	75,745	—	114,350	190,095
Other Assets	98,902	—	190	99,092
Total Assets	$ 14,446,841	$ 1,286,384	$ 485,168	$ 16,218,393
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
Accounts Payable and Other Accruals	$ 3,205,482	$ 54,881	$ 3,763	$ 3,264,126
Due to Other Funds	547,504	19,142	19,683	586,329
Due to Component Units	35,709	—	—	35,709
Benefits Payable	918,720	—	—	918,720
Contracts Payable	33,619	33,300	25,944	92,863
Undistributed Local Government Sales Tax	11,200	—	—	11,200
Funds Held for Others	141,031	—	—	141,031
Unearned Revenue	47,987	—	—	47,987
Other Liabilities	90,120	24,932	—	115,052
Total Liabilities	5,031,372	132,255	49,390	5,213,017
Deferred Inflows of Resources	1,305,658	12,297	—	1,317,955
Fund Balances:				
Nonspendable	35,375	—	16,770	52,145
Restricted	5,118,497	1,102,200	373,728	6,594,425
Unrestricted				
Committed	11,753	—	—	11,753
Assigned	437,737	39,632	45,280	522,649
Unassigned	2,506,449	—	—	2,506,449
Total Fund Balances	8,109,811	1,141,832	435,778	9,687,421
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 14,446,841	$ 1,286,384	$ 485,168	$ 16,218,393

State of Georgia

Reconciliation of Fund Balances
To the Statement of Net Position
June 30, 2018
(dollars in thousands)

Total Fund Balances - Governmental Funds (from previous page)			$	9,687,421
Amounts reported for governmental activities in the Statement of Net Position are different because:				
Capital Assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. These assets consist of:				
Land	$	4,178,148		
Buildings and Building Improvements		3,704,443		
Improvements Other Than Buildings		141,306		
Machinery and Equipment		1,025,901		
Infrastructure		30,686,930		
Construction in Progress		3,829,425		
Works of Art		117		
Intangibles - Other Than Software		124,876		
Software		494,502		
Accumulated Depreciation		(21,548,406)		22,637,242
Deferred inflows of resources are not reported in the governmental funds:				
Revenues are not available soon enough after year end to pay for current period's expenditures		1,241,674		
Amount on refunding of bonded debt		(854)		
Related to OPEB		(397,376)		
Related to pensions		(247,409)		596,035
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.				562,016
Deferred outflows of resources are not reported in the governmental funds:				
Amount on refunding of bonded debt		215,069		
Related to OPEB		564,512		
Related to pensions		910,458		1,690,039
Other assets not available in the current period and therefore are not reported in the governmental funds:				
Net OPEB Asset		217,425		
Net Pension Asset		102,268		
Other Assets		100		319,793
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		(8,994,040)		
Premiums		(1,049,449)		
Accrued Interest Payable		(245,958)		
Revenue Bonds		(570,480)		
Premiums		(43,290)		
Capital Leases		(183,610)		
Compensated Absences		(367,539)		
Long-Term Notes		(59,613)		
Net OPEB Liability		(3,227,387)		
Net Pension Liability		(3,892,288)		
Other		(30,729)		(18,664,383)
Total Net Position - Governmental Activities			$	16,828,163

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

Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2018
(dollars in thousands)

	General Fund	General Obligation Bond Projects Fund	Nonmajor Funds	Total
Revenues:				
Taxes	$ 22,839,634	$ —	$ —	$ 22,839,634
Licenses and Permits	423,796	—	—	423,796
Intergovernmental - Federal	16,906,746	19,615	—	16,926,361
Intergovernmental - Other	498,369	25,857	112,827	637,053
Sales and Services	426,170	—	158	426,328
Fines and Forfeits	475,711	—	—	475,711
Interest and Other Investment Income	113,896	22,417	5,969	142,282
Unclaimed Property	151,462	—	—	151,462
Lottery Proceeds	1,143,515	—	—	1,143,515
Nursing Home Provider Fees	161,575	—	—	161,575
Hospital Provider Payments	304,020	—	—	304,020
Other	308,434	221	—	308,655
Total Revenues	43,753,328	68,110	118,954	43,940,392
Expenditures:				
Current:				
General Government	963,049	74	—	963,123
Education	13,271,141	—	—	13,271,141
Health and Welfare	18,205,579	—	—	18,205,579
Transportation	2,786,937	—	95,135	2,882,072
Public Safety	2,607,044	—	—	2,607,044
Economic Development and Assistance	529,905	—	35,557	565,462
Culture and Recreation	302,262	—	—	302,262
Conservation	85,328	—	—	85,328
Capital Outlay	—	902,083	—	902,083
Debt Service				
Principal	—	—	1,068,590	1,068,590
Interest	178	—	429,899	430,077
Accrued Interest on Bonds Retired in Advance	—	—	3	3
Discount on Bonds Retired in Advance	—	—	28	28
Other Debt Service Expenditures	—	24,887	2,118	27,005
Intergovernmental	—	246,015	—	246,015
Total Expenditures	38,751,423	1,173,059	1,631,330	41,555,812
Excess (Deficiency) of Revenues Over (Under) Expenditures	5,001,905	(1,104,949)	(1,512,376)	2,384,580
Other Financing Sources (Uses):				
Debt Issuance - General Obligation Bonds	—	1,041,015	—	1,041,015
Debt Issuance - Refunding Bonds	—	—	634,545	634,545
Debt Issuance - GARVEE Bonds	—	—	63,850	63,850
Debt Issuance - General Obligation Bonds - Premium	—	119,498	—	119,498
Debt Issuance - Refunding Bonds - Premium	—	—	91,178	91,178
Debt Issuance - GARVEE Bonds - Premium	—	—	11,455	11,455
Payment to Refunded Bond Escrow Agent	—	—	(724,870)	(724,870)
Capital Leases	9,625	—	—	9,625
Transfers In	75,672	22,800	1,607,491	1,705,963
Transfers Out	(4,353,383)	(15,729)	(56,548)	(4,425,660)
Net Other Financing Sources (Uses)	(4,268,086)	1,167,584	1,627,101	(1,473,401)
Net Change in Fund Balances	733,819	62,635	114,725	911,179
Fund Balances, July 1	7,375,992	1,079,197	321,053	8,776,242
Fund Balances, June 30	$ 8,109,811	$ 1,141,832	$ 435,778	$ 9,687,421

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, 2018
(dollars in thousands)

Net Change in Fund Balances - Governmental Funds (from previous page)		$ 911,179
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	$ 1,835,629	
Depreciation expense	(1,071,001)	764,628
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenue in the funds.		(526,708)
Bond proceeds (net of payments to refunding escrow) and notes provide current financial resources to governmental funds; however, issuing debt increases long-term liabilities in the Statement of Net Position.		(1,236,670)
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.		(9,625)
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	873,385	
Revenue Bonds	195,205	
Notes	1,183	
Capital Leases	19,450	1,089,223
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.		127,227
Some items reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds. This adjustment combines the net changes in the following balances:		
Compensated Absences	(7,358)	
Accrued Interest on Bonds Payable	(17,379)	
Amortization of Deferred Amount on Refunding	(42,322)	
Bond Premiums	133,861	
OPEB costs, net	286,993	
Pension costs, net	193,395	
Other	(24,385)	522,805
Change in Net Position - Governmental Activities		$ 1,642,059

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

Statement of Net Position
Proprietary Funds
June 30, 2018
(dollars in thousands)

	Business-type Activities - Enterprise Funds					Governmental Activities -
	Higher Education Fund	State Health Benefits Plan	Unemployment Compensation Fund	Nonmajor Funds	Total	Internal Service Funds
Assets						
Current Assets:						
Cash and Cash Equivalents	$ 1,001,199	$ 348,186	$ —	$ 124	$ 1,349,509	$ 11,695
Pooled Investments with State Treasury	406,578	456,421	—	20,081	883,080	119,674
Investments	66,534	49,243	—	289,087	404,864	4,252
Accounts Receivable (Net)	410,302	58,144	136,629	10,195	615,270	103,182
Due from Other Funds	19,142	—	—	72	19,214	770,974
Due from Component Units	219,508	—	—	229,150	448,658	47
Notes Receivable	—	—	—	—	—	—
Advances to Other Funds	—	—	—	—	—	—
Inventories	30,575	—	—	126	30,701	15,756
Other Assets	74,239	—	—	30	74,269	225
Restricted Assets:						
Cash and Cash Equivalents	213,068	—	2,119,985	7,652	2,340,705	—
Restricted Pooled Investments with State Treasury	—	—	—	116,079	116,079	—
Investments	538	—	—	—	538	—
Total Current Assets	2,441,683	911,994	2,256,614	672,596	6,282,887	1,025,805
Noncurrent Assets:						
Investments	197,905	24,315	—	—	222,220	49,207
Other Receivables	3,561	—	—	—	3,561	—
Notes Receivable	38,008	—	—	—	38,008	—
Other Noncurrent Assets	—	—	—	—	—	—
Restricted Assets:						
Cash and Cash Equivalents	11,971	—	—	—	11,971	—
Pooled Investments with State Treasury	—	—	—	—	—	—
Investments	244,020	—	—	—	244,020	—
Net OPEB Asset	10,705	—	—	402	11,107	3,663
Non-Depreciable Capital Assets	775,663	—	16,667	42,065	834,395	112,606
Depreciable Capital Assets, net	10,180,195	—	—	57,508	10,237,703	259,330
Total Noncurrent Assets	11,462,028	24,315	16,667	99,975	11,602,985	424,806
Total Assets	13,903,711	936,309	2,273,281	772,571	17,885,872	1,450,611
Deferred Outflows of Resources	1,016,280	2,102	—	6,399	1,024,781	15,271

(continued)

State of Georgia

Statement of Net Position
Proprietary Funds
June 30, 2018
(dollars in thousands)

	Business-type Activities - Enterprise Funds					Governmental Activities -
	Higher Education Fund	State Health Benefits Plan	Unemployment Compensation Fund	Nonmajor Funds	Total	Internal Service Funds
Liabilities						
Current Liabilities:						
Accounts Payable and Other Accruals	218,922	3,946	9,193	18,109	250,170	55,157
Due to Other Funds	223,256	8,737	—	25,654	257,647	160
Due to Component Units	8,219	—	—	3,082	11,301	—
Benefits Payable	53,987	200,292	7,588	—	261,867	—
Unearned Revenue	276,657	22,827	53,239	—	352,723	99
Claims and Judgments Payable	1,063	—	—	—	1,063	827,168
Compensated Absences Payable	167,733	185	—	179	168,097	1,980
Capital Leases/Installment Purchases Payable						
Component Units	78,304	—	—	—	78,304	—
Other	25,035	—	—	—	25,035	7,642
Revenue Bonds Payable	—	—	—	5,340	5,340	—
Other Current Liabilities	173,936	10	—	37,784	211,730	5,046
Current Liabilities Payable						
from Restricted Assets	—	—	—	29,671	29,671	—
Total Current Liabilities	1,227,112	235,997	70,020	119,819	1,652,948	897,252
Noncurrent Liabilities:						
Compensated Absences Payable	94,819	212	—	559	95,590	2,901
Capital Leases/Installment Purchases Payable						
Component Units	2,301,581	—	—	—	2,301,581	—
Other	509,275	—	—	—	509,275	42,143
Claims and Judgments Payable	1,267	—	—	—	1,267	—
Revenue Bonds Payable	—	—	—	260,810	260,810	—
Net OPEB Liability	4,660,639	4,353	—	6,810	4,671,802	47,466
Net Pension Liability	3,342,902	7,220	—	8,637	3,358,759	51,337
Other Noncurrent Liabilities	7,301	—	—	222,547	229,848	10,831
Total Noncurrent Liabilities	10,917,784	11,785	—	499,363	11,428,932	154,678
Total Liabilities	12,144,896	247,782	70,020	619,182	13,081,880	1,051,930
Deferred Inflows of Resources	1,114,421	757	—	1,324	1,116,502	8,985
Net Position						
Net Investment in Capital Assets	7,744,302	—	16,667	88,992	7,849,961	322,152
Restricted for:						
Capital Projects	11,658	—	—	—	11,658	—
Other Purpose	220,473	—	—	42,582	263,055	3,074
Nonexpendable:						
Permanent Trust	204,781	—	—	—	204,781	—
Other Benefits	—	—	—	289,207	289,207	—
Unemployment Compensation Benefits	—	—	2,186,594	—	2,186,594	—
Unrestricted	(6,520,540)	689,872	—	(262,317)	(6,092,985)	79,741
Total Net Position	$ 1,660,674	$ 689,872	$ 2,203,261	$ 158,464	4,712,271	$ 404,967
Adjustment to reflect the consolidation of Internal Service Fund activities related to Enterprise Funds.					(157,049)	
Net Position of Business-type Activities					$ 4,555,222	

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


STATE OF GEORGIA
CONSTITUTION
WISDOM
JUSTICE
MODERATION
1776

Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Fiscal Year Ended June 30, 2018
(dollars in thousands)

	Business-type Activities - Enterprise Funds					Governmental Activities -
	Higher Education Fund	State Health Benefits Plan	Unemployment Compensation Fund	Nonmajor Funds	Total	Internal Service Funds
Operating Revenues:						
Operating Grants and Contributions/Premiums	$ 1,831,890	$ 2,965,082	$ 649,655	$ 540	$ 5,447,167	$ 264,314
Rents and Royalties	8,506	—	—	—	8,506	48,818
Sales and Services	1,156,888	—	—	42,584	1,199,472	346,822
Tuition and Fees	2,966,292	—	—	—	2,966,292	—
Less: Scholarship Allowances	(723,039)	—	—	—	(723,039)	—
Other	169,964	—	—	—	169,964	8,772
Total Operating Revenues	5,410,501	2,965,082	649,655	43,124	9,068,362	668,726
Operating Expenses:						
Personal Services	4,217,875	5,355	—	10,008	4,233,238	48,012
Services and Supplies	2,710,529	126,704	1	34,842	2,872,076	369,865
Scholarships and Fellowships	457,752	—	—	—	457,752	—
Benefits	1,107,974	2,269,151	325,522	2,972	3,705,619	—
Claims and Judgments	—	—	—	—	—	234,795
Interest Expense	—	—	—	11,247	11,247	—
Depreciation	578,141	—	—	11,685	589,826	20,267
Amortization	—	—	—	(344)	(344)	—
Other	55,857	481,744	—	—	537,601	—
Total Operating Expenses	9,128,128	2,882,954	325,523	70,410	12,407,015	672,939
Operating Income (Loss)	(3,717,627)	82,128	324,132	(27,286)	(3,338,653)	(4,213)
Nonoperating Revenues (Expenses):						
Grants and Contributions	1,069,672	—	—	—	1,069,672	12,357
Interest and Other Investment Income	45,191	10,628	41,808	26,997	124,624	1,082
Interest Expense	(144,744)	—	—	(10,011)	(154,755)	—
Other	(19,333)	—	696	(126,283)	(144,920)	(8,579)
Net Nonoperating Revenues (Expenses)	950,786	10,628	42,504	(109,297)	894,621	4,860
Income (Loss) Before Contributions and transfers	(2,766,841)	92,756	366,636	(136,583)	(2,444,032)	647
Contributions to Permanent Endowments	345	—	—	—	345	—
Capital Grants and Contributions	309,481	—	—	84,407	393,888	120,497
Total Contributions	309,826	—	—	84,407	394,233	120,497
Transfers:						
Transfers In	2,707,795	—	306	14,660	2,722,761	15,449
Transfers Out	(15,973)	—	—	—	(15,973)	(5,148)
Net Transfers	2,691,822	—	306	14,660	2,706,788	10,301
Change in Net Position	234,807	92,756	366,942	(37,516)	656,989	131,445
Net Position, July 1 - Restated (Note 3)	1,425,867	597,116	1,836,319	195,980		273,522
Net Position, June 30	$ 1,660,674	$ 689,872	$ 2,203,261	$ 158,464		$ 404,967
Adjustment to reflect the consolidation of Internal Service Fund activities related to Enterprise Funds.					(3,349)	
Change in Net Position of business-type activities					$ 653,640	

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, 2018
(dollars in thousands)

	Business-type Activities - Enterprise Funds					Governmental Activities -
	Higher Education Fund	State Health Benefits Plan	Unemployment Compensation Fund	Nonmajor Funds	Total	Internal Service Funds
Cash Flows from Operating Activities:						
Cash Received from Customers	$ 54,937	$ —	$ —	$ 31,812	$ 86,749	$ 80,590
Cash Received from Other Funds (Internal Activity)	—	—	—	1,763	1,763	314,403
Cash Received from Grants and Required Contributions/ Premiums	1,894,142	2,956,246	664,884	—	5,515,272	10,795
Cash Received from Grants and Required Contributions/ Premiums (Internal Activity)	—	—	—	—	—	149,455
Cash Received from Tuition and Fees	3,459,724	—	—	—	3,459,724	—
Cash Paid to Vendors	(3,743,321)	(126,433)	—	(28,887)	(3,898,641)	(370,335)
Cash Paid to Employees	(4,201,068)	(5,664)	—	(11,271)	(4,218,003)	(56,458)
Cash Paid for Benefits	—	(2,768,347)	(325,125)	—	(3,093,472)	—
Cash Paid for Claims and Judgments	—	—	—	—	—	(144,752)
Cash Paid to Other Funds (Internal Activity)	—	—	—	(1,223)	(1,223)	—
Cash Paid for Scholarships, Fellowships and Loans	(469,028)	—	—	—	(469,028)	—
Other Operating Receipts	10,801	—	—	—	10,801	827
Other Operating Payments	(7,534)	—	—	—	(7,534)	—
Net Cash Provided by (Used in) Operating Activities	(3,001,347)	55,802	339,759	(7,806)	(2,613,592)	(15,475)
Cash Flows from Noncapital Financing Activities:						
Interest Paid on Debt	—	—	—	(11,256)	(11,256)	—
Transfers from Other Funds	2,692,767	—	—	8,060	2,700,827	8,412
Transfers to Other Funds	(3,440)	—	—	—	(3,440)	(3,004)
Payments on Noncapital Financing Debt	—	—	—	(5,147)	(5,147)	—
Other Noncapital Receipts	1,039,547	—	304	171	1,040,022	21,873
Other Noncapital Payments	(36,523)	—	—	—	(36,523)	(13,740)
Net Cash Provided by (Used in) Noncapital Financing Activities	3,692,351	—	304	(8,172)	3,684,483	13,541
Cash Flows from Capital and Related Financing Activities:						
Capital Contributions	—	—	—	—	—	72,109
Capital Grants and Gifts Received	96,277	—	—	—	96,277	—
Grant Disbursements	—	—	—	(96,315)	(96,315)	—
Proceeds from Sale of Capital Assets	16,152	—	—	—	16,152	1,248
Intergovernmental Grant	—	—	—	39,343	39,343	—
Proceeds from Capital Debt	—	—	—	2,460	2,460	—
Acquisition and Construction of Capital Assets	(496,899)	—	—	(28,737)	(525,636)	(71,234)
Principal Paid on Capital Debt	(123,559)	—	—	—	(123,559)	(6,076)
Interest Paid on Capital Debt	(148,760)	—	—	—	(148,760)	—
Net Cash Used in Capital and Related Financing Activities	(656,789)	—	—	(83,249)	(740,038)	(3,953)
Cash Flows from Investing Activities:						
Proceeds from Sales of Investments	905,712	126,845	—	267,194	1,299,751	73,020
Purchase of Investments	(910,370)	(73,558)	—	(289,087)	(1,273,015)	(53,615)
Interest and Dividends Received	35,161	10,628	41,808	26,933	114,530	1,237
Other Investing Activities	—	—	—	16,231	16,231	—
Net Cash Provided by (Used in) Investing Activities	30,503	63,915	41,808	21,271	157,497	20,642
Net Increase (Decrease) in Cash and Cash Equivalents	64,718	119,717	381,871	(77,956)	488,350	14,755
Cash and Cash Equivalents, July 1 - Restated (Note 3)	1,568,098	684,890	1,738,114	221,892	4,212,994	116,614
Cash and Cash Equivalents, June 30	$ 1,632,816	$ 804,607	$ 2,119,985	$ 143,936	$ 4,701,344	$ 131,369

(continued)

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, 2018
(dollars in thousands)

	Business-type Activities - Enterprise Funds					Governmental Activities -
	Higher Education Fund	State Health Benefits Plan	Unemployment Compensation Fund	Nonmajor Funds	Total	Internal Service Funds
Reconciliation of Operating Income (Loss) to Net Cash provided by (Used in) Operating Activities						
Operating Income (Loss)	$ (3,717,627)	$ 82,128	$ 324,132	$ (27,286)	$ (3,338,653)	$ (4,213)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:						
Depreciation/Amortization Expense	578,141	—	—	11,341	589,482	20,267
Other Reconciling Items	6,187	—	—	(8)	6,179	—
Changes in Assets, Deferred Outflows of Resources, Liabilities, and Deferred Inflows of Resources:						
Accounts Receivable	(32,016)	(577)	7,680	185	(24,728)	(13,807)
Due from Other Funds	—	—	—	—	—	(96,778)
Due from Component Units	—	—	—	—	—	11
Notes Receivable	3,316	—	—	—	3,316	—
Net OPEB Asset	10,705	—	—	(402)	10,303	(3,663)
Other Assets	1,450	—	—	74	1,524	(2,163)
Deferred Outflows of Resources	125,337	127	—	170	125,634	5,551
Accounts Payable and Other Accruals	(4,105)	282	1,454	7,642	5,273	1,748
Due to Other Funds	—	(7,881)	—	—	(7,881)	(335)
Benefits Payable	—	(17,452)	397	—	(17,055)	—
Unearned Revenue	15,573	(380)	6,096	(7,300)	13,989	(2,747)
Claims and Judgments Payable	—	—	—	—	—	90,044
Compensated Absences Payable	9,322	117	—	(82)	9,357	149
Net OPEB Liability	(17,549)	(122)	—	(434)	(18,105)	(6,165)
Net Pension Liability	(353,088)	(792)	—	(1,851)	(355,731)	(12,264)
Other Liabilities	21,368	—	—	8,899	30,267	765
Deferred Inflows of Resources	351,639	352	—	1,246	353,237	8,125
Net Cash Provided by (Used in) Operating Activities	$ (3,001,347)	$ 55,802	$ 339,759	$ (7,806)	$ (2,613,592)	$ (15,475)
Noncash Investing, Capital, and Financing Activities:						
Gift of Capital Assets Reducing Proceeds of Capital Grants and Gifts	$ 11,718	$ —	$ —	$ —	$ 11,718	$ —
Gifts other than Capital Assets Reducing Proceeds of Grants and Gifts for Other than Capital Assets	6,350	—	—	—	6,350	—
Change in Non-Capital Financing Activities Advances And Deferred Inflows Reducing Proceeds of Grants	13,659	—	—	—	13,659	—
Donation of Capital Assets	199,148	—	—	—	199,148	47,531
Change in Receivable from Grantor Agency Affecting Proceeds of Capital Debt	(1,267)	—	—	—	(1,267)	—
Change in Accrued Interest Payable Affecting Interest Paid	2,071	—	—	—	2,071	—
Capital Assets Acquired by Incurring Capital Lease Obligations	(15,941)	—	—	—	(15,941)	—
Change in Fair Value of Investments	9,964	—	—	—	9,964	(156)
Special Item - Equipment-Capital Asset Transfer	(10,273)	—	—	37,942	27,669	—
Capital Lease Obligation	23,687	—	—	—	23,687	—
Loss on Disposal of Capital Assets Reducing Proceeds from Sale of Capital Assets	(51,082)	—	—	—	(51,082)	—
Other	19,388	—	—	9,947	29,335	—
Total Noncash Investing, Capital and Financing Activities	$ 207,422	$ —	$ —	$ 47,889	$ 255,311	$ 47,375

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

Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2018
(dollars in thousands)

	Pension and Other Employee Benefits Trust	Investment Trust	Private Purpose Trust	Agency	Total
Assets					
Cash and Cash Equivalents	$ 1,823,357	$ —	$ 14,511	$ 136,353	$ 1,974,221
Pooled Investments with State Treasury	1,585,744	7,357,515	201,331	69,448	9,214,038
Receivables					
Interest and Dividends	264,203	1,673	—	—	265,876
Due from Brokers for Securities Sold	12,815	—	—	—	12,815
Other	268,036	—	10,798	10,755	289,589
Due from Other Funds	9,270	—	—	—	9,270
Investments, at Fair Value					
Certificates of Deposit	—	—	—	1,431	1,431
Pooled Investments	15,850,668	—	—	148,693	15,999,361
Exchange Traded Funds	25,865	—	—	—	25,865
Mutual Funds	2,306,507	—	—	—	2,306,507
Municipal, U.S. and Foreign Government Obligations	15,931,285	—	—	26,113	15,957,398
Corporate Bonds/Notes/Debentures	7,073,967	—	—	—	7,073,967
Stocks	52,033,523	—	—	—	52,033,523
Asset-backed Securities	24,342	—	—	—	24,342
Mortgage Investments	121,308	—	—	—	121,308
Real Estate Investment Trusts	47,742	—	—	—	47,742
Capital Assets					
Land	8,883	—	—	—	8,883
Buildings	7,793	—	826	—	8,619
Software	29,325	—	—	—	29,325
Machinery and Equipment	7,233	—	94	—	7,327
Works of Art	114	—	—	—	114
Accumulated Depreciation	(37,187)	—	(643)	—	(37,830)
Net OPEB Asset	2,678	—	114	—	2,792
Other Assets	—	—	—	12,620	12,620
Total Assets	97,397,471	7,359,188	227,031	405,413	105,389,103
Deferred Outflows of Resources	9,390	—	327	—	9,717
Liabilities					
Accounts Payable and Other Accruals	41,267	3	28	8,227	49,525
Due to Other Funds	615	—	—	—	615
Due to Brokers for Securities Purchased	49,672	—	—	—	49,672
Salaries/Withholdings Payable	11	—	—	13	24
Benefits Payable	38,420	—	—	—	38,420
Funds Held for Others	—	850	—	396,923	397,773
Notes Payable	16	—	—	—	16
Unearned Revenue	4	—	—	—	4
Compensated Absences Payable	59	—	65	—	124
Net Pension Liability	36,023	—	1,141	—	37,164
Net OPEB Liability	28,065	—	1,267	—	29,332
Other Liabilities	—	—	320	250	570
Total Liabilities	194,152	853	2,821	405,413	603,239
Deferred Inflows of Resources	3,430	—	342	—	3,772
Net Position					
Restricted for:					
Pension Benefits	94,358,647	—	—	—	94,358,647
Other Postemployment Benefits	2,850,632	—	—	—	2,850,632
Other Employee Benefits	—	—	—	—	—
Pool Participants	—	7,358,335	—	—	7,358,335
Other Purposes	—	—	224,195	—	224,195
Total Net Position	$ 97,209,279	$ 7,358,335	$ 224,195	$ —	$ 104,791,809

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, 2018
(dollars in thousands)

	Pension and Other Employee Benefits Trust	Investment Trust	Private Purpose Trust	Total
Additions:				
Contributions/Assessments				
Employer	$ 3,894,734	$ —	$ —	$ 3,894,734
NonEmployer	106,132	—	—	106,132
Plan Members/Participants	943,862	—	103,584	1,047,446
Other Contributions				
Insurance Premiums	3,599	—	—	3,599
Other Fees	414	—	—	414
Interest and Other Investment Income				
Dividends and Interest	1,976,034	99,648	2,561	2,078,243
Net Appreciation (Depreciation) in Investments Reported at Fair Value	6,042,244	(49)	—	6,042,195
Less: Investment Expense	(79,429)	(3,774)	—	(83,203)
Pool Participant Deposits	—	9,852,749	—	9,852,749
Other				
Transfers from Other Funds	2,608	—	—	2,608
Miscellaneous	2,155	—	—	2,155
Total Additions	12,892,353	9,948,574	106,145	22,947,072
Deductions:				
General and Administrative Expenses	42,366	—	1,312	43,678
Benefits	7,079,636	—	33,447	7,113,083
Pool Participant Withdrawals	140	9,289,839	—	9,289,979
Refunds	96,056	—	—	96,056
Total Deductions	7,218,198	9,289,839	34,759	16,542,796
Change in Net Position Restricted for:				
Pension and Other Employee Benefits	5,674,155	—	—	5,674,155
Pool Participants	—	658,735	—	658,735
Other Purposes	—	—	71,386	71,386
Net Position, July 1 - Restated (Note 3)	91,535,124	6,699,600	152,809	98,387,533
Net Position, June 30	$ 97,209,279	$ 7,358,335	$ 224,195	$ 104,791,809

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

Statement of Net Position
Component Units
June 30, 2018
(dollars in thousands)

	Georgia Environmental Finance Authority	Geo. L. Smith II Georgia World Congress Center Authority	Georgia Housing and Finance Authority	Georgia Lottery Corporation
Assets				
Current Assets:				
Cash and Cash Equivalents	$ 7,391	$ 17,636	$ 123,180	$ 36,208
Pooled Investments with State Treasury	1,009,328	14,897	89,399	—
Investments	4,812	—	71,604	—
Receivables				
Accounts (Net)	3,434	7,217	—	175,038
Capital Leases from Primary Government	—	—	—	—
Interest and Dividends	3,033	—	800	—
Notes and Loans (Net)	—	—	—	—
Taxes	—	2,724	—	—
Due from Primary Government	—	—	—	—
Due from Component Units	—	—	—	—
Intergovernmental Receivables	1,580	—	—	—
Inventory	—	293	—	—
Other Current Assets	984	124	80,675	3,202
Restricted for:				
Pooled Investments with State Treasury	—	—	73,020	—
Total Current Assets	1,030,562	42,891	438,678	214,448
Noncurrent Assets:				
Investments	—	—	180,473	—
Receivables (Net)				
Capital Leases from Primary Government	—	—	—	—
Notes and Loans	1,427,534	—	584,440	—
Other	—	—	—	—
Restricted Assets				
Cash and Cash Equivalents	—	74,269	65,955	16,618
Investments	—	—	67,105	192,983
Net OPEB Asset	338	1,461	—	—
Receivables (Net)				
Notes and Loans	—	—	1,126,683	—
Interest and Dividends	—	—	8,728	—
Other	—	104,196	—	—
Non-depreciable Capital Assets	—	73,399	800	—
Depreciable Capital Assets (Net)	288	1,577,827	2,365	11,068
Net Pension Asset	—	—	—	—
Other Noncurrent Assets	—	—	—	—
Total Noncurrent Assets	1,428,160	1,831,152	2,036,549	220,669
Total Assets	2,458,722	1,874,043	2,475,227	435,117
Deferred Outflows of Resources	1,200	4,875	—	37

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

Georgia Ports Authority	Georgia Tech Foundation, Incorporated	Nonmajor Component Units	Total
$ 65,470	$ 9,910	$ 440,892	$ 700,687
299,568	—	176,468	1,589,660
15,515	—	121,395	213,326
57,972	46,534	520,918	811,113
—	6,988	71,316	78,304
—	—	3,678	7,511
88	—	155,108	155,196
—	—	814	3,538
—	—	47,010	47,010
—	—	14,407	14,407
—	—	10,160	11,740
5,270	—	26,483	32,046
924	—	58,676	144,585
—	—	—	73,020
444,807	63,432	1,647,325	3,882,143
—	1,095,524	884,346	2,160,343
—	110,230	2,191,351	2,301,581
—	—	96,040	2,108,014
—	82,142	63,938	146,080
—	11,757	301,961	470,560
—	554,025	1,229,173	2,043,286
—	—	1,396	3,195
—	—	—	1,126,683
—	—	—	8,728
—	—	—	104,196
345,516	31,707	244,819	696,241
796,047	79,976	1,129,605	3,597,176
6,479	—	—	6,479
5,175	24,783	46,678	76,636
1,153,217	1,990,144	6,189,307	14,849,198
1,598,024	2,053,576	7,836,632	18,731,341
40,808	—	91,357	138,277

(continued)

Statement of Net Position
Component Units
June 30, 2018
(dollars in thousands)

	Georgia Environmental Finance Authority	Geo. L. Smith II Georgia World Congress Center Authority	Georgia Housing and Finance Authority	Georgia Lottery Corporation
Liabilities				
Current Liabilities:				
Accounts Payable and Other Accruals	3,863	74	5,464	132,515
Due to Primary Government	—	28,569	2,448	79,129
Due to Component Units	—	—	—	—
Funds Held for Others	—	—	—	—
Unearned Revenue	—	4,453	2,203	—
Notes and Loans Payable	—	—	—	—
Revenue/Mortgage Bonds Payable	2,580	—	36,815	—
Other Current Liabilities	125	8,427	341,433	5,391
Current Liabilities Payable from Restricted Assets:				
Other	—	47,294	—	16,249
Total Current Liabilities	6,568	88,817	388,363	233,284
Noncurrent Liabilities:				
Unearned Revenue	—	—	—	—
Notes and Loans Payable	—	—	—	—
Revenue/Mortgage Bonds Payable	36,067	—	1,304,839	—
Grand Prizes Payable	—	—	—	183,920
Derivative Instrument Payable	—	—	—	—
Net OPEB Liability	3,641	24,371	—	—
Net Pension Liability	4,642	27,801	—	383
Other Noncurrent Liabilities	375	105,755	585,543	4,492
Total Noncurrent Liabilities	44,725	157,927	1,890,382	188,795
Total Liabilities	51,293	246,744	2,278,745	422,079
Deferred Inflows	1,041	2,676	—	7,271
Net Position				
Net Investment in Capital Assets	288	1,651,225	3,165	11,068
Restricted for:				
Bond Covenants/Debt Service	79,829	—	—	—
Capital Projects	—	—	—	—
Permanent Trust Expendable				
Other Purposes	—	28,497	—	—
Nonexpendable:				
Permanent Trust	—	—	—	—
Other Purposes	—	—	—	—
Loan and Grant Programs	1,754,988	—	—	—
Unrestricted	572,483	(50,224)	193,317	(5,264)
Total Net Position	$ 2,407,588	$ 1,629,498	$ 196,482	$ 5,804

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

Georgia Ports Authority	Georgia Tech Foundation, Incorporated	Nonmajor Component Units	Total
49,485	3,077	151,590	346,068
24	7,249	441,481	558,900
—	—	14,407	14,407
—	—	34,009	34,009
—	21,756	110,313	138,725
—	20,733	61,401	82,134
—	11,425	76,373	127,193
3,202	2,065	85,134	445,777
—	—	7,430	70,973
52,711	66,305	982,138	1,818,186
395	—	5,267	5,662
—	46,442	150,514	196,956
—	236,889	2,696,089	4,273,884
—	—	—	183,920
—	—	30,176	30,176
8,682	—	110,514	147,208
41,588	—	133,069	207,483
20,905	29,519	158,704	905,293
71,570	312,850	3,284,333	5,950,582
124,281	379,155	4,266,471	7,768,768
15,714	—	35,671	62,373
1,141,563	48,844	646,051	3,502,204
—	—	19,058	98,887
—	9,503	184,450	193,953
—	777,055	598,003	1,375,058
—	—	263,670	292,167
—	734,346	972,449	1,706,795
—	—	37,440	37,440
—	—	—	1,754,988
357,274	104,673	904,726	2,076,985
$ 1,498,837	$ 1,674,421	$ 3,625,847	$ 11,038,477

Statement of Activities
Component Units
For the Fiscal Year Ended June 30, 2018
(dollars in thousands)

	Georgia Environmental Finance Authority	Geo. L. Smith II Georgia World Congress Center Authority	Georgia Housing and Finance Authority	Georgia Lottery Corporation
Expenses	$ 35,064	$ 313,703	$ 189,366	$ 4,362,493
Program Revenues:				
Sales and Charges for Services	34,522	220,286	78,734	4,354,308
Operating Grants and Contributions	87,652	3,158	117,426	—
Capital Grants and Contributions	—	184,568	—	—
Total Program Revenues	122,174	408,012	196,160	4,354,308
Net (Expenses) Revenue	87,110	94,309	6,794	(8,185)
General Revenues:				
Taxes	—	14,139	—	—
Unrestricted Investment Income/(Loss)	—	—	—	—
Payments from the State of Georgia	—	—	—	—
Contributions to Permanent Endowments	—	—	—	—
Total General Revenues	—	14,139	—	—
Special Item	—	—	—	—
Change in Net Position	87,110	108,448	6,794	(8,185)
Net Position, July 1 - Restated (Note 3)	2,320,478	1,521,050	189,688	13,989
Net Position, June 30	$ 2,407,588	$ 1,629,498	$ 196,482	$ 5,804

Georgia Ports Authority	Georgia Tech Foundation, Incorporated	Nonmajor Component Units	Total
$ 304,939	$ 124,729	$ 3,013,936	$ 8,344,230
426,382	29,656	1,471,798	6,615,686
4,574	136,019	1,580,885	1,929,714
4,921	—	17,381	206,870
435,877	165,675	3,070,064	8,752,270
130,938	40,946	56,128	408,040
—	—	6,329	20,468
—	52,992	73,992	126,984
—	—	95,445	95,445
—	39,690	65,032	104,722
—	92,682	240,798	347,619
—	—	11,332	11,332
130,938	133,628	308,258	766,991
1,367,899	1,540,793	3,317,589	10,271,486
$ 1,498,837	$ 1,674,421	$ 3,625,847	$ 11,038,477


STATE OF GEORGIA
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Notes to the Financial Statements
Index

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

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

The fiscal year end for the primary government and component units is June 30, except for, VSU Auxiliary Service Real Estate Foundation, Inc. (component unit) and the Stone Mountain Memorial Association (component unit) which have a fiscal year end of December 31.

B. Financial Reporting Entity

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

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

Where noted below, the State's component units issue their own separate audited financial statements which may be obtained from their respective administrative offices. Financial statements for component unit organizations with "AUD" at the end of their descriptions below may be obtained from the Department of Audits and Accounts (DOAA) online at www.audits.ga.gov. 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Special Revenue Funds

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

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

The **State Road and Tollway Authority** (SRTA) is a legally separate public corporation created to finance transportation projects and operate toll facilities in the State of Georgia. SRTA's total debt outstanding is expected to be paid with resources of the Primary Government and therefore is considered a blended component unit. (AUD)

Debt Service Fund

The **State Road and Tollway Authority** uses a debt service fund for the payment of principal and interest on the debt of SRTA's governmental funds. SRTA issues bonded debt which finances State transportation infrastructure construction. (AUD)

Enterprise Funds

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

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

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

The **State Road and Tollway Authority** uses an enterprise fund to account for tolling and transit activities, including the Xpress Commuter Bus Service, the I-75 South Metro Express Lanes, and all other facilities of the tolling system (i.e. the I-85 Express Lanes and six toll facilities under planning and/or construction). (AUD)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Internal Service Funds

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

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

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

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

Discretely Presented Component Units

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

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

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

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

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

Economic Development Organizations

The Economic Development organizations cultivate business for the State. These organizations are described below:

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

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

The **Georgia 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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

of GMC are vested in the Board of Trustees. GMC receives any designated funds appropriated by the General Assembly through the Board of Regents of the University System of Georgia. Although GMC does not meet the fiscal dependency or financial benefit/burden criteria, due to the nature and significance to the State and the potential assumption that GMC is the same as other colleges reported within the state reporting entity, management has determined that it would be misleading to exclude GMC from the state reporting entity. (NSR)

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

The **Georgia Regional Transportation Authority** is a body corporate and politic. Within its jurisdiction, the purpose of the Authority is to manage land transportation and air quality, review all Developments of Regional Impact (DRI), and approve the allocation of state and federal transportation resources in metro Atlanta via the Atlanta Transportation Improvement Program (TIP). The Authority also serves in an advisory capacity to the State Road and Tollway Authority related to the management and operations of the Xpress Commuter Bus Service. The Governor appoints all 15 Board Members of the Authority.

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

The **REACH Georgia Foundation** is a nonprofit organization that was formed to ensure that Georgia's academically promising students have the academic, social and financial support needed to graduate from high school, access college and achieve postsecondary success. The REACH Georgia Program is the State of Georgia's first needs-based mentorship and college scholarship program and the Foundation's mission is to raise and invest funds. (AUD)

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

The **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)

Tourism / State Attractions

These organizations promote State interests or encourage visitation to the State through the operation and maintenance of various attractions. Organizations involved in such activities are described below:

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

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)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

Georgia Advanced Technology Ventures, Inc. and Subsidiaries
AU Health System, Inc.
Augusta University Foundation, Inc. and Subsidiaries
Augusta University Research Institute, Inc.
Georgia College & State University Foundation, Inc. and Subsidiaries
Georgia Gwinnett College Foundation, Inc.
Georgia Health Sciences Foundation, Inc.
Georgia Southern University Housing Foundation, Inc. and Subsidiaries
Georgia State University Athletic Association, Inc.
Georgia State University Foundation, Inc.
Georgia State University Research Foundation, Inc.
Georgia Tech Athletic Association
Georgia Tech Facilities, Inc.
Georgia Tech Research Corporation
Kennesaw State University Foundation, Inc.
Medical College of Georgia Foundation, Inc.
Middle Georgia State University Real Estate Foundation, Inc. and Subsidiaries
University of Georgia Athletic Association, Inc.
University of Georgia Foundation
University of Georgia Research Foundation, Inc. and Subsidiaries
University of North Georgia Real Estate Foundation, Inc. and Subsidiaries
UWG Real Estate Foundation, Inc.
University System of Georgia Foundation, Inc. and Affiliates
VSU Auxiliary Services Real Estate Foundation, Inc.

Fiduciary Component Units

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Government-wide and Fund Financial Statements

Government-wide Financial Statements

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

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

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

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

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

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

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

Fund Financial Statements

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

governmental and proprietary funds are aggregated and reported as nonmajor funds. Internal service funds are also aggregated and reported in a separate column on the proprietary funds financial statements.

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

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

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

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

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund’s principal ongoing operations. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

The State reports the following major funds:

Major Governmental Funds

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

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

Major Enterprise Funds

Higher Education Fund – Accounts for the operations of State colleges and universities and State technical colleges.

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

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

Additionally, the State reports the following fund types:

Governmental Funds

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

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

Proprietary Funds

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

The State's nonmajor enterprise funds are Georgia Higher Education Facilities Authority, State Employees' Assurance Department and State Road and Tollway Authority.

Internal Service Funds – Account for the financing of goods or services provided by one department or agency to other State departments or agencies, or to other governmental entities, on a cost-reimbursement

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 Fund 1 Plus.

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 with maturity dates within three months of the date acquired, such as certificates of deposit, money market certificates and repurchase agreements. Cash and cash equivalents also include the holdings of the Board of Regents short-term fund.

Investments

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

Pooled Investments with State Treasury

The Office of the State Treasurer (OST) manages the Local Government Investment Pool (LGIP) Trust. The Trust consists of the following two pools: Georgia Fund 1 (GF1) and Georgia Fund 1 Plus (GF1 Plus). During the year, the Georgia Extended Asset Pool (GEAP) was liquidated and all assets were distributed to participants. For cash flow purposes, amounts reported in the Pooled Investments with State Treasury are considered cash equivalents.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

External Investment Pools

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

Georgia Fund 1 – The (GF1 or the Primary Liquidity Portfolio's) primary objectives are safety of capital, investment income, liquidity and diversification while maintaining principal. It is managed as a stable Net Asset Value (NAV) pool. The Pool operates and reports to participants on an amortized cost basis. The income, gains and losses, net of administration fees of the pool are allocated to participants monthly on the ratio of the participant's share of the total funds in the pool based on the participant's average daily balance. This method differs from the fair value method used to value investments in these financial statements because the amortized cost method is not designed to distribute to participants all unrealized gains and losses in the fair values of the pool's investments. Per the Governmental Accounting Standards Board ("GASB") 79, to qualify for the use of amortized cost accounting for financial reporting purposes, an investment pool must meet all the criteria listed in GASB 79. GFI is managed as a stable NAV pool but does not comply with all the requirements listed in GASB 79; therefore, the investments of the pool are reported at fair market value at fiscal year end.

Georgia Fund 1 Plus – (GF1 Plus) was established on July 1, 2016, and initially funded through redemptions in GF1. It is managed to maintain a stable Net Asset Value (NAV) of $1.00. For financial reporting purposes, the pool is reported at fair market value. GF1 Plus was established as an additional LGIP investment option for the state, state agencies, and eligible municipalities looking to benefit from higher yields available by adding credit exposure.

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 Securities and Exchange Commission. The fair value of the position in the BPDUTF is the same as the value of the BPDUTF shares.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Receivables

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

Inventories and Prepaid Items

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

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

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

Restricted Assets

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

Capital Assets

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

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 gain or they are protected and preserved for exhibition, education, or research and are considered to have inexhaustible useful lives. Major outlays for construction of bridges and roadways in the State highway system are capitalized as projects are constructed. All other major construction projects are capitalized when projects are completed. Interest incurred during construction is not capitalized in governmental funds. Interest incurred during the construction of proprietary fund assets is included in the capitalized value of the asset.

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

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

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

Deferred Outflows of Resources

In addition to assets, the government-wide and fund financial statements will sometimes report a separate section of deferred outflows of resources. This separate financial statement element represents a consumption of net position or

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

fund balance that applies to future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then.

Compensated Absences

Employees earn annual leave ranging from 10 to 14 hours each month depending upon the employee's length of continuous State service with a maximum accumulation of 360 hours. Employees are paid for unused accumulated annual leave upon retirement or termination of employment. Funds are provided in the appropriation of funds each fiscal year to cover the cost of annual leave of terminated employees. The State's obligation for accumulated unpaid annual leave is reported as a liability in the government-wide and proprietary fund financial statements based on current rates of pay in effect at the end of the reporting period.

Employees earn 10 hours of sick leave each month with a maximum accumulation of 720 hours. Sick leave does not vest with the employee. Unused accumulated sick leave is forfeited upon retirement or termination of employment. However, certain employees who retire with 120 days or more of forfeited annual and sick leave are entitled to additional service credit in the Employees' Retirement System. No liability is recorded for rights to receive sick pay benefits.

Long-term Obligations

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

In the fund financial statements, governmental funds recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

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

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

Deferred Inflows of Resources

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Net Position

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

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

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

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

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

Fund Balances

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

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

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

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

Interfund Activity and Balances

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

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

In addition, transfers are recorded when a fund receiving revenue provides it to the fund which 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. Implementation of New Accounting Standards

In fiscal year 2018, the State implemented the following new GASB Statements:

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

Adoption of this standard caused a decrease to net position of $3.2 billion, $2.0 billion, $36.4 million, and $163.7 million to Governmental Activities, Business-type Activities, Fiduciary funds and discretely presented Component Units, respectively in fiscal year 2018.

GASB Statement No. 81, *Irrevocable Split-Interest Agreements,* improves accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. Split-interest agreements are a type of giving agreement used by donors to provide resources to two or more beneficiaries, including governments. Split-interest agreements can be created through trusts-or other legally enforceable agreements with characteristics that are equivalent to split-interest agreements-in which a donor transfers resources to an intermediary to hold and administer for the benefit of a government and at least one other beneficiary. Examples of these types of agreements include charitable lead trusts, charitable remainder trusts, and life-interests in real estate. Adoption of this Statement did not have a significant impact on the financial statements.

GASB Statement No. 85, *Omnibus 2017,* addresses practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and OPEB). Specifically, this Statement addresses the following topics: blending a component unit in circumstances in which the primary government is a business-type activity that reports in a single column for financial statement presentation, reporting amounts previously reported as goodwill and "negative" goodwill, classifying real estate held by insurance entities, measuring certain money market investments and participating interest-earning investment contracts at amortized cost, timing of the measurement of pension or OPEB liabilities and expenditures recognized in financial statements prepared using the current financial resources measurement focus, recognizing on-behalf payments for pensions or OPEB in employer financial statements, presenting payroll-related measures in required supplementary information for purposes of reporting by OPEB plans and employers that provide OPEB, classifying employer-paid member contributions for OPEB, simplifying certain aspects of the alternative measurement method for OPEB, and accounting and financial reporting for OPEB provided through certain multiple-employer defined benefit OPEB plans. Adoption of this Statement did not have a significant impact on the financial statements.

GASB Statement No. 86, *Certain Debt Extinguishment Issues,* improves consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources-resources other than the proceeds of refunding

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

debt-are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. Adoption of this Statement did not have a significant impact on the financial statements.

B. Change in Financial Reporting Entity

Primary Government

During the fiscal year, State Road and Tollway Authority (SRTA), determined that the customer service center no longer met the requirements of an Internal Service Fund. Activity of the customer service center is currently reported within SRTA's Nonmajor Enterprise Fund. The effect of this presentation change was an increase of $6.5 million in the Nonmajor Enterprise Fund beginning net position and a decrease of $6.5 million in Internal Service Funds.

During the fiscal year, the SRTA's Nonmajor Enterprise fund began operations to include the Xpress commuter bus service and administration of the vanpool program that were previously operated by Georgia Regional Transportation Authority (GRTA), a discretely presented Component Unit. As such, net position increased by $19.5 million in business-type activities.

Component Units

Georgia State University Athletic Association, Inc. met the requirements for inclusion as a discretely presented component unit which increased the University System of Georgia's net position by $1.5 million. The determination was made that Kennesaw State University Athletic Association, Inc. no longer met requirements for inclusion as a discretely presented component unit. The effect of this determination was a decrease to discretely presented component unit beginning net position in the amount of $3.7 million. AU Medical Associates, Inc. became a blended component unit of AU Health Systems. The result is a decrease to discretely presented component unit beginning net position in the amount of $0.5 million. The net effect of these changes in reporting entities for Higher Education Foundations is a decrease of beginning net position by $2.7 million for fiscal year 2018.

It was determined during the fiscal year that the REACH Georgia Foundation met the requirements for inclusion as a discretely presented component unit for fiscal year 2018, which increased beginning net position in the amount of $4.4 million.

As discussed above, SRTA's Nonmajor Enterprise fund began operations to include the Xpress commuter bus service and administration of the vanpool program that were previously operated by GRTA, a discretely presented Component Unit. This resulted in a decrease of net position of $19.5 million during the fiscal year.

C. Correction of Prior Year Errors

Primary Government

During the fiscal year, it was determined that capitalized software for the Department of Community Health in fiscal year 2017 was understated by $12.2 million, resulting in an increase of net position in the governmental activities, as reported. The beginning net position of the Department of Community Health was increased to reflect this correction.

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

During the fiscal year, it was determined that capital lease assets and their related liabilities were overstated at the Department of Human Services by $2.4 million in fiscal year 2017, resulting in an overstatement of net position in the governmental activities. An adjustment was made in fiscal year 2018 to decrease net position to reflect correction to the prior year amounts.

During the fiscal year, it was determined that construction in progress at the Department of Juvenile Justice was overstated by $17.4 million in fiscal year 2017, resulting in an overstatement of net position in the governmental activities. An adjustment was made in fiscal year 2018 to decrease net position to reflect correction to the prior year amounts.

During the fiscal year, it was determined that construction in progress was overstated while accumulated depreciation was understated at Department of Veterans Services. This resulted in an overstatement of $14.3 million net position in the governmental activities in fiscal year 2017. An adjustment was made in fiscal year 2018 to decrease net position to reflect correction to the prior year amounts.

During the fiscal year, it was determined that at the Department of Revenue taxes receivable in the amount of $382.7 million for the International Fuel Tax Agreement were erroneously included in the prior year receivable balance. Additionally, an incorrect amount, $387.0 million, was included for estimated amounts write-offs in the prior year receivable balance. This resulted in a net understatement of $4.3 million in fiscal year 2017. An adjustment was made in fiscal year 2018 to increase net position to reflect correction to the prior year amounts.

During the fiscal year, it was determined that the State Health Benefits plan, a Proprietary Fund, understated net position in fiscal year 2017 by $132.3 million, while Pension and Other Employee Benefit Trust Funds, which are Fiduciary funds, were overstated. An adjustment of $132.3 million was made in fiscal year 2018 to increase beginning net position of the Enterprise fund and to decrease beginning net position of the Fiduciary fund.

An adjustment was made to Higher Education Fund, an Enterprise fund, for assets already reported by the Higher Education Foundations, a discretely presented Component Unit. This adjustment along with other minor adjustments resulted in a decrease to beginning net position by $222.5 million to the Higher Education Fund.

Component Units

During the fiscal year, it was determined that the UWG Real Estate Foundation, part of the Higher Education Foundations discretely presented component unit, understated net position. An adjustment was made in fiscal year 2018 to increase beginning net position by $0.4 million.

NOTE 3 - FUND EQUITY RECLASSIFICATIONS AND RESTATEMENTS

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

	6/30/2017 As Previously Reported	Change in Financial Reporting Entity	Implementation of New Accounting Standards	Correction of Prior Year Errors	6/30/2017 (Restated)
Governmental Funds and Activities					
Major Funds:					
General Fund	$ 7,375,992	$ —	$ —	$ —	$ 7,375,992
General Obligation Bond Projects Fund	1,079,197	—	—	—	1,079,197
Nonmajor Funds:					
Special Revenue Funds	320,783	—	—	—	320,783
Debt Service Fund	270	—	—	—	270
Permanent Fund	—	—	—	—	—
Total Governmental Funds	8,776,242	—	—	—	8,776,242
Government-wide Adjustments					
Capital Assets, net of depreciation	21,827,245	—	—	(11,297)	21,815,948
Other Noncurrent Assets and Liabilities	(525,252)	—	—	4,301	(520,951)
Deferred Inflows/Outflows of Resources	1,757,119	—	—	—	1,757,119
Long-Term Liabilities Related to Debt	(10,616,314)	—	—	(10,559)	(10,626,873)
OPEB Assets/Liabilities	—	—	(3,125,195)	—	(3,125,195)
Pension Assets/Liabilities	(3,317,408)	—		—	(3,317,408)
Inclusion of Internal Service Funds in Governmental Activities	476,283	—	(49,061)	—	427,222
Total Governmental Funds and Activities	**$ 18,377,915**	**$ —**	**$ (3,174,256)**	**$ (17,555)**	**$ 15,186,104**
Proprietary Funds and Business-type Activities					
Major Funds:					
Higher Education Fund	$ 3,592,252	$ —	$ (1,943,876)	$ (222,509)	$ 1,425,867
State Health Benefit Plan	469,309	—	(4,476)	132,283	597,116
Unemployment Compensation Fund	1,836,319	—	—	—	1,836,319
Nonmajor Funds:					
Enterprise Funds	177,209	26,015	(7,244)	—	195,980
Internal Service Funds	329,062	(6,479)	(49,061)	—	273,522
Internal Service Funds Look-Back Adjustments					
Removal of Internal Service Funds Relating to Governmental Activities	(476,283)	—	49,061	—	(427,222)
Total Proprietary Funds and Business-type Activities	**$ 5,927,868**	**$ 19,536**	**$ (1,955,596)**	**$ (90,226)**	**$ 3,901,582**
Fiduciary Funds					
Pension and Other Employee Benefit Trust Funds	$ 91,702,555	$ —	$ (35,148)	$ (132,283)	$ 91,535,124
			—		$ —
Investment Trust Funds	6,699,600	—	—	—	6,699,600
			—		—
Private Purpose Trust Funds	154,043	—	(1,234)	—	152,809
Total Fiduciary Funds	**$ 98,556,198**	**$ —**	**$ (36,382)**	**$ (132,283)**	**$ 98,387,533**
Discretely Presented Component Units	**$ 10,452,596**	**$ (17,820)**	**$ (163,673)**	**$ 383**	**$ 10,271,486**
Total Reporting Entity	**$ 133,314,577**	**$ 1,716**	**$ (5,329,907)**	**$ (239,681)**	**$ 127,746,705**

NOTE 4 - FUND BALANCE AND NET POSITION

A. Fund Balances

The specific purposes of the governmental funds fund balances, classified as other than unassigned, at June 30, 2018 are as follows (amount in thousands):

	General Fund	General Obligation Bond Projects Fund	Nonmajor Governmental Funds	Total
Nonspendable Fund Balance				
Inventories and Prepaid Amounts	**$ 35,375**	**$ —**	**$ 16,770**	**$ 52,145**
Restricted Fund Balance				
Capital Projects	$ —	$ 1,079,143	$ —	$ 1,079,143
Guaranteed Revenue Debt				
Common Reserve Fund	53,776	—	—	53,776
Administrative Support for Health Care Programs	42,371	—	—	42,371
Emission Regulation	5,714	—	—	5,714
Endangered Species Monitoring	7,085	—	—	7,085
Healthcare Facility Regulation	24,609	—	—	24,609
Health Care Access and Improvement	12,341	—	—	12,341
Indigent Care Trust Fund	5,537	—	—	5,537
Jasper Ocean Terminal Project	7,551	—	—	7,551
Lottery For Education	1,237,666	—	—	1,237,666
Roads and Bridges (Motor Fuel Tax Funds)	3,277,779	—	94,017	3,371,796
Roadside Enhancement and Beautification Fund	98,330	—	—	98,330
Unclaimed Property	63,955	—	—	63,955
Underground Storage Tank Trust Fund	60,643	—	—	60,643
Unissued Debt/Debt Service	103,169	—	64,016	167,185
Victims of Violent Crime Emergency Fund	27,149	—	—	27,149
Health and Welfare				
Behavioral Health	2,792	—	—	2,792
Community Health	2,714	—	—	2,714
Human Services	9,918	—	—	9,918
Transportation	30,729	—	215,695	246,424
Public Safety	8,330	—	—	8,330
Economic Development and Assistance	8,155	—	—	8,155
Culture and Recreation	18,936	—	—	18,936
Other	9,248	23,057	—	32,305
Total Restricted Fund Balance	**$ 5,118,497**	**$ 1,102,200**	**$ 373,728**	**$ 6,594,425**
Committed Fund Balance				
Armory Facility Maintenance	1,312	—	—	1,312
Georgia Industries for the Blind	649	—	—	649
National Guard Transient Quarters	—	—	—	—
Rebate and Commissions	9,212	—	—	9,212
Veterans' Homes Residency Fees	580	—	—	580
Total Committed Fund Balance	**$ 11,753**	**$ —**	**$ —**	**$ 11,753**

(continued)

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NOTE 4 - NET POSITION AND FUND BALANCES (continued)

	General Fund	General Obligation Bond Projects Fund	Nonmajor Governmental Funds	Total
Assigned Fund Balance				
General Government	$ 119,875	$ 39,632	$ 3,918	$ 163,425
Education	23,202	—	—	23,202
Health and Welfare	110,661	—	—	110,661
Public Safety	102,544	—	—	102,544
Economic Development and Assistance	33,565	—	—	33,565
Culture and Recreation	36,750	—	—	36,750
Conservation	11,140	—	41,362	52,502
Total Assigned Fund Balance	**$ 437,737**	**$ 39,632**	**$ 45,280**	**$ 522,649**

B. Restricted Net Position

The State's net position restricted by enabling legislation represents resources which a party external to a government - such as citizens, public interest groups, or the judiciary - can compel the government to use only for the purpose specified by the legislation. The government-wide Statement of Net Position reports $8.7 billion of restricted net position.

C. Deficit Net Position

The governmental activities of the State ended the year with an unrestricted net position deficit of $8.5 billion. The deficit is a result of pension and Other Postemployment Benefit (OPEB) liabilities and the continued practice of incurring debt for the purposes of capital acquisition and construction on behalf of county and independent school systems, business-type activities and State schools. As of June 30, 2018, outstanding general obligation bonds applicable to these projects was $5.2 billion. Since the occurance of this debt does not result in capital asset acquisitions for governmental activities, the debt is not reflected in the net position category, Net Investment in Capital Assets, but rather in the unrestricted net position category. The unrestricted deficit balance of the primary government however has been adjusted for the governmental activities outstanding debt balances related to capital assets reported in business-type activities in the amount of $3.0 billion. GASB 68, as related to pensions required the State to recognize its proportional share of the net pension liability of the pension plans applicable to said standard. As of June 30, 2018, the liability resulted in a $3.2 billion impact to unrestricted net position. GASB 75, as related to OPEB required the State to recognize its proportional share of the net OPEB liability of the OPEB plans applicable to said standard. As of June 30, 2018, the liability resulted in a $2.9 billion impact to unrestricted net position.

The business-type activities of the State ended the year with an unrestricted net position of $6.2 billion, which is primarily due to the recognition of net pension and OPEB liabilities. The higher education fund has deficit balances due to pension and OPEB. GASB 68, as related to pensions, required the State to recognize its proportional share of the net pension liability of the pension plans applicable to said standard. As of June 30, 2018, the liability resulted in a $2.8 billion impact to unrestricted net position. GASB 75, as related to OPEB, required the State to recognize its proportional share of the net OPEB liability of the OPEB plans applicable to said standard. As of June 30, 2018, the liability resulted in a $4.7 billion impact to unrestricted net position. The State Road and Tollway Authority's deficit of $263.7 million in unrestricted net position of business-type activities is primarily a result of $256.7 million in outstanding balances for the TIFIA and Design Building finance loans related to the I-75 Northwest Corridor project and $34.1 million in outstanding balances for the transportation revenue bonds related to the I-75S express Lanes project.

NOTE 5 - DEPOSITS AND INVESTMENTS

Cash and cash equivalents and investments as of June 30, 2018 are classified in the accompanying financial statements as follows (amount in thousands):

	Primary Government and Fiduciary Funds	Component Units	Total
Primary Government			
Cash and Cash Equivalents	$ 5,146,137	$ 700,687	$ 5,846,824
Pooled Investments with State Treasury	4,765,616	1,589,660	6,355,276
Investments	3,452,879	2,373,669	5,826,548
Restricted Assets			
Cash and Cash Equivalents	2,352,676	470,560	2,823,236
Pooled Investments with State Treasury	306,174	73,020	379,194
Investments	244,558	2,043,286	2,287,844
Fiduciary Funds			
Cash and Cash Equivalents	1,974,221	—	1,974,221
Pooled Investments with State Treasury	9,213,444	—	9,213,444
Investments	93,591,444	—	93,591,444
Restricted Assets			
Pooled Investments with State Treasury	594	—	594
Total Cash and Investments	**$ 121,047,743**	**$ 7,250,882**	**$ 128,298,625**

Cash on hand, deposits and investments as of June 30, 2018 consist of the following (amount in thousands):

	Primary Government and Fiduciary Funds	Component Units	Total
Cash on Hand	$ 3,293	$ 46	$ 3,339
Deposits with Financial Institutions (Note 5A)	2,996,954	954,074	3,951,028
Investments (Note 5B)	101,756,792	4,518,979	106,275,771
Pooled Investments with State Treasury (Note 5D)	14,285,822	1,662,679	15,948,501
Unemployment Compensation Funds with U.S. Treasury	2,119,986	—	2,119,986
Assets Held at the Board of Regents on Behalf of Other Organizations	(115,104)	115,104	—
Total Cash and Investments	**$ 121,047,743**	**$ 7,250,882**	**$ 128,298,625**

A. Deposits

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

NOTE 5 - DEPOSITS AND INVESTMENTS (continued)

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.

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

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

2) Bonds, bills, certificates of indebtedness, notes or other obligations of the counties or municipalities of the State.

3) Bonds of any public authority created by the laws of the State, providing that the statute that created the authority authorized the use of the bonds for this purpose, the bonds have been duly validated and they are not in default.

4) Industrial revenue bonds and bonds of development authorities created by the laws of the State, for which bonds have been duly validated and they are not in default.

5) Bonds, bills, certificates of indebtedness, notes or other obligations of a subsidiary corporation of the U.S. Government, which are fully guaranteed, both as to principal and interest and debt obligations issued, or securities guaranteed by the Federal Land Bank, the Federal Home Loan Bank, the Federal Intermediate Credit Bank, the Central Bank for Cooperatives, the Farm Credit Banks, the Federal Home Loan Mortgage Corporation and the Federal National Mortgage Association.

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

NOTE 5 - DEPOSITS AND INVESTMENTS (continued)

Custodial Credit Risk – Deposits

The custodial credit risk for deposits is the risk that, in the event of a bank failure, the State's deposits may not be recovered. The OST Investment Policy specifies safety of capital as the first priority in investing funds and liquidity as the second priority, followed by investment return and diversification. In adherence to these objectives, OST maintains balances in deposit agreements in approved banks for investment unless commercial paper issued by those financial institutions offers a risk-adjusted advantage. OST closely monitors the credit of U.S. banks having deposit agreements.

Beginning in 2018, the Board implemented the Secure Deposit Program (SDP), a multi-bank pledging pool. The SDP requires participating banks that accept public deposits in Georgia to operate under the policy and procedures of the program. The State Treasurer sets the collateral requirements and pledging level for each covered depository. There are four tiers of collateralization levels specifying percentages of eligible securities to secure covered Deposits: 25%, 50%, 75%, and 110%. The SDP also provides for collateral levels to be increased to amount of up to 125% if economic or financial conditions warrants. The program lists the type of eligible collateral. The State Treasurer approves authorized custodians.

In accordance with the SDP, if a covered depository defaults, losses to public depositors are first satisfied with any applicable insurance, followed by demands of payment under any letters of credit or sale of the covered depository's collateral. If necessary, any remaining losses are to be satisfied by assessments made against the other participating covered depositories. Therefore, for disclosure purposes, all deposits of participants in the SDP are considered to be fully insured.

At June 30, 2018, bank balances of the primary government and its component units' deposits not included in the SDP totaled $3.0 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 bank balances, $267.2 million were exposed to custodial credit risk as follows (amount in thousands):

	Primary Government and Fiduciary Funds	Component Units	Total
Uninsured and uncollaterized	$ 21,291	$ 158,658	$ 179,949
Uninsured and collateralized with securities held by the pledging financial institutions	283	22,242	22,525
Uninsured and collateralized with securities held by the pledging institutions' trust departments or agents, but not in the State's name	44,458	20,271	64,729
Total deposits exposed to custodial credit risk	**$ 66,032**	**$ 201,171**	**$ 267,203**

The carrying amounts of deposits of certain higher education foundations which utilize FASB standards were $340.4 million. These deposits are not included in the balances reflected above.

NOTE 5 - DEPOSITS AND INVESTMENTS (continued)

B. Investments

<u>Investment Policies</u>

Primary Government

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

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

1) The Investment Policy for the Office of the State Treasurer (OST Investment Policy) dictates investment of assets managed by OST.

2) The Investment Policy for Approved State Investment Accounts (Investment Policy for Approved Agency Accounts) governs investments managed by organizations other than OST.

OST Investment Policy

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

OST is authorized to invest in securities and other investments as permitted in O.C.G.A. Sections 36-83-2, 50-5A-7, 50-17-2, 50-17-27 and 50-17-63. Authorized investments are subject to certain restrictions pursuant to the OST Investment Policy and specific guidelines for the individual portfolios managed by OST. Authorized investments and related restrictions and guidelines are described below:

a) Repurchase agreements – Repurchase agreements and reverse repurchase agreements may be transacted with authorized institutions that are rated investment grade by one or more nationally recognized rating agency or are determined by the Treasurer to have adequate capital and liquidity, with maximum exposure per institution determined by the 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 Treasurer in subsection (b) of Code of Section 50-17-63. Collateral comprised of obligations of the United States and its subsidiary corporations and instrumentalities or entities sanctioned or authorized by the United States government must have a market value of at least 102% of the investment and other eligible collateral must have a market value of 105% of the investment. Collateral must be held by a third party custodian approved by the Treasurer and marked-to-market daily. Exceptions to the requirements for third party custody of collateral or collateral requirements may be approved by the Treasurer for authorized institutions if necessary on occasion. All counterparties, and exceptions to custody and collateral requirements shall be reported by the Treasurer

NOTE 5 - DEPOSITS AND INVESTMENTS (continued)

to the State Depository Board. All reverse repurchase agreements shall be approved in advance by the Treasurer.

b) Certificates of deposit (CD's) – The maximum term of CD's shall not exceed five years. OST shall not place funds in non-negotiable CD's at any depository if such placement of funds will result in total state deposits at such depository in excess of 100% of total equity capital. Provided, however, that the 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 fully insured by the FDIC or secured by collateral permitted by statute. Surety bonds acceptable as security for CD's shall require approval by the State Depository Board with such credit constraints or limitations it determines. Pledged securities shall be held by a third party custodian approved by OST. Pledged securities shall be marked-to-market at least monthly with depositories required to initially pledge to OST, and thereafter maintain upon notification or any shortfall, collateral having a market value equal to 110% of CD's or be secured through the Georgia multibank pledging pool program (Secure Deposit Program) with "Required Collateral" as defined therein.

c) 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 bank deposit held for investment purposes described in (d) (4), below, that does not exceed 5% of portfolio assets for any single issuer.

d) Bank deposits held for investment purposes (formerly referred to as negotiated investment deposit agreements). – Deposit agreements with banks that are (1) 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 deposit; (2) secured through the Georgia multibank pledging pool program (Secure Deposit Program) with "Required Collateral" as defined therein; (3) fully secured by a letter-of-credit issued by a Federal Home Loan Bank; (4) fully secured by a surety bond issued by a financial institution approved by the State Depository Board; (5) fully insured by the FDIC; or, (6) 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 Treasurer to have adequate capital, with maximum exposure per institution determined by the 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.

e) Prime bankers acceptances – Bankers acceptances must carry the highest rating assigned to such investments by a nationally recognized rating agency.

f) 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 Treasurer with the requirement that they are of high credit quality and are reported to the State Depository Board.

g) Obligations of corporations – Obligations of domestic corporations including notes, bonds, negotiable CD's, and other marketable securities must be rated investment grade or higher by a nationally recognized rating agency.

NOTE 5 - DEPOSITS AND INVESTMENTS (continued)

h) 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.

i) 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 nationally recognized rating agency.

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

k) Asset-backed securities – Pursuant to O.C.G.A. 50-5A-7(b), asset-backed securities rated AAA, having broad liquidity reflecting at least $350 million of outstanding issuance and issued by an underlying credit rated A3/A or higher by Standard and Poor's Corporation or Moody's Investor Service.

l) Commercial mortgage-backed securities – Pursuant to O.C.G.A. 50-5A-7(b), commercial mortgage-backed securities rated AAA by Standard and Poor's Corporation or Moody's Investors Service.

m) Such other limitations as determined by the Treasurer to be necessary for the preservation of principal, liquidity, or marketability of any of the portfolios, including allowing investment in any single issuer of CP as described in (c) above or bank deposits held for investment purposes as described in (d) above to temporarily exceed 5% for a period not to exceed 10 business days to allow for efficient investment of accounts experiencing significant fluctuation of balances.

Investment Policy for Approved Agency Accounts

The OST Investment Policy does not authorize organizations other than OST to invest funds. O.C.G.A. 50-17-63(a) requires all demand funds held by any State organization to be deposited in accounts at State depositories approved by the Board. In the alternative, with prior approval of the Board, a state entity may be permitted to invest in time deposits, other permitted investments and any interest income from the invested funds must be remitted to the Treasurer as revenues of the State unless specific statutes provide otherwise. Therefore, the Board adopted the Investment Policy for Approved State Agency Investment 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 Georgia Higher Education Savings Plan, USG, the Employees’ Retirement System (ERS), Teachers Retirement System (TRS), and the Georgia Lottery Corporation. 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, 2018, no State organizations had received Board approval to establish investment accounts governed by the Investment Policy for Approved Agencies.

Board of Regents Investment Policies

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

NOTE 5 - DEPOSITS AND INVESTMENTS (continued)

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

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

1. Short-Term Fund - The Short-Term Fund is available to both University System of Georgia institutions and their affiliated organizations. The Fund provides a current return and stability of principal while affording a means of overnight liquidity for projected cash needs. Investments are in securities allowed under O.C.G.A. § 50-17-59 and 50-17-63. The average maturities of investments in this fund will typically range between daily and three years, and the fund will typically have an overall average duration of 9 months to 1 year. The overall character of the portfolio is of Agency quality, possessing a minimal degree of financial risk. The market value of the Short Term Fund at June 30, 2018 was $553.3 million.

2. Legal Fund - The Legal Fund is available to both University System of Georgia institutions and their affiliated organizations. The Fund provides an opportunity for greater return and modest principal growth to the extent possible with the securities allowed under O.C.G.A. § 50-17-59 and 50-17-63. The average maturities of investments in this fund will typically range between three and five years, with a maximum of 30 years for any individual investment. The overall character of the portfolio is Agency quality, possessing a minimal degree of financial risk. The market value of the Legal Fund at June 30, 2018 was $11.4 million.

3. Balanced Income Fund - The Balanced Income Fund is available to both University System of Georgia institutions and their affiliated organizations. The Fund is designed to be a vehicle to invest funds that are not subject to the state regulations concerning investing in equities. This pool is appropriate for investing longer term funds that require a more conservative investment strategy. Permitted investments in the fund are domestic US equities, domestic investment grade fixed income, and cash equivalents. The equity allocation shall range between 20% and 40%, with a target of 30% of the total portfolio. The fixed income (bond) portion of the portfolio shall range between 60% and 80%, with a target of 70% of the total portfolio. Cash reserves and excess income are invested at all times in the highest quality par stable (A1, P1) institutional money market mutual funds, or other high quality short term instruments. The market value of the Balanced Income Fund at June 30, 2018 was $86.9 million.

4. Total Return Fund - The Total Return Fund is available to both University System of Georgia institutions and their affiliated organizations. The Fund is another pool designed to be a vehicle to invest funds that are not subject to state regulations concerning investing in equities. This pool offers greater overall equity exposure and is appropriate for investing longer term funds such as endowments. Permitted investments in the fund are domestic US equities, domestic investment grade fixed income, and cash equivalents. The equity allocation shall range between 60% and 80%, with a target of 70% of the total portfolio. The fixed income (bond) portion of the portfolio shall range between 20% and 40%, with a target of 30% of the total portfolio. Cash reserves and excess income are invested at all times in the highest quality par stable (A1, P1) institutional money market mutual funds, or other high quality short term instruments. The market value of the Total Return Fund at June 30, 2018 was $13.5 million.

NOTE 5 - DEPOSITS AND INVESTMENTS (continued)

5. Diversified Fund - The Diversified Fund is available to both University System of Georgia institutions and their affiliated organizations. The Fund is designed to provide improved return characteristics with reduced volatility through greater diversification. This pool is appropriate for investing longer term funds such as endowments. Permitted investments in the fund may include domestic, international and emerging market equities, domestic fixed income and global fixed income. The equity allocation shall range between 60% and 80% of the portfolio, with a target of 70% of the total portfolio. The fixed income (bond) portion of the portfolio shall range between 20% and 40%, with a target of 30% of the total portfolio. Cash reserves and excess income are invested at all times in the highest quality par stable (A1, P1) institutional money market mutual funds, or other high quality short term instruments. The market value of the Diversified Fund at June 30, 2018 was $200.6 million.

6. Diversified Fund for Foundations - The Diversified Fund for Foundations is available only to University System of Georgia affiliated organizations. Like the Diversified Fund, the fund is designed to provide improved return characteristics with reduced volatility through greater diversification and is appropriate for investing longer term funds such as endowments. Investments in the fund may include domestic, international and emerging market equities, domestic and global investment grade and non-investment grade fixed income and liquid alternative investments. The equity allocation shall range between 40% and 75% of the portfolio, with a target of 65% of the total portfolio. The fixed income (bond) portion of the portfolio shall range between 10% and 40% of the portfolio, with a target of 20% of the total portfolio. The alternatives portion of the portfolio shall range between 0% and 30% of the portfolio, with a target of 15% of the total portfolio. Cash reserves and invested income are invested at all times in the highest quality par stable (A1, P1) institutional money market funds, or other high quality short term instruments. The market value of the Diversified Fund for Foundations at June 30, 2018 was $61.0 million.

Fiduciary Funds – Pension and Other Employee Benefit Trust Funds

In accordance with O.C.G.A. 47-20-83, 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.

NOTE 5 - DEPOSITS AND INVESTMENTS (continued)

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.

17) Shares of mutual funds registered with Securities and Exchange Commission.

18) Commingled funds and collective investment funds maintained by state chartered banks or trust companies.

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

In accordance with O.C.G.A. 47-20-87, certain eligible large retirement systems (excluding the Teachers Retirement System) are authorized to invest in alternative investments such as privately placed investment pools that include investments such as leveraged buyout funds, mezzanine funds, workout funds, debt funds, venture capital funds, merchant banking funds, funds of funds and secondary funds. In addition, these retirement systems are authorized to invest in private placements and other private investments such as leveraged buyouts, venture capital investment, equity investments such as preferred and common stock, warrants, options, private investments in public securities, recapitalizations, privatizations, mezzanine debt investments, distressed debt and equity investments, convertible securities, receivables, debt and equity derivative instruments, etc. The amount invested by an eligible large retirement system in alternative investments may not in the aggregate exceed 5% of the eligible large retirement system's assets at any time.

Other Postemployment Benefits (OPEB)

In May of 2018, the State created an investment policy for state and school OPEB trust funds. The policy requires at least 25% of funds to be invested at State Treasury and be subject to OST policy. The remaining funds are invested by ERS in publicly traded equities permitted in accordance with O.C.G.A. 47-20-84.

NOTE 5 - DEPOSITS AND INVESTMENTS (continued)

Component Units

Component units follow applicable investing criteria as specifically authorized by statute or by the component unit's governing authority. Certain higher education foundations utilize FASB standards. Balances for those component units as of June 30, 2018, are as follows (amount in thousands):

	Fair Value
Bond Securities	$ 267,412
Certificates of Deposit	750
Commodity Fund	102
Corporate Bonds	15,552
Equity Securities- Domestic	616,046
Equity Securities- International	453,043
Equity Mutual Funds - Domestic	97,782
Equity Mutual Funds - International	255,494
Government and Agency Securities	108,223
Hedge Funds	628,791
Investment Pools	54,518
Joint Ventures/Partnerships	24,520
Money Market Accounts	135,840
Mutual Bond Funds	82,652
Natural Resources	140,205
Private Equities	483,310
Real Estate Investment Trusts	68,309
Real Estate Held for Investment Purposes	57,361
Repurchase Agreements	654
Other	174,997
Total Investments	**$ 3,665,561**

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

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.

NOTE 5 - DEPOSITS AND INVESTMENTS (continued)

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

1) In the Short Term fund, the average maturity of the fixed income portfolio shall not exceed three years. In all other pooled funds, the average maturity of the fixed income portfolio shall not exceed 10 years.

2) Fixed income investments, except in the Diversified fund, shall be limited to U.S. Government agency and corporate debt instruments that meet investment eligibility under O.C.G.A. Section 50-17-63.

3) The fixed income target allocation is defined in the investment policy guidelines for each pooled investment fund. These targets may be modified upon recommendation of the fund's investment manager and approval by the USG.

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):

(Table on next page)

NOTE 5 - DEPOSITS AND INVESTMENTS (continued)

	Total Fair Value	Maturity Period: Less than 3 Months	4 - 12 Months	1 - 5 Years	6 - 10 Years	More than 10 Years
Asset-Backed Securities						
Domestic	$ 7,858	$ 470	$ 824	$ 6,564	$ —	$ —
Bank Deposits Held for Investment Purposes	682,426	682,426	—	—	—	—
Commercial Paper	164,678	164,678	—	—	—	—
Corporate Debt						
Domestic	196,609	10,179	2,405	123,774	60,053	198
Money Market Mutual Funds	74,240	73,649	—	591	—	—
Mortgage-Backed Securities						
Commercial	12,396	1,991	8,311	2,094	—	—
Municipal Bonds	1,014	5	275	437	—	297
Mutual Funds - Debt*	83,086	40	66,708	4,920	—	11,418
Repurchase Agreements	4,231,000	3,221,000	1,010,000	—	—	—
Sovereign Credit	10,000	—	10,000	—	—	—
Supranational Obligations	181,157	46,021	130,276	4,860	—	—
U.S. Agency Obligations	1,552,735	751,478	329,707	395,131	61,464	14,955
U.S. Treasury Obligations	313,933	99,336	30,576	180,718	653	2,650
Total Debt Securities	**7,511,132**	**$ 5,051,273**	**$ 1,589,082**	**$ 719,089**	**$ 122,170**	**$ 29,518**
Equity Mutual Funds						
Domestic	82,059					
International	57,643					
Equity Securities						
Domestic	152,100					
International	351					
Real Estate Held for Investments	6,313					
Real Estate Investment Trust	1,078					
Total Investments	**$ 7,810,676**					

*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 gage 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	$ 7,572,315	3.8
International Obligations:		
Corporate	996,600	0.8
U.S. Treasury Obligations	19,035,690	5.6
Total Debt Securities	27,604,605	
Common Stock		
Domestic	46,566,900	
International	15,754,988	
Mutual Funds - Equity	7,228	
Private Equity	221,904	
Commingled Funds	1,591,491	
Total Investments	**$ 91,747,116**	

NOTE 5 - DEPOSITS AND INVESTMENTS (continued)

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

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

	Total Fair Value	Maturity Period: Less than 3 Months	4 - 12 Months	1 - 5 Years	6 - 10 Years	More than 10 Years
Asset-backed Securities						
Domestic	$ 25,084	$ —	$ —	$ 13,557	$ 3,844	$ 7,683
International	8,065	—	—	236	4,957	2,872
Corporate Debt						
Domestic	164,540	1,667	13,369	61,569	44,521	43,414
International	22,682	755	1,935	11,554	7,112	1,326
Exchange Traded Funds	23,053	—	1,431	3,468	18,154	—
Guaranteed Investment Contracts	1,062	—	—	—	—	1,062
International Government Obligations	429	—	—	73	301	55
Money Market Mutual Funds	93,369	91,375	—	—	—	1,994
Mortgage-backed Securities	140,321	—	—	9,177	5,093	126,051
Municipal Bonds	1,189	—		293	—	896
Mutual Funds - Debt*	75,886	—	—	6,439	25,476	43,971
U.S. Agency Obligations	50,645	2	349	2,447	1,717	46,130
U.S. Treasury Obligations	74,617	—	2,584	37,208	26,414	8,411
Total Debt Securities	**680,942**	**$ 93,799**	**$ 19,668**	**$ 146,021**	**$ 137,589**	**$ 283,865**
Commingled Funds	121,837					
Equity Mutual Funds						
Domestic	485,854					
International	14,088					
Equity Securities						
Domestic	704,863					
International	107,346					
Exchange Traded Funds - Equity	2,812					
Private Equity	33,095					
Real Estate Investment Trust	47,516					
Other	647					
Total Investments	**$ 2,199,000**					

*Maturity period is weighted average maturity.

NOTE 5 - DEPOSITS AND INVESTMENTS (continued)

Component Units

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

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

	Total Fair Value	Maturity Period: Less than 3 Months	4 - 12 Months	1 - 5 Years	6 - 10 Years	More than 10 Years
Asset-Backed Securities						
Domestic	$ 29	$ —	$ —	$ —	$ —	$ 29
Corporate Debt						
Domestic	106,315	1,678	7,123	70,690	15,617	11,207
Insurance Contracts	15,515	—	—	—	—	15,515
International Government						
Obligations	11,266	—	969	6,758	2,990	549
Investment Agreements	15,498	—	—	2,808	5,014	7,676
Money Market Mutual Funds	101,931	100,402	1,529	—	—	—
Mortgage-Backed Securities	100,489	—	—	3,550	1,467	95,472
Municipal Bonds	8,126	—	667	7,129	120	210
Mutual Funds - Debt*	19,772	—	—	13,299	6,396	77
Non-purpose investments	50,787	—	50,787	—	—	
Repurchase Agreements	53,813	48,048	—	—	—	5,765
U.S. Agency Obligations	111,895	299	14,796	79,715	14,488	2,597
U.S. Treasury Obligations	238,661	7,622	1,700	35,220	193,609	510
Total Debt Securities	**834,097**	**$ 158,049**	**$ 77,571**	**$ 219,169**	**$ 239,701**	**$ 139,607**
Equity Mutual Funds						
Domestic	23,908					
International	5,681					
Equity Securities						
Domestic	25,572					
International	8,425					
Exchange Traded Funds	6,805					
USG's Investment Pool - Not LGIP	60,586					
Other Investments	4,198					
Total Investments	**$ 969,272**					

* Maturity Period is weighted average maturity.

NOTE 5 - DEPOSITS AND INVESTMENTS (continued)

Credit Risk

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

Primary Government

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

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

1) In all pooled funds except the Diversified fund, all debt issues must be eligible investments under O.C.G.A. Section 50-17-63. Portfolios of debt security funds also must meet the eligible investment criteria under the same code section.

2) The Diversified fund is permitted to invest in non-investment grade debt issues up to a limit of 15% of the entire portfolio.

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	BBB	BB	Short Term A-1	Not Rated
Asset-Backed Securities								
Domestic	$ 7,858	$ 7,858	$ —	$ —	$ —	$ —	$ —	$ —
Commercial Paper	164,678	—	—	—	—		164,678	—
Corporate Debt								
Domestic	196,609	—	1,619	189,946	5,033	—	—	11
Money Market Mutual Funds	74,240	3,762	—	—	—	—	—	70,478
Mortgage-Backed Securities								
Commercial	12,396	12,396	—	—	—	—	—	—
Municipal Bonds	1,014	321	352	316	—	25	—	—
Mutual Funds - Debt	83,086	222	35	32	—	8	—	82,789
Repurchase Agreements	3,991,471	561,533	574,986	1,134,950	1,717,986	2,016	—	—
Sovereign Credit	10,000	—	—	10,000	—	—	—	—
Supranational Obligations	181,157	181,157	—	—	—	—	—	—
U.S. Agency Obligations	1,342,321	345,519	996,802	—	—	—	—	—
Total Credit Risk-Investments	**6,064,830**	**$ 1,112,768**	**$ 1,573,794**	**$ 1,335,244**	**$ 1,723,019**	**$ 2,049**	**$ 164,678**	**$ 153,278**
U.S. Agency Obligations								
Explicitly Guaranteed	210,414							
U.S. Treasury Obligations	313,933							
Repurchase Agreements Backed by:								
U.S. Agency Obligations								
Explicitly Guaranteed	239,529							
Total Debt Securities	**$ 6,828,706**							

As of June 30, 2018, OST had $682.4 million invested in unrated bank deposits held for investment purposes, of which $400.5 million was insured or fully collateralized and $281.9 million was uncollateralized.

NOTE 5 - DEPOSITS AND INVESTMENTS (continued)

Fiduciary Funds – Pension and Other Employee Benefit Trust Funds

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

	Total Fair Value	AAA	AA	A	BBB	BB	B	CCC	CC	C	D	Not Rated
Asset-backed Securities												
Domestic	$ 25,084	$ 14,871	$ 678	$ 1,340	$ 1,272	$ 65	$ —	$ —	$ —	$ —	$ —	$ 6,858
International	8,065	3,300	—	—	—	—	—	—	—	—	—	4,765
Corporate Debt												
Domestic	7,736,857	791,286	1,786,185	5,026,614	59,899	2,290	—	—	—	—	—	70,583
International	1,019,283	1,294	992	1,001,357	6,030	541	—	—	—	—	—	9,069
Exchange Traded Funds	23,053	—	—	—	—	—	—	—	—	—	—	23,053
Guaranteed Investment Contracts	1,062	—	—	—	—	—	—	—	—	—	—	1,062
International Government Obligations	429	—	186	—	73	—	—	—	—	—	—	170
Money Market Mutual Funds	93,369	—	—	—	—	—	—	—	—	—	—	93,369
Mortgage-backed Securities	140,321	40,213	837	1,475	2,298	1,314	148	1,834	412	164	407	91,219
Municipal Bonds	1,189	—	924	150	—	—	—	—	—	—	—	115
Mutual Funds - Debt	75,886	—	—	—	—	—	—	—	—	—	—	75,886
U.S. Agency Obligations	44,548	122	517	—	466	—	—	—	—	—	—	43,443
Total Credit Risk - Investments	**9,169,146**	**$ 851,086**	**$1,790,319**	**$6,030,936**	**$ 70,038**	**$ 4,210**	**$ 148**	**$1,834**	**$412**	**$164**	**$407**	**$419,592**
U.S. Agency Obligations												
Explicitly Guaranteed	6,097											
U.S. Treasury Obligations	19,110,307											
	$28,285,550											

NOTE 5 - DEPOSITS AND INVESTMENTS (continued)

Component Units

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

	Total Fair Value	AAA	AA	A	BBB	BB	Not Rated
Asset-Backed Securities							
Domestic	$ 29	$ —	$ —	$ —	$ —	$ —	$ 29
Corporate Debt							
Domestic	106,315	21,743	9,813	47,492	18,197	189	8,881
Insurance Contracts	15,515	—	—	—	—	—	15,515
International Government							
Obligations	11,266	872	1,305	3,206	5,135	643	105
Investment Agreements	15,497	8,076	860	6,561	—	—	—
Money Market Mutual Funds	101,931	90,027	—	1,529	—	—	10,375
Mortgage-Backed Securities	100,489	9,624	90,671	—	—	—	194
Municipal Bonds	8,126	112	4,712	3,277	25	—	—
Mutual Funds - Debt	19,772	—	594	2,918	3,478	—	12,782
Non-purpose investments	50,787	—	—	—	—	—	50,787
Repurchase Agreements	53,813	5,765	—	—	—	—	48,048
U.S. Agency Obligations	111,033	6,921	104,080	—	—	—	32
Total Credit Risk - Investments	**594,573**	**$ 143,140**	**$ 212,035**	**$ 64,983**	**$ 26,835**	**$ 832**	**$ 146,748**
U.S. Treasury Obligations	238,661						
U.S. Agency Obligations							
Explicitly Guaranteed	863						
Total Debt Securities	**$ 834,097**						

Custodial Credit Risk - Investments

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

Primary Government

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

1) OST has appointed a federally regulated banking institution, State Street, as its custodian. State Street performs its duties to the standards of a professional custodian.

2) All securities transactions are settled on a delivery versus payment basis through an approved depository institution such as the Federal Reserve or the Depository Trust Company.

3) Repurchase agreements are collateralized by obligations of the United States and its subsidiary corporations and instrumentalities or entities sanctioned or authorized by the United States government or other securities

NOTE 5 - DEPOSITS AND INVESTMENTS (continued)

authorized by the Treasurer in subsection (b) of Code Section 50-17-63 in accordance with the State Depository Board policy.

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

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

1) The University System has appointed a federally regulated banking institution as custodian. The custodian performs its duties to the standards of a professional custodian and is liable to the University System of Georgia for claims, losses, liabilities and expenses arising from its failure to exercise ordinary care, its willful misconduct, or its failure to otherwise act in accordance with the contract.

2) All securities transactions are to be settled on a delivery vs. payment basis through an approved depository institution such as the Depository Trust Company or the Federal Reserve.

3) Repurchase agreements are to be collateralized by United States Treasury securities at 102% of the market value of the investment at all times.

Fiduciary Funds – Pension and Other Employee Benefit Trust Funds

The custodial credit risk of pension and other employee benefit trust funds is managed by restricting investments to those authorized by the Public Retirement System Investment Authority Law described above. At June 30, 2018, $5.9 million of the pension and other employee benefit trust funds' investments were uninsured, unregistered and held by the counterparty or the counterparty's trust department, but not in the State's name.

Component Units

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

Concentration of Credit Risk

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

Primary Government

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

The University System's policy for managing concentration requires diversification of investments to reduce overall portfolio risk while maintaining market rates of return.

At June 30, 2018, approximately 9.61%, 10.58%, 7.06%, and 5.53% of the University System's BTA and Fiduciary Fund investments were in Government National Mortgage Association notes and pools, Federal National Mortgage Association notes and pools, Federal Home Loan Mortgage Corporation notes and pools, and Vanguard Institutional Index Fund, respectively.

NOTE 5 - DEPOSITS AND INVESTMENTS (continued)

At June 30, 2018, approximately 40.48%, 8.73%, 7.69%, and 5.52% of the Early Retirement Plan Fiduciary Fund investments were in Vanguard Institutional Index Fund, IShares Russell 1000 Growth ETF, IShares Russell 1000 Value ETF, and Western Asset Core Plus Bond Fund, respectively.

At June 30, 2018, approximately 47.45%, 11.18%, 9.37%, 6.81%, and 5.24% of the Deferred Compensation Fiduciary Fund investments were in Federated Treasury Obligations Money Market Fund, TIAA traditional annuity, Fidelity Contrafund Fund, TIAA Real Estate Fund, and Fidelity Strategic Income Fund, respectively.

At June 30, 2018, approximately 70.6% of the primary government's total investments were investments in securities of U.S. agencies not explicitly guaranteed by the U.S. Government or Repurchase Agreements that were collateralized with investments in securities of U.S. agencies not explicitly guaranteed by the U.S. Government.

Fiduciary Funds – Pension and Other Employee Benefit Trust Funds

The concentration of credit risk policy of pension and other employee benefit trust funds limits investments to no more than 5% of total net assets in any one corporation. At June 30, 2018, 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, 2018, 12.2% of the component units' total investments were investments in securities of U.S. agencies not explicitly guaranteed by the U.S. Government.

C. *Fair Value Measurements*

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

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

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

In general, investments were valued using the following techniques:

- Equity securities classified in Level 1 are valued using prices quoted in active markets for those securities. Equity securities classified in Level 2 are valued using prices quoted for similar instruments in active markets. Equity securities classified in Level 3 are valued using third party valuations not currently observable in the market.

- Debt securities classified in Level 1 are valued using prices quoted in active market. Debt securities classified in level 2 are valued using either a bid evaluation or a matrix pricing technique. Bid evaluations may include market quotations, yields, maturities, call features and ratings. Matrix pricing is used to value securities based

NOTE 5 - DEPOSITS AND INVESTMENTS (continued)

on the securities' relationship to benchmark quoted prices. These securities have nonproprietary information that are readily available to market participants, from multiple independent sources, which are known to be actively involved in the market. Debt securities classified in Level 3 are not currently observable in the market.

- Mutual funds and commingled funds classified in Level 1 are valued using prices quoted in active markets for those investments types. Mutual funds and commingled funds classified in Level 2 are valued using prices quoted for similar instruments in active markets.
- Investments classified in Level 3 include real estate funds that invest primarily in U.S. commercial real estate. The fair values of the investment in this category have been estimated using the net asset value of the University System of Georgia's (USG) ownership interest in partners' capital. Real estate investments are less liquid and, generally, cannot be redeemed with the funds through normal redemption procedures. Distributions from real estate investment funds will be received as the underlying investments of a fund are liquidated. Guaranteed investment contracts are valued by discounting the related cash flows based on current yields of similar instruments with comparable durations considering the credit worthiness of the issuer.

NOTE 5 - DEPOSITS AND INVESTMENTS (continued)

Primary Government

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

Investments by fair value levels	Total	Level 1	Level 2	Level 3	Net Asset Value
Asset-backed Securities	$ 7,858	$ —	$ 7,858	$ —	$ —
Commercial Paper	164,678	—	164,678	—	—
Corporate Debt	196,609	25	196,584	—	—
Equity Mutual Fund					
Domestic	82,059	82,059	—	—	—
International	57,643	57,643	—	—	—
Equity Securities					
Domestic	152,100	151,922	—	—	178
International	351	117	234	—	—
Money Market Mutual Funds	74,240	74,240	—	—	—
Municipal Bonds	1,014	1,014	—	—	—
Mutual Funds - Debt	83,086	83,086	—	—	—
Mortgage Backed Securities	12,396	10,302	2,094	—	—
Real Estate Investment Trusts	1,078	1,078	—	—	—
Real Estate Held for Investment Purposes	6,313	—	—	6,313	—
Sovereign Credit	10,000	—	—	10,000	—
Supranational Obligations	181,157	—	181,157	—	—
U.S. Agencies	1,552,735	52,309	1,500,426	—	—
U.S. Treasuries	313,933	313,933	—	—	—
	2,897,250	**$ 827,728**	**$ 2,053,031**	**$ 16,313**	**$ 178**
Reconciling Items:					
Bank Deposits Held for Investment Purposes	682,426				
Repurchase Agreements	4,231,000				
	$ 7,810,676				

NOTE 5 - DEPOSITS AND INVESTMENTS (continued)

Fiduciary Funds

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

Investments by fair value levels	Total	Level 1	Level 2	Level 3	Net Asset Value
Asset-backed Securities					
Domestic	$ 25,084	$ —	$ 22,042	$ 3,042	$ —
International	8,065	—	8,065	—	—
Commingled Funds	1,713,328	80,811	1,632,517	—	—
Corporate Debt					
Domestic	7,736,857	—	7,732,579	4,278	—
International	1,019,283	—	1,018,145	1,138	—
Equity Securities					
Domestic	47,271,763	47,229,659	42,104	—	—
International	15,862,334	15,748,999	113,335	—	—
Exchange Traded Funds	25,865	23,305	2,560	—	—
Guaranteed Investment Contracts	1,062	—	—	1,062	—
International Government Obligations	429	—	339	90	—
Money Market Mutual Funds	93,369	11,591	81,778	—	—
Mortgage Backed Securities	140,321	—	136,790	3,531	—
Municipal bonds	1,189	—	1,189	—	—
Mutual Funds-Debt	75,886	66,409	9,477	—	—
Mutual Fund Equities					
Domestic	493,081	313,665	179,416	—	—
International	14,088	14,088	—	—	—
Private Equities	254,999	—	—	—	254,999
Real Estate Investment Trust	47,516	47,164	352	—	—
U.S. Agencies Obligations	50,645	—	46,356	4,289	—
U.S. Treasuries Obligations	19,110,307	19,035,690	69,819	4,798	—
Other	647	647	—	—	—
	$ 93,946,118	**$ 82,572,028**	**$ 11,096,863**	**$ 22,228**	**$ 254,999**

NOTE 5 - DEPOSITS AND INVESTMENTS (continued)

Component Units

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

Investments by fair value levels	**Total**	**Level 1**	**Level 2**	**Level 3**	**Net Asset Value**
Asset-backed Securities	$ 29	$ —	$ 29	$ —	$ —
Bond Securities	267,412	181,637	191	—	85,584
Commodity Fund	102	—	102	—	—
Corporate Debt	121,866	38,877	82,989	—	—
Equity Mutual Funds- Domestic	121,690	121,690	—	—	—
Equity Mutual Funds- International	261,175	261,175	—	—	—
Equity Securities- Domestic	641,618	640,866	383	—	369
Equity Securities- International	461,468	422,636	—	—	38,832
Exchange Traded Funds	6,805	6,805	—	—	—
Hedge Funds	628,791	—	—	—	628,791
Insurance Contracts	15,515	—	—	—	15,515
International Government Obligations	11,266	11,266	—	—	—
Investment Agreements	15,498	—	—	15,498	—
Joint Venture/Partnerships	24,520	—	1,906	1,269	21,345
Money Market Mutual Funds	237,771	236,612	1,159	—	—
Municipal Obligations	8,126	—	8,126	—	—
Mutual Bond Funds	102,425	24,880	64,840	12,705	—
Mortgage Backed Securities	100,488	100,488	—	—	—
Natural Resources	140,205	—	—	17,408	122,797
Non Purpose Investments	50,787	—	50,787	—	—
Private Equities	483,310	—	—	128,509	354,801
Real Estate Held for Investment Purposes	57,361	—	—	57,361	—
Real Estate Investment Trusts	68,309	33,780	—	509	34,020
U.S. Agencies	123,991	111,709	11,079	1,203	—
U.S. Treasuries	334,788	113,535	221,253	—	—
Other	179,194	114,110	6,276	1,313	57,495
	4,464,510	**$ 2,420,066**	**$ 449,120**	**$ 235,775**	**$ 1,359,549**
Reconciling Items:					
Repurchase Agreements	54,467				
	$ 4,518,977				

NOTE 5 - DEPOSITS AND INVESTMENTS (continued)

Foreign Currency Risk

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

Fiduciary Funds – Pension and Other Employee Benefit Trust Funds

The State's currency risk exposures, or exchange rate risks, primarily reside within the retirement system's international equity investment holdings. The retirement systems' 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, 2018, the State's exposure to foreign currency risk in U.S. Dollars are highlighted in the tables below (amounts in thousands):

International Investment Securities at Fair Value as of June 30, 2018

	Employees' Retirement System of Georgia				Teachers Retirement System of Georgia			
Currency	Cash & Cash Equivalents	Equities	Fixed Income	Total	Cash & Cash Equivalents	Equities	Fixed Income	Total
Australian Dollar	$ —	$ 46,103	$ —	$ 46,103	$ —	$ 214,082	$ —	$ 214,082
Brazilian Real	—	10,568	—	10,568	—	47,696	—	47,696
British Pound	—	109,708	—	109,708	—	506,976	—	506,976
Canadian Dollar	—	38,679	—	38,679	—	179,969	—	179,969
Czech Krone	—	1,062	—	1,062	—	4,845	—	4,845
Danish Krone	—	17,110	—	17,110	—	79,623	—	79,623
Euro	36	299,571	—	299,607	172	1,381,629	—	1,381,801
Hong Kong Dollar	—	53,522	—	53,522	—	247,909	—	247,909
Indian Rupee	—	53,318	—	53,318	—	239,858	—	239,858
Indonesian Rupiah	—	5,537	—	5,537	—	26,001	—	26,001
Israeli Sheke	—	1,816	—	1,816	—	8,611	—	8,611
Japanese Yen	16	193,230	—	193,246	68	895,232	—	895,300
Malaysian Ringgit	—	14,653	—	14,653	—	67,481	—	67,481
Mexican Peso	—	5,847	—	5,847	—	27,626	—	27,626
New Taiwan Dollar	—	29,990	—	29,990	—	140,451	—	140,451
Norwegian Krone	—	2,355	—	2,355	—	11,168	—	11,168
Philippine Peso	—	4,220	—	4,220	—	21,455	—	21,455
Polish Zloty	—	2,841	—	2,841	—	13,224	—	13,224
Singapore Dollar	—	23,992	—	23,992	—	109,005	—	109,005
South African Rand	—	38,495	—	38,495	—	175,889	—	175,889
South Korean Won	—	69,474	—	69,474	—	318,340	—	318,340
Swedish Krona	—	31,062	—	31,062	—	142,929	—	142,929
Swiss Franc	—	31,121	—	31,121	—	147,793	—	147,793
Thailand Baht	—	19,606	—	19,606	—	90,635	—	90,635
Total Holdings subject to Foreign Currency Risk	52	1,103,880	—	1,103,932	240	5,098,427	—	5,098,667
Investment Securities payable in U.S. Dollars	—	1,702,552	190,353	1,892,905	—	7,848,707	806,247	8,654,954
Total International Investment Securities - at Fair Value	**$ 52**	**$ 2,806,432**	**$ 190,353**	**$ 2,996,837**	**$ 240**	**$ 12,947,134**	**$ 806,247**	**$ 13,753,621**

NOTE 5 - DEPOSITS AND INVESTMENTS (continued)

Other Pension and Employee Benefit Trust Funds

Currency	Cash & Cash Equivalents	Equities	Fixed Income	Total
Australian Dollar	$ 2	$ 1,618	$ —	$ 1,620
Bermudian Dollar	—	916	—	916
Brazilian Dollar	—	—	104	104
British Pound	198	25,970	441	26,609
Canadian Dollar	22	2,523	1,317	3,862
Cayman Islands Dollar	—	—	2,798	2,798
Chinese Renminbi	—	—	381	381
Euro	89	6,310	776	7,175
Guernsey Pound	—	829		829
Israeli Shekel	—	441	—	441
Japanese Yen	2	600	—	602
Mexican Peso	—	—	74	74
Norwegian Krone	—	385	—	385
Panamanian Balboa	—	26	—	26
Swedish Krona	—	838	—	838
Swiss Franc	—	410	—	410
Total Holdings subject to Foreign Currency Risk	313	40,866	5,891	47,070
Investment Securities payable in U.S. Dollars	90	72,343	25,471	97,904
Total International Investment Securities - at Fair Value	$ 403	$ 113,209	$ 31,362	$ 144,974

D. Pooled Investments with State Treasury

As of the end of the year, the state operates two local government investment pools managed by OST and is comprised of Georgia Fund 1, its primary liquidity portfolio and Georgia Fund 1 Plus. During the year, the third pool, Georgia Extended Asset Pool, was liquidated and all assets were distributed to participants. The remaining pools invest State funds and funds of other governmental entities in the State. The two local government investment pools jointly maintain a reserve consisting of members' administrative fees. This reserve can be used to stabilize either or both investment pools and to fund the administrative expenses for managing the pools. Separate reports on the State's investment pools are issued. Refer to the OST website ost.georgia.gov for additional information on the Georgia Fund 1 and the Georgia Fund 1 Plus pool.

E. Securities Lending Program

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

NOTE 5 - DEPOSITS AND INVESTMENTS (continued)

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 $23.0 billion at June 30, 2018, and the collateral value was equal to 104.9%. The loaned securities are in the accompanying note disclosures based on the custodial arrangements for the collateral securities. Loaned securities are included in the accompanying Statement of Net Position because the State maintains ownership. The related collateral securities are not recorded as assets on the Statement of Fiduciary Net Position, and a corresponding liability is not recorded, since the State does not pledge or trade the collateral securities. In accordance with the criteria set forth in GASB Statement No. 28, *Accounting and Financial Reporting for Securities Lending Transactions*, the State is deemed not to have the ability to pledge or sell collateral securities, since the State's lending contracts do not address whether the lender can pledge or sell the collateral securities without a borrower default. The State has not previously demonstrated that ability, and there are no indications of the State's ability to pledge or sell collateral securities.

F. Other Investments

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

The Commissioner of the Department of Agriculture is directed by statute to require dealers in certain agricultural products and livestock to make and deliver to the Department a surety or cash bond to secure the faithful accounting for and payment to producers of the proceeds of agricultural products or livestock handled or sold by the dealer. Cash bonds are required to designate the Department as trustee of the funds and may take the form of certificates of deposit, letters of credit, money orders or cashiers' checks. At June 30, 2018, the Department held surety bonds in the amount of $60.2 million, and cash bonds in the amount of $15.6 million. These bonds are not recorded on the Statement of Net Position.

Securities are held by the Commissioner of Insurance pursuant to statutes that require licensed insurance companies to deposit securities prior to issuance of a certificate of authority to transact insurance. These securities remain in the name of the licensed insurance company as long as the company has a pending claim in the State or until a proper order of a court of competent jurisdiction has been issued to the receiver, conservator, rehabilitator, or liquidator of the insurer or to any other properly designated official or officials who succeed to the management and control of the insurer's assets. The purchase and redemption of such securities are allowed as long as the required levels of deposits are maintained. At June 30, 2018, securities valued at $184.5 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 $1.2 billion for construction performance to ensure proper completion and complete performance of construction contracts, and $1.2 billion for construction payment to ensure that payments are made by the general contractor to all subcontractors. These bonds are not recorded on the Statement of Net Position.

NOTE 5 - DEPOSITS AND INVESTMENTS (continued)

The Georgia State Financing and Investment Commission (GSFIC) State Construction Manual policies require that surety bonds be provided for payment and performance of all State projects of $0.1 million or more. The Department of Corrections holds surety bonds in the amount of $12.6 million for construction performance to ensure proper completion and complete performance of construction contracts. These bonds are not recorded on the Statement of Net Position.

For any organization that elects to assume the liability for unemployment compensation payments in lieu of making contributions to the Unemployment Compensation Fund, the Commissioner of the Department of Labor is authorized by statute to require such organization to execute and file with the Commissioner a cash deposit or surety bond. Cash deposits are held on behalf of such organizations in the Department's name, and are reported as agency funds. At June 30, 2018, the Department held surety bonds in the amount of $61.8 million, and cash bonds in the amount of $2.2 million. These bonds are not recorded on the Statement of Net Position.

NOTE 6 - DERIVATIVE INSTRUMENTS

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

Component Units – GASB Organizations

The fair value balances and notional amounts of hedging derivative investments outstanding as reported in the fiscal year 2018 financial statements for higher education foundations reported as component units reporting under GASB provisions are as follows):

	Change in Fair Value		June 30, 2018		
	Classification	Amount	Classification	Amount	Notional
Component unit activities - GASB					
Cash flow hedges:					
AU Health System Inc.					
2014A&B - Interest Rate Swap	Investment Revenue	$ 5,994	Debt	$ (14,819)	$ 108,380
University of Georgia Athletic Association, Inc.					
2005B - Interest Rate Swap	Deferred outflow of resources	(1,177)	Debt	(2,784)	21,565
				$ (17,603)	

	Change in Fair Value		Fair Value at 06/30/17		
	Classification	Amount	Classification	Amount	Notional
Component unit activities - GASB					
Cash flow hedges:					
AU Health System Inc.					
2014A&B - Interest Rate Swap	Investment Revenue	$ 10,072	Debt	$ (20,813)	$ 114,370
University of Georgia Athletic Association, Inc.					
2005B - Interest Rate Swap	Deferred outflow of resources	(1,869)	Debt	(3,961)	22,415
				$ (24,774)	

Interest Rate Swap Derivatives

AU Health System, Inc.

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

The Swap matures on July 1, 2037. The notional amount of the Swap at June 30, 2018 and 2017 was $108.4 and $114.4 million, respectively. The notional amount decreased from the initial notional amount of $135.0 million. The notional value of the Swap declines in conjunction with payments of bond principal such that the outstanding balance of the bonds approximate the notional amount of the Swap at all times. Under the Swap, The Health System pays the counterparty interest at a fixed rate of 3.302% and receives interest payments at a variable rate computed as 68% of LIBOR.

NOTE 6 - DERIVATIVE INSTRUMENTS (continued)

The fair value of the Swap is recorded as an asset or liability, depending on whether the termination of the Swap would result in amounts due to the Health System or the Swap counterparty. At June 30, 2018 and 2017, the fair value of the Swap represented a liability to the Health System in the amount of $14.8 and $20.8 million, respectively. The Health System 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, 2018 and 2017, the Health System had $15.0 and $1.8 million posted cash and investment collateral with the Swap counterparty, respectively.

As of June 30, 2018 and 2017, the Health System was exposed to credit risk in the amount of the fair value of the Swap. The Health System has two Swap counterparties. As of June 30, 2018 and 2017, the Swap counterparties were rated A+ and A by Fitch Ratings, A1 and A2 by Moody's Investors Services and A+ and A+ by Standard & Poor's. To mitigate the potential for credit risk, various levels of collateralization by the counterparty may be required should the counterparty's credit rating be downgraded and the fair value of the Swap be in a liability position at a level above certain thresholds specified in the Swap agreement.

The Health System 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 Health System), the Health System would be liable to the counterparty for a payment equal to the Swap's fair value.

University of Georgia Athletic Association, Inc. (UGAA)

For derivative transactions, unless otherwise specified, Bank of America Merrill Lynch ("BOAML") furnishes a single value for each transaction, even if comprised of multiple legs. Unless otherwise specified, valuations for derivative instruments represent, or are derived from, mid-market values. For some derivative instruments, mid-market prices and inputs may not be observable. Instead, valuations may be derived from proprietary or other pricing models based on certain assumptions regarding past, present, and future market conditions. Some inputs may be theoretical, not empirical, and require BOAML to make subjective assumptions and judgments in light of its experience. For example, in valuing 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 it uses to value derivatives and securities with embedded derivatives are reasonable and appropriate, other dealers might use different methodology or data and may arrive at different valuations.

Objective and Terms - As a means of interest rate management, the Association entered into three separate interest rate swap transactions with Bank of America, N.A. (the "Counterparty") relating to its variable rate tax-exempt Series 2003 Bonds, taxable Series 2005A Bonds, and tax-exempt Series 2005B Bonds. Pursuant to an ISDA Master Agreement and Schedule to ISDA Master Agreement, each dated as of January 27, 2005, between the Association and the Counterparty and three Confirmations, the Association 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 the Association 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

NOTE 6 - DERIVATIVE INSTRUMENTS (continued)

August 2033; (2) LIBOR multiplied by a notional amount that is equal to the principal amount of the Series 2005 Bonds until July 2021; and (3) 67% of LIBOR multiplied by the notional amount that is equal to the principal amount of the Series 2005B Bonds until July 2035.

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

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

As of June 30, 2018, the fair value of the interest rate swap agreements was $2.8 million indicating the amount that UGAA would be required to pay to the Counterparties to terminate the swap agreements.

Swap Payments and Associated Debt – As of June 30, 2018, 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. As rates vary, variable rate bond interest payments and net swap payments will vary.

	Variable Rate Bonds		Interest Rate	
	Principal	Interest	Swaps, Net	Total
Years ending:				
2019	$ 880.0	$ 314.4	$ 405.4	$ 1,599.8
2020	910.0	300.6	387.6	1,598.2
2021	945.0	286.2	369.1	1,600.3
2022	980.0	271.3	349.9	1,601.2
2023	1,010.0	256.0	330.1	1,596.1
2024-2028	5,605.0	1,030.2	1,328.4	7,963.6
2029-2033	6,655.0	557.4	718.7	7,931.1
2034-2037	4,580.0	71.2	91.8	4,743.0
Total	**$ 21,565.0**	**$ 3,087.3**	**$ 3,981.0**	**$ 28,633.3**

Credit Risk - As of June 30, 2018, the fair value of the swaps represents the Association'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, the Association could see a possible gain equivalent to $5.8 million less the cumulative fair value of $3.7 million.

NOTE 6 - DERIVATIVE INSTRUMENTS (continued)

As of June 30, 2018, the Counterparty was rated as follows by Moody's and S&P:

	Moody's	S&P
Bank of America, N.A.	Aa3	A+

Basis Risk - The swaps exposes the Association 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. The Association 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. The Association 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 International Swap Dealers Association Master Agreement, which includes standard termination events, such as failure to pay and bankruptcy. The Association 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 the Association would be liable to the Counterparty for a payment equal to the swap's fair value.

Component Units – FASB Organizations

The fair value balances and notional amounts of hedging derivative investments outstanding as reported in the fiscal year 2018 financial statements for higher education foundations reported as component units reporting under FASB provisions are as follows (amount in thousands):

(Table on next page)

NOTE 6 - DERIVATIVE INSTRUMENTS (continued)

	Change in Fair Value		Fair Value at 06/30/18		
	Classification	Amount	Classification	Amount	Notional
Component unit activities - FASB					
Cash flow hedges:					
Georgia College & State University Foundation, Inc.	Investment Revenue	$ 997	Debt	$ (1,183)	$ 22,855
	Investment Revenue	3,166	Debt	(4,297)	69,820
Georgia Gwinnett College Foundation	Investment Revenue	3,741	Debt	—	—
University of Georgia Foundation	Investment Revenue	695	Debt	(1,184)	4,314
	Investment Revenue	542	Debt	(86)	11,295
VSU Auxillary Services Real Estate Foundation	Investment Revenue	$ 479	Debt	(5,823)	$ 27,505
				$ (12,573)	

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

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

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

On January 31, 2013, 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 is approximately $6.9 million. The lease agreements 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 University annually. The deferred swap savings was $2.0 million at June 30, 2018.

Georgia Gwinnett College Foundation (GGCF)

Parking and Collins Industrial entered into interest rate swap contracts to hedge exposure to interest rate fluctuations related to their debt as a result of changes in the USD 1-month LIBOR BBA index. Parking pays interest monthly at a fixed rate of 3.49% and receives interest monthly at a variable rate of 67% of the USD 1-month LIBOR BBA index. Collins Industrial pays interest monthly at a fixed rate of 3.38% and receives interest monthly at a variable rate equal to the USD 1-month LIBOR BBA index plus 2.25%. Parking's swap was terminated in May 2018 in conjunction with a bond refunding. Collins Industrial's swap matured in June 2017.

NOTE 6 - DERIVATIVE INSTRUMENTS (continued)

The University of Georgia Foundation (UGAF)

The Foundation has an outstanding interest rate swap agreement effectively converting the interest rate exposure on the $6.2 million note payable from variable to a 5.95% fixed rate over the term of the note payable. During November 2017, the Foundation modified and extended the agreement which included a fixed rate fee payment of $296,500. As of June 30, 2018 and 2017, the total notional amount of the swap was $4.3 and $5.2 million, respectively. As of June 30, 2018 and 2017, the fair value of this interest rate swap was a liability of $1.2 and $1.9 million, respectively, in the accompanying consolidated statements of financial position. The Foundation recorded an unrealized gain on such swap of $398,674 and $795,807 for the years ended June 30, 2018 and 2017, respectively.

The Foundation has an outstanding interest rate swap agreement effectively converting the interest rate exposure on the $12.5 million note payable from variable to a 3.37% fixed rate over the term of the note payable. As of June 30, 2018 and 2017, the total notional amount of the swap was $11.3 and $11.7 million, respectively. As of June 30, 2018 and 2017, the fair value of this interest rate swap was a liability of $86,262 and $628,418, respectively, in the accompanying consolidated statements of financial position. The Foundation recorded an unrealized gain on such swap of $542,156 and $970,430 for the years ended June 30, 2018 and 2017, respectively.

VSU Auxiliary Services Real Estate Foundation, Inc,

The VSU Auxiliary Services Real Estate Foundation has an outstanding interest rate swap agreement effectively changing the interest rate exposure on the Georgia & Reade, LLC bond payable from variable to a 4.05% fixed rate over the term of the bond payable. As of December 31, 2017 and 2016, the total notional amount of the swap was $27.5 and $27.8 million, respectively. As of December 31, 2017 and 2016, the fair value of this interest rate swap was a liability of $5.8 and $6.3 million, respectively, in the accompanying consolidated statements of financial position. The Foundation recorded gains on the swap of $487,768 and $640,174 for the years ended December 31, 2017 and 2016, respectively.

NOTE 7 - RECEIVABLES

Receivables at June 30, 2018, consisted of the following (amount in thousands):

	Taxes	Notes and Loans	Other	Inter-governmental Receivables	Gross Receivables	Allowance for Uncollectibles	Total Receivables (Net)
General Fund	$ 4,459,360	$ —	$ 711,021	$ 1,741,682	$ 6,912,063	$ (1,515,446)	$ 5,396,617
Nonmajor Governmental Funds	—	—	34,733	—	34,733	—	34,733
Total - Governmental Funds	4,459,360	—	745,754	1,741,682	6,946,796	(1,515,446)	5,431,350
Government-wide adjustments:							
Internal Service Funds	—	—	103,250	691	103,941	(755)	103,186
Other	—	—	—	—	—	—	—
Total - Governmental Activities	**$ 4,459,360**	**$ —**	**$ 849,004**	**$ 1,742,373**	**$ 7,050,737**	**$ (1,516,201)**	**$ 5,534,536**
Business-type Activities							
Higher Education Fund	$ —	$ 40,261	$ 371,011	$ 90,248	$ 501,520	$ (49,649)	$ 451,871
State Health Benefit Plan	—	—	58,144	—	58,144	—	58,144
Unemployment Compensation Fund	—	—	156,116	71	156,187	(19,558)	136,629
Georgia Higher Education Facilities Authority	—	—	461	—	461	—	461
State Road and Tollway Authority	—	—	9,734	—	9,734	—	9,734
Government-wide adjustments:							
Other	—		72	—	72	—	72
Total - Business-type Activities	**$ —**	**$ 40,261**	**$ 595,538**	**$ 90,319**	**$ 726,046**	**$ (69,207)**	**$ 656,911**
Component Units							
Unrestricted:							
Georgia Environmental Finance Authority	$ —	$ 1,427,534	$ 6,467	$ 1,580	$ 1,435,581	$ —	$ 1,435,581
Georgia Geo. L. Smith II							
World Congress Center Authority	2,724	—	7,217	—	9,941	—	9,941
Georgia Housing and Finance Authority	—	589,176	800	—	589,976	(4,736)	585,240
Georgia Lottery Corporation	—	—	182,942	—	182,942	(7,904)	175,038
Georgia Ports Authority	—	88	61,635	—	61,723	(3,663)	58,060
Georgia Tech Foundation, Incorporated	—	—	254,402	—	254,402	(8,508)	245,894
Nonmajor Component Units	814	278,736	2,966,971	14,325	3,260,846	(147,523)	3,113,323
Total - Unrestricted	3,538	2,295,534	3,480,434	15,905	5,795,411	(172,334)	5,623,077
Restricted:							
Georgia Geo. L. Smith II							
World Congress Center Authority	—	—	129,156	—	129,156	(24,960)	104,196
Georgia Housing and Finance Authority	—	1,131,183	8,728	—	1,139,911	(4,500)	1,135,411
Total - Restricted	—	1,131,183	137,884	—	1,269,067	(29,460)	1,239,607
Total - Component Units	**$ 3,538**	**$ 3,426,717**	**$ 3,618,318**	**$ 15,905**	**$ 7,064,478**	**$ (201,794)**	**$ 6,862,684**

NOTE 8 - INTERFUND BALANCES AND TRANSFERS

A. Due To/From Other Funds

Due To/From Other Funds at June 30, 2018, consist of the following (amount in thousands):

	Due From Other Funds						
	General Fund	Nonmajor Governmental Fund	Higher Education Funds	Nonmajor Enterprise Funds	Internal Service Funds	Fiduciary Funds	Total Due To Other Funds
Due To Other Funds							
General Fund	$ —	$ —	$ —	$ —	$ 547,504	$ —	$ 547,504
General Obligation Bond Projects Fund	—	—	19,142	—	—	—	19,142
Nonmajor Governmental Funds	19,639	—	—	—	44	—	19,683
Higher Education Fund	—	—	—	—	223,256	—	223,256
State Employees' Health Benefit Plan	—	—	—	—	—	8,737	8,737
Nonmajor Enterprise Funds	—	25,654	—	—	—	—	25,654
Internal Service Funds	—	—		—	160	—	160
Fiduciary Funds	—	—	—	72	10	533	615
Total Due From Other Funds	**$ 19,639**	**$ 25,654**	**$ 19,142**	**$ 72**	**$ 770,974**	**$ 9,270**	**$ 844,751**

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

NOTE 8 - INTERFUND BALANCES AND TRANSFERS (continued)

B. Interfund Transfers

Interfund transfers at June 30, 2018, consist of the following (amount in thousands):

	Transfers In								
	Governmental Funds			Proprietary Funds					
	General Fund	General Obligation Bond Projects Fund	Nonmajor Governmental Funds	Higher Education Fund	Unemployment Compensation Fund	Nonmajor Enterprise Funds	Internal Service Funds	Fiduciary Funds	Total Transfers Out
Transfers Out:									
General Fund	$ —	$ 22,800	$ 1,607,457	$2,693,119	$ 306	$ 11,644	$ 15,449	$ 2,608	$4,353,383
General Obligation Bond Projects Fund	15,729	—	—	—	—	—	—	—	15,729
Nonmajor Governmental Funds	53,498	—	34	—	—	3,016	—	—	56,548
Higher Education Fund	3,441	—	—	12,532	—	—	—	—	15,973
Internal Service Funds	3,004	—	—	2,144	—	—	—	—	5,148
Total Transfers In	**$ 75,672**	**$ 22,800**	**$ 1,607,491**	**$2,707,795**	**$ 306**	**$ 14,660**	**$ 15,449**	**$ 2,608**	**$4,446,781**

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

A. Primary Government

Capital Asset activity for the fiscal year-ended June 30, 2018, was as follows (amount in thousands):

	Balance 7/1/2017 (Restated - Note 3)	Increases	Decreases	Balance 6/30/2018
Governmental Activities				
Capital Assets Not Being Depreciated:				
Land	$ 4,049,892	$ 182,275	$ (26,161)	$ 4,206,006
Works of Art and Collections	1,391	—	—	1,391
Intangibles - Other Than Software	122,236	1,257	—	123,493
Construction in Progress	3,519,100	2,741,305	(2,347,506)	3,912,899
Total Capital Assets, Not Being Depreciated	7,692,619	2,924,837	(2,373,667)	8,243,789
Capital Assets Being Depreciated:				
Infrastructure	29,563,798	1,145,418	(22,286)	30,686,930
Buildings and Building Improvements	4,149,033	210,704	(72,380)	4,287,357
Improvements Other Than Buildings	141,307	8,507	(407)	149,407
Intangibles - Other than Software	1,277	106	—	1,383
Machinery and Equipment	1,053,774	95,655	(59,243)	1,090,186
Software	502,979	46,602	—	549,581
Total Capital Assets Being Depreciated	35,412,168	1,506,992	(154,316)	36,764,844
Less Accumulated Depreciation For:				
Infrastructure	17,840,365	857,760	(12,006)	18,686,119
Buildings and Building Improvements	2,074,349	129,819	(55,076)	2,149,092
Improvements Other Than Buildings	59,114	2,923	(77)	61,960
Intangibles - Other Than Software	789	265	—	1,054
Machinery and Equipment	790,697	69,303	(40,614)	819,386
Software	250,648	31,198	—	281,846
Total Accumulated Depreciation	21,015,962	1,091,268	(107,773)	21,999,457
Total Capital Assets, Being Depreciated, Net	14,396,206	415,724	(46,543)	14,765,387
Governmental Activities Capital Assets, Net	**$ 22,088,825**	**$ 3,340,561**	**$ (2,420,210)**	**$ 23,009,176**

NOTE 9 - CAPITAL ASSETS (continued)

	Balance 7/1/2017 (Restated - Note 3)	Increases	Decreases	Balance 6/30/2018
Business-type Activities				
Capital Assets Not Being Depreciated:				
Land	$ 468,702	$ 22,714	$ (119)	$ 491,297
Works of Art and Collections	51,448	477	—	51,925
Construction in Progress	260,402	224,915	(194,144)	291,173
Total Capital Assets, Not Being Depreciated	780,552	248,106	(194,263)	834,395
Capital Assets Being Depreciated:				
Infrastructure	385,629	44,412	(50,347)	379,694
Buildings and Building Improvements	13,080,552	470,005	(28,921)	13,521,636
Improvements Other Than Buildings	352,934	17,451	(17,059)	353,326
Machinery and Equipment	2,044,024	183,160	(89,385)	2,137,799
Software	103,786	35,201	—	138,987
Library Collections	947,200	33,644	(7,508)	973,336
Works of Art and Collections	6,801	—	—	6,801
Total Capital Assets Being Depreciated	16,920,926	783,873	(193,220)	17,511,579
Less Accumulated Depreciation For:				
Infrastructure	152,199	33,628	(33,821)	152,006
Buildings and Building Improvements	4,175,922	344,271	(11,300)	4,508,893
Improvements Other Than Buildings	174,403	16,905	(13,856)	177,452
Machinery and Equipment	1,505,568	141,960	(60,523)	1,587,005
Software	33,730	19,311	—	53,041
Library Collections	767,734	33,544	(7,519)	793,759
Works of Art and Collections	1,513	207	—	1,720
Total Accumulated Depreciation	6,811,069	589,826	(127,019)	7,273,876
Total Capital Assets, Being Depreciated, Net	10,109,857	194,047	(66,201)	10,237,703
Business-type Activities, Capital Assets, Net	**$ 10,890,409**	**$ 442,153**	**$ (260,464)**	**$ 11,072,098**

NOTE 9 - CAPITAL ASSETS (continued)

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

Governmental Activities		
General Government	$	28,019
Education		1,910
Health and Welfare		49,982
Transportation		872,608
Public Safety		73,938
Economic Development		21,776
Culture and Recreation		16,392
Conservation		6,376
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)		20,267
Depreciation Expense - Governmental Activities	**$**	**1,091,268**

Business-type Activities		
Higher Education Fund	$	578,141
Nonmajor Enterprise Funds		11,685
Depreciation Expense - Business-type Activities	**$**	**589,826**

NOTE 9 - CAPITAL ASSETS (continued)

B. Component Units

Capital Asset activity for the fiscal year-ended June 30, 2018, was as follows (amount in thousands):

	Balance July 1, 2017 (Restated - Note 3)	Increases	Decreases	Balance June 30, 2018
Component Units				
Capital Assets Not Being Depreciated:				
Land	$ 366,098	$ 23,608	$ (26)	$ 389,680
Works of Art and Collections	1,670	—	—	1,670
Construction in Progress	1,624,066	125,236	(1,562,433)	186,869
Total Capital Assets, Not Being Depreciated	1,991,834	148,844	(1,562,459)	578,219
Capital Assets Being Depreciated:				
Infrastructure	337,517	13,159	(860)	349,816
Buildings and Building Improvements	1,336,018	1,656,330	(242,668)	2,749,680
Improvements Other Than Buildings	698,458	51,908	(1,980)	748,386
Machinery and Equipment	1,062,815	107,923	(38,991)	1,131,747
Software	37,950	945	(4,232)	34,663
Library Collections	4,282	242	(160)	4,364
Works of Art and Collections	71	—	—	71
Total Capital Assets Being Depreciated	3,477,111	1,830,507	(288,891)	5,018,727
Less Accumulated Depreciation For:				
Infrastructure	232,218	17,369	(725)	248,862
Buildings and Building Improvements	558,140	101,668	(236,880)	422,928
Improvements Other Than Buildings	328,889	32,797	(1,801)	359,885
Machinery and Equipment	605,420	67,811	(38,100)	635,131
Software	27,941	1,993	(2,057)	27,877
Library Collections	3,015	253	(161)	3,107
Works of Art and Collections	20	1	—	21
Total Accumulated Depreciation	1,755,643	221,892	(279,724)	1,697,811
Total Capital Assets, Being Depreciated, Net	1,721,468	1,608,615	(9,167)	3,320,916
Component Units Capital Assets, Net*	**$ 3,713,302**	**$ 1,757,459**	**$ (1,571,626)**	**$ 3,899,135**

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

NOTE 9 - CAPITAL ASSETS (continued)

As of June 30, 2018, balances are available as follows:

Capital Assets Not Being Depreciated:		
Land	$	98,862
Works of Art and Collections		2,876
Construction in Progress		16,288
Total Capital Assets, Not Being Depreciated		118,026
Capital Assets Being Depreciated		
Infrastructure		4,191
Buildings and Building Improvements		362,100
Improvements Other Than Buildings		10,848
Machinery and Equipment		26,882
Software		4,289
Total Capital Assets Being Depreciated		408,310
Less: Accumulated Depreciation		(132,054)
Total Capital Assets, Being Depreciated, Net		276,256
Capital Assets, Net (FASB presentation)		394,282
Total Capital Assets, Net - All Component Units	**$**	**4,293,417**

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, 2018, are as follows (amount in thousands):

	Balance 7/1/2017 (Restated - Note 3)	Additions	Reductions	Balance 6/30/2018	Amounts Due Within One Year
Governmental Activities					
General Obligation Bonds Payable	$ 8,863,705	$ 1,389,645	$ (1,259,310)	$ 8,994,040	$ 833,470
Revenue Bonds Payable	244,555	—	(41,980)	202,575	44,105
GARVEE Bonds Payable	469,980	349,765	(451,840)	367,905	123,220
Deferred amounts:					
Net Unamortized Premiums	1,018,950	222,131	(148,342)	1,092,739	—
Total Bonds Payable	10,597,190	1,961,541	(1,901,472)	10,657,259	1,000,795
Notes and Loans Payable	78,449	2,342	(6,650)	74,141	6,601
Capital Lease Obligations	248,062	11,645	(26,309)	233,398	29,496
Compensated Absences Payable	364,911	196,447	(188,940)	372,418	170,052
Total Governmental Activities	**$ 11,288,612**	**$ 2,171,975**	**$ (2,123,371)**	**$ 11,337,216**	**$ 1,206,944**
Business-type Activities					
Revenue Bonds Payable	$ 266,041	$ 2,215	$ (4,975)	$ 263,281	$ 5,340
Deferred amounts:					
Net Unamortized Premiums	3,095	—	(226)	2,869	—
Total Bonds Payable	269,136	2,215	(5,201)	266,150	5,340
Notes and Loans Payable	256,768	35,045	(27,020)	264,793	36,438
Capital Lease Obligations	3,037,466	61,528	(184,799)	2,914,195	103,339
Compensated Absences Payable	254,305	200,010	(190,628)	263,687	168,097
Other Liabilities	1,431	—	(291)	1,140	291
Total Business-type Activities	**$ 3,819,106**	**$ 298,798**	**$ (407,939)**	**$ 3,709,965**	**$ 313,505**

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, 2018: capital leases of $49.8 million, compensated absences of $4.9 million and notes payable of $14.5 million. Of these amounts, $7.6 million, $2.0 million and $3.7 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, 2018, are as follows (amount in thousands):

	Balance 7/1/2017 (Restated - Note 3)	Additions	Reductions	Balance 6/30/2018	Amounts Due Within One Year
Component Units					
Revenue Bonds Payable	$ 2,851,369	$ 577,273	$ (492,056)	$ 2,936,586	$ 90,378
Mortgage Bonds Payable	1,166,780	294,670	(131,815)	1,329,635	36,815
Net Unamortized Premiums	77,294	58,015	(453)	134,856	—
Total Bonds Payable	4,095,443	929,958	(624,324)	4,401,077	127,193
Notes and Loans Payable	245,176	81,742	(46,134)	280,784	82,134
Net Unamortized Premiums	(988)	(1,111)	405	(1,694)	—
Capital Lease Obligations	93,333	2,910	(13,075)	83,168	8,364
Compensated Absences Payable	31,805	11,296	(9,786)	33,315	25,673
Grand Prizes Payable	194,980	10,321	(16,581)	188,720	4,800
Derivative Instruments Payable	57,857	5,823	(33,504)	30,176	—
Other Liabilities	30,318	6,855	(9,959)	27,214	5,169
Total Component Units	**$ 4,747,924**	**$ 1,047,794**	**$ (752,958)**	**$ 5,042,760**	**$ 253,333**

B. Bonds and Notes Payable

At June 30, 2018, 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	0.30% - 5.75%	2036	$ 16,457,325	$ 5,880,475
General Government - Refunding	1.50% - 5.50%	2030		3,113,565
Revenue Bonds				
Transportation Projects	4.00% - 5.00%	2024	363,685	202,575
GARVEE Bonds	2.50% - 5.00%	2029	1,999,765	367,905
Notes and Loans Payable	1.00% - 5.92%	2034	87,535	74,141
Business-type Activities				
Revenue Bonds				
Georgia Higher Education Facilities Authority	2.00% - 6.25%	2041	288,125	229,150
Transportation Projects	6.25% - 7.00%	2049	26,070	34,131
Notes and Loans Payable	2.00% - 3.79%	2024	345,038	264,793
Component Units				
Revenue Bonds				
Higher Education Foundations	1.05% - 5.42%	2047	3,243,255	2,655,983
Georgia Tech Foundation	1.35% - 6.66%	2049	358,955	233,520
Other Revenue Bonds	4.16% - 5.28%	2031	218,505	47,084
Mortgage Bonds				
Georgia Housing and Financing Authority	0.15% - 5.38%	2047	1,835,000	1,329,635
Notes and Loans Payable				
Higher Education Foundations	1.20% - 6.55%	2040	276,779	201,223
Georgia Tech Foundation	2.58% - 5.04%	2024	94,000	67,331
Other Notes and Loans Payable	2.98% - 4.16%	2027	22,724	12,231

NOTE 10 - LONG-TERM LIABILITIES (continued)

C. General Obligation Bonds

Primary Government

The State issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities and equipment. On July 18, 2017, the State issued general obligation bonds, (Series 2017A and 2017B), totaling $1.0 billion to provide funds for various capital outlay projects of the State, for county and independent school systems through the Department of Education, to finance projects and facilities for both the Board of Regents of the University System of Georgia (BOR) and the Technical College System of Georgia, and to provide loans through Georgia Environmental Finance Authority (GEFA) to local governments and local government entities for water and sewerage facilities. General obligation bonds are direct obligations of the State to which the full faith and credit of the State are pledged.

Bonds Authorized but Unissued

Authorized but unissued general obligation bonds as of June 30, 2018, are as follows (amount in thousands):

Purpose	Authorized Unissued Debt
K-12 Education	$ 320,310
Revenue	25,000
Public Health	11,100
Higher Education	9,000
Behavioral Health and Developmental Disabilities	4,640
Other	4,360
Total	**$ 374,410**

Defeasance and Refunding of General Obligation Bonds

On July 18, 2017, the State issued Series 2017C general obligation refunding bonds totaling $348.6 million to refund a total of $385.9 million from two different series of general obligation bonds with interest rates ranging from 3.00% to 5.00%. The difference between the cash flows required to service the old debt and the cash flows required to service the new debt and complete the two refunding transactions is $43.8 million. This amount is being netted against the new debt and amortized over the remaining life of the refunding debt. In addition, the two refunding transactions produced an economic gain of $39.6 million.

As of June 30, 2018, the State had total outstanding advance refunded bonds of $975.8 million. The debt service for the refunded bonds is paid by a combination of cash and U.S. Treasury securities held irrevocably in escrow accounts. The escrow account assets and the liability for the defeased bonds are not included in the State's financial statements.

NOTE 10 - LONG-TERM LIABILITIES (continued)

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 six purchases of various series of State of Georgia General Obligation Bonds in the secondary market with a par value of $0.2 million. The early retirements of the bonds will save the State $0.3 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 a joint resolution between Department of Transportation (DOT) (General Fund) and SRTA (Nonmajor Governmental Fund) whereby DOT has pledged to provide sufficient motor fuel tax funds to pay the principal and interest of the revenue bonds. According to the State Constitution, motor fuel tax funds are imposed and appropriated for all activities incident to maintaining an adequate system of roads and bridges in the State. In fiscal year 2018, the State collected $1.8 billion of motor fuel tax funds, which exceeds the principal and interest due on the revenue bonds of $54.0 million for the same fiscal year. Further, the State has guaranteed the full payment of the bonds and the interest.

SRTA has issued Federal Highway Grant Anticipation Revenue Bonds and Federal Highway Reimbursement Revenue Bonds (GARVEE's) of $349.8 million. 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.

Of the SRTA bonds issued, $285.9 million were refunding bonds used to refund a total of $298.6 million in outstanding principal from previous revenue bond issuances. The difference between the cash flows required to service the old debt, the new debt, and complete the refunding transactions is $27.2 million. This amount is being netted against the new debt and amortized over the remaining life of the refunding debt.

Business-type Activities

SRTA has issued toll revenue bonds of $26.1 million for the purpose of paying the costs of certain tolling infrastructure relating to the I-75 South Metro Express Lanes Project, financing a debt service reserve and paying the costs of issuance of the bonds. Interest on the bonds will not be paid on a current basis, but will be added to the principal amount of such bonds on each "accretion date," which is each June 1 and December 1, commencing December 1, 2014. Interest on these bonds ranges from 6.25% to 7.00%. As of June 30, 2018, the outstanding principal balance is $34.1 million.

Georgia Higher Education Facilities Authority (GHEFA) has issued revenue bonds for the purpose of acquiring, constructing and equipping several projects on college campuses throughout the State. The bonds are secured solely by the related security deed and related assignment of contract documents. As of June 30, 2018, the outstanding principal for these revenue bonds is $229.1 million.

NOTE 10 - LONG-TERM LIABILITIES (continued)

Component Units

Higher Education Foundations have issued various revenue bonds to finance the costs of acquiring, renovating, constructing and equipping various facilities located on the campuses of the Board of Regents. The bond issues have interest rates ranging from 1.05% to 5.42% with maturity dates through fiscal year 2047. As of June 30, 2018, the outstanding principal for these revenue bonds was $2.7 billion. These bonds are secured by lease arrangements for these various facilities with the Board of Regents.

Georgia Tech Foundation, Inc. has issued various revenue bonds to finance the costs of acquiring, renovating, constructing and equipping various facilities located on the campus of The Georgia Institute of Technology. The bond issues have interest rates ranging from 1.35% - 6.66% with maturity dates through fiscal year 2049. As of June 30, 2018, the outstanding principal for these revenue bonds was $233.5 million. These bonds are secured by lease arrangements for these various facilities with the Board of Regents.

Other component units had revenue bonds payable outstanding at June 30, 2018, of $47.1 million as detailed below (amounts in thousands):

	Amount
Georgia Environmental Finance Authority	$ 38,810
Lake Lanier Islands Development Authority	6,294
Regional Educational Service Agencies (RESA)	1,980
Total	**$ 47,084**

E. Mortgage Bonds

Component Units

Mortgage bonds outstanding of $1.3 billion at June 30, 2018, 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, 2018, were $74.1 million.

- Of this amount, $28.6 million, $26.6 million, and $4.4 million, respectively, is attributable to Energy Performance Contracts for the Department of Economic Development, the Department of Corrections and the Department of Natural Resources.
- Georgia Technology Authority has total notes payable of $14.5 million. Of this amount, $11.8 million is related to the Statewide Cost Allocation Plan for the fiscal years 2004 to 2009, and is payable to the U.S. Department of Health and Human Services with a 1.0% interest rate, and matures in 2022 and $2.3 million is related to the Cyber Center Audio Visual with a 5.9% interest rate, and matures in 2023.The remaining $0.4 million is financing for equipment purchases with 4.6% interest rate and matures in 2019.

NOTE 10 - LONG-TERM LIABILITIES (continued)

Business-type Activities

Notes and loans payable for business-type activities as of June 30, 2018, were as follows (amount in thousands):

	Amount
Transportation Projects	$ 256,698
Georgia Institute of Technology	6,335
University of Georgia	1,760
Total	**$ 264,793**

Transportation Projects Notes and Loans

The notes and loans payable balance in Transportation Projects primarily consists of a Transportation Infrastructure Finance and Innovation Act (TIFIA) loan which is related to the I-75 Northwest Corridor Express Lanes Project. In November 2013, SRTA executed a TIFIA loan of up to $275.0 million which proceeds, when drawn upon, will finance a portion of the costs for the project. During construction and for a period of up to five years following substantial completion, interest is compounded and added to the initial TIFIA loan. The TIFIA loan requires mandatory debt service payments at a minimum and scheduled debt service payments to the extent additional funds are available. TIFIA debt service payments are expected to commence in 2023, which is five years after substantial completion. The interest rate of the TIFIA loan is 3.79%. $184.5 million was drawn on the TIFIA loan during fiscal year 2017. An additional $27.3 million was drawn on the TIFIA loan during fiscal year 2018.

Component Units

Notes and loans payable for component units as of June 30, 2018, were as follows (amount in thousands):

	Amount
Higher Education Foundations	$ 201,223
Georgia Tech Foundation, Inc.	67,331
Lake Lanier Islands Development Authority	9,282
Georgia Military College	2,578
Pioneer RESA	370
Total	**$ 280,784**

Higher Education Foundations Notes and Loans

During fiscal year 2012, AU Health System, Inc. entered into a note in the amount of $50.0 million. Funds from the note are to be used to fund certain construction and renovation projects and to purchase new and replacement equipment. The note was modified to a variable interest rate note and was extended until July 1, 2018. On June 30, 2018, the Health

NOTE 10 - LONG-TERM LIABILITIES (continued)

System entered into a modification of the terms of the note extend the note through July 1, 2019. Due to the modification, the note incurred interest at a rate of London InterBank Offered Rate (LIBOR) plus 0.65% effective July 1, 2015 and incurred interest at a rate of LIBOR plus 0.75% effective July 1, 2018 and interest on the note is due monthly. The balance on the note at June 30, 2018 was $36.8 million.

Effective October 18, 2017, AU Health System, Inc. entered into a line of credit in the amount of $35.0 million. Funds from the line of credit are to be used to fund working capital and other general corporate purposes. The line of credit is a variable interest rate note and incurs interest at a rate equal to the higher of the Prime Rate or LIBOR plus 2.50% per annum. Interest rates are reset monthly. The annual effective interest rate on the note was 2.10% for fiscal year 2018. On June 30, 2018, the outstanding balance on the line of credit was $27.1 million.

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

In November 2017, the USG Real Estate V, LLC purchased the four real estate properties from various South Georgia State College (SGSC) LLC entities for $35.6 million by issuing a two year interest-only BAN payable. At maturity, the BAN payable will be refinanced with a 30 year low-interest fixed rate USDA loan. The terms of the BAN payable require the USG Real Estate Foundation V, LLC to lease the related facilities to the Board of Regents through year-to-year rental agreements that have multi-year renewal options, in amounts necessary to maintain the properties, pay interest on the note, and retire the debt. The BAN payable will mature on December 1, 2019, bears interest at a fixed rate of 1.65% and is payable semiannually on June 1 and December 1. Interest will accrue at the fixed rate until converted to another fixed rate in accordance with the terms of the Indenture. The balance on the note at June 30, 2018 was $35.6 million.

During fiscal year 2007, the University of Georgia Foundation signed a 10 year $6.2 million promissory loan. During November 2017, the Foundation amended the agreement and made a one-time principal payment of $0.8 million, extending the maturity date of the remaining outstanding balance to November 1, 2032. Interest is charged at the bank's 30-day LIBOR plus 0.33% basis points; such rate was 2.31% at June 30, 2018. Principal and interest are payable monthly. The outstanding balance at June 30, 2018 was $4.3 million.

During October 2014, the Foundation entered into a series of transactions, as follows: (1) The Foundation entered into a tax-exempt financing project with the Washington D.C. District Council for $12.5 million involving tax-exempt bonds, which expire on November 1, 2039 and accrue interest at a per annum rate equal to 75.00% of the sum of one-month LIBOR plus 1.60% payable monthly, (2) the Foundation entered into a loan agreement with a bank in which the Foundation fully repaid its obligation under the newly acquired tax-exempt bonds in exchange for a promissory loan relating to the same principal. The promissory loan agreement expires on November 1, 2039 and includes certain debt covenants and restrictions. Interest on the promissory loan agreement is charged at 75.00% of the sum of one-month LIBOR plus 1.60%; such rate was 2.69% at June 30, 2018. Principal and interest on the promissory loan agreement are payable quarterly. The outstanding balance at June 30, 2018 was $11.2 million.

NOTE 10 - LONG-TERM LIABILITIES (continued)

In October 2017, the University of Georgia Athletic Association, Inc. entered into a $50.0 million revolving credit agreement, for a draw period of 18 months and a final maturity of five years. Borrowings under the revolving credit agreement bear interest at the bank's one month LIBOR plus 0.73%. At June 30, 2018, the rate applicable to the borrowings was 2.82%. The outstanding balance at June 30, 2018 was $15.8 million.

In addition to the notes and loans discussed in the previous paragraphs, as of June 30, 2018, an additional $30.1 million in notes was held by various higher education foundations.

Other Component Units Notes and Loans

The Georgia Tech Foundation, Inc. has three $10.0 million revolving lines of credit and two lines of credit totaling $15.0 million. Interest is calculated using the 30-day LIBOR rate. This resulted in an average effective interest rate of 2.64% at June 30, 2018. As of June 30, 2018, $19.9 million was outstanding on these lines of credit. In October 2016, the Foundation entered into a loan assumption and substitution agreement with the previous borrower and assumed a $35.7 million note payable from a third party lender under terms of the existing loan agreement. The effective rate of interest at June 30, 2018 was 5.04%. As of June 30, 2018, the outstanding balance on the note was $34.8 million. In May 2017, the Foundation entered into a loan agreement with a bank, borrowing $13.0 million. The effective interest rate at June 30, 2018 was 4.75%. As of June 30, 2018, the outstanding balance on the loan was $12.7 million.

G. Interest Rate Swaps

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

H. Pollution Remediation

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

Governmental Activities

Department of Transportation

Department of Transportation has recorded liabilities totaling $0.2 million at June 30, 2018 for pollution remediation related to pollution remediation at two laboratory sites. The liabilities were determined using the expected cash flow measurement technique which measures the liability as the sum of probability-weighted amounts in a range of possible estimated amounts. There are no expected recoveries that have reduced the liability. Pollution remediation liability activity in fiscal year 2018 was as follows (amount in thousands):

Balance 7/1/2017	Additions	Reductions	Balance 6/30/2018	Amounts Due Within One Year
$ 188	$ 34	$ 20	$ 202	$ —

NOTE 10 - LONG-TERM LIABILITIES (continued)

Department of Defense

Department of Defense has recorded liabilities totaling $0.1 million at June 30, 2018 for pollution remediation primarily related to ground contamination at three sites. The liabilities were determined by previous experience. The estimated amount of recovery from insurance and other potentially responsible parties is $0.1 million. Pollution remediation liability activity in fiscal year 2018 was as follows (amount in thousands):

Balance 7/1/2017	Additions	Reductions	Balance 6/30/2018	Amounts Due Within One Year
$ 185	$ 40	$ 106	$ 119	$ 21

Department of Natural Resources

Department of Natural Resources has recorded liabilities totaling $30.4 million at June 30, 2018 for pollution remediation primarily related to sites included in the hazardous site inventory. The liabilities were determined by previous experience. Pollution remediation liability activity in fiscal year 2018 was as follows (amount in thousands):

Balance 7/1/2017	Additions	Reductions	Balance 6/30/2018	Amounts Due Within One Year
$ —	$ 33,606	$ 3,228	$ 30,378	$ —

Department of Agriculture

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

Business-type Activities

University of Georgia

University of Georgia (UGA) is responsible for pollution remediation at the Milledge Avenue landfill site. UGA has recorded a liability and expense related to this pollution remediation in the amount of $0.8 million. The liability was determined using a five year budget estimate provided by Brown and Caldwell. UGA 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 year 2018 was as follows (amount in thousands):

Balance 7/1/2017	Additions	Reductions	Balance 6/30/2018	Amounts Due Within One Year
$ 785	$ 213	$ 175	$ 823	$ 179

NOTE 10 - LONG-TERM LIABILITIES (continued)

Georgia Institute of Technology

Georgia Institute of Technology is responsible for pollution remediation at all Institute facilities including, but not limited to ground contamination, storage/treatment/disposal of hazardous materials and asbestos abatement. Pollution remediation obligations reflect estimates that have the potential to change due to such items as price increases or reductions, new technology, or changes in applicable laws or regulations. USG has recorded a liability related to this pollution remediation in the amount of $0.3 million. There are no expected recoveries that have reduced this liability. Pollution remediation liability activity in fiscal 2018 was as follows (amount in thousands):

Balance 7/1/2017	Additions	Reductions	Balance 6/30/2018	Amounts Due Within One Year
$ 444	$ 263	$ 444	$ 263	$ 263

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
2019	$ 833,470	$ 377,356	$ 44,105	$ 9,665	$ 123,220	$ 18,375	$ 6,601	$ 2,507
2020	789,750	340,414	46,335	7,436	129,385	12,214	6,420	2,338
2021	757,015	305,166	48,675	5,095	68,305	5,745	6,563	2,171
2022	683,105	271,699	21,545	2,634	4,930	2,339	6,760	1,998
2023	636,440	242,418	22,650	1,530	5,170	2,092	3,909	1,816
2024-2028	2,805,895	824,329	19,265	482	36,895	6,706	19,515	6,957
2029-2033	1,913,325	303,792	—	—	—	—	22,065	2,824
2034-2038	575,040	39,870	—	—	—	—	2,308	47
2039-2043	—	—	—	—	—	—	—	—
2044-2048	—	—	—	—	—	—	—	—
2049-2053	—	—	—	—	—	—	—	—
Total	**$ 8,994,040**	**$ 2,705,044**	**$ 202,575**	**$ 26,842**	**$ 367,905**	**$ 47,471**	**$ 74,141**	**$ 20,658**

	Business-type Activities			
	Revenue Bonds		Notes and Loans Payable	
Year	Principal *	Interest	Principal **	Interest
2019	$ 5,340	$ 11,052	$ 36,438	$ 156
2020	6,938	10,785	1,467	127
2021	7,905	10,509	1,497	97
2022	8,703	10,179	1,528	66
2023	9,520	9,827	1,559	35
2024-2028	49,202	52,952	606	5
2029-2033	61,717	44,088	—	—
2034-2038	78,020	28,633	—	—
2039-2043	37,400	10,538	—	—
2044-2048	14,175	4,435	—	—
2049-2053	3,795	266	—	—
Total	**$ 282,715**	**$ 193,264**	**$ 43,095**	**$ 486**

* Includes accreted interest of $19.4 million that will be recorded in future years to increase bonds payable as the interest accretes.

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

NOTE 10 - LONG-TERM LIABILITIES (continued)

Component Units

	Higher Education Foundations		Georgia Tech Foundations		Other Component Units	
	Revenue Bonds		Revenue Bonds		Revenue Bonds	
Year	Principal	Interest	Principal	Interest	Principal	Interest
2019	$ 75,417	$ 116,966	$ 11,425	$ 11,446	$ 3,536	$ 2,279
2020	115,914	114,039	12,065	10,843	1,003	2,216
2021	91,114	109,598	12,850	10,163	1,051	2,168
2022	96,581	105,616	13,780	9,437	1,100	2,118
2023	130,481	100,485	12,430	8,721	606	2,065
2024-2028	582,065	422,151	68,965	32,806	3,557	9,796
2029-2033	661,156	280,055	57,050	15,192	36,230	5,106
2034-2038	592,570	138,828	10,140	8,112	—	—
2039-2043	278,205	34,080	14,375	5,693	—	—
2044-2048	29,155	5,022	19,835	2,235	—	—
2049-2053	3,325	401	605	12	—	—
Total	**$ 2,655,983**	**$ 1,427,241**	**$ 233,520**	**$ 114,660**	**$ 47,083**	**$ 25,748**

	Higher Education Foundations		Georgia Tech Foundations		Other Component Units	
	Notes and Loans Payable		Notes and Loans Payable		Notes and Loans Payable	
Year	Principal	Interest	Principal	Interest	Principal	Interest
2019	$ 60,080	$ 2,857	$ 20,733	$ 2,335	$ 1,321	$ 424
2020	114,265	1,829	928	2,291	1,366	381
2021	2,305	1,179	974	2,244	1,408	337
2022	2,373	1,113	1,024	2,195	3,046	283
2023	2,036	1,096	1,075	2,143	1,150	171
2024-2028	6,880	4,053	42,597	1,439	3,939	245
2029-2033	8,874	2,151	—	—	—	—
2034-2038	3,685	431	—	—	—	—
2039-2043	725	16	—	—	—	—
Total	**$ 201,223**	**$ 14,725**	**$ 67,331**	**$ 12,647**	**$ 12,230**	**$ 1,841**

	Georgia Housing and Finance Authority	
	Mortgage Bonds	
Year	Principal	Interest
2019	$ 36,815	$ 43,954
2020	38,710	43,246
2021	39,955	42,356
2022	40,430	41,324
2023	37,650	40,235
2024-2028	181,225	185,151
2029-2033	240,735	151,707
2034-2038	286,275	106,187
2039-2043	271,855	55,132
2044-2048	155,985	14,012
Total	**$ 1,329,635**	**$ 723,304**

NOTE 11 - LEASES

A. Operating Leases

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

Total lease payments for the State's governmental activities, business-type activities, and component units were $25.9 million, $48.6 million, and $16.9 million, respectively, for the year ended June 30, 2018. Future minimum commitments for operating leases as of June 30, 2018, are listed below (amount in thousands).

	Primary Government		
Fiscal Year Ended June 30	**Governmental Activities**	**Business-type Activities**	**Component Units**
2019	$ 17,722	$ 60,407	$ 29,434
2020	14,187	55,150	26,710
2021	9,178	49,087	25,152
2022	5,857	43,343	22,239
2023	4,558	42,141	18,363
2024-2028	17,662	154,099	42,136
2029-2033	9,112	109,427	14,823
2034-2038	1,019	6,479	8,180
2039-2043	—	717	440
2044-2048	—	664	264
2049-2053	—	531	—
Total Future Minimum Commitments	**$ 79,295**	**$ 522,045**	**$ 187,741**

NOTE 11 - LEASES (continued)

B. ***Capital Leases***

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

The expense resulting from the amortization of assets recorded under capital leases is included in depreciation expense. At June 30, 2018, 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	$ —	$ 49,550	$ —
Infrastructure	—	39,705	—
Buildings	382,307	3,425,338	67,157
Improvements Other Than Buildings	—	6,458	—
Machinery and Equipment	7,519	29,651	213
Software	1,887	2,120	—
Less: Accumulated Depreciation	(221,116)	(1,024,176)	(17,421)
Total Assets Held Under Capital Lease	**$ 170,597**	**$ 2,528,646**	**$ 49,949**

NOTE 11 - LEASES (continued)

At June 30, 2018, 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
2019	$ 63,549	$ 262,350	$ 12,702
2020	54,420	262,026	11,543
2021	49,794	262,446	10,133
2022	47,370	262,920	9,354
2023	35,675	260,892	8,073
2024-2028	154,358	1,306,387	30,046
2029-2033	70,883	1,203,247	28,423
2034-2038	26,264	840,896	4,540
2039-2043	4,348	269,280	—
2044-2048	849	10,515	—
2049-2053	256	3,095	—
2054-2058	256	—	—
2059-2063	232	—	—
2062-2066	2,482	—	—
Total Capital Lease Payments	510,736	4,944,054	114,814
Less: Interest	(267,733)	(1,669,864)	(31,643)
Executory Costs	(9,605)	(359,995)	(3)
Present Value of Capital Lease Payments	**$ 233,398**	**$ 2,914,195**	**$ 83,168**

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

NOTE 11 - LEASES (continued)

C. ***Leases Receivable***

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

Total revenues from rental of land and facilities for the State's governmental activities and component units were $10.0 million, and $86.5 million, respectively, for the year ended June 30, 2018. Minimum future revenues and rentals to be received under operating leases as of June 30, 2018, are as follows (amount in thousands):

	Primary Government		
Fiscal Year Ended June 30	**Governmental Activities**	**Business-type Activities**	**Component Units**
2019	$ 9,393	$ —	$ 70,528
2020	5,329	—	41,854
2021	1,505	—	40,641
2022	1,506	—	35,757
2023	1,016	—	29,049
2024-2028	3,954	—	118,459
2029-2033	3,968	—	100,624
2034-2038	4,188	—	51,266
2039-2043	4,378	—	34,654
2044-2048	1,349	—	30,041
2049-2053	11	—	23,708
2054-2058	—	—	36,946
Total Minimum Revenues	**$ 36,597**	**$ —**	**$ 613,527**

Component Units

Foundations related to Higher Education have lease operations consisting of real estate leases to the Board of Regents. Minimum future payments to be received from these capital leases as of June 30, 2018, are as follows (amount in thousands):

Fiscal Year Ended June 30	**Amount**
2019	$ 196,578
2020	199,558
2021	201,380
2022	201,835
2023	201,029
Thereafter	2,779,178
Total Minimum Revenues	3,779,558
Less: Unearned Income	(1,399,673)
Net Revenue	**$ 2,379,885**

NOTE 11 - LEASES (continued)

D. Related Parties

Primary Government

University System of Georgia Foundations

During fiscal year 2018, various foundations that are not included in the government-wide financial statements have entered into transactions with institutions of the University System of Georgia. The University System of Georgia institutions have capital leases payable to these foundations that are not included as component units in the amount of $413.9 million as of June 30, 2018.

NOTE 12 - ENDOWMENTS

The State's donor restricted endowment funds reside primarily within the higher education institutions. The funds are pooled at the individual member institution level, unless required to be separately invested by the donor. There is no state law that governs endowment spending; rather, for University System of Georgia member institution controlled, donor-restricted endowments, where the donor has not provided specific instructions, the Board of Regents permits the individual member institution to develop policies for authorizing and spending realized and unrealized endowment income and appreciation as they determine to be prudent. Current year net appreciation for the endowment accounts was $15.1 million and is reflected as restricted net position.

Changes in the endowment net position for the year ended June 30, 2018, are as follows (amount in thousands):

Component Units	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net position, July 1	$ 392,971	$ 971,202	$ 1,472,618	$ 2,836,791
Contributions	8,792	14,652	90,775	114,219
Net realized and unrealized gains	38,893	185,987	5,909	230,789
Appropriation of endowment assets for expenditure	(23,239)	(96,054)	(5,046)	(124,339)
Transfers to comply with donor intent	176	(898)	(1,114)	(1,836)
Other	6,315	24,907	328	31,550
Endowment net position, June 30	**$ 423,908**	**$ 1,099,796**	**$ 1,563,470**	**$ 3,087,174**

NOTE 13 - SERVICE CONCESSION ARRANGEMENTS

A. Primary Government

University System of Georgia

During fiscal year ended June 30, 2015, the Board of Regents of the University System of Georgia (BOR) entered into a Service Concession Arrangement (SCA) with Corvias Campus Living-USG,LLC (Corvias), whereby Corvias manages, maintains and operates certain existing student housing resources on the campuses of nine institutions: Abraham Baldwin Agricultural College; Armstrong State University; Augusta University; College of Coastal Georgia; Columbus State University; Dalton State College; East Georgia State College; Georgia State University; and the University of North Georgia.

Pursuant to the contractual stipulations of this SCA, whereby the BOR and Corvias are the "parties" participating in this agreement, as of May 14, 2015, the institutions noted above transferred the housing resources covered by this SCA, along with associated capital lease obligations to the University System Office (USO) in fiscal year 2015 through special item transfer. In accordance with the SCA, in May 2015, Corvias provided $311.6 million which the BOR used to retire the capital lease obligations transferred to the USO.

On February 23, 2018, the SCA contractual agreement with Corvias was amended. While performance measures and the operating agreement remain intact, the term of the agreement has changed. The SCA, which was originally for 65 years (780 months) to end in June 2080, will now end on June 30, 2055. This contract modification accelerates the amortization of the deferred inflows.

For the $311.6 million that was originally received from Corvias in fiscal year 2015, $5.9 million was amortized at June 30, 2018, leaving a remaining deferred inflow of resources balance of $295.7 million at year end.

In addition to the existing student housing arrangement, Corvias designs and constructs authorized new housing projects that, once constructed, are similarly managed, maintained and operated on seven of the nine campuses with existing student housing resources. Two of these projects were completed in fiscal year 2016 and their fair market values were capitalized increasing Capital Assets by $23.1 million. In fiscal year 2017, five additional housing projects were completed and their fair market values were capitalized increasing capital assets by $154.4 million. The deferred inflow associated with these projects are being amortized over the remaining life of the SCA in accordance with the term revision noted above. At June 30, 2018, the USO amortized $3.4 million of deferred inflow related to these seven projects, leaving a remaining deferred inflow of resources balance of $171.5 million at year end.

Also, as part of this SCA, and beginning in fiscal year 2016, the USO receives $8.0 million in Ground Rent and $0.5 million in Supplemental Capital Repair and Replacement funds each year for the next ten years, with each amount escalating by 3% annually. The USO recorded accounts receivable and deferred inflow of resources in the amount of $73.2 million representing the present value of this revenue stream based on the agreement terms and will amortize the deferred inflows over a ten-year period. For the year ended June 30, 2018, the USO amortized $7.7 million and recognized $1.3 million in associated interest income, leaving a deferred inflow balance of $49.5 million as of June 30, 2018.

The USO also receives retained services funds each year as a percentage of gross revenues for that year.

The USO has no reportable future obligation for these services.

NOTE 13 - SERVICE CONCESSION ARRANGEMENTS (continued)

Georgia Gwinnett College

On May 13, 2014, Georgia Gwinnett College (GGC) entered into an agreement with Aramark Education Services, LLC (Aramark), whereby Aramark will operate food services operations from service participants. The agreement is renewable for each year for ten years.

Aramark is required to operate the food service facilities in accordance with the contractual agreement. The contract includes a period fixed fee (“Annual Fixed Fee”) payable to Aramark in the amount of $5.3 million per operating year. In the event that the amount paid to or retained by Aramark is less that the Annual Fixed Fee of $5.3 million, then GGC shall remit the amount equivalent to the difference of the Annual Fixed Fee minus Actual Operating Retainage. In the event that the actual operation year retainage is greater than 199.9% (upper threshold amount) of the Annual Fixed Fee, then Aramark shall remit the difference of the Annual Fixed Fee minus the upper threshold amount to GGC. If the actual operation year retainage is more than the Annual Fixed Fee but less than the 199.9% of the Annual Fixed Fee, then neither party shall owe anything to the other. GGC and Aramark will review the annual Fixed Fee prior to the commencement of each operating year and a revised Annual Fixed Fee shall be set forth in a written supplemental contract.

Under the terms of the contract Aramark committed a lump sum upfront payment of $0.4 million. The amortized revenue recorded related to the lump sum payment in fiscal year 2018 was $36.0 thousand and the remaining deferred inflow was $0.2 million.

Under terms of the original agreement Aramark also committed $5.3 million in dining facility renovations. In fiscal year 2017, the contract amendment called for a return of outstanding unamortized amounts of $1.6 million and for a reduction of $0.7 million to deferred inflows for uncollected funds. The amortized revenue recorded in fiscal year 2018 for the remaining construction commitment was $0.3 million leaving deferred inflow balance of $2.0 million.

For Fiscal Year 2018, GGC reported a total remaining deferred inflow of resources of $2.2 million related to the SCA.

Kennesaw State University

At June 30, 2018, Kennesaw State University (KSU) was a participant in four SCAs.

1. In August 2001, KSU entered into an agreement with KSUF whereby Kennesaw State University Foundation, Inc. (KSUF) will operate and collect revenues for housing operations from students. KSUF is required to operate the residence hall (“University Place”) in accordance with a contractual agreement between the two parties. Under the terms of the agreement, the Institution received no funds upfront from KSUF, but will take full ownership of the residence hall at the end of the operating agreement in June, 2031.
2. In August 2003, KSU entered into an agreement with KSUF whereby KSUF will operate and collect revenues for housing operations from students. KSUF is required to operate the housing (“University Village”) in accordance with a contractual agreement between the parties. Under the terms of the agreement, the Institution received no funds upfront from KSUF, but will take full ownership of the housing at the end of the operating agreement in June 2034.
3. In August 2007, KSU entered into an agreement with KSUF whereby KSUF will operate and collect revenues for housing operations from students. KSUF is required to operate the housing (“University Suites”) in accordance with a contractual agreement between the parties. Under the terms of the agreement, the Institution received no funds upfront from KSUF, but will take full ownership of the housing at the end of the operating agreement in June 2037.

NOTE 13 - SERVICE CONCESSION ARRANGEMENTS (continued)

4. In July 2017, KSU entered in to a lease agreement with a food service provider whereby the vendor will operate a restaurant in accordance with a contractual agreement between the two parties. Under the terms of the agreement, the Institution received no funds upfront, but will take full ownership of the equipment and lease improvements at the end of the operating agreement in June, 2027.

At June 30, 2018, the University reports the three housing residences and one retail space as capital assets with a net carrying value of $60.6 million. For fiscal year 2018, the University reported a remaining deferred inflow of resources of $60.6 million and amortized revenue of $3.6 million.

NOTE 14 - DEFERRED INFLOWS AND OUTFLOWS

Deferred Outflows and Inflows of Resources reported on the Statement of Net Position as of June 30, 2018, consisted of the following (amount in thousands):

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Units
Deferred Outflows of Resources				
Accumulated Decrease in Fair Value of Hedging Derivatives	$ —	$ —	$ —	$ 2,784
Deferred Amount on Refundings of Bonded Debt	215,069	42,111	257,180	50,870
Deferred Outflows Relating to Other Postemployment Benefits:				
Difference between expected and actual experience	—	102,403	102,403	337
Net difference between projected and actual earnings on pension plan investments	14,027	2,070	16,097	1,262
Change in proportion	148,616	1,466	150,082	5,112
State contribution subsequent to the measurement date	407,693	212,293	619,986	5,594
Deferred Outflows Relating to Pensions:				
Difference between expected and actual experience	50,996	117,858	168,854	6,940
Change of assumptions	59,554	68,154	127,708	7,695
Net difference between projected and actual earnings on pension plan investments	8,514	2,249	10,763	17,577
Change in proportion	139,140	106,953	246,093	6,842
State contribution subsequent to the measurement date	661,698	369,224	1,030,922	33,264
Total Deferred Outflows of Resources	**$ 1,705,307**	**$ 1,024,781**	**$ 2,730,088**	**$ 138,277**
Deferred Inflows of Resources				
Deferred Amount on Refundings of Bonded Debt	$ 854	$ 60,355	$ 61,209	$ 75
Deferred Service Concession Arrangement Receipts	—	579,578	579,578	—
Deferred Inflows Relating to Other Postemployment Benefits:				
Difference between expected and actual experience	—	—	—	370
Change of assumptions	236,786	322,079	558,865	10,575
Net difference between projected and actual earnings on pension plan investments	33,783	1,698	35,481	488
Change in proportion	133,268	11,477	144,745	3,491
Deferred Inflows Relating to Pensions:				
Difference between expected and actual experience	28,880	11,647	40,527	3,201
Change of assumptions	40,250	—	40,250	2,795
Net difference between projected and actual earnings on pension plan investments	32,786	27,119	59,905	9,937
Change in proportion	148,017	64,715	212,732	10,426
Unavailable Revenue	76,281	37,834	114,115	21,015
Total Deferred Inflows of Resources	**$ 730,905**	**$ 1,116,502**	**$ 1,847,407**	**$ 62,373**

NOTE 14 - DEFERRED INFLOWS AND OUTFLOWS (continued)

Of the $1.7 billion of deferred outflows of resources reported in the governmental activities, $570.3 million represent deferred outflows related to other postemployment benefits, of which $5.8 million are reported in the internal service funds and $919.9 million represent deferred outflows relating to pensions, of which $9.4 million are reported in the internal service funds. The remaining $215.1 million represent deferred amounts on refundings of bonded debt.

Of the $730.9 million of deferred inflows of resources reported in the governmental activities, $403.8 million represent deferred inflows related to other postemployment benefits, of which $6.5 million are reported in the internal service funds and $249.9 million represent deferred inflows relating to pensions, of which $2.5 million are reported in the internal service funds. Additionally, the U.S. Department of Justice settled an agreement with the Volkswagen Corporation during the fiscal year by which an Environmental Mitigation Trust was established. The State received an allocation of $63.6 million to fund eligible mitigation actions. The remaining $13.6 million represent deferred amounts on refundings of bonded debt and unavailable revenue related to grant funds received before the period when those resources are permitted to be used.

Deferred outflows reported in business-type activities include $1.0 billion which represent $318.2 million relating to other postemployment benefits, $664.4 million which represent deferred outflows relating to pensions and $42.1 million, which represent deferred amounts on refundings of bonded debt.

Of the $1.1 billion of deferred inflows of resources reported in the business-type activities, $335.3 million represent deferred inflows relating to other postemployment benefits, $103.5 million represent deferred inflows relating to pensions, $579.6 million represent deferred service concession arrangement receipts described in *Note 13 - Service Concession Arrangements*, $60.4 million represent deferred amounts on refundings of bonded debt and $37.8 million in unavailable revenue represent grant funds received before the period when those resources are permitted to be used.

Of the $138.3 million of deferred outflows of resources reported in the component units, $12.3 million represent deferred outflows relating to other postemployment benefits, $72.3 million represent deferred outflows relating to pensions and $50.9 million represent deferred amounts on refundings of bonded debt.

Of the $62.4 million of deferred inflows of resources reported in the component units, $14.9 million represent deferred inflows relating to other postemployment benefits, $26.4 million represent deferred inflows relating to pensions, and $21.0 million in unavailable revenue represent grants funds received before the period when those resources are permitted to be used.

Under the modified accrual basis of accounting, governmental funds reported $1.2 billion in unavailable revenue as deferred inflows of resources, which consisted primarily of taxes and interest received more than 30 days after close of the current fiscal year.

NOTE 15 - RETIREMENT SYSTEMS

The State administers various retirement plans. Two of the major retirement systems are: the Teachers Retirement System (TRS) and the Employees' Retirement System of Georgia (the System) which includes the Employees' Retirement System (ERS), the Public School Employees Retirement System (PSERS), the Georgia Judicial Retirement System (GJRS). The State also administers retirement plans for the State's peace officers and firefighters. Those plans are the Peace Officers' Annuity and Benefit Fund of Georgia (Peace Officers') and the Georgia Firefighters' Pension Fund (Firefighters'). The State is the plan sponsor (Plan) of these plans and in many cases the participating employer (Employer). The notes to the financial statements and required supplementary information that follow are presented from the perspective of the State as Plan sponsor and the State as Employer. In addition, the State is the only entity with a statutory requirement to contribute on behalf of the employer directly to many of these Plans creating a situation defined as a Nonemployer Contributing Entity in a Special Funding Situation (SFS).

Each of these systems issue separate publicly available financial reports that include the applicable financial statements and required supplementary information. The reports may be obtained by visiting the following websites:

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

In addition, the State administers the Regents Retirement Plan, which is an optional retirement plan for certain university employees.

The State's significant retirement plans are described below. More detailed information can be found in the plan agreements and related legislation. Each plan, including benefit and contribution provisions, was established and can be amended by State law.

A. Basis of Accounting

Retirement plan financial statements are prepared on the accrual basis of accounting, except for the collection of fines and forfeitures which are recognized when collected from the courts and insurance company premium taxes which are recognized annually, upon receipt. Contributions from the employers and members are recognized as additions when due, pursuant to formal commitments, as well as statutory or contractual requirements. Retirement benefits and refund payments are recognized as deductions when due and payable. The retirement plan's fiduciary net positions have been determined on the same basis as they are reported by the various plans.

B. Investments

Investments are reported at fair value and net asset value (NAV) as a practical expedient to fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price. No investment in any one organization, other than those issued or guaranteed by the U.S. Government or its agencies, represents 5% or more of the net position restricted for pension benefits.

NOTE 15 - RETIREMENT SYSTEMS (continued)

For the fiscal year ended June 30, 2018, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense for the System, is represented below, along with the TRS, Peace Officers', and Firefighters' plans.

Pension Plans	Net Annual Money-Weighted Rate
ERS/PSERS/GJRS	0.60%
Teacher's Retirement System	5.05%
Peace Officers'	7.89%
Firefighters'	7.76%

For all plans mentioned above, the money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

ERS, PSERS, GJRS, TRS, Peace Officers' and Firefighters' have investment policies regarding the allocation of invested assets.

The ERS, PSERS, GJRS, and TRS policies are established on a cost basis in compliance with Georgia Statute. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through each pension plan.

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

Firefighters' policy in regard to the allocation of invested assets is established and may be amended by the fund's Board. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the pension plan.

NOTE 15 - RETIREMENT SYSTEMS (continued)

The following table summarizes the adopted asset allocation policy by plan at June 30, 2018:

	Target Allocation					
Asset Class	**ERS**	**PSERS**	**GJRS**	**TRS**	**Peace Officers'**	**Firefighters'**
Fixed Income	25% - 45%	25% - 45%	25% - 45%	25% - 45%	20% - 40%	19.5% - 49.5%
Equities	55% - 75%	55% - 75%	55% - 75%	55% - 75%	30% - 75%	25.5% - 75.5%
Alternative Investments	0% - 5%	0% - 5%	0% - 5%	—	—	—
Cash and Cash Equivalents	—	—	—	—	0% - 10%	—%
Other	—	—	—	—	—	5% - 25%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

C. Defined Benefit Plans Descriptions and Funding Policies

Employees' Retirement System of Georgia (The System)

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 (ERS)

Plan Description: One of the plans within the System, also titled ERS, is a cost-sharing multiple-employer defined benefit pension plan that was established by the Georgia General Assembly during the 1949 Legislative Session for the purpose of providing retirement allowances for employees of the State and its political subdivisions. ERS is directed by a Board of Trustees and has the powers and privileges of a corporation. ERS acts pursuant to statutory direction and guidelines, which may be amended prospectively for new hires but for existing members and beneficiaries may be amended in some aspects only subject to potential application of certain constitutional restraints against impairment of contract.

Benefits Provided: The benefit structure of ERS is established by the Board of Trustees under statutory guidelines. Unless the employee elects otherwise, an employee who currently maintains membership with ERS based upon State employment that started prior to July 1, 1982, is an "old plan" member subject to the plan provisions in effect prior to July 1, 1982. Members hired on or after July 1, 1982, but prior to January 1, 2009, are "new plan" members subject to the modified plan provisions. Effective January 1, 2009, newly hired State employees, as well as rehired State employees who did not maintain eligibility for the "old" or "new" plan, are members of the Georgia State Employees' Pension and Savings Plan (GSEPS). Members of the GSEPS plan may also participate in the GSEPS 401(k) defined contribution component described below. ERS members hired prior to January 1, 2009, also have the option to irrevocably change their membership to the GSEPS plan.

Under the old plan, new plan, and GSEPS, a member may retire and receive normal retirement benefits after completion of 10 years of creditable service and attainment of age 60 or 30 years of creditable service regardless

NOTE 15 - RETIREMENT SYSTEMS (continued)

of age. Additionally, there are some provisions allowing for early retirement after 25 years of creditable service for members under age 60.

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

Contributions: Member contribution rates are set by law. Member contributions under the old plan are 4% of annual compensation up to $4,200 plus 6% of annual compensation in excess of $4,200. Under the old plan, the State pays member contributions in excess of 1.25% of annual compensation. Under the old plan, these State contributions are included in the members' accounts for refund purposes and are used in the computation of the members' earnable compensation for the purpose of computing retirement benefits. Member contributions under the new plan and GSEPS are 1.25% of annual compensation. The State is required to contribute at a specified percentage of active member payroll established by the Board of Trustees and determined annually in accordance with an actuarial valuation and minimum funding standards as provided by law. These State contributions are not at any time refundable to the member or his/her beneficiary.

Employer and nonemployer contributions required, as a percentage of covered payroll, for fiscal year 2018 were based on the June 30, 2015 actuarial valuation as follows:

Plan Segment	Contribution Rate 2018
Old Plan*	24.69%
New Plan	24.69%
GSEPS	21.66%

* 4.75% of which was paid by the State on behalf of old plan members.

The State makes contributions to ERS on behalf of certain non-State employers as follows: Pursuant to The Official Code of Georgia Annotated (OCGA) 47-2-292(a) the Department of Revenue receives an annual appropriation from the Georgia General Assembly to be used to fund the employer contributions for local county tax commissioners and employees. Pursuant to OCGA 47-2-290(a) the Council of State Courts (CSC) and the Prosecuting Attorneys' Council (PAC) receive annual appropriations from the Georgia General Assembly for employer contributions of certain local employees in State Courts.

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

NOTE 15 - RETIREMENT SYSTEMS (continued)

Public School Employees Retirement System (PSERS)

Plan Description: PSERS is also a plan within the System, and is a cost-sharing multiple-employer defined benefit pension plan established by the Georgia General Assembly in 1969, for the purpose of providing retirement allowances for public school employees who are not eligible for membership in the Teachers Retirement System of Georgia. The ERS Board of Trustees, plus two additional trustees, administers PSERS.

Benefits Provided: A member may retire and elect to receive normal monthly retirement benefits after completion of 10 years of creditable service and attainment of age 65. A member may choose to receive reduced benefits after age 60 and upon completion of 10 years of service. Upon retirement, the member will receive a monthly benefit of $15.00, 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.

Contributions: Individuals who became members prior to July 1, 2012 contribute $4 per month for nine months each fiscal year. Individuals who became members on or after July 1, 2012 contribute $10 per month for nine months each fiscal year.

The State makes contributions to PSERS on behalf of certain non-State employers as follows: Pursuant to OCGA §47-4-29(a) and 60(b), the Georgia General Assembly makes an annual appropriation to cover the employer contribution to PSERS on behalf of local school employees (bus drivers, cafeteria workers, and maintenance staff). The annual employer contribution required by statute is actuarially determined and paid directly to PSERS by the State Treasurer. Contributions are expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Nonemployer contributions required for the year ended June 30, 2018 were $780.92 per active member and were based on the June 30, 2015, actuarial valuation.

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

Georgia Judicial Retirement System (GJRS)

Plan Description: Another plan within the System, GJRS, is a cost-sharing multiple-employer defined benefit pension plan established by the Georgia General Assembly in 1998 for the purpose of providing retirement allowances for judges and solicitors generals of the state courts and juvenile court judges in Georgia, and their survivors and other beneficiaries, superior court judges of the state of Georgia, and district attorneys of the state of Georgia. The ERS Board of Trustees and three additional trustees administer GJRS.

GJRS was also created to serve the members and beneficiaries of the Trial Judges and Solicitors Retirement fund, the Superior Court Judges Retirement System, and the District Attorneys Retirement System (collectively, the Predecessor Retirement Systems). As of June 30, 1998, any person who was an active, inactive, or retired member or beneficiary of the Predecessor Retirement Systems was transferred to GJRS in the same status effective July 1, 1998. All assets of the Predecessor Retirement Systems were transferred to GJRS as of July 1, 1998.

Benefits Provided: The normal retirement for GJRS is age 60, with 16 years of creditable service; however, a member may retire at age 60 with a minimum of 10 years of creditable service.

NOTE 15 - RETIREMENT SYSTEMS (continued)

Annual retirement benefits paid to members are computed as 66.67% of State paid salary at retirement for district attorneys and superior court judges and 66.67% of the average over 24 consecutive months for trial judges and solicitors, plus 1% for each year of creditable service over 16 years, not to exceed 24 years. Early retirement benefits paid to members are computed as the pro rata portion of the normal retirement benefit, based on service not to exceed 16 years. Death, disability, and spousal benefits are also available.

Contributions: Members are required to contribute 7.3% of their annual salary. Those who became members prior to July 1, 2012 must also contribute an additional 2.5% of their annual salary if spousal benefit is elected. Employer contributions are actuarially determined and approved and certified by the GJRS Board of Trustees.

The State makes contributions to GJRS on behalf of certain non-State employers as follows: Pursuant to 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 nonemployer contributions required for year ended June 30, 2018 were 7.17% of compensation and were based on the June 30, 2015 actuarial valuation.

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

Teachers Retirement System of Georgia (TRS)

Plan Description: TRS is a cost-sharing multiple-employer defined benefit plan created in 1943 by an act of the Georgia General Assembly to provide retirement benefits for qualifying employees in educational service. A Board of Trustees comprised of two appointees by the Board, two ex-officio State employees, five appointees by the Governor, and one appointee of the Board of Regents is ultimately responsible for the administration of TRS. All teachers in the state public schools, the University System of Georgia (except those professors and principal administrators electing to participate in an optional retirement plan), and certain other designated employees in educational-related work are eligible for membership.

Benefits Provided: TRS provides service retirement, disability retirement, and survivor's benefits. Title 47 of the 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.

NOTE 15 - RETIREMENT SYSTEMS (continued)

Contributions: TRS is funded by member, employer and nonemployer contributing entity (Nonemployer) contributions as adopted and amended by the Board of Trustees. Members become fully vested after 10 years of service. If a member terminates with less than 10 years of service, no vesting of employer contributions occurs, but the member's contributions may be refunded with interest. Member contributions are limited by State law to not less than 5% or more than 6% of a member's earnable compensation.

The State makes contributions to TRS on behalf of certain non-State employers as follows: Pursuant to 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.

Member contributions as adopted by the Board of Trustees for fiscal year 2018 were 6% of covered payroll. Employer and Nonemployer contributions required for fiscal year 2018 were 16.81% of annual salary as required by the June 30, 2015, actuarial valuation.

Peace Officers' Annuity and Benefit Fund of Georgia (Peace Officers')

Plan Description: Peace Officers' is a cost-sharing multiple-employer defined benefit pension plan established in 1950 by the General Assembly of Georgia for the purpose of paying retirement benefits to peace officers of the State of Georgia. The Board of Commissioners of the Peace Officers' fund is comprised of six members consisting 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.

Benefits Provided: 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 Assembly. A member is eligible to receive retirement benefits with 30 years of service, regardless of age. A member is also eligible to receive retirement benefits at age 55 with 10 years of service; however, members joining on or after July 1, 2010, must have 15 years of service to be eligible for benefits. A member must have terminated his or her active employment as a peace officer to receive benefits.

The monthly benefit is a single life annuity payable in monthly payments for the life of the member only. The monthly payment amount at June 30, 2018, was $24.41 per month (plus 1/12 of this amount for each month of any partial year) for each full year of creditable service up to a maximum of 30 years of total service. The Board of Commissioners is authorized to provide for increases effective as of January 1 and July 1 of each year up to 1.5% of the maximum monthly retirement benefit then in effect. Members may elect, as an alternate to the benefit described above, to receive a 100% joint life annuity payable during the life of the member or the member's spouse, or a contingency life annuity with a 50% monthly payment to the surviving spouse. The amount of the benefit for these options is an actuarially reduced portion of the single life annuity benefit described above.

At any time before a member begins drawing retirement benefits, the member may request a refund of 95% of all member contributions paid into the Peace Officers' fund during creditable service. No interest is paid on these withdrawals.

NOTE 15 - RETIREMENT SYSTEMS (continued)

Contributions: The Peace Officers' fund is funded by member and nonemployer contributing entity (Nonemployer) contributions. Contribution provisions are established by statute and may be amended only by the General Assembly of Georgia. A description of contribution requirements is as follows:

Member Contributions: Member contribution requirements are set forth in 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.

Nonemployer Contributions: Pursuant to OCGA 47-14-60, the State makes contributions to the Peace Officers' fund on behalf of non-State employers through the collection of court fines and forfeitures.

The fines and forfeitures are considered employer contributions for the purpose of determining whether the Peace Officers' fund has met minimum funding requirements specified in OCGA 47-20-10. This statute also prohibits any action to grant a benefit increase until such time as the minimum annual contribution requirements meet or exceed legislative requirements. The actuarial valuation as of June 30, 2018, calculated the minimum employer contribution for the fiscal year ended June 30, 2018, as $11.4 million. The fines and forfeitures revenue of $13.8 million for the fiscal year ended June 30, 2018, did meet the minimum required fund contribution.

Administrative expenses are generally funded from current member and court fine and forfeiture contributions. Investment earnings may be utilized to fund any expenses in excess of contributions.

Georgia Firefighters' Pension Fund (Firefighters')

Plan Description: Firefighters' is a cost-sharing multiple-employer defined benefit pension plan established in 1955 by the General Assembly of Georgia for the purpose of paying retirement benefits to firefighters of the State of Georgia. The Board of Trustees of the pension fund is comprised of five members and consists of the Governor or his designee, the Commissioner of Insurance or his designee, two active members of the pension fund appointed by the Governor and one retired beneficiary of the pension fund appointed by the Governor. Any person employed as a firefighter or enrolled as a volunteer firefighter within the State of Georgia or any regular employee of the pension fund is eligible for membership.

Benefits Provided: The Firefighters' fund provides retirement and death benefits. Disability benefits are provided under certain circumstances, and only as awarded to members prior to July 1, 1993. Benefit provisions and vesting requirements are established by statute and may be amended only by the General Assembly of Georgia. A member shall be eligible to receive retirement benefits at age 55 provided the member has 25 years of service. A member may be eligible to receive a pro rata share of benefits, at the latter of age 55 or at the member's termination as a firefighter or volunteer firefighter, after at least 15 years of service (amount received to be the maximum benefit amount times a ratio of years of service to 25 years). At age 50, a member may elect to receive a percentage of benefits to which the member would have been eligible to receive at age 55. Members may receive benefits and continue service as a volunteer firefighter as long as they receive no form of compensation for their volunteer department activity.

The maximum retirement benefit at June 30, 2018 is $913 per month for the life of the member. The Board of Trustees is authorized to provide for ad hoc cost-of-living adjustments (COLAs) effective as of January 1 and July 1 of each year up to 1.5% of the maximum retirement benefit then in effect. Members retiring after July 1, 1984 with service in excess of 25 years are entitled to an additional 1% of the maximum benefit in effect at the time of retirement for each additional full year of service. Members retiring after July 1, 2002 with service in excess of 25 years are entitled to an additional 2% of the maximum benefit in effect at the time of retirement for each additional full year of service.

NOTE 15 - RETIREMENT SYSTEMS (continued)

Members may elect, as an alternate to the benefit described above, to receive either an actuarially reduced benefit payable during the joint lifetime of the member and the member's spouse, continuing after the death of the member during the lifetime of the spouse or a 10 years' certain and life option where an actuarially reduced benefit is received during the member's lifetime and, in the event of the member's death within 10 years of retirement, the same monthly benefits shall be payable to the member's selected beneficiary for the balance of the 10 year period.

In the event a member terminates prior to receiving retirement benefits, 95% of the member's contribution will be returned. No interest is paid upon amounts so withdrawn.

Contributions: The Firefighters' fund is funded by member and nonemployer contributing entity (Nonemployer) contributions. Contribution provisions are established by statute and may be amended only by the General Assembly of Georgia. A description of contribution requirements is as follows:

Member Contributions: Member contributions are set forth in OCGA 47-7-60 and are not actuarially determined. Each member must contribute $25 per month, to be paid no later than the 10th day of each month.

Nonemployer Contributions: Pursuant to OCGA 47-7-61, the State makes contributions to the Firefighters' fund on behalf of non-State employers as follows: Nonemployer contributing entity contributions consist of contributions from fire insurance companies, corporations or associations doing business within the State of Georgia. These contributions must be paid to the Firefighters' fund and are comprised of 1% of the gross premiums, written by such insurance companies, corporations, or associations for fire, lightning, or extended coverage, inland marine or allied lines, or windstorm insurance policies covering property within the State of Georgia.

In accordance with OCGA 47-20-10, the insurance premiums tax are considered employer contributions for the purpose of determining whether the Pension Fund has met minimum funding requirements. This statute also prohibits any action to grant a benefit increase until such time as the minimum annual contribution requirements meet or exceed legislative requirements. The actuarial valuation as of June 30, 2017, calculated the minimum employer contribution for the fiscal year ended June 30, 2018, as $28.1 million. The insurance premium tax revenue of $35.7 million for the fiscal year ended June 30, 2018, meets the minimum required fund contribution.

Administrative expenses are generally funded from current member and insurance premium tax contributions. Investment earnings may be utilized to fund any expenses in excess of contributions.

NOTE 15 - RETIREMENT SYSTEMS (continued)

D. Defined Benefit Plans Membership and Participating Employers

The following table summarizes the participating membership and participating employers at June 30, 2018:

Participating Membership by Plan
June 30, 2018

Plan Membership	ERS	PSERS	GJRS	TRS	Peace Officers'	Firefighters'
Inactive plan members or beneficiaries currently receiving benefits	50,863	18,492	358	127,223	6,145	5,595
Inactive plan members entitled to but not yet receiving benefits	58,332	48,353	61	12,729	1,471	331
Inactive plan members not entitled to benefits	—	—	—	93,765	—	2,358
Active plan members	60,406	34,956	527	226,061	13,113	13,483
Total	169,601	101,801	946	459,778	20,729	21,767
Number of Employers	419	184	93	313	640	434

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

E. Defined Benefit Plans Net Pension Liability/(Asset) of Participating Employers and Nonemployer Contributing Entities

The following schedule is presented from the perspective of the State as the sponsor of the various Plans and summarizes the components of the Net Pension Liability (NPL)/ Net Pension Asset (NPA) of the participating employers and nonemployer contributing entities, as of June 30, 2018, by Plan (amount in thousands):

Components of the Net Pension Liability/(Asset)	ERS	PSERS	GJRS	TRS	Peace Officers'	Firefighters'
Total Pension Liability	$17,628,219	$1,072,165	$ 428,624	$ 94,095,067	$ 769,735	$ 1,065,924
Plan Fiduciary Net Position	13,517,186	914,138	466,657	75,532,925	795,273	894,871
Employers' and non-employer contributing entity's net pension liability/(asset)	$ 4,111,033	$ 158,027	$ (38,033)	$ 18,562,142	$ (25,538)	$ 171,053
Plan fiduciary net position as a percentage of the total pension liability	76.68%	85.26%	108.87%	80.27%	103.32%	83.95%

NOTE 15 - RETIREMENT SYSTEMS (continued)

F. Defined Benefit Plans Actuarial Methods and Assumptions

Actuarial Valuation Date

The total pension liability at June 30, 2018 is based upon the June 30, 2017 actuarial valuation for ERS, PSERS, GJRS, TRS, and Peace Officers, and upon the June 30, 2018 actuarial valuations for Firefighters', using generally accepted actuarial procedures/techniques.

Actuarial Assumptions

The total pension liability, as of June 30, 2018, 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:

(Table on next page)

NOTE 15 - RETIREMENT SYSTEMS (continued)

Plan	Valuation date	Inflation	Salary increases	Investment rate of return[1]	Cost of Living Adjustment	Mortality	Actuarial experience study
ERS	6/30/2017	2.75%	3.25% - 7.00%*	7.30%	N/A	Post-retirement mortality rates were based on the RP-2000 Combined Mortality Table with future mortality improvement projected to 2025 with the Society of Actuaries' projection scale BB (set forward two years for both males and females) for service retirements and dependents beneficiaries. The RP-2000 Disabled Table with future mortality improvement projected to 2025 with the Society of Actuaries' projection scale BB (set back seven years for males and set forward three years for females) was used for death after disability retirement. Rates of mortality in active service were based on the RP-2000 Employee Mortality Table projected to 2025 with projection scale BB. There is a margin for future mortality improvement in the tables used by the plan.	7/1/2009 - 6/30/2014
PSERS	6/30/2017	2.75%	N/A	7.30%	1.5% semi-annually	Post-retirement mortality rates were based on the RP-2000 Blue Collar Mortality Table projected to 2025 with projection scale BB (set forward for three years for males and two years for females) for the period after service retirement and dependent beneficiaries. The RP-2000 Disabled Mortality projected to 2025 with projection scale BB (set forward five years for both males and females) was used for death after disability retirement. Rates of mortality in active service were based on the RP-2000 Employee Mortality Table projected to 2025 with projection scale BB. There is a margin for future mortality improvement in the tables used by the plan.	7/1/2009 - 6/30/2014
GJRS	6/30/2017	2.75%	4.50%*	7.30%	N/A	Mortality rates were based in the RP-2000 Combined Mortality Table projected to 2025 with projection scale BB (set forward two years for both males and females) for the period after retirement and for dependent beneficiaries. For the period after disability retirement, the RP-2000 Disability Mortality Table projected to 2025 with projection scale BB (set back seven years for males and set forward three years for females) is used. Rates for mortality in active service were based on the RP-2000 Employee Mortality Table projected to 2025 with projected scale BB.	7/1/2009 - 6/30/2014
TRS	6/30/2017	2.75%	3.25% - 9.00%*	7.50%	1.5% semi-annually	Post-retirement mortality rates were based on the RP-2000 White Collar Mortality Table for future mortality improvement projected to 2025 with the Society of Actuaries' projection scale BB (set forward one year for males) for service retirements and dependents beneficiaries. The RP-2000 Disabled Mortality Table with future mortality improvement projected to 2025 with Society of Actuaries projection scale BB (set forward two years for males and four years for females) was used for death after disability retirement. There is a margin for future mortality improvement in the tables used by the plan. The numbers of expected future deaths are 8-11% less than the actual number of deaths that occurred during the study period for healthy retirees and 9-11% less than expected under the selected table for disabled retirees. Rates of mortality in active service were based on the RP-2000 Employee Mortality Table projected to 2025 with projected scale BB.	7/1/2009 - 6/30/2014
Peace Officers'	6/30/2017	2.50%	N/A	6.50%	N/A	Mortality rates were based on the RP 2014 Healthy Mortality Table with blue collar adjustment projected with the Conduent modified MP-2016 projection scale for healthy lives and the RP-2014 Disabled Retiree Mortality Table projected with the Conduent modified MP-2016 projection scale for disabled lives.	6/30/2008-6/30/2015
Firefighters'	6/30/2018	2.75%	N/A	6.00%	N/A	Mortality rates for pre-retirement were based on the RP-2000 Employee Mortality Table projected to 2025 with Projection Scale BB. Mortality rates for post-retirement and for dependent beneficiaries were based on the RP-2000 Blue Collar Mortality Table projected to 2025 with projection scale BB (set forward one year for males and set forward four years for females). For current disability retirees, mortality rates are based on the RP-2000 Disabled Mortality Table projected to 2025 with projection scale BB (set forward five years for males and set forward three years for females), however there are no longer any disability benefits in the plan. 80% of active members are assumed to be married with the male three years older than his spouse.	7/1/2009 - 6/30/2015

[1]Investment rate of return is net of pension plan investment expense, including inflation.

*Includes respective inflation assumptions.

The actuarial assumptions used in the valuations are based on the results of the most recent actuarial experience studies dates noted in the table, with the exception of the investment rate of return for the ERS, PSERS, and GJRS plans. The investment rate of return for these plans was updated as reported in the June 30, 2017 actuarial valuation, based on a funding policy change.

Long-Term Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined using either a log-normal distribution analysis, a building-block method or a Monte Carlo simulation in which best-estimate ranges of

NOTE 15 - RETIREMENT SYSTEMS (continued)

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:

	Target Allocation*											
Asset Class	ERS		PSERS		GJRS		TRS		Peace Officers'		Firefighters'	
	Target allocation	Long-term expected real rate of return*	Target allocation	Long-term expected real rate of return*	Target allocation	Long-term expected real rate of return*	Target allocation	Long-term expected real rate of return*	Target allocation	Long-term expected real rate of return*	Target allocation	Long-term expected real rate of return*
Investment Grade Corporate Credit	—	—	—	—	—	—	—	—	—	—	12.0%	2.2%
Mortgage Backed Securities	—	—	—	—	—	—	—	—	—	—	12.0%	0.7%
Fixed Income	30.0%	(0.5)%	30.0%	(0.5)%	30.0%	(0.5)%	30.0%	(0.5)%	—	—	—	—
Fixed Income - Domestic	—	—	—	—	—	—	—	—	20.0%	2.7%	—	—
Fixed Income - International	—	—	—	—	—	—	—	—	5.0%	4.0%	—	—
Core Bonds	—	—	—	—	—	—	—	—	—	—	10.5%	1.1%
Domestic large equities	37.2%	9.0 %	37.2%	9.0 %	37.2%	9.0 %	39.8%	9.0 %	35.0%	7.5%	15.5%	5.9%
Domestic mid equities	3.4%	12.0 %	3.4%	12.0 %	3.4%	12.0 %	3.7%	12.0 %	8.0%	8.4%	—	—
Domestic small equities	1.4%	13.5 %	1.4%	13.5 %	1.4%	13.5 %	1.5%	13.5 %	7.0%	8.6%	—	—
Global equities	—	—	—	—	—	—	—	—	10.0%	8.2%	—	—
Small/mid cap equities	—	—	—	—	—	—	—	—	—	—	15.5%	6.7%
International developed market equities	17.8%	8.0 %	17.8%	8.0 %	17.8%	8.0 %	19.4%	8.0 %	—	—	—	—
International emerging market equities	5.2%	12.0 %	5.2%	12.0 %	5.2%	12.0 %	5.6%	12.0 %	—	—	6.5%	9.5%
International equity funds	—	—	—	—	—	—	—	—	10.0%	8.8%	13.0%	6.7%
Private equity	—	—	—	—	—	—	—	—	—	—	5.0%	8.7%
Real estate	—	—	—	—	—	—	—	—	—	—	5.0%	4.4%
Real Assets (liquid)	—	—	—	—	—	—	—	—	—	—	5.0%	4.6%
Commodities	—	—	—	—	—	—	—	—	5.0%	6.4%	—	—
Alternatives	5.0%	10.5 %	5.0%	10.5 %	5.0%	10.5 %	—	—	—	—	—	—
Total	100.0%		100.0%		100.0%		100.0%		100.0%		100.0%	

* Rates shown are net of the 2.75% assumed rate of inflation with the exception of Peace Officers', which assumed a 2.50% rate of inflation.

NOTE 15 - RETIREMENT SYSTEMS (continued)

Discount Rate

The discount rate used for ERS, PSERS, and GJRS to measure the total pension liability, as of June 30, 2018, was 7.30% as compared with last year's rate of 7.50%. The discount rate used for TRS to measure the total pension liability was 7.50%. The projection of cash flows used by each plan to determine the discount rate was assumed that plan member contributions will be made at the current contribution rate and that employer and nonemployer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, each pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The discount rate used to measure the total pension liability, as of June 30, 2018, for the Peace Officers' plan was 6.50%. The projection of cash flows used to determine the discount rate assumes revenues will remain level. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The discount rate used to measure the total pension liability, June 30, 2018, for the Firefighters' plan was 6.00%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that nonemployer contributing entity contributions will remain at the level contributed the previous fiscal year. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

NOTE 15 - RETIREMENT SYSTEMS (continued)

Sensitivity of the Participating Employers and Nonemployer Contributing Entities NPL/(NPA) to Changes in the Discount Rate

The following schedule is presented from the perspective of the State as the sponsor of the various Plans and summarizes the NPL/(NPA) of the employer and nonemployer contributing entities, as of June 30, 2018. The NPL/(NPA) is calculated using the determined discount rate as well as what the NPL/(NPA) would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate by the Plan (amount in thousands):

Sensitivity of the Plan Participating Employer and Nonemployer Contributing Entities Net Pension Liability (Asset) to Changes in the Discount Rate

	1% Decrease	Current Rate	1% Increase
	(6.30)%	(7.30)%	(8.30)%
ERS's Net Pension Liability	$ 5,847,341	$ 4,111,033	$ 2,631,654
	(6.30)%	(7.30)%	(8.30)%
PSERS's Net Pension Liability	$ 276,775	$ 158,027	$ 58,149
	(6.30)%	(7.30)%	(8.30)%
GJRS's Net Pension Liability/(Asset)	$ 2,446	$ (38,033)	$ (73,292)
	(6.50)%	(7.50)%	(8.50)%
TRS's Net Pension Liability	$ 30,985,530	$ 18,562,142	$ 8,234,638
	(5.50)%	(6.50)%	(7.50)%
Peace Officers' Net Pension Liability/(Asset)	$ 56,090	$ (25,538)	$ (123,876)
	(5.00)%	(6.00)%	(7.00)%
Firefighters' Net Pension Liability	$ 313,594	$ 171,054	$ 53,386

NOTE 15 - RETIREMENT SYSTEMS (continued)

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

G. State's Proportionate Share of Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The State reported a liability as the Employer for its proportionate share of the NPL associated with the plans listed below. In addition, the State reported a liability for its proportionate share of the NPL as a result of its statutory requirement to contribute to certain plans. These contributions were made by the State as the Nonemployer Contributing Entity in a Special Funding Situation.

The following schedule is presented from the perspective of the State as the Employer and/or nonemployer contributing entity and details the proportional share of the pension amounts for each plan as of June 30, 2018 is as follows (amount in thousands):

Aggregate Pension Amounts - All Plans

	Primary Government	Component Units
Pension liabilities	$ 7,302,382	$ 207,483
Pension assets	$ (102,268)	$ (6,479)
Deferred outflows of resources related to pensions	$ 1,584,340	$ 72,318
Deferred inflows of resources related to pensions	$ 353,414	$ 26,359
Pension expense/expenditures	$ 863,971	$ 31,446

The NPL for each plan was measured as of June 30, 2017. The total pension liability used to calculate the NPL for each plan was based on an actuarial valuation as of June 30, 2016 for ERS, PSERS, GJRS, TRS, Peace Officers' and as of June 30, 2017 for Firefighters'.

NOTE 15 - RETIREMENT SYSTEMS (continued)

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

Employees' Retirement System

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

Primary Government: At June 30, 2018, the State reported a liability of $3.6 billion, for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2016, with standard roll-forward techniques performed to update the total pension liability to June 30, 2017. The State's proportion of the net pension liability was based on contributions to ERS during the fiscal year ended June 30, 2017. At June 30, 2017, the State's proportion for the ERS plan as Employer was 88.415594%, which was an increase of 0.617059% from its proportion measured as of June 30, 2016. For the year ended June 30, 2018, the State recognized pension expense of $398.9 million.

At June 30, 2018, the State reported a liability of $76.8 million, for its proportionate share of the net pension liability, based on contributions to ERS during the fiscal year ended June 30, 2017, for certain Local County Tax Commissioners and the CSC and PAC employees in certain counties. At June 30, 2017, the State's proportion was 1.891959% for certain Local County Tax Commissioners and the CSC and PAC employees in certain counties. For the year ended June 30, 2018, the State recognized expense of $0.7 million.

Component Units: At June 30, 2018, the State reported a liability of $61.0 million, for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2016, with standard roll-forward techniques performed to update the total pension liability to June 30, 2017. The State's proportion of the net pension liability was based on contributions to ERS during the fiscal year ended June 30, 2017. At June 30, 2017, the State's proportion for the ERS plan as Employer was 1.501635%, which was a decrease of 0.137660% from its proportion measured as of June 30, 2016. For the year ended June 30, 2018, the State recognized pension expense of $3.4 million.

NOTE 15 - RETIREMENT SYSTEMS (continued)

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

At June 30, 2018, the State reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (amount in thousands):

	Primary Government				Component Units	
	State as Employer		State as Nonemployer Contributing Entity		State as Employer	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 39,345	$ 26	$ 842	$ 1	$ 668	$ —
Changes of assumptions	8,175	—	175	—	139	—
Net difference between projected and actual earnings on pension plan investments	—	9,459	—	191	—	152
Changes in proportion and differences between State contributions and proportionate share of contributions	132,593	117,972	277	6,635	1,110	1,628
State contributions subsequent to the measurement date	582,189	—	10,781	—	9,184	—
Total	**$ 762,302**	**$ 127,457**	**$ 12,075**	**$ 6,827**	**$ 11,101**	**$ 1,780**

Primary Government: State contributions as employer and nonemployer subsequent to the measurement date of $582.2 million and $10.8 million are reported as deferred outflows of resources and will be recognized as a reduction of the NPL in the year ended June 30, 2019.

Component Units: State contributions as employer subsequent to the measurement date of $9.2 million are reported as deferred outflows of resources and will be recognized as a reduction of the NPL in the year ended June 30, 2019.

NOTE 15 - RETIREMENT SYSTEMS (continued)

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

	Primary Government		Component Units
	State as Employer	State as Nonemployer Contributing Entity	State as Employer
Year ended June 30:			
2019	$ 33,058	$ 5,119	$ 896
2020	(147,214)	(902)	(2,077)
2021	(40,310)	(863)	(685)
2022	101,810	2,179	1,729
2023	—	—	—
Thereafter	—	—	—

Public School Employees Retirement System

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

Primary Government: At June 30, 2018, the State reported a liability of $145.0 million, for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2016, with standard roll-forward techniques performed to update the total pension liability to June 30, 2017. The State's proportion of the net pension liability was based on contributions to PSERS during the fiscal year ended June 30, 2017. At June 30, 2017, the State's proportion as nonemployer contributing entity was 100% for the PSERS plan for certain local school employees (bus drivers, cafeteria workers, and maintenance staff). For the year ended June 30, 2018, the State recognized pension expense of $29.2 million.

NOTE 15 - RETIREMENT SYSTEMS (continued)

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

At June 30, 2018, the State reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (amount in thousands):

	Primary Government	
	State as Nonemployer Contributing Entity	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ —	$ 2,072
Changes of assumptions	—	—
Net difference between projected and actual earnings on pension plan investments	—	2,348
Changes in proportion and differences between State contributions and proportionate share of contributions	—	—
State contributions subsequent to the measurement date	29,276	—
Total	$ 29,276	$ 4,420

Primary Government: State contributions as nonemployer subsequent to the measurement date of $29.3 million are reported as deferred outflows of resources and will be recognized as a reduction of the NPL in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows (amount in thousands):

	Primary Government
	State as Nonemployer Contributing Entity
Year ended June 30:	
2019	$ (7,148)
2020	8,035
2021	2,428
2022	(7,735)
2023	—
Thereafter	—

NOTE 15 - RETIREMENT SYSTEMS (continued)

Georgia Judicial Retirement System

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

Primary Government: At June 30, 2018, the State reported an asset of $27.4 million, for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2017. The total pension asset used to calculate the net pension asset was based on an actuarial valuation as of June 30, 2016, with standard roll-forward techniques performed to update the total pension asset to June 30, 2017. The State's proportion of the net pension asset was based on contributions to GJRS during the fiscal year ended June 30, 2017. At June 30, 2017, the State's proportion for the GJRS plan as Employer was 58.970340%, which was an increase of 0.216428% from its proportion measured as of June 30, 2016. For the year ended June 30, 2018, the State recognized pension expense of $2.1 million.

At June 30, 2018, the State reported an asset of $19.1 million, for its proportionate share of the net pension asset, based on contributions to GJRS during the fiscal year ended June 30, 2017. At June 30, 2017, the State's proportion was 41.029660% for certain State court judges and solicitors general and for certain juvenile court judges. For the year ended June 30, 2018, the State recognized expense of $1.6 million.

NOTE 15 - RETIREMENT SYSTEMS (continued)

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

At June 30, 2018, the State reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (amount in thousands):

	Primary Government			
	State as Employer		State as Nonemployer Contributing Entity	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 2,504	$ 3,118	$ 1,743	$ 2,169
Changes of assumptions	—	1,599	—	1,113
Net difference between projected and actual earnings on pension plan investments	—	799	—	556
Changes in proportion and differences between State contributions and proportionate share of contributions	211	379	1,092	923
State contributions subsequent to the measurement date	2,507	—	1,838	—
Total	$ 5,222	$ 5,895	$ 4,673	$ 4,761

Primary Government: State contributions as employer and nonemployer subsequent to the measurement date of $2.5 million and $1.8 million are reported as deferred outflows of resources and will be recognized as an addition to the NPA in the year ended June 30, 2019.

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

	Primary Government	
	State as Employer	State as Nonemployer Contributing Entity
Year ended June 30:		
2019	$ (2,791)	$ (1,867)
2020	1,187	960
2021	369	297
2022	(2,062)	(1,402)
2023	117	86
Thereafter	—	—

NOTE 15 - RETIREMENT SYSTEMS (continued)

Teachers Retirement System of Georgia

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

Primary Government: At June 30, 2018, the State reported a liability of $3.1 billion, for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2016, with standard roll-forward techniques performed to update the total pension liability to June 30, 2017. The State's proportion of the net pension liability was based on contributions to TRS during the fiscal year ended June 30, 2017. At June 30, 2017, the State's proportion for the TRS plan as Employer was 16.885665%, which was an increase of 0.144135% from its proportion measured as of June 30, 2016. For the year ended June 30, 2018, the State recognized pension expense of $359.6 million.

At June 30, 2018, the State reported a liability of $69.8 million, for its proportionate share of the net pension liability, based on contributions to TRS during the fiscal year ended June 30, 2017. At June 30, 2017, the State's proportion was 0.375432% for certain full-time public school support personnel. For the year ended June 30, 2018, the State recognized expense of $3.0 million.

Component Units: At June 30, 2018, the State reported a liability of $104.9 million, for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2016, with standard roll-forward techniques performed to update the total pension liability to June 30, 2017. The State's proportion of the net pension liability was based on contributions to TRS during the fiscal year ended June 30, 2017. At June 30, 2017, the State's proportion for the TRS plan as Employer was 0.564739%, which was a decrease of 0.012802% from its proportion measured as of June 30, 2016. For the year ended June 30, 2018, the State recognized pension expense of $10.0 million.

NOTE 15 - RETIREMENT SYSTEMS (continued)

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

At June 30, 2018, the State reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (amount in thousands):

	Primary Government				Component Units	
	State as Employer		State as Nonemployer Contributing Entity		State as Employer	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 117,374	$ 11,840	$ 2,610	$ 263	$ 3,925	$ 395
Changes of assumptions	68,784	—	1,530	—	2,301	—
Net difference between projected and actual earnings on pension plan investments	—	21,594	—	480	—	723
Changes in proportion and differences between State contributions and proportionate share of contributions	105,931	62,329	5,989	24,494	5,732	8,798
State contributions subsequent to the measurement date	339,634	—	4,420	—	11,195	—
Total	$ 631,723	$ 95,763	$ 14,549	$ 25,237	$ 23,153	$ 9,916

Primary Government: State contributions as employer and nonemployer subsequent to the measurement date of $339.6 million and $4.4 million are reported as deferred outflows of resources and will be recognized as a reduction of the NPL in the year ended June 30, 2019.

Component Units: State contributions as employer subsequent to the measurement date of $11.2 million are reported as deferred outflows of resources and will be recognized as a reduction of the NPL in the year ended June 30, 2019.

NOTE 15 - RETIREMENT SYSTEMS (continued)

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

	Primary Government		Component Units
	State as Employer	State as Nonemployer Contributing Entity	State as Employer
Year ended June 30:			
2019	$ (3,625)	$ (5,096)	$ (2,100)
2020	179,756	(799)	4,453
2021	92,729	(2,554)	2,673
2022	(74,925)	(6,255)	(3,009)
2023	2,391	(404)	25
Thereafter	—	—	—

<u>Peace Officers' Annuity and Benefit Fund of Georgia</u>

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

Primary Government: At June 30, 2018, the State reported an asset of $12.0 million, for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2017. The total pension asset used to calculate the net pension asset was based on an actuarial valuation as of June 30, 2017, with standard roll-forward techniques performed to update the total pension asset to June 30, 2017. The State's proportion of the net pension asset was based on contributions to Peace Officers' during the fiscal year ended June 30, 2017. At June 30, 2017, the State's proportion was 100% for the Peace Officers' plan for local government Peace Officers. For the year ended June 30, 2018, the State recognized expense of $9.5 million.

NOTE 15 - RETIREMENT SYSTEMS (continued)

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

At June 30, 2018, the State reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (amount in thousands):

	Primary Government	
	State as Employer	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ —	$ 7,946
Changes of assumptions	8,903	27,542
Net difference between projected and actual earnings on pension plan investments	3,266	—
Changes in proportion and differences between State contributions and proportionate share of contributions	—	—
State contributions subsequent to the measurement date	13,826	—
Total	$ 25,995	$ 35,488

Primary Government: State contributions subsequent to the measurement date of $13.8 million are reported as deferred outflows of resources and will be recognized as an addition to the NPA in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows (amount in thousands):

	Primary Government
	State as Employer
Year ended June 30:	
2019	$ (7,553)
2020	4,784
2021	(1,755)
2022	(11,662)
2023	(7,133)
Thereafter	—

NOTE 15 - RETIREMENT SYSTEMS (continued)

Georgia Firefighters' Pension Fund

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

Primary Government: At June 30, 2018, the State reported a liability of $163.8 million, for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2017. The State's proportion of the net pension liability was based on contributions to Firefighters' during the fiscal year ended June 30, 2017. At June 30, 2017, the State's proportion was 100% for the Firefighters' plan for local government Firefighters. For the year ended June 30, 2018, the State recognized expense of $36.0 million.

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

At June 30, 2018, the State reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (amount in thousands):

	Primary Government	
	State as Employer	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 566	$ 10,846
Changes of assumptions	35,863	—
Net difference between projected and actual earnings on pension plan investments	—	6,440
Changes in proportion and differences between State contributions and proportionate share of contributions	—	—
State contributions subsequent to the measurement date	35,715	—
Total	$ 72,144	$ 17,286

NOTE 15 - RETIREMENT SYSTEMS (continued)

Primary Government: State contributions subsequent to the measurement date of $35.7 million are reported as deferred outflows of resources and will be recognized as a reduction of the NPL in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows (amount in thousands):

	Primary Government
	State as Employer
Year ended June 30:	
2019	$ (1,646)
2020	12,177
2021	4,723
2022	(3,251)
2023	4,611
Thereafter	2,529

NOTE 15 - RETIREMENT SYSTEMS (continued)

H. Actuarial Methods and Assumptions (GASB 68)

The total pension liability, as of June 30, 2017, 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:

Plan	Valuation date	Inflation	Salary increases	Investment rate of return[1]	Mortality	Actuarial experience study
ERS	6/30/2016	2.75%	3.25% - 7.00%*	7.50%	Post-retirement mortality rates were based on the RP-2000 Combined Mortality Table for future mortality improvement projected to 2025 with the Society of Actuaries' projection scale BB (set forward two years for both male and females) for service retirement and dependents beneficiaries. The RP-2000 Disabled Table with future mortality improvement projected to 2025 was set back seven years for males and set forward three years for females for the period after disability retirement. Rates of mortality in active service were based on the RP-2000 Employee Mortality Table projected to 2025 with projected scale BB. There is a margin for future mortality improvement in the tables used by the Plan.	7/1/2009 - 6/30/2014
PSERS[2]	6/30/2016	2.75%	N/A	7.50%	Post-retirement mortality rates were based on RP-2000 Blue Collar Mortality Table projected to 2025 with projection scale BB set forward three years for males and two years for females for the periods after service retirement and dependent beneficiaries. The RP-2000 Disabled Mortality projected to 2025 with projection scale BB set forward five years for both males and females for the period after disability retirement. Rates of mortality in active service were based on the RP-2000 Employee Mortality Table projected to 2025 with projection scale BB. There is a margin for future mortality improvement in the tables used by the Plan.	7/1/2009 - 6/30/2014
GJRS	6/30/2016	2.75%	4.50%*	7.50%	Mortality rates were based on the RP-2000 Combined Mortality Table projected to 2025 with projection scale BB and set forward two years for both males and females for the periods after retirement and for dependent beneficiaries. For the period after disability retirement, the RP-2000 Disabled Mortality Table projected to 2025 with projection scale BB and set back seven years for males and set forward three years for females is used. Rates for mortality in active service were based on the RP-2000 Employee Mortality Table projected to 2025 with projected scale BB. There is a margin for future mortality improvement in the tables used by the plan.	7/1/2009 - 6/30/2014
TRS[2]	6/30/2016	2.75%	3.25% - 9.00%*	7.50%	Post-retirement mortality rates were based on the RP-2000 White Collar Mortality Table for future mortality improvement projected to 2025 with the Society of Actuaries' projection scale BB (set forward one year for males) for service retirements and dependents beneficiaries. The RP-2000 Disabled Mortality Table with future mortality improvement projected to 2025 with Society of Actuaries projection scale BB (set forward 2 years for males and four years for females) was used for death after disability. There is a margin for future mortality improvement in the tables used by the plan. The numbers of expected future deaths are 8-11% less than the actual number of deaths that occurred during the study period for healthy retirees and 9-11% less than expected under the selected table for disabled retirees. Rates of mortality in active service were based on the RP-2000 Employee Mortality Table projected to 2025 with projected scale BB.	7/1/2009 - 6/30/2014
Peace Officers'	6/30/2016	2.50%	N/A	6.50%	Mortality rates were based on the RP-2014 Healthy Mortality Table with blue collar adjustment projected with Conduent modified MP 2016 projection scale for health lives and the and the RP 2014 Disabled Retiree Mortality Table projected with the Conduent modified MP 2016 projection scale for disabled lives.	6/30/2008 - 6/30/2015
Firefighters'	6/30/2017	2.75%	N/A	6.00%	Mortality rates for pre-retirement were based on the RP-2000 Employee Mortality Table projected to 2025 with Projection Scale BB. Mortality rates for post-retirement and for dependent beneficiaries were based on the RP-2000 Blue Collar Mortality Table projected to 2025 with projection scale BB set forward one year for males and set forward four years for females. For current disability retirees, mortality rates are based on the RP-2000 Disabled Mortality Table projected to 2025 with projection scale BB set forward five years for males and set forward three years for females, however there are no longer any disability benefits in the plan.	7/1/2009 -6/30/2015

[1]Investment rate of return is net of pension plan investment expense, including inflation.

[2]Includes cost of living adjustment of 1.5% semi-annually.

*Includes an inflation assumption of 2.75%.

NOTE 15 - RETIREMENT SYSTEMS (continued)

Long-Term Expected Rate of Return

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

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized by plan in the table below:

	Target Allocation*											
Asset Class	**ERS**		**PSERS**		**GJRS**		**TRS**		**Peace Officers'**		**Firefighters'**	
	Target allocation	**Long-term expected real rate of return***	**Target allocation**	**Long-term expected real rate of return***	**Target allocation**	**Long-term expected real rate of return***	**Target allocation**	**Long-term expected real rate of return***	**Target allocation**	**Long-term expected real rate of return***	**Target allocation**	**Long-term expected real rate of return***
Investment Grade Corporate Credit	—	—	—	—	—	—	—	—	—	—	12.0%	2.4%
Mortgage Backed Securities	—	—	—	—	—	—	—	—	—	—	12.0%	1.0%
Fixed Income	30.0%	(0.5)%	30.0%	(0.5)%	30.0%	(0.5)%	30.0%	(0.5)%	—	—	—	—
Fixed Income - Domestic	—	—	—	—	—	—	—	—	20.0%	2.7%	—	—
Fixed Income - International	—	—	—	—	—	—	—	—	5.0%	4.0%	—	—
Core Bonds	—	—	—	—	—	—	—	—	—	—	10.5%	1.4%
Domestic large equities	37.2%	9.0 %	37.2%	9.0 %	37.2%	9.0 %	39.8%	9.0 %	35.0%	7.5%	15.5%	5.9%
Domestic mid equities	3.4%	12.0 %	3.4%	12.0 %	3.4%	12.0 %	3.7%	12.0 %	8.0%	8.4%	—	—
Domestic small equities	1.4%	13.5 %	1.4%	13.5 %	1.4%	13.5 %	1.5%	13.5 %	7.0%	8.6%	—	—
Global equities	—	—	—	—	—	—	—	—	10.0%	8.2%	—	—
Small/mid cap equities	—	—	—	—	—	—	—	—	—	—	15.5%	6.7%
International developed market equities	17.8%	8.0 %	17.8%	8.0 %	17.8%	8.0 %	19.4%	8.0 %	—	—	13.0%	6.7%
International emerging market equities	5.2%	12.0 %	5.2%	12.0 %	5.2%	12.0 %	5.6%	12.0 %	—	—	6.5%	9.7%
International equity funds	—	—	—	—	—	—	—	—	10.0%	8.8%	—	—
Private equity	—	—	—	—	—	—	—	—	—	—	5.0%	8.7%
Real estate	—	—	—	—	—	—	—	—	—	—	5.0%	4.6%
Real Assets (liquid)	—	—	—	—	—	—	—	—	—	—	5.0%	4.7%
Commodities	—	—	—	—	—	—	—	—	5.0%	6.4%	—	—
Alternatives	5.0%	10.5 %	5.0%	10.5 %	5.0%	10.5 %	—	—	—	—	—	—
Total	100.0%		100.0%		100.0%		100.0%		100.0%		100.0%	

* Rates shown are net of the 2.75% assumed rate of inflation with the exception of Peace Officers', which assumed a 2.50% rate of inflation.

NOTE 15 - RETIREMENT SYSTEMS (continued)

Discount Rate

The discount rate used for ERS, PSERS, GJRS, and TRS to measure the total pension liability, as of June 30, 2017, was 7.50%. The projection of cash flows used by each plan to determine the discount rate was assumed that plan member contributions will be made at the current contribution rate and that employer and nonemployer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, each pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The discount rate used to measure the total pension liability for the Peace Officers' plan was 6.50%. The projection of cash flows used to determine the discount rate assumes revenues will remain level. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The discount rate used to measure the total pension liability for the Firefighters' plan was 6.00%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that nonemployer contributing entity contributions will remain at the level contributed the previous fiscal year. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

NOTE 15 - RETIREMENT SYSTEMS (continued)

The following schedule is presented from the perspective of the State as the employer and nonemployer contributing entity and details the State's proportionate share of the NPL/(NPA), as of June 30, 2017. The NPL/(NPA) is calculated using the discount rate detailed below, as well as what the State's proportionate share of the NPL/(NPA) would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate (amount in thousands):

Sensitivity of the Plan Participating Employer Contributing Entities
Net Pension Liability/(Asset) to Changes in the Discount Rate

	Primary Government			Component Units		
	1% Decrease	Current Discount Rate	1% Increase	1% Decrease	Current Discount Rate	1% Increase
	(6.50%)	(7.50%)	(8.50%)	(6.50%)	(7.50%)	(8.50%)
ERS's Net Pension Liability	$ 5,068,311	$ 3,590,854	$ 2,330,537	$ 86,079	$ 60,985	$ 39,581
SFS	108,454	76,839	49,870	—	—	—
Total ERS Net Pension Liability	$ 5,176,765	$ 3,667,693	$ 2,380,407	$ 86,079	$ 60,985	$ 39,581
	(6.50%)	(7.50%)	(8.50%)	(6.50%)	(7.50%)	(8.50%)
PSERS's Net Pension Liability	$ 256,593	$ 145,029	$ 51,139	$ —	$ —	$ —
	(6.50%)	(7.50%)	(8.50%)	(6.50%)	(7.50%)	(8.50%)
GJRS's Net Pension (Asset)	$ (5,232)	$ (27,390)	$ (46,659)	$ —	$ —	$ —
SFS	(3,641)	(19,057)	(32,463)	—	—	—
Total GJRS's Net Pension (Asset)	$ (8,873)	$ (46,447)	$ (79,122)	$ —	$ —	$ —
	(6.50%)	(7.50%)	(8.50%)	(6.50%)	(7.50%)	(8.50%)
TRS's Net Pension Liability	$ 5,150,241	$ 3,137,798	$ 1,480,827	$ 172,249	$ 104,910	$ 49,526
SFS	114,509	69,775	32,924	—	—	—
Total TRS's Net Pension Liability	$ 5,264,750	$ 3,207,573	$ 1,513,751	$ 172,249	$ 104,910	$ 49,526
	(5.50%)	(6.50%)	(7.50%)	(5.50%)	(6.50%)	(7.50%)
Peace Officers' Net Pension Liability/(Asset)	$ 82,866	$ (12,006)	$ (90,767)	$ —	$ —	$ —
	(5.00%)	(6.00%)	(7.00%)	(5.00%)	(6.00%)	(7.00%)
Firefighters' Net Pension Liability	$ 300,127	$ 163,791	$ 51,371	$ —	$ —	$ —

NOTE 15 - RETIREMENT SYSTEMS (continued)

I. Defined Contribution Plans

GSEPS 401(k) Component of ERS Plan

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

The GSEPS plan includes automatic enrollment in the 401(k) plan at a contribution rate of 5% of salary unless the participating member elects otherwise. The member may change such level of participation at any time. In addition, the member may make such additional contributions as he or she desires, subject to limitations imposed by federal law. The State will match 100% of the employee's initial 1% contribution and 50% of contribution percents two through five. Therefore, the State will match 3% of salary when an employee contributes at least 5% to the 401(k) plan. Employee contributions greater than 5% of salary do not receive any matching funds.

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

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

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

The participants may receive the value of their vested accounts upon attaining age 59.5, qualifying financial hardship, or 30 days after retirement or other termination of service (employer contribution balances are only eligible for distribution upon separation from service). Upon the death of a participant, his or her beneficiary shall be entitled to the vested value of his or her accounts. Employees who die while actively employed and eligible for 401(k) employer matching contributions become fully vested in employer contributions upon death. Distributions are made in installments or in a lump sum.

NOTE 15 - RETIREMENT SYSTEMS (continued)

There were 65,874 plan members and 470 participating employers in the plan at June 30, 2018.

For the fiscal year ended June 30, 2018, the State's employer and employee GSEPS contributions were $28.9 million and $57.0 million, respectively. Additionally, the State made contributions of $0.1 million on behalf of employers that are not in the reporting entity. Employer contributions may be partially funded from non-vested contributions that were forfeited by employees.

Regents Retirement Plan

The Regents Retirement Plan, a single-employer defined contribution plan, is an optional retirement plan established by the Georgia General Assembly in OCGA 47-21-1. It is administered and may be amended by the Board of Regents of the University System of Georgia (Board of Regents). A participant in the plan is an "eligible university system employee" defined as a faculty member or all exempt full and partial benefit eligible employees as designated by the regulations of the Board. Under the Plan, a plan participant may purchase annuity contracts from three approved vendors (VALIC, Fidelity, and TIAA-CREF) for the purpose of receiving retirement and death benefits. The approved vendors have separately issued financial reports that may be obtained through their respective corporate offices.

Benefits depend solely on amounts contributed to the plan plus investment earnings. Benefits are payable to participating employees or their beneficiaries in accordance with the terms of the annuity contracts.

The institutions of the University System of Georgia make monthly employer contributions for the Regents Retirement Plan at rates determined by the Board of Regents in accordance with State statute and as advised by their independent actuary. For the fiscal year ended June 30, 2018, the employer contribution was 9.24% of the participating employee's earned compensation, and employees contributed 6% of their earned compensation. Amounts attributable to all plan contributions are fully vested and non-forfeitable at all times. For the fiscal year ended June 30, 2018, employer and employee contributions were $128.9 million and $83.7 million, respectively.

NOTE 16 - POSTEMPLOYMENT BENEFITS - MULTI-EMPLOYER PLANS

The State administers various cost sharing multiple-employer other postemployment benefit (OPEB) plans, which include:

Administered by Department of Community Health (DCH):
- Georgia State Employees Post-employment Health Benefit Fund (State OPEB Fund)
- Georgia School Personnel Post-employment Health Benefit Fund (School OPEB Fund)

Administered by the Employees' Retirement System (ERS):
- State Employees' Assurance Department (SEAD-OPEB Plan)

The State is the plan sponsor of these plans and the participating employer (Employer). The notes to the financial statements and required supplementary information that follow are presented from the perspective of the State as the plan sponsor and the State as Employer. The financial statements for the State OPEB Fund and School OPEB Fund are presented in the Fiduciary Funds section of this report. Separate financial reports that include the applicable financial statements and required supplementary information for the plan administered by ERS are publicly available and may be obtained from their website (www.ers.ga.gov).

A. Basis of Accounting

The financial statements of these plans are prepared using the economic resources measurement focus and accrual basis of accounting. Contributions from employers and members are recognized in the period in which they are due. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. The OPEB plan's fiduciary net positions have been determined on the same basis as they are reported by the various plans.

B. Investments

Investments are reported at market 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 OPEB benefits.

For the fiscal year ended June 30, 2018, the annual money-weighted rate of return on OPEB plan investments, net of OPEB plan investment expense are represented below:

OPEB Plans	Net Annual Money-Weighted Rate
State OPEB Fund	1.54%
School OPEB Fund	1.57%
SEAD-OPEB Plan	0.60%

For all plans mentioned above the money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested. These three plans have investment policies regarding the allocation of invested assets, established on a cost basis in compliance with Georgia Statute. Plan assets are managed on a total return basis with a short-term objective of stability of principal while allowing for liquidity and a long-term

NOTE 16 - POSTEMPLOYMENT BENEFITS - MULTI-EMPLOYER PLANS (continued)

objective of achieving and maintaining a fully funded status for the benefits provided through each OPEB plan. During fiscal year 2018, the State and School OPEB funds updated their investment strategy to a more long-term approach.

The following table summarizes the adopted asset allocation policy by plan at June 30, 2018:

	Target Allocation		
Asset Class	**State OPEB**	**School OPEB**	**SEAD-OPEB**
Fixed Income	25% - 45%	25% - 45%	25% - 45%
Equities	55% - 75%	55% - 75%	55% - 75%
Alternative Investments	0% - 5%	0% - 5%	0 % - 5%
Total	100.0%	100.0%	100.0%

C. Plans Descriptions and Funding Policies

State OPEB Fund and School OPEB Fund

Plan Description: The State OPEB Fund and School OPEB Fund are cost-sharing multiple-employer defined benefit postemployment healthcare plans and are reported as employee benefit trust funds. The Funds are administered by a Board of Community Health (Board) that is comprised of nine members, including two former State of Georgia employees and seven industry professionals. The OCGA 45-18-25 and 20-2-875, for the State and School OPEB funds respectively, assigns the authority to establish and amend the benefit provisions of the group health plans, including benefits for retirees to the Board.

Benefits Provided: The State OPEB Fund provides postemployment health benefits (including benefits to qualified beneficiaries of eligible former employees) due under the group health plan for employees of State organizations (including technical colleges) and other entities authorized by law to contract with DCH for inclusion in the plan. Retiree medical eligibility is attained when an employee retires, and is immediately eligible to draw a retirement annuity from one of the State's retirement plans. If elected, dependent coverage starts on the same day as retiree coverage. It also pays administrative expenses of the fund. By law, no other use of the assets of the State OPEB Fund is permitted. The plan designs offered for the 2018 plan year include various plan options. For Medicare-eligible members there are Medicare Advantage plan options (UnitedHealthcare and Blue Cross and Blue Shield of Georgia) Standard and Premium Plans. Alternatively, for non-Medicare eligible members the plan options include Health Reimbursement Arrangement Plan Options (Blue Cross and Blue Shield of Georgia Gold, Silver, Bronze), Health Maintenance Organization Plan Options (Blue Cross and Blue Shield of Georgia, Kaiser Permanente, and UnitedHealthcare), and a High Deductible Health Plan Option (UnitedHealthcare).

The School OPEB Fund provides postemployment health benefits (including benefits for qualified beneficiaries of eligible former employees) due under the group health plan for public school teachers, including librarians, other certified employees of public schools, regional educational service agencies, and non-certified public school employees. Retiree medical eligibility is attained when an employee retires, and is immediately eligible to draw a retirement annuity from one of the State's retirement plans. If elected, dependent coverage starts on the same day as retiree coverage. It also pays administrative expenses of the fund. By law, no other use of the assets of the School OPEB Fund is permitted.

NOTE 16 - POSTEMPLOYMENT BENEFITS - MULTI-EMPLOYER PLANS (continued)

The plan designs offered for the 2018 plan year include various plan options, which are the same options offered for the State OPEB fund as described in the previous paragraph.

Contributions: The State OPEB Fund and School OPEB Fund are currently funded on a pay-as-you-go basis. That is, annual costs of providing benefits will be financed in the same year as claims occur, with historically, no significant assets accumulating, as would occur in an advance funding strategy.

Additional contributions were voluntarily made in fiscal year 2018 for financing future costs associated with the OPEB liabilities. For fiscal year 2018, amounts contributed to the State OPEB Fund and the School OPEB Fund were $331.6 million and $149.0 million, respectively.

The contribution requirements of plan members and participating employers are established by the Board in accordance with the 2018 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.

The combined required employer contribution rates established by the Board for the active and retiree plans for the fiscal years ended June 30, 2018, were as summarized as follows:

Combined Active and State OPEB Fund Contribution Rates as a Percentage of Covered Payroll

State organizations, including technical colleges, and certain other eligible participating employers:		
July 2017 - June 2018	30.454%	for August 2017 - July 2018 coverage

Combined Active and School OPEB Fund Contribution Rates per Member per Month

Certificated teachers, librarians, regional educational service agencies, certain other eligible participating employers:		
July 2017 - June 2018	$945.00	for August 2017 - July 2018 coverage
Library employees:		
July 2017 - June 2018	$843.00	for August 2017 - July 2018 coverage
Non-certificated school personnel:		
July - December 2017	$846.20	for August 2017 - January 2018 coverage
January - June 2018	$945.00	for February - July 2018 coverage

NOTE 16 - POSTEMPLOYMENT BENEFITS - MULTI-EMPLOYER PLANS (continued)

SEAD-OPEB Plan

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

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

Contributions: Contributions by plan members are established by the Board of Directors, up to the maximum allowed by statute (not to exceed 0.5% of earnable compensation). The Board of Directors establishes employer contribution rates, such rates which, when added to members' contributions, shall not exceed 1% of earnable compensation. There were no employer contributions required for fiscal year ended June 30, 2018. Contributions were based on actuarial valuations, and for fiscal year 2018 were as follows:

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

NOTE 16 - POSTEMPLOYMENT BENEFITS - MULTI-EMPLOYER PLANS (continued)

D. Plan Membership and Participating Employers

The following table summarizes the participating membership and participating employers at June 30, 2018:

Participating Membership by Plan
June 30, 2018

Plan Membership	State OPEB Fund	School OPEB Fund	SEAD-OPEB Plan
Inactive plan members or beneficiaries currently receiving benefits	39,165	90,430	42,654
Inactive plan members entitled to but not yet receiving benefits	81	96	947
Active plan members	56,412	177,501	26,032
Total	95,658	268,027	69,633
Open to New Members (Yes/No)	Yes	Yes	No
Number of Employers	203	245	459

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

E. Net OPEB Liability/(Asset)

For defined benefit OPEB plans that are administered through trusts that meet the specified criteria, GASB 74 requires the net OPEB liability to be measured as the total OPEB liability, less the amount of the OPEB plan's fiduciary net position. The total OPEB liability is actuarially determined. The following schedule is presented from the perspective of the State as the sponsor of the various Plans and summarizes the components of the Net OPEB Liability (NOL)/ Net OPEB Asset (NOA), as of June 30, 2018, by Plan (amount in thousands):

Components of the Net OPEB Liability/ (Asset)	State OPEB Fund	School OPEB Fund	SEAD-OPEB Plan
Total OPEB Liability	$ 3,817,453	$13,092,956	$ 918,816
Plan Fiduciary Net Position	1,201,865	383,263	1,189,462
Net OPEB liability/(asset)	$ 2,615,588	$12,709,693	$ (270,646)
Plan fiduciary net position as a percentage of the total OPEB liability	31.48%	2.93%	129.46%

NOTE 16 - POSTEMPLOYMENT BENEFITS - MULTI-EMPLOYER PLANS (continued)

F. Actuarial Methods and Assumptions

For the State OPEB fund and School OPEB fund, the impact of the Affordable Care Act (ACA) was addressed in the valuations. While the impact of certain provisions [such as the excise tax on high-value health insurance plans (if applicable), mandated benefits and participation changes due to the individual mandate] should be recognized in the determination of liabilities, overall future plan costs and the resulting liabilities are driven by amounts employers and retirees can afford (i.e., trend). The trend assumption forecasts the anticipated increase to initial per capita costs, taking into account health care cost inflation, increases in benefit utilization, plan changes, government-mandated benefits, and technological advances. Given the uncertainty regarding the ACA's implementation (e.g., the impact of excise tax on high-value health insurance plans, changes in participation resulting from the implementation of state based health insurance exchanges), continued monitoring of the ACA's impact on the Plan's liability will be required.

For the SEAD-OPEB Plan, the annual actuarial valuations providing the measures to assess funding progress will utilize the actuarial methods and assumptions last adopted by the Board based upon the advice and recommendations of the actuary. The Board will periodically have actuarial projections of the valuation results performed to assess the current and expected future progress towards the overall funding goals of the System.

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

<u>Actuarial Valuation Date</u>

The total OPEB liability at June 30, 2018, is based upon the June 30, 2017 actuarial valuation for State OPEB Fund, School OPEB Fund and the SEAD-OPEB Plan, using generally accepted actuarial procedures/techniques.

NOTE 16 - POSTEMPLOYMENT BENEFITS - MULTI-EMPLOYER PLANS (continued)

Actuarial Assumptions

The total OPEB liability, as of June 30, 2018, for each plan was determined by an actuarial valuation date indicated in the table below using the following actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date:

Actuarial Assumptions

	State OPEB Fund	School OPEB Fund	SEAD-OPEB Plan
Valuation date	6/30/2017	6/30/2017	6/30/2017
Inflation	2.75%	2.75%	2.75%
Salary increases	3.25% - 7.00%*	3.25% - 9.00%*	3.25% - 7.00%
Long-term expected rate of return [1]	7.30%	7.30%	7.30%
Initial Healthcare Cost Trend			
Pre-Medicare Eligible	7.50%	7.50%	N/A
Medicare Eligible	5.50%	5.50%	N/A
Ultimate Trend Rate			
Pre-Medicare Eligible	4.75%	4.75%	N/A
Medicare Eligible	4.75%	4.75%	N/A
Year Ultimate Trend is Reached			
Pre-Medicare Eligible	2028	2028	N/A
Medicare Eligible	2022	2022	N/A
Mortality	The RP-2000 Combined Mortality Table projected to 2025 with projection scale BB (set forward two years for both males and females) is used for the period after service retirement and for dependent beneficiaries. The RP-2000 Disabled Mortality Table projected to 2025 with projection scale BB (set back seven years for males and set forward three years for females) is used for the period after disability retirement.	For Teachers Retirement System (TRS) members: The RP-2000 White Collar Mortality Table projected to 2025 with projection scale BB (set forward one year for males) is used for death after service retirement and beneficiaries. The RP-2000 Disabled Mortality Table projected to 2025 with projection scale BB (set forward two years for males and four years for females) is used for death after disability retirement. For Public School Employees Retirement System (PSERS) members: The RP-2000 Blue-Collar Mortality Table projected to 2025 with projection scale BB (set forward three years for males and two years for females) is used for the period after service retirement and for beneficiaries of deceased members. The RP-2000 Disabled Mortality projected to 2025 with projection scale BB (set forward five years for both males and females) is used for the period after disability retirement.	The RP-2000 Combined Mortality Table projected to 2025 with the Society of Actuaries' projection scale BB (set forward two years for both males and females) is used for the period after service retirement and for dependent beneficiaries. There is a margin for future mortality improvement in the tables used by the plan.
Actuarial experience study	7/1/2009 - 6/30/2014	7/1/2009 - 6/30/2014	7/1/2009 - 6/30/2014

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

*Includes respective inflation assumption.

NOTE 16 - POSTEMPLOYMENT BENEFITS - MULTI-EMPLOYER PLANS (continued)

The actuarial assumptions used in the valuations, for the State and School OPEB funds, are based on the results of the most recent actuarial experience studies, which covered the five year period ending June 30, 2014. The remaining actuarial assumptions (e.g., initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the June 30, 2017 valuation for the State and School OPEB funds were based on a review of recent plan experience done concurrently with the June 30, 2017 valuation. The June 30, 2017 actuarial valuation was revised, for various factors, including the methodology used to determine how employees and retirees were assigned to each of the OPEB Funds and anticipated participation percentages. Also, there were changes to the discount rate and an increase in the long-term expected rate of return.

The actuarial assumptions used in the valuation, for the SEAD-OPEB Plan were based on the results of an actuarial experience study, which covered the five year period ending June 30, 2014, with the exception of the long-term expected rate of return. The long-term expected rate of return was decreased as reported in the June 30, 2017 actuarial valuation, based on a funding policy change.

Long-Term Expected Rate of Return

For all plans, the long-term expected rate of return on OPEB plan investments were determined using a log-normal distribution analysis, in which expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

NOTE 16 - POSTEMPLOYMENT BENEFITS - MULTI-EMPLOYER PLANS (continued)

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized by plan in the table below:

	Target Allocation*					
	State-OPEB Fund		School-OPEB Fund		SEAD-OPEB Plan	
Asset Class	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*
Fixed Income	30.0%	(0.5)%	30.0%	(0.5)%	30.0%	(0.5)%
Domestic large equities	37.2%	9.0 %	37.2%	9.0 %	37.2%	9.0 %
Domestic mid equities	3.4%	12.0 %	3.4%	12.0 %	3.4%	12.0 %
Domestic small equities	1.4%	13.5 %	1.4%	13.5 %	1.4%	13.5 %
International developed market equities	17.8%	8.0 %	17.8%	8.0 %	17.8%	8.0 %
International emerging market equities	5.2%	12.0 %	5.2%	12.0 %	5.2%	12.0 %
Alternatives	5.0%	10.5 %	5.0%	10.5 %	5.0%	10.5 %
Total	100.0%		100.0%		100.0%	

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

Discount Rate

In order to measure the total OPEB liability, as of June 30, 2018, for the State OPEB fund, a single equivalent interest rate of 5.22% was used as the discount rate, as compared with last year's rate of 3.60%. This is comprised mainly of the yield or index rate for 20 year tax-exempt general obligation municipal bonds with an average rating of AA or higher (3.87% per the Municipal Bond Index Rate). The projection of cash flows used to determine the discount rate assumed that contributions from members and from the employer will be made at the current level as averaged over the last five years, adjusted for annual projected changes in headcount. Projected future benefit payments for all current plan members were projected through 2118.

In order to measure the total OPEB liability for the School OPEB, a single equivalent interest rate of 3.87% was used as the discount rate, as compared with last year's rate of 3.58%. This is comprised mainly of the yield or index rate for 20 year tax-exempt general obligation municipal bonds with an average rating of AA or higher (3.87% per the Municipal Bond Index Rate). The projection of cash flows used to determine the discount rate assumed that contributions from members and from the employer will be made at the current level as averaged over the last five years, adjusted for annual projected changes in headcount. Projected future benefit payments for all current plan members were projected through 2118.

NOTE 16 - POSTEMPLOYMENT BENEFITS - MULTI-EMPLOYER PLANS (continued)

The discount rate used to measure the total OPEB liability for the SEAD-OPEB Plan was 7.30%, as compared with last year's rate of 7.50%. The projection of cash flows used to determine the discount rate assumed that plan member insurance premiums will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

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

The following schedule summarizes the NOL/(NOA) of the employers, as of June 30, 2018. The NOL/(NOA) is calculated using the determined discount rate as well as what the NOL/(NOA) would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate by the Plan (amount in thousands):

Sensitivity of the Plan Participating Employer Contributing Entities Net OPEB Liability/(Asset) to Changes in the Discount Rate

	1% Decrease	Current Rate	1% Increase
	(4.22)%	(5.22)%	(6.22)%
State's Net OPEB Liability	$ 3,107,410	$ 2,615,587	$ 2,209,251
	(2.87)%	(3.87)%	(4.87)%
School's Net OPEB Liability	$ 14,840,936	$ 12,709,693	$ 10,991,068
	(6.30)%	(7.30)%	(8.30)%
SEAD-OPEB Plan's Net OPEB (Asset)	$ (145,823)	$ (270,646)	$ (372,959)

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

The following schedule summarizes the NOL/(NOA) of the employers, as of June 30, 2018. The NOL/(NOA) is calculated using the determined healthcare cost trends as well as what the NOL/(NOA) would be if it were calculated using healthcare cost trends that are 1-percentage-point lower or 1-percentage-point higher than the current rate by the Plan (amount in thousands):

Sensitivity of the Plan Participating Employer Contributing Entities Net OPEB Liability/(Asset) to Changes in Healthcare Cost Trends

	1% Decrease	Current Rate	1% Increase
State's Net OPEB Liability	$ 2,157,675	$ 2,615,587	$ 3,175,630
School's Net OPEB Liability	$ 10,685,141	$ 12,709,693	$ 15,296,996
SEAD-OPEB Plan's Net (Asset)	N/A	N/A	N/A

NOTE 16 - POSTEMPLOYMENT BENEFITS - MULTI-EMPLOYER PLANS (continued)

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

G. State's Proportionate Share of OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

The State reported a liability as the Employer for its proportionate share of the NOL associated with the plans listed below.

The following schedule is presented from the perspective of the State as the Employer details the proportional share of the OPEB amounts for each plan as of June 30, 2018 is as follows (amount in thousands):

Aggregate OPEB Amounts - All Plans

	Primary Government	Component Units
OPEB liabilities	$ 3,726,929	$ 92,207
OPEB assets	$ (232,195)	$ (3,195)
Deferred outflows of resources related to OPEBs	$ 627,612	$ 9,395
Deferred inflows of resources related to OPEBs	$ 450,135	$ 10,971
OPEB expense/expenditures	$ 135,393	$ 4,171

The NOL/NOA for each plan was measured as of June 30, 2017. The total OPEB liability/asset used to calculate the NOL/NOA for each plan was based on an actuarial valuation as of June 30, 2016 for State, School, and SEAD.

NOTE 16 - POSTEMPLOYMENT BENEFITS - MULTI-EMPLOYER PLANS (continued)

The information below includes all multi-employer plans and funds administered by the State of Georgia.

State OPEB Fund

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

Primary Government: At June 30, 2018, the State reported a liability of $3.7 billion, for it's proportionate share of net OPEB liability. The net OPEB liability was measured as of June 30, 2017. The total OPEB liability used to calculate the net OPEB liability was based on an actuarial valuation as of June 30, 2016, with standard roll-forward techniques performed to update the total OPEB liability to June 30, 2017. The State's proportion of the net OPEB liability was based on the State's proportion of the prior year contributions received by the OPEB plan relative to the contributions for all participants in the plan. At June 30, 2017, the State's proportion for the State plan as employer was 91.476285%, which was an increase of 0.155784% from its proportion measured as of June 30, 2016. For the year ended June 30, 2018, the State recognized OPEB expense of $157.0 million.

Component Units: At June 30, 2018, the State reported a liability of $8.1 million, for it's proportionate share of net OPEB liability. The net OPEB liability was measured as of June 30, 2017. The total OPEB liability used to calculate the net OPEB liability was based on an actuarial valuation as of June 30, 2016, with standard roll-forward techniques performed to update the total OPEB liability to June 30, 2017. The State's proportion of the net OPEB liability was based on the State's proportion of the prior year contributions received by the OPEB plan relative to the contributions for all participants in the plan. At June 30, 2017, the State's proportion for the State plan as Employer was 0.213868%, which was a decrease of 0.013209% from its proportion measured as of June 30, 2016. For the year ended June 30, 2018, the State recognized OPEB expense of $0.2 million.

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

At June 30, 2018, the State reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources (amount in thousands):

	Primary Government		Component Units	
	State as Employer		State as Employer	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ —	$ —	$ —	$ —
Changes of assumptions	—	269,909	—	587
Net difference between projected and actual earnings on OPEB plan investments	15,964	—	36	—
Changes in proportion and differences between State contributions and proportionate share of contributions	144,177	138,572	—	511
State contributions subsequent to the measurement date	461,566	—	979	—
Total	$ 621,707	$ 408,481	$ 1,015	$ 1,098

NOTE 16 - POSTEMPLOYMENT BENEFITS - MULTI-EMPLOYER PLANS (continued)

Primary Government: State contributions as employer subsequent to the measurement date of $461.6 million are reported as deferred outflows of resources and will be recognized as a reduction of the NOL in the year ended June 30, 2019.

Component Units: State contributions as employer subsequent to the measurement date of $1.0 million are reported as deferred outflows of resources and will be recognized as a reduction of the NOL in the year ended June 30, 2019.

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

	Primary Government	Component Units
Year ended June 30:	**State as Employer**	**State as Employer**
2019	$ (75,619)	$ (324)
2020	(75,619)	(324)
2021	(75,619)	(324)
2022	(21,483)	(90)
2023	—	—
Thereafter	—	—

School OPEB Fund

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

Component Units: At June 30, 2018, the State reported a liability of $84.1 million, for it's proportionate share of net OPEB liability. The net OPEB liability was measured as of June 30, 2017. The total OPEB liability used to calculate the net OPEB liability was based on an actuarial valuation as of June 30, 2016, with standard roll-forward techniques performed to update the total OPEB liability to June 30, 2017. The State's proportion of the net OPEB liability was based on the State's proportion of the prior year contributions received by the OPEB plan relative to the contributions for all participants in the plan. At June 30, 2017, the State's proportion for the School plan as Employer was 0.598651%, which was an increase of 0.016730% from its proportion measured as of June 30, 2016. For the year ended June 30, 2018, the State recognized OPEB expense of $4.3 million.

NOTE 16 - POSTEMPLOYMENT BENEFITS - MULTI-EMPLOYER PLANS (continued)

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

At June 30, 2018, the State reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources (amount in thousands):

	Component Units	
	State as Employer	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ —	$ —
Changes of assumptions	—	6,405
Net difference between projected and actual earnings on OPEB plan investments	25	—
Changes in proportion and differences between State contributions and proportionate share of contributions	5,059	2,958
State contributions subsequent to the measurement date	3,243	—
Total	**$ 8,327**	**$ 9,363**

Component Units: State contributions as employer subsequent to the measurement date of $3.2 million are reported as deferred outflows of resources and will be recognized as a reduction of the NOL in the year ended June 30, 2019.

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

	Component Units
Year ended June 30:	**State as Employer**
2019	$ (768)
2020	(768)
2021	(768)
2022	(768)
2023	(774)
Thereafter	(433)

NOTE 16 - POSTEMPLOYMENT BENEFITS - MULTI-EMPLOYER PLANS (continued)

State Employees' Assurance Department (SEAD-OPEB Plan)

State's Proportionate Share of Net OPEB Asset and OPEB Expense

Primary Government: At June 30, 2018, the State reported an asset of $232.2 million, for it's proportionate share of net OPEB asset. The net OPEB liability was measured as of June 30, 2017. The total OPEB asset used to calculate the net OPEB asset was based on an actuarial valuation as of June 30, 2016, with standard roll-forward techniques performed to update the total OPEB asset to June 30, 2017. The State's proportion of the net OPEB asset was based on the State's proportion of the prior year contributions received by the OPEB plan relative to the contributions for all participants in the plan. At June 30, 2017, the State's proportion for the SEAD plan as Employer was 89.559271%, which was an increase of 0.202704% from its proportion measured as of June 30, 2016. For the year ended June 30, 2018, the State recognized OPEB expense of ($21.6 million).

***Component Units*:** At June 30, 2018, the State reported an asset of $3.2 million, for it's proportionate share of net OPEB asset. The net OPEB asset was measured as of June 30, 2017. The total OPEB asset used to calculate the net OPEB asset was based on an actuarial valuation as of June 30, 2016, with standard roll-forward techniques performed to update the total OPEB asset to June 30, 2017. The State's proportion of the net OPEB asset was based on the State's proportion of the prior year contributions received by the OPEB plan relative to the contributions for all participants in the plan. At June 30, 2017, the State's proportion for the SEAD plan as Employer was 1.245396%, which was a decrease of 0.027351% from its proportion measured as of June 30, 2016. For the year ended June 30, 2018, the State recognized OPEB expense of ($0.3 million).

NOTE 16 - POSTEMPLOYMENT BENEFITS - MULTI-EMPLOYER PLANS (continued)

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

At June 30, 2018, the State reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources (amount in thousands):

	Primary Government		Component Units	
	State as Employer		State as Employer	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ —	$ —	$ —	$ —
Changes of assumptions	—	—	—	—
Net difference between projected and actual earnings on OPEB plan investments	—	35,481	—	488
Changes in proportion and differences between State contributions and proportionate share of contributions	5,905	6,173	53	22
State contributions subsequent to the measurement date	—	—	—	—
Total	$ 5,905	$ 41,654	$ 53	$ 510

There were no State contributions as employer subsequent to the measurement date.

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

	Primary Government	Component Units
Year ended June 30:	State as Employer	State as Employer
2019	$ (9,024)	$ (106)
2020	(9,024)	(106)
2021	(8,891)	(124)
2022	(8,810)	(121)
2023	—	—
Thereafter	—	—

NOTE 16 - POSTEMPLOYMENT BENEFITS - MULTI-EMPLOYER PLANS (continued)

H. Actuarial Methods and Assumptions (GASB 75)

The total OPEB liability for each plan was determined by an actuarial valuation date indicated in the table below using the following actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date:

Actuarial Assumptions

	State OPEB Fund	School OPEB Fund	SEAD-OPEB Plan
Valuation date	6/30/2016	6/30/2016	6/30/2016
Inflation	2.75%	2.75%	2.75%
Salary increases	3.25% - 7.00%*	3.25% - 9.00%*	3.25% - 7.00%*
Long-term expected rate of return [1]	3.88%	3.88%	7.50%
Initial Healthcare Cost Trend			
Pre-Medicare Eligible	7.75%	7.75%	N/A
Medicare Eligible	5.75%	5.75%	N/A
Ultimate Trend Rate			
Pre-Medicare Eligible	5.00%	5.00%	N/A
Medicare Eligible	5.00%	5.00%	N/A
Year Ultimate Trend is Reached			
Pre-Medicare Eligible	2022	2022	N/A
Medicare Eligible	2022	2022	N/A
Mortality	The RP-2000 Combined Mortality Table projected to 2025 with projection scale BB and set forward 2 years for both males and females is used for the period after service retirement and for dependent beneficiaries. The RP-2000 Disabled Mortality Table projected to 2025 with projection scale BB and set back 7 years for males and set forward 3 years for females is used for the period after disability retirement.	For TRS members: The RP-2000 White Collar Mortality Table projected to 2025 with projection scale BB (set forward 1 year for males) is used for death after service retirement and beneficiaries. The RP-2000 Disabled Mortality Table projected to 2025 with projection scale BB (set forward two years for males and four years for females) is used for death after disability retirement. For PSERS members: The RP-2000 Blue-Collar Mortality Table projected to 2025 with projection scale BB (set forward 3 years for males and 2 years for females) is used for the period after service retirement and for beneficiaries of deceased members. The RP-2000 Disabled Mortality projected to 2025 with projection scale BB (set forward 5 years for both males and females) is used for the period after disability retirement.	The RP-2000 Combined Mortality Table projected to 2025 with projection scale BB and set forward 2 years for both males and females is used for the period after service retirement and for dependent beneficiaries. There is a margin for future mortality improvement in the tables used by the plan.
Actuarial Experience Study	7/1/2009 - 6/30/2014	7/1/2009 - 6/30/2014	7/1/2009 - 6/30/2014

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

*Includes respective inflation assumption.

NOTE 16 - POSTEMPLOYMENT BENEFITS - MULTI-EMPLOYER PLANS (continued)

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

Long-Term Expected Rate of Return

The long-term expected rate of return on OPEB plan investments were determined using a log-normal distribution analysis, in which expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

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

NOTE 16 - POSTEMPLOYMENT BENEFITS - MULTI-EMPLOYER PLANS (continued)

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the table below:

	Target Allocation*					
	State-OPEB Fund		School-OPEB Fund		SEAD-OPEB Plan	
Asset Class	Target allocation	Long-term expected real rate of return*	Target allocation	Long-term expected real rate of return*	Target allocation	Long-term expected real rate of return*
Local Government Investment Pool	100.0%	3.88%	100.0%	3.88%	—	—
Fixed Income	—	—	—	—	30.0%	(0.5)%
Domestic large equities	—	—	—	—	37.2%	9.0 %
Domestic mid equities	—	—	—	—	3.4%	12.0 %
Domestic small equities	—	—	—	—	1.4%	13.5 %
International developed market equities	—	—	—	—	17.8%	8.0 %
International emerging market equities	—	—	—	—	5.2%	12.0 %
Alternatives	—	—	—	—	5.0%	10.5 %
Total	100.0%		100.0%		100.0%	

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

Discount Rate

In order to measure the total OPEB liability for the State OPEB, a single equivalent interest of 3.60% was used as the discount rate, as compared with the prior measurement period date rate of 3.09%. The 3.60% rate is comprised mainly of the yield or index rate for 20 year tax-exempt general obligation municipal bonds with an average rating of AA or higher (3.56% per the Bond Buyers Index). The projection of cash flows used to determine the discount rate assumed that contributions from members and from the employer will be made at the current level as averaged over the lat five years, adjusted for annual projected changes in head count. Projected future benefit payments for all current plan members were projected through 2115.

In order to measure the total OPEB liability for the School OPEB, a single equivalent interest of 3.58% was used as the discount rate, as compared with the prior measurement period date rate of 3.07%. The 3.58% rate is comprised mainly of the yield or index rate for 20 year tax-exempt general obligation municipal bonds with an average rating of AA or higher (3.56% per the Bond Buyers Index). The projection of cash flows used to determine the discount rate assumed that contributions from members and from the employer will be made at the current level as averaged over the last five years, adjusted for annual projected changes in head count. Projected future benefit payments for all current plan members were projected through 2115.

The discount rate used to measure the total OPEB liability for the SEAD-OPEB plan was 7.50%. The projection of cash flow used to determine the discount rate assumed that plan member insurance premiums will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the fiduciary net position was projected

NOTE 16 - POSTEMPLOYMENT BENEFITS - MULTI-EMPLOYER PLANS (continued)

to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on investments was applied to all periods of projected benefit payments to determine the total OPEB liability. Projected future benefit payments for all current plan members were projected through 2110.

Sensitivity of the State's proportionate share of the NOL/(NOA) to changes in the discount rate

The following schedule is presented from the perspective of the State as the employer details the State's proportionate share of the NOL/(NOA) calculated using the discount rate detailed below, as well as what the State's proportionate share of the NOL/(NOA) would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate (amount in thousands):

Sensitivity of the Plan Participating Employers' Contributing Entities Net OPEB Liability/(Asset) to Changes in the Discount Rate

	Primary Government			Component Units		
	1% Decrease	Current Rate	1% Increase	1% Decrease	Current Rate	1% Increase
	(2.60%)	(3.60%)	(4.60%)	(2.60%)	(3.60%)	(4.60%)
State's Net OPEB Liability	$ 4,566,795	$ 3,726,929	$ 3,221,660	$ 10,420	$ 8,097	$ 7,351
	(2.58)%	(3.58)%	(4.58)%	(2.58%)	(3.58%)	(4.58%)
School's Net OPEB Liability	$ —	$ —	$ —	$ 99,866	$ 84,110	$ 71,676
	(6.50%)	(7.50%)	(8.50%)	(6.50%)	(7.50%)	(8.50%)
SEAD Plan's Net OPEB (Asset)	$ (128,932)	$ (232,195)	$ (322,947)	$ (1,772)	$ (3,195)	$ (4,438)

Sensitivity of the State's proportionate share of the NOL/(NOA) to changes in the Healthcare Cost Trends

The following schedule is presented from the perspective of the State as the employer details the State's proportionate share of the NOL/(NOA) calculated using the discount rate detailed below, as well as what the State's proportionate share of the NOL/(NOA) would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate (amount in thousands):

Sensitivity of the Plan Participating Employers' Contributing Entities Net OPEB Liability/(Asset) to Changes in the Healthcare Cost Trends

	Primary Government			Component Units		
	1% Decrease	Current Rate	1% Increase	1% Decrease	Current Rate	1% Increase
State's Net OPEB Liability	$ 3,156,244	$ 3,726,929	$ 4,657,201	$ 7,202	$ 8,097	$ 10,627
School's Net OPEB Liability	$ —	$ —	$ —	$ 69,718	$ 84,110	$ 102,849
SEAD Plan's Net OPEB (Asset)	N/A	N/A	N/A	N/A	N/A	N/A

NOTE 17 - POSTEMPLOYMENT BENEFITS - SINGLE-EMPLOYER PLANS

The State administers the following single-employer other postemployment benefit (OPEB) plan:

Administered by the Board of Regents of the University System of Georgia (Board of Regents):
Board of Regents Retiree Health Benefit Fund (Regents Plan)

The State is the plan sponsor of this plan and the participating employer (Employer). The notes to the financial statements and required supplementary information that follow are presented from the perspective of the State as the plan sponsor and the State as Employer. A separate financial report that includes the applicable financial statements and required supplementary information for the plan administered by the Board of Regents is also publicly available and may be obtained from their website (www.usg.edu).

A. Basis of Accounting

The financial statements of this plan are prepared using the economic resources measurement focus and accrual basis of accounting. Contributions from the employer 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. The OPEB plan's fiduciary net position has been determined on the same basis as reported by the plan.

B. Investments

Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price. No investment in any one organization, other than those issued or guaranteed by the U.S. Government or its agencies, represents 5% or more of the net position restricted for OPEB benefits.

For the fiscal year ended June 30, 2018, the annual money-weighted rate of return on OPEB plan investments, net of OPEB plan investment expense, for the Regents Plan was 2.85%.

The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested. The Regents Plan has an investment policy regarding the allocation of invested assets. The assets are invested in the Board of Regents' Balanced Income pooled investment fund, which is not subject to state regulations concerning investments. Plan assets are managed on a total return basis with a short-term objective of achieving the highest quality per stable and a long-term objective of a more conservative investment strategy.

The following table summarizes the adopted asset allocation policy by plan at June 30, 2018:

Asset Class	Target Allocation
Fixed Income	70.0%
Equities	30.0%
Total	100.0%

NOTE 17 - POSTEMPLOYMENT BENEFITS - SINGLE-EMPLOYER PLANS (continued)

C. Plan Description and Funding Policy

Regents Plan

Plan Description: The Regents Plan is a single-employer, defined benefit, postemployment healthcare plan administered by the University System Office, an organizational unit of the University System of Georgia (USG). The Regents Plan was authorized pursuant to OCGA Section 47-21-21 for the purpose of accumulating funds necessary to meet employer costs of retiree postemployment health insurance benefits. The Plan is administered by the Board of Regents that is comprised of 19 members, all appointed by the Governor (five from state-at-large and one from each of the State's 14 congressional districts). Benefit provisions of the plans were established and can be amended by the Board of Regents.

Benefits Provided: Pursuant to the general powers conferred by OCGA Section 20-3-31, the USG has established group health and life insurance programs for regular employees of the USG. It is the policy of the USG to permit employees of the USG eligible for retirement or who become permanently and totally disabled to continue as members of the group health and life insurance programs. The USG offers its employees and retirees under the age of 65 access to three self-insured healthcare plan options and one fully insured plan option. For the USG's Plan Year 2018, the following self-insured health care options were available: Blue Choice HMO plan, Consumer Choice HSA plan (Blue Cross and Blue Shield of Georgia), and the Comprehensive Care plan (Blue Cross and Blue Shield of Georgia). The USG also offers a self-insured dental plan administered by Delta Dental.

Retirees age 65 and older participate in a secondary healthcare coverage for Medicare-eligible retirees and dependents provided through a retiree health care exchange option. The USG makes contributions to the retirees' health reimbursement account, which can be used by the retiree to pay premiums and out-of-pocket healthcare related expenses.

Contributions: The contribution requirements of plan members and the employer are established and may be amended by the Board of Regents. The Regents Plan is substantially funded on a pay-as-you-go basis; however, amounts above the pay-as-you-go basis may be contributed annually, either by specific appropriation or by Board of Regents designation. Organizational units of the USG pay the employer portion for group insurance for eligible retirees. The employer portion of health insurance for its eligible retirees is based on rates that are established annually by the Board of Regents for the upcoming plan year. For the 2018 plan year, the employer rate was approximately 90% of the total health insurance cost for eligible retirees, and the retiree rate was approximately 10%. The employer covers the total premium cost for $25,000 of basic life insurance. If an individual elects to have supplemental, and/or dependent life insurance coverage, such costs are borne entirely by the retiree. For fiscal year ended June 30, 2018, the USG contributed approximately $158.4 million to the plan for current premiums or claims.

NOTE 17 - POSTEMPLOYMENT BENEFITS - SINGLE-EMPLOYER PLANS (continued)

D. Plan Membership and Participating Employers

The following table summarizes the participating membership and participating employers, for the Regents Plan at June 30, 2018:

Plan Membership	June 30, 2018	June 30, 2017
Inactive plan members or beneficiaries currently receiving benefits	19,161	20,591
Inactive plan members entitled to but not yet receiving benefits	—	—
Active plan members	48,244	49,820
Total	67,405	70,411
Open to New Members (Yes/No)	Yes	Yes
Number of Employers	1	1

This count treats each legal entity in the State reporting entity as one employer.

E. Net OPEB Liability of Participating Employers

Net OPEB Liability

For defined benefit OPEB plans that are administered through trusts that meet the specified criteria, GASB 74 requires the net OPEB liability to be measured as the total OPEB liability, less the amount of the OPEB plan's fiduciary net position. The total OPEB liability is actuarially determined. The following schedule is presented from the perspective of the State as the sponsor of the Regents Plan and summarizes the components of the Net OPEB Liability (NOL) of the employer, as of June 30, 2018 (amount in thousands):

Components of the Net OPEB Liability		
Total OPEB Liability	$	4,486,796
Plan Fiduciary Net Position		76,045
Net OPEB liability	$	4,410,751
Plan fiduciary net position as a percentage of the total OPEB liability		1.69%

F. Actuarial Methods and Assumptions

The impact of the Affordable Care Act (ACA) was addressed in the valuations for the Regents Plan. While the impact of certain provisions [such as the excise tax on high-value health insurance plans (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

NOTE 17 - POSTEMPLOYMENT BENEFITS - SINGLE-EMPLOYER PLANS (continued)

trend assumption forecasts the anticipated increase to initial per capita costs, taking into account health care cost inflation, increases in benefit utilization, plan changes, government-mandated benefits, and technological advances. Given the uncertainty regarding the ACA's implementation (e.g., the impact of excise tax on high-value health insurance plans, changes in participation resulting from the implementation of state based health insurance exchanges), continued monitoring of the ACA's impact on the Plan's liability will be required.

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

Actuarial Valuation Date

The total OPEB liability at June 30, 2018, is based upon May 1, 2018 actuarial valuation for the Regents Plan, using generally accepted actuarial procedures/techniques. Update procedures were used to roll forward the total OPEB liability to June 30, 2018.

NOTE 17 - POSTEMPLOYMENT BENEFITS - SINGLE-EMPLOYER PLANS (continued)

Actuarial Assumptions

The total OPEB liability for the Regents Plan was determined by an actuarial valuation date indicated in the table below using the following actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date:

Valuation date	5/1/2018
Inflation	2.50%
Salary increases	4.00%
Long-term expected rate of return [1]	4.50%
Initial Healthcare Cost Trend	
Pre-Medicare Eligible	7.10%
Medicare Eligible	4.50%
Ultimate Trend Rate	
Pre-Medicare Eligible	4.50%
Medicare Eligible	4.50%
Year Ultimate Trend is Reached	
Pre-Medicare Eligible	2030
Medicare Eligible	2019
Mortality	Healthy: RP-2014 White Collar Mortality Table with Generational Improvements by Scale MP-2014. Disabled: RP-2000 Disabled Mortality Table projected to 2025 with projection scale BB (set forward two years for males and four years for females).
Actuarial experience study	7/1/2009 - 6/30/2014

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

The actuarial assumptions used in the valuation are based on the results of the most recent actuarial experience studies, which covered the five-year period ending June 30, 2014.

Long-Term Expected Rate of Return

For the Regents Plan, the long-term expected rate of return on OPEB plan investments were determined using a building-block method in which expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

NOTE 17 - POSTEMPLOYMENT BENEFITS - SINGLE-EMPLOYER PLANS (continued)

The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the table below:

Asset Class	Target allocation	Long-term expected real rate of return*
Fixed Income	70.0%	1.10%
Equity Allocation	30.0%	3.98%
Total	100.0%	

* Rates shown are net of the 2.50% assumed rate inflation.

Discount Rate

In order to measure the total OPEB liability for the Regents Plan, as of June 30, 2018, a yield or index rate of 3.87% was used as the discount rate, as compared with last year's rate of 3.58%. This is comprised mainly of the yield or index rate for 20-year tax-exempt general obligation municipal bonds with an average rating of AA or higher (3.87% per the Bond Buyers Index). Assumed contributions are based on the contribution policy, and projected total contributions are the pay as you go costs of the plan. The current contribution policy is not designed to pre-fund the plan, and the unfunded liability is not expected to be paid off at any point in the future. Projected future benefit payments for all current plan members were projected through 2117.

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following schedule summarizes the NOL, as of June 30, 2018, of the employer. The NOL is calculated using the determined discount rate as well as what the NOL 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 Regents Plan (amount in thousands):

Sensitivity of the Plan Participating Employer Contributing Entities Net OPEB Liability to Changes in the Discount Rate

	1% Decrease	Current Rate	1% Increase
	(2.87)%	(3.87)%	(4.87)%
Regents OPEB Liability	$ 5,262,300	$ 4,410,751	$ 3,744,760

NOTE 17 - POSTEMPLOYMENT BENEFITS - SINGLE-EMPLOYER PLANS (continued)

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trends

The following schedule summarizes the NOL of the employer, as of June 30, 2018. The NOL is calculated using the determined healthcare cost trends as well as what the NOL would be if it were calculated using healthcare cost trends that are 1-percentage-point lower or 1-percentage-point higher than the current rate by the Regents Plan (amount in thousands):

**Sensitivity of the Plan Participating Employer Contributing Entities
Net OPEB Liability to Changes in Healthcare Cost Trends**

	1% Decrease	Current Rate	1% Increase
Regents OPEB Liability	$ 3,719,385	$ 4,410,751	$ 5,320,399

NOTE 17 - POSTEMPLOYMENT BENEFITS - SINGLE-EMPLOYER PLANS (continued)

The following information is from the perspective of the State as the employer and includes only the significant single-employer plans and funds administered by the State of Georgia.

G. State's Proportionate Share of OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

The State reported a liability as the Employer for its proportionate share of the NOL associated with the Regents Plan.

Regents Plan

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

Primary Government: At June 30, 2018, the State reported a net OPEB liability of $4.2 billion, for the Regents Plan. The net OPEB liability was measured as of June 30, 2017. The total OPEB liability used to calculate the net OPEB liability was based on an actuarial valuation as of July 1, 2016, with standard roll-forward techniques performed to update the total OPEB liability to June 30, 2017. The net OPEB liability was based on contributions during the fiscal year ended June 30, 2017. For the year ended June 30, 2018, the State recognized OPEB expense of $303.3 million.

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

At June 30, 2018, the State reported deferred outflows of resources and deferred inflows of resources related to the Regents Plan from the following sources (amount in thousands):

	Primary Government	
	State as Employer	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 102,403	$ —
Changes of assumptions	—	288,956
Net difference between projected and actual earnings on OPEB plan investments	133	—
State contributions subsequent to the measurement date	158,420	—
Total	$ 260,956	$ 288,956

NOTE 17 - POSTEMPLOYMENT BENEFITS - SINGLE-EMPLOYER PLANS (continued)

Primary Government: State contributions as Employer subsequent to the measurement date of $158.4 million are reported as deferred outflows of resources and will be recognized as a reduction of the NOL in the year ended June 30, 2019.

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

	Primary Government
Year ended June 30:	**State as Employer**
2019	$ (37,654)
2020	(37,654)
2021	(37,654)
2022	(37,654)
2023	(35,804)
Thereafter	—

Changes in the Net OPEB Liability

For single-employer, defined benefit OPEB plans that are administered through trusts that meet the specified criteria, GASB 75 requires a schedule of the changes in the net OPEB liability, for the current reporting period. The following schedule is presented from the perspective of the State as the Employer of the Regents Plan and summarizes the changes the Net OPEB Liability (NOL) of the employer (amount in thousands):

Total OPEB liability:	
Service cost	$ 211,513
Interest	124,612
Differences between expected and actual experience	123,090
Changes of assumptions	(347,331)
Benefit payments/refunds	(89,653)
Net change in total OPEB liability	22,231
Total OPEB liability-beginning	4,205,352
Total OPEB liability-ending (a)	4,227,583
Plan fiduciary net position:	
Contributions-employer	99,584
Net investment income	72
Benefit payments/refunds	(89,653)
Administrative expense	(5,045)
Net change in plan fiduciary net position	4,958
Plan fiduciary net position-beginning	2,899
Plan fiduciary net position-ending (b)	7,857
Net OPEB liability-ending (a)-(b)	$ 4,219,726

NOTE 17 - POSTEMPLOYMENT BENEFITS - SINGLE-EMPLOYER PLANS (continued)

H. Actuarial Methods and Assumptions (GASB 75)

The impact of the Affordable Care Act (ACA) was addressed in the valuations for the Regents Plan. While the impact of certain provisions [such as the excise tax on high-value health insurance plans beginning in 2020 (if applicable), mandated benefits and participation changes due to the individual mandate] should be recognized in the determination of liabilities, overall future plan costs and the resulting liabilities are driven by amounts employers and retirees can afford (i.e., trend). The trend assumption forecasts the anticipated increase to initial per capita costs, taking into account health care cost inflation, increases in benefit utilization, plan changes, government-mandated benefits, and technological advances. Given the uncertainty regarding the ACA's implementation (e.g., the impact of excise tax on high-value health insurance plans, changes in participation resulting from the implementation of state based health insurance exchanges), continued monitoring of the ACA's impact on the Plan's liability will be required.

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

Actuarial Valuation Date

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

NOTE 17 - POSTEMPLOYMENT BENEFITS - SINGLE-EMPLOYER PLANS (continued)

Actuarial Assumptions

The total OPEB liability for the Regents Plan was determined by an actuarial valuation date indicated in the table below using the following actuarial assumptions:

Valuation date	7/1/2016
Inflation	2.50%
Salary increases	3.00%*
Long-term expected rate of return [1]	4.50%
Initial Healthcare Cost Trend	
Pre-Medicare Eligible	7.30%
Medicare Eligible	7.30%
Ultimate Trend Rate	
Pre-Medicare Eligible	4.50%
Medicare Eligible	4.70%
Year Ultimate Trend is Reached	
Pre-Medicare Eligible	2031
Medicare Eligible	2072
Mortality	Healthy: RP-2014 Mortality Table with Generational Improvements by Scale MP-2014 Disabled: RP-2000 Disabled Mortality Table projected to 2025 with projection scale BB (set forward two years for males and four years for females)
Actuarial experience study	7/1/2009 - 6/30/2014

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

*Includes respective inflation assumption.

The actuarial assumptions used in the valuation are based on the results of the most recent actuarial experience studies, which covered the five-year period ending June 30, 2014, and, except for long-term expected rate of return, were applied to all periods included in the measurement and rolled forward to the measurement date. The projected "depletion date" when projected benefits are not covered by projected assets is 2018. Therefore, the long-term expected rate of return of 4.5% was not applied to all periods of projected benefit payments to determine the total OPEB liability.

Long-Term Expected Rate of Return

For the Regents Plan, the long-term expected rate of return on OPEB plan investments was determined using a building-block method, in which expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

NOTE 17 - POSTEMPLOYMENT BENEFITS - SINGLE-EMPLOYER PLANS (continued)

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the table below:

Asset Class	Target allocation	Long-term expected real expected rate of return*
Cash Equivalents	Less than 5%	2.6%
Fixed Income	60% - 70%	—
Fixed Income - Domestic (corporate long term)	—	4.2%
Fixed Income - Domestic (corporate short term)	—	3.5%
Fixed Income - International	—	4.9%
Equity Allocation	30% - 40%	—
Domestic large equities	—	6.5%
International equity	—	7.3%
Total	100.0%	

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

Discount Rate

In order to measure the total OPEB liability for the Regents Plan, as of June 30, 2017, a yield or index rate of 3.58% was used as the discount rate, as compared with the prior measurement period date rate of 2.85%. This is comprised mainly of the yield or index rate for 20-year tax-exempt general obligation municipal bonds with an average rating of AA or higher (3.58% per the Bond Buyers Index). Assumed contributions are based on the contribution policy, and projected total contributions are the pay as you go costs of the plan. The current contribution policy is not designed to pre-fund the plan, and the unfunded liability is not expected to be paid off at any point in the future. Projected future benefit payments for all current plan members were projected through 2115.

NOTE 17 - POSTEMPLOYMENT BENEFITS - SINGLE-EMPLOYER PLANS (continued)

Sensitivity of the State's proportionate share of the NOL to changes in the Discount Rate

The following schedule is presented from the perspective of the State as the Employer details the State's proportionate share of the NOL, as of June 30, 2017. The NOL was calculated using the discount rate detailed below, as well as what the State's proportionate share of the NOL would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate (amount in thousands):

Sensitivity of the Employer Net OPEB Liability to Changes in the Discount Rate

	1% Decrease	Current Rate	1% Increase
	(2.58%)	(3.58%)	(4.58%)
Regents Net OPEB Liability	$ 5,040,938	$ 4,219,726	$ 3,579,535

Sensitivity of the State's proportionate share of the NOL to changes in Healthcare Cost Trends

The following schedule is presented from the perspective of the State as the Employer details the State's proportionate share of the NOL, as of June 30, 2017. The NOL was calculated using the healthcare cost trends detailed below, as well as what the State's proportionate share of the NOL would be if it were calculated using healthcare costs trends that is 1-percentage-point lower or 1-percentage-point higher than the current rate (amount in thousands):

Sensitivity of the Employer Net OPEB Liability to Changes in the Health Care Cost Trends

	1% Decrease	Current Rate	1% Increase
Regents Net OPEB Liability	$ 3,559,505	$ 4,219,726	$ 5,091,997

NOTE 18 - RISK MANAGEMENT

A. Public Entity Risk Pool

The Department of Community Health (DCH) administers the State Health Benefit Plan (SHBP) for the State. Under O.C.G.A. Section 45-18-2, the DCH Board has the authority to establish a health insurance plan; provide rules and regulations; and general provisions of the plan. The plan is comprised of three health insurance plans: (1) a plan primarily for State employees (O.C.G.A. Section 45-18-2), (2) a plan for teachers (O.C.G.A. Section 20-2-881), and (3) a plan for non-certificated public school employees (O.C.G.A. Section 20-2-911). The SHBP acts as the plan administrator for approximately 450 organizations (state, county and local educational agencies) and provides health coverage to more than 0.6 million employees, teachers, retirees and their dependents. All employees become members of the plan unless coverage is rejected or waived. An employee may withdraw from the plan if they become eligible for coverage under the aged program of the Social Security Administration (O.C.G.A. Section 45-18-17). SHBP accepts all of the risk of insuring its employees.

SHBP is accounted for on the accrual basis. Claim liabilities are based on estimates for claims that have been incurred, but not reported. Liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Estimates of liabilities for incurred, (both reported and unreported) but unpaid are actuarially determined based on estimates of the ultimate cost of settling claims, using past experience adjusted for current trends and any other factors that would modify past experience. Because actual claim liabilities depend on such factors as inflation, changes in legal doctrines and damage awards, the process used in computing claim liabilities may not result in an exact amount. Claim liabilities are evaluated periodically to take into consideration recently settled claims, the frequency of claims and other economic and social factors.

SHBP's general objectives as required under Georgia Compensation Rules & Regulations O.C.G.A. 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.

DCH utilizes third party administrators to process Medicaid, PeachCare, and State employee health benefit claims. Agreements between individual administrators and DCH are for the processing of specific claim types. If an administrator was unable to continue processing claims for DCH under such an agreement, the DCH's ability to adjudicate such claims in the short-term could be threatened.

B. Board of Regents Employee Health Benefits Plan

The University System of Georgia (USG) maintains a program of health benefits for its employees and retirees. This plan is funded jointly through premiums paid by participants covered under the plan and employer contributions paid by the Board of Regents (BOR) and its organizational units. A self–insured program of professional liability for its employees was established by the BOR of the USG under powers authorized by the O.C.G.A 45–9–1. All units of the USG share the risk of loss for claims of the plan.

C. Other Risk Management

The Department of Administrative Services (DOAS) has the responsibility for the State of Georgia of making and carrying out decisions that will minimize the adverse effects of accidental losses that involve State government assets. The State believes it is more economical to manage its risks internally and set aside assets for claim settlement. Accordingly, DOAS processes claims for risk of loss to which the State is exposed, including general liability, property and casualty, workers' compensation, unemployment compensation, and law enforcement officers' and teachers'

NOTE 18 - RISK MANAGEMENT (continued)

indemnification. Limited amounts of commercial insurance are purchased applicable to property, employee and automobile liability, fidelity and certain other risks.

The BOR is part of the State of Georgia reporting entity, and as such, is covered by the State of Georgia risk management program administered by DOAS. Premiums for the risk management program are charged to the various state organizations by DOAS to provide claims servicing and claims payment.

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, 2018, of $815.9 million both for workers' compensation and liability was charged back to the contributing funds. Expenditures of $516.0 million are reported in the General Fund, and expenses of $222.9 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, 2018, and 2017, is shown below (amount in thousands):

	Public Entity Risk Pool		**Board of Regents Employee Health Benefits Plan**		**Risk Management Fund**	
	Fiscal Year Ended 6/30/2018	Fiscal Year Ended 6/30/2017	Fiscal Year Ended 6/30/2018	Fiscal Year Ended 6/30/2017	Fiscal Year Ended 6/30/2018	Fiscal Year Ended 6/30/2017
Unpaid Claims and Claim Adjustments July 1	**$ 217,744**	**$ 180,539**	**$ 51,688**	**$ 50,978**	**$ 737,123**	**$ 639,843**
Current Year Claims and Changes in Estimates	2,269,151	2,158,188	406,315	383,406	234,795	241,852
Claims Payments	(2,286,603)	(2,120,983)	(424,536)	(382,696)	(144,752)	(144,572)
Unpaid Claims and Claim Adjustments June 30	**$ 200,292**	**$ 217,744**	**$ 33,467**	**$ 51,688**	**$ 827,166**	**$ 737,123**

NOTE 19 - TAX ABATEMENT

As of June 30, 2018, the State had three tax abatement programs, the Mega Project Tax Credit, the Tourism Development Act, and Projects that were designated as a Competitive Project of Regional Significance. However, given the limited number of recipients under each of these programs, the State is legally prohibited from disclosing detailed information relating to the tax abatement programs and amounts abated.

A. Tax Abatement Programs

Mega Project Tax Credit

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

Tourism Development Act

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

Competitive Project of Regional Significance

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

B. Legal Prohibition

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

NOTE 20 - LITIGATION, CONTINGENCIES, AND COMMITMENTS

A. Grants and Contracts

The amounts received or receivable from grantor agencies are subject to audit and review by grantor agencies, principally the federal government. This could result in a request for reimbursement by the grantor agency for any expenditures which are disallowed under grant terms.

B. Litigation and Contingencies

The State is a defendant in various legal proceedings pertaining to matters incidental to the performance of routine governmental operations. The ultimate disposition of these proceedings is not presently determinable. However, it is not believed that the ultimate disposition of these proceedings would have a material adverse effect on the financial condition of the State. The following are significant active litigation, claims and assessments involving the State:

Primary Government

Trecia Neal, et al. v. Georgia Department of Community Health - Plaintiff Neal, who seeks class action status, is a member of the State Health Benefit Plan (SHBP) who has 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. Plaintiff asserts 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. Plaintiff seeks reimbursement of excess medical premiums paid by the class members, plus attorneys' fees. The Department of Community Health (DCH) filed a motion to dismiss based on sovereign immunity arguing that the SHBP documents do not create an express, written contract with the state employees, however the judge denied the motion. DCH filed an appeal with the Georgia Court of Appeals. On November 20, 2015, the Court of Appeals issued its decision which granted DCH's appeal and reversed the trial court. Plaintiffs subsequently filed a Petition for Writ of Certiorari with the Georgia Supreme Court. On March 25, 2016, in a separate case, the Georgia Supreme Court issued a decision in *Rivera v. Washington*, which appears to have overruled all Court of Appeals decisions that allowed direct appeals of adverse trial court rulings based on sovereign immunity grounds under the collateral order doctrine, finding that they should have instead been brought as interlocutory appeals. The Georgia Supreme Court's decision states that, as a result of its determination of the *Rivera* case, multiple decisions of the Court of Appeals, including the Court of Appeals decision in *Neal,* are therefore overruled. On April 26, 2016, the Georgia Supreme Court granted Plaintiff's Petition for Certiorari, vacated the Court of Appeals decision in *Neal* and, in light of the decision in *Rivera,* remanded the case to the Court of Appeals for reconsideration of its conclusion that it had jurisdiction over the direct appeal. The Court of Appeals determined that it did not have jurisdiction and remanded the case back to the Superior Court of Fulton County. In March 2017, Plaintiff filed a Second Amended Complaint adding, in the alternative, a claim for mandamus relief against the DCH board members. In November 2017, Plaintiff filed a Third Amended Complaint which added additional paragraphs and an exhibit, but did not change the counts of the Second Amended Complaint. On November 28, 2017, DCH filed a Motion for Partial Summary Judgment as to the breach of contract claims and a separate Motion to Dismiss the mandamus claim. 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.

Judith Kelly, et al. v. Board of Community Health. et al. - Plaintiffs, who seek class action status, are retired state employees, public school teachers, or public-school employees, and are enrolled in the health insurance plans administered by the (SHBP). On December 8, 2011, the Board of Community Health (the Board) approved a policy modifying the subsidies for certain retired employees based on employee years of service. Plaintiffs have

NOTE 20 - LITIGATION, CONTINGENCIES, AND COMMITMENTS (continued)

brought suit against the Board of Community Health and the members of Board, in their individual and official capacities, for breach of contract asserting that retroactive modifications to the annuitant subsidy provided to certain retired employees had the effect of breaching the Plaintiffs' alleged contracts with SHBP. Plaintiffs assert this policy is a breach of an alleged contract to provide health insurance to retired employees. Plaintiffs seek monetary damages, a writ of mandamus to require the application of the full subsidy to the purported class members, plus attorneys' fees. After the Board filed a Motion to Dismiss the Complaint, Plaintiffs amended their Complaint to add three additional counts for Equal Protection, Section 1983 and Declaratory Judgment. The Board filed a Motion to Dismiss the Second Amended Complaint on May 11, 2018, claiming that the allegations in the Complaint are either barred by sovereign immunity or fail to state a claim. On August 20, 2018, the trial court granted the Motion to Dismiss and dismissed the case in its entirety. Plaintiffs filed an appeal with the Georgia Court of Appeals. The parties are to file briefs in early 2019 and oral arguments are expected to be scheduled during the Court of Appeals' April 2019 term. At this stage of litigation, it is impracticable to render an opinion about whether the likelihood of an unfavorable outcome is either "probable" or "remote"; however , the State believes it has meritorious defenses and is vigorously defending this action.

In another matter involving DCH, following an onsite review in 2014 of Georgia's nursing facility funding arrangements by the United States Department of Health and Human Services, Centers for Medicare & Medicaid Services (CMS), CMS issued a report in November 2015 concluding that certain funding arrangements for the payment of the State's share of upper payment limit payments to certain nursing homes owned by development authorities within the State were in violation of federal law and the State's Medicaid Plan. The report included a demand for the return of such upper payment limit payments for fiscal year 2010 and fiscal year 2011 in an aggregate amount of approximately $76.0 million and the return of any upper payment limit payments made to such nursing homes in subsequent fiscal years, which DCH estimates to be in an aggregate amount of approximately $94.0 million for both fiscal year 2012 and fiscal 2013. DCH has taken no action to return the funds and expects to appeal and vigorously assert its position contesting any future notice of disallowance issued by CMS.

Additionally, CMS has proposed that DCH reimburse CMS for negative account balances resulting from rolling grant funding which was available prior to fiscal 2010. Amounts proposed by CMS are approximately $50.0 million. DCH has respectfully requested specific documentation to substantiate origin of the proposed amounts. According to the U.S. Department of Health and Human Services, Office of the Inspector General report, dated March 2016, the former practice of rolling grant funding includes consequences for negative balances for Medicaid programs across the nation.

The State is also involved in a number of disputes concerning the operation of U.S. Army Corps of Engineers (Corps) dams and reservoirs in the Apalachicola-Chattahoochee-Flint (ACF) River Basin and the Alabama-Coosa-Tallapoosa (ACT) River Basin for water supply and other purposes. Buford Dam impounds the Chattahoochee River to form Lake Lanier and is part of the ACF River Basin. Lake Lanier is the primary source of water supply to more than three million people in north Georgia, including a substantial portion of the metropolitan Atlanta region's population. The additional federal reservoirs are downstream of Lake Lanier in the ACF River Basin. The ACF River Basin is shared by Alabama, Florida, and Georgia. Lake Allatoona is in the ACT River Basin, which is shared by Alabama and Georgia. Lake Allatoona also is a major source of water supply to north Georgia. It is not possible at this time to predict the duration or outcome of any of these cases.

NOTE 20 - LITIGATION, CONTINGENCIES, AND COMMITMENTS (continued)

C. Guarantees and Financial Risk

Component Units

Georgia Housing Finance Authority (GHFA) has uninsured single-family mortgage loans of approximately $44.0 million as of June 30, 2018. The loans are for home mortgages in the State of Georgia. Economic conditions in Georgia have a direct impact on foreclosures and the rate of loss on foreclosed loans. If the economy declines, one impact of these conditions could be a decline in house values and an increase in unemployment and underemployment. GHFA could incur a higher rate of foreclosure and a higher rate of loss on foreclosed loans as a result of the decline in the value of its underlying collateral on uninsured loans. If the economy declines, GHFA could also experience a dramatic increase in foreclosures. It is possible that the combination of such an increase combined with lower housing prices could result in increased losses of loan assets that could have adverse impacts on GHFA's ability to repay its outstanding bonds.

D. Other Significant Commitments

Primary Government

Contractual Commitments

The Georgia Constitution permits State organizations to enter into contractual commitments provided they have funds available (statutory basis) at the time of the execution of the contract. At June 30, 2018, the fund balances of the primary government include encumbrances of $4.8 billion.

Board of Regents (Higher Education Fund) had significant, unearned, outstanding construction or renovation contracts executed in the amount of $50.9 million as of June 30, 2018. This amount is not reflected in the financial statements.

As of June 30, 2018, Employees' Retirement System of Georgia committed to fund certain private equity partnerships for a total capital commitment of $427.8 million. Of this amount, $214.0 million remained unfunded and is not recorded on *Combining Statement of Fiduciary Net Position - Pension and Other Employee Benefit Trust Funds - Defined Benefit Pension Plans*.

Georgia Technology Authority (GTA) has significant commitments to IBM and AT&T through master service agreements. The $1.1 billion IBM master contract, effective April 1, 2009, is an eight year contract with two optional years, and has a remaining balance of $31.8 million as of June 30, 2018. The $440.6 million AT&T master contract, effective January 1, 2016, is a five year contract with three optional years, and has a remaining balance of $294.9 million as of June 30, 2018.

On August 24, 2015, GTA entered into an agreement with Capgemini to provide service integration processes and systems, including billing, service desk, service catalog and request management, risk and security management, among other services. This agreement is a seven year contract with three optional years for a total contract amount of $300.5 million, and a remaining balance of $208.3 million as of June 30, 2018.

On December 1, 2017, GTA entered into an $90.0 million services contract with ATOS. This is a four year contract with five optional years, and has a remaining balance of $81.5 million as of June 30, 2018.

NOTE 20 - LITIGATION, CONTINGENCIES, AND COMMITMENTS (continued)

On January 25, 2018, GTA entered into an agreement with New South Construction - Building the Georgia Cyber Innovation & Training Center in Augusta, GA. This agreement is a one year contract for a total contract amount of $30.6 million, and a remaining balance of $18.8 million as of June 30, 2018.

On June 1, 2018, GTA entered into an $84.1 million services contract with Xerox. This is a three year contract with three optional years, and has a remaining balance of $84.1 million.

State Road and Tollway Authority has contractual commitments on uncompleted contracts of $465.2 million, the majority of which are for the I-285 at SR 400 Interchange Reconstruction Project and the I-85 Widening Project. In addition, $18.1 million of grants and loans were awarded to local governments and community improvements districts.

Component Units

Contractual Commitments

As of June 30, 2018, Georgia Environmental Finance Authority (GEFA) had commitments to fund projects, excluding the undisbursed portion of loans in process, totaling $98.4 million.

As of June 30, 2018, Georgia Ports Authority (GPA) had commitments for construction projects of approximately $176.0 million.

During the fiscal year ended June 30, 2013, the GPA entered into a compromise and settlement agreement with the U.S. Army Corps of Engineers, the State of South Carolina and several nongovernmental environmental organizations relative to the project by the U.S. Army Corps of Engineers to deepen the Savannah River federal navigation channel. The project is commonly referred to as the Savannah Harbor Expansion Project (SHEP).

The respective SHEP agreement, approved by the U.S. Federal District Court for the District of South Carolina, resulted in a commitment by GPA in the amount of $35.5 million, of which GPA had paid $6.0 million through the year ended June 30, 2018, 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" as defined by respective and authoritative financial reporting standards (GASB No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*):

1) The GPA will establish a letter of credit or escrow account within 6 months of the commencement of inner harbor dredging in the amount of $2.0 million to serve as a contingency fund should the operation of the dissolved oxygen injection system not receive funding by the federal government. This letter of credit or escrow account will be maintained at a minimum of $2.0 million for 50 years after completion of the SHEP.

2) The GPA will contribute $3.0 million for water quality monitoring in the Lower Savannah River Basin; $3.0 million for monitoring and research of Shortnose and Atlantic Sturgeon; $15.0 million for conservation, wetlands preservation, acquisitions of easements and/or upland buffers, and creation, restoration or enhancement of wetlands to benefit the Lower Savannah River watershed.

3) The GPA will contribute $12.5 million for environmental and conservation projects in the Savannah River Basin to the Savannah River Restoration Board whose membership is prescribed in the agreement.

NOTE 21 - 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 two 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.

State Road and Tollway Authority - I-75 Northwest Corridor Express Lane Project, received loan funds from the Transportation Infrastructure Finance and Innovation Act (TIFIA). The TIFIA loan funds used to build various express lanes.

State Road and Tollway Authority - I-75 South Metro Express Lane Fund, issued revenue bonds to pay the costs of certain tolling infrastructure, finance a debt service reserve, and pay the costs of issuance of the bonds.

NOTE 21 - SEGMENT INFORMATION (continued)

Summary financial information for the State's segments for the year ended June 30, 2018 is presented below:

	I-75 Northwest Corridor Express Lanes Project	I-75 South Metro Express Lanes Fund
Condensed Statement of Net Position		
Assets		
Current Assets	$ 49,227	$ 15,603
Noncurrent Assets	13	59
Due from Other Funds	—	876
Capital Assets	16,956	9,873
Total Assets	66,196	26,411
Deferred Outflows	58	165
Liabilities		
Current Liabilities	55,785	1,792
Noncurrent Liabilities	228,615	43,776
Due to Other Funds	381	1,318
Total Liabilities	284,781	46,886
Deferred Inflows	60	173
Net Position		
Net Investment in Capital Assets	16,956	(707)
Restricted	—	3,507
Unrestricted	(235,543)	(23,282)
Total Net Position	(218,587)	(20,482)
Condensed Statement of Revenues, Expenses and Changes in Net Position		
Operating Revenues	2,000	2,453
Depreciation/Amortization Expense	—	(2,920)
Other Operating Expenses	(2,675)	(4,413)
Operating Income (Loss)	(675)	(4,880)
Nonoperating Revenues (Expenses)		
Investment Income	1,529	256
Other Nonoperating Revenues	5,423	—
Interest Expense	(7,733)	(2,215)
Other Nonoperating Expenses	(117,800)	—
Capital Contributions	10,594	—
Net Transfers	(29)	(71)
Change in Net Position	(108,691)	(6,910)
Beginning Net Position (restated)	(109,896)	(13,572)
Ending Net Position	$ (218,587)	$ (20,482)
Condensed Statement of Cash Flows		
Net Cash Provided By (Used In):		
Operating Activities	$ 6,756	$ (2,908)
Noncapital Financing Activities	400	(543)
Capital and Related Financing	(109,547)	(2,600)
Investing Activities	1,529	256
Net Increase (Decrease)	(100,862)	(5,795)
Beginning Cash and Cash Equivalents	150,089	21,376
Ending Cash and Cash Equivalents	$ 49,227	$ 15,581

NOTE 22 - SUBSEQUENT EVENTS

A. Primary Government

Long-term Debt Issues

General Obligation Bonds Issued

In June 2018, the State sold General Obligation bonds in the total amount of $1.2 billion for delivery on July 12, 2018, to provide funds for various capital outlay projects of the State, for county and independent school systems through the Department of Education, to finance projects and facilities for both the Board of Regents of the University System of Georgia (BOR) and the Technical College System of Georgia, and to provide loans through Georgia Environmental Finance Authority (GEFA) to local governments and local government entities for water and sewerage facilities:

Series	Amount (in millions)
2018A	$ 839.5
2018B	389.1
Total	**$ 1,228.6**

The true interest cost on the 2018AB bonds was 3.17% and the average life is 10.481 years.

Other Subsequent Events

Board of Regents

In fiscal year 2019, Board of Regents (the Board), by and on behalf of Abraham Baldwin Agricultural College, transferred all real property, buildings and the majority of all equipment of the Bainbridge and Blakely campuses to the Southern Regional Technical College, an organizational unit of the Technical College System of Georgia. In addition, the University System of Georgia Foundation extinguished Abraham Baldwin Agricultural College's lease agreement related to the Bainbridge Student Wellness Center located on the Bainbridge campus. At June 30, 2018, the outstanding liability related to this lease is $17.8 million.

In December 2017, the Board, by and on behalf of Georgia Institute of Technology, entered into a lease agreement with Georgia Tech Cobb Research Campus, LLC, a wholly-owned subsidiary of Georgia Advanced Technology Ventures (GATV), a component unit, for the Georgia Tech Cobb Research Campus. This facility will be used by Georgia Institute of Technology for ongoing research activities. The lease term is for thirty-one and one half years. Pre-payments for rent during the construction period began December 2017, however, rental payments for the lease period will not begin until June 1, 2019. Total estimated rental payments will be $127.9 million over the lease period. Monthly rental payments will include base rent and a repair and replacement contribution. The capital lease liability and capital asset will be recorded on Georgia Institute of Technology’s books in fiscal year 2019 once construction is completed and the certificate of occupancy has been issued in May 2019.

In March 2018, the Board, by and on behalf of the Georgia Institute of Technology, entered into a lease agreement with Georgia Tech Facilities, Inc, a component unit, for the Dalney Building. This facility will be used by Georgia Institute of Technology for office space and an attached parking facility. The lease term is for thirty-one years and five months.

NOTE 22 - SUBSEQUENT EVENTS (continued)

Pre-payments for rent during the construction period began March 2018, however, rental payments for the lease period will not begin until September 1, 2019. Total estimated rental payments will be $71.1 million over the lease period. Monthly rental payments will include base rent and a repair and replacement contribution. Total rental payments for fiscal year 2019 are expected to equal $1.6 million. The capital lease liability and capital asset will be recorded on Georgia Institute of Technology's books in fiscal year 2020 once construction is complete and the certificate of occupancy is issued in October 2019.

Georgia Building Authority

On September 7th, 2018, a new lease agreement was executed between the State of Georgia and CSX Transportation Inc., for the Western and Atlantic Railroad due to the approaching expiration of the lease agreement on December 31, 2019. The new agreement is effective January 1, 2020, and terminates on December 31, 2069. Lease payments over the 50 year term exceed $1.2 billion and are remitted to the State Treasury on a monthly basis.

Georgia Cyber Center

The Georgia Technology Authority is overseeing construction and partner coordination of the Georgia Cyber Center (cybercenter.georgia.gov), a state-owned facility designed to promote modernization in cybersecurity technology for both the private and public sectors through unique education, training, research, and practical applications.

Comprised of two buildings with a total of 332,000 square feet with an approximate cost of more than $100.0 million, the center is the single largest investment in a cybersecurity facility by a state government to date. It is located in Augusta, Georgia.

The first of the two buildings, the Hull McKnight Building, opened July 10, 2018. It is named in honor of James M. Hull and William D. McKnight, prominent business and community leaders in Augusta. The second building, the Shaffer MacCartney Building, is under construction and scheduled for completion in December 2018.

Hurricane Michael

In October 2018, Hurricane Michael was a Category 4 storm when it made landfall on the Florida panhandle and as storm subsequently moved through Georgia it decreased in strength, becoming a tropical storm. Michael, however, still left its mark, leaving destruction throughout the state. As a result of Hurricane Michael's impact, the State amended the fiscal year 2019 budget providing roughly $270.0 million to provide critical support for devastated communities, including those most heavily dependent on agriculture and the timber industry. The majority of the $270.0 million added to the amended fiscal year 2019 budget is allocated as follows:

- $69.0 million for the Governor's Emergency Fund to pay the state match for federal disaster assistance funding for expenses related to damages and operating costs associated with Hurricane Michael;
- $55.0 million for emergency disaster relief assistance to impacted farmers;
- $20.0 million for emergency disaster relief assistance for cleanup efforts for timberland and pecan growers;
- $25.0 million for the OneGeorgia Authority;
- $15.0 million for Regional Economic Business Assistance grants;
- $69.0 million from motor fuel funds for transportation funding to offset expenses for cleanup and recovery to match reimbursement funding from the federal government (75 percent).

NOTE 22 - SUBSEQUENT EVENTS (continued)

Governor's Office of Planning and Budget

An Environmental Mitigation Trust (Trust) was established as part of the VW Settlement Agreement to fund eligible mitigation actions. Trust funds in the amount of $63.6 million have been allocated to the State of Georgia to be used to implement Eligible Mitigation Actions in Georgia. The funding for implementation of selected Eligible Mitigation Actions is intended to mitigate the excess NOx emissions that occurred in Georgia as a result of the defeat devices.

On January 29, 2018, Wilmington Trust, filed with the Court a Notice of Beneficiary Designation for all Certifying Entities that submitted their Certification for Beneficiary Status forms to the Trustee as outlined in the Trust Agreement. The Governor’s Office of Planning and Budget will be Georgia’s Lead Agency for purposes of administering Georgia’s portion of the Environmental Mitigation Trust allocation. The VW Settlement Agreement establishes a process to administer the funds and a process for states to receive the funds. It describes the development of state mitigation plans. On November 16, 2018, Governor’s Office of Planning and Budget draw down from the trust in the amount of $36.8 million.

Office of the State Treasurer

At the May 30, 2018 board meeting, the State Depository Board (the "Board") authorized two new LGIP Trust offerings for fiscal year 2019. The offerings, GEAP and GEAP Plus, will be a series of target maturity portfolios with an emphasis on principal preservation and income. Each portfolio seeks to achieve a return for a given holding period that outperforms the return of a similar maturity U.S. Treasury.

State Tollway Authority

Pursuant to section 4 of the TIFIA loan agreement, dated as of November 14, 2013, between the Authority and the United States Department of Transportation, the Authority received $19,803,040.38 on July 17, 2018 for eligible project expenses related to the Northwest Corridor Express Lanes Project.

B. Component Units

<u>Other Subsequent Events</u>

Georgia Housing and Finance Authority

The Georgia Housing and Finance Authority (GHFA) has issued 2018 Series B Single-Family Mortgage Bonds.

The issue was for $125.3 million and closed on October 31, 2018.

REQUIRED SUPPLEMENTARY INFORMATION

Required Supplementary Information
Budgetary Comparison Schedule
Budget Fund
For the Fiscal Year Ended June 30, 2018
(dollars in thousands)

	Original Appropriation	Amended Appropriation	Final Budget	Actual	Variance
Funds Available					
State Appropriation					
State General Funds	$ 21,447,338	$ 21,636,673	$ 21,636,673	$ 21,636,638	$ 35
Revenue Shortfall Reserve for K-12 Needs	—	232,684	232,684	232,684	—
State Motor Fuel Funds	1,798,850	1,798,850	1,798,850	1,798,850	—
Lottery Proceeds	1,130,965	1,139,168	1,139,168	1,139,168	—
Tobacco Settlement Funds	136,509	136,509	136,509	136,509	—
Brain and Spinal Injury Trust Fund	1,326	1,422	1,422	1,422	—
Nursing Home Provider Fees	171,469	156,056	161,575	161,575	—
Hospital Provider Fee	310,894	311,653	304,020	304,020	—
State Funds - Prior Year Carry-Over					
State General Fund Prior Year	—	—	201,641	222,890	(21,249)
Brain and Spinal Injury Trust Fund - Prior Year	—	—	1,336	1,320	16
State Motor Fuel Funds - Prior Year	—	—	217,125	1,734,254	(1,517,129)
Federal Funds					
CCDF Mandatory & Matching Funds	97,618	97,618	81,897	81,897	—
Child Care and Development Block Grant	127,918	127,918	110,503	106,391	4,112
Community Mental Health Services Block Grant	14,164	14,164	32,034	30,189	1,845
Community Services Block Grant	16,946	16,845	21,368	20,861	507
Federal Highway Administration - Highway Planning and Construction	1,535,096	1,528,196	1,681,102	1,392,710	288,392
Foster Care Title IV-E	98,262	101,638	98,475	98,105	370
Low-Income Home Energy Assistance	56,001	56,083	61,668	60,607	1,061
Maternal and Child Health Services Block Grant	16,884	16,884	23,839	18,567	5,272
Medical Assistance Program	7,229,610	7,306,063	8,223,321	7,780,071	443,250
Prevention and Treatment of Substance Abuse Block Grant	47,734	48,001	61,182	59,842	1,340
Preventive Health and Health Services Block Grant	2,404	2,207	6,744	4,791	1,953
Social Services Block Grant	52,741	52,605	61,892	58,842	3,050
State Children's Insurance Program	461,089	461,089	595,809	415,844	179,965
Temporary Assistance for Needy Families Block Grant	323,323	326,177	364,529	326,497	38,032
TANF Transfer to SSBG	7,494	4,202	1,332	1,332	—
Federal Funds Not Itemized	3,788,104	3,760,321	4,330,941	3,944,577	386,364
American Recovery and Reinvestment Act of 2009					
Medical Assistance Program	—	—	30,080	24,937	5,143
Federal Funds Not Itemized	13,829	36,134	51,094	67,490	(16,396)
Other Funds	10,429,719	10,760,984	14,023,052	14,058,121	(35,069)
Total Funds Available	49,316,287	50,130,144	55,691,865	55,921,001	(229,136)
Expenditures					
Georgia Senate	11,653	11,653	11,944	10,417	1,527
Georgia House of Representatives	19,628	19,628	20,817	17,997	2,820
Georgia General Assembly Joint Offices	11,442	12,262	12,540	11,901	639
Audits and Accounts, Department of	36,364	36,355	36,355	36,037	318
Appeals, Court of	21,382	21,341	21,642	21,642	—
Judicial Council	19,120	19,014	20,909	20,011	898
Juvenile Courts	8,310	8,309	8,691	8,506	185
Prosecuting Attorneys	82,450	82,510	110,511	108,786	1,725
Superior Courts	72,834	72,849	72,851	72,847	4
Supreme Court	14,966	14,967	15,442	15,442	—
Accounting Office, State	30,135	30,363	33,110	32,763	347
Administrative Services, Department of	207,865	225,770	240,021	232,021	8,000
Agriculture, Department of	53,041	58,832	63,681	61,736	1,945
Banking and Finance, Department of	13,295	13,253	13,567	13,539	28
Behavioral Health & Developmental Disabilities, Department of	1,269,106	1,275,424	1,357,940	1,346,329	11,611
Community Affairs, Department of	273,647	317,884	299,887	298,755	1,132
Community Health, Department of	14,809,526	15,030,841	18,193,652	15,026,773	3,166,879
Community Supervision, Department of	182,441	182,617	185,451	184,575	876

(continued)

Required Supplementary Information
Budgetary Comparison Schedule
Budget Fund
For the Fiscal Year Ended June 30, 2018
(dollars in thousands)

	Original Appropriation	Amended Appropriation	Final Budget	Actual	Variance
Expenditures					
Corrections, Department of	1,191,827	1,196,219	1,249,261	1,249,086	175
Defense, Department of	68,527	67,608	80,095	71,546	8,549
Driver Services, Department of	71,948	71,983	74,918	74,458	460
Early Care and Learning, Department of	816,094	818,051	769,723	760,158	9,565
Economic Development, Department of	107,315	107,526	145,891	64,616	81,275
Education, Department of	11,383,348	11,508,163	11,684,536	11,537,803	146,733
Employees' Retirement System of Georgia	57,673	58,196	58,196	56,473	1,723
Forestry Commission, State	50,102	53,683	73,741	73,719	22
Governor, Office of the	92,192	103,010	229,163	203,867	25,296
Human Services, Department of	1,859,209	1,913,547	2,005,634	1,910,646	94,988
Insurance, Department of	21,577	21,486	22,286	21,729	557
Investigation, Georgia Bureau of	247,605	245,802	287,587	262,934	24,653
Juvenile Justice, Department of	345,299	347,808	373,750	355,145	18,605
Labor, Department of	132,961	127,930	118,435	113,171	5,264
Law, Department of	72,856	72,818	91,436	87,951	3,485
Natural Resources, Department of	280,147	280,050	376,558	346,066	30,492
Pardons and Paroles, State Board of	17,605	17,585	17,777	17,702	75
Properties Commission, State	1,980	10,765	10,765	10,646	119
Public Defender Council, Georgia	91,675	91,601	91,919	91,153	766
Public Health, Department of	686,530	687,612	867,456	764,360	103,096
Public Safety, Department of	242,659	248,198	258,110	252,196	5,914
Public Service Commission	10,777	10,781	11,798	11,797	1
Regents, University System of Georgia	7,530,096	7,707,225	8,417,341	7,759,110	658,231
Revenue, Department of	190,320	256,544	277,491	270,242	7,249
Secretary of State	29,718	29,778	33,127	32,561	566
Student Finance Commission and Authority, Georgia	881,324	899,389	900,889	831,167	69,722
Teachers' Retirement System	38,401	40,223	40,223	36,863	3,360
Technical College System of Georgia	785,365	802,295	833,477	767,248	66,229
Transportation, Department of	3,583,300	3,609,277	4,130,717	3,494,181	636,536
Veterans Service, Department of	40,318	40,875	49,759	49,611	148
Workers' Compensation, State Board of	19,325	19,341	19,341	18,991	350
State of Georgia General Obligation Debt Sinking Fund	1,231,009	1,230,903	1,371,454	1,268,285	103,169
Total Expenditures	49,316,287	50,130,144	55,691,865	50,385,558	5,306,307
Excess of Funds Available over Expenditures	$ —	$ —	$ —	$ 5,535,443	$ (5,535,443)

Required Supplementary Information
Budget to GAAP Reconciliation
For the Fiscal Year Ended June 30, 2018
(dollars in thousands)

	General Fund
Sources/Inflows of Resources	
Summary	
Actual amounts (budgetary basis) “Total Funds Available” from the budgetary comparison schedule	$ 55,920,999
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.	(10,116,237)
Revenues of nonbudgeted funds included within the State's reporting entity, and shown in the General Fund for financial reporting purposes.	25,775,117
State appropriations revenues are budgetary resources, but are netted with the State's treasury disbursements for GAAP purposes.	(25,410,886)
Basis Differences:	
Accrual of taxpayer assessed receivables and revenues.	233,662
Fund balance adjustments are not inflows of budgetary resources, but affect current year revenues for GAAP reporting purposes.	(291,066)
Prior Year Reserves Available for Expenditure are included in Funds Available, but are not revenues for GAAP reporting purposes.	(4,815,648)
Revenues from intrafund transactions are budgetary resources, but are not revenues for GAAP reporting purposes.	(551,221)
Receivables and revenues accrued based on encumbrances reported for goods and services ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year the goods and services are received for GAAP reporting.	436,985
Transfers from other funds are inflows of budgetary resources, but are not revenues for financial reporting purposes.	(78,749)
Revenue reported for nonbudgetary food stamp program and donated commodities.	2,591,062
Revenue reported for on-behalf payments related to pensions.	57,734
Other net accrued receivables and revenues.	1,576
Total Revenues (General Fund) as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds	$ 43,753,328

(continued)

Required Supplementary Information
Budget to GAAP Reconciliation
For the Fiscal Year Ended June 30, 2018
(dollars in thousands)

	General Fund
Uses/Outflows of Resources	
Summary	
Actual amounts (budgetary basis) "Total Expenditures" from the budgetary comparison schedule	$ 50,385,558
Differences - budget to GAAP	
Perspective Differences:	
Expenditures of Budgeted Funds for organizations not reported in the General Fund.	(12,215,864)
Expenditures of nonbudgeted Funds included within the State's reporting entity, and shown in the General Fund for financial reporting purposes.	187,814
Basis Differences:	
Accrual of teacher salaries not included in current budget year.	141,937
Capital lease acquisitions are not outflows of budgetary resources, but are recorded as current expenditures and other financing sources for GAAP reporting.	9,625
Change in expenditure accrual for nonbudgetary Medicaid claims	106,600
Encumbrances for goods and services ordered but not received are reported as budgetary expenditures in the year the order is placed, but are reported as GAAP expenditures in the year the goods and services are received.	256,430
Expenditures from intrafund transactions are budgetary outflows, but are not expenditures for GAAP reporting purposes.	(551,899)
Expenditures reported for nonbudgetary food stamp program and donated commodities.	2,591,062
Expenditures reported for on-behalf payments related to pensions.	57,734
Fund balance adjustments are not outflows of budgetary resources, but affect current year expenditures for GAAP reporting purposes.	(557,049)
Transfers to other funds are outflows of budgetary resources, but are not expenditures for GAAP reporting purposes.	(1,695,610)
Other net accrued liabilities and expenditures.	35,085
Total Expenditures (General Fund) as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds	$ 38,751,423

Budgetary Reporting

Budgetary Process

O.C.G.A. Title 45, Chapter 12, Article 4 sets forth the process for the development and monitoring of an appropriated budget for the State. Not later than September 1 of each year, the head of each executive branch budget unit (e.g. agencies, departments, and commissions) must submit estimates of the financial requirements for the subsequent fiscal year to Office of Planning and Budget (OPB), which operates under the direction of the Governor. Budget estimates relative to the legislative and judicial branches of State government are provided to OPB for the purpose of estimating the total financial needs of the State, but are not subject to revision or review by OPB.

The Governor, through the OPB, examines the estimates and may investigate and revise executive branch submissions as necessary. Upon the completion and revisions of the estimates, the Governor must prepare and submit a budget report to the General Assembly within five days of the date on which the General Assembly convenes. The Governor also possesses the responsibility and authority to establish the revenue estimate for the corresponding fiscal year.

The General Assembly, after adopting such modifications to the Governor's budget report as it deems necessary, enacts the General Appropriations Act for the subsequent fiscal year. Each General Appropriations Act enacted, along with amendments as are adopted, continues in force and effect for the next fiscal year after adoption. In accordance with the Georgia Constitution, Article III, Section IX, Paragraph IV, "The General Assembly shall not appropriate [State] funds for any given fiscal year which, in aggregate, exceed a sum equal to the amount of unappropriated surplus expected to have accrued in the state treasury at the beginning of the fiscal year together with an amount not greater than the total treasury receipts from existing revenue sources anticipated to be collected in the fiscal year, less refunds, as estimated in the budget report and amendments thereto." The Constitution also authorizes the passage of additional Supplementary Appropriation Acts, provided sufficient surplus is available or additional revenue measures have been enacted. Finally, the Governor may withhold allotments of funds to budget units in order to maintain this balance of revenues and expenditures. Compliance with this requirement is demonstrated in the Governor's budget report and the Appropriation Acts for each fiscal year.

To the extent that federal funds received by the State are changed by federal authority or exceed the amounts appropriated by the original or supplementary appropriations acts, such excess, changed or unanticipated funds are "continually appropriated;" that is, they are amended in to departmental budgets when such events are known. Similarly, revenues generated by departments that may be retained for departmental operations ("other funds") are amended in as such funds are collected or anticipated.

Internal transfers within a budget unit are subject to the condition that no funds shall be transferred for the purpose of initiating a new program area which otherwise had received no appropriation of any funding source.

The Governor, through OPB, requires each budget unit, other than those of the legislative and judicial branches, to submit an annual operating budget based on the programs set forth in the Appropriations Act. Budget units submit periodic allotment requests, which must be approved in conjunction with quarterly work programs prior to release of appropriated funds. Further monitoring of budget unit activities is accomplished by review of expenditure reports, which are submitted quarterly to OPB.

Required Supplementary Information
Notes to Required Supplementary Information
Budgetary Comparison
For the Fiscal Year Ended June 30, 2018
(dollars in thousands)

The appropriated budget covers a majority of the organizations comprising the State's General Fund, and includes appropriations for debt service. The budget also includes certain proprietary funds, the Higher Education Fund, and the administrative costs of operating certain public employee retirement systems.

Budget units of the State are responsible for budgetary control of their respective portion of the total State appropriated budget. The legal level of budgetary control is at the program level by funding source. Due to the complex nature of the State appropriated budget, a separate *Budgetary Compliance Report* is published each year to report on compliance at the legal level of budgetary control.

Budgetary Basis of Accounting

The annual budget of the State is prepared on the modified accrual basis utilizing encumbrance accounting with the following exceptions: federal and certain other revenues are accrued based on the unexecuted portion of long-term contracts; and intrafund transactions are disclosed as revenues and expenditures. Under encumbrance accounting, encumbrances are used to indicate the intent to purchase goods or services. Liabilities and expenditures are recorded upon issuance of completed purchase orders. Goods or services need not have been received for liabilities and expenditures to be recorded.

The budget represents departmental appropriations recommended by the Governor and adopted by the General Assembly prior to the beginning of the fiscal year. Annual appropriated budgets are adopted at the departmental (budget unit) level by program and funding source. All unencumbered annual appropriations lapse at fiscal year-end unless otherwise specified by constitutional or statutory provisions. Supplementary and amended appropriations may be enacted during the next legislative session by the same process used for original appropriations.

Budgetary Compliance Exceptions

Expenditures of State funds may not exceed the amount appropriated at the legal level of control as provided by the Constitution. For the year ended June 30, 2018, total State funds expenditures did not exceed appropriated amounts.

For more information on budgetary exceptions, please refer to the *Budgetary Compliance Report* issued under separate cover. This report can be found on website of the State Accounting Office at http://sao.georgia.gov/.

Budgetary Presentation

The accompanying Budgetary Comparison Schedule for the Budget Fund presents comparisons of the legally adopted budget with actual data prepared on the budgetary basis of accounting utilized by the State. The Budget Fund, a compilation of the budget units of the State, differs from the funds presented in the basic financial statements. The Budget-to-GAAP reconciliation immediately following the budgetary comparison schedule identifies the types and amounts of adjustments necessary to reconcile the Budget Fund with the General Fund as reported in accordance with generally accepted accounting principles.

Required Supplementary Information
Public Entity Risk Pool
For the Fiscal Year Ended June 30, 2018
(dollars in thousands)

Claims Development Information

The table below illustrates how the State Health Benefit Plan's (SHBP) earned revenues and investment income compare to related costs of loss and other expenses assumed by the SHBP as of the end of the current fiscal year. The rows of the table are defined as follows: (1) This line shows the total of each fiscal year's earned contribution revenues and investment revenues. (2) This line shows each fiscal year's other operating costs of the fund including overhead and claims expense not allocable to individual claims. (3) This line shows the fund's incurred claims and allocated claim adjustment expenses (both paid and accrued) as originally reported at the end of the first year in which the event that triggered coverage under the contract occurred (policy year). (4) This section shows the cumulative net amounts paid as of the end of the policy year. (5) This section shows how current year's net incurred claims increased or decreased as of the end of the year. This annual reestimation results from new information received on known claims, reevaluation of existing information on known claims, as well as emergence of new claims not previously known. (6) This line compares the latest reestimated net incurred claims amount to the amount originally established (line 3) and shows whether this latest estimate of claims cost is greater or less than originally thought. As data for individual policy years mature, the correlation between original estimates and reestimated amounts is commonly used to evaluate the accuracy of net incurred claims currently recognized in less mature policy years.

	Fiscal and Policy Year Ended					
	2013	**2014**	**2015**	**2016**	**2017**	**2018**
(1) Required contribution and investment revenue earned (fiscal year)	$2,366,054	$2,434,392	$2,267,667	$2,145,197	$2,271,697	$2,966,874
(2) Unallocated expenses	100,532	150,939	155,501	144,515	140,450	132,097
(3) Estimated claims and expenses, end of policy year, net incurred	2,074,390	1,880,541	1,882,588	2,013,443	2,158,188	2,269,151
(4) Net paid (cumulative) as of:						
End of policy year	1,919,597	1,758,032	1,708,902	1,847,202	2,052,213	2,187,695
One year later	2,223,219	1,931,895	1,871,509	1,915,972	2,151,121	
Two years later	2,223,219	1,931,895	1,871,509	1,915,972		
Three years later	2,223,219	1,931,895	1,871,509			
Four years later	2,223,219	1,931,895				
Five years later(1)	2,223,219					
(5) Reestimated net incurred claims and expenses:						
End of policy year	2,074,390	1,880,541	1,882,588	2,013,443	2,158,188	2,269,151
One year later	2,068,566	1,879,800	1,871,599	1,915,823	2,150,162	
Two years later	2,014,054	1,934,321	1,871,599	1,915,823		
Three years later	2,019,869	1,934,321	1,871,599			
Four years later	2,019,869	1,934,321				
Five years later(1)	2,019,869					
(6) Increase (decrease) in estimated net incurred claims and expenses from the end of policy year	$ (54,521)	$ 53,780	$ (10,989)	$ (97,620)	$ (8,026)	$ —

(1)Data not available prior to fiscal year 2013

REQUIRED SUPPLEMENTARY INFORMATION - PENSIONS

Required Supplementary Information
Schedules of Employers' and Nonemployers' Contributions
Defined Benefit Pension Plans
For the Last Ten Fiscal Years
(dollars in thousands)

	Year Ended	Actuarially determined contribution (a)	Contributions in relation to the actuarially determined contribution (b)	Contribution deficiency (excess) (a-b)	Covered payroll (c)	Contributions as a percentage of covered payroll (b/c)
Employees' Retirement System [1]	6/30/2009	282,103	281,206	897	2,674,155	10.52%
	6/30/2010	263,064	263,064	—	2,571,042	10.23%
	6/30/2011	261,132	261,132	—	2,486,780	10.50%
	6/30/2012	273,623	274,034	(411)	2,414,884	11.35%
	6/30/2013	358,376	358,992	(616)	2,335,773	15.37%
	6/30/2014	428,982	429,752	(770)	2,335,773	18.40%
	6/30/2015	517,220	518,163	(943)	2,353,225	22.02%
	6/30/2016	595,124	595,566	(442)	2,390,457	24.91%
	6/30/2017	624,623	625,281	(658)	2,565,918	24.37%
	6/30/2018	650,073	652,167	(2,094)	2,635,896	24.74%
Public School Employees Retirement System [2]	6/30/2009	5,529	5,529	—	N/A	N/A
	6/30/2010	5,530	5,530	—	N/A	N/A
	6/30/2011	7,509	7,509	—	N/A	N/A
	6/30/2012	15,884	15,884	—	N/A	N/A
	6/30/2013	24,829	24,829	—	N/A	N/A
	6/30/2014	27,160	27,160	—	N/A	N/A
	6/30/2015	28,461	28,461	—	N/A	N/A
	6/30/2016	28,580	28,580	—	N/A	N/A
	6/30/2017	26,277	26,277	—	N/A	N/A
	6/30/2018	29,276	29,276	—	N/A	N/A
Georgia Judicial Retirement System	6/30/2009	1,703	1,703	—	52,803	3.23%
	6/30/2010	2,600	2,600	—	51,293	5.07%
	6/30/2011	1,932	1,932	—	52,331	3.69%
	6/30/2012	2,083	2,083	—	51,898	4.01%
	6/30/2013	2,279	2,279	—	52,807	4.32%
	6/30/2014	2,375	2,375	—	54,787	4.33%
	6/30/2015	4,261	4,261	—	54,272	7.85%
	6/30/2016	7,623	7,623	—	57,401	13.28%
	6/30/2017	6,684	6,684	—	59,695	11.20%
	6/30/2018	6,566	6,566	—	60,572	10.84%
Teachers Retirement System of Georgia	6/30/2009	1,026,287	1,026,287	—	11,059,127	9.28%
	6/30/2010	1,057,416	1,057,416	—	10,856,427	9.74%
	6/30/2011	1,089,912	1,089,912	—	10,602,257	10.28%
	6/30/2012	1,082,224	1,082,224	—	10,527,471	10.28%
	6/30/2013	1,180,469	1,180,469	—	10,345,916	11.41%
	6/30/2014	1,270,963	1,270,963	—	10,349,862	12.28%
	6/30/2015	1,406,706	1,406,706	—	10,697,384	13.15%
	6/30/2016	1,580,532	1,580,532	—	11,075,907	14.27%
	6/30/2017	1,654,844	1,654,844	—	11,596,664	14.27%
	6/30/2018	2,018,724	2,018,724	—	12,009,066	16.81%
Peace Officers' Annuity and Benefit Fund of Georgia	6/30/2009	14,034	16,144	(2,110)	N/A	N/A
	6/30/2010	14,034	17,281	(3,247)	N/A	N/A
	6/30/2011	19,760	16,185	3,575	N/A	N/A
	6/30/2012	19,760	16,256	3,504	N/A	N/A
	6/30/2013	22,343	15,472	6,871	N/A	N/A
	6/30/2014	22,340	15,342	6,998	N/A	N/A
	6/30/2015	17,815	15,341	2,474	N/A	N/A
	6/30/2016	18,082	14,713	3,369	N/A	N/A
	6/30/2017	12,651	14,005	(1,354)	N/A	N/A
	6/30/2018	11,351	13,826	(2,475)	N/A	N/A
Georgia Firefighters' Pension Fund	6/30/2009	22,845	26,446	(3,601)	N/A	N/A
	6/30/2010	36,031	25,328	10,703	N/A	N/A
	6/30/2011	36,031	25,966	10,065	N/A	N/A
	6/30/2012	29,995	27,073	2,922	N/A	N/A
	6/30/2013	29,995	28,442	1,553	N/A	N/A
	6/30/2014	28,956	30,034	(1,078)	N/A	N/A
	6/30/2015	26,215	31,489	(5,274)	N/A	N/A
	6/30/2016	28,030	32,684	(4,654)	N/A	N/A
	6/30/2017	28,987	34,152	(5,165)	N/A	N/A
	6/30/2018	28,191	35,715	(7,524)	N/A	N/A

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

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

[2] No statistics regarding covered payroll are available. Contributions are not based upon members' salaries, but are simply $4.00 per member, per month, for nine months, each fiscal year if hired prior to July 1, 2012 and $10 per month, per member, per month, for nine months, if hired after July 1, 2012.

Schedule includes all significant plans and funds administered by the State of Georgia

Required Supplementary Information
Schedules of Employers' and Nonemployers' Net Pension Liability
Defined Benefit Pension Plans
For the Last Five Fiscal Years
(dollars in thousands)

	2018	2017	2016	2015	2014
Employees' Retirement System:					
Total pension liability	$17,628,219	$ 17,159,634	$ 17,103,987	$ 17,019,362	$ 17,042,149
Plan fiduciary net position	13,517,186	13,098,299	12,373,567	12,967,964	13,291,531
Employers' and nonemployers' net pension liability	$ 4,111,033	$ 4,061,335	$ 4,730,420	$ 4,051,398	$ 3,750,618
Plan fiduciary net position as a percentage of the total pension liability	76.68 %	76.33 %	72.34 %	76.20 %	77.99 %
Covered payroll	$ 2,635,896	$ 2,565,918	$ 2,390,457	$ 2,353,225	$ 2,335,773
Employers' and nonemployers' net pension liability as a percentage of covered payroll	155.96 %	158.28 %	197.89 %	172.16 %	160.57 %
Public School Employees Retirement System:					
Total pension liability	$ 1,072,165	$ 1,013,163	$ 992,292	$ 946,200	$ 930,745
Plan fiduciary net position	914,138	868,134	803,775	823,150	821,733
Employers' and nonemployers' net pension liability	$ 158,027	$ 145,029	$ 188,517	$ 123,050	$ 109,012
Plan fiduciary net position as a percentage of the total pension liability	85.26 %	85.69 %	81.00 %	87.00 %	88.29 %
Covered payroll	N/A	N/A	N/A	N/A	N/A
Employers' and nonemployers' net pension liability as a percentage of covered payroll	N/A	N/A	N/A	N/A	N/A
Georgia Judicial Retirement System:					
Total pension liability	$ 428,624	$ 394,736	$ 368,669	$ 357,081	$ 350,443
Plan fiduciary net position	466,657	441,182	403,011	404,852	400,790
Employers' and nonemployers' net pension (asset)	$ (38,033)	$ (46,446)	$ (34,342)	$ (47,771)	$ (50,347)
Plan fiduciary net position as a percentage of the total pension liability	108.87 %	111.77 %	109.32 %	113.38 %	114.37 %
Covered payroll	$ 60,572	$ 59,695	$ 57,401	$ 54,272	$ 54,787
Employers' and nonemployers' net pension (asset) as a percentage of covered payroll	(62.79)%	(77.81)%	(59.83)%	(88.02)%	(91.90)%
Teachers Retirement System:					
Total pension liability	$94,095,067	$ 89,926,280	$ 86,183,526	$ 82,023,120	$ 79,099,772
Plan fiduciary net position	75,532,925	71,340,972	65,552,411	66,799,111	66,466,091
Employers' and nonemployers' net pension liability	$18,562,142	$ 18,585,308	$ 20,631,115	$ 15,224,009	$ 12,633,681
Plan fiduciary net position as a percentage of the total pension liability	80.27 %	79.33 %	76.06 %	81.44 %	84.03 %
Covered payroll	$12,009,066	$ 11,596,664	$ 11,075,907	$ 10,697,384	$ 10,349,862
Employers' and nonemployers' net pension liability as a percentage of covered payroll	154.57 %	160.26 %	186.27 %	142.32 %	122.07 %
Peace Officers' Annuity and Benefit Fund of Georgia:					
Total pension liability	$ 769,736	$ 742,609	$ 747,459	$ 720,213	$ 674,725
Plan fiduciary net position	795,273	754,615	689,022	703,536	698,889
Employers' and nonemployers' net pension liability/(asset)	$ (25,537)	$ 12.006	$ 58,437	$ 16,677	$ (24,164)
Plan fiduciary net position as a percentage of the total pension liability	103.32 %	101.62 %	92.18 %	97.68 %	103.58 %
Covered payroll	N/A	N/A	N/A	N/A	N/A
Employers' and nonemployers' net pension liability/(asset) as a percentage of covered payroll	N/A	N/A	N/A	N/A	N/A
Georgia Firefighters' Pension Fund:					
Total pension liability	$ 1,065,923	$ 1,007,205	$ 970,157	$ 923,835	$ 848,314
Plan fiduciary net position	894,871	843,414	766,678	767,333	761,115
Employers' and nonemployers' net pension liability	$ 171,052	$ 163,791	$ 203,479	$ 156,502	$ 87,199
Plan fiduciary net position as a percentage of the total pension liability	83.95 %	83.74 %	79.03 %	83.06 %	89.72 %
Covered payroll	N/A	N/A	N/A	N/A	N/A
Employers' and nonemployers' net pension liability as a percentage of covered payroll	N/A	N/A	N/A	N/A	N/A

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

Schedule includes all significant plans and funds administered by the State of Georgia

Required Supplementary Information

Schedules of Changes in Employers' and Nonemployers' Net Pension Liability

Defined Benefit Pension Plans

For the Last Five Fiscal Years

(dollars in thousands)

	2018	2017	2016	2015	2014
Employees' Retirement System:					
Total pension liability:					
Service cost	$ 129,294	$ 125,910	$ 143,043	$ 145,045	$ 150,075
Interest	1,233,689	1,230,175	1,225,650	1,227,846	1,224,380
Benefit changes	31,097	30,563	—	—	—
Differences between expected and actual experience	180,655	72,315	(238)	(53,950)	—
Changes of assumptions	314,733	—	70,890	—	—
Benefit payments	(1,413,298)	(1,394,283)	(1,347,633)	(1,334,278)	(1,305,998)
Refunds of contributions	(7,585)	(9,033)	(7,087)	(7,450)	(8,757)
Net change in total pension liability	468,585	55,647	84,625	(22,787)	59,700
Total pension liability-beginning	17,159,634	17,103,987	17,019,362	17,042,149	16,982,449
Total pension liability-ending (a)	17,628,219	17,159,634	17,103,987	17,019,362	17,042,149
Plan fiduciary net position:					
Contributions-employer	639,302	613,191	583,082	505,668	418,807
Contributions-nonemployer	12,865	12,080	12,484	12,495	10,945
Contributions-member	37,130	35,863	31,961	33,713	32,423
Administrative expense allotment	10	10	10	10	—
Net investment income	1,166,013	1,475,626	141,292	474,147	2,021,748
Benefit payments	(1,413,298)	(1,394,283)	(1,347,633)	(1,334,278)	(1,305,998)
Administrative expense	(8,056)	(8,732)	(8,506)	(7,872)	(7,440)
Refunds of contributions	(7,585)	(9,033)	(7,087)	(7,450)	(8,757)
Other*	(7,494)	10	—	—	—
Net change in plan fiduciary net position	418,887	724,732	(594,397)	(323,567)	1,161,728
Plan fiduciary net position-beginning	13,098,299	12,373,567	12,967,964	13,291,531	12,129,803
Plan fiduciary net position-ending (b)	13,517,186	13,098,299	12,373,567	12,967,964	13,291,531
Net pension liability-ending (a)-(b)	$ 4,111,033	$ 4,061,335	$ 4,730,420	$ 4,051,398	$ 3,750,618
Public School Employees Retirement System:					
Total pension liability:					
Service cost	$ 13,180	$ 12,788	$ 11,952	$ 12,089	$ 11,049
Interest	73,643	72,157	68,776	67,652	66,143
Benefit changes	17,289	—	—	—	—
Differences between expected and actual experience	(3,943)	(3,665)	(9,483)	(6,858)	—
Changes of assumptions	21,354	—	33,215	—	—
Benefit payments	(61,820)	(59,378)	(57,903)	(56,972)	(56,189)
Refunds of contributions	(701)	(1,031)	(465)	(456)	(514)
Net change in total pension liability	59,002	20,871	46,092	15,455	20,489
Total pension liability-beginning	1,013,163	992,292	946,200	930,745	910,256
Total pension liability-ending (a)	1,072,165	1,013,163	992,292	946,200	930,745
Plan fiduciary net position:					
Contributions-nonemployer	29,276	26,277	28,580	28,461	27,160
Contributions-member	2,162	2,084	1,925	1,800	1,659
Net investment income	78,417	97,715	9,809	30,129	123,799
Benefit payments	(61,820)	(59,378)	(57,903)	(56,972)	(56,189)
Administrative expense	(1,331)	(1,308)	(1,321)	(1,545)	(1,450)
Refunds of contributions	(701)	(1,031)	(465)	(456)	(514)
Net change in plan fiduciary net position	46,003	64,359	(19,375)	1,417	94,465
Plan fiduciary net position-beginning	868,134	803,775	823,150	821,733	727,268
Plan fiduciary net position-ending (b)	914,137	868,134	803,775	823,150	821,733
Net pension liability-ending (a)-(b)	$ 158,028	$ 145,029	$ 188,517	$ 123,050	$ 109,012

(continued)

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

Schedule includes all significant plans and funds administered by the State of Georgia

*Pursuant to the requirements of GASB Statement 75, the fiscal year 2017 beginning FNP was restated by $7,494,507 to reflect the impact of recording the initial Deferred Outflows of Resources and the Net Pension Liability

Required Supplementary Information
Schedules of Changes in Employers' and Nonemployers' Net Pension Liability
Defined Benefit Pension Plans
For the Last Five Fiscal Years
(dollars in thousands)

	2018	2017	2016	2015	2014
Georgia Judicial Retirement System:					
Total pension liability:					
Service cost	$ 13,019	$ 12,514	$ 12,713	$ 7,751	$ 7,584
Interest	28,666	26,826	26,058	25,566	24,530
Benefit changes	3,442	3,419	—	—	—
Differences between expected and actual experience	6,379	5,258	(3,603)	(7,542)	—
Changes of assumptions	7,466	—	(4,308)	—	—
Benefit payments	(24,934)	(21,784)	(19,011)	(18,365)	(17,441)
Refunds of contributions	(150)	(166)	(261)	(772)	(22)
Net change in total pension liability	33,888	26,067	11,588	6,638	14,651
Total pension liability-beginning	394,736	368,669	357,081	350,443	335,792
Total pension liability-ending (a)	428,624	394,736	368,669	357,081	350,443
Plan fiduciary net position:					
Contributions-employer	4,725	4,081	4,754	2,696	1,373
Contributions-nonemployer	1,841	2,603	2,869	1,564	1,002
Contributions-member	4,910	4,906	5,507	5,061	4,731
Net investment income	39,877	49,259	5,055	14,697	60,012
Benefit payments	(24,934)	(21,784)	(19,011)	(18,365)	(17,441)
Administrative expense	(794)	(728)	(754)	(819)	(754)
Refunds of contributions	(150)	(166)	(261)	(772)	(22)
Net change in plan fiduciary net position	25,475	38,171	(1,841)	4,062	48,901
Plan fiduciary net position-beginning	441,182	403,011	404,852	400,790	351,889
Plan fiduciary net position-ending (b)	466,657	441,182	403,011	404,852	400,790
Net pension (asset)-ending (a)-(b)	$ (38,033)	$ (46,446)	$ (34,342)	$ (47,771)	$ (50,347)
Teachers Retirement System:					
Total pension liability:					
Service cost	$ 1,484,705	$ 1,413,080	$ 1,435,808	$ 1,386,498	$ 1,374,556
Interest	6,565,372	6,293,611	5,990,178	5,779,597	5,557,046
Benefit changes	—	—	—	—	—
Differences between expected and actual experience	894,691	573,483	380,526	(165,785)	—
Changes of assumptions	—	—	662,047	—	—
Benefit payments	(4,699,920)	(4,461,124)	(4,228,819)	(3,996,879)	(3,764,452)
Refunds of contributions	(76,061)	(76,296)	(79,334)	(80,083)	(87,095)
Net change in total pension liability	4,168,787	3,742,754	4,160,406	2,923,348	3,080,055
Total pension liability-beginning	89,926,280	86,183,526	82,023,120	79,099,772	76,019,717
Total pension liability-ending (a)	94,095,067	89,926,280	86,183,526	82,023,120	79,099,772
Plan fiduciary net position:					
Contributions - employer	2,014,088	1,648,411	1,572,624	1,399,668	1,264,546
Contributions-nonemployer	4,416	6,175	7,908	7,038	6,417
Contributions-member	745,574	716,233	685,626	661,835	640,120
Net investment income	6,247,155	7,971,677	810,574	2,384,145	9,826,743
Benefit payments	(4,699,920)	(4,461,124)	(4,228,819)	(3,996,879)	(3,764,452)
Administrative expense	(15,865)	(16,773)	(15,281)	(14,996)	(15,025)
Refunds of contributions	(76,061)	(76,296)	(79,334)	(80,085)	(87,095)
Other**	(27,434)	258	—	(27,706)	—
Net change in plan fiduciary net position	4,191,953	5,788,561	(1,246,702)	333,020	7,871,254
Plan fiduciary net position-beginning	71,340,972	65,552,411	66,799,113	66,466,091	58,594,837
Plan fiduciary net position-ending (b)	75,532,925	71,340,972	65,552,411	66,799,113	66,466,091
Net pension liability-ending (a)-(b)	$ 18,562,142	$ 18,585,308	$ 20,631,115	$ 15,224,007	$ 12,633,681

(continued)

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

Schedule includes all significant plans and funds administered by the State of Georgia

**Pursuant to the requirement of GASB 75, the fiscal year 2017 beginning FNP was restated by $27,653,657 to reflect the impact of recording the initial Deferred Outflows of Resources and the Net Pension Liability

Required Supplementary Information
Schedules of Changes in Employers' and Nonemployers' Net Pension Liability
Defined Benefit Pension Plans
For the Last Five Fiscal Years
(dollars in thousands)

	2018	2017	2016	2015	2014
Peace Officers' Annuity and Benefits Fund of Georgia					
Total pension liability:					
Service cost	$ 13,771	$ 15,049	$ 12,826	$ 13,085	$ 17,890
Interest	48,066	52,255	50,242	47,138	43,877
Differences between expected and actual experience	(350)	(6,615)	(4,688)	—	—
Changes of assumptions	—	(32,942)	—	14,577	—
Benefit payments	(33,890)	(32,216)	(30,696)	(28,879)	(27,263)
Refunds of contributions	(470)	(406)	(413)	(433)	(437)
Net change in total pension liability	27,127	(4.875)	27,271	45,488	34,067
Total pension liability-beginning	742,609	747,484	720,213	674,725	640,658
Total pension liability-ending (a)	769,736	742.609	747.484	720,213	674,725
Plan fiduciary net position:					
Contributions-nonemployer	13,826	14,005	14,713	15,341	15,342
Contributions-member	3,460	3,482	3,527	3,537	3,532
Net investment income	58,716	81,611	(837)	15,771	103,600
Benefit payments	(33,890)	(32,216)	(30,696)	(28,879)	(27,263)
Miscellaneous	92	64	66	65	90
Administrative expense	(1,076)	(947)	(874)	(755)	(730)
Refunds of contributions	(470)	(406)	(413)	(433)	(437)
Net change in plan fiduciary net position	40,658	65,593	(14,514)	4,647	94,134
Plan fiduciary net position-beginning	754,616	689,021	703,535	698,889	604,755
Plan fiduciary net position-ending (b)	795,274	754.615	689,021	703,536	698,889
Net pension liability/(asset)-ending (a)-(b)	$ (25,538)	$ (12.006)	$ 58,463	$ 16,677	$ (24,164)
Georgia Firefighters' Pension Fund:					
Total pension liability:					
Service cost	$ 19,713	$ 19,557	$ 19,398	$ 18,377	$ 17,889
Interest	58,986	56,847	54,164	53,833	51,850
Benefit changes	20,553	9,980	14,201	—	—
Differences between expected and actual experience	7,676	(3,913)	771	(11,448)	—
Changes of assumptions	—	—	—	54,973	—
Benefit payments	(47,256)	(44,301)	(41,562)	(39,379)	(37,530)
Refunds of contributions	(954)	(1,121)	(650)	(835)	(694)
Net change in total pension liability	58,718	37,049	46,322	75,521	31,515
Total pension liability-beginning	1,007,205	970,156	923,835	848,314	816,799
Total pension liability-ending (a)	1,065,923	1,007,205	970,157	923,835	848,314
Plan fiduciary net position:					
Contributions-nonemployer	35,715	34,152	32,684	31,489	30,034
Contributions-member	3,960	3,952	3,970	3,896	3,836
Net investment income	60,756	85,059	5,973	12,080	111,715
Benefit payments	(47,256)	(44,301)	(41,562)	(39,379)	(37,530)
Administrative expense	(1,484)	(1,341)	(1,362)	(1,329)	(1,209)
Refunds of contributions	(954)	(1,121)	(651)	(835)	(693)
Other	718	337	293	296	332
Net change in plan fiduciary net position	51,455	76,737	(655)	6,218	106,485
Plan fiduciary net position-beginning	843,414	766,677	767,333	761,115	654,630
Plan fiduciary net position-ending (b)	894,869	843,414	766,678	767,333	761,115
Net pension liability-ending (a)-(b)	$ 171,054	$ 163,791	$ 203,479	$ 156,502	$ 87,199

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

Schedule includes all significant plans and funds administered by the State of Georgia

Required Supplementary Information
Schedules of Investment Returns
Defined Benefit Pension Plans
For the Last Five Fiscal Years

	Annual money-weighted rate of return, net of investment expense				
	2018	**2017**	**2016**	**2015**	**2014**
Pooled Investment Fund (ERS):	0.60%	2.90%	(7.23%)	(5.32%)	(5.95%)
Employees' Retirement System					
Public School Employees Retirement System					
Georgia Judicial Retirement System					
Teachers Retirement System	5.05%	7.62%	(2.92%)	(0.45%)	12.17%
Peace Officers' Annuity and Benefit Fund of Georgia	7.89%	11.91%	0.08%	2.53%	18.49%
Georgia Firefighters' Pension Fund	7.76%	11.10%	0.96%	1.23%	17.60%

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

Schedule includes all significant plans and funds administered by the State of Georgia

Actuarial Methods and Assumptions - Plan Perspective:

This note provides information about changes of benefit terms, changes of assumptions, and methods and assumptions used in calculations of actuarially determined contributions.

Employees' Retirement System

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

Changes of assumptions: Subsequent to the June 30, 2017 measurement date, the ERS Board adopted a new funding policy. Because of this new funding policy, the assumed investment rate of return was reduced from 7.50% to 7.40% for the June 30, 2017 actuarial valuation. In addition, based on the ERS board's new funding policy the assumed investment rate of return was reduced by 0.10% from 7.40% to 7.30% as of the June 30, 2018 measurement date. Therefore, an assumption change from 7.50% to 7.30% is reflected in the calculation of the total pension liability.

Public School Employees Retirement System

Changes of benefit terms: The member contribution rate was increased from $4.00 to $10.00 per month for members joining the System on or after July 1, 2012. The monthly benefit accrual rate was increased from $14.75 to $15.00 per year of creditable service effective July 1, 2017.

Changes of assumptions: Subsequent to the June 30, 2017 measurement date, the PSERS Board adopted a new funding policy. Because of this new funding policy, the assumed investment rate of return was reduced from 7.50% to 7.40% for the June 30, 2017 actuarial valuation. In addition, based on the ERS board's new funding policy the assumed investment rate of return was reduced by 0.10% from 7.40% to 7.30% as of the June 30, 2018 measurement date. Therefore, an assumption change from 7.50% to 7.30% is reflected in the calculation of the total pension liability.

Georgia Judicial Retirement System

Changes of benefit terms: Spouses benefits were changed for members joining the System on or after July 1, 2012. A 2% cost -of-living adjustment (COLA) was granted to certain retired members and beneficiaries effective July 1, 2018.

Changes of assumptions: Subsequent to the June 30, 2017 measurement date, the GJRS Board adopted a new funding policy. Because of this new funding policy, the assumed investment rate of return was reduced from 7.50% to 7.40% for the June 30, 2017 actuarial valuation. In addition, based on the ERS board's new funding policy the assumed investment rate of return was reduced by 0.10% from 7.40% to 7.30% as of the June 30, 2018 measurement date. Therefore, an assumption change from 7.50% to 7.30% is reflected in the calculation of the total pension liability.

Actuarial Methods and Assumptions - Plan Perspective:

Teachers Retirement System

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

Changes of assumptions: On November 18, 2015, the Board adopted recommend changes to the economic and demographic assumptions utilized by the System. Primary among the changes were the updates to rates of mortality, retirement, withdrawal, and salary increases.

Peace Officers' Annuity and Benefit Fund of Georgia

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

Change in assumptions: For fiscal year 2015, the mortality table was changed to the RP 2014 Healthy Mortality Table with blue collar adjustment and generational mortality projection using Scale MP-2014 for healthy lives and RP-2014 Disabled Retiree Mortality Table with generational mortality projection using Scale MP-2014 for disabled lives. For fiscal year 2017, the mortality table for healthy lives was updated to the RP-2014 Healthy Mortality Table with blue collar adjustments and generational mortality projection using with Conduent modified MP-2016 scale and the mortality table for disabled lives was updated to the RP-2014 Disabled Retiree Mortality Table with generational mortality projection using the Conduent modified MP-2016 scale. Also, the active retirement and termination rates were updated based on the results of an experience study covering the period June 30, 2008 through June 30, 2015. In addition, the discount rate was decreased from 7.0% to 6.50%.

Georgia Firefighters' Pension Fund

Changes of benefit terms: In 2016, a one-time 1.5% COLA was granted to retired members and beneficiaries and to the benefit rate for future retirees effective as of July 1, 2016. In 2017, a one-time 1% Cost-of Living Adjustment (COLA) was granted to retired members and beneficiaries and to the benefit rate for future retirees effective as of July 1, 2017. In 2018, a one-time 1% COLA was granted to retired members and beneficiaries and to the benefit rate for future retirees effective as of January 1, 2018 and an additional 1% COLA was granted July 1, 2018.

Change in assumptions: In 2013, a funding policy was adopted which changes the amortization period of the unfunded actuarial accrued liability from 15 to 30 years. Also, in 2015 the following changes were made:

- The assumed investment rate of return was lowered from 6.5% to 6.0%.
- The assumed rate of inflation was lowered from 3.0% to 2.75%
- Rates of withdrawal and retirement were adjusted to more closely reflect actual experience.
- Rates of mortality were adjusted during the experience study. Pre-retirement mortality rates were changed to the RP 2000 employee mortality table projected to 2025 with projection scale BB set forward one year for males and four years for females. Post-retirement mortality rates were changed to the RP 2000 blue collar mortality table projected to 2025 with projection scale BB. Post-disability mortality rates were changed to the RP 2000 disabled mortality table projected to 2025 with projection scale BB set forward five years for males and three years for females, however there are no longer any disability benefits included in the plan. Post-disability mortality rates were changed to the RP 2000 disabled mortality table projected to 2025 with projection scale BB.

Required Supplementary Information
Notes to Required Supplementary Information
Defined Benefit Pension Plans
Methods and Assumptions
For the Fiscal Year Ended June 30, 2018

Actuarial Methods and Assumptions - Plan Perspective:

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

	ERS	GJRS
Valuation date	June 30, 2015	June 30, 2015
Actuarial cost method	Entry age	Entry age
Amortization method	Level dollar, closed	Level percent of pay, closed
Remaining amortization period	19.4 years	19.5 years
Asset valuation method	5-year smoothed market	5-year smoothed market
Inflation	2.75%	2.75%
Salary increases:	3.25 - 7.0%, including inflation	4.50%, including inflation
Investment rate of return	7.50%, net of pension plan investment expense, including inflation	7.50%, net of pension plan investment expense, including inflation

	PSERS	TRS
Valuation date	June 30, 2015	June 30, 2015
Actuarial cost method	Entry age	Entry age
Amortization method	Level dollar, closed	Level percent of payroll, closed
Remaining amortization period	22.9 years	28.4 years
Asset valuation method	5-year smoothed market	5-year smoothed market
Inflation	2.75%	2.75%
Salary increases	N/A	3.25 - 9.0%, 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
Cost-of-living adjustment	1.50% semi-annually	

	Peace Officers'	Firefighters'
Valuation date	June 30, 2017	June 30, 2017
Actuarial cost method	Entry age normal	Entry age normal
Amortization method	Level dollar, open	Level dollar, open
Remaining amortization period	30 years	27 years
Asset valuation method	Actuarial value	5-year smoothed market with 15.0% corridor
Inflation	2.50%	2.75%
Salary increases	N/A	N/A
Investment rate of return	6.50%, net of pension plan investment expense, including inflation	6.0%, net of pension plan investment expense, including inflation

Schedule includes all significant plans and funds administered by the State of Georgia

Required Supplementary Information
Schedules of State's Contributions - As Employer
Defined Benefit Pension Plans
For the Last Four Fiscal Years
(dollars in thousands)

	2018	2017	2016	2015
Primary Government				
Employees' Retirement System:				
Statutorily required contribution	$ 582,189	$ 554,976	$ 505,411	$ 440,602
Contributions in relation to the statutorily required contribution	(582,189)	(554,976)	(505,411)	(440,602)
Contribution Deficiency (excess)	$ —	$ —	$ —	$ —
State's covered payroll	$ 2,403,879	$ 2,257,282	$ 2,103,422	$ 1,875,953
Contributions as a percentage of the covered payroll	24.22%	24.59%	24.03%	23.49%
Georgia Judicial Retirement System:				
Statutorily required contribution	$ 2,507	$ 3,701	$ 4,134	$ 2,209
Contributions in relation to the statutorily required contribution	(2,507)	(3,701)	(4,134)	(2,209)
Contribution Deficiency (excess)	$ —	$ —	$ —	$ —
State's covered payroll	$ 34,956	$ 35,440	$ 33,710	$ 31,184
Contributions as a percentage of the covered payroll	7.17%	10.44%	12.26%	7.08%
Teachers Retirement System:				
Statutorily required contribution	$ 339,634	$ 276,210	$ 261,758	$ 230,939
Contributions in relation to the statutorily required contribution	(339,634)	(276,210)	(261,758)	(230,939)
Contribution Deficiency (excess)	$ —	$ —	$ —	$ —
State's covered payroll	$ 2,016,415	$ 1,934,055	$ 1,832,311	$ 1,756,586
Contributions as a percentage of the covered payroll	16.84%	14.28%	14.29%	13.15%
Component Units				
Employees' Retirement System:				
Statutorily required contribution	$ 9,184	$ 9,576	$ 9,425	$ 8,304
Contributions in relation to the statutorily required contribution	(9,184)	(9,576)	(9,425)	(8,304)
Contribution Deficiency (excess)	$ —	$ —	$ —	$ —
State's covered payroll	$ 37,649	$ 36,171	$ 39,238	$ 35,265
Contributions as a percentage of the covered payroll	24.39%	26.47%	24.02%	23.55%
Teachers Retirement System:				
Statutorily required contribution	$ 11,195	$ 9,248	$ 8,616	$ 8,231
Contributions in relation to the statutorily required contribution	(11,195)	(9,248)	(8,616)	(8,231)
Contribution Deficiency (excess)	$ —	$ —	$ —	$ —
State's covered payroll	$ 66,582	$ 64,715	$ 63,339	$ 62,558
Contributions as a percentage of the covered payroll	16.81%	14.29%	13.60%	13.16%

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

Schedule includes all significant plans and funds administered by the State of Georgia

Required Supplementary Information
Schedules of State's Contributions - As Nonemployer Contributing Entity
Defined Benefit Pension Plans
For the Last Four Fiscal Years
(dollars in thousands)

	2018	2017	2016	2015
Employees' Retirement System:				
Statutorily required contribution	$ 10,781	$ 11,967	$ 12,138	$ 11,174
Contributions in relation to the statutorily required contribution	(10,781)	(11,967)	(12,138)	(11,174)
Contribution Deficiency (excess)	$ —	$ —	$ —	$ —
Public School Employees Retirement System:				
Statutorily required contribution	$ 29,276	$ 26,277	$ 28,580	$ 28,461
Contributions in relation to the statutorily required contribution	(29,276)	(26,277)	(28,580)	(28,461)
Contribution Deficiency (excess)	$ —	$ —	$ —	$ —
Georgia Judicial Retirement System:				
Statutorily required contribution	$ 1,838	$ 2,575	$ 2,902	$ 1,558
Contributions in relation to the statutorily required contribution	(1,838)	(2,575)	(2,902)	(1,558)
Contribution Deficiency (excess)	$ —	$ —	$ —	$ —
Teachers Retirement System:				
Statutorily required contribution	$ 4,420	$ 6,152	$ 7,944	$ 7,038
Contributions in relation to the statutorily required contribution	(4,420)	(6,152)	(7,944)	(7,038)
Contribution Deficiency (excess)	$ —	$ —	$ —	$ —
Peace Officers' Annuity and Benefit Fund of Georgia				
Statutorily required contribution	$ 13,826	$ 14,005	$ 14,713	$ 15,341
Contributions in relation to the statutorily required contribution	(13,826)	(14,005)	(14,713)	(15,341)
Contribution Deficiency (excess)	$ —	$ —	$ —	$ —
Georgia Firefighters' Pension Fund:				
Statutorily required contribution	$ 35,715	$ 34,152	$ 32,684	$ 31,489
Contributions in relation to the statutorily required contribution	(35,715)	(34,152)	(32,684)	(31,489)
Contribution Deficiency (excess)	$ —	$ —	$ —	$ —

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

Schedule includes all significant plans and funds administered by the State of Georgia

Required Supplementary Information

Schedules of State's Proportionate Share of the Net Pension Liability - As Employer

Defined Benefit Pension Plans

For the Last Four Fiscal Years

(dollars in thousands)

	2018	2017	2016	2015
Primary Government				
Employees' Retirement System:				
State's proportion of the net pension liability	88.415594 %	87.798535 %	87.682412 %	87.266834 %
State's proportionate share of the net pension liability	$ 3,590,854	$ 4,153,237	$ 3,552,363	$ 3,273,046
State's Covered payroll	$ 2,257,282	$ 2,103,422	$ 1,875,953	$ 1,615,070
State's proportionate share of the net pension liability as a percentage of its covered payroll	159.08 %	197.45 %	189.36 %	202.66 %
Plan fiduciary net position as a percentage of the total pension liability	76.33 %	72.34 %	76.20 %	77.99 %
Georgia Judicial Retirement System:				
State's proportion of the net pension liability	58.970340 %	58.753912 %	58.635878 %	57.356971 %
State's proportionate share of the net pension liability	$ (27,390)	$ (20,177)	$ (28,011)	$ (28,878)
State's Covered payroll	$ 35,440	$ 33,710	$ 31,184	$ 29,887
State's proportionate share of the net pension liability as a percentage of its covered payroll	(77.29)%	(59.85)%	(89.82)%	(96.62)%
Plan fiduciary net position as a percentage of the total pension liability	111.77 %	109.32 %	113.38 %	114.37 %
Teachers Retirement System:				
State's proportion of the net pension liability	16.885665 %	16.741530 %	16.687812 %	16.517474 %
State's proportionate share of the net pension liability	$ 3,137,798	$ 3,453,291	$ 2,540,211	$ 2,086,629
State's Covered payroll	$ 1,934,055	$ 1,832,311	$ 1,756,586	$ 1,683,292
State's proportionate share of the net pension liability as a percentage of its covered payroll	162.24 %	188.47 %	144.61 %	123.96 %
Plan fiduciary net position as a percentage of the total pension liability	79.33 %	76.06 %	81.44 %	84.03 %
Component Units				
Employees' Retirement System:				
State's proportion of the net pension liability	1.501635 %	1.639295 %	1.557127 %	1.543905 %
State's proportionate share of the net pension liability	$ 60,985	$ 77,545	$ 63,085	$ 57,906
State's Covered payroll	$ 36,171	$ 39,238	$ 35,265	$ 28,075
State's proportionate share of the net pension liability as a percentage of its covered payroll	168.60 %	197.63 %	178.89 %	206.25 %
Plan fiduciary net position as a percentage of the total pension liability	76.33 %	72.34 %	76.20 %	77.99 %
Teachers Retirement System:				
State's proportion of the net pension liability	0.564739 %	0.577541 %	0.564109 %	0.590520 %
State's proportionate share of the net pension liability	$ 104,910	$ 118,967	$ 85,798	$ 74,604
State's Covered payroll	$ 64,715	$ 63,339	$ 62,558	$ 60,180
State's proportionate share of the net pension liability as a percentage of its covered payroll	162.11 %	187.83 %	137.15 %	123.97 %
Plan fiduciary net position as a percentage of the total pension liability	79.33 %	76.06 %	81.44 %	84.03 %

The amounts presented for each fiscal year were determined as of the prior fiscal year-end.

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

Schedule includes all significant plans and funds administered by the State of Georgia

Required Supplementary Information
Schedules of State's Proportionate Share of the Net Pension Liability - As Nonemployer Contributing Entity
Defined Benefit Pension Plans
For the Last Four Fiscal Years
(dollars in thousands)

	2018	2017	2016	2015
Employees' Retirement System:				
State's proportion of the net pension liability (asset)	1.891959%	2.111751%	2.225584%	2.410713%
State's proportionate share of the net pension liability (asset)	$ 76,839	$ 99,895	$ 90,167	$ 90,417
Plan fiduciary net position as a percentage of the total pension liability	76.33%	72.34%	76.20%	77.99%
Public School Employees Retirement System:				
State's proportion of the net pension liability (asset)	100.000000%	100.000000%	100.000000%	100.000000%
State's proportionate share of the net pension liability (asset)	$ 145,029	$ 188,517	$ 123,050	$ 109,012
Plan fiduciary net position as a percentage of the total pension liability	85.69%	81.00%	87.00%	88.29%
Georgia Judicial Retirement System:				
State's proportion of the net pension liability (asset)	41.029660%	41.246088%	41.364122%	42.643029%
State's proportionate share of the net pension liability (asset)	$ (19,057)	$ (14,165)	$ (19,760)	$ (21,469)
Plan fiduciary net position as a percentage of the total pension liability	111.77%	109.32%	113.38%	114.37%
Teachers Retirement System:				
State's proportion of the net pension liability (asset)	0.375432%	0.507487%	0.507036%	0.504588%
State's proportionate share of the net pension liability (asset)	$ 69,775	$ 104,700	$ 77,191	$ 63,748
Plan fiduciary net position as a percentage of the total pension liability	79.33%	76.06%	81.44%	84.03%
Peace Officers' Annuity and Benefit Fund of Georgia:				
State's proportion of the net pension liability (asset)	100.000000%	100.000000%	100.000000%	100.000000%
State's proportionate share of the net pension liability (asset)	$ (12,006)	$ 58,463	$ 16,677	$ (24,164)
Plan fiduciary net position as a percentage of the total pension liability	101.62%	92.18%	97.68%	103.58%
Georgia Firefighters' Pension Fund:				
State's proportion of the net pension liability (asset)	100.000000%	100.000000%	100.000000%	100.000000%
State's proportionate share of the net pension liability (asset)	$ 163,791	$ 203,479	$ 156,502	$ 87,199
Plan fiduciary net position as a percentage of the total pension liability	83.74%	79.03%	83.06%	89.72%

The amounts presented for each fiscal year were determined as of the prior fiscal year-end.

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

Schedule includes all significant plans and funds administered by the State of Georgia

Actuarial Methods and Assumptions - State as Employer Perspective

This note provides information about changes of benefit terms, changes of assumptions, and methods and assumptions used in calculations of actuarially determined contributions.

Employees' Retirement System

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

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

Public School Employees Retirement System

Changes of benefit terms: The member contribution rate was increased from $4 to $10 per month for members joining the System on or after July 1, 2012.

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

Georgia Judicial Retirement System

Changes of benefit terms: Spouses benefits were changed for members joining the System on or after July 1, 2012. A 2% cost -of-living adjustment was granted to certain retired members and beneficiaries effective July 1, 2016.

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

Teachers Retirement System

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

Changes of assumptions: On November 18, 2015, the Board adopted recommend changes to the economic and demographic assumptions utilized by the System. Primary among the changes were the updates to rates of mortality, retirement, withdrawal, and salary increases.

Required Supplementary Information
Notes to Required Supplementary Information
Defined Benefit Pension Plans
Methods and Assumptions
For the Fiscal Year Ended June 30, 2018

Actuarial Methods and Assumptions - State as Employer Perspective

Peace Officers' Annuity and Benefit Fund of Georgia

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

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

Georgia Firefighters' Pension Fund

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

Change in assumptions:
- In 2015 the following changes were made:
    - The assumed investment rate of return was lowered from 6.5% to 6.0%.
    - The assumed rate of inflation was lowered from 3.0% to 2.75%
    - Rates of withdrawal and retirement were adjusted to more closely reflect actual experience.
    - Rates of mortality were adjusted during the most recent experience study. Pre-retirement mortality rates were changed to the RP 2000 employee mortality table projected to 2025 with projection scale BB. Post-retirement mortality rates were changed to the RP 2000 blue collar mortality table projected to 2025 with projection scale BB. Post-disability mortality rates were changed to the RP 2000 disabled mortality table projected to 2025 with projection scale BB.

- In 2013, a funding policy was adopted which changes the amortization period of the unfunded actuarial accrued liability from 15 to 30 years.

Required Supplementary Information
Notes to Required Supplementary Information
Defined Benefit Pension Plans
Methods and Assumptions
For the Fiscal Year Ended June 30, 2018

Actuarial Methods and Assumptions - State as Employer Perspective

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

	ERS	GJRS
Valuation date	June 30, 2014	June 30, 2014
Actuarial cost method	Entry age	Entry age
Amortization method	Level dollar, closed	Level percent of pay, closed
Remaining amortization period	22.6 years	19.5 years
Asset valuation method	5-year smoothed market	5-year smoothed market
Inflation	3.00%	3.00%
Salary increases:	5.45 - 9.25%, including inflation	6.00%, including inflation
Investment rate of return	7.50%, net of pension plan investment expense, including inflation	7.50%, net of pension plan investment expense, including inflation

	PSERS	TRS
Valuation date	June 30, 2014	June 30, 2014
Actuarial cost method	Entry age	Entry age
Amortization method	Level dollar, closed	Level percent of payroll, closed
Remaining amortization period	23.9 years	29 years
Asset valuation method	5-year smoothed market	5-year smoothed market
Inflation	3.00%	3.00%
Salary increases	N/A	3.75 - 7.00%, including inflation
Investment rate of return	7.50%, net of pension plan investment expense, including inflation	7.50%, net of pension plan investment expense, including inflation

	Peace Officers'	Firefighters'
Valuation date	June 30, 2016	June 30, 2016
Actuarial cost method	Entry age normal	Entry age normal
Amortization method	Level dollar, open	Level dollar, open
Remaining amortization period	30 years	28.2 years
Asset valuation method	Actuarial value	5-year smoothed market with 15% corridor
Inflation	2.50%	2.75%
Salary increases	N/A	N/A
Investment rate of return	6.5%, net of pension plan investment expense, including inflation	6.00%, net of pension plan investment expense, including inflation

Schedule includes all significant plans and funds administered by the State of Georgia


STATE OF GEORGIA
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REQUIRED SUPPLEMENTARY INFORMATION - OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Required Supplementary Information
Schedule of Employers' Contributions
Multi-Employer and Single-Employer OPEB Plans
For the Last Ten Fiscal Years
(dollars in thousands)

	Year Ended	Actuarially Determined Contribution (a)	Contributions in Relation to the Actuarially Determined Contribution (b)	Contribution Deficiency/ (Excess) (a - b)	Covered Employee Payroll	Contributions as a Percentage of Covered Employee Payroll (b/c)
State OPEB[1]	6/30/2009	387,790	170,789	217,001	2,730,018	6.26%
	6/30/2010	347,772	22,209	325,563	2,626,081	0.85%
	6/30/2011	327,053	168,384	158,669	2,542,891	6.62%
	6/30/2012	317,100	181,899	135,201	2,408,000	7.55%
	6/30/2013	338,819	181,504	157,315	2,328,334	7.80%
	6/30/2014	321,456	177,045	144,411	2,293,104	7.72%
	6/30/2015	275,681	267,235	8,446	2,333,060	11.45%
	6/30/2016	259,250	574,015	(314,765)	2,404,901	23.87%
	6/30/2017	—	—	—	—	—%
	6/30/2018	—	—	—	—	—%
School OPEB[1]	6/30/2009	1,290,050	303,348	986,702	N/A[2]	N/A[2]
	6/30/2010	1,080,042	308,539	771,503	N/A[2]	N/A[2]
	6/30/2011	1,050,850	339,221	711,629	N/A[2]	N/A[2]
	6/30/2012	1,054,708	380,859	673,849	N/A[2]	N/A[2]
	6/30/2013	982,120	362,527	619,593	N/A[2]	N/A[2]
	6/30/2014	943,310	408,422	534,888	N/A[2]	N/A[2]
	6/30/2015	873,278	408,538	464,740	N/A[2]	N/A[2]
	6/30/2016	873,736	432,437	441,299	N/A[2]	N/A[2]
	6/30/2017	—	—	—	—	—%
	6/30/2018	—	—	—	—	—%

(continued)

1 Refer to the "Notes to the Required Supplementary Information" (Plan Perspective) for additional information regarding OPEB funding.

2 Covered employee payroll was not calculated in all years, as OPEB benefits are not based on payroll.

Required Supplementary Information
Schedule of Employers' Contributions
Multi-Employer and Single-Employer OPEB Plans
For the Last Ten Fiscal Years
(dollars in thousands)

	Year Ended	Actuarially Determined Contribution (a)	Contributions in Relation to the Actuarially Determined Contribution (b)	Contribution Deficiency/ (Excess) (a - b)	Covered Employee Payroll	Contributions as a Percentage of Covered Employee Payroll (b/c)
Regents Plan*4	6/30/2009	349,500	68,100	281,400	2,372,385	2.87%
	6/30/2010	381,700	69,900	311,800	2,399,532	2.91%
	6/30/2011	411,516	80,262	331,254	2,432,367	3.30%
	6/30/2012	345,298	88,836	256,462	2,526,212	3.52%
	6/30/2013	362,426	83,414	279,012	2,466,314	3.38%
	6/30/2014	403,314	120,926	282,388	2,594,800	4.66%
	6/30/2015	442,359	129,823	312,536	2,608,757	4.98%
	6/30/2016	295,192	111,814	183,378	3,087,013	3.62%
	6/30/2017	349,859	99,584	250,275	3,122,694 [3]	3.19%
	6/30/2018	467,338	158,420	308,918	3,218,771	4.92%
SEAD-OPEB*	6/30/2009	—	—	—	N/A	N/A
	6/30/2010	—	—	—	N/A	N/A
	6/30/2011	—	—	—	N/A	N/A
	6/30/2012	12,724	12,724	—	2,085,902	0.61%
	6/30/2013	5,009	5,009	—	1,855,185	0.27%
	6/30/2014	—	—	—	N/A	N/A
	6/30/2015	—	—	—	N/A	N/A
	6/30/2016	—	—	—	N/A	N/A
	6/30/2017	—	—	—	N/A	N/A
	6/30/2018	—	—	—	N/A	N/A

3 June 30, 2017 covered employee payroll for the Board of Regents Retiree Health Benefit Plan was restated.

4 Refer to the "Notes to the Required Supplementary Information" (Plan Perspective) for additional information regarding OPEB funding.

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

Required Supplementary Information
Schedule of Employers' Net OPEB Liability
Multi-Employer and Single-Employer OPEB Plans
For the Last Two Fiscal Years
(dollars in thousands)

	2018	2017
State OPEB Fund:		
Total OPEB liability	$ 3,817,453	$ 4,929,142
Plan fiduciary net position	1,201,865	854,937
Employers' net OPEB liability	$ 2,615,588	$ 4,074,205
Plan fiduciary net position as a percentage of the total OPEB liability	31.48 %	17.34 %
Covered-employee payroll	$ 2,535,722	$ 2,483,060
Employers' net OPEB liability as a percentage of covered-employee payroll	103.15 %	164.08 %
School OPEB Fund:		
Total OPEB liability	$ 13,092,956	$ 14,279,644
Plan fiduciary net position	383,263	229,685
Employers' net OPEB liability	$ 12,709,693	$ 14,049,959
Plan fiduciary net position as a percentage of the total OPEB liability	2.93 %	1.61 %
Covered-employee payroll	N/A	N/A
Employers' net OPEB liability as a percentage of covered-employee payroll	N/A	N/A
SEAD-OPEB Plan:		
Total OPEB liability	$ 918,816	$ 861,346
Plan fiduciary net position	1,189,462	1,121,251
Employers' net OPEB (asset)	$ (270,646)	$ (259,905)
Plan fiduciary net position as a percentage of the total OPEB liability	129.46 %	130.17 %
Covered-employee payroll	$ 1,328,485	$ 1,383,860
Employers' net OPEB (asset) as a percentage of covered-employee payroll	(20.37)%	(18.78)%
Regents Plan:		
Total OPEB liability	$ 4,486,796	$ 4,227,583
Plan fiduciary net position	76,045	7,857
Employers' net OPEB liability	$ 4,410,751	$ 4,219,726
Plan fiduciary net position as a percentage of the total OPEB liability	1.69 %	0.19 %
Covered-employee payroll*	$ 3,218,771	$ 3,122,694
Employers' net OPEB liability as a percentage of covered-employee payroll	137.03 %	135.13 %

* June 30, 2017 covered employee payroll for the Board of Regents Retiree Health Benefit Plan was restated.

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

Required Supplementary Information
Schedule of Changes in Employers' Net OPEB Liability
Multi-Employer and Single-Employer OPEB Plans
For the Last Two Fiscal Years
(dollars in thousands)

	2018	2017
State OPEB Fund:[1]		
Total OPEB liability:		
Service cost	$ 112,297	$ 119,686
Interest	174,427	158,096
Differences between expected and actual experience	(267,124)	—
Changes of assumptions	(963,394)	(383,932)
Benefit payments	(167,896)	(162,145)
Net change in total OPEB liability	(1,111,690)	(268,295)
Total OPEB liability-beginning	4,929,142	5,197,437
Total OPEB liability-ending (a)	3,817,452	4,929,142
Plan fiduciary net position:		
Contributions-employer	501,574	498,202
Net investment income	15,300	4,696
Benefit payments	(167,896)	(162,145)
Administrative expense	(2,052)	(2,077)
Net change in plan fiduciary net position	346,926	338,676
Plan fiduciary net position-beginning	854,939	516,261
Plan fiduciary net position-ending (b)	1,201,865	854,937
Net OPEB liability-ending (a)-(b)	$ 2,615,587	$ 4,074,205
School OPEB Fund:[1]		
Total OPEB liability:		
Service cost	$ 521,135	$ 557,770
Interest	504,681	452,024
Differences between expected and actual experience	(341,373)	—
Changes of assumptions	(1,506,313)	(1,262,291)
Benefit payments	(364,818)	(383,556)
Net change in total OPEB liability	(1,186,688)	(636,053)
Total OPEB liability-beginning	14,279,644	14,915,697
Total OPEB liability-ending (a)	13,092,956	14,279,644
Plan fiduciary net position:		
Contributions-employer	518,290	521,408
Net investment income	4,563	1,148
Benefit payments	(364,818)	(383,556)
Administrative expense	(4,457)	(4,727)
Net change in plan fiduciary net position	153,578	134,273
Plan fiduciary net position-beginning	229,685	95,412
Plan fiduciary net position-ending (b)	383,263	229,685
Net OPEB liability-ending (a)-(b)	$ 12,709,693	$ 14,049,959

(continued)

[1] June 30, 2017 amounts for the State and School OPEB Funds were updated.

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

Required Supplementary Information
Schedule of Changes in Employers' Net OPEB Liability
Multi-Employer and Single-Employer OPEB Plans
For the Last Two Fiscal Years
(dollars in thousands)

	2018	2017
SEAD-OPEB Plan:		
Total OPEB liability:		
Service cost	$ 3,695	$ 3,959
Interest	63,242	61,076
Benefit changes	—	—
Differences between expected and actual experience	4,697	—
Changes of assumptions	22,085	—
Benefit payments	(36,249)	(36,058)
Net change in total OPEB liability	57,470	28,977
Total OPEB liability-beginning	861,346	832,369
Total OPEB liability-ending (a)	918,816	861,346
Plan fiduciary net position:		
Contributions-employer	—	—
Insurance premiums-member	3,599	3,793
Net investment income	101,542	125,550
Benefit payments	(36,249)	(36,058)
Administrative expense	(681)	(576)
Refunds of contributions	—	—
Other	—	1
Net change in plan fiduciary net position	68,211	92,710
Plan fiduciary net position-beginning	1,121,251	1,028,541
Plan fiduciary net position-ending (b)	1,189,462	1,121,251
Net OPEB (asset)-ending (a)-(b)	$ (270,646)	$ (259,905)
Regents Plan:		
Total OPEB liability:		
Service cost	$ 236,917	$ 211,513
Interest	158,223	124,612
Differences between expected and actual experience	264,729	123,090
Changes of assumptions	(310,107)	(347,331)
Benefit payments	(90,549)	(89,653)
Net change in total OPEB liability	259,213	22,231
Total OPEB liability-beginning	4,227,583	4,205,352
Total OPEB liability-ending (a)	4,486,796	4,227,583
Plan fiduciary net position:		
Contributions-employer	158,420	99,584
Net investment income	802	72
Benefit payments	(90,549)	(89,653)
Administrative expense	(485)	(5,045)
Net change in plan fiduciary net position	68,188	4,958
Plan fiduciary net position-beginning	7,857	2,899
Plan fiduciary net position-ending (b)	76,045	7,857
Net OPEB liability-ending (a)-(b)	$ 4,410,751	$ 4,219,726

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

Required Supplementary Information
Schedule of Investment Returns
Multi-Employer and Single-Employer OPEB Plans
For the Last Two Fiscal Years

	Annual money-weighted rate of return, net of investment expense	
	2018	2017
Pooled Investment Fund:		
State OPEB Fund	1.54%	0.74%
School OPEB Fund	1.57%	0.78%
SEAD-OPEB Plan	0.60%	2.90%
Regents Plan	2.85%	0.99%

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

Required Supplementary Information
Notes to Required Supplementary Information
Methods and Assumptions
Multi-Employer and Single-Employer OPEB Plans
June 30, 2018

Actuarial Methods and Assumptions - Plan Perspective:

This note provides information about changes of benefit terms, changes of assumptions, and methods and assumptions used in calculations of the OPEB liability/asset and required contributions.

State OPEB Fund

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

Changes of assumptions:
- June 30, 2017 valuation: The June 30, 2017 actuarial valuation was revised, for various factors, including the methodology used to determine how employees and retirees were assigned to each of the OPEB Funds and anticipated participation percentages. Current and former employees of State organizations (including technical colleges, community service boards and public health departments) are now assigned to the State OPEB Fund based on their last employer payroll location; irrespective of retirement system affiliation. Additionally, there were changes the discount rate and an increase in the investment rate of return due to a longer term investment strategy.
- June 30, 2015 valuation: Decremental and underlying inflation assumptions were changed to reflect the Retirement Systems' experience studies.
- June 30, 2012 valuation: A data audit was performed and data collection procedures and assumptions were changed.

School OPEB Fund

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

Changes of assumptions:
- June 30, 2017 valuation: The June 30, 2017 actuarial valuation was revised, for various factors, including the methodology used to determine how employees and retirees were assigned to each of the OPEB Funds and anticipated participation percentages. Current and former employees of State organizations (including technical colleges, community service boards and public health departments) are now assigned to the State OPEB Fund based on their last employer payroll location; irrespective of retirement system affiliation. Additionally, there were changes the discount rate and an increase in the investment rate of return due to a longer term investment strategy.
- June 30, 2015 valuation: Decremental and underlying inflation assumptions were changed to reflect the Retirement Systems' experience studies.
- June 30, 2012 valuation: A data audit was performed and data collection procedures and assumptions were changed.

Required Supplementary Information
Notes to Required Supplementary Information
Methods and Assumptions
Multi-Employer and Single-Employer OPEB Plans
June 30, 2018

Actuarial Methods and Assumptions - Plan Perspective:

SEAD-OPEB Plan

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

Changes of assumptions:

- Subsequent to the June 30, 2017 measurement date, the SEAD Board adopted a new funding policy. Because of this new funding policy, the assumed investment rate of return was reduced from 7.50% to 7.40% for June 30, 2017 actuarial valuation. In addition, based on the SEAD Board's new funding policy, the assumed investment rate of return will be further reduced by 0.10% from 7.40% to 7.30% as of the June 30, 2018 measurement date. Therefore, for this GASB 74 report, and assumption change from 7.50% to 7.30% will be reflected in the calculation of the total OPEB liability/asset.
- On December 17, 2015, the Board adopted recommended changes to the economic and demographic assumptions utilized by the Fund. Primary among the changes were the updates to rates of mortality, retirement, withdrawal, and salary increases.

Regents Plan

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

Changes of assumptions:

- The discount rate was updated from 3.58% as June 30, 2017 to 3.87% as of June 30, 2018.
- Expected claims were updated to reflect actual claims experience. Trend was reset based on current conditions. Disability, Termination, Retirement, and Disabled Mortality were updated to reflect those used in the current TRS actuarial valuation.

Required Supplementary Information
Notes to Required Supplementary Information
Methods and Assumptions
Multi-Employer and Single-Employer OPEB Plans
June 30, 2018

Actuarial Methods and Assumptions - Plan Perspective:

Methods and assumptions used in calculations of actuarially determined contributions: The actuarially determined contribution rates in the schedule of employers' contributions are calculated as of June 30, three years prior to the end of the fiscal year in which contributions are reported for the SEAD-OPEB Plan and as of June 30, 2017 for the Regents Plan. The following actuarial methods and assumptions were used to determine the most recent contribution rates in the schedule:

	SEAD-OPEB Plan	Regents Plan
Valuation date	June 30, 2015	May 1, 2018
Actuarial cost method	Entry Age	Entry Age Normal
Amortization method	Projected unit credit	Closed amortization period for initial unfunded and subsequent actuarial gains/ losses
Remaining amortization period	Dollar Infinite	
Inflation	2.75%	2.50%
Healthcare cost trend rate		
Pre-Medicare Eligible	N/A	7.10%
Medicare Eligible	N/A	4.50%
Ultimate Trend Rate		
Pre-Medicare Eligible	N/A	4.50%
Medicare Eligible	N/A	4.50%
Year of ultimate trend rate	N/A	2030 Pre-Medicare Eligible
		2019 Medicare Eligible
Investment Rate of return*	7.50%	4.50%

* Includes respective rates of inflation.

The State OPEB Fund, School OPEB Fund, and the Regents Plan are funded on a pay-as-you basis, and not funded based on the actuarially determined contributions.

Required Supplementary Information
Schedules of State's Contributions - As Employer
Multi-Employer and Single-Employer OPEB Plans
For the Fiscal Year Ended June 30, 2018
(dollars in thousands)

		2018
Primary Government		
Multi-Employer Plans		
State OPEB Fund:		
Statutorily required contribution	$	461,566
Contributions in relation to the statutorily required contribution		(461,566)
Contribution Deficiency (excess)	$	—
State's covered payroll*	$	2,454,971
Contributions as a percentage of the covered payroll		18.80%
SEAD-OPEB Plan:		
Actuarially determined contribution	$	—
Contributions in relation to the statutorily required contribution		—
Contribution Deficiency (excess)	$	—
State's covered payroll*	$	1,247,936
Contributions as a percentage of the covered payroll		N/A
Single-Employer Plan		
Regents Plan:		
Statutorily required contribution	$	158,420
Contributions in relation to the statutorily required contribution		(158,420)
Contribution Deficiency (excess)	$	—
State's covered payroll	$	3,218,771
Contributions as a percentage of the covered payroll		4.92%
Component Units		
Multi-Employer Plans		
State OPEB Fund:		
Statutorily required contribution	$	979
Contributions in relation to the statutorily required contribution		(979)
Contribution Deficiency (excess)	$	—
State's covered payroll*	$	13,038
Contributions as a percentage of the covered payroll		7.51%
School OPEB Fund:		
Statutorily required contribution	$	3,243
Contributions in relation to the statutorily required contribution		(3,243)
Contribution Deficiency (excess)	$	—
State's covered-employee payroll*	$	65,272
Contributions as a percentage of the covered-employee payroll		4.97%
SEAD-OPEB Plan:		
Actuarially determined contribution	$	—
Contributions in relation to the statutorily required contribution		—
Contribution Deficiency (excess)	$	—
State's covered payroll*	$	15,496
Contributions as a percentage of the covered payroll		N/A

* current year amounts are estimates

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

Required Supplementary Information

Schedules of State's Proportionate Share of the Net OPEB Liability - As Employer

For the Fiscal Year Ended June 30, 2018

(dollars in thousands)

		2018
Primary Government		
Multi-Employer Plans		
State OPEB Fund:		
State's proportion of the net OPEB liability		91.476285 %
State's proportionate share of the net OPEB liability	$	3,726,929
State's covered payroll	$	2,305,259
State's proportionate share of the net OPEB liability as a percentage of its covered payroll		161.67 %
Plan fiduciary net position as a percentage of the total OPEB liability		17.34 %
SEAD-OPEB Plan:		
State's proportion of the net OPEB liability		89.559271 %
State's proportionate share of the net OPEB liability	$	(232,195)
State's covered payroll	$	1,247,936
State's proportionate share of the net OPEB liability as a percentage of its covered payroll		(18.61)%
Plan fiduciary net position as a percentage of the total OPEB liability		130.17 %
Single-Employer Plan		
Regents Plan:		
State's proportion of the net OPEB liability		100.000000 %
State's proportionate share of the net OPEB liability	$	4,219,726
State's covered payroll	$	3,122,694
State's proportionate share of the net OPEB liability as a percentage of its covered payroll		135.13 %
Plan fiduciary net position as a percentage of the total OPEB liability		0.19 %
Component Units		
Multi-Employer Plans		
State OPEB Fund:		
State's proportion of the net OPEB liability		0.213868 %
State's proportionate share of the net OPEB liability	$	8,097
State's covered payroll	$	12,526
State's proportionate share of the net OPEB liability as a percentage of its covered payroll		64.64 %
Plan fiduciary net position as a percentage of the total OPEB liability		17.34 %
School OPEB Fund:		
State's proportion of the net OPEB liability		0.598651 %
State's proportionate share of the net OPEB liability	$	84,110
State's covered-employee payroll	$	63,442
State's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll		132.58 %
Plan fiduciary net position as a percentage of the total OPEB liability		1.61 %
SEAD-OPEB Plan:		
State's proportion of the net OPEB liability		1.245396 %
State's proportionate share of the net OPEB liability	$	(3,195)
State's covered payroll	$	15,496
State's proportionate share of the net OPEB liability as a percentage of its covered payroll		(20.62)%
Plan fiduciary net position as a percentage of the total OPEB liability		130.17 %

The amounts presented for each fiscal year were determined as of the prior fiscal year-end.

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

Required Supplementary Information
Schedule of Employers' Net OPEB Liability - as Employer
Single-Employer OPEB Plans
June 30, 2018
(dollars in thousands)

	2018
Regents Plan:	
Total OPEB liability	$ 4,227,583
Plan fiduciary net position	7,857
Employers' net OPEB liability	$ 4,219,726
Plan fiduciary net position as a percentage of the total	0.19%
Covered-employee payroll	$ 3,122,694
Employers' net OPEB liability as a percentage of covered-employee payroll	135.13%

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

Required Supplementary Information
Schedule of Changes in Employers' Net OPEB Liability - as Employer
Single-Employer OPEB Plans
June 30, 2018
(dollars in thousands)

	2018
Regents Plan:	
Total OPEB liability:	
Service cost	$ 211,513
Interest	124,612
Differences between expected and actual experience	123,090
Changes of assumptions	(347,331)
Benefit payments/Refunds	(89,653)
Net change in total OPEB liability	22,231
Total OPEB liability-beginning	4,205,352
Total OPEB liability-ending (a)	4,227,583
Plan fiduciary net position:	
Contributions-employer	99,584
Net investment income	72
Benefit payments/Refunds	(89,653)
Administrative expense	(5,045)
Net change in plan fiduciary net position	4,958
Plan fiduciary net position-beginning	2,899
Plan fiduciary net position-ending (b)	7,857
Net OPEB liability-ending (a)-(b)	$ 4,219,726

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

Required Supplementary Information
Notes to Required Supplementary Information
Methods and Assumptions
Multi-Employer and Single-Employer OPEB Plans
June 30, 2018

Actuarial Methods and Assumptions - State as Employer Perspective

This note provides information about changes of benefit terms, changes of assumptions, and methods and assumptions used in calculations of the OPEB liability/asset and required contributions.

State OPEB Fund

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

Changes of assumptions:

- June 30, 2017 valuation: The June 30, 2017 actuarial valuation was revised, for various factors, including the methodology used to determine how employees and retirees were assigned to each of the OPEB Funds and anticipated participation percentages. Current and former employees of State organizations (including technical colleges, community service boards and public health departments) are now assigned to the State OPEB Fund based on their last employer payroll location; irrespective of retirement system affiliation.
- The discount rate was updated from 3.09% as June 30, 2016 to 3.60% as of June 30, 2017.
- June 30, 2015 valuation: Decremental and underlying inflation assumptions were changed to reflect the Retirement Systems' experience studies.
- June 30, 2012 valuation: A data audit was performed and data collection procedures and assumptions were changed.

School OPEB Fund

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

Changes of assumptions:

- June 30, 2017 valuation: The June 30, 2017 actuarial valuation was revised, for various factors, including the methodology used to determine how employees and retirees were assigned to each of the OPEB Funds and anticipated participation percentages. Current and former employees of State organizations (including technical colleges, community service boards and public health departments) are now assigned to the State OPEB Fund based on their last employer payroll location; irrespective of retirement system affiliation.
- The discount rate was updated from 3.07% as June 30, 2016 to 3.58% as of June 30, 2017.
- June 30, 2015 valuation: Decremental and underlying inflation assumptions were changed to reflect the Retirement Systems' experience studies.
- June 30, 2012 valuation: A data audit was performed and data collection procedures and assumptions were changed.

Actuarial Methods and Assumptions - State as Employer Perspective

SEAD-OPEB Plan

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

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

Regents Plan

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

Changes of assumptions:
- The discount rate was updated from 2.85% as June 30, 2016 to 3.58% as of June 30, 2017.
- Expected claims were updated to reflect actual claims experience. Trend was reset based on current conditions. Disability, Termination, Retirement, and Disabled Mortality were updated to reflect those used in the current TRS actuarial valuation.

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

	SEAD-OPEB Plan
Valuation date	June 30, 2014
Actuarial cost method	Projected Unit Credit
Amortization method	Level dollar, open
Remaining amortization period	Infinite
Inflation	3.00%
Healthcare cost trend rate	N/A
Investment Rate of return*	7.50%

* Includes inflation.

COMBINING AND INDIVIDUAL FUND STATEMENTS


STATE OF GEORGIA
CONSTITUTION
WISDOM
JUSTICE
MODERATION
1776

NONMAJOR GOVERNMENTAL FUNDS


STATE OF GEORGIA
CONSTITUTION
WISDOM
JUSTICE
MODERATION
1776

SPECIAL REVENUE FUNDS

Special Revenue Funds account for specific revenue sources that are legally restricted to expenditures for specific purposes. The State's special revenue funds, other than the Transportation Investment Act Fund, include the blended component units that conduct general governmental functions as described below:

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

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

The **Transportation Investment Act Fund** (TIA) accounts for funds collected by the State and dispensed to the Department of Transportation for TIA projects in the relevant special tax districts.

DEBT SERVICE FUNDS

Debt Service Funds account for the accumulation of resources that are restricted, committed or assigned to expenditures for principal and interest.

The **General Obligation Debt Sinking Fund** accounts for the payment of principal and interest on the State's general long-term debt.

The **State Road and Tollway Authority Debt Service Fund** accounts for the payment of principal and interest on the debt of the Authority's governmental funds. The Authority issues bonded debt which finances State transportation infrastructure construction. Debt service payments due on outstanding bonds are paid by the Authority from redirected funds from the U. S. Department of Transportation and/or State motor fuel tax funds.

Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2018

(dollars in thousands)

	Special Revenue			Debt Service		
	Georgia Aviation Authority	State Road and Tollway Authority	Transportation Investment Act Fund	General Obligation Debt Sinking Fund	State Road and Tollway Authority	Total
Assets						
Cash and Cash Equivalents	$ 3,986	$ 395	$ 167,720	$ —	$ 64,016	$ 236,117
Pooled Investments with State Treasury	—	9,562	—	—	—	9,562
Investments	—	—	64,562	—	—	64,562
Accounts Receivable	1	25,329	9,403	—	—	34,733
Due From Other Funds	—	25,654	—	—	—	25,654
Restricted Assets						
Pooled Investments with State Treasury	—	114,350	—	—	—	114,350
Other Assets	—	190	—	—	—	190
Total Assets	$ 3,987	$ 175,480	$ 241,685	$ —	$ 64,016	$ 485,168
Liabilities and Fund Balances						
Liabilities:						
Accounts Payable and Other Accruals	$ 67	$ 493	$ 3,203	$ —	$ —	$ 3,763
Due to Other Funds	—	44	19,639	—	—	19,683
Contracts Payable	—	22,795	3,149	—	—	25,944
Total Liabilities	67	23,332	25,991	—	—	49,390
Fund Balances:						
Nonspendable	—	16,770	—	—	—	16,770
Restricted	—	94,018	215,694	—	64,016	373,728
Unrestricted						
Assigned	3,920	41,360	—	—	—	45,280
Total Fund Balances	3,920	152,148	215,694	—	64,016	435,778
Total Liabilities and Fund Balances	$ 3,987	$ 175,480	$ 241,685	$ —	$ 64,016	$ 485,168

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Fiscal Year Ended June 30, 2018
(dollars in thousands)

	Special Revenue			Debt Service		
	Georgia Aviation Authority	State Road and Tollway Authority	Transportation Investment Act Fund	General Obligation Debt Sinking Fund	State Road and Tollway Authority	Total
Revenues						
Intergovernmental - Other	$ —	$ 4,259	$ 108,568	$ —	$ —	$ 112,827
Sales and Services	158	—	—	—	—	158
Interest and Other Investment Income	—	2,200	2,757	—	1,012	5,969
Total Revenues	158	6,459	111,325	—	1,012	118,954
Expenditures						
Transportation	—	82,884	—	—	12,251	95,135
Economic Development and Assistance	1,298	—	34,259	—	—	35,557
Debt Service						
Principal	—	—	—	873,385	195,205	1,068,590
Interest	—	—	—	395,100	34,799	429,899
Accrued Interest on Bonds Retired in Advance	—	—	—	3	—	3
Discount on Bonds Retired in Advance	—	—	—	28	—	28
Other Debt Service Expenditures	—	—	—	643	1,475	2,118
Total Expenditures	1,298	82,884	34,259	1,269,159	243,730	1,631,330
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,140)	(76,425)	77,066	(1,269,159)	(242,718)	(1,512,376)
Other Financing Sources (Uses)						
Debt Issuance - Refunding Bonds	—	—	—	348,630	285,915	634,545
Debt Issuance - GARVEE Bonds	—	—	—	—	63,850	63,850
Debt Issuance - Refunding Bonds - Premium	—	—	—	64,019	27,159	91,178
Debt Issuance - GARVEE Bonds - Premium	—	—	—	—	11,455	11,455
Payment to Refunded Bond Escrow Agent	—	—	—	(411,775)	(313,095)	(724,870)
Transfers In	—	107,992	—	1,268,285	231,214	1,607,491
Transfers Out	—	(3,016)	(53,498)	—	(34)	(56,548)
Net Other Financing Sources (Uses)	—	104,976	(53,498)	1,269,159	306,464	1,627,101
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(1,140)	28,551	23,568	—	63,746	114,725
Fund Balances, July 1	5,060	123,597	192,126	—	270	321,053
Fund Balances, June 30	$ 3,920	$ 152,148	$ 215,694	$ —	$ 64,016	$ 435,778


STATE OF GEORGIA
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NONMAJOR ENTERPRISE FUNDS


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

The State Employees' Assurance Department - Active is used to account for the accumulation of resources for the purpose of providing survivors' benefits for eligible members of the Employees', Judicial, and Legislative Retirement Systems. SEAD - Active is a cost-sharing multiple employer life insurance plan created in 2007 by the Georgia General Assembly to amend Title 47 of the Official Code of Georgia Annotated, relating to retirement, so as to establish a fund for the provision of term life insurance to active members of ERS, LRS, and GJRS.

The Georgia Higher Education Facilities Authority is a legally separate public corporation created for the purpose of financing eligible construction, renovation, improvement, and rehabilitation or restoration projects for the Board of Regents of the University System of Georgia and the Technical College System of the State of Georgia through the issuance of revenue bonds. The Authority issues debt and enters into lease agreements. The current lease agreements outstanding are with an affiliate of the University System of Georgia Foundation, Inc. (nonmajor enterprise fund). The costs of the Authority's debt are recovered through lease payments from the Higher Education Foundations.

The **State Road and Tollway Authority (SRTA)** is a legally separate public corporation created to finance transportation projects and operate toll facilities in the State of Georgia. SRTA uses an enterprise fund to account for tolling and transit activities, including the Xpress Commuter Bus Service, the I-75 South Metro Express Lanes, and all other facilities of the rolling system (i.e. the I-85 Express Lanes and six toll facilities under planning and/or construction).

Combining Statement of Net Position
Nonmajor Enterprise Funds
June 30, 2018
(dollars in thousands)

	State Employees' Assurance Department - Active	Georgia Higher Education Facilities Authority	State Road and Tollway Authority	Total
Assets				
Current Assets:				
Cash and Cash Equivalents	$ 90	$ 1	$ 33	$ 124
Pooled Investments with State Treasury	—	485	19,596	20,081
Investments	289,087	—	—	289,087
Accounts Receivable (Net)	—	461	9,734	10,195
Due from Other Funds	72	—	—	72
Due from Component Units	—	229,150	—	229,150
Inventories	—	—	126	126
Other Assets	—	—	30	30
Restricted Assets:				
Cash and Cash Equivalents	—	—	7,652	7,652
Pooled Investments with State Treasury	—	—	116,079	116,079
Total Current Assets	289,249	230,097	153,250	672,596
Noncurrent Assets:				
Restricted Assets:				
Net OPEB Asset	—	—	402	402
Nondepreciable Capital Assets	—	—	42,065	42,065
Depreciable Capital Assets, net	—	—	57,508	57,508
Total Noncurrent Assets	—	—	99,975	99,975
Total Assets	289,249	230,097	253,225	772,571
Deferred Outflows of Resources	—	3,787	2,612	6,399
Liabilities				
Current Liabilities:				
Accounts Payable and Other Accruals	42	—	18,067	18,109
Due to Other Funds	—	—	25,654	25,654
Due to Component Units	—	—	3,082	3,082
Compensated Absences Payable	—	—	179	179
Revenue Bonds Payable	—	5,340	—	5,340
Other Current Liabilities	—	461	37,323	37,784
Current Liabilities Payable from Restricted Assets	—	—	29,671	29,671
Total current Liabilities	42	5,801	113,976	119,819
Noncurrent Liabilities:				
Compensated Absences Payable	—	—	559	559
Revenue Bonds Payable	—	226,679	34,131	260,810
Other Noncurrent Liabilities	—	—	222,547	222,547
Net OPEB Liability	—	—	6,810	6,810
Net Pension Liability	—	—	8,637	8,637
Total Noncurrent Liabilities	—	226,679	272,684	499,363
Total Liabilities	42	232,480	386,660	619,182
Deferred Inflows of Resources	—	—	1,324	1,324
Net Position				
Net Investment in Capital Assets	—	—	88,992	88,992
Restricted for:				
Other Benefits	289,207	—	—	289,207
Other Purposes	—	—	42,582	42,582
Unrestricted	—	1,404	(263,721)	(262,317)
Total Net Position	$ 289,207	$ 1,404	$ (132,147)	$ 158,464

Combining Statement of Revenues, Expenses, and Changes in Net Position
Nonmajor Enterprise Funds
For the Fiscal Year Ended June 30, 2018
(dollars in thousands)

	State Employees' Assurance Department-Active	Georgia Higher Education Facilities Authority	State Road and Tollway Authority	Total
Operating Revenues:				
Contributions/Premiums	$ 540	$ —	$ —	$ 540
Sales and Services	—	11,247	31,337	42,584
Total Operating Revenues	540	11,247	31,337	43,124
Operating Expenses:				
Personal Services	76	—	9,932	10,008
Services and Supplies	—	9	34,833	34,842
Interest Expense	—	11,247	—	11,247
Benefits	2,972	—	—	2,972
Depreciation	—	—	11,685	11,685
Amortization	—	(53)	(291)	(344)
Total Operating Expenses	3,048	11,203	56,159	70,410
Operating Income	(2,508)	44	(24,822)	(27,286)
Nonoperating Revenues (Expenses):				
Interest and Other Investment Income	24,493	6	2,498	26,997
Interest Expense	(64)	—	(9,947)	(10,011)
Other	—	—	(126,283)	(126,283)
Total Nonoperating Revenues (Expenses)	24,429	6	(133,732)	(109,297)
Income (Loss) Before Contributions and Transfers	21,921	50	(158,554)	(136,583)
Capital Contributions	—	—	84,407	84,407
Transfers:				
Transfers In	—	—	14,660	14,660
Change in Net Position	21,921	50	(59,487)	(37,516)
Net Position, July 1 - Restated (Note 3)	267,286	1,354	(72,660)	195,980
Net Position, June 30	$ 289,207	$ 1,404	$ (132,147)	$ 158,464

Combining Statement of Cash Flows
Nonmajor Enterprise Funds
For the Fiscal Year Ended June 30, 2018
(dollars in thousands)

	State Employees' Assurance Department-Active	Georgia Higher Education Facilities Authority	State Road and Tollway Authority	Total
Cash Flows from Operating Activities:				
Cash Received from Customers	$ —	$ —	$ 31,812	$ 31,812
Cash Received from Other Funds (Internal Activity)	540	—	1,223	1,763
Cash Paid to Vendors	(3,041)	(9)	(25,837)	(28,887)
Cash Paid to Employees	—	—	(11,271)	(11,271)
Cash Paid to Other Funds (Internal Activity)	—	—	(1,223)	(1,223)
Net Cash Provided by Operating Activities	(2,501)	(9)	(5,296)	(7,806)
Cash Flows from Noncapital Financing Activities:				
Interest Paid on Bonds/Long-Term Debt	—	(11,256)	—	(11,256)
Transfers from Other Funds	—	—	8,060	8,060
Payments on Noncapital Financing Debt	—	(5,147)	—	(5,147)
Other Noncapital Receipts	—	171	—	171
Net Cash Used in Noncapital Financing Activities	—	(16,232)	8,060	(8,172)
Cash Flows from Capital and Related Financing Activities:				
Grant Disbursements	—	—	(96,315)	(96,315)
Intergovernmental Grant	—	—	39,343	39,343
Proceeds from Capital Debt	—	—	2,460	2,460
Acquisition and Construction of Capital Assets	—	—	(28,737)	(28,737)
Net Cash Provided by (Used in) Capital and Related Financing Activities	—	—	(83,249)	(83,249)
Cash Flows from Investing Activities:				
Proceeds from Sales of Investments	267,194	—	—	267,194
Purchase of Investments	(289,087)	—	—	(289,087)
Interest and Dividends Received	24,429	6	2,498	26,933
Other Investing Activities	—	16,231	—	16,231
Net Cash Provided by (Used in) Investing Activities	2,536	16,237	2,498	21,271
Net Increase (Decrease) in Cash and Cash Equivalents	35	(4)	(77,987)	(77,956)
Cash and Cash Equivalents, July 1 - Restated (Note 3)	55	490	221,347	221,892
Cash and Cash Equivalents, June 30	$ 90	$ 486	$ 143,360	$ 143,936
Reconciliation of Operating Income to Net Cash Provided by (Used in) Operating Activities:				
Operating Income	$ (2,508)	$ 44	$ (24,822)	(27,286)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:				
Depreciation/Amortization Expense	—	(53)	11,394	11,341
Other	—	(8)	—	(8)
Changes in Assets and Liabilities:				
Deferred Inflows of Resources:				
Accounts Receivable	—	8	177	185
Other Assets	—	—	74	74
Net OPEB Asset	—	—	(402)	(402)
Deferred Outflows of Resources	—	—	170	170
Accounts Payable and Other Accruals	7	—	7,635	7,642
Unearned Revenue	—	—	(7,300)	(7,300)
Compensated Absences	—	—	(82)	(82)
Net OPEB Liability	—	—	(434)	(434)
Net Pension Liability	—	—	(1,851)	(1,851)
Other Liabilities	—	—	8,899	8,899
Deferrred Inflows of Resources	—	—	1,246	1,246
Net Cash Provided by (Used in) Operating Activities	$ (2,501)	$ (9)	$ (5,296)	$ (7,806)

INTERNAL SERVICE FUNDS


STATE OF GEORGIA
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Internal Service Funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the government and to other government units, on a cost reimbursement basis. The State's internal service funds are described below:

The **Department of Administrative Services** delivers a variety of supportive services to all state agencies and, upon request, to local governments in Georgia. Among the services provided are purchasing (procurement), surplus property transactions, document services, fleet management, and human resources administration.

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

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

The **Risk Management** column is an accumulation of the funds used to account for the State's self-insurance programs established by individual agreement, statute or administrative action:

> The **Cyber Insurance Coverage Fund** was created for the development of a cyber insurance product for direct loss and out of pocket expenses incurred as a result of damage to data, systems or income defense and liability incurred as a result of employees' actions. Department of Administrative Services (DOAS) engaged with an insurance broker to develop an underwriting submission to present to the commercial insurance underwriters. DOAS Risk Management Services manages the insurance product with assistance from Georgia Technology Authority.
>
> The **Liability Insurance Fund** is used to account for the accumulation of funds for the purpose of providing liability insurance coverage for employees of the State against personal liability for damages arising out of performance of their duties.
>
> The **Property Insurance Fund** is used to account for the assessment of premiums against various state agencies for the purpose of providing property, fire and extended coverage, automobile, aircraft and marine insurance.
>
> The **State Indemnification Fund** is used to account for the accumulation of funds for the purpose of providing indemnification with respect to the death of any law enforcement officer, fireman or prison guard killed in the line of duty.
>
> The **Teacher Indemnification Fund** is used to account for the accumulation of funds for the purpose of providing indemnification with respect to the death of any public school employees killed or permanently disabled by an act of violence in the line of duty on or after July 1, 2001.
>
> The **Unemployment Compensation Fund** was created for the purpose of consolidating processing of unemployment compensation claims against state agencies and the payment of sums due to the Department of Labor.
>
> The **Workers' Compensation Fund** was established to authorize insurance coverage for employees of the State and for the receipt of premiums as prescribed by the Workers' Compensation statutes of the State.

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

Combining Statement of Net Position
Internal Service Funds
June 30, 2018
(dollars in thousands)

	Department of Administrative Services	Georgia Building Authority	Georgia Correctional Industries Administration
Assets			
Current Assets:			
Cash and Cash Equivalents	$ 2,030	$ 590	$ 8,893
Pooled Investments with State Treasury	2,027	42,934	1,025
Investments	—	—	—
Accounts Receivable (Net)	649	618	7,425
Due from Other Funds	—	—	114
Due from Component Units	—	—	—
Inventories	—	422	15,334
Other Assets	—	6	215
Total Current Assets	4,706	44,570	33,006
Noncurrent Assets:			
Restricted Assets:			
Investments	—	—	—
Net OPEB Asset	299	742	703
Capital Assets:			
Construction in Progress	—	21,432	—
Land	—	22,544	—
Buildings and Building Improvements	—	556,761	12,923
Improvements Other Than Buildings	—	8,101	—
Machinery and Equipment	—	8,481	22,427
Software	—	—	—
Works of Art and Collections	—	1,274	—
Accumulated Depreciation	—	(325,844)	(27,832)
Total Noncurrent Assets	299	293,491	8,221
Total Assets	5,005	338,061	41,227
Deferred Outflows of Resources	1,633	3,037	3,470
Liabilities			
Current Liabilities:			
Cash Overdraft	—	—	—
Accounts Payable and Other Accruals	672	2,488	6,000
Due to Other Funds	—	157	3
Unearned Revenue	—	99	—
Claims and Judgments Payable	—	—	—
Compensated Absences Payable	—	785	418
Capital Leases Payable	—	5,730	670
Other Current Liabilities	1,266	—	—
Total Current Liabilities	1,938	9,259	7,091
Noncurrent Liabilities:			
Compensated Absences Payable	—	—	1,076
Capital Leases Payable	—	35,274	564
Net OPEB Liability	4,196	10,039	11,009
Net Pension Liability	4,767	10,862	11,500
Other Noncurrent Liabilities	—	—	—
Total Noncurrent Liabilities	8,963	56,175	24,149
Total Liabilities	10,901	65,434	31,240
Deferred Inflows of Resources	394	1,046	2,158
Net Position			
Net Investment in Capital Assets	—	251,745	6,286
Restricted for:			
Other Purpose	248	642	619
Unrestricted	(4,905)	22,231	4,394
Total Net Position	$ (4,657)	$ 274,618	$ 11,299

Risk Management (see combining)	Georgia Technology Authority	Total
$ —	$ 3,340	$ 14,853
29,880	43,808	119,674
4,252	—	4,252
86,097	8,393	103,182
738,920	31,940	770,974
—	47	47
—	—	15,756
4	—	225
859,153	87,528	1,028,963
49,207	—	49,207
156	1,763	3,663
—	62,042	83,474
—	5,314	27,858
—	13,230	582,914
—	—	8,101
—	33,377	64,285
—	55,079	55,079
—	—	1,274
—	(97,373)	(451,049)
49,363	73,432	424,806
908,516	160,960	1,453,769
598	6,533	15,271
3,158	—	3,158
1,011	44,986	55,157
—	—	160
—	—	99
827,168	—	827,168
—	777	1,980
—	1,242	7,642
7	3,773	5,046
831,344	50,778	900,410
—	1,825	2,901
—	6,305	42,143
2,192	20,030	47,466
2,332	21,876	51,337
—	10,831	10,831
4,524	60,867	154,678
835,868	111,645	1,055,088
204	5,183	8,985
—	64,121	322,152
38	1,527	3,074
73,004	(14,983)	79,741
$ 73,042	$ 50,665	$ 404,967

Combining Statement of Revenues, Expenses, and Changes in Net Position
Internal Service Funds
For the Fiscal Year Ended June 30, 2018
(dollars in thousands)

	Department of Administrative Services	Georgia Building Authority	Georgia Correctional Industries Administration
Operating Revenues:			
Contributions/Premiums	$ —	$ —	$ —
Rents and Royalties	—	48,818	—
Sales and Services	6,068	2,767	79,787
Other	6,429	164	2,179
Total Operating Revenues	12,497	51,749	81,966
Operating Expenses:			
Personal Services	4,579	10,111	12,985
Services and Supplies	9,004	31,790	58,998
Claims and Judgments	—	—	—
Depreciation	—	18,818	353
Total Operating Expenses	13,583	60,719	72,336
Operating Income (Loss)	(1,086)	(8,970)	9,630
Nonoperating Revenues (Expenses):			
Interest and Other Investment Income	23	516	18
Nonoperating Grants & Contributions	12,357	—	—
Other	(12,357)	(844)	—
Total Nonoperating Revenues (Expenses)	23	(328)	18
Income (Loss) Before Contributions and Transfers	(1,063)	(9,298)	9,648
Capital Contributions	—	51,451	—
Transfers:			
Transfers In	—	8,665	—
Transfers Out	—	(2,144)	—
Net Transfers	—	6,521	—
Change in Net Position	(1,063)	48,674	9,648
Net Position, July 1 - Restated (Note 3)	(3,594)	225,944	1,651
Net Position, June 30	$ (4,657)	$ 274,618	$ 11,299

Risk Management (see combining)	Georgia Technology Authority	Total
$ 261,378	$ 2,936	$ 264,314
—	—	48,818
63	258,137	346,822
—	—	8,772
261,441	261,073	668,726
1,696	18,641	48,012
32,890	237,183	369,865
234,795	—	234,795
—	1,096	20,267
269,381	256,920	672,939
(7,940)	4,153	(4,213)
87	438	1,082
—	—	12,357
4,622	—	(8,579)
4,709	438	4,860
(3,231)	4,591	647
—	69,046	120,497
5,324	1,460	15,449
—	(3,004)	(5,148)
5,324	(1,544)	10,301
2,093	72,093	131,445
70,949	(21,428)	273,522
$ 73,042	$ 50,665	$ 404,967

Combining Statement of Cash Flows
Internal Service Funds
For the Fiscal Year Ended June 30, 2018
(dollars in thousands)

	Department of Administrative Services	Georgia Building Authority	Georgia Correctional Industries Administration
Cash Flows from Operating Activities:			
Cash Received from Customers	$ 1,544	$ 6,208	$ 12,605
Cash Received from Other Funds (Internal Activity)	10,957	46,434	66,245
Cash Received from Required Contributions/Premiums	—	—	—
Cash Received from Required Contributions/Premiums (Internal Activity)	—	—	—
Cash Paid to Vendors	(9,508)	(32,530)	(59,338)
Cash Paid to Employees	(4,856)	(11,614)	(15,017)
Cash Paid for Claims and Judgments	—	—	—
Other Operating Receipts	827	—	—
Net Cash Provided by (Used in) Operating Activities	(1,036)	8,498	4,495
Cash Flows from Noncapital Financing Activities:			
Transfers from Other Funds	—	6,522	—
Transfers to Other Funds	—	—	—
Other Noncapital Receipts	12,357	—	—
Other Noncapital Payments	(12,357)	(525)	—
Net Cash Provided by (Used in) Noncapital Financing Activities	—	5,997	—
Cash Flows from Capital and Related Financing Activities:			
Capital Contributions	—	3,063	—
Proceeds from Sale of Capital Assets	—	14	1,234
Acquisition and Construction of Capital Assets	—	(8,852)	(589)
Principal Paid on Capital Debt	—	(5,152)	—
Net Cash Used in Capital and Related Financing Activities	—	(10,927)	645
Cash Flows from Investing Activities:			
Proceeds from Sales of Investments	—	—	—
Purchase of Investments	—	—	—
Interest and Dividends Received	23	516	17
Net Cash Provided by Investing Activities	23	516	17
Net Increase (Decrease) in Cash and Cash Equivalents	(1,013)	4,084	5,157
Cash and Cash Equivalents, July 1 - Restated (Note 3)	5,070	39,440	4,761
Cash and Cash Equivalents, June 30	$ 4,057	$ 43,524	$ 9,918

Risk Management (see combining)	Georgia Technology Authority	Total
$ 63	$ 60,170	$ 80,590
—	190,767	314,403
10,795	—	10,795
149,455	—	149,455
(33,265)	(235,694)	(370,335)
(2,116)	(22,855)	(56,458)
(144,752)	—	(144,752)
—	—	827
(19,820)	(7,612)	(15,475)
430	1,460	8,412
—	(3,004)	(3,004)
9,516	—	21,873
—	(858)	(13,740)
9,946	(2,402)	13,541
—	69,046	72,109
—	—	1,248
—	(61,793)	(71,234)
—	(924)	(6,076)
—	6,329	(3,953)
73,020	—	73,020
(53,615)	—	(53,615)
243	438	1,237
19,648	438	20,642
9,774	(3,247)	14,755
16,948	50,395	116,614
$ 26,722	$ 47,148	$ 131,369

(continued)

Combining Statement of Cash Flows
Internal Service Funds
For the Fiscal Year Ended June 30, 2018
(dollars in thousands)

	Department of Administrative Services	Georgia Building Authority	Georgia Correctional Industries Administration
Reconciliation of Operating Income (Loss) to Net Cash provided by (Used in) Operating Activities:			
Operating Income (Loss)	$ (1,086)	$ (8,970)	$ 9,630
Reconciliation of Operating Income (Loss) to Net Cash provided by (Used in) Operating Activities:			
Depreciation Expense	—	18,818	353
Changes in Assets, Deferred Outflows of Resources, Liabilities, and Deferred Inflows of Resources:			
Accounts Receivable	5	84	(2,788)
Due from Other Funds	—	820	(113)
Due from Component Units	—	—	—
Other Assets	—	(25)	(2,195)
Net OPEB Asset	(299)	(742)	(703)
Deferred Outflows of Resources	364	98	1,536
Accounts Payable and Other Accruals	(517)	(865)	1,944
Due to Other Funds	—	149	(484)
Unearned Revenue	—	(11)	—
Claims and Judgments Payable	—	—	—
Compensated Absences Payable	—	5	149
Net OPEB Liability	(396)	239	(1,954)
Net Pension Liability	(318)	(1,990)	(2,894)
Other Liabilities	839	—	—
Deferred Inflows of Resources	372	888	2,014
Net Cash Provided by (Used in) Operating Activities	$ (1,036)	$ 8,498	$ 4,495
Noncash Investing, Capital, and Financing Activities:			
Donation of Capital Assets	$ —	$ 47,531	$ —
Total Noncash Investing, Capital and Financing Activities:	$ —	$ 47,531	$ —

Risk Management (see combining)	Georgia Technology Authority	Total
$ (7,940)	$ 4,153	$ (4,213)
—	1,096	20,267
(13,817)	2,709	(13,807)
(87,365)	(10,120)	(96,778)
—	11	11
57	—	(2,163)
(156)	(1,763)	(3,663)
459	3,094	5,551
(305)	1,491	1,748
—	—	(335)
—	(2,736)	(2,747)
90,044	—	90,044
—	(5)	149
(207)	(3,847)	(6,165)
(708)	(6,354)	(12,264)
(74)	—	765
192	4,659	8,125
$ (19,820)	$ (7,612)	$ (15,475)
$ —	$ —	$ 47,531
$ (156)	$ —	$ 47,375

Combining Statement of Net Position
Internal Service Funds
Risk Management
June 30, 2018
(dollars in thousands)

	Cyber Liability Insurance Fund	Liability Insurance Fund	Property Insurance Fund
Assets			
Current Assets:			
Pooled Investments with State Treasury	$ 155	$ —	$ 19,627
Investments	24	—	2,951
Accounts Receivable (Net)	271	23,233	311
Due From Other Funds	—	160,023	—
Other Assets	—	—	—
Total Current Assets	450	183,256	22,889
Noncurrent Assets:			
Investments	275	—	34,355
Net OPEB Asset	—	47	43
Total Noncurrent Assets	275	47	34,398
Total Assets	725	183,303	57,287
Deferred Outflows of Resources	—	215	154
Liabilities			
Current Liabilities:			
Cash Overdraft	4	41	557
Accounts Payable and Other Accruals	—	325	90
Claims and Judgments Payable	—	181,710	6,136
Other Current Liabilities	—	4	1
Total Current Liabilities	4	182,080	6,784
Noncurrent Liabilities:			
Net OPEB Liability	—	667	602
Net Pension Liability	—	709	641
Total Noncurrent Liabilities	—	1,376	1,243
Total Liabilities	4	183,456	8,027
Deferred Inflows of Resources	—	62	57
Net Position			
Restricted for:			
Other Purpose	—	—	36
Unrestricted	721	—	49,321
Total Net Position	$ 721	$ —	$ 49,357

State Indemnification Fund	Teacher Indemnification Fund	Unemployment Compensation Fund	Workers' Compensation Fund	Total
$ 1,948	$ 1,091	$ 7,059	$ —	$ 29,880
10	170	1,097	—	4,252
1	—	73	62,208	86,097
—	—	—	578,897	738,920
—	—	4	—	4
1,959	1,261	8,233	641,105	859,153
118	1,936	12,523	—	49,207
1	—	1	64	156
119	1,936	12,524	64	49,363
2,078	3,197	20,757	641,169	908,516
5	—	5	219	598
2	31	200	2,323	3,158
3	—	7	586	1,011
839	49	1,883	636,551	827,168
—	—	—	2	7
844	80	2,090	639,462	831,344
16	—	14	893	2,192
17	—	15	950	2,332
33	—	29	1,843	4,524
877	80	2,119	641,305	835,868
1	—	1	83	204
1	—	1	—	38
1,204	3,117	18,641	—	73,004
$ 1,205	$ 3,117	$ 18,642	$ —	$ 73,042

Combining Statement of Revenues, Expenses, and Changes in Net Position
Internal Service Funds
Risk Management
For the Fiscal Year Ended June 30, 2018
(dollars in thousands)

	Cyber Liability Insurance Fund	Liability Insurance Fund	Property Insurance Fund
Operating Revenues:			
Contributions/Premiums	$ 2,824	$ 86,903	$ 20,996
Sales and Services	—	—	—
Total Operating Revenues	2,824	86,903	20,996
Operating Expenses:			
Personal Services	—	707	447
Services and Supplies	1,904	4,608	13,772
Claims and Judgments	276	80,950	7,499
Total Operating Expenses	2,180	86,265	21,718
Operating Income (Loss)	644	638	(722)
Nonoperating Revenues (Expenses):			
Interest and Other Investment Income	—	10	(220)
Other	77	—	—
Total Nonoperating Revenues (Expenses)	77	10	(220)
Income (Loss) Before Transfers	721	648	(942)
Transfers:			
Transfers In	—	—	—
Net Transfers	—	—	—
Change in Net Position	721	648	(942)
Net Position, July 1 - Restated (Note 3)	—	(648)	50,299
Net Position, June 30	$ 721	$ —	$ 49,357

State Indemnification Fund	Teacher Indemnification Fund	Unemployment Compensation Fund	Workers' Compensation Fund	Total
$ —	$ —	$ 4,500	$ 146,155	$ 261,378
63	—	—	—	63
63	—	4,500	146,155	261,441
(23)	—	(4)	569	1,696
28	6	101	12,471	32,890
488	—	3,845	141,737	234,795
493	6	3,942	154,777	269,381
(430)	(6)	558	(8,622)	(7,940)
27	31	187	52	87
—	—	—	4,545	4,622
27	31	187	4,597	4,709
(403)	25	745	(4,025)	(3,231)
430	—	—	4,894	5,324
430	—	—	4,894	5,324
27	25	745	869	2,093
1,178	3,092	17,897	(869)	70,949
$ 1,205	$ 3,117	$ 18,642	$ —	$ 73,042

Combining Statement of Cash Flows
Internal Service Funds
Risk Management
For the Fiscal Year Ended June 30, 2018
(dollars in thousands)

	Cyber Liability Insurance Fund	Liability Insurance Fund	Property Insurance Fund
Cash Flows from Operating Activities:			
Cash Received from Customers	$ —	$ —	$ —
Cash Received from Required Contributions/Premiums	231	2,572	1,879
Cash Received from Required Contributions/Premiums (Internal Activity)	2,323	34,655	19,123
Cash Paid to Vendors	(1,905)	(4,460)	(14,633)
Cash Paid to Employees	—	(784)	(532)
Cash Paid for Claims and Judgments	(276)	(31,923)	(15,091)
Net Cash Provided by (Used in) Operating Activities	373	60	(9,254)
Cash Flows from Noncapital Financing Activities:			
Transfers from Other Funds	—	—	—
Other Noncapital Receipts	77	—	—
Net Cash Provided by (Used in) Noncapital Financing Activities	77	—	—
Cash Flows from Investing Activities:			
Proceeds from Sales and Maturities of Investments	—	—	53,876
Purchase of Investments	(292)	—	(37,573)
Interest and Dividends Received	(7)	10	48
Net Cash Provided by (Used in) Investing Activities	(299)	10	16,351
Net Increase (Decrease) in Cash and Cash Equivalents	151	70	7,097
Cash and Cash Equivalents, July 1	—	(111)	11,973
Cash and Cash Equivalents, June 30	$ 151	$ (41)	$ 19,070
Reconciliation of Operating Income (Loss) to Net Cash provided by (Used in) Operating Activities:			
Operating Income (Loss)	$ 644	$ 638	$ (722)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:			
Changes in Assets, Deferred Outflows of Resources, Liabilities, and Deferred Inflows of Resources:			
Accounts Receivable	(271)	(5,273)	(74)
Due from Other Funds	—	(44,403)	22
Other Assets	—	—	57
Net OPEB Asset	—	(47)	(43)
Deferred Outflows of Resources	—	92	133
Accounts Payable and Other Accruals	—	188	(839)
Claims and Judgments Payable	—	49,027	(7,592)
Net OPEB Liability	—	(63)	(57)
Net Pension Liability	—	(117)	(171)
Other Liabilities	—	(41)	(21)
Deferred Inflows of Resources	—	59	53
Net Cash Provided by (Used in) Operating Activities	$ 373	$ 60	$ (9,254)
Noncash Investing Activities:			
Change in Fair Value of Investments	$ 7	$ —	$ (268)

State Indemnification Fund	Teacher Indemnification Fund	Unemployment Compensation Fund	Workers' Compensation Fund	Total
$ 63	$ —	$ —	$ —	$ 63
—	—	503	5,610	10,795
—	—	4,094	89,260	149,455
(26)	(5)	(95)	(12,141)	(33,265)
(18)	—	(15)	(767)	(2,116)
(652)	(13)	(3,797)	(93,000)	(144,752)
(633)	(18)	690	(11,038)	(19,820)
430	—	—	—	430
—	—	—	9,439	9,516
430	—	—	9,439	9,946
553	2,576	16,015	—	73,020
(118)	(2,091)	(13,541)	—	(53,615)
17	16	107	52	243
452	501	2,581	52	19,648
249	483	3,271	(1,547)	9,774
1,697	577	3,588	(776)	16,948
$ 1,946	$ 1,060	$ 6,859	$ (2,323)	$ 26,722
$ (430)	$ (6)	$ 558	$ (8,622)	$ (7,940)
—	—	101	(8,300)	(13,817)
—	—	—	(42,984)	(87,365)
—	—	—	—	57
(1)	—	(1)	(64)	(156)
9	—	4	221	459
3	—	2	341	(305)
(164)	(12)	48	48,737	90,044
(2)	—	(1)	(84)	(207)
(49)	—	(22)	(349)	(708)
—	—	—	(12)	(74)
1	—	1	78	192
$ (633)	$ (18)	$ 690	$ (11,038)	$ (19,820)
$ 11	$ 15	$ 79	$ —	$ (156)


STATE OF GEORGIA
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FIDUCIARY FUNDS


STATE OF GEORGIA
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Fiduciary funds are used to account for assets held by the State in a fiduciary capacity. The State has the following fiduciary funds.

PENSION AND OTHER EMPLOYEE BENEFIT TRUST FUNDS

Pension and Other Employee Benefit Trust Funds are used to account for activities and balances of the public employee retirement systems and other employee benefit plans. The State's pension and other employee benefit trust funds are described below:

Pension Trust Funds

Defined Benefit Pension Plans

The **Employees' Retirement System** is used to account for the accumulation of resources for the purpose of providing retirement allowances for qualified employees of the State and its political subdivisions.

The **Firefighters' Pension Fund** is used to account for the accumulation of resources for the purpose of paying retirement benefits to the firefighters of the State.

The **Georgia Judicial Retirement System** is used to account for the accumulation of resources for the purpose of providing retirement allowances for trial judges and solicitors of certain courts in Georgia, and their survivors and beneficiaries, superior court judges of the State, and district attorneys of the State.

Other Defined Benefit Plans is comprised of the following smaller plans:

The **District Attorneys Retirement Fund** (old plan) is used to account for the accumulation of resources for the purpose of paying retirement benefits to the district attorneys of the State.

The **Augusta University Early Retirement Pension Plan** is a single-employer defined benefit pension plan designed to provide eligible participants additional benefits above the amounts payable through Teachers Retirement System of Georgia (TRS). The plan was designed to allow vested employees aged 55 or employees of any age with 25 years of creditable service to retire without penalties as applied by the TRS for early retirement.

The **Judges of the Probate Courts Retirement Fund** is used to account for the accumulation of resources for the purpose of paying retirement benefits to the judges of the Probate Courts of the State.

The **Legislative Retirement System** is used to account for the accumulation of resources for the purpose of providing retirement allowances and other benefits for all members of the Georgia General Assembly.

The **Magistrates Retirement Fund** is used to account for the accumulation of resources for the purpose of providing retirement benefits for those serving as duly qualified and commissioned chief magistrates of counties in the State.

The **Georgia Military Pension Fund** is used to account for the accumulation of resources for the purpose of providing retirement allowances and other benefits to members of the Georgia National Guard.

The **Sheriffs' Retirement Fund** is used to account for the accumulation of resources for the purpose of paying retirement benefits to the sheriffs of the State.

The **Superior Court Clerks' Retirement Fund** is used to account for the accumulation of resources for the purpose of paying retirement benefits to the Superior Court clerks of the State.

The **Superior Court Judges Retirement Fund** (old plan) is used to account for the accumulation of resources for the purpose of paying retirement benefits to the Superior Court judges of the State.

The **Peace Officers' Annuity and Benefit Fund** is used to account for the accumulation of resources for the purpose of paying retirement benefits to the peace officers of the State.

The **Public School Employees Retirement System** is used to account for the accumulation of resources for the purpose of providing retirement allowances for public school employees who are not eligible for membership in the Teachers Retirement System.

The **Teachers Retirement System** is used to account for the accumulation of resources for the purpose of providing retirement allowances and other benefits for teachers and administrative personnel employed in State public schools and the University System of Georgia (except those professors and principal administrators electing to participate in an optional retirement plan), and for certain other designated employees in educational-related work.

Defined Contribution / Deferred Compensation Pension Plans

The **Georgia Defined Contribution Plan** is used to account for the accumulation of resources for the purpose of providing retirement allowances for State employees who are not members of a public retirement or pension system.

The **Deferred Compensation Plans** are used to account for the accumulation of resources for the purpose of providing retirement allowances for State and Board of Regents employees and employees of Community Service Boards who elect to defer a portion of their annual salary until future years.

Other Postemployment Benefit Plans

The **Board of Regents Retiree Health Benefit Fund** is used to account for the accumulation of resources necessary to meet employer costs of retiree post-employment health insurance benefits.

The **Georgia State Employees Postemployment Health Benefit Fund (State OPEB Fund)** pays postemployment health benefits (including benefits to qualified beneficiaries of eligible former employees) due under the group health plan for employees of State organizations and other entities authorized by law to contract with the Department of Community Health for inclusion in the plan. It also pays administrative expenses for the Fund. By law, no other use of assets of the State OPEB Fund is permitted.

The **Georgia School Personnel Postemployment Health Benefit Fund (School OPEB Fund)** pays postemployment health benefits (including benefits for qualified beneficiaries of eligible former employees) due under the group health plan for public school teachers including librarians and other certified employees of the public schools and regional educational service agencies, postemployment health benefits due under the group health plan for non-certificated public school employees, and administrative expenses of the Fund. By law, no other use of assets of the School OPEB Fund is permitted.

The **State Employees' Assurance Department (SEAD) - OPEB** is used to account for the accumulation of resources for the purpose of providing term life insurance to retired and vested inactive members of Employees', Judicial, and Legislative Retirement Systems.

INVESTMENT TRUST FUNDS

Investment Trust Funds are used to account for the external portion of a government sponsored investment pool. The State's investment trust funds are described below:

The **Georgia Fund 1** (GF1) is an investment pool of the LGIP Trust and an investment pool for the State and local governments, including state agencies, colleges and universities, counties, school districts, special districts, or any department, agency, or board of a political subdivision. The primary objectives of the pool is the prudent management of public funds on behalf of the State and local governments seeking income higher than money market rates.

The **Georgia Fund 1 Plus** (GF1+) is an additional investment option for the State, state agencies, and eligible municipalities looking to benefit from higher yields available by adding credit exposure.

PRIVATE PURPOSE TRUST FUNDS

Private Purpose Trust Funds are used to report resources of all other trust arrangements in which principal and income benefit individuals, private organizations, or other governments. The State's private purpose trust funds are described below:

The **Auctioneers Education, Research and Recovery Fund** provides for actual or compensatory damages in instances where a person is aggrieved by an act, representation, transaction, or conduct of a person licensed under OCGA 43-6 (duly licensed auctioneer, apprentice auctioneer, or auction company) who is in violation of state law. Also, the fund is used to help underwrite the cost of education and research programs for the benefit of licensees and the public.

The **Real Estate Education, Research and Recovery Fund** provides for actual or compensatory damages in instances where a person is aggrieved by an act, representation, transaction, or conduct of a duly licensed broker, associate broker or salesperson who is in violation of state law. Also, the fund is used to help underwrite the cost of developing courses, conducting seminars, conducting research projects on matters affecting real estate brokerage, publishing and distributing educational materials, or other education and research programs for the benefit of licensees and the public.

The **Subsequent Injury Trust Fund** is a special workers' compensation fund designed to encourage employers to hire workers with pre-existing impairments by insuring against the aggravating impact such impairment could have if the worker were subsequently injured on the job.

AGENCY FUNDS

Agency Funds are used to report assets and liabilities for deposits and investments entrusted to the State as an agent for others. The State's significant agency funds are described below:

The **Child Support Recovery Program** accounts for the collection of court ordered child support or child support amounts due as determined in conformity with the Social Security Act. Amounts collected are distributed and deposited in conformity with state law and the standards prescribed in the Social Security Act.

The **County Medicaid Administrative Funds** are billed by the State on behalf of local governments, and represent eligible administrative costs paid at the county level. Amounts collected are distributed to county boards of health.

The **Detainees' Accounts** are held for the detainees of statewide probation offices, correctional institutions, diversion centers, detention centers, transitional centers and boot camps for the purpose of paying court-ordered fines, fees and restitutions and for operating recreational activities for detainees.

The **Flexible Benefits Program** accounts for participant payroll deductions for benefits and spending accounts; disbursements are made to insurance companies for premiums and to participants for spending account reimbursements.

The **Insurance Premium Tax Collections for Local Governments Fund** accounts for the pro-rata share of premium taxes collected on the behalf of each participating municipality and county. The participating counties and municipalities may have the distributions deposited directly into their Georgia Fund 1 account through the Office of the State Treasurer.

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

Survivor Benefit Fund (SBF) is within the Employees Retirement System (ERS) trust and is solely for maintaining group term life insurance coverage for members of the plan. All assets are limited to the payment of benefits and expenses for such coverage and cannot be used to pay pension benefits and expenses of ERS.

The **Telecommunications Relay Service Fund** was established to provide telecommunication services to hearing/speech impaired Georgians. All local exchange telephone companies in the State impose a monthly maintenance surcharge on residential and business local exchange access facilities, which are deposited into this fund solely for the provisions of the Dual Party Relay System.

The **Universal Service Fund** was established for the purpose of assisting low-income customers in times of emergency by providing energy conservation assistance to such customers; and to provide contributions in aid of construction to permit the electing distribution company to extend and expand its facilities from time to time as the Public Service Commission deems to be in the public interest. Funding comes from rate refunds from interstate pipeline suppliers, funds deposited by marketers, and various other refunds, surcharges and earnings.

Miscellaneous funds include agency funds not considered significant enough to warrant separate presentation.


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State of Georgia

Combining Statement of Fiduciary Net Position
Pension and Other Employee Benefit Trust Funds
June 30, 2018
(dollars in thousands)

	Defined Benefit Pension Plans (see combining)	Defined Contribution Plans: Georgia Defined Contribution Plan	Deferred Compensation Plans: State of Georgia 401 (K) Plan	State of Georgia 457 Plan	Regents 457 (F) Plan
Assets					
Cash and Cash Equivalents	$ 1,762,184	$ 16,023	$ 21,799	$ 1,164	$ 4,731
Pooled Investments with State Treasury	594	—	—	—	—
Receivables					
Interest and Dividends	263,840	363	—	—	—
Due from Brokers for Securities Sold	12,815	—	—	—	—
Other	236,968	921	4,183	551	—
Due from Other Funds	—	—	—	—	—
Investments					
Pooled Investments	14,661,495	—	—	—	—
Mutual Funds	654,918	—	983,437	615,282	3,057
Municipal, U.S. and Foreign Government Obligations	15,833,526	97,759	—	—	—
Corporate Bonds/Notes/Debentures	7,072,905	—	—	—	1,062
Stocks	52,003,669	—	8,913	7,397	—
Asset-backed Securities	24,342	—	—	—	—
Exchange Traded Funds	25,865	—	—	—	—
Mortgage Investments	121,308	—	—	—	—
Real Estate Investment Trusts	47,096	—	—	—	646
Capital Assets					
Land	8,883	—	—	—	—
Buildings	7,793	—	—	—	—
Software	29,325	—	—	—	—
Machinery and Equipment	7,233	—	—	—	—
Works of Art	114	—	—	—	—
Accumulated Depreciation	(37,187)	—	—	—	—
Net OPEB Asset	2,678	—	—	—	—
Total Assets	92,740,364	115,066	1,018,332	624,394	9,496
Deferred Outflows of Resources	9,390	—	—	—	—
Liabilities					
Accounts Payable and Other Accruals	36,337	495	2,638	1,032	—
Due to Other Funds	615	—	—	—	—
Due to Brokers for Securities Purchased	49,672	—	—	—	—
Salaries/Withholdings Payable	11	—	—	—	—
Benefits Payable	—	—	—	—	—
Notes Payable	16	—	—	—	—
Unearned Revenue	4	—	—	—	—
Compensated Absences Payable	59	—	—	—	—
Net OPEB Liability	36,023	—	—	—	—
Net Pension Liability	28,065	—	—	—	—
Total Liabilities	150,802	495	2,638	1,032	—
Deferred Inflows of Resources	3,430	—	—	—	—
Net Position					
Restricted for:					
Pension Benefits	92,595,524	114,571	1,015,694	623,362	9,496
Other Postemployment Benefits	(2)	—	—	—	—
Total Net Position	$ 92,595,522	$ 114,571	$ 1,015,694	$ 623,362	$ 9,496

Other Post Employment Benefit Plans				
Board of Regents Retiree Health Benefit Fund	Georgia State Employees Postemployment Health Benefit Fund	Georgia School Personnel Postemployment Health Benefit Fund	State Employees' Assurance Department - OPEB	Total
$ 17,318	$ —	$ —	$ 138	$ 1,823,357
—	1,201,887	383,263	—	1,585,744
—	—	—	—	264,203
—	—	—	—	12,815
—	7,238	18,175	—	268,036
—	3,189	5,548	533	9,270
—	—	—	1,189,173	15,850,668
49,813	—	—	—	2,306,507
—	—	—	—	15,931,285
—	—	—	—	7,073,967
13,544	—	—	—	52,033,523
—	—	—	—	24,342
—	—	—	—	25,865
—	—	—	—	121,308
—	—	—	—	47,742
—	—	—	—	8,883
—	—	—	—	7,793
—	—	—	—	29,325
—	—	—	—	7,233
—	—	—	—	114
—	—	—	—	(37,187)
—	—	—	—	2,678
80,675	1,212,314	406,986	1,189,844	97,397,471
—	—	—	—	9,390
—	115	268	382	41,267
—	—	—	—	615
—	—	—	—	49,672
—	—	—	—	11
4,631	10,334	23,455	—	38,420
—	—	—	—	16
—	—	—	—	4
—	—	—	—	59
—	—	—	—	36,023
—	—	—	—	28,065
4,631	10,449	23,723	382	194,152
—	—	—	—	3,430
—	—	—	—	94,358,647
76,044	1,201,865	383,263	1,189,462	2,850,632
$ 76,044	$ 1,201,865	$ 383,263	$ 1,189,462	$ 97,209,279

Combining Statement of Changes in Fiduciary Net Position
Pension and Other Employee Benefit Trust Funds
For the Fiscal Year Ended June 30, 2018
(dollars in thousands)

		Defined Contribution Plans			
	Defined Benefit Pension Plans (see combining)	Georgia Defined Contribution Plan	Deferred Compensation Plans: State of Georgia 401 (K) Plan	State of Georgia 457 Plan	Regents 457 (F) Plan
Additions:					
Contributions					
Employer	$ 2,672,125	$ —	$ 43,176	$ —	$ 1,149
NonEmployer	106,132	—	—	—	—
Plan Members	798,296	14,585	110,848	20,133	—
Insurance Premiums	—	—	—	—	—
Other Fees	414	—	—	—	—
Interest and Other Investment Income					
Dividends and Interest	1,926,710	2,105	586	520	492
Net Appreciation (Depreciation) in	5,844,586	(2,403)	75,052	46,811	401
Less: Investment Expense	(74,609)	(58)	(2,967)	(583)	—
Other					
Transfers from Other Funds	2,608	—	—	—	—
Miscellaneous	411	—	1,744	—	—
Total Additions	11,276,673	14,229	228,439	66,881	2,042
Deductions:					
General and Administrative Expenses	29,758	852	3,639	442	—
Benefits	6,315,331	—	64,103	40,690	—
Refunds	85,976	10,080	—	—	—
Pool Participant Withdrawals	—	—	—	—	140
Total Deductions	6,431,065	10,932	67,742	41,132	140
Change in Net Position Restricted for:					
Pension and Other Employee Benefits	4,845,608	3,297	160,697	25,749	1,902
Net Position, July 1 - Restated (Note 3)	87,749,914	111,274	854,997	597,613	7,594
Net Position, June 30	$ 92,595,522	$ 114,571	$ 1,015,694	$ 623,362	$ 9,496

Other Post Employment Benefit Plans				
Board of Regents Retiree Health Benefit Fund	Georgia State Employees Postemployment Health Benefit Fund	Georgia School Personnel Postemployment Health Benefit Fund	State Employees' Assurance Department - OPEB	Total
$ 158,420	$ 501,574	$ 518,290	$ —	$ 3,894,734
—	—	—	—	106,132
—	—	—	—	943,862
—	—	—	3,599	3,599
—	—	—	—	414
1,000	15,300	4,563	24,758	1,976,034
(158)	—	—	77,955	6,042,244
(41)	—	—	(1,171)	(79,429)
—	—	—	—	2,608
—	—	—	—	2,155
159,221	516,874	522,853	105,141	12,892,353
485	2,052	4,457	681	42,366
90,549	167,896	364,818	36,249	7,079,636
—	—	—	—	96,056
—	—	—	—	140
91,034	169,948	369,275	36,930	7,218,198
68,187	346,926	153,578	68,211	5,674,155
7,857	854,939	229,685	1,121,251	91,535,124
$ 76,044	$ 1,201,865	$ 383,263	$ 1,189,462	$97,209,279

Combining Statement of Fiduciary Net Position
Pension and Other Employee Benefit Trust Funds
Defined Benefit Pension Plans
June 30, 2018
(dollars in thousands)

	Employees' Retirement System	Firefighters' Pension Fund	Georgia Judicial Retirement System	Other Defined Benefit Plans (see combining)
Assets				
Cash and Cash Equivalents	$ 236,151	$ 52,802	$ 519	$ 16,789
Pooled Investments with State Treasury	558	—	4	28
Receivables				
Interest and Dividends	46,365	2,078	—	481
Due from Brokers for Securities Sold	22	7,156	—	2,593
Other	36,849	—	505	349
Investments				
Pooled Investments	13,222,300	—	466,307	57,931
Mutual Funds	—	331,183	—	85,456
Municipal, U.S. and Foreign Government Obligations	—	51,618	—	68,080
Corporate Bonds/Notes/Debentures	—	104,449	—	16,886
Stocks	—	218,818	—	215,411
Asset-backed Securities	—	11,456	—	5,637
Exchange Traded Funds	—	—	—	2,560
Mortgage Investments	—	98,104	—	3,998
Real Estate Investment Trusts	—	42,224	—	569
Capital Assets				
Land	4,350	85	—	—
Buildings	2,800	1,535	—	—
Software	14,345	—	—	—
Machinery and Equipment	3,407	147	—	—
Works of Art	—	114	—	—
Accumulated Depreciation	(18,164)	(700)	—	—
Net OPEB Asset	501	—	—	—
Total Assets	13,549,484	921,069	467,335	476,768
Deferred Outflow of Resources	938	—	—	—
Liabilities				
Accounts Payable and Other Accruals	22,313	2,399	666	360
Due to Other Funds	596	—	12	1
Due to Brokers for Securities Purchased	2,055	23,742	—	1,927
Salaries/Withholdings Payable	—	—	—	2
Notes Payable	—	—	—	—
Unearned Revenue	—	—	—	4
Compensated Absences Payable	—	59	—	—
Net OPEB Liability	7,571	—	—	—
Net Pension Liability	—	—	—	—
Total Liabilities	32,535	26,200	678	2,294
Deferred Inflow of Resources	701	—	—	—
Net Position				
Restricted for Pension Benefits	$ 13,517,186	$ 894,869	$ 466,657	$ 474,474

Peace Officers' Annuity and Benefit Fund	Public School Employees Retirement System	Teachers Retirement System	Total
$ 22,167	$ 104	$ 1,433,652	$ 1,762,184
—	—	4	594
1,269	—	213,647	263,840
2,940	—	104	12,815
251	116	198,898	236,968
—	914,957	—	14,661,495
238,279	—	—	654,918
52,448	—	15,661,380	15,833,526
48,440	—	6,903,130	7,072,905
387,827	—	51,181,613	52,003,669
7,249	—	—	24,342
23,305	—	—	25,865
19,206	—	—	121,308
4,303	—	—	47,096
98	—	4,350	8,883
658	—	2,800	7,793
—	—	14,980	29,325
193	—	3,486	7,233
—	—	—	114
(354)	—	(17,969)	(37,187)
—	—	2,177	2,678
808,279	915,177	75,602,252	92,740,364
—	—	8,452	9,390
—	1,040	9,559	36,337
—	—	6	615
12,980	—	8,968	49,672
9	—	—	11
16	—	—	16
—	—	—	4
—	—	—	59
—	—	28,452	36,023
—	—	28,065	28,065
13,005	1,040	75,050	150,802
—	—	2,729	3,430
$ 795,274	$ 914,137	$ 75,532,925	$ 92,595,522

Combining Statement of Changes in Fiduciary Net Position
Pension and Other Employee Benefit Trust Funds
Defined Benefit Pension Plans
For the Fiscal Year Ended June 30, 2018
(dollars in thousands)

	Employees' Retirement System	Firefighters' Pension Fund	Georgia Judicial Retirement System	Other Defined Benefit Plans (see combining)
Additions:				
Contributions				
Employer	$ 639,302	$ —	$ 4,725	$ 14,010
NonEmployer	12,865	35,715	1,841	8,193
Plan Members	37,130	3,960	4,910	1,100
Other Fees	10	399	—	5
Interest and Other Investment Income				
Dividends and Interest	284,753	20,544	9,713	7,399
Net Appreciation (Depreciation) in Investments				
Reported at Fair Value	896,598	45,267	30,584	40,658
Less: Investment Expense	(15,338)	(5,055)	(420)	(2,304)
Other				
Transfers from Other Funds	—	—	—	2,388
Miscellaneous	—	319	—	—
Total Additions	1,855,320	101,149	51,353	71,449
Deductions:				
General and Administrative Expenses	8,056	1,484	794	1,152
Benefits	1,413,298	47,256	24,934	34,213
Refunds	7,585	954	150	55
Total Deductions	1,428,939	49,694	25,878	35,420
Change in Net Position Restricted for Pension Benefits	426,381	51,455	25,475	36,029
Net Position, July 1 - Restated (Note 3)	13,090,805	843,414	441,182	438,445
Net Position, June 30	$ 13,517,186	$ 894,869	$ 466,657	$ 474,474

Peace Officers' Annuity and Benefit Fund	Public School Employees Retirement System	Teachers Retirement System	Total
$ —	$ —	$ 2,014,088	$ 2,672,125
13,826	29,276	4,416	106,132
3,460	2,162	745,574	798,296
—	—	—	414
16,878	19,105	1,568,318	1,926,710
46,041	60,157	4,725,281	5,844,586
(4,203)	(845)	(46,444)	(74,609)
—	—	220	2,608
92	—	—	411
76,094	109,855	9,011,453	11,276,673
1,076	1,331	15,865	29,758
33,890	61,820	4,699,920	6,315,331
470	701	76,061	85,976
35,436	63,852	4,791,846	6,431,065
40,658	46,003	4,219,607	4,845,608
754,616	868,134	71,313,318	87,749,914
$ 795,274	$ 914,137	$ 75,532,925	$ 92,595,522

Combining Statement of Fiduciary Net Position
Pension and Other Employee Benefit Trust Funds
Defined Benefit Pension Plans
Other Defined Benefit Pension Plans
June 30, 2018
(dollars in thousands)

	District Attorneys Retirement Fund	Early Retirement Pension Plan - Augusta University	Judges of the Probate Courts Retirement Fund	Legislative Retirement System	Magistrates Retirement Fund
Assets					
Cash and Cash Equivalents	$ 3	$ 4,865	$ 5,972	$ 21	$ 1,676
Pooled Investments with State Treasury	—	—	—	28	—
Receivables					
Interest and Dividends	—	—	—	—	—
Due from Brokers for Securities Sold	—	—	578	—	15
Other	—	—	—	29	—
Investments					
Pooled Investments	—	—	—	34,216	—
Mutual Funds	—	61,839	—	—	—
Municipal, U.S. and Foreign Government Obligations	—	—	9,512	—	3,516
Corporate Bonds/Notes/Debentures	—	—	7,699	—	3,772
Stocks	—	32,318	60,069	—	15,452
Asset-backed Securities	—	—	2,595	—	—
Exchange Traded Funds	—	—	—	—	—
Mortgage Investments	—	—	—	—	467
Real Estate Investment Trusts	—	—	—	—	217
Total Assets	3	99,022	86,425	34,294	25,115
Liabilities					
Accounts Payable and Other Accruals	1	—	—	103	—
Due to Other Funds	—	—	—	1	—
Due to Brokers for Securities Purchased	—	—	212	—	18
Salaries/Withholdings Payable	—	—	—	—	2
Unearned Revenue	—	—	—	—	—
Total Liabilities	1	—	212	104	20
Net Position					
Restricted for Pension Benefits	$ 2	$ 99,022	$ 86,213	$ 34,190	$ 25,095

Georgia Military Pension Fund	Sheriffs' Retirement Fund	Superior Court Clerks' Retirement Fund	Superior Court Judges Retirement Fund	Total
$ 8	$ 1,985	$ 2,242	$ 17	$ 16,789
—	—	—	—	28
—	157	324	—	481
—	30	1,970	—	2,593
—	—	320	—	349
23,715	—	—	—	57,931
—	23,617	—	—	85,456
—	9,178	45,874	—	68,080
—	5,415	—	—	16,886
—	45,197	62,375	—	215,411
—	3,042	—	—	5,637
—	2,560	—	—	2,560
—	3,531	—	—	3,998
—	352	—	—	569
23,723	95,064	113,105	17	476,768
70	62	113	11	360
—	—	—	—	1
—	—	1,697	—	1,927
—	—	—	—	2
—	—	4	—	4
70	62	1,814	11	2,294
$ 23,653	$ 95,002	$ 111,291	$ 6	$ 474,474

Combining Statement of Changes in Fiduciary Net Position
Pension and Other Employee Benefit Trust Funds
Defined Benefit Pension Plans
Other Defined Benefit Pension Plans
For the Fiscal Year Ended June 30, 2018
(dollars in thousands)

	District Attorneys Retirement Fund	Early Retirement Pension Plan - Augusta University	Judges of the Probate Courts Retirement Fund	Legislative Retirement System	Magistrates Retirement Fund
Additions:					
Contributions					
Employer	$ 46	$ 13,085	$ —	$ —	$ —
NonEmployer	—	—	1,467	—	1,549
Plan Members	—	—	191	323	177
Other Contributions					
Other Fees	3	—	—	—	—
Interest and Other Investment Income					
Dividends and Interest	—	1,815	1,450	722	321
Net Appreciation (Depreciation) in Investments Reported at Fair Value	—	7,666	11,286	2,273	1,844
Less: Investment Expense	—	(167)	(591)	(32)	(356)
Other					
Transfers from Other Funds	—	—	—	—	—
Total Additions	49	22,399	13,803	3,286	3,535
Deductions:					
General and Administrative Expenses	3	—	134	283	76
Benefits	46	13,785	4,205	1,772	227
Refunds	—	—	10	22	13
Total Deductions	49	13,785	4,349	2,077	316
Change in Net Position Restricted for Pension Benefits	—	8,614	9,454	1,209	3,219
Net Position, July 1	2	90,408	76,759	32,981	21,876
Net Position, June 30	$ 2	$ 99,022	$ 86,213	$ 34,190	$ 25,095

Georgia Military Pension Fund	Sheriffs' Retirement Fund	Superior Court Clerks' Retirement Fund	Superior Court Judges Retirement Fund	Total
$ (11)	$ —	$ —	$ 890	$ 14,010
—	2,031	3,146	—	8,193
—	107	302	—	1,100
—	—	—	2	5
469	2,622	—	—	7,399
1,476	5,074	11,039	—	40,658
(17)	(653)	(488)	—	(2,304)
2,388	—	—	—	2,388
4,305	9,181	13,999	892	71,449
225	258	171	2	1,152
1,138	6,434	5,716	890	34,213
—	2	8	—	55
1,363	6,694	5,895	892	35,420
2,942	2,487	8,104	—	36,029
20,711	92,515	103,187	6	438,445
$ 23,653	$ 95,002	$ 111,291	$ 6	$ 474,474

Combining Statement of Fiduciary Net Position
Investment Trust Funds
June 30, 2018
(dollars in thousands)

	Georgia Extended Asset Pool	Georgia Fund 1	Georgia Fund 1 Plus	Total
Assets				
Pooled Investments with State Treasury	$ —	$ 7,332,537	$ 24,978	$ 7,357,515
Interest Receivable	—	1,645	28	1,673
Total Assets	—	7,334,182	25,006	7,359,188
Liabilities				
Accounts Payable and Other Accruals	—	—	3	3
Funds Held for Other		850	—	850
Total Liabilities	—	850	3	853
Net Position				
Restricted for Pool Participants	$ —	$ 7,333,332	$ 25,003	$ 7,358,335

Combining Statement of Changes in Fiduciary Net Position
Investment Trust Funds
For the Fiscal Year Ended June 30, 2018
(dollars in thousands)

	Georgia Extended Asset Pool	Georgia Fund 1	Georgia Fund 1 Plus	Total
Additions:				
Pool Participant Deposits	$ (16,100)	$ 9,843,849	$ 25,000	$ 9,852,749
Interest and Other Investment Income				
Dividends and Interest	(867)	100,512	3	99,648
Net Appreciation (Depreciation) in Investments Reported at Fair Value	(51)	—	2	(49)
Less: Investment Expense	51	(3,823)	(2)	(3,774)
Total Additions	(16,967)	9,940,538	25,003	9,948,574
Deductions:				
Pool Participant Withdrawals	55,706	9,234,133	—	9,289,839
Change in Net Position Restricted for Pool Participants	(72,673)	706,405	25,003	658,735
Net Position, July 1	72,673	6,626,927	—	6,699,600
Net Position, June 30	$ —	$ 7,333,332	$ 25,003	$ 7,358,335

Combining Statement of Fiduciary Net Position
Private Purpose Trust Funds
June 30, 2018
(dollars in thousands)

	Auctioneers Education, Research and Recovery Fund	Real Estate Education, Research and Recovery Fund	Subsequent Injury Trust Fund	Total
Assets				
Cash and Cash Equivalents	$ 136	$ —	$ 15,092	$ 15,228
Pooled Investments with State Treasury	556	2,258	198,517	201,331
Receivables				
Other	—	—	10,798	10,798
Capital Assets				
Buildings	—	—	826	826
Machinery and Equipment	—	—	94	94
Accumulated Depreciation	—	—	(643)	(643)
Net OPEB Asset	—	—	114	114
Total Assets	692	2,258	224,798	227,748
Deferred Outflows of Resources	—	—	327	327
Liabilities				
Accounts Payable and Other Accruals	—	2	26	28
Cash Overdraft	—	717	—	717
Compensated Absences Payable	—	—	65	65
Net OPEB Liability	—	—	1,141	1,141
Net Pension Liability	—	—	1,267	1,267
Other Liabilities	—	—	320	320
Total Liabilities	—	719	2,819	3,538
Deferred Inflows of Resources	—	—	342	342
Net Position				
Restricted for Other Purposes	$ 692	$ 1,539	$ 221,964	$ 224,195

Combining Statement of Changes in Fiduciary Net Position
Private Purpose Trust Funds
For the Fiscal Year Ended June 30, 2018
(dollars in thousands)

	Auctioneers Education, Research and Recovery Fund	Real Estate Education, Research and Recovery Fund	Subsequent Injury Trust Fund	Total
Additions:				
Contributions/Assessments				
Participants	$ 13	$ 191	$ 103,380	$ 103,584
Interest and Other Investment Income				
Dividends and Interest	—	—	2,561	2,561
Total Additions	13	191	105,941	106,145
Deductions:				
General and Administrative Expenses	—	270	1,042	1,312
Benefits	—	—	33,447	33,447
Total Deductions	—	270	34,489	34,759
Change in Net Position Restricted for Other Purposes	13	(79)	71,452	71,386
Net Position, July 1 - Restated (Note 3)	679	1,618	150,512	152,809
Net Position, June 30	$ 692	$ 1,539	$ 221,964	$ 224,195

Combining Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2018
(dollars in thousands)

	Child Support Recovery Program	County Medicaid Administrative Funds	Detainees' Accounts	Flexible Benefits Program
Assets				
Cash and Cash Equivalents	$ 39,468	$ 7,666	$ 50,099	$ 3,407
Pooled Investments with State Treasury	—	—	—	9,620
Accounts Receivable	—	6,642	—	—
Investments, at Fair Value				
Certificates of Deposit	—	—	—	—
Pooled Investments				
Municipal, U. S. and Foreign Government Obligations	—	—	—	—
Other Assets	—	—	—	—
Total Assets	$ 39,468	$ 14,308	$ 50,099	$ 13,027
Liabilities				
Accounts Payable and Other Accruals	26	6,075	—	909
Funds Held for Others	39,442	8,233	50,099	12,118
Other Liabilities	—	—	—	—
Total Liabilities	$ 39,468	$ 14,308	$ 50,099	$ 13,027

Sales Tax Collections for Local Governments	Survivor's Benefit Fund	Telecom-munications Relay Service Fund	Universal Service Fund	Miscellaneous	Total
$ —	$ 91	$ 102	$ 3,334	$ 32,186	$ 136,353
2,948	—	5,031	—	51,849	69,448
3,134	—	—	—	979	10,755
—	—	—	—	1,431	1,431
	148,450			243	148,693
—	—	—	26,113	—	26,113
—	—	—	—	12,620	12,620
$ 6,082	$ 148,541	$ 5,133	$ 29,447	$ 99,308	$ 405,413
—	—	—	—	1,230	8,240
6,082	148,541	5,133	29,447	97,828	396,923
—	—	—	—	250	250
$ 6,082	$ 148,541	$ 5,133	$ 29,447	$ 99,308	$ 405,413

Combining Statement of Changes in Fiduciary Assets and Liabilities
Agency Funds
For the Fiscal Year Ended June 30, 2018
(dollars in thousands)

	Balance July 1, 2017	Additions	Deductions	Balance June 30, 2018
Child Support Recovery Program				
Assets				
Cash and Cash Equivalents	$ 37,634	$ 837,395	$ 835,561	$ 39,468
Liabilities				
Accounts Payable and Other Accruals	$ —	$ 26	$ —	$ 26
Funds Held for Others	37,634	826,565	824,757	39,442
Total Liabilities	$ 37,634	$ 826,591	$ 824,757	$ 39,468
County Medicaid Administrative Funds				
Assets				
Cash and Cash Equivalents	$ 2,605	$ 72,540	$ 67,479	$ 7,666
Accounts Receivable	30,459	33,665	57,482	6,642
Total Assets	$ 33,064	$ 106,205	$ 124,961	$ 14,308
Liabilities				
Accounts Payable and Other Accruals	$ 66	$ 49,518	$ 43,509	$ 6,075
Funds Held for Others	32,998	54,654	79,419	8,233
Total Liabilities	$ 33,064	$ 104,172	$ 122,928	$ 14,308
Detainees' Accounts				
Assets				
Cash and Cash Equivalents	$ 46,665	$ 196,022	$ 192,588	$ 50,099
Liabilities				
Funds Held for Others	$ 46,665	$ 196,022	$ 192,588	$ 50,099
Flexible Benefits Program				
Assets				
Cash and Cash Equivalents	$ 3,932	$ 98,583	$ 99,108	$ 3,407
Pooled Investments with State Treasury	9,939	129,342	129,661	9,620
Total Assets	$ 13,871	$ 227,925	$ 228,769	$ 13,027
Liabilities				
Accounts Payable and Other Accruals	$ 1,039	$ 152,814	$ 152,944	$ 909
Funds Held for Others	12,832	161,619	162,333	12,118
Total Liabilities	$ 13,871	$ 314,433	$ 315,277	$ 13,027
Insurance Premium Tax Collections for Local Governments				
Assets				
Cash and Cash Equivalents	$ —	$ 606,834	$ 606,834	$ —
Liabilities				
Funds Held for Others	$ —	$ 606,834	$ 606,834	$ —
Sales Tax Collections for Local Governments				
Assets				
Cash and Cash Equivalents	$ —	$ 5,485,875	$ 5,485,875	$ —
Pooled Investments with State Treasury	4,568	16	1,636	2,948
Accounts Receivable	2,975	3,134	2,975	3,134
Total Assets	$ 7,543	$ 5,489,025	$ 5,490,486	$ 6,082
Liabilities				
Funds Held for Others	$ 7,543	$ 5,489,025	$ 5,490,486	$ 6,082
Survivor's Benefit Fund				
Assets				
Cash and Cash Equivalents	$ 92	$ —	$ 1	91
Investments	135,951	12,499	—	148,450
Total Assets	$ 136,043	$ 12,499	$ 1,000	$ 148,541
Liabilities				
Funds Held for Others	$ 136,043	$ 12,499	$ 1	$ 148,541

(continued)

	Balance July 1, 2017	Additions	Deductions	Balance June 30, 2018
Telecommunications Relay Service Fund				
Assets				
Cash and Cash Equivalents	$ 101	$ 3,182	$ 3,181	$ 102
Pooled Investments with State Treasury	4,897	650	516	5,031
Total Assets	$ 4,998	$ 3,832	$ 3,697	$ 5,133
Liabilities				
Funds Held for Others	$ 4,998	$ 3,249	$ 3,114	$ 5,133
Universal Service Fund				
Assets				
Cash and Cash Equivalents	$ 3,635	$ 8,444	$ 8,745	$ 3,334
Investments	36,309	20,027	30,223	26,113
Total Assets	$ 39,944	$ 28,471	$ 38,968	$ 29,447
Liabilities				
Funds Held for Others	$ 39,944	$ 29,447	$ 39,944	$ 29,447
Miscellaneous				
Assets				
Cash and Cash Equivalents	$ 24,352	$ 232,353	$ 224,519	$ 32,186
Pooled Investments with State Treasury	44,364	69,761	62,276	51,849
Accounts Receivable	630	4,495	4,146	979
Investments	1,698	1,479	1,503	1,674
Other Assets	11,129	12,628	11,137	12,620
Total Assets	$ 82,173	$ 320,716	$ 303,581	$ 99,308
Liabilities				
Accounts Payable and Other Accruals	$ 1,117	$ 11,876	$ 11,763	$ 1,230
Funds Held for Others	81,047	181,634	164,853	97,828
Other Liabilities	9	243	2	250
Total Liabilities	$ 82,173	$ 193,753	$ 176,618	$ 99,308
TOTAL - ALL AGENCY FUNDS				
Assets				
Cash and Cash Equivalents	$ 119,016	$ 7,541,228	$ 7,523,891	$ 136,353
Pooled Investments with State Treasury	63,768	199,769	194,089	69,448
Accounts Receivable	34,064	41,294	64,603	10,755
Investments	173,958	34,005	31,726	176,237
Other Assets	11,129	12,628	11,137	12,620
Total Assets	$ 401,935	$ 7,828,924	$ 7,825,446	$ 405,413
Liabilities				
Accounts Payable and Other Accruals	$ 2,222	$ 214,234	$ 208,216	$ 8,240
Funds Held for Others	399,704	7,561,548	7,564,329	396,923
Other Liabilities	9	243	2	250
Total Liabilities	$ 401,935	$ 7,776,025	$ 7,772,547	$ 405,413


STATE OF GEORGIA
CONSTITUTION
WISDOM
JUSTICE
MODERATION
1776

NONMAJOR COMPONENT UNITS

STATE OF GEORGIA

CONSTITUTION

WISDOM JUSTICE MODERATION

1776

Component units are legally separate organizations for which the State's elected officials are considered to be financially accountable. Nonmajor component units are described below:

Economic Development Organizations

The Economic Development organizations cultivate business for the State. These organizations are described below:

The **Georgia Development Authority** is a body corporate and politic. The Authority was created to assist agricultural and industrial interests by providing credit and servicing functions to better enable farmers and businessmen to obtain needed capital funds. The Board consists of three State officials designated by statute and four members appointed by the Governor.

The **Georgia International and Maritime Trade Center Authority** is a body corporate and politic. The Authority was created to develop and promote the growth of the State's import and export markets through its ports and other transportation modes, and to construct, operate and maintain the Savannah International Trade and Convention Center. State officials appoint nine of the 12 members of the Board.

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

The **Georgia Higher Education Assistance Corporation** is a nonprofit public authority, body corporate and politic. The Corporation was created to improve the higher educational opportunities of eligible students by guaranteeing educational loan credit to students and to parents of students. The Corporation is governed by the Board of Commissioners of the Georgia Student Finance Commission. The Board consists of 14 members appointed by the Governor.

The **Georgia Military College** (GMC) is a public authority, body corporate and politic, and is an instrumentality and a public corporation of the State. GMC is dedicated to providing a high-quality military education to the youth of the State. The Board of Trustees consists of the mayor of the City of Milledgeville and six additional members, one of which is elected from each of the six municipal voting districts of the City, as required by statute. The government, control, and management of GMC are vested in the Board of Trustees. GMC receives any designated funds appropriated by the General Assembly through the Board of Regents of the University System of Georgia.

The **Georgia Public Telecommunications Commission** is a body corporate and politic. This Commission is a public charitable organization created for the purpose of providing educational, instructional and public broadcasting services to citizens of Georgia. The budget of the Commission must be approved by the State. The Board consists of nine members appointed by the Governor. Financial information presented for the Commission includes its component unit, Foundation for Public Broadcasting in Georgia, Inc.

The **Georgia Regional Transportation Authority** is a body corporate and politic. Within its jurisdiction, the purpose of the Authority is to manage land transportation and air quality, review all Developments of Regional Impact (DRI), and approve the allocation of state and federal transportation resources in metro Atlanta via the Atlanta Transportation Improvement Program (TIP). The Authority also serves in an advisory capacity to the State Road and Tollway Authority related to the management and operations of the Xpress Commuter Bus Service. The Governor appoints all 15 Board Members of the Authority.

The **Georgia Student Finance Authority** is a body corporate and politic. This Authority was created for the purpose of improving higher educational opportunities by providing educational scholarship, grant and loan assistance. A substantial amount of funding is provided to the Authority by the State. State officials comprise four of the 14 members of the Board, and the Governor appoints the remaining 10.

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

The **REACH Georgia Foundation** is a nonprofit organization that was formed to ensure that Georgia's academically promising students have the academic, social and financial support needed to graduate from high school, access college and achieve postsecondary success. The REACH Georgia Program is the State of Georgia's first needs-based mentorship and college scholarship program and the Foundation's mission is to raise and invest funds.

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

The **Superior Court Clerks' Cooperative Authority** is a body corporate and politic and an instrumentality and public corporation of the State created to provide a cooperative for the development, acquisition and distribution of record management systems, information, services, supplies and materials for superior court clerks of the State. Of the 10 members of the Board, the Governor appoints four. The nature of this organization is such that it would be misleading to exclude it from the reporting entity.

Tourism / State Attractions

These organizations promote State interests or encourage visitation to the State through the operation and maintenance of various attractions. Organizations involved in such activities are described below:

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

The **Jekyll Island State Park Authority** is a body corporate and politic and an instrumentality and public corporation of the State. The Authority was created to operate and manage resort recreational facilities on Jekyll Island. The Board consists of one State official designated by statute and eight members appointed by the Governor. Financial information presented for the Authority includes its component unit, Jekyll Island Foundation, Inc.

The **Lake Lanier Islands Development Authority** is a body corporate and politic and an instrumentality and public corporation of the State. The purpose of the Authority is to manage, preserve and protect projects on Lake Lanier Islands. The Board consists of one State official designated by statute and eight members appointed by the Governor.

The **North Georgia Mountains Authority** is a body corporate and politic and an instrumentality and public corporation of the State responsible for the construction and management of recreation, accommodation and tourist facilities and services. The Governor appoints the nine members of the Board.

The **Stone Mountain Memorial Association** is a body corporate and politic and an instrumentality and public corporation of the State. The Authority is responsible for the maintaining and operating of Stone Mountain as a Confederate memorial and public recreational area. The Board consists of one State official designated by statute and nine members appointed by the Governor.

STATE OF GEORGIA

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Combining Statement of Net Position
Nonmajor Component Units
June 30, 2018
(dollars in thousands)

	Economic Development Organizations	Georgia Higher Education Assistance Corporation	Higher Education Foundations	Georgia Military College	Georgia Public Telecommunications Commission
Assets					
Current Assets:					
Cash and Cash Equivalents	$ 19,382	$ 5,601	$ 313,737	$ 10,431	$ 8,733
Pooled Investments with State Treasury	128,804	15,243	279	—	—
Investments	—	—	83,446	—	16,474
Receivables					
Accounts (Net)	2,397	—	504,753	5,527	1,307
Capital Leases from Primary Government	—	—	71,316	—	—
Interest and Dividends	1,914	—	—	—	—
Notes and Loans (Net)	17,108	—	16	—	—
Taxes	814	—	—	—	—
Due from Primary Government	34,500	100	8,219	—	—
Due from Component Units	—	—	—	—	—
Intergovernmental Receivables	1,282	142	—	—	—
Inventory	1,546		19,105	2,101	
Other Current Assets	122	—	55,334	6	—
Total Current Assets	207,869	21,086	1,056,205	18,065	26,514
Noncurrent Assets:					
Investments	—	—	884,346	—	—
Receivables (Net)					
Capital Leases from Primary Government	—	—	2,191,351	—	—
Notes and Loans	96,040	—	—	—	—
Other	—	—	63,938	—	—
Restricted Assets					
Cash and Cash Equivalents	90	—	292,124	—	—
Investments	—	—	1,229,173	—	—
Net OPEB Asset				31	540
Non-depreciable Capital Assets	2,969		215,002	2,472	1,479
Depreciable Capital Assets (Net)	2,014	—	833,518	75,098	1,745
Other Noncurrent Assets	—	—	46,678	—	—
Total Noncurrent Assets	101,113	—	5,756,130	77,601	3,764
Total Assets	308,982	21,086	6,812,335	95,666	30,278
Deferred Outflows of Resources	—	—	53,654	14,056	2,757

REACH Georgia Foundation	Regional Educational Service Agencies	Georgia Regional Transportation Authority	Georgia Student Finance Authority	Superior Court Clerks' Cooperative Authority	Tourism State Attractions	Total
$ 268	$ 21,818	$ 5	$ 24,454	$ 12,326	$ 24,136	$ 440,891
—	2,479	3,021	19,317	—	7,325	176,468
20,922	417	—	—	—	136	121,395
—	1,035	—	123	967	4,809	520,918
—	—	—	—	—	—	71,316
—	—	—	1,764	—	—	3,678
—	—	—	137,984	—	—	155,108
—	—	—	—	—	—	814
—	—	3,082	1,109	—	—	47,010
—	—	—	14,407	—	—	14,407
—	8,213	523	—	—	—	10,160
—	2,693	—	—	—	1,038	26,483
—	165	—	208	62	2,779	58,676
21,190	36,820	6,631	199,366	13,355	40,223	1,647,324
—	—	—	—	—	—	884,346
	—	—	—	—	—	2,191,351
—	—	—	—	—	—	96,040
—	—	—	—	—	—	63,938
	—	—	—	9,747	—	301,961
—	—	—	—	—	—	1,229,173
—	77	—	—	126	622	1,396
—	575	—	751	—	21,571	244,819
—	5,025	—	985	1,442	209,778	1,129,605
—	—	—	—	—	—	46,678
—	5,677	—	1,736	11,315	231,971	6,189,307
21,190	42,497	6,631	201,102	24,670	272,194	7,836,631
—	17,410	—	—	353	3,127	91,357

(continued)

Combining Statement of Net Position
Nonmajor Component Units
June 30, 2018
(dollars in thousands)

	Economic Development Organizations	Georgia Higher Education Assistance Corporation	Higher Education Foundations	Georgia Military College	Georgia Public Telecommunications Commission
Liabilities					
Current Liabilities:					
Accounts Payable and Other Accruals	13,177	3	115,587	2,484	330
Due to Primary Government	52	—	441,409	—	13
Due to Component Units	—	107	—	—	—
Funds Held for Others	—	—	33,904	105	—
Unearned Revenue	—	—	102,016	3,566	89
Notes and Loans Payable	—	—	60,080	218	—
Revenue/Mortgage Bonds Payable	—	—	75,417	—	—
Other Current Liabilities	2,477	34	80,456	587	270
Current Liabilities Payable from Restricted Assets:					
Other	—	—	—	—	—
Total Current Liabilities	15,706	144	908,869	6,960	702
Noncurrent Liabilities:					
Unearned Revenue	—	—	5,267	—	—
Notes and Loans Payable	—	—	139,604	2,361	—
Revenue/Mortgage Bonds Payable	—	—	2,688,772	—	—
Derivative Instrument Payable	—	—	30,176	—	—
Net OPEB Liability	—	—	6,166	27,067	15,782
Net Pension Liability	—	—	—	34,805	13,110
Other Noncurrent Liabilities	42,040	1,609	109,871	—	793
Total Noncurrent Liabilities	42,040	1,609	2,979,856	64,233	29,685
Total Liabilities	57,746	1,753	3,888,725	71,193	30,387
Deferred Inflows of Resources	—	—	13,941	4,431	1,688
Net Position					
Net Investment in Capital Assets,	4,982	—	330,275	74,992	3,223
Restricted for:					
Bond Covenants/Debt Service	—	—	19,058	—	—
Capital Projects	—	—	184,450	—	—
Permanent Trust Expendable	—	—	598,003	—	—
Other Purposes	6,653	—	80,737	—	—
Nonexpendable:					
Permanent Trust	—	—	972,449	—	—
Other Purposes	—	—	37,440	—	—
Unrestricted	239,601	19,333	740,911	(40,894)	(2,263)
Total Net Position	$ 251,236	$ 19,333	$ 2,963,323	$ 34,098	$ 960

REACH Georgia Foundation	Regional Educational Service Agencies	Georgia Regional Transportation Authority	Georgia Student Finance Authority	Superior Court Clerks' Cooperative Authority	Tourism State Attractions	Total
—	6,681	6,612	1,008	3,337	2,371	151,590
—	1	—	—	—	6	441,481
14,300	—	—	—	—	—	14,407
—	—	—	—	—	—	34,009
—	347	—	479	—	3,816	110,313
—	113	—	—	—	990	61,401
—	465	—	—	—	491	76,373
—	112	1	923	—	274	85,134
—	—	—	—	7,430	—	7,430
14,300	7,719	6,613	2,410	10,767	7,948	982,138
—	—	—	—	—	—	5,267
—	257	—	—	—	8,292	150,514
—	1,515	—	—	—	5,802	2,696,089
—	—	—	—	—	—	30,176
—	57,043	—	—	1,144	3,312	110,514
—	70,603	—	—	1,305	13,246	133,069
—	224	—	3,482	—	685	158,704
—	129,642	—	3,482	2,449	31,337	3,284,333
14,300	137,361	6,613	5,892	13,216	39,285	4,266,471
—	14,851	—	—	163	597	35,671
—	4,388	—	1,696	1,442	225,053	646,051
—	—	—	—	—	—	19,058
—	—	—	—	—	—	184,450
—	—	—	—	—	—	598,003
6,803	57	—	161,060	—	8,360	263,670
—	—	—	—	—	—	972,449
—	—	—	—	—	—	37,440
87	(96,750)	18	32,454	10,202	2,026	904,725
$ 6,890	$ (92,305)	$ 18	$ 195,210	$ 11,644	$ 235,439	$ 3,625,846

Combining Statement of Activities
Nonmajor Component Units
For the Fiscal Year Ended June 30, 2018
(dollars in thousands)

	Economic Development Organizations	Georgia Higher Education Assistance Corporation	Higher Education Foundations	Georgia Military College	Georgia Public Telecommunications Commission
Expenses	$ 100,514	$ 909	$ 2,534,224	$ 80,553	$ 38,377
Program Revenues:					
Sales and Charges for Services	9,118	2,574	1,273,260	37,412	6,297
Operating Grants and Contributions	6,029	203	1,398,912	42,622	12,520
Capital Grants and Contributions	—	—	10,107	2,605	1,681
Total Program Revenues	15,147	2,777	2,682,279	82,639	20,498
Net (Expenses) Revenue	(85,367)	1,868	148,055	2,086	(17,879)
General Revenues:					
Taxes	4,132	—	—	—	—
Unrestricted Investment Income	—	—	73,592	—	—
Payments from the State of Georgia	34,500	—	29,932	—	15,252
Contributions to Permanent Endowments	—	—	65,032	—	—
Total General Revenues	38,632	—	168,556	—	15,252
Special Item (s)	—	—	(7,885)	—	19,217
Change in Net Position	(46,735)	1,868	308,726	2,086	16,590
Net Position, July 1 - Restated (Note 3)	297,971	17,465	2,654,598	32,012	(15,630)
Net Position, June 30	$ 251,236	$ 19,333	$ 2,963,324	$ 34,098	$ 960

REACH Georgia Foundation	Regional Educational Service Agencies	Georgia Regional Transportation Authority	Georgia Student Finance Authority	Superior Court Clerks' Cooperative Authority	Tourism State Attractions	Total
$ 447	$ 93,569	$ 38,084	$ 46,627	$ 15,789	$ 64,843	$ 3,013,936
—	21,349	10,478	39,238	17,614	54,458	1,471,798
2,542	74,097	17,290	26,000	80	590	1,580,885
—	—	—	—	—	2,988	17,381
2,542	95,446	27,768	65,238	17,694	58,036	3,070,064
2,095	1,877	(10,316)	18,611	1,905	(6,807)	56,128
—	—		—	—	2,197	6,329
400	—		—	—	—	73,992
—	—	14,759	—	—	1,002	95,445
—	—		—	—	—	65,032
400	—	14,759	—	—	3,199	240,798
—	—	—	—	—	—	11,332
2,495	1,877	4,443	18,611	1,905	(3,608)	308,258
4,395	(94,182)	(4,425)	176,599	9,739	239,047	3,317,589
$ 6,890	$ (92,305)	$ 18	$ 195,210	$ 11,644	$ 235,439	$ 3,625,847

STATE OF GEORGIA

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STATISTICAL SECTION

RAPELLING IN FRONT OF THE GPSTC TOWER
Forsyth, Georgia
Submitted by the Georgia Department of Public Safety


STATE OF GEORGIA
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This part of the *Comprehensive Annual Financial Report* presents detailed information as a context for understanding what the information in the financial statements, note disclosures and required supplementary information says about the State's overall financial health.

Index **Page**

Financial Trends Information

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

Revenue Capacity Information

These schedules contain information to help the reader assess the State's most significant revenue source: personal income tax.

Debt Capacity Information

These schedules present information to help the reader assess the affordability of the State's current levels of outstanding debt and the State's ability to issue additional debt in the future.

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the State's financial activities take place.

Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in the State's financial report relates to the services the State provides and the activities it performs.

Sources: : Unless otherwise noted, the information in these schedules is derived from the *Comprehensive Annual Financial Reports* for the relevant year.

Schedule 1
Net Position by Component
For the Last Ten Fiscal Years
(accrual basis of accounting)
(dollars in thousands)

	2018	2017	2016	2015
Governmental Activities (1) (3)				
Net Investment in Capital Assets	$ 19,542,361	$ 18,575,368	$ 17,213,380	$ 16,562,899
Restricted	5,792,152	5,013,504	4,499,014	3,668,030
Unrestricted	(8,506,350)	(5,210,957)	(5,745,504)	(6,914,616)
Total Governmental Activities Net Position	$ 16,828,163	$ 18,377,915	$ 15,966,890	$ 13,316,313
Business-type Activities (1) (2)				
Net Investment in Capital Assets	$ 7,849,961	$ 7,773,009	$ 7,529,660	$ 7,344,726
Restricted	2,955,296	2,639,561	1,837,521	1,546,723
Unrestricted	(6,250,035)	(4,484,701)	(3,857,184)	(3,957,761)
Total Business-type Activities Net Position	$ 4,555,222	$ 5,927,869	$ 5,509,997	$ 4,933,688
Total Primary Government (1) (2) (3)				
Net Investment in Capital Assets	$ 24,372,160	$ 23,502,948	$ 21,892,080	$ 20,926,469
Restricted	8,747,448	7,653,065	6,336,535	5,214,753
Unrestricted	(11,736,223)	(6,850,229)	(6,751,728)	(7,891,221)
Total Primary Government Net Position	$ 21,383,385	$ 24,305,784	$ 21,476,887	$ 18,250,001

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

(2) Beginning in fiscal year 2013, the activity of the Armstrong Atlantic State University Educational Properties Foundation, Inc., the Georgia State University Foundation, Inc., the Georgia State University Research Foundation, Inc., the Georgia Tech Facilities, Inc., the University System of Georgia Foundation, Inc. and the VSU Auxiliary Services Real Estate Foundation, Inc., component units, are blended with those of the nonmajor enterprise funds (previously discretely presented). Beginning in the fiscal year 2014, the activity of the Georgia Southern University Housing Foundation, Inc., the Middle Georgia State University Real Estate Foundation, Inc., the North Georgia Real Estate Foundation, Inc., and the UWG Real Estate Foundation, Inc. component units, are blended with those of the nonmajor enterprise funds (previously discretely presented). Beginning in fiscal year 2015, the activity of the Georgia State University Foundation, Inc. is discretely presented (previously blended) and the activity of the Armstrong Atlantic State University Educational Properties Foundation, Inc. is removed as it no longer met requirements for inclusion in the financial reporting entity as nonmajor enterprise funds. Beginning in fiscal year 2016, the Georgia Tech Facilities, Inc., the Middle Georgia State University Real Estate Foundation, Inc., the University of North Georgia Real Estate Foundation, Inc., and the University System of Georgia Foundation, Inc. are discreetly presented (previously blended) and the activity of the Georgia State University Research Foundation, Inc. is removed as it no longer met requirements for inclusion in the financial reporting entity as nonmajor enterprise funds. In fiscal year 2017 the Georgia Southern University Housing Foundation, Inc., UWG Real Estate Foundation, Inc. and VSU Auxiliary Services Real Estate Foundation, Inc. are reported as discrete component units (previously Higher Education Fund).

(3) Beginning in fiscal year 2015, Governmental Activities classification of outstanding general obligation bonds for the purposes of capital acquisition and construction on behalf of Business Type Activities, previously reported as net investment in capital assets, is presented as unrestricted. For the Primary Government, the presentation of these outstanding general obligation bonds is presented as net investment in capital assets.

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

Fiscal Year					
2014	2013	2012	2011	2010	2009
$ 13,186,605	$ 13,737,276	$ 13,355,209	$ 12,880,313	$ 12,550,617	$ 12,066,578
3,653,903	3,301,316	3,968,493	4,031,347	2,605,116	2,254,051
(1,644,265)	(1,781,096)	(2,456,411)	(2,106,699)	(648,171)	(468,978)
$ 15,196,243	$ 15,257,496	$ 14,867,291	$ 14,804,961	$ 14,507,562	$ 13,851,651
$ 6,575,166	$ 6,502,029	$ 6,257,436	$ 5,952,035	$ 5,426,787	$ 5,178,579
1,367,598	816,428	457,265	489,736	423,325	1,022,564
(820,616)	(1,063,406)	(1,293,130)	(1,069,413)	(546,363)	(152,768)
$ 7,122,148	$ 6,255,051	$ 5,421,571	$ 5,372,358	$ 5,303,749	$ 6,048,375
$ 19,761,771	$ 20,239,305	$ 19,612,645	$ 18,832,348	$ 17,977,404	$ 17,245,157
5,021,501	4,117,744	4,425,758	4,521,083	3,028,441	3,276,615
(2,464,881)	(2,844,502)	(3,749,541)	(3,176,112)	(1,194,534)	(621,746)
$ 22,318,391	$ 21,512,547	$ 20,288,862	$ 20,177,319	$ 19,811,311	$ 19,900,026

State of Georgia

Schedule 2
Changes in Net Position
For the Last Ten Fiscal Years
(accrual basis of accounting)
(dollars in thousands)

	2018	2017	2016	2015
Expenses				
Governmental Activities				
General Government	$ 1,380,132	$ 1,229,891	$ 1,385,643	$ 1,735,174
Education	13,266,545	12,655,824	12,024,645	11,408,408
Health and Welfare	18,082,536	17,238,499	16,795,986	16,589,708
Transportation [1]	2,400,875	1,964,380	1,917,223	1,904,464
Public Safety	2,525,521	2,628,645	2,145,769	1,994,413
Economic Development and Assistance	524,516	645,604	509,074	590,676
Culture and Recreation	308,917	279,375	279,772	236,922
Conservation	72,135	60,603	59,409	54,280
Interest and Other Charges on Long-Term Debt [1]	379,211	394,388	424,595	678,888
Total Governmental Activities	38,940,388	37,097,209	35,542,116	35,192,933
Business-type Activities				
Higher Education Fund [2]	9,300,291	9,063,716	8,576,540	8,323,884
State Employees' Health Benefit Plan	2,882,954	2,296,062	2,153,073	2,025,638
Unemployment Compensation Fund	325,523	328,266	379,714	458,112
Nonmajor Enterprise Funds [1] [2]	207,054	194,402	11,587	158,809
Total Business-type Activities	12,715,822	11,882,446	11,120,914	10,966,443
Total Primary Government Expenses	$ 51,656,210	$ 48,979,655	$ 46,663,030	$ 46,159,376
Program Revenues				
Governmental Activities [1] [2] [3]				
Sales and Charges for Services				
General Government	$ 724,539	$ 698,096	$ 799,281	$ 621,448
Health and Welfare	78,995	292,832	91,838	134,140
Public Safety	184,472	186,972	167,297	157,056
Other Sales and Charges for Services	273,257	236,843	275,045	260,346
Operating Grants and Contributions	16,277,251	15,611,324	15,372,385	15,758,799
Capital Grants and Contributions	1,560,745	1,608,086	1,377,654	1,182,723
Total Governmental Activities	19,099,259	18,634,153	18,083,500	18,114,512
Business-type Activities [1]				
Sales and Charges for Services				
Higher Education Fund [2]	3,578,611	3,552,863	3,509,384	3,241,333
State Health Benefit Plan [4]	2,965,082	2,188,034	2,121,100	2,363,917
Unemployment Compensation Fund [4]	649,655	709,830	785,392	849,070
Nonmajor Enterprise Funds [1] [2]	43,124	30,181	11,640	95,020
Operating Grants and Contributions	3,031,969	2,788,516	2,636,285	2,611,058
Capital Grants and Contributions	107,167	79,085	60,543	102,216
Total Business-type Activities	10,375,608	9,348,509	9,124,344	9,262,614
Total Primary Government Program Revenues	$ 29,474,867	$ 27,982,662	$ 27,207,844	$ 27,377,126
Net (Expense) Revenue				
Governmental Activities [1]	$ (19,841,129)	$ (18,463,056)	$ (17,458,616)	$ (17,078,421)
Business-type Activities [2] [3] [4]	(2,340,214)	(2,533,937)	(1,996,570)	(1,703,829)
Total Primary Government	$ (22,181,343)	$ (20,996,993)	$ (19,455,186)	$ (18,782,250)

Fiscal Year

2014	2013	2012	2011	2010	2009
$ 1,658,846	$ 1,606,626	$ 1,326,657	$ 1,222,954	$ 1,467,147	$ 1,904,893
10,788,262	10,770,532	10,100,155	10,002,351	10,731,693	10,085,766
16,107,840	16,033,221	15,657,704	14,745,268	14,210,928	13,118,680
1,845,850	1,656,662	1,519,707	1,517,213	1,752,933	1,786,808
2,002,615	2,012,501	1,912,814	1,974,964	1,834,315	1,972,187
510,338	515,874	783,308	843,912	808,742	735,415
247,170	240,018	233,043	233,608	287,860	273,401
37,002	51,038	50,334	59,159	62,059	69,726
592,668	616,328	638,775	462,602	446,520	466,077
33,790,591	33,502,800	32,222,497	31,062,031	31,602,197	30,412,953
7,984,962	7,931,918	7,916,281	7,622,542	7,067,724	6,728,721
2,032,910	2,193,829	2,362,677	2,224,280	2,298,354	2,211,087
1,152,763	1,858,989	2,240,295	2,954,208	4,011,802	2,435,344
229,630	191,949	35,735	26,613	26,174	17,835
11,400,265	12,176,685	12,554,988	12,827,643	13,404,054	11,392,987
$ 45,190,856	$ 45,679,485	$ 44,777,485	$ 43,889,674	$ 45,006,251	$ 41,805,940
$ 2,770,681	$ 2,205,860	$ 1,912,183	$ 1,887,736	$ 1,763,847	$ 1,654,486
562,606	576,110	489,289	473,934	245,953	367,829
154,324	161,190	162,970	160,161	135,736	232,579
236,035	235,067	264,309	248,385	263,202	225,419
14,780,822	15,317,258	14,764,360	14,029,675	15,656,694	12,714,639
1,239,876	1,310,696	1,142,924	1,473,052	1,599,721	1,286,969
19,744,344	19,806,181	18,736,035	18,272,943	19,665,153	16,481,921
2,993,298	2,992,037	2,922,710	2,647,604	2,408,042	2,103,284
—	—	—	—	—	—
—	—	—	—	—	—
146,407	114,152	38,716	35,476	34,142	27,669
6,695,670	7,251,162	7,245,740	7,557,366	7,837,041	5,376,243
36,664	90,665	36,157	106,217	41,634	45,385
9,872,039	10,448,016	10,243,323	10,346,663	10,320,859	7,552,581
$ 29,616,383	$ 30,254,197	$ 28,979,358	$ 28,619,606	$ 29,986,012	$ 24,034,502
$ (14,046,247)	$ (13,696,619)	$ (13,486,462)	$ (12,789,088)	$ (11,937,044)	$ (13,931,032)
(1,528,226)	(1,728,669)	(2,311,665)	(2,480,980)	(3,083,195)	(3,840,406)
$ (15,574,473)	$ (15,425,288)	$ (15,798,127)	$ (15,270,068)	$ (15,020,239)	$ (17,771,438)

(continued)

Schedule 2
Changes in Net Position
For the Last Ten Fiscal Years
(accrual basis of accounting)
(dollars in thousands)

	2018	2017	2016	2015
General Revenues and Other Changes in Net Position				
Governmental Activities (1) (2)				
General Revenues				
Taxes				
Individual Income	$ 11,109,361	$ 11,318,052	$ 9,799,035	$ 9,769,658
Sales - General	5,905,929	5,798,400	5,730,560	5,235,481
Motor Fuel Tax	1,800,191	1,741,413	1,668,568	1,210,079
Motor Vehicle License and Title Ad Valorem Taxes(4)	1,314,354	1,347,626	1,307,054	1,167,421
Corporate Tax	1,004,524	955,791	981,475	1,014,290
Other Taxes	1,124,370	607,929	1,515,674	774,605
Lottery for Education - Lottery Proceeds(4)	1,143,515	1,101,062	1,097,823	980,653
Nursing Home and Hospital Provider Fees(4)	465,595	442,576	434,126	454,372
Tobacco Settlement Funds(4)	168,926	140,938	137,035	138,385
Unrestricted Investment Income	104,230	50,631	33,936	9,103
Unclaimed Property	151,462	143,683	153,257	156,360
Other	184,240	196,046	12,916	9,646
Special Items	—	—	—	—
Transfers	(2,993,509)	(2,803,960)	(2,639,131)	(2,657,978)
Total Governmental Activities	21,483,188	21,040,187	20,232,328	18,262,075
Business-type Activities (1) (2)				
General Revenues				
Unrestricted Investment Income	—	—	—	—
Contributions to Permanent Endowments	345	833	137	—
Transfers	2,993,509	2,803,960	2,639,131	2,657,978
Total Business-type Activities	2,993,854	2,804,793	2,639,268	2,657,978
Total Primary Government General Revenues and Other Changes in Net Position	$ 24,477,042	$ 23,844,980	$ 22,871,596	$ 20,920,053
Changes in Net Position				
Governmental Activities (1) (2)	$ 1,642,059	$ 2,577,131	$ 2,773,712	$ 1,183,654
Business-type Activities (1) (2) (3)	653,640	270,856	642,698	954,149
Total Primary Government	$ 2,295,699	$ 2,847,987	$ 3,416,410	$ 2,137,803

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

(2) Beginning in fiscal year 2013, the activity of the Armstrong Atlantic State University Educational Properties Foundation, Inc., the Georgia State University Foundation, Inc., the Georgia State University Research Foundation, Inc., the Georgia Tech Facilities, Inc., the University System of Georgia Foundation, Inc. and the VSU Auxiliary Services Real Estate Foundation, Inc., component units, are blended with those of the nonmajor enterprise funds (previously discretely presented). Beginning in the fiscal year 2014, the activity of the Georgia Southern University Housing Foundation, Inc., the Middle Georgia State University Real Estate Foundation, Inc., the North Georgia Real Estate Foundation, Inc., and the UWG Real Estate Foundation, component units, are blended with those of the nonmajor enterprise funds (previously discretely presented). Beginning in fiscal year 2015, the activity of the Georgia State University Foundation, Inc. is discretely presented (previously blended) and the activity of the Armstrong Atlantic State University Educational Properties Foundation, Inc. is removed as it no longer met requirements for inclusion in the financial reporting entity as nonmajor enterprise funds. Beginning in fiscal year 2016, the Georgia Tech Facilities, Inc., the Middle Georgia State University Real Estate Foundation, Inc., the University of North Georgia Real Estate Foundation, Inc., and the University System of Georgia Foundation, Inc. are discreetly presented (previously blended) and the activity of the Georgia State University Research Foundation, Inc. is removed as it no longer met requirements for inclusion in the financial reporting entity as nonmajor enterprise funds. Additionally, Georgia Southern University Housing Foundation, Inc., UWG Real Estate Foundation, Inc., and VSU Auxiliary Services Real Estate Foundation, Inc. are reported in the Higher Education Fund (previously blended nonmajor enterprise funds). Then in fiscal year 2017 these three foundations no longer met the requirements for being reported in the Higher Education Fund and are reported as discrete component units.

(3) Beginning in fiscal year 2015, Motor Vehicle License and Title ad valorem Taxes, Lottery for Education - Lottery Proceeds, Nursing Home and Hospital Provider Fees, and Tobacco Settlement Funds, previously reported within the General Government function program revenues, are reported as general revenues of the Governmental Activities.

(4) Beginning in fiscal year 2015, State Health Benefit Plan - Contributions/Premiums and Unemployment Compensation Fund - Contributions, previously reported within Program Revenues, Business-type Activities, Operating Grants and Contributions are reported as Sales and Charges for Services.

Source: Financial Statements included in Current and Prior Years' *Comprehensive Annual Financial Reports* and supporting working papers (certain amounts restated for purposes of comparability)

Fiscal Year

2014	2013	2012	2011	2010	2009
$ 8,976,720	$ 8,854,916	$ 8,196,187	$ 7,797,739	$ 7,109,984	$ 7,794,606
4,988,620	5,082,342	5,141,871	5,133,404	5,196,117	5,080,946
1,196,154	1,149,110	1,201,532	931,443	853,740	883,753
—	—	—	—	—	—
949,815	806,881	658,303	582,039	728,740	694,767
801,605	752,103	776,813	816,856	752,448	792,328
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
4,995	323	6,183	(3,066)	993	63,074
148,129	138,832	83,215	98,098	85,277	35,356
12,112	126,862	12,909	30,285	44,183	112,681
—	—	—	288,000	(10,090)	—
(2,308,895)	(2,377,595)	(2,346,986)	(2,532,118)	(2,269,701)	(2,679,135)
14,769,255	14,533,774	13,730,027	13,142,680	12,491,691	12,778,376
—	—	—	—	—	76,060
7,522	1,231	—	—	—	—
2,308,895	2,377,595	2,346,986	2,532,118	2,269,701	2,679,135
2,316,417	2,378,826	2,346,986	2,532,118	2,269,701	2,755,195
$ 17,085,672	$ 16,912,600	$ 16,077,013	$ 15,674,798	$ 14,761,392	$ 15,533,571
$ 723,008	$ 837,155	$ 243,565	$ 353,592	$ 554,647	$ (1,152,656)
788,191	650,157	35,321	51,138	(813,494)	(1,085,211)
$ 1,511,199	$ 1,487,312	$ 278,886	$ 404,730	$ (258,847)	$ (2,237,867)

Schedule 3
Fund Balances of Governmental Funds
For the Last Ten Fiscal Years
(modified accrual basis of accounting)
(dollars in thousands)

	2018	2017	2016	2015	2014
General Fund					
Nonspendable	$ 35,375	$ 82,570	$ 66,744	$ 50,979	$ 54,972
Restricted	5,118,497	4,652,244	4,112,561	3,284,676	3,371,495
Unrestricted					
Committed	11,753	10,921	9,287	7,713	3,232
Assigned	437,737	418,815	345,667	444,077	325,552
Unassigned	2,506,449	2,211,442	1,795,230	1,282,974	1,073,662
Reserved	—	—	—	—	—
Unreserved	—	—	—	—	—
Total General Fund	$ 8,109,811	$ 7,375,992	$ 6,329,489	$ 5,070,419	$ 4,828,913
All Other Governmental Funds (1) (2)					
Nonspendable	$ 16,770	$ 15,289	$ 136	$ 257	$ 14
Restricted	1,475,928	1,310,861	1,242,119	1,074,877	1,216,195
Unrestricted					
Assigned	84,912	74,100	69,288	60,062	74,489
Reserved	—	—	—	—	—
Unreserved, Reported in					
Special Revenue Funds	—	—	—	—	—
Capital Projects Funds	—	—	—	—	—
Total All Other Governmental Funds	$ 1,577,610	$ 1,400,250	$ 1,311,543	$ 1,135,196	$ 1,290,698

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

(2) Beginning in fiscal year 2011, fund balance categories were reclassified as a result of implementing GASB Statement No. 54. Fund balance was not restated to the new categories for prior years.

Source: Financial Statements included in Current and Prior Years' *Comprehensive Annual Financial Reports* (certain amounts restated for purposes of comparability)

Fiscal Year

2013	2012	2011	2010	2009
$ 56,937	$ 74,206	$ 94,810	$ —	$ —
3,177,010	3,004,697	2,951,729	—	—
4,954	7,695	9,403	—	—
365,985	298,557	256,676	—	—
798,630	334,655	401,414	—	—
—	—	—	3,737,311	3,520,953
—	—	—	(41,837)	(492,520)
$ 4,403,516	$ 3,719,810	$ 3,714,032	$ 3,695,474	$ 3,028,433
$ 14	$ 8,398	$ 68	$ —	$ —
1,065,153	963,782	1,079,604	—	—
55,061	18,227	20,442	—	—
—	—	—	43,114	14
—	—	—	33,319	436,838
—	—	—	1,323,352	1,496,019
$ 1,120,228	$ 990,407	$ 1,100,114	$ 1,399,785	$ 1,932,871

Schedule 4
Changes in Fund Balances of Governmental Funds
For the Last Ten Fiscal Years
(modified accrual basis of accounting)
(dollars in thousands)

	2018	2017	2016	2015	2014
Revenues [1]					
Taxes					
Individual Income	$ 11,644,160	$ 11,023,806	$ 10,078,312	$ 9,714,090	$ 8,976,720
Sales - General	6,019,297	5,781,149	5,473,282	5,263,011	4,988,620
Motor Fuel Tax	1,800,191	1,741,414	1,668,568	1,210,079	1,196,154
Motor Vehicle License and Title ad valorem Taxes[3]	1,314,354	1,347,626	1,307,054	1,167,421	—
Corporate Tax	1,004,524	955,790	981,475	1,014,290	949,815
Other Taxes	1,057,108	977,494	1,186,308	871,158	801,605
Licenses and Permits	423,796	392,102	499,313	328,028	1,387,113
Intergovernmental - Federal	16,926,361	16,543,931	15,946,548	16,056,116	15,359,809
Intergovernmental - Other	637,053	519,077	547,897	646,442	590,000
Sales and Services	426,328	608,204	403,849	439,342	449,697
Fines and Forfeits	475,711	475,421	464,064	444,301	446,646
Interest and Other Investment Income	142,282	68,780	50,219	26,243	23,365
Unclaimed Property	151,462	143,683	153,257	156,360	148,129
Lottery Proceeds	1,143,515	1,101,062	1,097,823	980,653	945,097
Nursing Home Provider Fees	161,575	156,746	163,524	175,414	169,521
Hospital Provider Payments	304,020	285,830	270,602	278,958	237,978
Other	308,655	288,396	130,774	129,092	68,375
Total Revenues	43,940,392	42,410,511	40,422,869	38,900,998	36,738,644
Expenditures [1]					
Current					
General Government	963,123	915,149	1,021,257	1,059,255	1,119,722
Education	13,271,141	12,605,566	12,010,308	11,435,031	10,787,182
Health and Welfare	18,205,579	17,225,344	16,872,312	16,713,851	16,106,379
Transportation	2,882,072	2,901,428	2,181,785	2,095,554	1,847,149
Public Safety	2,607,044	2,540,030	2,193,494	2,122,905	1,969,468
Economic Development and Assistance	565,462	692,393	600,031	610,472	512,286
Culture and Recreation	302,262	301,768	304,703	263,263	257,416
Conservation	85,328	58,888	56,514	53,394	47,471
Capital Outlay	902,083	889,793	765,976	1,010,110	699,126
Debt Service					
Principal	1,068,590	1,042,625	988,145	966,445	850,290
Interest	430,077	419,177	449,666	460,214	466,787
Other Charges	27,036	26,541	25,848	27,284	75,372
Intergovernmental	246,015	175,136	200,373	223,531	209,097
Total Expenditures	41,555,812	39,793,838	37,670,412	37,041,309	34,947,745
Excess (Deficiency) of Revenues Over (Under) Expenditures	2,384,580	2,616,673	2,752,457	1,859,689	1,790,899

Fiscal Year				
2013	2012	2011	2010	2009
$ 8,854,916	$ 8,196,187	$ 7,797,739	$ 7,109,984	$ 7,794,606
5,082,342	5,141,871	5,133,404	5,196,117	5,080,946
1,149,110	1,201,532	931,443	853,740	883,753
—	—	—	—	—
806,881	658,303	582,039	728,740	694,767
752,103	776,813	816,856	752,448	792,328
753,517	593,541	581,994	507,764	667,363
15,935,839	15,294,531	14,709,708	16,456,059	13,417,524
626,723	505,974	652,244	569,179	360,531
483,606	440,951	471,236	490,954	392,097
607,862	450,457	458,341	300,032	335,485
7,244	18,580	12,930	41,535	138,077
138,832	83,215	98,098	85,277	35,356
927,479	901,329	846,106	883,882	872,136
176,864	132,393	128,771	122,047	122,623
232,080	225,260	215,080	—	—
75,148	72,657	94,327	96,393	157,741
36,610,546	34,693,594	33,530,316	34,194,151	31,745,333
1,045,120	920,513	873,658	860,558	1,250,409
10,768,786	10,099,224	9,981,903	10,719,216	10,083,963
16,031,121	15,668,820	14,721,528	14,211,763	13,097,393
1,879,877	1,664,812	1,699,712	2,127,591	2,725,244
2,033,814	1,921,717	1,874,257	1,895,659	1,976,831
494,016	782,055	836,341	787,261	718,858
263,636	258,472	275,974	275,746	306,434
51,314	54,694	51,573	62,430	65,007
600,128	674,905	882,731	500,166	560,229
774,855	803,600	845,300	804,560	801,565
461,432	475,208	493,845	485,195	469,281
155,290	98,368	57,923	42,203	36,059
138,161	239,879	153,190	220,118	377,607
34,697,550	33,662,267	32,747,935	32,992,466	32,468,880
1,912,996	1,031,327	782,381	1,201,685	(723,547)

(continued)

Schedule 4
Changes in Fund Balances of Governmental Funds
For the Last Ten Fiscal Years
(modified accrual basis of accounting)
(dollars in thousands)

	2018	2017	2016	2015	2014
Other Financing Sources (Uses) [(1)]					
General Obligation Bonds Issuance	1,041,015	920,035	1,008,355	823,555	857,670
Refunding Bonds Issuance	634,545	1,340,265	275,985	159,350	—
Revenue Bond Issuance	—	—	—	11,057	32,718
Debt Issuance - Other	63,850	52,720	20,926	—	—
Premium on General Obligation Bonds Sold	119,498	111,054	94,194	78,602	62,075
Premium on Refunding Bonds Sold	91,178	283,301	—	13,819	—
Premium on Revenue Bonds Sold	—	—	—	—	—
Premium on GARVEE Bonds Sold	11,455	—	—	—	—
Accrued Interest on Refunding Bonds Sold	—	—	—	—	—
Accrued Interest on Revenue Bonds Sold	—	—	—	—	—
Payment to Refunded Bond Escrow Agent	(724,870)	(1,620,595)	(302,322)	(173,032)	—
Proceeds from Disposition of General Capital Assets	—	—	—	—	—
Capital Leases	9,625	35,155	27,617	12,825	8,207
Transfers In	1,705,963	1,594,219	1,718,186	1,609,361	1,550,566
Transfers Out	(4,425,660)	(4,165,721)	(4,081,733)	(3,882,868)	(3,706,268)
Net Other Financing Sources (Uses)	(1,473,401)	(1,449,567)	(1,238,792)	(1,347,331)	(1,195,032)
Special Item	—	—	—	—	—
Other Adjustments to Fund Balance	—	—	—	—	—
Net Change in Fund Balance	$ 911,179	$ 1,167,106	$ 1,513,665	$ 512,358	$ 595,867
Debt Service Expenditures as a Percentage of Noncapital Expenditures [(2)]	4.53%	3.90%	3.98%	3.98%	3.91%

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

(2) Noncapital expenditures are calculated as total expenditures less capital outlay expenditures less capital expenditures in current expenditure functions. Capital expenditures in current expenditure functions are identified in the process of reconciling Governmental Funds to Governmental Activities.

(3) Beginning in fiscal year 2015, Motor Vehicle License and Title ad valorem Taxes previously reported as Licenses and Permits are reported as Taxes.

Source: Financial Statements included in Current and Prior Years' *Comprehensive Annual Financial Reports* and supporting working papers

Fiscal Year				
2013	2012	2011	2010	2009
834,870	803,615	653,925	793,855	1,445,645
486,825	719,465	344,420	640,825	149,730
—	—	—	—	600,000
—	—	—	—	—
124,742	78,781	32,170	25,206	84,867
102,681	86,523	55,821	112,131	21,730
—	—	—	—	57,683
—	—	—	—	—
—	—	—	—	—
—	—	—	—	538
(587,396)	(805,945)	(398,339)	(750,209)	(171,307)
—	—	—	—	—
5,847	11,179	25,851	6,201	2,259
1,424,420	1,414,093	1,467,443	1,959,530	2,151,031
(3,481,263)	(3,409,603)	(3,532,786)	(3,923,140)	(4,466,328)
(1,089,274)	(1,101,892)	(1,351,495)	(1,135,601)	(124,152)
—	—	288,000	—	—
—	—	—	—	—
$ 823,722	$ (70,565)	$ (281,114)	$ 66,084	$ (847,699)
3.67%	3.95%	4.27%	4.09%	4.16%

State of Georgia

Schedule 5

Revenue Base - Personal Income by Industry

For the Last Ten Calendar Years

(dollars in millions)

	2017	2016	2015	2014
Accommodation and Food Services	$ 10,507	$ 10,209	$ 9,838	$ 9,551
Administrative and Waste Management Services	16,932	15,610	15,166	14,828
Arts, Entertainment and Recreation	2,483	2,171	2,231	2,379
Construction	18,941	17,604	15,391	14,766
Educational Services	5,120	4,849	4,705	4,638
Farm Earnings	1,946	1,814	2,476	3,230
Federal Government - Civilian	11,183	10,806	10,421	9,824
Federal Government - Military	6,579	6,446	6,825	6,833
Finance and Insurance	21,193	19,269	18,663	18,200
Forestry, Fishing and Related Activities	973	1,045	1,010	1,010
Health Care and Social Assistance	32,850	31,688	29,914	28,658
Information	21,069	18,669	15,118	12,225
Management of Companies and Enterprises	9,189	8,443	8,179	7,776
Manufacturing	30,423	29,125	27,921	26,822
Mining	783	787	560	592
Other Services, Except Public Administration	10,875	10,528	10,309	10,460
Professional, Scientific and Technical Services	32,809	31,180	30,183	28,908
Real Estate, Rental and Leasing	7,335	6,262	5,784	6,454
Retail Trade	20,097	19,375	19,046	18,127
State and Local Government	37,087	35,643	33,051	32,454
Transportation and Warehousing	17,013	16,172	14,838	13,881
Utilities	2,935	2,902	2,657	2,435
Wholesale Trade	21,385	21,150	20,493	19,539
Other	120,696	112,931	106,943	101,183
Total Personal Income	$ 460,403	$ 434,678	$ 411,722	$ 394,773
Average Effective Rate (1)	2.4%	2.3%	2.4%	2.3%

(1) The total direct rate for personal income is not available. The average effective rate was calculated by dividing individual income tax collections on a fiscal year basis (see Schedule 4) by total personal income on a calendar year basis.

Source: U. S. Department of Commerce, Bureau of Economic Analysis

Calendar Year

2013	2012	2011	2010	2009	2008
$ 8,969	$ 8,595	$ 8,040	$ 7,625	$ 7,504	$ 7,748
13,744	12,873	12,418	11,618	11,128	11,764
2,277	2,162	2,066	1,995	1,970	1,989
13,365	12,471	12,113	12,274	13,103	15,638
4,391	4,318	4,134	3,980	3,857	3,589
3,640	3,429	1,982	1,749	1,972	2,606
9,796	10,076	10,303	10,043	9,332	8,746
7,048	7,229	7,500	7,529	7,251	6,926
17,386	16,492	15,364	15,007	16,574	18,082
872	847	761	778	700	700
27,487	26,127	25,083	24,282	23,570	22,445
11,414	10,922	10,239	9,974	10,627	11,481
7,009	6,626	5,974	5,471	5,504	5,374
25,876	24,977	24,267	22,969	22,986	25,374
558	524	505	412	375	469
10,055	9,619	9,095	8,807	8,687	8,701
26,708	25,972	24,313	22,853	23,092	24,526
6,135	5,740	4,780	3,852	3,683	4,509
17,303	16,415	15,985	15,472	15,391	16,039
32,139	32,100	31,825	31,814	30,909	30,728
13,143	12,498	11,945	11,092	10,708	11,318
2,401	2,294	2,422	2,161	2,355	2,300
18,709	17,917	17,238	16,700	16,701	17,867
97,731	98,926	98,954	85,102	82,481	80,981
$ 378,156	$ 369,149	$ 357,306	$ 333,559	$ 330,460	$ 339,900
2.3%	2.2%	2.2%	2.1%	2.4%	2.6%

Schedule 6
Individual Income Tax Rates by Filing Status and Income Level
For the Last Ten Calendar Years

Filing Status Georgia Taxable Net Income Level	2009 - 2018
Single	
Not Over $750	1%
Over $750 But Not Over $2,250	$7.50 Plus 2% of Amount Over $750
Over $2,250 But Not Over $3,750	$37.50 Plus 3% of Amount Over $2,250
Over $3,750 But Not Over $5,250	$82.50 Plus 4% of Amount Over $3,750
Over $5,250 But Not Over $7,000	$142.50 Plus 5% of Amount Over $5,250
Over $7,000	$230.00 Plus 5.75% of Amount Over $7,000
Married Filing Separately	
Not Over $500	1%
Over $500 But Not Over $1,500	$5.00 Plus 2% of Amount Over $500
Over $1,500 But Not Over $2,500	$25.00 Plus 3% of Amount Over $1,500
Over $2,500 But Not Over $3,500	$55.00 Plus 4% of Amount Over $2,500
Over $3,500 But Not Over $5,000	$95.00 Plus 5% of Amount Over $3,500
Over $5,000	$170.00 Plus 5.75% of Amount Over $5,000
Head of Household and Married Filing Jointly	
Not Over $1,000	1%
Over $1,000 But Not Over $3,000	$10.00 Plus 2% of Amount Over $1,000
Over $3,000 But Not Over $5,000	$50.00 Plus 3% of Amount Over $3,000
Over $5,000 But Not Over $7,000	$110.00 Plus 4% of Amount Over $5,000
Over $7,000 But Not Over $10,000	$190.00 Plus 5% of Amount Over $7,000
Over $10,000	$340.00 Plus 5.75% of Amount Over $10,000

Source: OCGA Section 48-7-20, Paragraph (b)(1)

Schedule 7
Individual Income Tax Filers and Liability by Income Level
For Calendar Years 2016(1) and 2007
(dollars, except income level, are in thousands)

	2016(1)			
Income Level	Number of Filers	Percentage of Total	Personal Income Tax Liability	Percentage of Total
$1,000 and under (2)	824,650	18.8%	$ 691,617	7.1%
$1,001 to $5,000	215,220	4.9%	1	0.0%
$5,001 to $10,000	307,759	7.0%	10,039	0.1%
$10,001 to $15,000	340,555	7.8%	46,516	0.5%
$15,001 to $20,000	302,742	6.9%	94,229	1.0%
$20,001 to $25,000	265,248	6.1%	143,549	1.5%
$25,001 to $30,000	235,369	5.4%	182,107	1.9%
$30,001 to $50,000	650,175	14.8%	854,237	8.7%
$50,001 to $100,000	711,210	16.2%	1,994,668	20.4%
$100,001 to $500,000	509,076	11.6%	3,992,053	40.9%
$500,001 to $1,000,000	19,378	0.4%	647,979	6.6%
$1,000,001 and higher	8,599	0.2%	1,114,141	11.4%
Totals	4,389,981	100.0%	$ 9,771,137	100%

	2007			
Income Level	Number of Filers	Percentage of Total	Personal Income Tax Liability	Percentage of Total
$1,000 and under (2)	715,800	16.8%	$ 505,330	6.0%
$1,001 to $5,000	274,100	6.4%	20	0.0%
$5,001 to $10,000	355,200	8.3%	9,100	0.1%
$10,001 to $15,000	334,500	7.8%	40,876	0.5%
$15,001 to $20,000	306,000	7.2%	90,780	1.1%
$20,001 to $25,000	276,500	6.5%	139,990	1.7%
$25,001 to $30,000	243,900	5.7%	175,088	2.1%
$30,001 to $50,000	649,100	15.2%	790,663	9.4%
$50,001 to $100,000	700,000	16.4%	1,827,148	21.8%
$100,001 to $500,000	392,300	9.2%	2,886,601	34.5%
$500,001 to $1,000,000	16,800	0.4%	577,675	6.9%
$1,000,001 and higher	9,000	0.2%	1,330,000	15.9%
Totals	4,273,200	100.1%	$ 8,373,271	100.0%

(1) Most recent available data.

(2) Category also includes payments from out-of-state residents and partial-year payers

Source: Georgia Department of Revenue

Schedule 8
Ratios of Outstanding Debt by Type
For the Last Ten Fiscal Years
(dollars in thousands, except per capita amounts)

	Governmental Activities [1]			
Fiscal Year	General Obligation Bonds	Revenue(2) Bonds	Capital Leases	Notes and Loans
2018	$ 10,043,489	$ 613,770	$ 233,398	$ 74,141
2017	9,851,713	745,477	237,505	78,450
2016	9,493,441	983,947	184,689	87,228
2015	9,367,381	1,200,365	221,690	21,662
2014	9,437,844	1,367,068	252,830	4,024
2013	9,072,784	1,503,925	255,763	4,000
2012	8,889,868	1,678,744	262,111	14,600
2011	8,774,586	1,848,570	223,429	19,600
2010	8,837,728	2,009,489	242,430	27,614
2009	8,725,198	2,169,235	3,266	27,698

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

(2) The Governmental Activities Revenue Bonds include $202.6 million of bonds secured by a joint resolution between the Department of Transportation (DOT) (General Fund) and the SRTA (Nonmajor Governmental Fund) whereby DOT has pledged to provide sufficient motor fuel tax funds to pay the principal and interest of the revenue bonds. According to the State Constitution, motor fuel tax funds are imposed and appropriated for all activities incident to maintaining an adequate system of roads and bridges in the State. In fiscal year 2018, the State collected $1.8 billion of motor fuel tax funds. The principal and interest on the revenue bonds for fiscal year 2018 was $53.8 million. The debt service requirements to maturity on these bonds is included in the Notes to the Financial Statements.

(3) See Schedule 11 (Population/Demographics) for personal income and population data.

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

Business -Type Activities [1]					
Revenue Bonds	Capital Leases	Notes and Loans	Total Primary Government	Percentage of Personal Income[3]	Outstanding Debt Per Capita[3]
$ 263,281	$ 2,914,195	$ 264,793	$ 14,407,067	3.1%	$ 1,376
269,136	3,044,125	256,768	14,483,174	3.3%	1,400
756,539	2,633,261	11,677	14,150,782	3.4%	1,380
1,384,058	1,948,804	6,027	14,149,987	3.6%	1,396
1,781,514	1,829,517	3,923	14,676,720	3.9%	1,464
1,211,200	2,370,028	397,692	14,815,392	4.0%	1,488
319,247	3,436,099	751,299	15,351,968	4.3%	1,559
328,597	3,170,521	734,189	15,099,492	4.5%	1,549
213,814	2,648,321	424,424	14,403,820	4.3%	1,459
121,736	2,240,418	8,733	13,296,284	3.9%	1,365

Schedule 9
Ratios of General Bonded Debt Outstanding
For the Last Ten Fiscal Years
(dollars in thousands, except per capita amounts)

Fiscal Year	Net General Bonded Debt[1]	Percentage of Personal Income[2]	Outstanding Debt Per Capita[2]
2018	$ 10,205,658	2.22%	$ 978.55
2017	10,061,376	2.31%	975.85
2016	9,750,165	2.37%	954.51
2015	9,668,940	2.45%	957.59
2014	9,768,380	2.58%	977.66
2013	9,427,553	2.55%	950.58
2012	9,278,490	2.60%	945.60
2011	9,197,267	2.76%	946.86
2010	9,280,726	2.81%	944.20
2009	9,200,175	2.71%	948.68

(1) In fiscal year 2015, the activities of SRTA were re-examined and all activities of this blended component unit are reported as Governmental Activities. In fiscal year 2017, SRTA's activities reverted back to the blended presentation, where its activity and balances are included in both Governmental Activities and Business-type Activities.

(2) See Schedule 11 (Population/Demographics) for personal income and population data.

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


STATE OF GEORGIA
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MODERATION
1776

Schedule 10
Computation of Legal Debt Margin
For the Last Ten Fiscal Years
(in whole dollars)

	2018	2017	2016	2015	2014
Revenue Base:					
Treasury Receipts for the Preceding Fiscal Year (1)	$24,519,402,190	$23,476,964,889	$21,557,498,541	$ 20,256,765,494	$ 19,539,691,058
Debt Limit Amount:					
Highest Aggregate Annual Commitments					
(Principal and Interest) Permitted Under					
Constitutional Limitation (10% of above)	$ 2,451,940,219	$ 2,347,696,489	$ 2,155,749,854	$ 2,025,676,549	$ 1,953,969,106
Debt Applicable to the Limit:					
Highest Total Annual Commitments in Current or					
any Subsequent Fiscal Year (2)	1,398,096,186	1,405,379,184	1,311,486,764	1,305,012,971	1,320,929,740
Legal Debt Margin	$ 1,053,844,033	$ 942,317,305	$ 844,263,090	$ 720,663,578	$ 633,039,366
Total Debt Applicable to the Limit as Percentage of Debt Limit Amount	57.0%	59.9%	60.8%	64.4%	67.6%

(1) Includes Indigent Care Trust Fund Receipts, Brain and Spinal Injury Trust Fund Receipts, Lottery Proceeds and Tobacco Settlement Funds.

(2) Includes issued and outstanding debt as of the end of each fiscal year and appropriated debt service for any authorized but unissued general obligation (and guaranteed revenue) bonds.

Source: Prior Year's Comprehensive Annual Financial Reports, other annual state reports, Georgia State Financing and Investment Commission, Constitution of the State of Georgia.

Note: The Constitution of the State of Georgia limits the combined total of highest annual debt service requirements for general obligation and guaranteed revenue debt to 10% of the prior year's revenue collections.

Fiscal Year				
2013	2012	2011	2010	2009
$ 18,316,797,048	$ 17,546,376,094	$ 16,251,244,423	$ 17,841,696,614	$ 19,789,803,318
$ 1,831,679,705	$ 1,754,637,609	$ 1,625,124,442	$ 1,784,169,661	$ 1,978,980,332
1,289,411,544	1,310,228,303	1,328,679,199	1,369,585,101	1,307,083,843
$ 542,268,161	$ 444,409,306	$ 296,445,243	$ 414,584,560	$ 671,896,489
70.4%	74.7%	81.8%	76.8%	66.0%

Schedule 11
Population/Demographics
For the Last Ten Calendar Years

Year	Population	Personal Income (in millions)	Per Capita Personal Income	Public School Enrollment	Unemployment Rate
2017	10,429,379	$ 460,403	$ 44,145	1,761,472	4.7%
2016	10,310,371	434,678	42,159	1,757,543	5.4%
2015	10,214,860	411,722	40,306	1,749,852	5.9%
2014	10,097,132	394,773	39,097	1,736,416	7.1%
2013	9,991,562	378,156	37,845	1,716,905	8.2%
2012	9,917,639	369,149	37,229	1,693,374	9.2%
2011	9,812,280	357,306	36,422	1,673,740	10.2%
2010	9,713,454	333,559	34,341	1,665,557	10.5%
2009	9,829,211	330,460	34,348	1,656,689	9.9%
2008	9,697,838	339,900	35,761	1,642,033	6.2%

Sources: Population - U. S. Department of Commerce, Bureau of the Census (midyear population estimates)
Personal Income - U. S. Department of Commerce, Bureau of Economic Analysis
Public School Enrollment - Georgia Department of Education (March of each school year)
Unemployment Rate - U. S. Department of Labor (annual average)

Schedule 12
Principal Private Sector Employers
Fiscal Year 2018 and Nine Years Previous (2009)

2018 Employers	**2009 Employers**
Children's Healthcare of Atlanta	Delta Air Lines, Inc.
Delta Air Lines, Inc.	Emory System of Heath Care
Emory Healthcare, Inc.	Emory University
Emory University	Georgia Power Company
Gulfstream Aerospace Corporation	Lowe's Home Centers
Lowe's Home Centers, Inc.	Mohawk Carpet
McDonalds	Publix Supermarkets, Inc.
Northside Hospital	Rare Hospitablity International
Publix Super Markets, Inc.	Shaw Industries Group, Inc.
Red Lobster	Target
Shaw Industries Group, Inc.	The Home Depot, Inc.
The Home Depot, Inc.	The Kroger Company
The Kroger Company	United Parcel
United Parcel Service, Inc.	Wal-Mart Stores, Inc.
Wal-Mart Stores, Inc.	Wellstar Health System, Inc.
Wellstar Health System, Inc.	

To protect employer confidentiality, O.C.G.A. Section 34-8-121(b)(3) prohibits the release of employee numbers by employer.

Sources: 2018 - Georgia Department of Labor (1st quarter 2018)
2009 - Comprehensive Annual Financial Report - Fiscal Year Ended June 30, 2009

Schedule 13
State Government Employment by Function
For the Last Ten Fiscal Years [1]

	2018	2017	2016	2015	2014
Governmental Activities					
General Government	8,408	8,432	8,722	8,402	7,848
Education	2,342	2,152	2,184	1,836	1,419
Health and Welfare	21,203	21,845	21,073	22,102	18,868
Transportation	4,979	4,979	5,023	5,102	4,379
Public Safety	28,686	27,780	25,728	25,513	23,430
Economic Development and Assistance	2,258	2,421	2,487	2,760	2,757
Culture and Recreation	3,112	3,080	2,982	2,838	2,284
Conservation	818	852	820	837	638
	71,806	71,541	69,019	69,390	61,623
Business-Type Activities [2] [5]					
State Road and Tollway Authority [3]	—	—	—	—	70
Higher Education Fund [4]	80,237	79,456	80,004	76,972	76,594
	80,237	79,456	80,004	76,972	76,664
Total Employment	152,043	150,997	149,023	146,362	138,287

(1) Includes employees that were active at any time during the Fiscal Year. An individual employee may, therefore, be included in multiple functions if the employee transferred among functions during the fiscal year. This does not represent the number of active employees at the end of the year.

(2) Employees of certain Business-Type Activities organizations are included in Governmental Activities as follows:

Employees of the State Employees' Health Benefit Plan are included as employees of the Department of Community Health in Health and Welfare.

Employees of the Unemployment Compensation Fund are included as employees of the Department of Labor in Economic Development and Assistance.

(3) In fiscal year 2015, the activities of State Road and Tollway Authority (SRTA) were examined and all activity was reported as Governmental Activities. In fiscal year 2017 SRTA, was re-examined and it was determined that the toll facilities and customer service center (previously part of Governmental Activities) are now reported as part of Business-Type Activities.

(4) Beginning in fiscal year 2013, Georgia Military College, formerly a blended component unit included in the Higher Education Fund, is reported as a discretely presented component unit and is no longer included in this schedule.

(5) No employees for the Nonmajor Enterprise Funds (Business-Type Activities) Georgia Higher Education Finance Authority and Higher Education Foundations are included as these organizations either have no employees, their data is not available or their employees are already reported as employees of another organization in either the Governmental Activities or Business-Type Activities.

Source: Open.Georgia.gov

Fiscal Year

2013	2012	2011	2010	2009
8,194	7,729	9,658	9,103	8,425
1,422	1,371	1,213	1,399	1,156
20,463	18,007	18,616	27,653	22,629
4,385	4,577	5,273	5,363	5,340
21,418	20,449	21,997	25,014	21,829
2,459	4,802	5,144	5,375	4,636
2,403	3,169	2,548	3,184	2,785
647	664	686	845	746
61,391	60,768	65,135	77,936	67,546
79	71	52	64	53
74,503	82,109	79,174	96,739	85,193
74,582	82,180	79,226	96,803	85,246
135,973	142,948	144,361	174,739	152,792

State of Georgia

Schedule 14
Operating Indicators and Capital Assets by Function
For the Last Ten Years (1)

	2018	2017	2016	2015
General Government				
Department of Revenue				
Number of Personal Income Tax Filers	NCA	NCA	4,389,981	4,423,664
Education				
Department of Education				
Public School Enrollment (March FTE Count)				
Pre Kindergarten through Grade 5	850,534	856,077	856,413	854,352
Grades 6 through 8	400,469	394,565	392,095	392,433
Grades 9 through 12	510,469	506,901	500,808	489,631
Board of Regents of the University System of Georgia				
Number of Separate Institutions	29	29	29	30
Number of Active Educators	15,161	15,012	14,606	14,478
Number of Students	325,203	321,551	318,164	312,936
Health and Welfare				
Department of Human Services				
Food Stamp Recipients	1,564,906	1,654,152	1,745,876	1,825,606
Temporary Assistance for Needy Families Recipients	21,993	21,876	26,635	27,219
Transportation				
Department of Transportation				
Miles of State Highway	17,959	17,912	17,902	17,907
Public Safety				
Department of Corrections				
Number of Inmates	54,758	54,636	53,852	51,002
Number of Probationers	NCA	165,635	168,088	165,926
Number of Offenders	275,777	258,843	—	—
Economic Development and Assistance				
Department of Economic Development				
Economic Impact of Tourism (in millions):				
Domestic Traveler Spending - Direct	NCA	NCA	$ 25,558	$ 24,526
Domestic Travel-generated State Tax Revenues	NCA	NCA	$ 1,307	$ 1,170
Culture and Recreation:				
Department of Natural Resources				
Number of State Parks	49	49	49	49
Number of Historic Sites	15	15	15	15
Acreage of State Parks and Historic Sites (in acres)	85,490	85,430	85,430	85,647
Number of Daily Park Passes Sold	875,817	905,504	802,267	790,020
Number of Annual Park Passes Sold	15,498	11,954	9,444	7,852
Number of Hunting and Fishing Licenses Sold	1,196,097	1,335,703	1,346,360	1,346,360
Number of Registered Boats	338,210	134,095	143,587	144,979
Conservation				
Forestry Commission				
Economic Impact of Forestry Industry				
Output (in millions)	NCA	NCA	NCA	$ 19,200
Employment	NCA	NCA	NCA	50,385
Compensation (in millions)	NCA	NCA	NCA	$ 3,550

(1) Data is presented by either fiscal year or calendar year based on availability of information.

(2) As of 2017-DCS no longer uses the categories Parolees and Probationers. DCS has one category-Felony Offenders

Source: Information obtained from the individual organizations listed. NCA - Not currently Available

Fiscal Year					
2014	2013	2012	2011	2010	2009
4,471,307	4,319,711	4,226,144	4,265,347	4,266,318	4,166,498
846,364	836,627	829,900	828,005	825,044	818,709
392,381	388,542	383,553	376,315	371,759	367,453
478,160	468,205	460,287	461,237	459,886	455,871
31	31	35	35	35	35
14,309	13,903	13,855	13,311	12,828	11,654
309,469	314,365	318,027	311,442	301,892	282,978
1,823,017	1,957,886	1,875,000	1,737,545	1,389,935	1,202,181
31,598	35,185	35,887	36,534	90,581	38,824
17,912	17,967	17,985	17,985	18,093	18,095
51,216	53,168	54,336	55,162	52,291	54,049
165,560	164,051	163,265	156,630	154,989	154,218
—	—	—	—	—	—
$ 23,707	$ 22,354	$ 21,489	$ 20,537	$ 18,906	$ 17,570
$ 1,059	$ 989	$ 949	$ 919	$ 855	$ 816
49	49	48	48	48	48
15	15	18	18	15	15
92,880	92,880	86,000+	86,000+	84,000+	85,000+
659,391	650,651	659,860	679,838	840,000	440,845
6,187	5,595	8,042	10,792	9,470	19,669
1,025,782	955,340	1,004,771	997,651	1,038,015	1,299,525
147,854	125,280	124,610	132,832	134,815	128,003
$ 16,800	$ 16,900	$ 16,313	$ 15,100	$ 14,500	$ 16,900
48,740	50,110	49,516	46,378	43,425	48,519
$ 3,030	$ 3,100	$ 3,078	$ 2,900	$ 2,600	$ 2,800

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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
2014	4,738,946	4,403,433	335,513	7.1%
2015	4,775,453	4,490,414	285,039	6.0
2016	4,921,491	4,658,053	263,438	5.4
2017	5,058,960	4,822,263	236,697	4.7
2018	5,107,656	4,906,411	201,245	3.9
2019(a)	5,109,085	4,913,477	195,608	3.8

(a) April 2019 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[1]	Part Time	Full Time
2014	67,838	141	67,697
2015	62,696	62	62,634
2016	61,729	56	61,673
2017	63,031	63	62,968
2018	63,125	54	63,071

[1] Effective with 2015, Community Service Board and Georgia World Congress Center Authority employees (approximately 4500 total) are no longer counted as State Employees.

Source: State Personnel Administration

Major Nongovernmental Employers

Amazon.Com.Dedc, LLC
AT&T Services, Inc.
Children's Healthcare of Atlanta
Delta Air Lines, Incorporated
Dollar General
Emory Health Care, Incorporated
Emory University
Georgia Power Company
Gold Kist Inc.
Gulfstream Aerospace Corp.
The Home Depot
The Kroger Company
Ingles Markets, Inc.
Longhorn Steakhouse
Lowe's Home Centers, Incorporated
McDonalds
Mohawk Carpet Distribution LP
Northside Hospital
Publix Supermarkets, Incorporated
Randstad US, L.P.
Shaw Industries Group, Incorporated
State Farm Mutual Auto Insurance Company
SunTrust Bank
Target
Turner Sports
United Parcel Service
Waffle House
WalMart Stores, Incorporated
Wellstar Health System, Incorporated
Xybernet, Inc.

Source: Georgia Department of Labor (4th quarter 2018)

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Employment in Non-Agricultural Establishments by Sector in Georgia
(Annual Average in thousands)

Sector	2014	2015	2016	2017	2018	April 2019
Mining and logging	9.1	9.1	9.5	9.5	9.5	9.3
Construction	159.1	169.8	179.8	186.7	196.2	202.9
Manufacturing	370.2	381.4	391.6	400.3	408.0	409.6
Total – Goods Producing	538.4	560.4	581.0	596.5	613.7	621.8
Trade, transportation and utilities	867.2	894.4	913.4	926.7	943.0	950.2
Information	109.1	112.8	113.4	118.5	114.6	108.9
Financial activities	231.7	234.5	238.7	243.3	248.2	248.3
Professional & business services	615.4	636.6	658.6	675.0	692.4	703.7
Education and health services	523.2	540.2	560.6	569.5	584.5	599.5
Leisure and hospitality	428.1	448.1	466.6	478.6	490.6	499.9
Other services	153.7	155.7	157.3	158.3	159.3	158.4
Government	678.2	679.3	682.9	687.5	693.8	696.3
Total – Service Producing	3,606.6	3,701.6	3,791.4	3,857.5	3,926.3	3,965.2
Total non-farm	4,145.0	4,262.0	4,372.3	4,453.9	4,540.0	4,587.0

Source: U. S. Department of Labor, Bureau of Labor Statistics; April 2019 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
2014	$19.56	$18.44	$18.10	92.5%	98.2%
2015	19.91	18.63	18.02	90.5	96.7
2016	20.44	19.09	18.14	88.7	95.0
2017	20.90	19.38	18.42	88.1	95.1
2018	21.54	19.74	18.90	87.7	95.7

Source: US Department of Labor, Bureau of Labor Statistics

Average Annual Growth Rates in Hourly Earnings

Years	U.S.	Southeast (a)	Georgia
2010-2015	1.4%	1.6%	1.6%
2015-2018	2.7	1.9	1.6

(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)
2014-2015	1,744,029
2015-2016	1,756,553
2016-2017	1,764,215
2017-2018	1,768,642
2018-2019	1,767,178

(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
2014	$47,060	$41,234	$39,615	84.2%	96.1%
2015	48,985	42,986	41,532	84.8	96.6
2016	49,883	43,743	42,657	85.5	97.5
2017	51,731	45,224	44,214	85.5	97.8
2018	53,712	46,830	45,745	85.2	97.7

(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
2010 – 2015	3.9%	3.3%	3.3%
2015 - 2018	3.1	2.9	3.3

(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
($2016 per Household)

Year	U.S.	Georgia	Georgia % of U.S.
2013	$54,744	$49,530	90.5%
2014	55,613	51,362	92.4
2015	58,476	52,529	89.8
2016	60,309	54,678	90.7
2017	61,372	57,016	92.9

Source: U.S. Bureau of Census – Current Population Survey Money Income of Households

Real Per Capita Gross State Product
(Chained $2012 per Capita)

Year	United States	Southeast (a)	Georgia
2014	$53,080	$43,353	$46,088
2015	54,208	44,010	47,072
2016	54,660	44,295	48,058
2017	55,515	44,772	48,921
2018	56,749	45,530	49,663

(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

Fiscal Year	Georgia Revenues (a) $Billions	Georgia Revenues (a) Annual % Change Over 5-year Period	State Personal Income (b) $Billions	State Personal Income (b) Annual % Change Over 5-year Period	Georgia Revenues as a % of State Personal Income
2014	$19.168	5.9%	$384.164	3.9%	5.0%
2015	20.436	6.1	411.866	4.6	5.0
2016(c)	22.237	8.8	431.528	4.8	5.2
2017(c)	23.270	6.7	449.599	4.5	5.2
2018(d)	24.320	6.0	469.824	4.5	5.2

(a) Amounts derived from the table "GEORGIA REVENUES" under line-item "Total State General Funds" in APPENDIX A.
(b) Personal income for the fiscal year is computed as an average of four quarters in the year.
(c) Annual growth for Georgia Revenues computed from 2010 ($15.216 billion).
(d) Annual growth for Georgia Revenues computed from 2015 ($20.436 billion).

Sources: U.S. Department of Commerce, Bureau of Economic Analysis; *Budgetary Compliance Report*, FY 2014, FY 2015, FY 2016, FY 2017, FY 2017, and FY 2018.

EARNINGS BY MAJOR INDUSTRY: 2018 Annual Average
($ in Billions, Seasonally Adjusted Annual Rate)

	Construction	Manufacturing	Trade	Services	Government
United States	$783	$1,137	$1,292	$6,930	$1,959
Southeast	176	240	294	1,416	451
Georgia	21	32	42	197	56

Source: U.S. Department of Commerce, Bureau of Economic Analysis

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SELECTED AGRICULTURAL DATA

Georgia Cash Receipts by Selected Commodities 2013-2017 ($ in Millions)

Year	Crops	Livestock & Dairy Products	Poultry & Eggs	Vegetables & Melons	Total Receipts (a)
2013	$3,913.4	$6,125.7	$5,229.4	$480.4	$10,039.1
2014	3,272.2	6,674.7	5,502.8	425.8	9,946.9
2015	3,051.1	6,037.2	5,045.7	493.2	9,088.2
2016	3,121.8	5,318.3	4,479.1	439.8	8,440.1
2017	3,028.9	5,836.7	4,971.6	386.1	8,865.6

(a) Total Receipts is the sum of Crops and Livestock & Dairy Products.

Note: Amounts may not add precisely due to rounding.
Data as of March 6, 2019.

Source: U.S. Department of Agriculture, Economic Research Service

2017 Farm Cash Receipts ($ in Millions)

	Georgia	United States
Crops		
Food Grains	$ 17.2	$ 12,407.0
Feed Crops	241.7	58,841.1
Cotton	850.0	8,321.2
Tobacco	53.4	1,295.1
Oil Crops	721.2	39,459.6
Vegetables & Melons	386.1	18,622.2
Fruit & Nuts	347.8	32,884.7
All Other Crops	411.4	29,825.0
Total Crops	3,028.9	201,655.9
Animals and Products		
Meat Animals	410.2	88,695.0
Dairy Products, Milk	348.1	37,788.2
Poultry and Eggs	4,971.6	45,957.2
Miscellaneous Animals and Products	106.9	7,424.9
Total Animals and Products	5,836.7	179,865.2
Total Farm Cash Crops	$8,865.6	$381,521.1

Note: Amounts may not add precisely due to rounding.
Data as of March 6, 2019.

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 $636,125,000 aggregate principal amount of State of Georgia General Obligation Bonds 2019A, $278,550,000 aggregate principal amount of State of Georgia General Obligation Bonds 2019B (Federally Taxable), and $35,920,000 aggregate principal amount of State of Georgia General Obligation Refunding Bonds 2019C (collectively, the "Bonds"). The Bonds are being issued pursuant to resolutions adopted by the Georgia State Financing and Investment Commission on June 20, 2019 (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 Rule 15c2-12 (as hereinafter defined).

Section 2. Definitions. In addition to the definitions set forth in the Bond Resolutions 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 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 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.

“Financial Obligation” means a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term Financial Obligation does not include municipal securities as to which a final official statement has been otherwise provided to the MSRB consistent with Rule 15c2-12.

“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 20, 2019 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 and Treasurer of the Georgia State Financing and Investment Commission (the "Secretary") (or the Secretary's 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, 2019, 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 in a timely manner 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.

(xv) Incurrence of a Financial Obligation of the Issuer, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the Issuer, any of which affect security holders, if material; and

(xvi) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the Issuer, any of which reflect financial difficulties.

(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 (10) 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 Resolutions.

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. <u>Default</u>. 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 Resolutions, 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 Resolutions or in this Disclosure Agreement shall obligate the levy of any tax for the Issuer's obligations set forth herein.

Section 12. <u>Beneficiaries</u>. 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 2019A

STATE OF GEORGIA GENERAL OBLIGATION BONDS 2019B (FEDERALLY TAXABLE)

STATE OF GEORGIA GENERAL OBLIGATION REFUNDING BONDS 2019C

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 and Treasurer, Georgia State Financing and Investment Commission

APPENDIX E

FORM OF OPINION OF BOND COUNSEL

2019A BONDS

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The Realty Building
24 Drayton Street, Suite 1000
Savannah, GA 31401
(912) 443-4040

One Buckhead Plaza
3060 Peachtree Road, N.W., Suite 730
Atlanta, GA 30305
(404) 480-8899

gpwlawfirm.com

GRAY PANNELL & WOODWARD LLP
Attorneys at Law

[Date of Closing]

Georgia State Financing and Investment Commission
State Capitol
Atlanta, Georgia

Re: $636,125,000 STATE OF GEORGIA GENERAL OBLIGATION BONDS 2019A

To the Addressee:

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 $636,125,000 STATE OF GEORGIA GENERAL OBLIGATION BONDS 2019A (the "2019A 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, including the resolution of the Commission adopted on June 20, 2019 (the "Resolution") authorizing the issuance of the 2019A Bonds.

As to questions of fact material to our opinion, we have relied upon certified proceedings and 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 2019A 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 of Georgia (the "State Constitution"), 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 (the "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 State Constitution. The State 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 State Constitution with respect to contracts of the State securing outstanding obligations of various State authorities. The State 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 2019A Bonds.

4. Interest on the 2019A 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 preference for purposes of the federal alternative minimum tax. 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 2019A 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 2019A Bonds to be included in gross income for federal income tax purposes retroactively to the date of issuance of the 2019A Bonds. We express no opinion regarding other federal income tax consequences caused by the receipt or accrual of interest on the 2019A Bonds.

5. The interest on the 2019A Bonds is exempt from present State of Georgia income taxation.

6. Under existing law, registration of the 2019A Bonds with the Securities and Exchange Commission is not required under the Securities Act of 1933, as amended, in connection with the offering and sale of the 2019A Bonds and the Resolution is not required to be qualified under the Trust Indenture Act of 1939.

7. The 2019A Bonds are exempt from the registration provisions of the Georgia Uniform Securities Act of 2008 by virtue of O.C.G.A. § 10-5-10(1) thereof.

The rights of the owners of the 2019A Bonds and the enforceability of the 2019A 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 20, 2019, relating to the 2019A Bonds. Further, we express no opinion regarding tax consequences arising with respect to the 2019A 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,

GRAY PANNELL & WOODWARD LLP

By: ___________________________________
A Partner

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APPENDIX F

FORM OF OPINION OF BOND COUNSEL

2019B BONDS

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GRAY PANNELL & WOODWARD LLP
Attorneys at Law

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(404) 480-8899

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[Date of Closing]

Georgia State Financing and Investment Commission
State Capitol
Atlanta, Georgia

Re: $278,550,000 STATE OF GEORGIA GENERAL OBLIGATION BONDS 2019B (FEDERALLY TAXABLE)

To the Addressee:

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 $278,550,000 STATE OF GEORGIA GENERAL OBLIGATION BONDS 2019B (FEDERALLY TAXABLE) (the "2019B 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, including the resolution of the Commission adopted on June 20, 2019 (the "Resolution") authorizing the issuance of the 2019B Bonds.

As to questions of fact material to our opinion, we have relied upon certified proceedings and 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 2019B 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 of Georgia (the "State Constitution"), 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 (the "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 State Constitution. The State 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 State Constitution with respect to contracts of the State securing outstanding obligations of various State authorities. The State 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 2019B Bonds.

4. The interest on the 2019B Bonds is <u>not</u> excludable from gross income for federal income tax purposes. The interest on the 2019B Bonds is exempt from present State of Georgia income taxation.

5. Under existing law, registration of the 2019B Bonds with the Securities and Exchange Commission is not required under the Securities Act of 1933, as amended, in connection with the offering and sale of the 2019B Bonds and the Resolution is not required to be qualified under the Trust Indenture Act of 1939.

6. The 2019B Bonds are exempt from the registration provisions of the Georgia Uniform Securities Act of 2008 by virtue of O.C.G.A. § 10-5-10(1) thereof.

The rights of the owners of the 2019B Bonds and the enforceability of the 2019B 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 20, 2019, relating to the 2019B Bonds. Further, we express no opinion regarding tax consequences arising with respect to the 2019B 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,

GRAY PANNELL & WOODWARD LLP

By: ______________________________
A Partner

APPENDIX G

FORM OF OPINION OF BOND COUNSEL

2019C BONDS

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GRAY PANNELL & WOODWARD LLP
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[Date of Closing]

Georgia State Financing and Investment Commission
State Capitol
Atlanta, Georgia

Re: $35,920,000 STATE OF GEORGIA GENERAL OBLIGATION REFUNDING BONDS 2019C

To the Addressee:

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 $35,920,000 STATE OF GEORGIA GENERAL OBLIGATION REFUNDING BONDS 2019C (the "2019C 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, including the resolution of the Commission adopted on June 20, 2019 (the "Resolution") authorizing the issuance of the 2019C Bonds.

As to questions of fact material to our opinion, we have relied upon certified proceedings and certifications of public officials and others furnished to us without undertaking to verify the same by independent investigation.

The 2019C Bonds are being issued for the purpose of providing funds to refund all or a portion of the State of Georgia General Obligation Refunding Bonds 2009E and all or a portion of the State of Georgia General Obligation Refunding Bonds 2009I, which currently are outstanding (collectively, the "Outstanding Bonds").

Based upon the foregoing, we are of the opinion that, under existing law:

1. The 2019C 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 of Georgia (the "State Constitution"), the Commission is authorized to issue the 2019C Bonds to refund the Outstanding Bonds of the State by proper resolution of the Commission without any action on the part of the General Assembly of the State. The Resolution complies with the provisions of Article VII, Section IV, Paragraph V of the Constitution providing for the refunding of outstanding general obligation bonds of the State. Upon the issuance and delivery of the 2019C Bonds, the Outstanding Bonds shall not constitute debt within the meaning of Article VII, Section IV, Paragraph III of the Constitution, but the 2019C Bonds shall constitute debt of the State as provided in Article VII, Section IV, Paragraph V of the Constitution, and all appropriations made or required to be made with respect to the Outstanding Bonds shall immediately attach and inure to the benefit of the 2019C Bonds.

3. The full faith and credit of the State are pledged to the payment of the principal of and interest on the 2019C Bonds.

4. Interest on the 2019C 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 preference for purposes of the federal alternative minimum tax. 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 2019C 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 2019C Bonds to be included in gross income for federal income tax purposes retroactively to the date of issuance of the 2019C Bonds. We express no opinion regarding other federal income tax consequences caused by the receipt or accrual of interest on the 2019C Bonds.

5. The interest on the 2019C Bonds is exempt from present State of Georgia income taxation.

6. Under existing law, registration of the 2019C Bonds with the Securities and Exchange Commission is not required under the Securities Act of 1933, as amended, in connection with the offering and sale of the 2019C Bonds and the Resolution is not required to be qualified under the Trust Indenture Act of 1939.

7. The 2019C Bonds are exempt from the registration provisions of the Georgia Uniform Securities Act of 2008 by virtue of O.C.G.A. § 10-5-10(1) thereof.

The rights of the owners of the 2019C Bonds and the enforceability of the 2019C 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 20, 2019, relating to the 2019C Bonds. Further, we express no opinion regarding tax consequences arising with respect to the 2019C 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,

GRAY PANNELL & WOODWARD LLP

By: ________________________________
A Partner

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APPENDIX H

CURRENTLY OUTSTANDING BONDS

TO BE REFUNDED BY 2019C BONDS

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SUMMARY OF GENERAL OBLIGATION BONDS REFUNDED BY THE 2019C BONDS						
Bond Series	CUSIP Number [a]	Maturity Date	Interest Rate	Par Amount	Redemption Date	Redemption Price
2009E	373384MM5	July 1, 2020	5.000%	$17,310,000	July 19, 2019	100%
2009I	373384PQ3	July 1, 2022	5.000	21,090,000	July 19, 2019	100%

[a] CUSIP numbers have been assigned by an organization not affiliated with the State or the Commission and are included solely for the convenience of reference only. The State and the Commission are not responsible for the selection or uses of these CUSIP numbers nor is any representation made as to their accuracy on the 2019C Refunded Bonds.

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STATE OF GEORGIA • GENERAL OBLIGATION BONDS 2019A, 2019B (FEDERALLY TAXABLE) AND GENERAL OBLIGATION REFUNDING BONDS 2019C

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