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

Georgia

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

STATE OF GEORGIA

CONSTITUTION

WISDOM JUSTICE MODERATION

1776

State of Georgia

Table of Contents

For the Fiscal Year Ended June 30, 2018

INTRODUCTORY SECTION

FINANCIAL SECTION


STATE OF GEORGIA
CONSTITUTION
WISDOM
JUSTICE
MODERATION
1776

Table of Contents

For the Fiscal Year Ended June 30, 2018


STATE OF GEORGIA
CONSTITUTION
WISDOM
JUSTICE
MODERATION
1776

Table of Contents
For the Fiscal Year Ended June 30, 2018

STATE OF GEORGIA

CONSTITUTION

WISDOM JUSTICE MODERATION

1776

INTRODUCTORY SECTION

DRIFTWOOD BEACH
Jekyll Island, Georgia
Submitted by the 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


STATE OF GEORGIA
CONSTITUTION
WIS DOM
JUSTICE
MODER ATION
1776

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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CONSTITUTION
WISDOM
JUSTICE
MODERATION
1776

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

STATE OF GEORGIA

CONSTITUTION

WISDOM JUSTICE MODERATION

1776

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

STATEWIDE ACCOUNTING AND REPORTING

Lakeshia Amos	Tessica Harvey
Tanya Astin	Pamela Hintze
Chelsea Bennett	Metsehet Ketsela
Amanda Brock	Rachael Krizanek
Kevin Bryant	Dan Lawson
Renita Coleman	Vesna Mesihovic
Bobbie R. Davis	Phyllis Raines
Zeina Diallo	Jennifer Williams
Shakierra Ellis	Keri Williams
Kristi Fuss	

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.

STATE OF GEORGIA

CONSTITUTION

WISDOM JUSTICE MODERATION

1776

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


STATE OF GEORGIA
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MODERATION
1776

MANAGEMENT'S DISCUSSION AND ANALYSIS


STATE OF GEORGIA
CONSTITUTION
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JUSTICE
MODER ATION
1776

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)%

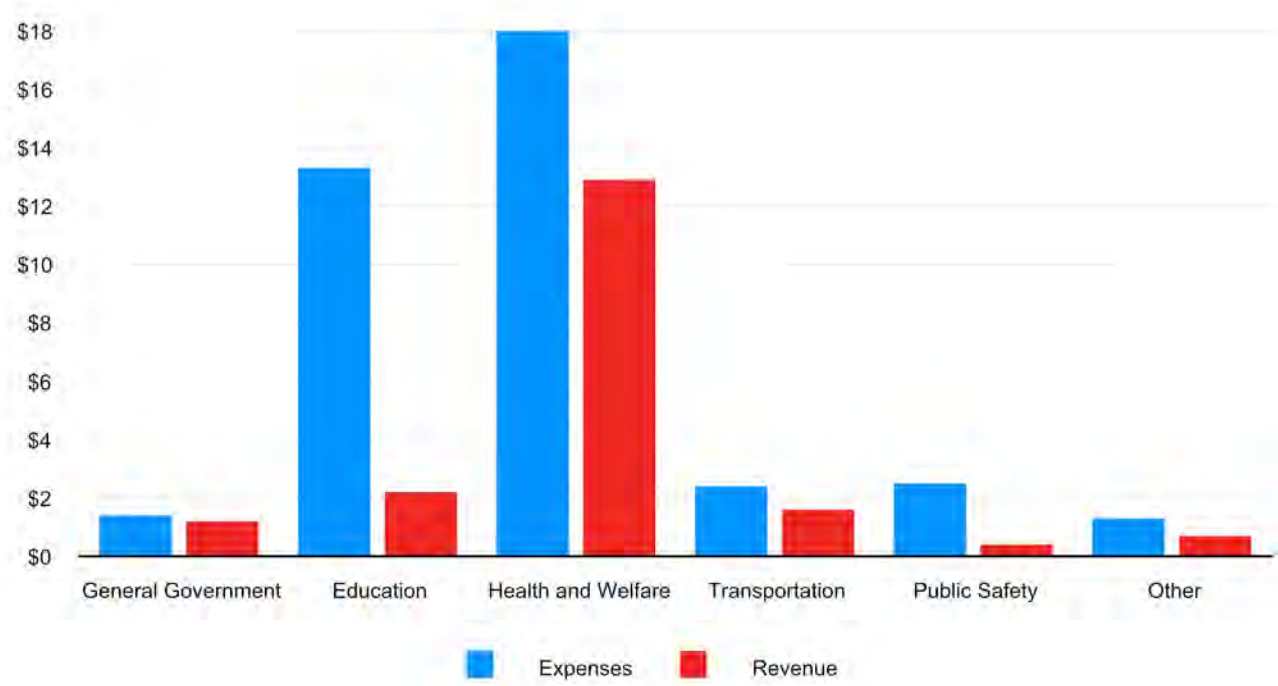
Note: Prior year adjustments recorded in the current year have not been reflected in the prior year column in the table above.

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.

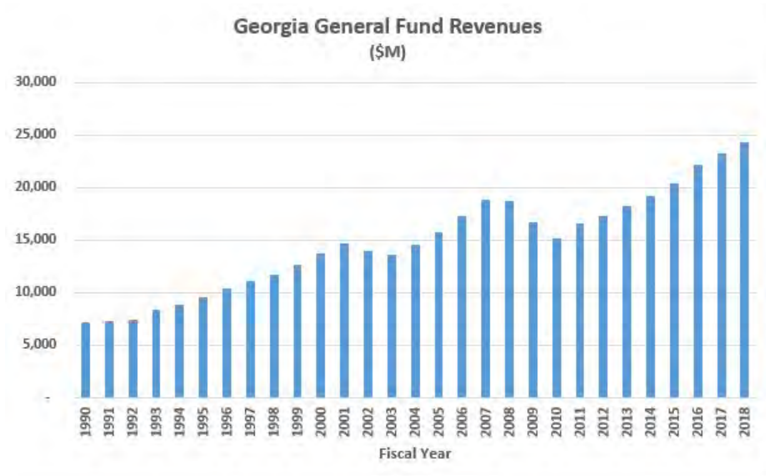
Other

- $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.

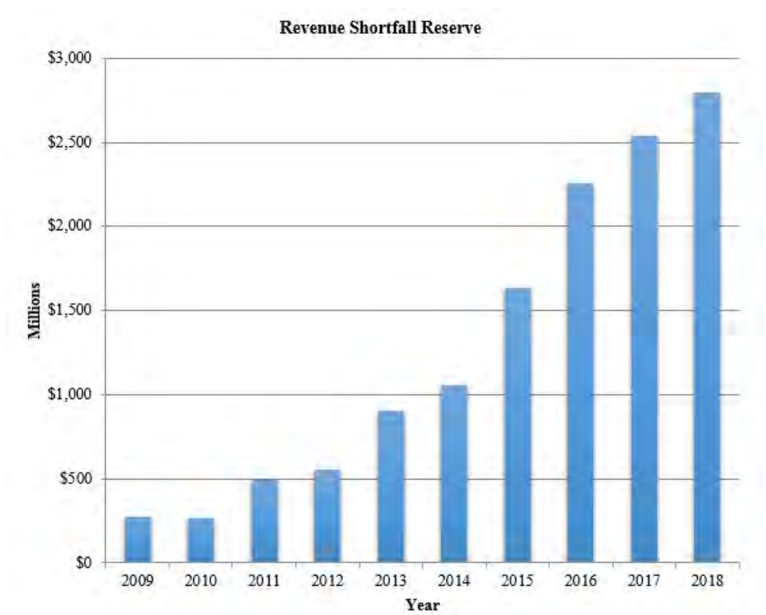


These results are consistent with the State's practice of setting conservative revenue estimates and corresponding budgets. These results have a direct impact on the State's revenue shortfall reserve discussed below.

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

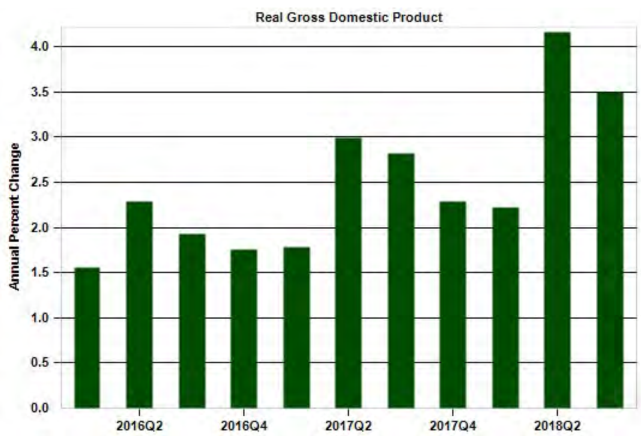
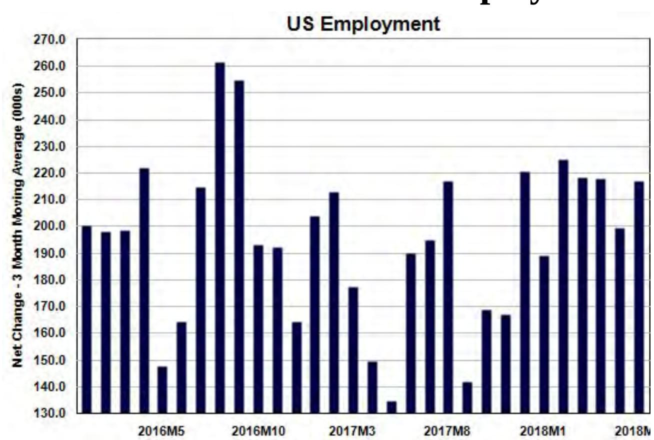


Table B - US Non-Farm Employment



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

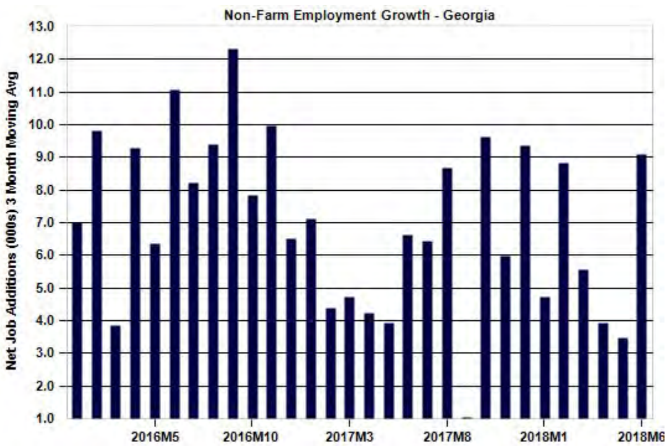
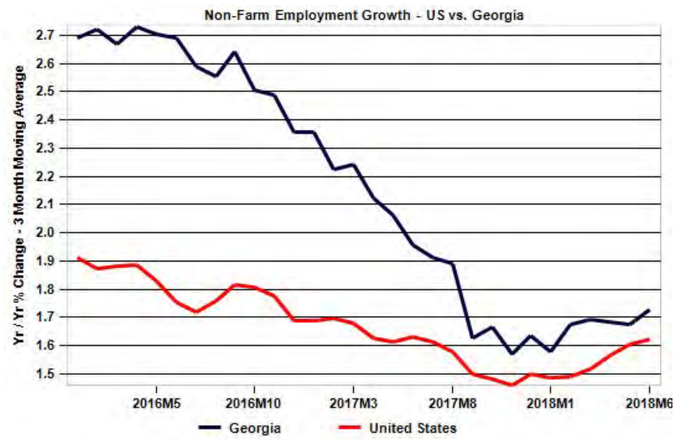


Table D - U.S. vs Georgia Job Growth



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

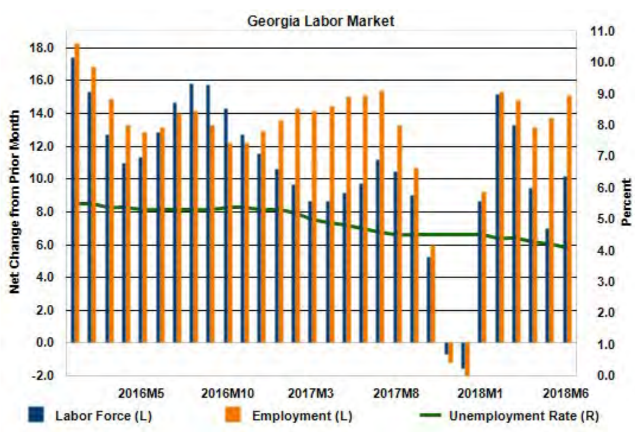
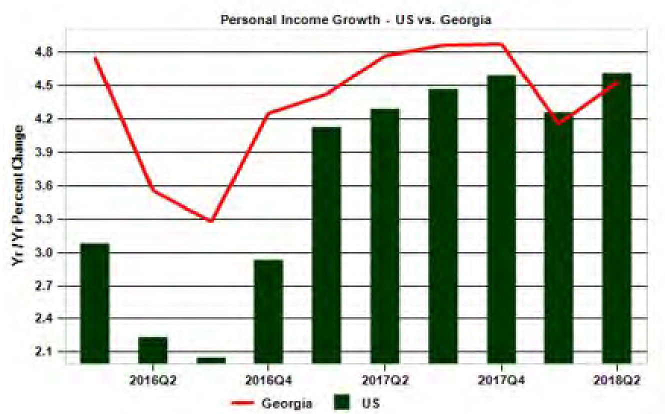


Table F - Georgia vs U.S. Personal Income Growth



Fiscal Year 2019 Budget Highlights

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)

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
WISDOM
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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

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

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

Reconciliation of Fund Balances
To the Statement of Net Position
June 30, 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

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)

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)

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

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

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

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

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

Investment Policies

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):

		Maturity Period				
	Total Fair Value	**Less than 3 Months**	**4 - 12 Months**	**1 - 5 Years**	**6 - 10 Years**	**More than 10 Years**
Asset-backed Securities						
Domestic	$ 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.

<u>Concentration of Credit Risk</u>

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.

<u>Governmental Activities</u>

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

<u>Employees' Retirement System of Georgia (The System)</u>

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.

<u>Employees' Retirement System (ERS)</u>

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 expecte d 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 expecte d 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	—	—	—

Peace Officers' Annuity and Benefit Fund of Georgia

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.

Actuarial Valuation Date

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

Required Supplementary Information
Notes to Required Supplementary Information
Budgetary Comparison
For the Fiscal Year Ended June 30, 2018
(dollars in thousands)

Budgetary Reporting

Budgetary Process

O.C.G.A. Title 45, Chapter 12, Article 4 sets forth the process for the development and monitoring of an appropriated budget for the State. Not later than September 1 of each year, the head of each executive branch budget unit (e.g. agencies, departments, and commissions) must submit estimates of the financial requirements for the subsequent fiscal year to Office of Planning and Budget (OPB), which operates under the direction of the Governor. Budget estimates relative to the legislative and judicial branches of State government are provided to OPB for the purpose of estimating the total financial needs of the State, but are not subject to revision or review by OPB.

The Governor, through the OPB, examines the estimates and may investigate and revise executive branch submissions as necessary. Upon the completion and revisions of the estimates, the Governor must prepare and submit a budget report to the General Assembly within five days of the date on which the General Assembly convenes. The Governor also possesses the responsibility and authority to establish the revenue estimate for the corresponding fiscal year.

The General Assembly, after adopting such modifications to the Governor's budget report as it deems necessary, enacts the General Appropriations Act for the subsequent fiscal year. Each General Appropriations Act enacted, along with amendments as are adopted, continues in force and effect for the next fiscal year after adoption. In accordance with the Georgia Constitution, Article III, Section IX, Paragraph IV, "The General Assembly shall not appropriate [State] funds for any given fiscal year which, in aggregate, exceed a sum equal to the amount of unappropriated surplus expected to have accrued in the state treasury at the beginning of the fiscal year together with an amount not greater than the total treasury receipts from existing revenue sources anticipated to be collected in the fiscal year, less refunds, as estimated in the budget report and amendments thereto." The Constitution also authorizes the passage of additional Supplementary Appropriation Acts, provided sufficient surplus is available or additional revenue measures have been enacted. Finally, the Governor may withhold allotments of funds to budget units in order to maintain this balance of revenues and expenditures. Compliance with this requirement is demonstrated in the Governor's budget report and the Appropriation Acts for each fiscal year.

To the extent that federal funds received by the State are changed by federal authority or exceed the amounts appropriated by the original or supplementary appropriations acts, such excess, changed or unanticipated funds are "continually appropriated;" that is, they are amended in to departmental budgets when such events are known. Similarly, revenues generated by departments that may be retained for departmental operations ("other funds") are amended in as such funds are collected or anticipated.

Internal transfers within a budget unit are subject to the condition that no funds shall be transferred for the purpose of initiating a new program area which otherwise had received no appropriation of any funding source.

The Governor, through OPB, requires each budget unit, other than those of the legislative and judicial branches, to submit an annual operating budget based on the programs set forth in the Appropriations Act. Budget units submit periodic allotment requests, which must be approved in conjunction with quarterly work programs prior to release of appropriated funds. Further monitoring of budget unit activities is accomplished by review of expenditure reports, which are submitted quarterly to OPB.

Required Supplementary Information
Notes to Required Supplementary Information
Budgetary Comparison
For the Fiscal Year Ended June 30, 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%

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Schedule includes all significant plans and funds administered by the State of Georgia

Required Supplementary Information
Notes to Required Supplementary Information
Defined Benefit Pension Plans
Methods and Assumptions
For the Fiscal Year Ended June 30, 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 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

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

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

CONSTITUTION

WISDOM JUSTICE MODERATION

1776

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)

SEAD-OPEB Plan:	**2018**	**2017**
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.

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

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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1776

NONMAJOR ENTERPRISE FUNDS

STATE OF GEORGIA

CONSTITUTION

WISDOM JUSTICE MODERATION

1776

Description of Nonmajor Enterprise Funds

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

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

The Georgia Higher Education Facilities Authority is a legally separate public corporation created for the purpose of financing eligible construction, renovation, improvement, and rehabilitation or restoration projects for the Board of Regents of the University System of Georgia and the Technical College System of the State of Georgia through the issuance of revenue bonds. The Authority issues debt and enters into lease agreements. The current lease agreements outstanding are with an affiliate of the University System of Georgia Foundation, Inc. (nonmajor enterprise fund). The costs of the Authority's debt are recovered through lease payments from the Higher Education Foundations.

The **State Road and Tollway Authority (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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1776

Description of Internal Service Funds

Internal Service Funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the government and to other government units, on a cost reimbursement basis. The State's internal service funds are described below:

The **Department of Administrative Services** delivers a variety of supportive services to all state agencies and, upon request, to local governments in Georgia. Among the services provided are purchasing (procurement), surplus property transactions, document services, fleet management, and human resources administration.

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

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

The **Risk Management** column is an accumulation of the funds used to account for the State's self-insurance programs established by individual agreement, statute or administrative action:

> The **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

CONSTITUTION

WISDOM JUSTICE MODERATION

1776

FIDUCIARY FUNDS


STATE OF GEORGIA
CONSTITUTION
WISDOM
JUSTICE
MODERATION
1776

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.


STATE OF GEORGIA
CONSTITUTION
WISDOM
JUSTICE
MODERATION
1776

Combining Statement of Fiduciary Net Position
Pension and Other Employee Benefit Trust Funds
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
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
CONSTITUTION
WISDOM
JUSTICE
MODERATION
1776

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
CONSTITUTION
WISDOM
JUSTICE
MODERATION
1776

STATISTICAL SECTION

RAPELLING IN FRONT OF THE GPSTC TOWER
Forsyth, Georgia
Submitted by the Georgia Department of Public Safety


STATE OF GEORGIA
CONSTITUTION
WISDOM
JUSTICE
MODERATION
1776

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**

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

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%

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
CONSTITUTION
WISDOM
JUSTICE
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

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