Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2015

LA MADRUGADA DE DAHLONEGA GA (The Dawn of Dahlonega, GA)
Christina Packard, Dahlonega, Georgia

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

State of Georgia

Comprehensive Annual Financial Report

For the fiscal year ended June 30, 2015

Prepared by:
State Accounting Office


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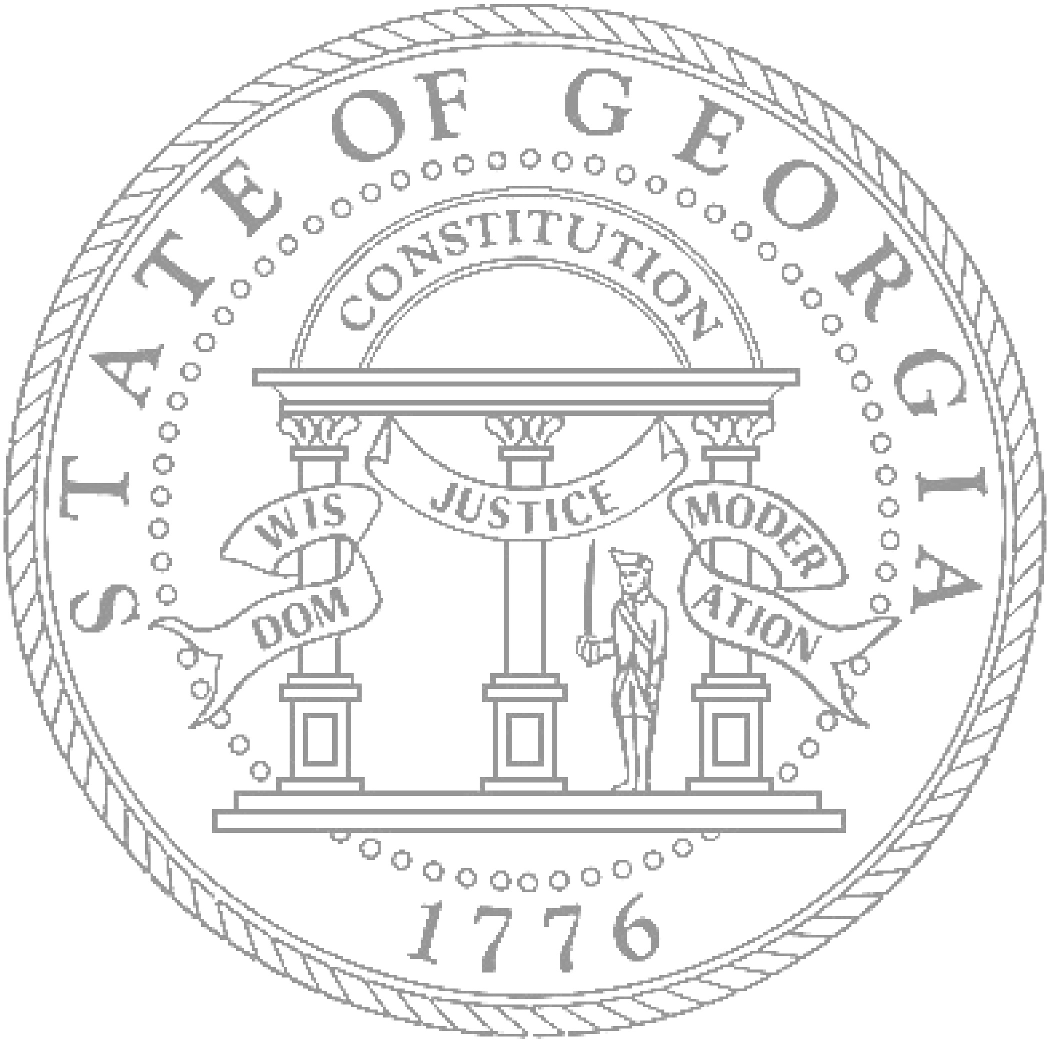
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INTRODUCTORY SECTION

ADAIR'S MILL
Judy Black, Gainesville, Georgia

State Accounting Office

Nathan Deal
Governor

Thomas Alan Skelton
State Accounting Officer

January 8, 2016

The Honorable Nathan Deal, Governor of Georgia

The Honorable Members of the General Assembly

Citizens of the State of Georgia

It is my privilege to present the *Comprehensive Annual Financial Report* (CAFR) on the operations of the State of Georgia (State) for the fiscal year ended June 30, 2015, in accordance with the Official Code of Georgia Annotated (O.C.G.A.), Section 50-5B-3(a)(7). The objective of this report is to provide a clear picture of our government as a single comprehensive reporting entity.

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

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

Internal Control

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

Independent Audit

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

Federal regulations also require the State to undergo an annual Single Audit in conformance with the Single Audit Act Amendments of 1996 and the U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations.* Information related to the Single Audit, including the schedule of expenditures of federal awards, audit findings and recommendations, summary of prior audit findings, and the Independent Auditor's reports, is issued in a separate report and will be available at a later date.

Management's Discussion and Analysis

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

PROFILE OF THE STATE OF GEORGIA

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

Reporting Entity

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

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

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

Budgetary Control

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

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

The statutory basis of accounting required by state law differs materially from the basis used to report revenues and expenditures in accordance with GAAP. Detailed information on the statutory basis of accounting and the results of operations on that basis for fiscal year 2015 can be found in the separately issued Budgetary Compliance Report (BCR) dated November 20, 2015.

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 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 (net revenue collections) deposited with the Office of the State Treasurer during fiscal year 2015 were $20.4 billion, which was 3.1% greater than the final amended revenue estimate of $19.8 billion. State General Fund Receipts were 6.6% greater in fiscal year 2015 than fiscal year 2014 and indicated continued economic growth in Georgia. As a result, the balance of the RSR as of June 30, 2015 was $1.6 billion.

By statute, up to 1% of fiscal year 2015 net revenue collections ($204 million) may be appropriated from the RSR in fiscal year 2016 for K-12 needs. As of the date of this report, the $1.6 billion RSR balance has not been adjusted for this potential appropriation of $204 million. In addition, the Governor may release, for appropriation in a subsequent year, funds in excess of 4% of current year (fiscal year 2015) revenue collections.

ECONOMIC FACTORS AND OUTLOOK

Introduction

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

Georgia Economy

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

AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association (GFOA) awarded the *Certificate of Achievement for Excellence in Financial Reporting* to the State of Georgia for its comprehensive annual financial report for the fiscal year ended June 30, 2014. 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 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 Service
Employees' Retirement System of Georgia
Georgia Bureau of Investigation
Georgia Forestry Commission
Georgia Lottery Corporation
Georgia State Financing and Investment Commission
Georgia Student Finance Commission
Georgia Technology Authority
Office of the State Treasurer
State Accounting Office
State Board of Pardons and Paroles
State Board of Workers' Compensation
Technical College System of Georgia
Teachers' Retirement System of Georgia
University System of Georgia
Examining and Licensing Boards
Advisory Boards
Other Executive Agencies
Interstate Agencies
Authorities

LEGISLATIVE

General Assembly
Senate
House of Representatives

Legislative Agencies

Department of Audits and Accounts

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Principal State Officials
June 30, 2015

Executive:

Nathan Deal .... *Governor*

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

Sam Olens .... *Attorney General*

Mark Butler .... *Commissioner of Labor*

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

Ralph T. Hudgens .... *Commissioner of Insurance*

Gary W. Black .... *Commissioner of Agriculture*

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

Legislative:

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

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

Judicial:

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

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Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

State of Georgia

For its Comprehensive Annual Financial Report for the Fiscal Year Ended

June 30, 2014

Executive Director/CEO


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ACKNOWLEDGEMENTS

The Georgia Comprehensive Annual Financial Report (CAFR) for the fiscal year ending June 30, 2015 was prepared by:

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Jennifer Williams
Keri Williams

SPECIAL APPRECIATION

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

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FINANCIAL SECTION

IN THE VALLEY OF THE LITTLE TENNESSEE
Laurence Holden, Clayton, Georgia

DEPARTMENT OF AUDITS AND ACCOUNTS

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

Atlanta, Georgia 30334-8400

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

Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Georgia (the "State") as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the State of Georgia's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

Department of Community Health
Employees' Retirement System of Georgia
Georgia College & State University Foundation, Inc.
Georgia Environmental Finance Authority
Georgia State Financing and Investment Commission
Georgia Housing and Finance Authority
Kennesaw State University Foundation, Inc.
Georgia Lottery Corporation
MCG Health System, Inc.
Medical College of Georgia Foundation, Inc.
Georgia State University Foundation
Georgia Ports Authority
Teachers Retirement System of Georgia
Georgia Tech Athletic Association
Georgia Tech Facilities, Inc.
Georgia Tech Foundation, Inc.
Georgia Tech Research Corporation
University of Georgia Athletic Association, Inc.
University of Georgia Foundation
University of Georgia Research Foundation, Inc.
University System of Georgia Foundation, Inc.

Those financial statements represent part or all of the total assets or deferred outflows of resources, and revenues or additions of the governmental activities, the business-type activities, the aggregate discretely presented component units, the major funds (governmental fund-general fund, governmental fund-general obligation bond projects fund, and proprietary/enterprise fund-state health benefit plan), and the aggregate remaining fund information as reported in the following table:

Opinion Unit	**Percent of Total Assets/Deferred Outflows of Resources**	**Percent of Total Revenues/ Additions**
Governmental Activities	8%	24%
Business-type Activities	10%	20%
Aggregate Discretely Presented Component Units	89%	89%
Governmental Fund – General Fund	12%	21%
Governmental Fund – General Obligation Bond Projects Fund	100%	100%
Proprietary Fund/Enterprise Fund – State Health Benefit Plan	100%	100%
Aggregate Remaining Fund Information	88%	39%

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

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

Georgia College & State University Foundation, Inc.
Kennesaw State University Foundation, Inc.
Georgia Lottery Corporation
Georgia State University Foundation
Medical College of Georgia Foundation, Inc.
Georgia Tech Athletic Association
Georgia Tech Facilities, Inc.
Georgia Tech Foundation, Inc.
University of Georgia Athletic Association, Inc.
University of Georgia Foundation
University System of Georgia 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 to not provide audit services for the organizational units of the State of Georgia associated with these boards. The Department of Audits and Accounts also has a contractual obligation with the Department of Community Health to conduct certain non-audit services.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit and the reports of other auditors, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the State, as of June 30, 2015, 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

Change in Accounting Principles

For fiscal year 2015, the State adopted Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions*, and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. As a result of the implementation of these standards, the State reported a restatement for the change in accounting principles (see Notes 2 and 3 for further information). Our opinions are not modified with respect to the restatement.

Correction of Errors

As described in Note 2 to the financial statements, the State restated beginning balances resulting from the correction of accounting errors that occurred in the prior period. The State also made changes in account classifications of certain Program and General Revenues in previously issued financial statements. Our opinions are not modified with respect to these matters.

Change in Reporting Entity

As identified in Note 2 to the financial statements, the Georgia State University Foundation is no longer reported as a blended component unit within the nonmajor enterprise funds but, rather, as a discretely presented component unit. In addition, Armstrong Atlantic State University Educational Properties Foundation, Inc. no longer met requirements for inclusion in the financial reporting entity as a nonmajor enterprise fund. Our opinions are not modified with respect to these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 7 through 22, budgetary comparison information on pages 190 through 195, information on other postemployment benefits on page 196, claims development information for the public entity risk pool on page 197, and information on defined benefit pension plans on pages 198 through 210 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

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

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 8, 2016, on our consideration of State of Georgia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering State of Georgia's internal control over financial reporting and compliance.

Respectfully submitted,

Greg S. Griffin

Greg S. Griffin
State Auditor

January 8, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS


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INTRODUCTION

The *Management's Discussion and Analysis* (MD&A) of the State of Georgia's *Comprehensive Annual Financial Report* (CAFR) presents an overview and analysis of the financial activities of the State for the fiscal year ended June 30, 2015. 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 $18.3 billion (reported as "net position"). Contributing to this amount, a deficit of $7.9 billion was reported as "unrestricted net position."

- Changes in Net Position. The State's total net position decreased by $4.1 billion in fiscal year 2015 compared to the balances reported in the prior year. More specifically, net position of governmental activities decreased by $1.9 billion while net position of business-type activities decreased by $2.2 billion.

    - This change is primarily the result of the recognition of net pension liabilities associated with the implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* (GASB 68). The impact on net position as a result of this implementation was a decrease of $7.1 billion.

    - In contrast, total net position actually increased apart from this and certain other changes. When adjusted for GASB 68 and other restatements and reclassifications, total net position of the State increased by $2.1 billion, governmental activities increased by $1.2 billion while net position of business-type activities increased by $954.2 million.

- Excess of Revenues over Expenses – Governmental Activities. During the fiscal year, the State's total revenues for governmental activities, which totaled $39.0 billion, were $3.8 billion more than total expenses (excluding transfers). Expenses totaled $35.2 billion. General revenues, which are primarily made up of tax collections, totaled $20.9 billion, and program revenues, which primarily come from operating grants and contributions, totaled $18.1 billion.

Fund Level

- Governmental Funds – Fund Balances. The governmental funds reported combined ending fund balances of $6.2 billion. This amount represents an increase of $512.4 million, or 9.0% (as restated), when compared with the prior year. Of this total fund balance, $51.2 million, or 0.8%, represents nonspendable fund balance; $4.4 billion, or 70.3%, represents restricted fund balance; $7.7 million, or 0.1%, represents committed fund balance; $504.1 million, or 8.1%, represents assigned fund balance; and $1.3 billion, or 20.7%, represents unassigned fund balance.

- General Fund – Fund Balances. The General Fund ended the fiscal year with a total fund balance of $5.1 billion, of which $1.3 billion was classified as unassigned fund balance. Total revenues increased by $2.1 billion, or 5.7%, over the prior year which is a sign of a growing economy.

- Enterprise Funds – Net position. The Enterprise Funds ended the fiscal year with a total net position of $4.9 billion. More specifically, the areas with significant net positons were the Higher Education Fund of $3.4 billion, the State Health Benefit Plan of $600.7 million, and the Unemployment Compensation Fund of $989.9 million.

Long-term Debt

The long-term bond debt of the primary government decreased $634.6 million, or 5.0%, during the fiscal year. The decrease represents the net difference between new issuances, maturing principal payments, the net effect of refunding bonds and prior period adjustments. The amount owed for general obligation bonds decreased by $70.5 million, or 0.7%, for the primary government, while the amount owed for revenue bonds decreased $564.2 million, or 17.9%, for the primary government. The change in total long-term debt, resulting primarily from revenue bonds, includes $329.8 million in restatements. The State issued new bonded debt during the year in the amount of $1.1 billion for the primary government. The State continues to balance the need to issue debt for capital improvements against State management's desire to maintain a conservative approach to debt management.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

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

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

- 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.

Notes to the Financial Statements

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

Required and Other Supplementary Information

In addition to this MD&A, the Basic Financial Statements are followed by a section containing other required supplementary information which further explains and supports the information in the financial statements. This section of the report includes: (1) a budgetary comparison schedule of the General Fund (Budget Fund), including reconciliations of revenues and expenditures on the statutory and GAAP basis for the fiscal year, (2) the State's funding progress for other postemployment benefits, (3) information on the State's public entity risk pool and (4) information on the State's defined benefit pension plans. Other supplementary information includes combined financial statements for the State's non-major governmental funds, non-major 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 reported in Table 1 below, the State reported a total net position of $18.3 billion, which is comprised of $20.9 billion in net investment in capital assets, $5.2 billion in restricted net position, and an unrestricted portion of net position deficit of $7.9 billion.

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

(Table on next page)

Table 1 - Net Position
As of June 30, 2015 and 2014 (in thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2015	2014	2015	2014	2015	2014
Assets						
Non-Capital Assets	$ 12,308,106	$ 10,567,858	$ 4,264,137	$ 3,876,882	$ 16,572,243	$ 14,444,740
Net Capital Assets	20,320,146	20,120,439	10,691,378	10,218,547	31,011,524	30,338,986
Total Assets	32,628,252	30,688,297	14,955,515	14,095,429	47,583,767	44,783,726
Deferred Outflows of Resources	805,074	236,307	376,022	45,684	1,181,096	281,991
Liabilities						
Noncurrent Liabilities	14,645,292	11,379,767	8,033,040	5,689,746	22,678,332	17,069,513
Current Liabilities	4,350,066	4,348,175	1,117,391	1,228,447	5,467,457	5,576,622
Total Liabilities	18,995,358	15,727,942	9,150,431	6,918,193	28,145,789	22,646,135
Deferred Inflows of Resources	1,121,655	419	1,247,418	100,772	2,369,073	101,191
Net Position						
Net Investment in Capital Assets	16,562,899	13,186,605	7,344,726	6,575,166	20,926,469	19,761,771
Restricted	3,668,030	3,653,903	1,546,723	1,367,598	5,214,753	5,021,501
Unrestricted	(6,914,616)	(1,644,265)	(3,957,761)	(820,616)	(7,891,221)	(2,464,881)
Total Net Position	$ 13,316,313	$ 15,196,243	$ 4,933,688	$ 7,122,148	$ 18,250,001	$ 22,318,391
Percent Change in Total Net Position from Prior Year	-12.4%		-30.7%		-18.2%	
Percent Change after Restatements	9.8%		24.0%		13.3%	

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

Net position for governmental activities as originally reported decreased by $1.9 billion, or 12.4%, but increased by $1.2 billion, or 9.8%, when adjusted for restatements. The deficit in unrestricted governmental activities net position exists primarily due to the recognition of net pension liabilities associated with GASB 68, and the State's practice of issuing debt on behalf of local educational agencies (not included in the State) and business-type activities for the construction of capital assets. The debt reduces net position, but the resulting asset is not present within net position of governmental activities to counterbalance the liability.

Net position for business-type activities as originally reported decreased by $2.2 billion, or 30.7%, but increased by $954.2 million, or 24.0%, when adjusted for restatements. The deficit in unrestricted business-type activities net position increased primarily due to the recognition of net pension liabilities associated with GASB 68.

For the primary government, the unrestricted and net investment in capital asset categories of net position have been adjusted for the governmental activities outstanding debt related to capital assets reported in business-type activities.

Changes in Net Position

The revenue and expense information, as shown in Table 2, 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 2015. Consistent with the prior year, the State received a majority of its $48.3 billion in revenues from operating grants and contributions, primarily from federal sources, and from taxes. Expenses of the primary government during fiscal year 2015 were $46.2 billion with the increase over the prior year driven largely by education and healthcare costs. As a result of the excess revenues over expenses, the total net position of the primary government increased by $2.1 billion, net of transfers.

(Table on next page)

Table 2 - Changes in Net Position
For the Years Ended June 30, 2015 and 2014 (in thousands)

	Governmental Activities		Business-type Activities		Total Primary Government		Total Percentage Change
	2015	2014	2015	2014	2015	2014	2014 to 2015
Revenues:							
Program Revenues:							
Charges for Services	$ 1,172,990	$ 3,723,646	$ 6,549,340	$ 3,139,705	$ 7,722,330	$ 6,863,351	12.5%
Operating Grants/Contributions	15,758,799	14,780,822	2,611,058	6,695,670	18,369,857	21,476,492	-14.5%
Capital Grants/Contributions	1,182,723	1,239,876	102,216	36,664	1,284,939	1,276,540	0.7%
General Revenues:							
Taxes	19,171,534	16,912,914	-	-	19,171,534	16,912,914	13.4%
Lottery for Education - Lottery Proceeds	980,653	-	-	-	980,653	-	
Nursing Home and Hospital Provider Fees	454,372	-	-	-	454,372	-	
Tobacco Settlement Funds	138,385	-	-	-	138,385	-	
Unrestricted Investment Income	9,103	4,995	-	-	9,103	4,995	82.2%
Unclaimed Property	156,360	148,129	-	-	156,360	148,129	5.6%
Other	9,646	12,112	-	-	9,646	12,112	-20.4%
Total Revenues	39,034,565	36,822,494	9,262,614	9,872,039	48,297,179	46,694,533	3.4%
Expenses:							
General Government	1,735,174	1,658,846	-	-	1,735,174	1,658,846	4.6%
Education	11,408,408	10,788,262	-	-	11,408,408	10,788,262	5.7%
Health and Welfare	16,589,708	16,107,840	-	-	16,589,708	16,107,840	3.0%
Transportation	1,904,464	1,845,850	-	-	1,904,464	1,845,850	3.2%
Public Safety	1,994,413	2,002,615	-	-	1,994,413	2,002,615	-0.4%
Economic Development and Assistance	590,676	510,338	-	-	590,676	510,338	15.7%
Culture and Recreation	236,922	247,170	-	-	236,922	247,170	-4.1%
Conservation	54,280	37,002	-	-	54,280	37,002	46.7%
Interest and Other Charges on Long-term Debt	678,888	592,668	-	-	678,888	592,668	14.5%
Higher Education Fund	-	-	8,323,884	7,984,962	8,323,884	7,984,962	4.2%
State Health Benefit Plan	-	-	2,025,638	2,032,910	2,025,638	2,032,910	-0.4%
Unemployment Compensation Fund	-	-	458,112	1,152,763	458,112	1,152,763	-60.3%
Nonmajor Enterprise Funds	-	-	158,809	229,630	158,809	229,630	-30.8%
Total Expenses	35,192,933	33,790,591	10,966,443	11,400,265	46,159,376	45,190,856	2.1%
Increase (Decrease) in Net Position Before Contributions and Transfers And Special Items	3,841,632	3,031,903	(1,703,829)	(1,528,226)	2,137,803	1,503,677	
Contributions to Permanent Endowments	-	-	-	7,522	-	7,522	
Transfers	(2,657,978)	(2,308,895)	2,657,978	2,308,895	-	-	
Change in Net Position	1,183,654	723,008	954,149	788,191	2,137,803	1,511,199	
Net Position July 1 - Restated	12,132,659	14,473,235	3,979,539	6,333,957	16,112,198	20,807,192	
Net Position June 30	$ 13,316,313	$ 15,196,243	$ 4,933,688	$ 7,122,148	$ 18,250,001	$ 22,318,391	-18.2%

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

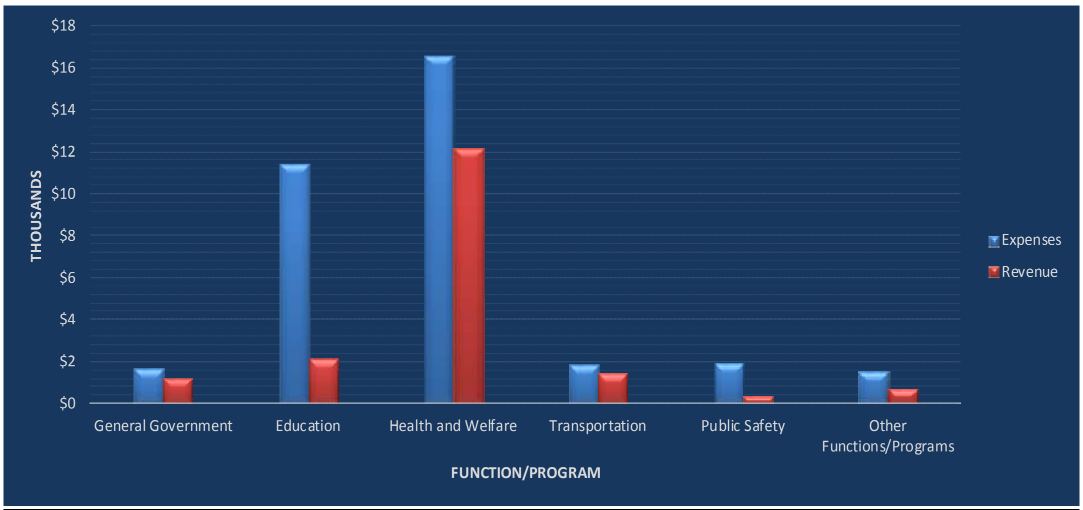
Governmental Activities

The State's total revenues for governmental activities from all sources increased $2.2 billion, or 6.0%. Charges for Services decreased $2.6 billion as a result of presenting $2.7 billion of certain general revenues in fiscal year 2015, which were previously presented as program revenues. Operating and capital grants and contributions increased a total of $920.8 million, or 5.7%. General revenues increased $3.8 billion, of which $2.7 billion was related to the revenue changes mentioned above. The remaining increase, primarily associated with individual and sales taxes, were due to continued overall economic growth as reflected in higher job growth, lower unemployment, and increased revenue collections.

The following table shows to what extent program revenues (charges for services and grants) covered program expenses. For fiscal year 2015, program revenues covered $18.1 billion, or 51.5% of the $35.2 billion in total program expenses. For the remaining $17.1 billion, or 48.5% of the total program expenses, the State relied on taxes and other general revenues.

Table 3 – Net Program Revenue

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



Business-Type Activities

Net position of business-type activities (as restated) increased by $954.2 million, or 24.0%, during the fiscal year. Total revenues from the State's business-type activities decreased by $609.4 million, or 6.2%, from the prior year. In fiscal year 2015 a presentation change was made for the State Health Benefit Plan and Unemployment Compensation funds between Operating Grants and Contributions and Sales and Charges for Services. Total expenses for the State's business-type activities decreased by $433.8 million, or 3.8%. These changes were primarily due to a decrease in revenue from operating grants and contributions and a corresponding decrease in benefit payments within the unemployment compensation fund which would be consistent with year-over-year job growth and lower initial unemployment claims.

In fiscal year 2015, business-type activities expenses were funded 84.5% from program revenues compared to 86.6% in the prior year. The amount of funding for these activities coming from program revenues declined from $9.9 billion the prior year to $9.3 billion in fiscal year 2015. The remaining expenses were funded by $2.7 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, 2015, the State's governmental funds reported a combined ending fund balance of $6.2 billion. Of this amount, $51.2 million, or 0.8%, is nonspendable, either due to its form or legal constraints; and $4.4 billion, or 70.3%, is restricted for specific programs by constitutional provisions, external constraints, or contractual obligations. Net position that is restricted by the Constitution principally includes motor fuel taxes that can be used only to build roads and bridges and lottery funds held for education purposes. Restrictions by external parties include general obligation bonds that can only be used for authorized capital projects. Additionally, $7.7 million, or 0.1% of total fund balance, has been committed to specific purposes. Committed amounts cannot be used for any other purpose unless approved by the General Assembly and the Governor. An additional $504.1 million, or 8.1%, of total fund balance has been assigned to specific purposes, as expressed by the intent of State management. The remaining $1.3 billion, or 20.7% 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 $5.1 billion as of fiscal year end. The net change in fund balance (as restated) during the fiscal year was $656.0 million, or 14.9%. The General Fund ended the year with an unrestricted, unassigned fund balance of $1.3 billion. The following major revenues, expenditures and other sources/uses contributed to the change in fund balance:

Revenues

Prior to restatements, revenues of the General Fund totaled $38.6 billion in the fiscal year, for an increase of $2.1 billion, or 5.7%. The following factors contributed to this change:

- Tax revenues increased $2.3 billion from fiscal year 2014. Of this increase, $1.2 billion is a result of presenting Motor Vehicle License and Title ad valorem revenues as taxes in fiscal year 2015 which were previously reported as license and permits. Tax revenues increased $1.1 billion at the Department of Revenue as a result of increased tax collections which reflect the continued overall growth in the Georgia economy
- After the reporting change discussed in the prior bullet, licenses and permits increased $108 million
- Intergovernmental revenues increased by $664.7 million primarily driven by federal revenue increases of $374.5 million at the Department of Community Health related to Medicaid and PeachCare for Kids. The impact of the Great Recession and changes related to the Affordable Care Act have resulted in both escalating enrollment and expenditures for Medicaid and PeachCare programs. The State has instituted plan design changes for Medicaid and PeachCare to keep annual rate of inflation of health care costs under national average. Additional federal revenue increases of $160.4 million at Department of Transportation is related to the construction and maintenance of roads and bridges.

Expenditures

Expenditures of the General Fund totaled $34.2 billion in the fiscal year, for an increase of $1.6 billion over the prior year. The State continues to focus additional funding in the areas of education, healthcare, transportation, and public safety. Factors contributing to this change include:

- Education expenses increased $647.8 million, which is consistent with additional budgeted funds of $640.0 million provided for K-12 education to fund enrollment growth and teacher training and experience while also allowing local systems additional resources to increase instructional days, reduce teacher furloughs, or enhance teacher salaries.

- Health and welfare expenses increased $607.5 million, which is consistent with the national trend of increasing healthcare costs. Expenses at the Department of Community Health, primarily for Medicaid, accounted for $503.3 million of the increase.
- Transportation expenses increased $166.5 million at Department of Transportation related to the construction and maintenance of roads and bridges.

Capital Project Fund - General Obligation Bond Projects Fund

Fund balance in the General Obligation Bond Projects Fund decreased by $208.0 million or 20.4% from the prior year. This was primarily the result of capital outlays for capital projects exceeding new debt issuances. Capital outlays expenses increased by $311.0 million from the prior year.

FINANCIAL ANALYSIS OF THE STATE'S PROPRIETARY FUNDS

Higher Education Fund

The net position of the Higher Education Fund (as restated) increased $204.3 million, or 6.5%. Net Investment in Capital Assets increased by $790.8 million, or 12.1%. Restricted net position decreased $51.3 million, primarily due to a decrease in Capital Projects. The unrestricted net position deficit increased by $3.4 billion. The overall increase in the unrestricted net position deficit, in particular, is primarily attributable to recognition of net pension liabilities associated with GASB 68.

Operating revenues of the Higher Education Fund increased by $277.8 million, or 6.0%, primarily due to increases in operating grants and contributions of $61.3 million, net student tuition and fees revenue of $119.5 million and sales and services of $65.1 million. In addition, the Higher Education Fund received $2.3 billion in transfers from the General Fund, for an increase of $77.3 million, or 3.5%, compared to the prior year. Fiscal year 2015 operating expenses increased $298.7 million, or 3.8%, compared to the prior year. This increase was due to increased employer costs for employee benefits and increased outlays for supplies and other services.

State Health Benefit Plan

Since 2012, SHBP has implemented a variety of cost containment and revenue enhancement strategies to ensure fund balances are sufficient to cover SHBP's incurred but not reported expenses and excess claims, as well as other unanticipated costs. While operating revenues for SHBP decreased by $64.7 million and operating expenses decreased by $7.3 million, operating income for the period was still $338.3 million. As a result, the net position of the SHBP fund increased from $266.4 million to $600.7 million on a year-over-year basis. Accordingly, this increase in net position continues to reflect plan changes made by management.

Unemployment Compensation Fund

The State's unemployment rate at June 30, 2015 improved from 7.2% to 6.3%. As a result, fewer initial claims were submitted and unemployment benefit payments decreased $694.7 million, or 60.3%, this year compared to last fiscal year. In addition, employer unemployment rates were reduced and the corresponding federal revenue and unemployment tax revenue decreased by $826.9 million, or 49.3%. Employer taxes and other revenues exceeded benefit payments by $404.1 million.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The State's capital assets increased by a net $672.5 million, or 2.2%, during the year. The change consisted of net decreases in infrastructure and machinery and equipment of $220.2 million and $2.0 billion, respectively, as well as net increases in land, buildings and construction in progress of $191.9 million, $2.4 billion, and $268.4 million, respectively.

At June 30, 2015, the State had General Fund commitments of $1.9 billion and capital project fund commitments of $149.9 million for highway infrastructure and bridge construction. In addition, the State Road and Tollway Authority had $453.0 million of commitments, the majority of which is for the I-75 Northwest Corridor Express Lane Project, and the Board of Regents had $123.1 million for various construction and renovation projects.

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

Table 4 - Capital Assets, Net of Accumulated Depreciation
As of June 30, 2015 and 2014 (in thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2015	2014	2015	2014	2015	2014
Buildings/Building Improvements	$ 1,988,937	$ 1,997,429	$ 8,682,301	$ 6,316,349	$ 10,671,238	$ 8,313,778
Improvements Other Than Buildings	65,991	64,577	302,824	250,328	368,815	314,905
Infrastructure	11,382,306	11,612,198	235,476	225,782	11,617,782	11,837,980
Intangibles - Other Than Software	115,550	113,056	-	-	115,550	113,056
Land	3,732,798	3,563,196	453,184	430,922	4,185,982	3,994,118
Library Collections	-	-	179,140	177,130	179,140	177,130
Machinery and Equipment	215,441	199,286	490,062	2,545,693	705,503	2,744,979
Software	76,526	55,714	60,132	25,440	136,658	81,154
Works of Art and Collections	1,379	1,326	51,983	51,419	53,362	52,745
Construction in Progress	2,741,218	2,513,657	236,276	195,484	2,977,494	2,709,141
Total	**$ 20,320,146**	**$ 20,120,439**	**$ 10,691,378**	**$ 10,218,547**	**$ 31,011,524**	**$ 30,338,986**

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, 2015, the State was $720.7 million below the annual debt service limit established by the Constitution.

Table 5 - Net Outstanding Bond Debt

As of June 30, 2015 and 2014 (in thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2015	2014	2015	2014	2015	2014
General Obligation Bonds	$ 9,367,381	$ 9,437,844	$ -	$ -	$ 9,367,381	$ 9,437,844
GARVEE Revenue Bonds	799,188	949,811	-	-	799,188	949,811
Revenue Bonds	401,177	417,257	1,384,058	1,781,514	1,785,235	2,198,771
	$10,567,746	$10,804,912	$ 1,384,058	$ 1,781,514	$11,951,804	$12,586,426

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 $12.0 billion in total outstanding bonded debt. Of this amount $9.8 billion (including premiums and discounts), or 81.7%, is secured by the full faith and credit of the government for general obligation bonds and guaranteed revenue bonds; $1.4 billion, or 11.6%, is secured primarily by lease arrangements with the Board of Regents or applicable security deed and related assignment of contract documents; and $799.2 million, or 6.7%, in State Road and Tollway Authority GARVEE debt is secured by Federal Highway Administration grant funds and state motor fuel funds.

Total general obligation bonds and revenue bonds payable, net of premiums and discounts, decreased $70.5 million, or 0.7%, and decreased $564.2 million, or 17.9%, respectively. During the fiscal year, the State issued $823.6 million of general obligation bonds, excluding premiums and discounts. Of the general obligation bonds issued, $222.7 was issued for K-12 school facilities, $207.6 million was issued for higher education facilities, $137.5 was issued for transportation projects, $50.0 million for water and sewer loans to local governments, and $205.8 million for various state agency facilities.

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

BUDGETARY HIGHLIGHTS

Fiscal Year 2015 Budget Highlights

The fiscal year 2015 budget was balanced to a revenue estimate assuming tax revenue growth of 4.4% and focused on funding education and healthcare increases as well as meeting annual required contributions to pension plans. More specifically, the fiscal year 2015 budget also made substantial contributions to education to restore funds reduced during the Great Recession and to provide additional resources for local boards of education. More specifically the budget provided for the following increases:

Education
- $514.3 million in additional funds for K-12 education to fund enrollment growth and teacher training and experience while also allowing local systems additional resources to increase instructional days, reduce teacher furloughs, or enhance teacher salaries.
- $29.9 million for instruction at university and technical colleges.
- $16.5 million in bonds for local school systems and the University System to provide the technology infrastructure for internet access in public school classrooms.

Health
- $87.2 million for Medicaid and PeachCare for Kids, including funding for new expenses associated with the implementation of the Affordable Care Act and baseline expense growth.
- $34.5 million to fund the fifth year of the Settlement Agreement with the U.S. Department of Justice.

Infrastructure
- $35.0 million in bonds for the Savannah Harbor deepening project.
- $38.9 million in bonds for water supply projects statewide.
- $20.1 million new motor fuel dollars for road and bridge projects.
- $8.0 million for the Airport Aid program for upgrades and expansions at regional airports statewide.

Other
- $128.8 million to fully fund annual required contributions for employee and teacher pension plans.
- $29.0 million for merit pay increases to state employees for the first time since fiscal year 2008.

Amended Fiscal Year 2015 Budget Highlights

The amended fiscal year 2015 (AFY 2015) appropriations bill was signed by the Governor on February 19, 2015, as passed by the General Assembly and with no vetoes. The AFY 2015 budget was built on a 3.4% increase in net revenue collections over fiscal year 2014 actuals, including a 3.6% increase in tax revenues.

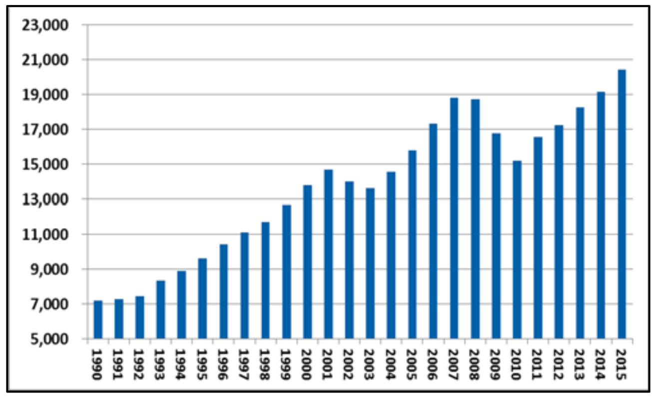
Changes in the amended bill were limited to meeting growth needs in core spending areas of education and healthcare and providing additional resources to key economic development programs:
- $128.5 million for a mid-term adjustment for K-12 education growth.
- $39.2 million for Medicaid and PeachCare for Kids.
- $15.0 million for Forestland Protection Grant reimbursements
- $15.3 million to meet increased demand in child welfare services programs
- $20.0 million for Regional Economic Business Assistance (REBA) grants
- $20.0 million for OneGeorgia Authority grants and loans to assist local communities with strategic economic development projects.
- $35.0 million for the OneGeorgia Authority to provide grants to local school systems for digital education and wireless technology enhancements.

Fiscal Performance

Georgia revenue growth exceeded planned growth in 2015

Tax revenue collections were up 6.6% and total state funds revenues, at $20.4 billion, were up 6.6% over fiscal year 2014, exceeding the revenue estimate by 3.6% 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.

State General Fund Receipts / Net Revenues

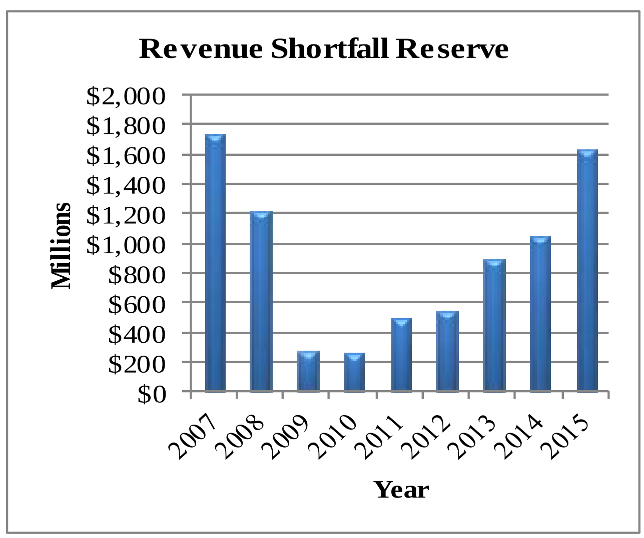


Total funds deposited with the Office of the State Treasurer during fiscal year 2015 were $1.0 billion more than the initial revenue estimate used for the budget. Of the major tax sources, motor vehicle taxes/motor vehicle ad valorem tax, individual income tax, corporate income tax and general sales and use tax were the largest components of overall tax growth at $107.7 million, or 14.2%; $713.0 million, or 8.0%; $56.7 million, or 6.0%; and $264.9 million, or 5.2%, 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, 2015, the RSR increased by $581.1 million and has a current balance of $1.6 billion, which includes an audited agency lapse of $184.9 million. The increase to the RSR was accomplished due to revenue collections exceeding revenue estimates ($621.0 million), reduction of agency allotment balances, and return of unexpended and unobligated funds by agencies. By statute, 1% of fiscal year 2015 state general fund receipts/net revenue collections

($204.3 million) is available from the RSR for the mid-year K-12 education appropriation adjustment in the amended fiscal year 2016 budget. However, this amount had not been appropriated as of the date of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

Economic Results during 2015

The United States economy continued to grow during fiscal year 2015, but real gross domestic product (GDP) growth stalled toward the end of the fiscal year (Table A) and job growth, while solid, slowed in the 2nd half of the fiscal year (Table B).

Table A - U.S. Real GDP

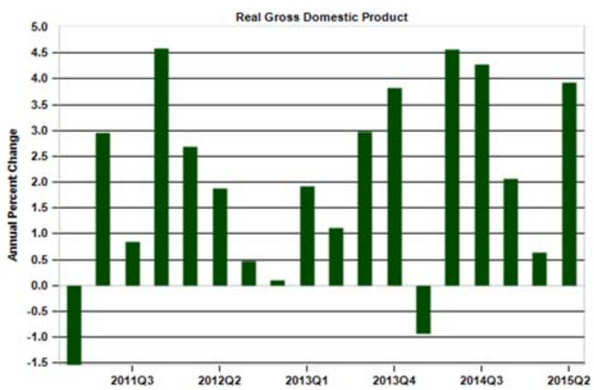
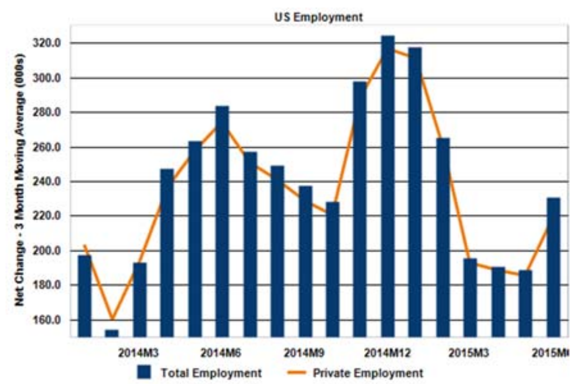


Table B - U.S Job Growth



Consistent with the overall national economy, Georgia job growth slowed toward the end of fiscal year 2015 (Table C). However, year-over-year job growth was faster in Georgia when compared to the U.S economy as a whole.

Table C – Georgia Job Growth

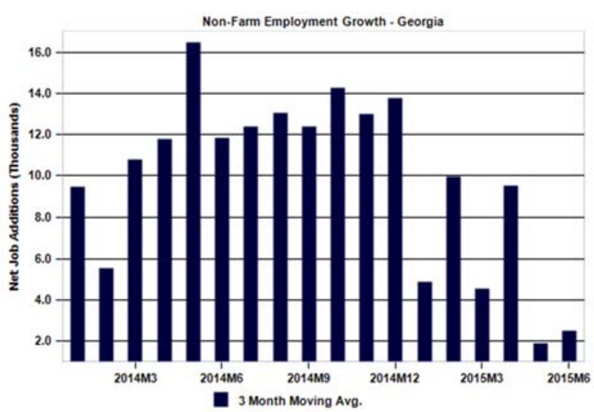
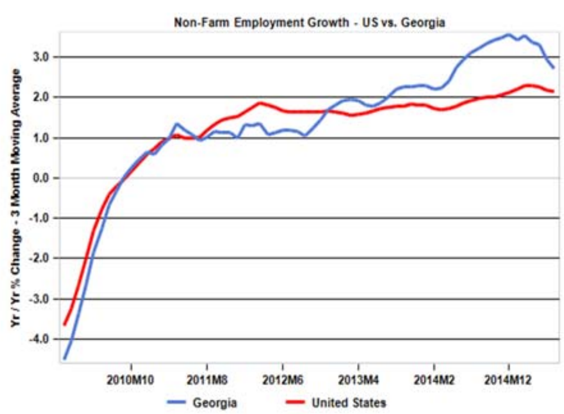


Table D - Year over Year Job



Growth in the Georgia economy can also be seen in initial unemployment claims, which are below pre-recession levels, and in lower unemployment rates. (Tables E and F) In addition, Georgia personal income growth was higher than U.S. growth, and Georgia wage & salary growth was stronger than overall personal income growth. All of these factors have resulted in Georgia employment rates that are higher than the pre-recession peak.

Table E - Initial Claims

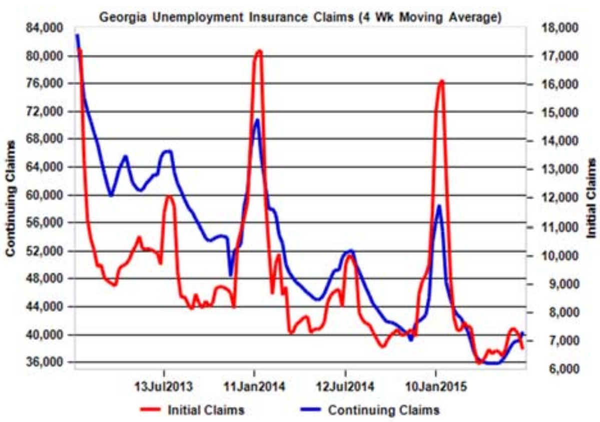
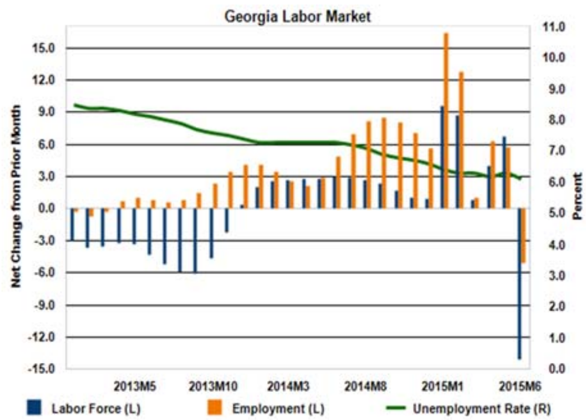


Table F – Georgia Unemployment Rate



Fiscal Year 2016 Budget Highlights

The FY 2016 budget focused on meeting growth needs in education, particularly on restoring funding for local school systems, addressing needs in human services programming, continuing reforms of the criminal justice system, and continuing to invest in long term infrastructure needs for the state. The FY 2016 budget is balanced to a revenue estimate assuming tax revenue growth of 4.6% over the Amended FY 2015 budget estimate. The General Assembly passed HB 170 during the spring legislative session, and it will provide significant new funding for transportation in FY 2016 and FY 2017 and beyond.

Education

- $519.6 million in additional funds for K-12 education to fund enrollment growth and teacher training and experience while also providing local systems additional resources to increase instructional days, reduce teacher furloughs, or enhance teacher salaries
- $51.8 million for resident instruction for the University System and $1.2 million for the Technical College System

Human Services and Criminal Justice

- $36.0 million to meet increased demand in child welfare programs
- $12.4 million to annualize funding for services through the Department of Behavioral Health and Developmental Disabilities in accordance with the Department of Justice Settlement Agreement
- $13.8 million for education and reentry initiatives within the Department of Corrections

Transportation Infrastructure

- $100.0 million in GO bonds to repair, renovate, or replace roads and bridges statewide
- $75.0 million in GO bonds to address transit needs statewide

Other

- $139.0 million to fully fund the annual required contributions for the pension plans
- $28.0 million to continue to address state employee salary needs through merit pay increases

Transportation Funding Act

House Bill 170, The Transportation Funding Act, was signed by the Governor on May 4, 2015 and will go into effect on July 1, 2015. Changes to State Revenue include:

- The elimination of the state sales tax on gasoline, while raising the state excise tax to 26 cents-per-gallon and 29 cents-per-gallon for diesel.
- A change in the indexing formula to include a variation of CAFÉ standards and Consumer Price Index (CPI) through July 1, 2018, with future indexing being tied only to the CAFÉ formula in the bill.
- Addition of an annual highway impact fee for heavy vehicles at a rate of $50 for vehicles weighing between 15,500-26,000lbs and $100 for vehicles weighing more than 26,001lbs.
- A $5 per night hotel/motel fee for each day a room, lodging, or accommodation is rented or leased. There is an exception for extended stay rentals.

REQUESTS FOR INFORMATION

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

BASIC FINANCIAL STATEMENTS

STATE OF GEORGIA

CONSTITUTION

WISDOM JUSTICE MODERATION

1776

State of Georgia

Statement of Net Position
June 30, 2015
(dollars in thousands)

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Units
Assets				
Cash and Cash Equivalents	$ 4,778,346	$ 2,852,447	$ 7,630,793	$ 1,948,238
Investments	2,006,489	537,951	2,544,440	2,810,213
Receivables (Net)	4,775,452	700,523	5,475,975	3,587,951
Due from Primary Government	-	-	-	8,084
Due from Component Units	74,145	156,520	230,665	-
Internal Balances	253,557	(253,557)	-	-
Inventories	45,506	30,924	76,430	29,834
Prepaid Items	14,869	36,316	51,185	26,841
Other Assets	10,663	22,435	33,098	247,212
Net Pension Asset	122,136	-	122,136	1,190
Restricted Assets				
Cash and Cash Equivalents	226,943	102,563	329,506	239,413
Investments	-	78,015	78,015	974,449
Receivables (Net)	-	-	-	1,062,228
Capital Assets				
Nondepreciable	6,590,404	734,997	7,325,401	866,948
Depreciable (Net of Accumulated Depreciation)	13,729,742	9,956,381	23,686,123	1,808,169
Total Assets	32,628,252	14,955,515	47,583,767	13,610,770
Deferred Outflows of Resources	805,074	376,022	1,181,096	87,415
Liabilities				
Accounts Payable and Accrued Liabilities	2,240,263	271,554	2,511,817	258,906
Due to Primary Government	-	-	-	230,665
Due to Component Units	1,156	6,928	8,084	-
Benefits Payable	911,100	234,630	1,145,730	-
Accrued Interest Payable	210,568	488	211,056	5,017
Contracts Payable	125,750	20,766	146,516	43,108
Funds Held for Others	99,743	79,208	178,951	5,591
Unearned Revenue	82,827	449,741	532,568	376,059
Claims and Judgments Payable	607,719	-	607,719	4,899
Other Liabilities	70,940	54,076	125,016	1,042,784
Noncurrent Liabilities:				
Net Pension Liability	3,513,415	2,297,351	5,810,766	132,507
Due within one year	1,090,327	226,309	1,316,636	221,733
Due in more than one year	10,041,550	5,509,380	15,550,930	3,139,832
Total Liabilities	18,995,358	9,150,431	28,145,789	5,461,101
Deferred Inflows of Resources	1,121,655	1,247,418	2,369,073	67,822
Net Position				
Net Investment in Capital Assets (1)	16,562,899	7,344,726	20,926,469	1,871,875
Restricted for:				
Bond Covenants/Debt Service	8,289	40,603	48,892	105,776
Capital Projects	-	14,461	14,461	-
Guaranteed Revenue Debt Common Reserve Fund	54,003	-	54,003	-
Higher Education	-	294,852	294,852	546,193
Loan and Grant Programs	-	-	-	1,548,020
Lottery for Education	918,234	-	918,234	-
Motor Fuel Tax Funds	1,939,170	-	1,939,170	-
Permanent Trusts:				
Nonexpendable	14	185,471	185,485	1,263,996
Expendable	-	21,416	21,416	959,352
Unemployment Compensation Benefits	-	989,920	989,920	-
Other Purposes	748,320	-	748,320	84,487
Unrestricted (1)	(6,914,616)	(3,957,761)	(7,891,221)	1,789,563
Total Net Position	$ 13,316,313	$ 4,933,688	$ 18,250,001	$ 8,169,262

(1) Refer to Note 4 for additional details

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

Statement of Activities
For the Fiscal Year Ended June 30, 2015
(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	$ 1,735,174	$ 621,448	$ 514,289	$ 73,845
Education	11,408,408	10,446	2,182,924	-
Health and Welfare	16,589,708	134,140	12,024,740	23
Transportation	1,904,464	37,153	368,313	1,074,832
Public Safety	1,994,413	157,056	201,654	2,326
Economic Development and Assistance	590,676	66,607	367,991	29,571
Culture and Recreation	236,922	138,321	88,708	686
Conservation	54,280	7,819	10,180	1,440
Interest and Other Charges on Long-Term Debt	678,888	-	-	-
Total Governmental Activities	35,192,933	1,172,990	15,758,799	1,182,723
Business-type Activities:				
Higher Education	8,323,884	3,241,333	2,525,381	102,216
State Health Benefit Plan	2,025,638	2,363,917	1,695	-
Unemployment Compensation	458,112	849,070	13,142	-
Other Business-type Activities	158,809	95,020	70,840	-
Total Business-type Activities	10,966,443	6,549,340	2,611,058	102,216
Total Primary Government	$ 46,159,376	$ 7,722,330	$ 18,369,857	$ 1,284,939
Component Units				
Georgia Environmental Finance Authority	$ 34,629	$ 40,364	$ 105,046	$ -
Georgia Housing and Finance Authority	163,352	70,009	97,957	-
Georgia Lottery Corporation	3,925,114	3,922,602	-	-
Georgia Ports Authority	441,084	356,493	197,794	4,845
Georgia Tech Foundation, Incorporated	111,071	14,256	119,155	-
Georgia Tech Research Corporation	650,436	10,934	642,379	-
Nonmajor Component Units	1,606,165	1,109,290	413,767	348,197
Total Component Units	$ 6,931,851	$ 5,523,948	$ 1,576,098	$ 353,042

General Revenues:
- Taxes
  - Income Taxes - Individual
  - Sales and Use Taxes - General
  - Motor Vehicle License and Title ad valorem Taxes
- Other Taxes
- Lottery for Education - Lottery Proceeds
- Nursing Home and Hospital Provider Fees
- Tobacco Settlement Funds
- Unrestricted Investment Income
- Unclaimed Property
- Other
- Payments from the State of Georgia

Contributions to Permanent Endowments
Transfers
Total General Revenues, Contributions to Permanent Endowments and Transfers
Change in Net Position
Net Position, July 1 - Restated (Note 3)
Net Position, June 30

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

Net (Expense) Revenue and Changes in Net Position			
Primary Government			
Governmental Activities	Business-Type Activities	Total	Component Units
$ (525,592)		$ (525,592)	
(9,215,038)		(9,215,038)	
(4,430,805)		(4,430,805)	
(424,166)		(424,166)	
(1,633,377)		(1,633,377)	
(126,507)		(126,507)	
(9,207)		(9,207)	
(34,841)		(34,841)	
(678,888)		(678,888)	
(17,078,421)		(17,078,421)	
	$ (2,454,954)	(2,454,954)	
	339,974	339,974	
	404,100	404,100	
	7,051	7,051	
	(1,703,829)	(1,703,829)	
(17,078,421)	(1,703,829)	(18,782,250)	
			$ 110,781
			4,614
			(2,512)
			118,048
			22,340
			2,877
			265,089
			521,237
9,769,658	-	9,769,658	-
5,235,481	-	5,235,481	-
1,167,421	-	1,167,421	-
2,998,974	-	2,998,974	33,862
980,653	-	980,653	0
454,372	-	454,372	0
138,385	-	138,385	0
9,103	-	9,103	-
156,360	-	156,360	-
9,646	-	9,646	-
-	-	-	88,228
-	-	-	75,749
(2,657,978)	2,657,978	-	-
18,262,075	2,657,978	20,920,053	197,839
1,183,654	954,149	2,137,803	719,076
12,132,659	3,979,539	16,112,198	7,450,186
$ 13,316,313	$ 4,933,688	$ 18,250,001	$ 8,169,262

State of Georgia

Balance Sheet
Governmental Funds
June 30, 2015
(dollars in thousands)

	General Fund	General Obligation Bond Projects Fund	Nonmajor Funds	Total
Assets				
Cash and Cash Equivalents	$ 4,118,494	$ 413,223	$ 125,574	$ 4,657,291
Investments	1,340,354	514,289	80,443	1,935,086
Receivables (Net)	4,687,513	14,893	10,627	4,713,033
Due from Other Funds	5,965	161	-	6,126
Due from Component Units	74,096	-	-	74,096
Inventories	31,765	-	241	32,006
Restricted Assets				
Cash and Cash Equivalents	49,290	-	177,654	226,944
Other Assets	69,798	50	2	69,850
Total Assets	$ 10,377,275	$ 942,616	$ 394,541	$ 11,714,432
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
Accounts Payable and Other Accruals	$ 2,122,217	$ 68,162	$ 474	$ 2,190,853
Due to Other Funds	399,611	21,972	4,193	425,776
Due to Component Units	1,156	-	-	1,156
Benefits Payable	911,100	-	-	911,100
Contracts Payable	88,119	23,411	14,220	125,750
Undistributed Local Government Sales Tax	7,700	-	-	7,700
Funds Held for Others	99,011	-	-	99,011
Unearned Revenue	77,078	35	50,637	127,750
Other Liabilities	61,589	5,954	-	67,543
Total Liabilities	3,767,581	119,534	69,524	3,956,639
Deferred Inflows of Resources	1,539,275	12,903	-	1,552,178
Fund Balances:				
Nonspendable	50,979	-	257	51,236
Restricted	3,284,676	772,572	302,305	4,359,553
Unrestricted				
Committed	7,713	-	-	7,713
Assigned	444,077	37,607	22,455	504,139
Unassigned	1,282,974	-	-	1,282,974
Total Fund Balances	5,070,419	810,179	325,017	6,205,615
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 10,377,275	$ 942,616	$ 394,541	$ 11,714,432

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, 2015
(dollars in thousands)

Total Fund Balances - Governmental Funds (from previous page)		$ 6,205,615
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital Assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. These assets consist of:		
Land	$ 3,713,450	
Buildings and Building Improvements	3,299,876	
Improvements Other Than Buildings	111,679	
Machinery and Equipment	907,662	
Infrastructure	27,522,516	
Construction in Progress	2,741,218	
Works of Art	105	
Intangibles - Other Than Software	115,951	
Software	246,754	
Accumulated Depreciation	(18,619,354)	20,039,857
Deferred inflows of resources are not reported in the governmental funds:		
Revenues are not available soon enough after yearend to pay for current period's expenditures	1,538,819	
Related to pensions	(1,095,718)	443,101
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.		416,649
Deferred outflows of resources are not reported in the governmental funds:		
Amount on refunding of bonded debt	202,312	
Related to pensions	594,056	
		796,368
Other assets not available in the current period and therefore are not reported in the governmental funds:		
Net Pension Asset	122,136	122,136
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	(8,770,990)	
Premiums	(596,391)	
Accrued Interest Payable	(202,719)	
Revenue Bonds	(1,144,905)	
Premiums	(55,460)	
Accrued Interest Payable	(7,849)	
Capital Leases	(148,420)	
Compensated Absences	(315,001)	
Arbitrage Rebate	(962)	
Net Pension Liability	(3,461,904)	
Other	(2,812)	(14,707,413)
Total Net Position - Governmental Activities		$ 13,316,313

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, 2015
(dollars in thousands)

	General Fund	General Obligation Bond Projects Fund	Nonmajor Funds	Total
Revenues:				
Taxes	$ 19,240,049	$ -	$ -	$ 19,240,049
Licenses and Permits	328,028	-	-	328,028
Intergovernmental - Federal	15,981,274	74,842	-	16,056,116
Intergovernmental - Other	457,443	70,170	118,829	646,442
Operating Grants and Contributions - Premiums	54,951	-	-	54,951
Sales and Services	438,723	-	619	439,342
Fines and Forfeits	444,301	-	-	444,301
Interest and Other Investment Income	17,820	7,522	901	26,243
Unclaimed Property	156,360	-	-	156,360
Lottery Proceeds	980,653	-	-	980,653
Nursing Home Provider Fees	175,414	-	-	175,414
Hospital Provider Payments	278,958	-	-	278,958
Other	61,116	589	12,436	74,141
Total Revenues	38,615,090	153,123	132,785	38,900,998
Expenditures:				
Current:				
General Government	1,056,832	2,423	-	1,059,255
Education	11,435,031	-	-	11,435,031
Health and Welfare	16,713,851	-	-	16,713,851
Transportation	1,934,901	-	160,653	2,095,554
Public Safety	2,122,905	-	-	2,122,905
Economic Development and Assistance	586,311	-	24,161	610,472
Culture and Recreation	263,263	-	-	263,263
Conservation	53,206	-	188	53,394
Capital Outlay	-	1,010,110	-	1,010,110
Debt Service				
Principal	-	-	966,445	966,445
Interest	1	-	460,213	460,214
Other Debt Service Expenditures	-	27,066	218	27,284
Intergovernmental	-	223,531	-	223,531
Total Expenditures	34,166,301	1,263,130	1,611,878	37,041,309
Excess (Deficiency) of Revenues Over (Under) Expenditures	4,448,789	(1,110,007)	(1,479,093)	1,859,689
Other Financing Sources (Uses):				
Debt Issuance - General Obligation Bonds	-	823,555	-	823,555
Debt Issuance - Refunding Bonds	-	-	159,350	159,350
Debt Issuance - Revenue Bonds	-	-	11,057	11,057
Debt Issuance - General Obligation Bonds - Premium	-	78,602	-	78,602
Debt Issuance - Refunding Bonds - Premium	-	-	13,819	13,819
Payment to Refunded Bond Escrow Agent	-	-	(173,032)	(173,032)
Capital Leases	12,573	-	252	12,825
Transfers In	41,389	14,838	1,553,134	1,609,361
Transfers Out	(3,846,797)	(15,000)	(21,071)	(3,882,868)
Net Other Financing Sources (Uses)	(3,792,835)	901,995	1,543,509	(1,347,331)
Net Change in Fund Balances	655,954	(208,012)	64,416	512,358
Fund Balances, July 1 - Restated (Note 3)	4,414,465	1,018,191	260,601	5,693,257
Fund Balances, June 30	$ 5,070,419	$ 810,179	$ 325,017	$ 6,205,615

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, 2015
(dollars in thousands)

Net Change in Fund Balances - Governmental Funds (from previous page)			$	512,358
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.	$	1,229,938		
Depreciation expense		(1,041,927)		188,011
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenue in the funds.				(20,297)
Bond proceeds (net of issuance costs and payments to refunding escrow) provide current financial resources to governmental funds; however, issuing debt increases long-term liabilities in the Statement of Net Position.				(822,770)
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.				(10,168)
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		803,770		
Revenue Bonds		162,675		
Capital Leases		25,334		991,779
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.				(1,502)
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		(6,238)		
Accrued Interest on Bonds Payable		(31,276)		
Arbitrage Rebate		3,872		
Amortization of Deferred Amount on Refunding		(35,037)		
Bond Premiums		94,532		
Pension costs, net		318,877		
Other		1,513		346,243
Change in Net Position - Governmental Activities			$	1,183,654

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

Statement of Net Position
Proprietary Funds
June 30, 2015
(dollars in thousands)

	Business-type Activities - Enterprise Funds					Governmental Activities -
	Higher Education Fund	State Health Benefit Plan	Unemployment Compensation Fund	Nonmajor Funds	Total	Internal Service Funds
Assets						
Current Assets:						
Cash and Cash Equivalents	$ 1,374,506	$ 580,685	$ 867,563	$ 29,693	$ 2,852,447	$ 121,055
Investments	119,179	225,100	-	3,705	347,984	6,305
Accounts Receivable (Net)	263,777	202,485	170,829	12,199	649,290	62,407
Due from Other Funds	43,321	-	-	1,545,693	1,589,014	529,476
Due from Component Units	148,292	-	-	553	148,845	48
Notes Receivable	1,421	-	-	699	2,120	-
Advances to Other Funds	-	-	-	7,445	7,445	-
Other Assets	64,505	-	-	12,792	77,297	13,748
Restricted Assets						
Cash and Cash Equivalents	-	-	-	11,704	11,704	-
Noncurrent Assets:						
Investments	168,922	7,644	-	13,400	189,966	65,099
Other Receivables	2,518	-	-	2,400	4,918	-
Due from Component Units	-	-	-	7,675	7,675	-
Notes Receivable	44,195	-	-	-	44,195	-
Other Noncurrent Assets	-	-	-	4,933	4,933	-
Restricted Assets						
Cash and Cash Equivalents	6,184	-	-	84,674	90,858	-
Investments	78,015	-	-	-	78,015	-
Non-Depreciable Capital Assets	725,465	-	-	9,532	734,997	20,621
Depreciable Capital Assets, net	9,950,809	-	-	5,572	9,956,381	259,668
Total Assets	12,991,109	1,015,914	1,038,392	1,752,669	16,798,084	1,078,427
Deferred Outflows of Resources	308,020	1,738	-	66,264	376,022	8,706

(continued)

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

Statement of Net Position
Proprietary Funds
June 30, 2015
(dollars in thousands)

	Business-type Activities - Enterprise Funds					Governmental Activities -
	Higher Education Fund	State Health Benefit Plan	Unemployment Compensation Fund	Nonmajor Funds	Total	Internal Service Funds
Liabilities						
Current Liabilities:						
Accounts Payable and Other Accruals	196,235	9,086	3,599	20,322	229,242	41,707
Due to Other Funds	1,432,633	36,688	-	265,156	1,734,477	1,039
Due to Component Units	6,928	-	-	-	6,928	-
Benefits Payable	48,247	176,906	9,477	-	234,630	-
Grants Payable	5,623	-	-	-	5,623	-
Unearned Revenue	253,399	186,602	-	8,289	448,290	221
Claims and Judgments Payable	-	-	-	-	-	607,719
Compensated Absences Payable - Current	143,401	94	-	-	143,495	2,066
Capital Leases/Installment Purchases Payable						
Component Units	23,368	-	-	-	23,368	-
Other	26,000	-	-	-	26,000	7,602
Revenue Bonds Payable	-	-	-	32,361	32,361	-
Other Current Liabilities	150,104	-	-	2,137	152,241	3,857
Noncurrent Liabilities:						
Compensated Absences Payable	89,770	160	-	-	89,930	2,752
Capital Leases/Installment Purchases Payable						
Component Units	820,347	-	-	-	820,347	-
Other	1,079,088	-	-	-	1,079,088	65,668
Revenue Bonds Payable	-	-	-	1,351,697	1,351,697	-
Other Postemployment Benefit Obligation	2,163,377	-	-	-	2,163,377	-
Net Pension Liability	2,291,419	5,932	-	-	2,297,351	51,511
Other Noncurrent Liabilities	3,548	-	-	6,226	9,774	18,545
Total Liabilities	8,733,487	415,468	13,076	1,686,188	10,848,219	802,687
Deferred Inflows of Resources	1,202,709	1,453	35,396	7,860	1,247,418	12,578
Net Position						
Net Investment in Capital Assets	7,330,573	-	-	14,153	7,344,726	207,021
Restricted for:						
Bond Covenants/Debt Service	-	-	-	40,603	40,603	-
Capital Projects	14,461	-	-	-	14,461	-
Higher Education	287,305	-	-	7,547	294,852	-
Permanent Trusts:						
Nonexpendable	181,377	-	-	4,094	185,471	-
Expendable	21,416	-	-	-	21,416	-
Unemployment Compensation Benefits	-	-	989,920	-	989,920	-
Unrestricted	(4,472,199)	600,731	-	58,488	(3,812,980)	64,847
Total Net Position	$ 3,362,933	$ 600,731	$ 989,920	$ 124,885	5,078,469	$ 271,868
Adjustment to reflect the consolidation of Internal Service Fund activities related to Enterprise Funds.					(144,781)	
Net Position of Business-type Activities					$ 4,933,688	

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


STATE OF GEORGIA
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Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Fiscal Year Ended June 30, 2015
(dollars in thousands)

	Business-type Activities - Enterprise Funds					Governmental Activities -
	Higher Education Fund	State Health Benefit Plan	Unemployment Compensation Fund	Nonmajor Funds	Total	Internal Service Funds
Operating Revenues:						
Operating Grants and Contributions/Premiums	$ 1,568,530	$ 2,363,917	$ 849,070	$ 68,656	$ 4,850,173	$ 185,864
Rents and Royalties	7,107	-	-	3,347	10,454	53,965
Sales and Services	1,130,040	-	-	14,546	1,144,586	268,706
Tuition and Fees	2,660,757	-	-	-	2,660,757	-
Less: Scholarship Allowances	(650,544)	-	-	-	(650,544)	-
Other	174,561	-	-	77,386	251,947	67,828
Total Operating Revenues	4,890,451	2,363,917	849,070	163,935	8,267,373	576,363
Operating Expenses:						
Personal Services	5,074,171	5,698	-	1,069	5,080,938	52,292
Services and Supplies	2,258,859	137,352	-	2,078	2,398,289	359,977
Scholarships and Fellowships	409,527	-	-	-	409,527	-
Benefits	-	1,882,588	458,112	-	2,340,700	-
Claims and Judgments	-	-	-	-	-	151,471
Depreciation	511,741	-	-	245	511,986	26,603
Amortization	-	-	-	1,571	1,571	-
Other	-	-	-	72,207	72,207	-
Total Operating Expenses	8,254,298	2,025,638	458,112	77,170	10,815,218	590,343
Operating Income (Loss)	(3,363,847)	338,279	390,958	86,765	(2,547,845)	(13,980)
Nonoperating Revenues (Expenses):						
Grants and Contributions	1,001,437	-	-	750	1,002,187	-
Interest and Other Investment Income	21,762	1,695	13,142	1,536	38,135	1,784
Interest Expense	(188,588)	-	-	(80,355)	(268,943)	-
Other	(26,712)	-	-	(1,645)	(28,357)	(3,966)
Total Nonoperating Revenues (Expenses)	807,899	1,695	13,142	(79,714)	743,022	(2,182)
Income (Loss) Before Contributions and Transfers	(2,555,948)	339,974	404,100	7,051	(1,804,823)	(16,162)
Capital Contributions	486,193	-	-	-	486,193	16,161
Transfers:						
Transfers In	2,276,682	-	-	-	2,276,682	-
Transfers Out	(2,680)	-	-	-	(2,680)	(2,724)
Net Transfers	2,274,002	-	-	-	2,274,002	(2,724)
Change in Net Position	204,247	339,974	404,100	7,051	955,372	(2,725)
Net Position, July 1 - Restated (Note 3)	3,158,686	260,757	585,820	117,834		274,593
Net Position, June 30	$ 3,362,933	$ 600,731	$ 989,920	$ 124,885		$ 271,868
Adjustment to reflect the consolidation of Internal Service Fund activities related to Enterprise Funds.					(1,223)	
Change in Net Position of business-type activities					$ 954,149	

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, 2015
(dollars in thousands)

	Business-type Activities - Enterprise Funds					Governmental Activities -
	Higher Education Fund	State Health Benefit Plan	Unemployment Compensation Fund	Nonmajor Funds	Total	Internal Service Funds
Cash Flows from Operating Activities:						
Cash Received from Customers	$ 1,144,501	$ -	$ -	$ 101,042	$ 1,245,543	$ 60,504
Cash Received from Other Funds (Internal Activity)	-	-	-	52,650	52,650	344,275
Cash Received from Grants and Required Contributions/Premiums	1,556,369	2,264,514	867,596	65,625	4,754,104	18,781
Cash Received from Grants and Required Contributions/Premiums (Internal Activity)	-	-	-	-	-	142,924
Cash Received from Tuition and Fees	2,001,469	-	-	-	2,001,469	-
Cash Paid to Vendors	(3,319,690)	(149,729)	-	(70,055)	(3,539,474)	(377,335)
Cash Paid to Employees	(3,690,341)	(5,771)	-	(991)	(3,697,103)	(54,291)
Cash Paid for Benefits	-	(1,882,765)	(463,575)	-	(2,346,340)	-
Cash Paid for Claims and Judgments	-	-	-	-	-	(126,292)
Cash Paid for Scholarships, Fellowships and Loans	(450,056)	-	-	(1,597)	(451,653)	-
Other Operating Receipts	170,997	-	-	10,906	181,903	289
Other Operating Payments	(9,693)	-	-	(1,831)	(11,524)	-
Net Cash Provided by (Used in) Operating Activities	(2,596,444)	226,249	404,021	155,749	(1,810,425)	8,855
Cash Flows from Noncapital Financing Activities:						
Refunding Deposit with Escrow Agent	-	-	-	(93,477)	(93,477)	-
Interest Paid on Debt	-	-	-	(14,555)	(14,555)	-
Transfers from Other Funds	2,276,476	-	-	-	2,276,476	-
Transfers to Other Funds	(2,680)	-	-	-	(2,680)	(2,724)
Payments on Noncapital Financing Debt	-	-	-	(33,234)	(33,234)	-
Other Noncapital Receipts (Payments)	861,244	-	-	(7,237)	854,007	12,805
Net Cash Provided by (Used in) Noncapital Financing Activities	3,135,040	-	-	(148,503)	2,986,537	10,081
Cash Flows from Capital and Related Financing Activities:						
Capital Contributions	-	-	-	-	-	2,431
Capital Grants and Gifts Received	447,878	-	-	-	447,878	-
Bond Issuance Costs	-	-	-	(692)	(692)	-
Proceeds from Sale of Capital Assets	10,814	-	-	-	10,814	1,217
Proceeds from Capital Debt	-	-	-	89,080	89,080	-
Acquisition and Construction of Capital Assets	(546,885)	-	-	(1,990)	(548,875)	(5,183)
Principal Paid on Capital Debt	(389,261)	-	-	(30,709)	(419,970)	(6,300)
Interest Paid on Capital Debt	(186,573)	-	-	(66,491)	(253,064)	-
Net Cash Used in Capital and Related Financing Activities	(664,027)	-	-	(10,802)	(674,829)	(7,835)
Cash Flows from Investing Activities:						
Proceeds from Sales of Investments	72,330	-	-	10,046	82,376	84,531
Purchase of Investments	(109,308)	(232,744)	-	(12,602)	(354,654)	(71,988)
Interest and Dividends Received	20,648	1,695	13,142	1,812	37,297	2,366
Other Investing Activities	-	-	-	1,842	1,842	-
Net Cash Provided by (Used in) Investing Activities	(16,330)	(231,049)	13,142	1,098	(233,139)	14,909
Net Increase (Decrease) in Cash and Cash Equivalents	(141,761)	(4,800)	417,163	(2,458)	268,144	26,010
Cash and Cash Equivalents, July 1 - Restated (Note 3)	1,522,451	585,485	450,400	128,529	2,686,865	95,045
Cash and Cash Equivalents, June 30	$ 1,380,690	$ 580,685	$ 867,563	$ 126,071	$ 2,955,009	$ 121,055

(continued)

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

	Business-type Activities - Enterprise Funds					Governmental Activities -
	Higher Education Fund	State Health Benefit Plan	Unemployment Compensation Fund	Nonmajor Funds	Total	Internal Service Funds
Reconciliation of Operating Income (Loss) to Net Cash provided by (Used in) Operating Activities						
Operating Income (Loss)	(3,363,847)	338,279	390,958	86,765	(2,547,845)	(13,980)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:						
Depreciation/Amortization Expense	511,741	-	-	1,816	513,557	26,603
Other Reconciling Items	30,118	-	-	1,466	31,584	-
Changes in Assets, Deferred Outflows of Resources, Liabilities, and Deferred Inflows of Resources:						
Accounts Receivable	(36,726)	(82,791)	11,497	(1,837)	(109,857)	(1,913)
Due from Other Funds	-	-	-	60,275	60,275	(8,344)
Due from Component Units	-	-	-	-	-	18
Notes Receivable	547	-	-	3,012	3,559	-
Other Assets	(8,408)	-	-	1,460	(6,948)	1,921
Deferred Outflows of Resources	(48,287)	(1,081)	-	15	(49,353)	(2,998)
Accounts Payable and Other Accruals	17,241	(14,733)	(110)	2,658	5,056	(18,005)
Due to Other Funds	-	(4,678)	-	-	(4,678)	(72)
Benefits Payable	-	(177)	(5,463)	-	(5,640)	-
Unearned Revenue	3,492	(9,588)	(28,257)	-	(34,353)	(234)
Claims and Judgments Payable	-	-	-	-	-	25,180
Compensated Absences Payable	5,698	(37)	-	-	5,661	95
Other Postemployment Benefit Obligation	320,300	-	-	-	320,300	-
Net Pension Liability	(760,088)	(398)	-	-	(760,486)	(11,684)
Other Liabilities	9,051	-	-	119	9,170	(310)
Deferred Inflows of Resources	722,724	1,453	35,396	-	759,573	12,578
Net Cash Provided by (Used in) Operating Activities	$ (2,596,444)	$ 226,249	$ 404,021	$ 155,749	$ (1,810,425)	$ 8,855
Noncash Investing, Capital, and Financing Activities:						
Gift of Capital Assets Reducing Proceeds of Capital Grants and Gifts	$ 278,495	$ -	$ -	$ -	$ 278,495	$ -
Gifts other than Capital Assets Reducing Proceeds of Grants and Gifts for Other than Capital Assets	30,906	-	-	-	30,906	-
Donation of Capital Assets	-	-	-	-	-	13,729
Change in Receivable from Grantor Agency Affecting Proceeds of Capital Debt	2,680	-	-	-	2,680	-
Change in Accrued Interest Payable Affecting Interest Paid	1,949	-	-	-	1,949	-
Capital Assets Acquired by Incurring Capital Lease Obligations	107,191	-	-	-	107,191	-
Change in Fair Value of Investments	2,111	-	-	-	2,111	(584)
Special Item - Equipment-Capital Asset Transfer	97,315	-	-	-	97,315	-
Capital Lease Obligation	1,261	-	-	-	1,261	-
Other	5,093	-	-	-	5,093	-
Total Noncash Investing, Capital and Financing Activities	$ 527,001	$ -	$ -	$ -	$ 527,001	$ 13,145

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

Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2015
(dollars in thousands)

	Pension and Other Employee Benefits Trust	Investment Trust	Private Purpose Trust	Agency	Total
Assets					
Cash and Cash Equivalents	$ 1,679,298	$ 6,321,285	$ 20,984	$ 178,416	$ 8,199,983
Receivables					
Interest and Dividends	241,145	469	-	-	241,614
Due from Brokers for Securities Sold	26,270	-	-	-	26,270
Other	227,837	-	-	3,161	230,998
Due from Other Funds	37,387	-	-	-	37,387
Investments, at Fair Value					
Certificates of Deposit	-	-	-	1,663	1,663
Pooled Investments	15,475,631	122,409	-	202	15,598,242
Mutual Funds	1,961,410	-	-	-	1,961,410
Municipal, U.S. and Foreign Government Obligations	8,489,300	-	-	54,288	8,543,588
Corporate Bonds/Notes/Debentures	10,706,692	-	-	-	10,706,692
Stocks	46,938,256	-	-	-	46,938,256
Asset-backed Securities	25,975	-	-	-	25,975
Mortgage Investments	103,270	-	-	-	103,270
Real Estate Investment Trusts	39,993	-	-	-	39,993
Capital Assets					
Land	8,824	-	-	-	8,824
Buildings	7,695	-	826	-	8,521
Software	29,325	-	-	-	29,325
Machinery and Equipment	5,992	-	103	-	6,095
Works of Art	115	-	-	-	115
Accumulated Depreciation	(35,912)	-	(486)	-	(36,398)
Other Assets	685	-	-	15,935	16,620
Total Assets	85,969,188	6,444,163	21,427	253,665	92,688,443
Deferred Outflows of Resources	4,640	-	203	-	4,843
Liabilities					
Accounts Payable and Other Accruals	43,624	-	2	1,194	44,820
Due to Other Funds	711	-	-	-	711
Due to Brokers for Securities Purchased	99,226	-	-	-	99,226
Salaries/Withholdings Payable	263	-	-	9	272
Benefits Payable	52,661	-	-	-	52,661
Funds Held for Others	-	-	-	252,453	252,453
Unearned Revenue	12,425	-	-	-	12,425
Compensated Absences Payable	46	-	194	-	240
Net Pension Liability	25,077	-	1,725	-	26,802
Other Liabilities	-	-	385	9	394
Total Liabilities	234,033	-	2,306	253,665	490,004
Deferred Inflows of Resources	6,121	-	523	-	6,644
Net Position					
Restricted for:					
Pension Benefits	84,308,230	-	-	-	84,308,230
Other Postemployment Benefits	1,184,767	-	-	-	1,184,767
Other Employee Benefits	240,677	-	-	-	240,677
Pool Participants	-	6,444,163	-	-	6,444,163
Other Purposes	-	-	18,801	-	18,801
Total Net Position	$ 85,733,674	$ 6,444,163	$ 18,801	$ -	$ 92,196,638

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, 2015
(dollars in thousands)

	Pension and Other Employee Benefits Trust	Investment Trust	Private Purpose Trust	Total
Additions:				
Contributions/Assessments				
Employer	$ 2,752,571	$ -	$ -	$ 2,752,571
NonEmployer	59,527	-	-	59,527
Plan Members/Participants	1,001,815	-	99,446	1,101,261
Other Contributions				
Fines and Bond Forfeitures	4,202	-	-	4,202
Insurance Company Premium Taxes	31,489	-	-	31,489
Insurance Premiums	4,793	-	-	4,793
Other Fees	9,600	-	-	9,600
Interest and Other Investment Income				
Dividends and Interest	1,830,861	11,318	69	1,842,248
Net Appreciation (Depreciation) in				
Investments Reported at Fair Value	1,298,398	51	-	1,298,449
Less: Investment Expense	(70,741)	(1,917)	-	(72,658)
Pool Participant Deposits	-	7,483,260	-	7,483,260
Other				
Transfers from Other Funds	2,229	-	-	2,229
Miscellaneous	2,010	-	-	2,010
Total Additions	6,926,754	7,492,712	99,515	14,518,981
Deductions:				
General and Administrative Expenses	78,634	-	1,684	80,318
Benefits	6,508,036	-	84,223	6,592,259
Pool Participant Withdrawals	-	7,628,362	-	7,628,362
Refunds	112,417	-	-	112,417
Total Deductions	6,699,087	7,628,362	85,907	14,413,356
Change in Net Position Restricted for:				
Pension and Other Employee Benefits	227,667	-	-	227,667
Pool Participants	-	(135,650)	-	(135,650)
Other Purposes	-	-	13,608	13,608
Net Position, July 1 (Restated - Note 3)	85,506,007	6,579,813	5,193	92,091,013
Net Position, June 30	$ 85,733,674	$ 6,444,163	$ 18,801	$ 92,196,638

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

State of Georgia

Statement of Net Position
Component Units
June 30, 2015
(dollars in thousands)

	Georgia Environmental Finance Authority	Georgia Housing and Finance Authority	Georgia Lottery Corporation	Georgia Ports Authority	Georgia Tech Foundation, Incorporated	Georgia Tech Research Corporation	Nonmajor Component Units	Total
Assets								
Current Assets:								
Cash and Cash Equivalents	$ 962,394	$ 165,199	$ 20,352	$ 162,146	$ 4,584	$ 97,064	$ 536,499	$ 1,948,238
Investments	-	7,871	-	-	-	-	173,902	181,773
Receivables								
Accounts (Net)	1,915	-	152,380	48,777	24,575	45,867	185,974	459,488
Capital Leases from								
Primary Government	-	-	-	-	5,905	-	17,462	23,367
Interest and Dividends	3,433	646	-	-	-	-	2,873	6,952
Notes and Loans (Net)	-	-	-	487	1,113	-	109,567	111,167
Taxes	-	-	-	-	-	-	5,141	5,141
Due from Primary Government	-	-	-	-	-	-	8,084	8,084
Due from Component Units	-	-	-	-	-	-	505	505
Intergovernmental Receivables	2,052	-	-	-	-	-	11,303	13,355
Other Current Assets	-	73,063	3,943	6,427	-	55,698	67,791	206,922
Noncurrent Assets:								
Investments	-	156,173	-	83,002	935,237	-	1,454,028	2,628,440
Receivables (Net)								
Capital Leases from								
Primary Government	-	-	-	-	130,083	-	690,264	820,347
Notes and Loans	1,309,655	640,603	-	953	-	-	54,508	2,005,719
Other	-	-	-	-	90,901	5,519	45,995	142,415
Due from Component Units	-	-	-	-	-	-	116,113	116,113
Restricted Assets								
Cash and Cash Equivalents	-	93,381	9,240	-	8,524	-	128,268	239,413
Investments	-	83,776	220,271	-	629,490	-	40,912	974,449
Receivables (Net)								
Notes and Loans	-	971,976	-	-	-	-	-	971,976
Interest and Dividends	-	9,868	-	-	-	-	-	9,868
Other	-	-	-	-	-	-	80,384	80,384
Non-depreciable Capital Assets	-	800	-	329,366	3,395	329	533,058	866,948
Depreciable Capital Assets (Net)	124	2,621	5,493	642,669	31,709	1,376	1,124,177	1,808,169
Net Pension Asset	-	-	-	1,190	-	-	-	1,190
Other Noncurrent Assets	-	-	-	16,986	54,029	198	25,752	96,965
Total Assets	2,279,573	2,205,977	411,679	1,292,003	1,919,545	206,051	5,412,560	13,727,388
Deferred Outflows of Resources	680	-	144	22,106	-	-	64,485	87,415

(continued)

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

State of Georgia

Statement of Net Position
Component Units
June 30, 2015
(dollars in thousands)

	Georgia Environmental Finance Authority	Georgia Housing and Finance Authority	Georgia Lottery Corporation	Georgia Ports Authority	Georgia Tech Foundation, Incorporated	Georgia Tech Research Corporation	Nonmajor Component Units	Total
Liabilities								
Current Liabilities:								
Accounts Payable and Other Accruals	2,726	14,365	94,754	55,857	9,415	-	112,047	289,164
Due to Primary Government	-	10	74,096	19	553	99,449	48,863	222,990
Due to Component Units	-	-	-	-	-	-	505	505
Funds Held for Others	-	-	-	-	-	-	5,591	5,591
Unearned Revenue	-	1,800	-	-	28,510	49,427	188,033	267,770
Notes and Loans Payable	-	-	-	2,000	40,498	-	31,244	73,742
Revenue/Mortgage Bonds Payable	26,465	29,305	-	-	9,935	-	33,905	99,610
Other Current Liabilities	120	251,266	5,516	2,454	2,704	330	75,551	337,941
Current Liabilities Payable from Restricted Assets:								
Accrued Interest Payable	-	-	-	-	-	-	809	809
Revenue Bonds Payable	-	-	-	-	-	-	11,895	11,895
Other	-	-	9,218	-	-	-	7,840	17,058
Noncurrent Liabilities:								
Unearned Revenue	-	-	-	534	-	-	107,755	108,289
Notes and Loans Payable	-	-	-	29,657	-	-	83,210	112,867
Revenue/Mortgage Bonds Payable	64,999	1,086,681	-	-	229,165	-	1,335,417	2,716,262
Grand Prizes Payable	-	-	196,878	-	-	-	-	196,878
Due to Component Units	-	-	-	-	109,163	-	6,950	116,113
Due to Primary Government	-	-	-	-	7,675	-	-	7,675
Derivative Instrument Payable	-	-	-	-	-	-	44,662	44,662
Net Pension Liability	4,583	-	900	-	-	-	127,024	132,507
Other Noncurrent Liabilities	359	642,140	4,399	39,355	16,256	5,470	107,412	815,391
Total Liabilities	99,252	2,025,567	385,761	129,876	453,874	154,676	2,328,713	5,577,719
Deferred Inflows	1,131	-	7,690	5,645	-	-	53,356	67,822
Net Position								
Net Investment in Capital Assets	124	3,421	5,493	940,378	3,759	1,705	916,995	1,871,875
Restricted for:								
Bond Covenants/Debt Service	80,091	-	-	-	-	-	25,685	105,776
Higher Education	-	-	-	-	238,124	-	308,069	546,193
Permanent Trusts								
Expendable	-	-	-	-	542,220	-	417,132	959,352
Nonexpendable	-	-	-	-	576,052	-	687,944	1,263,996
Loan and Grant Programs	1,548,020	-	-	-	-	-	-	1,548,020
Other Purposes	-	-	-	-	-	-	84,487	84,487
Unrestricted	551,635	176,989	12,879	238,210	105,516	49,670	654,664	1,789,563
Total Net Position	$ 2,179,870	$ 180,410	$ 18,372	$ 1,178,588	$ 1,465,671	$ 51,375	$ 3,094,976	$ 8,169,262

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


STATE OF GEORGIA
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Statement of Activities
Component Units
For the Fiscal Year Ended June 30, 2015
(dollars in thousands)

	Georgia Environmental Finance Authority	Georgia Housing and Finance Authority	Georgia Lottery Corporation	Georgia Ports Authority	Georgia Tech Foundation, Incorporated	Georgia Tech Research Corporation	Nonmajor Component Units	Total
Expenses	$ 34,629	$ 163,352	$ 3,925,114	$ 441,084	$ 111,071	$ 650,436	$ 1,606,165	$ 6,931,851
Program Revenues:								
Sales and Charges for Services	40,364	70,009	3,922,602	356,493	14,256	10,934	1,109,290	5,523,948
Operating Grants and Contributions	105,046	97,957	-	197,794	119,155	642,379	413,767	1,576,098
Capital Grants and Contributions	-	-	-	4,845	-	-	348,197	353,042
Total Program Revenues	145,410	167,966	3,922,602	559,132	133,411	653,313	1,871,254	7,453,088
Net (Expenses) Revenue	110,781	4,614	(2,512)	118,048	22,340	2,877	265,089	521,237
General Revenues:								
Taxes	-	-	-	-	-	-	33,862	33,862
Payments from the State of Georgia	-	-	-	-	-	-	88,228	88,228
Contributions to Permanent Endowments	-	-	-	-	41,167	-	34,582	75,749
Total General Revenues	-	-	-	-	41,167	-	156,672	197,839
Change in Net Position	110,781	4,614	(2,512)	118,048	63,507	2,877	421,761	719,076
Net Position, July 1 - Restated (Note 3)	2,069,089	175,796	20,884	1,060,540	1,402,164	48,498	2,673,215	7,450,186
Net Position, June 30	$ 2,179,870	$ 180,410	$ 18,372	$ 1,178,588	$ 1,465,671	$ 51,375	$ 3,094,976	$ 8,169,262

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


STATE OF GEORGIA
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Notes to the Financial Statements
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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

The financial statements of the State have been prepared in conformity with GAAP as prescribed by the GASB. Preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts and disclosures in the financial statements. Actual results could differ from those estimates.

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

B. Financial Reporting Entity

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

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

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

Blended Component Units

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 provides oversight and efficient operation of state aircrafts and aviation operations, and ensure the safety of state air travelers and aviation property. (NSR)

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

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

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

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

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

Debt Service Fund

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

Enterprise Funds

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

The **Georgia State University Research Foundation, Inc.** is a nonprofit corporation created to support the research activities of the University through securing gifts, contributions and grants from individuals, private organizations and public agencies and in obtaining contracts with such individuals or entities for the performance of sponsored research, development, or other programs by the university. The individual financial statements may be obtained from the foundation at the following address: Attn: Comptroller/Assistant VP, Finance & Administration, 30 Courtland Street, Suite 326, Atlanta, GA 30303.

The **Georgia Tech Facilities, Inc.** is a nonprofit corporation that promotes and supports the Georgia Institute of Technology, principally by financing and constructing buildings and facilities for use by the Institute. The individual financial statements may be obtained from the foundation at the following address: Attn: Affiliate Organizations & Capital Assets Accounting Director, Georgia Tech, 225 North Avenue, 325 Lyman Hall, Atlanta, GA 30332.

The **Middle Georgia State College Real Estate Foundation, Inc.** is a nonprofit organization created for various purposes including to construct, operate and manage various real estate projects for the College. The Foundation formed a number of limited liability companies of which it is the sole owner for purposes including acquiring and/or constructing residence halls, student housing and recreation facilities. The individual financial statements may be obtained from the foundation at the following address: Attn: Executive Director, 100 University Parkway A-217, Macon, GA 31206

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

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Internal Service Funds

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

The **Georgia 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 **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 eighteen members who also comprise the board of the Department of Community Affairs (DCA). Board members are appointed by the Governor

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

and are composed of one member from each U.S. Congressional District in the State, plus four additional members from the State at large, and include elected officials of counties or municipalities, individuals with an interest or expertise in community or economic development, environmental issues, housing development or finance or citizens who in the judgment and discretion of the Governor would enhance the DCA board. (AUD)

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

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

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

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

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

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

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

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)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

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

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

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

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

the Sports Hall of Fame. (NSR)

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

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

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

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

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

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

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

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

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

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

Georgia College & State University Foundation, Inc.
Georgia State University Foundation
Georgia Tech Athletic Association

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Fiduciary Component Units

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

C. Government-wide and Fund Financial Statements

Government-wide Financial Statements

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

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

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

Fund Financial Statements

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund’s principal ongoing operations. Revenues and expenses not meeting this definition, such as investment earnings, are reported as nonoperating.

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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

Proprietary Funds

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The following are the State's nonmajor enterprise funds:

Georgia Higher Education Facilities Authority
Georgia Southern University Housing Foundation, Inc.
Georgia State University Research Foundation, Inc.
Georgia Tech Facilities, Inc.
Middle Georgia State College Real Estate Foundation, Inc.
University of North Georgia Real Estate Foundation, Inc.
University System of Georgia Foundation, Inc.
UWG Real Estate Foundation
VSU Auxiliary Services Real Estate Foundation, Inc.

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

Fiduciary Funds

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

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

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

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

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

Cash and Cash Equivalents

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments

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

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

External Investment Pools

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

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

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

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.

Inventories and Prepaid Items

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

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

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

Restricted Assets

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

Capital Assets

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

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

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

Deferred Outflows of Resources

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

Compensated Absences

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Long-term Obligations

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

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

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

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

Deferred Inflows of Resources

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

Net Position

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

Net position is reported as net investment in capital assets, restricted or unrestricted. "Net Investment in Capital Assets" consists of capital assets, net of accumulated amortization/depreciation and reduced by outstanding balances for bonds, notes and other debt that are attributed to the acquisition, construction or improvement of those assets. 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

When both restricted and unrestricted 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 follows:

> **Nonspendable** – Fund balances are reported as nonspendable when amounts cannot be spent because they are either (a) not in spendable form (i.e., items that are not expected to be converted into cash) or (b) legally or contractually required to be maintained intact.
>
> **Restricted** – Fund balances are reported as restricted when there are limitations imposed on their use either through constitutional provisions or enabling legislation adopted by the State or through the external restrictions imposed by creditors, grantors or laws or regulations of other governments.
>
> **Committed** – Fund balances are reported as committed when they can be used only for specific purposes pursuant to constraints imposed by formal actions of both the Governor and the General Assembly. Only the Governor and the General Assembly may establish, modify or rescind the commitment by taking the same type of action it employed to previously commit the amounts (e.g., legislation).
>
> **Assigned** – Fund balances are reported as assigned when amounts are constrained by the State's intent that they be used for specific purposes, but they are neither restricted nor committed. Assignments may be made under statutory authority of management of the reporting organizations in the State.
>
> **Unassigned** – The residual amount of fund balance is reported as unassigned for balances that do not meet the above constraints. The government reports positive unassigned fund balance only in the general fund. Negative unassigned fund balances may be reported in all funds.

As with net position, when both restricted and unrestricted fund balances are available for use, it is the State's policy to 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Interfund Activity and Balances

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

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

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

NOTE 2 – CHANGES IN FINANCIAL ACCOUNTING AND REPORTING

A. Financial Reporting Entity

Primary Government

In fiscal year 2015, Armstrong Atlantic State University Educational Properties Foundation, Inc. no longer met requirements for inclusion in the financial reporting entity as nonmajor enterprise funds due to defeasance of debt. In addition, changes in the composition of debt of Georgia State University Foundation, Inc., previously reported as a blended component unit with the nonmajor enterprise funds, required discrete presentation of this organization. These changes resulted in a decrease in the beginning net position of the nonmajor enterprise funds of $21.4 million and $222.7 million respectively. In addition, beginning cash and cash equivalents in the statement of cash flows was restated $2.8 million and $32.2 million respectively.

Georgia Aviation Authority, previously reported as an internal service fund, is now reported as a special revenue fund due to the majority of revenue of this organization being derived from state appropriations. As a result of this realignment, beginning net position of the governmental activities and special revenue funds have been increased by $11.5 million, with a corresponding decrease to the beginning net position of the internal service funds.

The projects previously reported in State Road and Tollway Authority's (SRTA) nonmajor enterprise and internal service funds are aggregated in a single special revenue fund to better align with the way similar activities are reported by the primary government, including the resources (i.e., state motor fuel funds and Federal Highway Administration funds) that were received from Department of Transportation (DOT) and used for restricted or specific purposes and projects. This resulted in a restatement of beginning net position of $10.3 million.

During the fiscal year, it was determined that fiduciary fund net position should be restated by $4.3 million to reflect inclusion of the Board of Regents 457 (F) Deferred Compensation Plan.

B. Adoption of New Accounting Principles

In fiscal year 2015, the State implemented the following new GASB Statements:

> GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, requires governmental employers with employees participating in defined benefit pension plans that are administered through trusts or equivalent arrangements to report their proportionate share of the net pension liability (or net assets, if the plan net position exceeds the total pension liability) on the face of their accrual based financial statements. GASB Statement No. 71, *Pension Transition for Contributions Made subsequent to the Measurement Date*, addresses an issue regarding application of the transition provisions of Statement No. 68. The issue relates to amounts associated with contributions, if any, made by a state or local government employer to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. As a result of implementing these Statements, recognition and reporting of the net pension asset and liability and related transactions resulted in a decrease of beginning net position of $4.2 billion for governmental activities, $2.9 billion for business-type activities and $162.8 million for component units.
>
> GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*, establishes accounting and financial reporting standards related to government combinations and disposals of government operations. Adoption of this Statement did not require modification of the financial statements.

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

In fiscal year 2016, the State will implement the following GASB Statements:

No. 72 *Fair Value Measurement and Application*

No. 73 *Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*

No. 76 *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*

The objective of Statement No. 72 is to enhance comparability of financial statements among governments by requiring measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and accepted valuation techniques. It will also enhance fair value application guidance and related disclosures in order to provide information to financial statement users about the impact of fair value measurements on a government's financial position.

The objective of Statement No. 73 is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency.

The objective of Statement No. 76 is to identify—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP). The “GAAP hierarchy” consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP.

As of the date of this report, the State has not determined the financial impact of implementing Statements No. 72, 73 and 76.

C. Correction of Prior Year Errors

During the fiscal year, it was determined that capital assets, net of accumulated depreciation, were overstated within the governmental activities in fiscal year 2014 by $44.2 million resulting in an overstatement of net position, as reported. The beginning net position of the governmental activities was decreased to reflect correction of accumulated depreciation and net capital assets.

During the fiscal year, it was determined that certain capital lease liabilities within governmental activities in the fiscal year 2014 were overstated by $7.4 million, resulting in an understatement of net position, as reported. The beginning net position of governmental activities was increased to reflect correction of these liabilities.

During the fiscal year, a review of the procedures previously utilized to determine year-end taxes receivable balances resulted in improvements to these procedures for determining the taxes receivable balances for the fiscal year ended June 30, 2015 and prior period adjustments totaling $1.2 billion in the aggregate. More specifically, a revision of the methodology used to estimate taxes receivable at the fund level (General Fund) resulted in a prior period reduction of taxes receivable totaling $414.4 million and access to improved tax records via a newly

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

implemented tax system resulted in a $1.6 billion prior period increase to taxes receivable at the entity-wide level. Management believes that the new procedures provide far more accurate and reliable calculation of taxes receivable and refunds payable at June 30, 2015 and for future periods.

During the fiscal year, it was determined that prior year revenues at SRTA were overstated by $11.0 million, resulting in an overstatement of fund balance/net position. The error was related to a portion of unspent grant funds that were provided by DOT at the beginning of fiscal year 2014 for anticipated project costs. SRTA made an adjustment in fiscal year 2015 to decrease fund balance/net position to reflect correction to the prior year amounts.

During the fiscal year, it was determined that net position were understated within the Higher Education Fund, primarily at various institutions of the Board of Regents of the University System of Georgia, in fiscal year 2014 by $7.2 million resulting in an understatement of net position, as reported. The beginning net position of the Higher Education Fund was decreased by $15.2 million to reflect a decrease in capital assets and was increased by $22.4 million to reflect a decrease in capital leases.

During the fiscal year, it was determined that nonmajor enterprise fund net position should be restated by $15.9 million to reflect adjustment for capital leases and bond issuance costs.

During the fiscal year, it was determined that discretely presented component units' net position was overstated by $31.0 million. This adjustment was made to decrease net position to reflect corrections to prior year amounts primarily related to FASB to GASB conversion.

During the fiscal year, it was determined that certain assets within the Higher Education Fund were reported in the incorrect asset category. Adjustments of $2.5 billion were made primarily to the buildings and building improvements and machinery and equipment categories. This adjustment did not have an effect on net position.

During the fiscal year, certain revenues totaling $2.7 billion, previously reported as program revenues, were reevaluated and are reported as general revenues of the Governmental Activities in fiscal year 2015. Of this amount, $1.2 billion of Motor Vehicle License and Title ad valorem Taxes, previously reported as Licenses and Permits, are reported as Taxes in the General Fund.

During the fiscal year, $3.2 billion of program revenues, previously reported as Operating Grants and Contributions, were reevaluated and reported as Sales and Charges for Services of the Business-type Activities in fiscal year 2015.

During the fiscal year, $3.0 billion of 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.

NOTE 3 – FUND EQUITY RECLASSIFICATIONS AND RESTATEMENTS

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

	6/30/2014 As Previously Reported	Change in Financial Reporting Entity	Implementation of new Accounting Standard	Correction of Prior Year Errors	6/30/2014 (Restated)
Governmental Funds and Activities					
Major Funds:					
General Fund	$ 4,828,913	$ -	$ -	$ (414,448)	$ 4,414,465
General Obligation Bond Projects Fund	1,018,191	-	-	-	1,018,191
Nonmajor Funds:					
Special Revenue Funds	272,412	(888)	-	(11,018)	260,506
Debt Service Fund	82	-	-	-	82
Permanent Fund	13	-	-	-	13
Total Governmental Funds	6,119,611	(888)	-	(425,466)	5,693,257
Government-wide Adjustments					
Capital Assets, net of depreciation	19,825,248	23,000	-	(44,208)	19,804,040
Other Noncurrent Assets and Liabilities	(176,590)	(48)	(4,602,123)	1,606,176	(3,172,585)
Deferred Outflows of Resources	(236,307)	-	441,816	-	205,509
Long-Term Liabilities	(10,822,839)	(319)	-	-	
Adjustment to Capital Lease Liability	-	-	-	7,445	(10,815,713)
Inclusion of Internal Service Funds in Governmental Activities	487,120	(11,482)	(57,487)	-	418,151
Total Governmental Funds and Activities	**$ 15,196,243**	**$ 10,263**	**$ (4,217,794)**	**$ 1,143,947**	**$ 12,132,659**
Proprietary Funds and Business-type Activities					
Major Funds:					
Higher Education Fund	$ 6,025,194	$ -	$ (2,873,736)	$ 7,228	$ 3,158,686
State Health Benefit Plan	266,431	-	(5,674)	-	260,757
Unemployment Compensation Fund	585,820	-	-	-	585,820
Nonmajor Funds:					
Enterprise Funds	381,528	(247,802)	-	(15,892)	117,834
Internal Service Funds	350,295	(18,215)	(57,487)	-	274,593
Internal Service Funds Look-Back Adjustments					
Removal of Internal Service Funds Relating to Governmental Activities	(487,120)	11,482	57,487	-	(418,151)
Total Proprietary Funds and Business-type Activities	**$ 7,122,148**	**$ (254,535)**	**$ (2,879,410)**	**$ (8,664)**	**$ 3,979,539**
Fiduciary Funds					
Pension and Other Employee Benefit Trust Funds	$ 85,529,434	$ 4,279	$ (27,706)	$ -	$ 85,506,007
Investment Trust Funds	6,579,813	-	-	-	6,579,813
Private Purpose Trust Funds	7,400	-	(2,207)	-	5,193
Total Fiduciary Funds	**$ 92,116,647**	**$ 4,279**	**$ (29,913)**	**$ -**	**$ 92,091,013**
Discretely Presented Component Units	**$ 7,461,753**	**$ 222,656**	**$ (203,204)**	**$ (31,019)**	**$ 7,450,186**
Total Reporting Entity	**$ 121,896,791**	**$ (17,337)**	**$ (7,330,321)**	**$ 1,104,264**	**$ 115,653,397**

NOTE 4 – NET POSITION AND FUND BALANCES

A. Restricted Net Position

Restricted net position at June 30, 2015 is as follows (amount in thousands):

	Governmental Activities	Business-Type Activities	Total Primary Government
Bond Covenants/Debt Service	$ 8,289	$ 40,603	$ 48,892
Capital Projects	-	14,461	14,461
Guaranteed Revenue Debt Common Reserve Fund	54,003	-	54,003
Lottery for Education	918,234	-	918,234
Higher Education	-	294,852	294,852
Motor Fuel Tax Funds	1,939,170	-	1,939,170
Permanent Trusts	14	206,887	206,901
Unemployment Compensation Benefits	-	989,920	989,920
Other Purposes	748,320	-	748,320
Total Restricted Net Position	**$ 3,668,030**	**$ 1,546,723**	**$ 5,214,753**

The restricted net position of the governmental activities includes $177.5 million of net position restricted by enabling legislation.

B. Fund Balances

The specific purposes of the governmental funds fund balances, classified as other than unassigned, at June 30, 2015 are as follows (amount in thousands):

	General Fund	General Obligation Bond Projects Fund	Nonmajor Governmental Funds	Total
Nonspendable Fund Balance				
Not in Spendable Form	$ 50,979	$ -	$ 243	$ 51,222
Legally Required to be Maintained Intact	-	-	14	14
Total Nonspendable Fund Balance	**$ 50,979**	**$ -**	**$ 257**	**$ 51,236**
Restricted Fund Balance				
Capital Projects	$ -	$ 743,709	$ -	$ 743,709
Guaranteed Revenue Debt				
Common Reserve Fund	54,003	-	-	54,003
Lottery For Education	918,234	-	-	918,234
Roads and Bridges (Motor Fuel Tax Funds)	1,837,896	-	101,273	1,939,169
Unissued Debt/Debt Service	78,296	-	8,289	86,585
Other				
General Government				
Unclaimed Property	82,675	-	-	82,675
Other	15,170	28,863	-	44,033
Education	4,683	-	-	4,683
Health and Welfare				
Community Health	54,107	-	-	54,107
Human Services	18,807	-	-	18,807
Public Health	11,475	-	-	11,475
Other	1,936	-	-	1,936
Transportation	46,018	-	192,743	238,761
Public Safety	56,955	-	-	56,955
Economic Development and Assistance	36,419	-	-	36,419
Culture and Recreation	68,002	-	-	68,002
Total Restricted Fund Balance	**$ 3,284,676**	**$ 772,572**	**$ 302,305**	**$ 4,359,553**

NOTE 4 – NET POSITION AND FUND BALANCES (continued)

	General Fund	General Obligation Bond Projects Fund	Nonmajor Governmental Funds	Total
Committed Fund Balance				
General Government	$ 3,948	$ -	$ -	$ 3,948
Health and Welfare	2,327	-	-	2,327
Public Safety	1,438	-	-	1,438
Total Committed Fund Balance	**$ 7,713**	**$ -**	**$ -**	**$ 7,713**
Assigned Fund Balance				
General Government	$ 87,114	$ 37,607	$ -	$ 124,721
Education	31,587	-	-	31,587
Health and Welfare	162,883			162,883
Transportation	80,354	-	20,558	100,912
Public Safety	69,406	-	-	69,406
Economic Development and Assistance	3,586	-	1,455	5,041
Culture and Recreation	7,644	-	442	8,086
Conservation	1,503	-	-	1,503
Total Assigned Fund Balance	**$ 444,077**	**$ 37,607**	**$ 22,455**	**$ 504,139**

Deficit Net Position

The following funds reported total net position deficits at June 30, 2015:

The governmental activities of the State ended the year with an Unrestricted Net Position deficit of $6.9 billion. The deficit is a result of the implementation of GASB No. 68 Accounting and Financial Reporting for Pensions for fiscal year 2015, 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, 2015 outstanding general obligation bonds applicable to these projects was $5.3 billion. Since the incurrence of this debt does not result in capital assets acquisitions for governmental activities, the debt is not reflected in the net position category, net investment in capital assets, but rather in the unrestricted net position category. The unrestricted deficit balance of the primary government however has been adjusted for the governmental activities outstanding debt balances related to capital assets reported in business-type activities.

The Department of Administrative Services (Internal Service Fund) ended the year with a deficit net position of $1.3 million due to the implementation of GASB No. 68 discussed in Note 2. The recognition and reporting of the net pension liability and related transactions including a restatement of beginning net position resulted in a deficit net position.

The Georgia Technology Authority also ended the year with a deficit net position of $18.8 million due primarily to a claim settled with the U.S. Department of Health and Human Services related to the Statewide Cost Allocation Plan for the fiscal years 2004 to 2009.

NOTE 5 – DEPOSITS AND INVESTMENTS

Cash and cash equivalents and investments as of June 30, 2015 are classified in the accompanying financial statements as follows (amount in thousands):

	Primary Government and Fiduciary Funds	Component Units	Total
Cash and Cash Equivalents	$ 7,630,793	$ 1,948,238	$ 9,579,031
Investments	2,544,439	2,810,213	5,354,652
Restricted Assets			
Cash and Cash Equivalents	329,505	239,413	568,918
Investments	78,015	974,449	1,052,464
Fiduciary Funds			
Cash and Cash Equivalents	8,199,983	-	8,199,983
Investments	83,919,089	-	83,919,089
Total Cash and Investments	**$ 102,701,824**	**$ 5,972,313**	**$ 108,674,137**

Cash on hand, deposits and investments as of June 30, 2015 consist of the following (amount in thousands):

	Primary Government and Fiduciary Funds	Component Units	Total
Cash on Hand	$ 1,582	$ 76	$ 1,658
Deposits with Financial Institutions (Note 5A)	7,270,363	756,434	8,026,797
Investments (Note 5B)	96,883,350	3,762,332	100,645,682
Assets Held at the Board of Regents on Behalf of Other Organizations	(59,192)	59,192	-
Assets Held at the Office of the State Treasurer on Behalf of Other Organizations	(1,394,279)	1,394,279	-
Total Cash and Investments	**$ 102,701,824**	**$ 5,972,313**	**$ 108,674,137**

A. Deposits

Deposits include certificates of deposit and demand deposit accounts, including certain interest bearing demand deposit accounts, referred to in Note B. Investments, on the following pages as negotiated investment deposit agreements (deposit agreements). The State Depository Board (Board) has authority to determine collateral requirements for State demand deposit accounts. Prior to October 2008, the Board waived collateral on State demand deposits in qualified State depositories. However, beginning in October 2008, in response to the U.S. financial crisis, the Board required collateralization of all uninsured State deposits until September 2012, when its investment policy was amended to permit the Office of the State Treasurer (OST) to diversify its portfolio to

NOTE 5 – DEPOSITS AND INVESTMENTS (continued)

include investments in deposit agreements that are with highly rated U.S. banks classified to be low or very low risk, as measured by the OST counterparty risk assessment model.

The Board permits OST to invest in deposit agreements in approved banks as an alternative to purchasing commercial paper and corporate notes issued by highly rated U.S. banks because of the clear preference of all depositor claims, insured and uninsured, over general creditors. OST has been advised that there is a clear and significant difference in favor of deposits over commercial paper in the event of insolvency or liquidation of a U.S. bank thus, OST gives preference to interest bearing demand deposits due to both a preference in safety of capital and daily liquidity. For any single financial institution, investments deposit agreements, in approved banks that are not collateralized or secured as described below, together with purchases of commercial paper, cannot exceed 5% of total portfolio assets invested by OST. In fiscal year 2015, OST had deposit agreements at eight qualifying institutions in lieu of holding commercial paper or corporate notes issued by those institutions. (See “OST Investment Policy” below, for additional information.)

As of June 30, 2015, OST had $4.5 billion invested in negotiated deposit agreements, of which, $2.4 billion was insured or fully collateralized and $2.1 billion was uncollateralized. These deposits are included in the table on the following page.

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

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

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

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

4) Industrial revenue bonds and bonds of development authorities created by the laws of the State.

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

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

NOTE 5 – DEPOSITS AND INVESTMENTS (continued)

equity capital to allow for fluctuation in demand deposit balances. Credit unions are not authorized to serve as State depositories.

Custodial Credit Risk – Deposits

The custodial credit risk for deposits is the risk that, in the event of a bank failure, the State's deposits may not be recovered. The OST Investment Policy specifies safety of capital as the first priority in investing funds and liquidity as the second priority, followed by investment return and diversification. In adherence to these objectives, OST maintains balances in deposit agreements in approved banks for investment unless commercial paper issued by those financial institutions offers a risk-adjusted advantage. OST closely monitors the credit of U.S. banks having deposit agreements. At June 30, 2015, bank balances of the primary government and its component units' deposits totaled $8.0 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 deposits, $2.2 billion were exposed to custodial credit risk as follows (amount in thousands):

	Primary Government	Component Units	Total
Uninsured and uncollaterized	$ 2,105,402	$ 10,423	$ 2,115,825
Uninsured and collateralized with securities held by the pledging financial institutions	-	3,375	3,375
Uninsured and collateralized with securities held by the pledging institutions' trust departments or agents, but not in the State's name	65,206	54,219	119,425
Total deposits exposed to custodial credit risk	**$ 2,170,608**	**$ 68,017**	**$ 2,238,625**

The carrying amounts of deposits of certain higher education foundations which utilize FASB standards were $110.2 million. These deposits are not included in the balances reflected above.

B. Investments

Investment Policies

Primary Government

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

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

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

NOTE 5 – DEPOSITS AND INVESTMENTS (continued)

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

1) Obligations of the United States and its subsidiary corporations and instrumentalities or entities sanctioned or authorized by the United States, and the following investments subject to credit constraints as described, below:

2) Repurchase agreements – Repurchase agreements and reverse repurchase agreements may be transacted with authorized dealers and banks that are rated investment grade by one or more nationally recognized rating agency, are determined by the State Treasurer to have adequate capital, with maximum exposure per institution determined by the State Treasurer and adjusted as needed due to the financial condition of such institutions, the size of the OST investment portfolios, and in accordance with the OST counterparty risk assessment model. Repurchase agreements must be collateralized by obligations of the United States and its subsidiary corporations and instrumentalities or entities sanctioned or authorized by the United States Government or other securities authorized for investment by the State Treasurer in subsection (b) of O.C.G.A. 50-17-63, such collateral having a market value ranging from 102% to 105% of the investment dependent upon the type collateral pledged. Collateral must be held by a third party custodian approved by the State Treasurer and marked to market daily. Exceptions to the requirements for third party custody of collateral may be approved by the State Treasurer for dealer banks if necessary on occasion and reported by the State Treasurer to the State Depository Board. All reverse repurchase agreements shall be approved in advance by the State Treasurer.

3) Certificates of deposit (“CD’s”) – The maximum term of CD’s shall not exceed five years. OST shall not place funds in CD’s at any depository if such placement of funds will result in total State deposits at such depository in excess of 100% of the financial institution’s total equity capital provided, however, that the State Treasurer may authorize placement of funds in CD’s at a depository if such placement of funds will result in total state deposits not to exceed 125% of total equity capital on an as needed basis to allow for fluctuations in demand deposit balances. All CD’s must be secured by collateral permitted by statute. Pledged securities shall be held by a third party custodian and have market value at least 110% of the investment.

4) Commercial paper (“CP”) – CP issued by domestic corporations carrying ratings no lower than P-1 by Moody’s Investors Service and A-1 by Standard & Poor’s Corporation, in an amount, including

NOTE 5 – DEPOSITS AND INVESTMENTS (continued)

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

5) Negotiated investment deposit agreements – Deposit agreements with banks that are (a) secured by collateral permitted by statute, held by a third party custodian, marked to market daily, and having a market value equal to, or exceeding 110% of the deposits; (b) fully secured by a letter of credit issued by the Federal Home Loan Bank; (c) fully secured by a surety bond issued by a financial institution approved by the State Depository Board; or, (d) subject to funds being available upon demand, with U.S. banks carrying ratings no lower than P-2 by Moody's Investors Service or A-2 by Standard & Poor's Corporation, are determined by the State Treasurer to have adequate capital, with maximum exposure per institution determined by the State Treasurer and adjusted as needed due to the financial condition of such institutions, the size of the OST investment portfolios, and in accordance with the OST counterparty risk assessment model in an amount, including any CP issued by the respective financial institution held for investment by OST, that does not exceed 5% of portfolio assets for any single institution.

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

7) Obligations issued by this State or its agencies or other political subdivisions of this State – Such investments, if meeting statutory investment requirements, may be approved for investment by the State Treasurer with the requirement that they are of high credit quality and are reported to the State Depository Board.

8) Obligations of corporations – Obligations of domestic corporations must be rated investment grade or higher by a nationally recognized rating agency.

9) Obligations issued by the government of any foreign country – Direct obligations of the government of any foreign country must be rated A or higher by a nationally recognized rating agency.

10) International Bank for Reconstruction and Development or the International Financial Corporation – Obligations issued, assumed or guaranteed by the International Bank for Reconstruction and Development or the International Financial Corporation must be rated A or higher by a nationally recognized rating agency.

11) Such other limitations as determined by the State Treasurer to be necessary for the preservation of principal, liquidity or marketability of any of the portfolios managed by OST.

Investment Policy for Approved Agency Accounts

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

NOTE 5 – DEPOSITS AND INVESTMENTS (continued)

June 30, 2015, no State organizations had received Board approval to establish investment accounts governed by the Investment Policy for Approved Agencies.

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

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

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

1) <u>Short Term Fund</u> – The Short Term Fund provides a current return and stability of principal while affording a means of overnight liquidity for projected cash needs. The investment maturities of the fund will range between daily and three years. The fund will typically have an average duration of three quarters to one year. The overall character of the portfolio is of Treasury and Agency quality, possessing a minimal degree of financial risk.

2) <u>Legal Fund</u> – The Legal Fund provides an opportunity for greater income and modest principal growth to the extent possible with the securities allowed under Georgia Code 50-17-59 and 50-17-63. The average maturities in this fund will typically range between five and ten years, with a maximum of thirty years for any individual investment. The overall character of the portfolio is of Treasury and Agency quality, possessing a minimal degree of financial risk.

3) <u>Balanced Income Fund</u> – The Balanced Income Fund is designed to be a vehicle to invest funds that are not subject to the state regulations concerning investing in equities. This pool is appropriate for investing longer term funds that require a more conservative investment strategy. This fund is comprised of fixed income, equity and cash equivalent instruments. Investments are limited to domestic U.S. equities and domestic fixed income.

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

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

NOTE 5 – DEPOSITS AND INVESTMENTS (continued)

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

5) Diversified Fund – The Diversified Fund is designed to provide improved return characteristics with reduced volatility through greater diversification. Investments may include domestic, international and emerging market equities, domestic fixed income and global fixed income.

The equity allocation range shall be between 50% and 75% of the portfolio, with a target of 65% of the total portfolio. The fixed income (bond) portion of the portfolio shall be between 20% and 40%, with a target of 35% of the total portfolio.

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

Fiduciary Funds – Pension and Other Employee Benefit Trust Funds

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

1) U.S. or Canadian corporations or their obligations with limits as to the corporations' size and credit rating.

2) Repurchase and reverse repurchase agreements for direct obligations of the U.S. Government and for obligations unconditionally guaranteed by agencies.

3) FDIC insured cash assets or deposits.

4) Bonds, notes, warrants, loans or other debt issued or guaranteed by the U.S. Government.

5) Taxable bonds, notes, warrants or other securities issued and guaranteed by any state, the District of Columbia, Canada or any province in Canada.

6) Bonds, debentures or other securities issued or insured or guaranteed by an agency, authority, unit, or corporate body created by the U.S. Government.

7) Investment grade collateralized mortgage obligations.

8) Obligations issued, assumed or guaranteed by the International Bank for Reconstruction and Development or the International Financial Corporation.

9) Bonds, debentures, notes and other evidence of indebtedness issued, assumed, or guaranteed by any solvent institution existing under the laws of the U.S. or of Canada, or any state or province thereof, which are not in default and are secured to a certain level.

NOTE 5 – DEPOSITS AND INVESTMENTS (continued)

10) Secured and unsecured obligations issued by any solvent institution existing under the laws of the U.S. or of Canada, or any state or province thereof, bearing interest at a fixed rate, with mandatory principal and interest due at a specified time with additional limits.

11) Equipment trust obligations or interests in transportation equipment, wholly or in part within the U.S., and the right to receive determinate portions or related income.

12) Loans that are secured by pledge or securities eligible for investment.

13) Purchase money mortgages or like securities received upon the sale or exchange of real property acquired.

14) Secured mortgages or mortgage participation, pass-through, conventional pass-through, trust certificate, or other similar securities with restrictions.

15) Land and buildings on such land used or acquired for use as a fund’s office for the convenient transaction of its own business with restrictions.

16) Real property and equipment acquired under various circumstances.

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

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

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, 2015, are as follows (amount in thousands):

	Fair Value
Cash Held by Investment Organization	$ 68,030
Certificates of Deposit	760
Corporate Bonds	262,124
Diversifying Strategies	73,931
Equity Securities	981,513
Fixed Income	91,537
Government and Agency Securities	38,338
Hedge Funds	337,964
Investment Pools	820,881
Joint Ventures/Partnerships	1,861
Money Market Accounts	60,290
Mortgage Backed Securities	22,581
Mutual Funds	34,280
Natural Resources	62,256
Real Estate	141,204
Venture Capital	8,153
Total Investments	**$ 3,005,703**

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

Interest Rate Risk

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

Primary Government

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

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

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

NOTE 5 – DEPOSITS AND INVESTMENTS (continued)

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

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

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

	Total Fair Value	Maturity Period: Less than 3 Months	4 - 12 Months	1 - 5 Years	6 - 10 Years	More than 10 Years
Asset-Backed Securities	$ 10,159	$ -	$ -	$ 10,159	$ -	$ -
Commercial Paper	879,030	879,030	-	-	-	-
Corporate Debt						
Domestic	26,492	27	2,058	23,468	648	291
International Government						
Obligations	10,007	-	-	10,007	-	-
Money Market Mutual Funds	59,713	59,133	580	-	-	-
Mortgage-Backed Securities						
Commercial	9,665	2,074	1,815	5,776	-	-
Municipal Bonds	1,515	5	-	1,159	189	162
Mutual Funds - Debt*	62,598	157	-	18,345	39,031	5,065
Repurchase Agreements	6,415,517	5,170,517	1,245,000	-	-	-
U.S. Agency Obligations	4,326,752	406,647	2,936,246	564,544	123,433	295,882
U.S. Treasury Obligations	139,544	2,210	35,539	97,323	4,463	9
Total Debt Securities	**11,940,992**	**$ 6,519,800**	**$ 4,221,238**	**$ 730,781**	**$ 167,764**	**$ 301,409**
Equity Securities - Domestic	134,270					
Equity Securities - International	2,711					
Funds on Deposit with U.S.						
Treasury for Unemployment						
Compensation	872,025					
Mutual Funds - Equity	86,466					
Real Estate	6,145					
Real Estate Investment Trust	8,104					
Total Investments	**$13,050,713**					

*Maturity Period is weighted average maturity.

NOTE 5 – DEPOSITS AND INVESTMENTS (continued)

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

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

	Total Fair Value	Effective Duration (Years)
Corporate and Other Bonds	$ 12,165,496	3.9
International Obligations:		
Government	400,584	2.3
Corporate	903,175	2.4
U.S. Agency Obligations	10,005	0.3
U.S. Treasury Obligations	9,871,407	6.2
Total Debt Securities	23,350,667	
Common Stock		
Domestic	42,861,377	
International	14,476,585	
Mutual Funds - Equity	1,204,392	
Private Equity	51,767	
Total Investments	**$ 81,944,788**	

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	$ 32,650	$ -	$ 48	$ 10,042	$ 8,098	$ 14,462
Corporate Debt						
Domestic	151,373	2,797	8,134	47,083	49,977	43,382
International	12,071	-	558	4,156	5,198	2,159
International Government Obligations	949	-	-	-	-	949
Money Market Mutual Funds	99,484	48,761	-	-	-	50,723
Mortgage-backed Securities						
Commercial	103,271	-	-	278	211	102,782
Municipal Bonds	2,779	-	-	253	264	2,262
Mutual Funds - Debt*	50,711	221	-	16,428	31,564	2,498
U.S. Agency Obligations	84,020	-	931	2,031	1,403	79,655
U.S. Treasury Obligations	40,404	-	110	16,159	16,176	7,959
Total Debt Securities	**$ 577,712**	**$ 51,779**	**$ 9,781**	**$ 96,430**	**$112,891**	**$306,831**
Equity Securities						
Domestic	497,940					
International	52,926					
Mutual Funds - Equity	719,278					
Real Estate Investment Trust	39,993					
Total Investments	**$ 1,887,849**					

*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	$ 15,472	$ -	$ -	$ 3,376	$ 1,741	$ 10,355
Corporate Debt						
Domestic	101,949	1,709	7,262	82,937	8,907	1,134
International	6,264	791	320	3,625	1,528	-
International Government Obligations	522	201	111	210	-	-
Investment Agreements	25,672	-	-	-	5,468	20,204
Money Market Mutual Funds	26,656	26,650	-	-	-	6
Mortgage-Backed Securities						
Commercial	123,090	111	-	6,868	7,356	108,755
Municipal Bonds	13,474	431	445	11,982	188	428
Mutual Funds - Debt*	15,322	-	-	15,248	-	74
Repurchase Agreements	32,786	27,021	-	-	-	5,765
U.S. Agency Obligations	92,366	2,610	6,367	27,543	13,872	41,974
U.S. Treasury Obligations	234,319	5,235	19,498	81,947	74,307	53,332
Total Debt Securities	**687,892**	**$ 64,759**	**$ 34,003**	**$ 233,736**	**$ 113,367**	**$ 242,027**
Equity Securities						
Domestic	32,602					
International	12,008					
Joint Venture	1,709					
Managed Futures/Hedge Funds	8,576					
Mutual Funds - Equity	13,800					
Real Estate	42					
Total Investments	**$ 756,629**					

* 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.

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

	Total Fair Value	AAA	AA	A-1	A-2	A	BBB	BB	B	Not Rated
Asset-Backed Securities	$ 10,159	$ 10,159	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Commercial Paper	879,030	-	-	501,572	377,458		-	-	-	-
Corporate Debt										
Domestic	26,492	519	5,242	-	-	13,597	6,229	-	-	905
International Government										
Obligations	10,007	-	-	-	-	10,007	-	-	-	-
Money Market Mutual Funds	59,713	15,990	-	-	-	-	-	-	-	43,723
Mortgage-Backed Securities						-				
Commercial	9,665	5,489	2,441	-	-	1,362	373	-	-	-
Municipal Bonds	1,515	1,471	5	-	-	4	-	-	-	35
Mutual Funds - Debt	62,598	318	45	-	-	32	248	251	232	61,472
Repurchase Agreements	5,216,455	135,061	212,303	-	4,902	1,228,959	2,017,923	1,836	-	1,615,471
U. S. Agency Obligations	4,126,934	46,792	1,327,689	2,384,147	-	-	-	-	-	368,306
Total Credit Risk -										
Investments	**10,402,568**	**$ 215,799**	**$ 1,547,725**	**$ 2,885,719**	**$ 382,360**	**$ 1,253,961**	**$ 2,024,773**	**$ 2,087**	**$ 232**	**$ 2,089,912**
U.S. Treasury Obligations	139,544									
U.S. Agency Obligations										
Explicitly Guaranteed	199,818									
Repurchase Agreements Backed by:										
U. S. Treasury Obligations	632,597									
U. S. Agency Obligations										
Explicitly Guaranteed	566,465									
Total Debt Securities	**$ 11,940,992**									

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

NOTE 5 – DEPOSITS AND INVESTMENTS (continued)

Fiduciary Funds – Pension and Other Employee Benefit Trust Funds

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

	Total Fair Value	Asset-backed Securities Domestic	Corporate Debt Domestic	Corporate Debt Inter-national	International Government Obligations	Money Market Mutual Funds	Mortgage-backed Securities	Municipal Bonds	Mutual Funds - Debt	U.S. Agency Obligations
AAA	$ 1,852,272	$ 20,961	$ 1,803,396	$ -	$ -	$ 41	$ 15,685	$ -	$ -	$ 12,189
AA	2,556,482	1,237	1,629,454	903,733	-	-	7,578	2,127	-	12,353
A	8,817,730	1,989	8,398,919	2,993	400,584	-	12,593	652	-	-
BBB	506,624	3,291	478,337	8,179	621	-	16,196	-	-	-
BB	20,696	-	2,468	37	328	-	17,863	-	-	-
B	9,857	-	-	-	-	-	9,857	-	-	-
CCC	2,258	-	-	-	-	-	2,258	-	-	-
CC	1,241	-	-	-	-	-	1,241	-	-	-
C	1,143	-	-	-	-	-	1,143	-	-	-
D	763	-	-	-	-	-	763	-	-	-
Unrated	243,272	5,172	4,295	304	-	99,443	18,094	-	50,711	65,253
Total Credit Risk - Investments	**14,012,338**	**$ 32,650**	**$ 12,316,869**	**$ 915,246**	**$ 401,533**	**$ 99,484**	**$ 103,271**	**$ 2,779**	**$ 50,711**	**$ 89,795**
U.S. Treasury Obligations	9,911,811									
U. S. Agency Obligations Explicitly Guaranteed	4,230									
Total Debt Securities	**$23,928,379**									

Component Units

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

	Total Fair Value	AAA	AA	A	BBB	BB	CCC	Not Rated
Asset-Backed Securities	$ 15,472	$ 9,832	$ 1,415	$ 2,668	$ 904	$ 172	$ 324	$ 157
Corporate Debt								
Domestic	101,949	3,654	12,099	46,590	39,185	405	-	16
International	6,264	2,519	446	2,123	933	243	-	-
International Government Obligations	522	-	522	-	-	-	-	-
Investment Agreements	25,672	17,324	7,488	860				-
Money Market Mutual Funds	26,656	18,736	-	-	-	-	-	7,920
Mortgage-Backed Securities								
Commercial	123,090	19,194	103,486	410	-	-	-	-
Municipal Bonds	13,474	575	9,029	3,870	-	-	-	-
Mutual Funds - Debt	15,322	-	-	-	-	-	-	15,322
Repurchase Agreements	32,786	5,765	-		-	-	-	27,021
U. S. Agency Obligations	81,675	20,555	61,120	-	-	-	-	-
Total Credit Risk - Investments	**442,882**	**$ 98,154**	**$ 195,605**	**$ 56,521**	**$ 41,022**	**$ 820**	**$ 324**	**$ 50,436**
U.S. Treasury Obligations	234,319							
U.S. Agency Obligations Explicitly Guaranteed	10,691							
Total Debt Securities	**$ 687,892**							

NOTE 5 – DEPOSITS AND INVESTMENTS (continued)

Custodial Credit Risk – Investments

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

Primary Government

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

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

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

3) Repurchase agreements are collateralized by obligations of the United States and its subsidiary corporations and instrumentalities or entities sanctioned or authorized by the United States government or other securities authorized by the Treasurer in subsection (b) of Code Section 50-17-63 in accordance with the State Depository Board policy.

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.

NOTE 5 – DEPOSITS AND INVESTMENTS (continued)

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, 2015, $5.2 million of the pension and other employee benefit trust funds' investments were uninsured, unregistered and held by the counterparty or the counterparty's trust department, but not in the State's name.

Component Units

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

Concentration of Credit Risk

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

Primary Government

To manage concentration risk, the OST Investment Policy requires diversification of investments to reduce overall portfolio risks while maintaining market rates of return. Investments in each portfolio shall be diversified to mitigate risk of loss from an over-concentration in a specific issuer, counterparty or depository. The State Treasurer establishes Investment Guidelines for each investment portfolio to assure that prudent diversification and adequate liquidity is maintained. OST utilizes a counterparty risk assessment model to determine maximum exposure to each approved financial institution.
The University System's policy for managing concentration of credit risk is to diversify investments to the extent that any single issuer shall be limited to 5% of the market value in a particular investment fund.

At June 30, 2015, approximately 43.4% of the primary government's total investments were investments in securities of U.S. agencies not explicitly guaranteed by the U.S. Government and Repurchase Agreements that were collateralized with investments in securities of U.S. 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, 2015, 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, 2015, 10.8% of the component units' total investments were investments in securities of U.S. agencies not explicitly guaranteed by the U.S. Government.

NOTE 5 – DEPOSITS AND INVESTMENTS (continued)

Foreign Currency Risk

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

Fiduciary Funds – Pension and Other Employee Benefit Trust Funds

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

As of June 30, 2015, the State's exposure to foreign currency risk in U.S. Dollars is highlighted in the table below:

International Investment Securities at Fair Value as of June 30, 2015

	Employees' Retirement System of Georgia			Teachers Retirement System of Georgia			Firefighters' Pension Fund		
Currency	**Equities**	**Fixed Income**	**Total**	**Equities**	**Fixed Income**	**Total**	**Equities**	**Fixed Income**	**Total**
Australian Dollar	43,905,092	-	43,905,092	187,596,832	-	187,596,832	-	-	-
Bermudian Dollar	-	-	-	-	-	-	1,092,362	-	1,092,362
Brazilian Real	22,933,815	-	22,933,815	93,228,648	-	93,228,648	-	-	-
British Pound	108,371,525	-	108,371,525	445,828,679	-	445,828,679	-	-	-
Canadian Dollar	12,929,015	-	12,929,015	52,561,135	-	52,561,135	2,079,296	-	2,079,296
Danish Krone	9,917,072	-	9,917,072	40,245,475	-	40,245,475	-	-	-
Euro	76,233,489	-	76,233,489	318,331,503	-	318,331,503	-	-	-
Hong Kong Dollar	65,479,876	-	65,479,876	271,525,781	-	271,525,781	-	-	-
Indonesian Rupiah	5,455,766	-	5,455,766	22,472,651	-	22,472,651	-	-	-
Japanese Yen	59,559,248	-	59,559,248	242,903,698	-	242,903,698	-	-	-
Malaysian Ringgit	9,407,840	-	9,407,840	41,819,807	-	41,819,807	-	-	-
Mexican Peso	7,249,077	-	7,249,077	29,195,903	-	29,195,903	-	-	-
New Taiwan Dollar	45,010,401	-	45,010,401	191,669,196	-	191,669,196	-	-	-
Norwegian Krone	2,071,297	-	2,071,297	8,704,102	-	8,704,102	-	-	-
Philippine Peso	5,307,393	-	5,307,393	21,604,536	-	21,604,536	-	-	-
Polish Zloty	4,521,457	-	4,521,457	20,875,005	-	20,875,005	-	-	-
Singapore Dollar	15,096,642	-	15,096,642	64,772,201	-	64,772,201	-	-	-
South African Rand	29,481,033	-	29,481,033	124,974,515	-	124,974,515	-	-	-
South Korean Won	58,782,988	-	58,782,988	254,542,033	-	254,542,033	-	-	-
Swedish Krona	22,215,773	-	22,215,773	88,550,794	-	88,550,794	-	-	-
Swiss Franc	5,052,347	-	5,052,347	23,388,778	-	23,388,778	-	-	-
Thailand Baht	16,194,516	-	16,194,516	68,609,052	-	68,609,052	-	-	-
Total Holdings subject to Foreign Currency Risk	625,175,662	-	625,175,662	2,613,400,324	-	2,613,400,324	3,171,658	-	3,171,658
Investment Securities payable in U.S. Dollars	2,128,282,706	250,721,170	2,379,003,876	9,109,726,419	1,053,037,830	10,162,764,249	8,271,424	6,053,909	14,325,333
Total International Investment Securities - at Fair Value	$ 2,753,458,368	$ 250,721,170	$ 3,004,179,538	$ 11,723,126,743	$ 1,053,037,830	$ 12,776,164,573	$ 11,443,082	$ 6,053,909	$ 17,496,991

NOTE 5 – DEPOSITS AND INVESTMENTS (continued)

C. Securities Lending Program

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

Fiduciary Funds – Pension and Other Employee Benefit Trust Funds

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

Securities loaned totaled $20.5 billion at June 30, 2015, and the collateral value was equal to 104.0%. The loaned securities are in the accompanying note disclosures based on the custodial arrangements for the collateral securities. Loaned securities are included in the accompanying Statement of Net 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.

D. Other Investments

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

The Commissioner of the Department of Agriculture is directed by statute to require dealers in certain agricultural products and livestock to make and deliver to the Department a surety or cash bond to secure the faithful accounting for and payment to producers of the proceeds of agricultural products or livestock handled or sold by the dealer. Cash bonds are required to designate the Department as trustee of the funds and may take the form of certificates of deposit, letters of credit, money orders or cashiers' checks. At June 30, 2015, the Department held surety bonds in the amount of $41.0 million, and cash bonds in the amount of $16.2 million. These bonds are not recorded on the Balance Sheet.

Securities are held by the Commissioner of Insurance pursuant to statutes that require licensed insurance companies to deposit securities prior to issuance of a certificate of authority to transact insurance. These securities remain in the name of the licensed insurance company as long as the company has a pending claim in the State or until a proper order of a court of competent jurisdiction has been issued to the receiver, conservator, rehabilitator, or liquidator of the insurer or to any other properly designated official or officials who succeed to the management and control of the insurer's assets. The purchase and redemption of such securities are allowed as long as the required levels of deposits are maintained. At June 30, 2015, securities valued at $195.3 million were held by the Department of Insurance. These securities are not recorded on the Balance Sheet.

NOTE 5 – DEPOSITS AND INVESTMENTS (continued)

Statutes require that surety bonds be provided for State public works contracts. The Department of Transportation holds surety bonds in the amount of $3.7 billion for construction performance to ensure proper completion and complete performance of construction contracts, and $3.9 billion for construction payment to ensure that payments are made by the general contractor to all subcontractors. These bonds are not recorded on the Balance Sheet.

The Georgia State Financing and Investment Commission (GSFIC) State Construction Manual policies require that surety bonds be provided for payment and performance of all State projects of $100,000 or more. The Department of Corrections holds surety bonds in the amount of $19.7 million for construction performance to ensure proper completion and complete performance of construction contracts. These bonds are not recorded on the Balance Sheet.

For any organization that elects to assume the liability for unemployment compensation payments in lieu of making contributions to the Unemployment Compensation Fund, the Commissioner of the Department of Labor is authorized by statute to require such organization to execute and file with the Commissioner a cash deposit or surety bond. Cash deposits are held on behalf of such organizations in the Department's name, and are reported as agency funds. At June 30, 2015, the Department held surety bonds in the amount of $62.0 million. These bonds are not recorded on the Statement of Net Position.

E. External Investment Pools

The state operates two local government investment pools managed by OST and comprised of Georgia Fund 1, its primary liquidity portfolio and the Georgia Extended Asset Pool. Both 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. The year-end balance in the reserve was $6.1 million and is reflected in Georgia Fund 1. Separate reports on the State's investment pools are not issued. Condensed financial statements, inclusive of external and internal participants for the fiscal year ended June 30, 2015, and related risk disclosures for investments are as follows:

NOTE 5 – DEPOSITS AND INVESTMENTS (continued)

Georgia Fund 1

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

Georgia Fund 1
Statement of Net Position
June 30, 2015
(amount in thousands)

Assets		
Cash and Cash Equivalents	$	7,716,063
Investments	$	3,501,819
Interest Receivable		778
Net Position	**$**	**11,218,660**
Distribution of Net Position		
External Participant Account Balances	$	6,321,723
Internal Participant Account Balances		4,896,937
Total Net Position	**$**	**11,218,660**

Georgia Fund 1
Statement of Changes in Net Position
For the Fiscal Year Ended June 30, 2015
(amount in thousands)

Additions		
Pool Participant Deposits	$	36,094,103
Interest and Other Investment Income		
Interest		18,819
Net Increase in the Fair Value of Investments		487
Less: Investment Expense		(3,169)
Total Additions		**36,110,240**
Deductions		
Pool Participant Withdrawals		35,823,405
Net Increase		**286,835**
Net Position		
July 1, 2014		10,931,825
June 30, 2015	**$**	**11,218,660**

Deposits

Because the State does not maintain separate bank accounts for Georgia Fund 1, separate custodial credit risk disclosures for the Fund's deposits cannot be presented. The carrying amount of the Fund's deposits as of June 30, 2015, was $3.8 billion. This amount is included in the deposit disclosures of the primary government.

Investments

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

NOTE 5 – DEPOSITS AND INVESTMENTS (continued)

Interest Rate Risk
OST's policy for management of interest rate risk attempts to match investments with expected cash requirements. However, certificates of deposit may not have a term exceeding five years. The State Treasurer may establish duration or maturity limitations for other investments. The Fund's investments and exposure to interest rate risk are presented below (amount in thousands):

	Total Fair Value	Maturity Period: Less than 3 Months	Maturity Period: 4 - 12 Months	Range of Yields
Commercial Paper	$ 879,030	$ 879,030	$ -	.150% - .230%
Repurchase Agreements	3,750,000	3,285,000	$ 465,000	.060% - .468%
U.S. Agency Obligations	2,786,819	313,470	2,473,349	.149% - .350%
Total Investments	**$ 7,415,849**	**$ 4,477,500**	**$ 2,938,349**	

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

	Total Fair Value	Commercial Paper	Repurchase Agreements	U.S. Agency Obligations
AAA	$ 41,688	$ -	$ 41,688	$ -
AA	485,080	-	82,408	402,672
A-1	2,885,719	501,572	-	2,384,147
A-2	377,458	377,458	-	
A	402,224	-	402,224	-
BBB	772,042	-	772,042	-
Unrated	1,282,994	-	1,282,994	-
Toal Credit Risk - Investments	**6,247,205**	**$ 879,030**	**$ 2,581,356**	**$ 2,786,819**
Repurchase Agreements Backed by:	629,309			
U. S. Treasury Obligations				
U. S. Agency Obligations				
Explicitly Guaranteed	539,335			
Total Debt Securities	**$ 7,415,849**			

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

Concentration of Credit Risk
For overnight repurchase agreements, OST limits each counterparty to 25% of the total pool. For U.S. Government-sponsored enterprises, OST limits such agencies to no more than 33.3% of the total pool. For commercial paper and negotiated investment deposit agreements, OST manages to a target of 5% for any single institution. At June 30, 2015, approximately 54.8% of the pool's total investments were investments in securities of U.S. agencies not explicitly guaranteed by the U.S. Government and Repurchase Agreements that were collateralized with U.S. agencies securities not explicitly guaranteed by the U.S. Government. In addition, 11.8% were investments in Commercial Paper with U.S. based banks.

NOTE 5 – DEPOSITS AND INVESTMENTS (continued)

Georgia Extended Asset Pool

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

Georgia Extended Asset Pool
Statement of Net Position
June 30, 2015
(amount in thousands)

Assets		
Cash and Cash Equivalents	$	92,039
Investments	$	129,454
Interest Receivable		56
Net Position	**$**	**221,549**
Distribution of Net Position		
External Participant Account Balances	$	122,440
Internal Participant Account Balances		99,109
Total Net Position	**$**	**221,549**

Georgia Extended Asset Pool
Statement of Changes in Net Position
For the Fiscal Year Ended June 30, 2015
(amount in thousands)

Additions		
Pool Participant Deposits	$	19,500
Interest and Other Investment Income		
Interest		461
Net Decrease in the Fair Value of Investments		(36)
Less: Investment Expense		(92)
Total Additions		**19,833**
Deductions		
Pool Participant Withdrawals		28,130
Net Decrease		**(8,297)**
Net Position		
July 1, 2014		229,846
June 30, 2015	**$**	**221,549**

Deposits

Because the State does not maintain separate bank accounts for GEAP, separate custodial credit risk disclosures for GEAP's deposits cannot be presented. The carrying amount of GEAP's deposits as of June 30, 2015, was $29.5 million. This amount is included in the deposit disclosures of the primary government.

Investments

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

NOTE 5 – DEPOSITS AND INVESTMENTS (continued)

Interest Rate Risk
OST's policy for management of interest rate risk attempts to match investments with expected cash requirements. However, certificates of deposit may not have a term exceeding five years. The State Treasurer may establish duration or maturity limitations for other investments. GEAP's investments and exposure to interest rate risk are presented below (amount in thousands):

	Total Fair Value	Maturity Period: Less than 3 Months	Maturity Period: 4 - 12 Months	Range of Yields
Repurchase Agreements	$ 150,000	$ 100,000	$ 50,000	0.312% - 0.436%
U.S. Agency Obligations	42,039	20,022	22,017	0.320% - 0.453%
Total Investments	$ 192,039	$ 120,022	$ 72,017	

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

	Total Fair Value	Repurchase Agreements	U.S. Agency Obligations
AAA	$ 640	$ 640	$ -
AA	50,221	8,182	42,039
A	15,398	15,398	-
BBB	105,150	105,150	-
Unrated	20,630	20,630	-
Toal Credit Risk - Investments	**$ 192,039**	**$ 150,000**	**$ 42,039**

Concentration of Credit Risk
At June 30, 2015, more than 5% of the Fund's total investments were investments in securities of U.S. agencies not explicitly guaranteed by the U.S. government and Repurchase Agreements that were collateralized with investments in securities of U.S. agencies not explicitly guaranteed by the U.S. Government. These investments represented 32.5% of total investments.

NOTE 6 – DERIVATIVE INSTRUMENTS

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

A. Primary Government

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

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

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

	Change in Fair Value		Fair Value at 06/30/2014		
	Classification	**Amount**	**Classification**	**Amount**	**Notional**
Proprietary funds' activities					
Cash flow hedges:					
VSU Auxiliary Services Real Estate Foundation, Inc. 2008B - Interest Rate Swap	Deferred outflow of resources	$ 3,842	Debt	$ (3,769)	$ 28,435

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

The VSU Foundation has an outstanding interest rate swap agreement effectively changing the interest rate exposure on the $28.3 million bond payable from variable to a 4.05% fixed rate over the term of the bond payable. As of December 31, 2014, the total notional amount of the swap was $28.3 million. As of December 31, 2014, the fair value of this interest rate swap was a liability of $6.8 million. The VSU Foundation recorded a gain on the swap of $3.0 million for the year ended December 31, 2014.

Revenue bonds in the amount of $28.7 million (Series 2008B Bonds), were issued June 19, 2008 by the South Regional Joint Development Authority (the Authority), a public body corporate and politic created pursuant to the constitution and laws of the State of Georgia, including Development Authorities Law, as amended, and were loaned to Georgia & Reade LLC, (a limited liability corporation owned solely by the VSU Foundation) (Company) to finance the construction of the Georgia Hall Project and the Reade Hall Project. The bonds were issued pursuant to the Development Authorities Law of the State of Georgia and in accordance with the provisions of a Trust Indenture dated June 1, 2008 between the Authority and Wells Fargo Bank, National Association, as the trustee (the Trustee). The Series 2008B Bonds were issued in the form of fully registered bonds in the denominations of $100,000 and any integral multiple of $5,000 in excess thereof. Interest rates are variable and the bonds mature in 2039. Payment of the principal of and interest on the Series 2008B Bonds will be principally secured by an irrevocable, direct-pay letter of credit issued by Wells Fargo Bank, National Association (the Bank, previously Wachovia Bank, National Association) on the date of issuance of the bonds pursuant to the terms of the Reimbursement Agreement. The original letter of credit dated June 19, 2008 was extended to December 14, 2010.

NOTE 6 – DERIVATIVE INSTRUMENTS (continued)

Additional security for the Series 2008B Bonds each consists of; 1) the trust estate (from which the bonds are payable); 2) the Debt Service Reserve Fund; 3) the loan agreement; 4) the project estate and personal property as set forth in the security deed, agreements and documents relating to the construction and management of the project; and 5) any and all rents and leases for use of the project property.

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

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

B. Component Units

<u>Component Units – GASB Organizations</u>

The fair value balances and notional amounts of hedging derivative investments outstanding as reported in the fiscal year 2015 financial statements for higher education foundations reported as component units reporting under GASB provisions are as follows (amount in thousands):

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

NOTE 6 – DERIVATIVE INSTRUMENTS (continued)

The fair value balances and notional amounts of hedging derivative instruments outstanding at June 30, 2014, and the changes in fair value of such derivative instruments for the year then ended as reported in the fiscal year 2014 financial statements for higher education foundations reported as component units under GASB are as follows (amount in thousands):

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

Interest Rate Swap Derivatives

University of Georgia Athletic Association, Inc. (UGAA)
The fair value balances and notional amounts of hedging derivative investments outstanding as reported in the fiscal year 2015 financial statements are documented above. For derivative transactions, unless otherwise specified, Bank of America Merrill Lynch (BOAML) furnishes a single value for each transaction, even if comprised of multiple legs. Unless otherwise specified, valuations for derivative instruments represent, or are derived from, mid-market values. For some derivative instruments, mid-market prices and inputs may not be observable. Instead, valuations may be derived from proprietary or other pricing models based on certain assumptions regarding past, present and future market conditions. Some inputs may be theoretical, not empirical, and require BOAML to make subjective assumptions and judgments in light of their experience. For example, in valuing over-the-counter (OTC) equity options where there is no listed option with a corresponding expiration date, BOAML must estimate the future share price volatility based on realized volatility of the underlying shares over periods deemed relevant, implied volatilities of the longest dated listed options available on the underlying shares or major indices and other relevant factors. Valuations of securities with embedded derivatives may be based on assumptions as to the volatility of the underlying security, basket or index, interest rates, exchange rates, dividend yields, correlations between these or other factors, the impact of these factors upon the value of the security (including the embedded options), as well as issuer funding rates and credit spreads (actual or approximated) or additional relevant factors. While BOAML believes that the methodology and data they use to value derivatives and securities with embedded derivatives are reasonable and appropriate, other dealers might use different methodology or data and may arrive at different valuations.

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

NOTE 6 – DERIVATIVE INSTRUMENTS (continued)

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

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

As of June 30, 2015, the fair value of the interest rate swap agreement on the 2003 Series Bonds was $(2.2 million), indicating the amount that UGAA would be required to pay the Counterparty to terminate the swap agreement.

As of June 30, 2015, the fair value of the interest rate swap agreement on the 2005A Series Bonds was $(1.0 million), indicating the amount that UGAA would be required to pay the Counterparty to terminate the swap agreement.

As of June 30, 2015, the fair value of the interest rate swap agreement on the 2005B Series Bonds was $(4.4 million), indicating the amount that UGAA would be required to pay the Counterparty to terminate the swap agreement.

Swap Payments and Associated Debt – As of June 30, 2015, debt service requirements of the variable rate debt and net swap payments, assuming current interest rates remain the same for their term, were as follows (amount in thousands). As rates vary, variable rate bond interest payments and net swap payments will vary.

	Variable Rate Bonds		Interest Rate	
	Principal	Interest	Swaps, Net	Total
Year ending:				
2016	$ 2,535.0	$ 21.7	$ 1,598.3	$ 4,155.0
2017	2,595.0	19.5	1,493.2	4,107.7
2018	2,660.0	17.4	1,385.4	4,062.8
2019	2,730.0	15.1	1,274.8	4,019.9
2020	2,795.0	12.9	1,161.5	3,969.4
2021-2025	11,105.0	39.9	4,393.4	15,538.3
2026-2030	9,840.0	24.0	2,740.2	12,604.2
2031-2035	10,405.0	8.3	950.3	11,363.6
2036	1,580.0	-	-	1,580.0
Total	**$ 46,245.0**	**$ 158.8**	**$ 14,997.1**	**$ 61,400.9**

Credit Risk – As of June 30, 2015, the fair value of the swaps represents UGAA's exposure to the Counterparty. Should the Counterparty fail to perform in accordance with the terms of the swap agreements, and variable interest rates remain at the current level, UGAA could see a possible gain equivalent to $16.8 million less the cumulative fair value of $7.5 million.

NOTE 6 – DERIVATIVE INSTRUMENTS (continued)

As of June 30, 2015, the Counterparty was rated as follows by Moody's and S&P:

	Moody's	S&P
Bank of America, N.A.	A1	A

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

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

Component Units – FASB Organizations

The fair value balances and notional amounts of hedging derivative investments outstanding as reported in the fiscal year 2015 financial statements for higher education foundations reported as component units reporting under FASB provisions are as follows (amount in thousands):

	Change in Fair Value		Fair Value at 6/30/2015		
	Classification	Amount	Classification	Amount	Notional
Component unit activities - FASB					
Cash flow hedges:					
Georgia College & State University Foundation, Inc.					
	Investment Revenue	$ 117	Debt	$ (98)	$ 3,005
	Investment Revenue	274	Debt	(3,176)	25,000
	Investment Revenue	21	Debt	(9,259)	69,820
MCG Health, Inc.					
	Investment Revenue	(2,034)	Debt	(22,158)	121,890
University of Georgia Foundation					
	Investment Revenue	(146)	Debt	(1,988)	5,486
	Investment Revenue	(488)	Debt	(488)	12,340
				$ (37,167)	

NOTE 6 – DERIVATIVE INSTRUMENTS (continued)

The fair value balances and notional amounts of hedging derivative instruments outstanding at June 30, 2014, and the changes in fair value of such derivative instruments for the year then ended as reported in the 2014 financial statements for higher education foundations reported as component units under FASB are as follows (amount in thousands):

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

Interest Rate Swap Derivatives

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

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

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

On January 31, 2013, the GCSUF modified the swap agreement to lower the interest rate from 4.715% to 4.065%. The present value of the interest savings over the life of the modified swap agreement are approximately $6.9 million. The lease agreement with the Board of Regents was not modified as a result of the swap modification; however, 40% of the present value of the interest savings will be paid to the Georgia College and State University annually. The deferred swap savings due to the University is $2.5 million at June 30, 2015.

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

The Bonds and the Swap mature on July 1, 2037. The notional amount of the Swap at June 30, 2015 was $121.9 million. The notional amount decreased from the initial notional amount of the Swap of $135 million. The notional value of the Swap declines in conjunction with payments of Bond principal such that the outstanding balance of the Series 2008A and 2008B Bonds and the notional amount of the Swap remain equal at all times. Under the

NOTE 6 – DERIVATIVE INSTRUMENTS (continued)

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

The fair value of the Swap is recorded as an asset or liability, depending on whether the termination of the Swap would result in amounts due to the Company or the Swap counterparty. At June 30, 2015 and 2014, the fair value of the Swap represented a liability to the Company in the amount of $22.2 million and $20.1 million, respectively. The Company or the Swap counterparty is required to post collateral with the other party in the event that the fair value of the Swap exceeds certain thresholds, as defined. At June 30, 2015, the Company had posted $1 million cash collateral and at June 30, 2014, the Company had posted no cash collateral with the Swap counterparty.

As of June 30, 2015, the Company was exposed to credit risk in the amount of the fair value of the Swap. The Company has two Swap counterparties. As of June 30, 2015, the Swap counterparties were both rated A+ and A by Fitch Ratings, A1 and A2 by Moody's Investors Services, and A to A+ by Standard & Poor's. To mitigate the potential for credit risk, various levels of collateralization by the counterparty may be required should the counterparty's credit rating be downgraded and the fair value of the Swap be in a liability position at a level above certain thresholds specified in the Swap agreement.

The Swap exposes the Company to basis risk should the relationship between LIBOR and prevailing market rates change significantly, changing the synthetic rate on the Bonds from the intended synthetic rate of 3.302%. As of June 30, 2015, the prevailing market rate for the Series 2014A and 2014B Bonds was an aggregate 0.915% and 0.975%, respectively, whereas 68% of LIBOR was 0.127%. As of June 30, 2014, the prevailing market rate was an aggregate 0.05%, whereas 68% of LIBOR was 0.103%.

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

The University of Georgia Foundation (UGAF)
UGAF has an outstanding interest rate swap agreement effectively converting the interest rate exposure on the $6.2 million note payable from variable to a 5.95% fixed rate over the term of the note payable. As of June 30, 2015 and 2014, the total notional amount of the swap was $5.5 million and $5.6 million, respectively. The fair value of this interest rate swap was a liability of $2.0 million for 2015 and $1.8 million for 2014. UGAF recorded a loss on such swap of $145,817 and a loss of $5,532 for the years ended June 30, 2015 and 2014, respectively.

UGAF has an outstanding interest rate swap agreement effectively converting the interest rate exposure on the $12.5 million note payable from variable to a 3.37% fixed rate over the term of the note payable. As of June 30, 2015, the total notional amount of the swap was $12.3 million. As of June 30, 2015, the fair value of this interest rate swap was a liability of $488,188. UGAF recorded a loss on such swap of $488,188 for the year ended June 30, 2015.

NOTE 7 - RECEIVABLES

Receivables at June 30, 2015, consisted of the following (amount in thousands):

	Taxes	Notes and Loans	Other	Inter-governmental Receivables	Gross Receivables	Allowance for Uncollectibles	Total Receivables (Net)
Governmental Activities							
General Fund	$ 3,759,531	$ -	$ 325,451	$ 1,475,343	$ 5,560,325	$ (872,812)	$ 4,687,513
General Obligation Bond Projects	-	-	715	14,178	14,893	-	14,893
Nonmajor Governmental Funds	-	-	10,627	-	10,627	-	10,627
Total - Governmental Funds	3,759,531	-	336,793	1,489,521	5,585,845	(872,812)	4,713,033
Government-wide adjustments:							
Internal Service Funds	-	-	62,078	778	62,856	(437)	62,419
Total - Governmental Activities	**$ 3,759,531**	**$ -**	**$ 398,871**	**$ 1,490,299**	**$ 5,648,701**	**$ (873,249)**	**$ 4,775,452**
Business-type Activities							
Higher Education Fund	$ -	$ 45,616	$ 183,775	$ 111,977	$ 341,368	$ (29,457)	$ 311,911
State Health Benefit Plan	-	-	206,406	-	206,406	(3,921)	202,485
Unemployment Compensation Fund	-	-	189,631	181	189,812	(18,983)	170,829
Board of Regents Foundations	-	699	5,207	8,904	14,810	-	14,810
Georgia Higher Education Facilities Authority	-	-	488	-	488	-	488
Total - Business-type Activities	**$ -**	**$ 46,315**	**$ 585,507**	**$ 121,062**	**$ 752,884**	**$ (52,361)**	**$ 700,523**
Component Units							
Unrestricted:							
Georgia Environmental Finance Authority	$ -	$ 1,309,655	$ 5,348	$ 2,052	$ 1,317,055	$ -	$ 1,317,055
Georgia Housing and Finance Authority	-	645,339	646	-	645,985	(4,736)	641,249
Georgia Lottery Corporation	-	-	155,439	-	155,439	(3,059)	152,380
Georgia Ports Authority	-	1,440	50,933	-	52,373	(2,156)	50,217
Georgia Tech Foundation, Incorporated	-	1,113	260,013	-	261,126	(8,549)	252,577
Georgia Tech Research Corporation	-	-	52,627	-	52,627	(1,241)	51,386
Nonmajor Component Units	5,141	192,273	1,002,402	11,303	1,211,119	(88,032)	1,123,087
Total - Unrestricted	5,141	2,149,820	1,527,408	13,355	3,695,724	(107,773)	3,587,951
Restricted:							
Georgia Housing and Finance Authority	-	976,476	9,868	-	986,344	(4,500)	981,844
Nonmajor Component Units	-	-	80,384	-	80,384	-	80,384
Total - Restricted	-	976,476	90,252	-	1,066,728	(4,500)	1,062,228
Total - Component Units	**$ 5,141**	**$ 3,126,296**	**$ 1,617,660**	**$ 13,355**	**$ 4,762,452**	**$ (112,273)**	**$ 4,650,179**

NOTE 8 – INTERFUND BALANCES AND TRANSFERS

A. Due To/From Other Funds

Due To/From Other Funds at June 30, 2015, consist of the following (amount in thousands):

	Due From Other Funds						
	General Fund	General Obligation Bond Projects Fund	Higher Education Fund	NonMajor Enterprise Funds	Internal Service Funds	Fiduciary Funds	Total Due To Other Funds
Due To Other Funds							
General Fund	$ -	$ 161	$ -	$ -	$ 399,450	$ -	$ 399,611
General Obligation Bond Projects Fund	742	-	21,230	-	-	-	21,972
Higher Education Fund	-	-	-	1,302,628	130,005	-	1,432,633
State Employees' Health Benefit Plan	-	-	-	-	-	36,688	36,688
Nonmajor Enterprise Funds	-	-	22,091	243,065	-	-	265,156
Nonmajor Governmental Funds	4,193	-	-	-	-	-	4,193
Internal Service Funds	1,030	-	-	-	9	-	1,039
Fiduciary Funds	-	-	-	-	12	699	711
Total Due From Other Funds	$ 5,965	$ 161	$ 43,321	$ 1,545,693	$ 529,476	$ 37,387	$ 2,162,003

Interfund receivables and payables result from billings for goods/services provided between funds. $1.31 billion of the balances between Board of Regents Institutions (higher education fund) and their affiliated Foundations (nonmajor enterprise funds) relate to leases for the purchase by the Institutions of various facilities acquired/constructed by the Foundations. $1.28 billion of these balances are due in more than one year.

$243.1 million of the balances between the Georgia Higher Education Facilities Authority and the University System of Georgia Foundation, Incorporated (nonmajor enterprise funds) relate to loans to the Foundation for various campus projects. $238.8 million of these balances are due in more than one year. All other interfund receivables and payables are considered short-term in nature.

NOTE 8 – INTERFUND BALANCES AND TRANSFERS (continued)

B. Interfund Transfers

Interfund transfers at June 30, 2015, consist of the following (amount in thousands):

	Transfers In					
	General Fund	General Obligation Bond Projects Fund	Nonmajor Governmental Funds	Higher Education Fund	Fiduciary Funds	Total Transfers Out
Transfers Out:						
General Fund	$ -	$ 14,838	$ 1,553,048	$ 2,276,682	$ 2,229	$ 3,846,797
General Obligation Bond Projects Fund	15,000	-	-	-	-	15,000
Nonmajor Governmental Funds	20,985	-	86	-	-	21,071
Higher Education Fund	2,680	-	-	-	-	2,680
Internal Service Funds	2,724	-	-	-	-	2,724
Total Transfers In	**$ 41,389**	**$ 14,838**	**$ 1,553,134**	**$ 2,276,682**	**$ 2,229**	**$ 3,888,272**

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, 2015, was as follows (amount in thousands):

	Balance 7/1/2014 (Restated - Note 3)	Increases	Decreases	Balance 6/30/2015
Governmental Activities				
Capital Assets Not Being Depreciated:				
Land	$ 3,563,196	$ 170,602	$ (1,000)	$ 3,732,798
Works of Art and Collections	1,326	66	(13)	1,379
Intangibles - Other Than Software	112,812	2,197	-	115,009
Construction in Progress	2,460,479	2,366,364	(2,085,625)	2,741,218
Total Capital Assets, Not Being Depreciated	6,137,813	2,539,229	(2,086,638)	6,590,404
Capital Assets Being Depreciated:				
Infrastructure	26,873,080	650,388	(952)	27,522,516
Buildings and Building Improvements	3,791,647	110,316	(59,808)	3,842,155
Improvements Other Than Buildings	115,336	4,683	(899)	119,120
Intangibles - Other than Software	484	458	-	942
Machinery and Equipment	967,937	77,136	(60,236)	984,837
Software	285,110	18,583	(1,859)	301,834
Total Capital Assets Being Depreciated	32,033,594	861,564	(123,754)	32,771,404
Less Accumulated Depreciation For:				
Infrastructure	15,260,882	879,328	-	16,140,210
Buildings and Building Improvements	1,800,522	109,095	(56,399)	1,853,218
Improvements Other Than Buildings	50,760	2,382	(13)	53,129
Intangibles - Other than Software	240	161	-	401
Machinery and Equipment	761,201	62,922	(54,727)	769,396
Software	209,900	14,642	766	225,308
Total Accumulated Depreciation	18,083,505	1,068,530	(110,373)	19,041,662
Total Capital Assets, Being Depreciated, Net	13,950,089	(206,966)	(13,381)	13,729,742
Governmental Activities Capital Assets, Net	**$ 20,087,902**	**$ 2,332,263**	**$ (2,100,019)**	**$ 20,320,146**

NOTE 9 – CAPITAL ASSETS (continued)

	Balance 7/1/2014 (Restated - Note 3)	Increases	Decreases	Balance 6/30/2015
Business-type Activities				
Capital Assets Not Being Depreciated:				
Land	$ 440,227	$ 13,453	$ (496)	$ 453,184
Works of Art and Collections	45,025	512	-	45,537
Construction in Progress	195,543	186,202	(145,469)	236,276
Total Capital Assets, Not Being Depreciated	680,795	200,167	(145,965)	734,997
Capital Assets Being Depreciated:				
Infrastructure	342,315	18,972	-	361,287
Buildings and Building Improvements	11,603,056	669,100	(11,266)	12,260,890
Improvements Other Than Buildings	480,956	28,141	(235)	508,862
Machinery and Equipment	1,664,423	195,291	(66,059)	1,793,655
Software	42,464	39,243	-	81,707
Library Collections	862,197	35,795	(6,191)	891,801
Works of Art and Collections	7,538	320	(194)	7,664
Total Capital Assets Being Depreciated	15,002,949	986,862	(83,945)	15,905,866
Less Accumulated Depreciation For:				
Infrastructure	115,598	10,213	-	125,811
Buildings and Building Improvements	3,268,131	313,095	(2,637)	3,578,589
Improvements Other Than Buildings	189,762	16,482	(206)	206,038
Machinery and Equipment	1,225,975	133,733	(56,115)	1,303,593
Software	17,572	4,003	-	21,575
Library Collections	684,483	34,320	(6,142)	712,661
Works of Art and Collections	1,145	140	(67)	1,218
Total Accumulated Depreciation	5,502,666	511,986	(65,167)	5,949,485
Total Capital Assets, Being Depreciated, Net	9,500,283	474,876	(18,778)	9,956,381
Business-type Activities, Capital Assets, Net	**$ 10,181,078**	**$ 675,043**	**$ (164,743)**	**$ 10,691,378**

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

Governmental Activities	
General Government	$ 16,626
Education	1,450
Health and Welfare	21,090
Transportation	891,753
Public Safety	72,121
Economic Development	20,486
Culture and Recreation	13,048
Conservation	5,353
Internal Service Funds (Depreciation on capital assets held by the State's internal service funds are charged to the various functions based on their usage of assets)	26,603
Depreciation Expense - Governmental Activities	**$ 1,068,530**

Business-type Activities	
Higher Education Fund	$ 511,741
Nonmajor Enterprise Funds	245
Depreciation Expense - Business-type Activities	**$ 511,986**

NOTE 9 – CAPITAL ASSETS (continued)

B. Component Units

Capital Asset activity for the fiscal year-ended June 30, 2015, was as follows (amount in thousands):

	Balance 7/1/2014 (Restated - Note 3)	Increases	Decreases	Balance 6/30/2015
Component Units				
Capital Assets Not Being Depreciated:				
Land	$ 340,331	$ 1,559	$ -	$ 341,890
Works of Art and Collections	1,670	-	-	1,670
Intangibles - Other Than Software	910	-	-	910
Construction in Progress	120,518	454,708	(74,689)	500,537
Total Capital Assets, Not Being Depreciated	463,429	456,267	(74,689)	845,007
Capital Assets Being Depreciated:				
Infrastructure	318,037	16,418	-	334,455
Buildings and Building Improvements	1,217,514	51,604	(1,119)	1,267,999
Improvements Other Than Buildings	542,443	36,021	-	578,464
Machinery and Equipment	954,553	64,862	(22,480)	996,935
Software	11,986	3,267	-	15,253
Library Collections	3,735	252	(22)	3,965
Works of Art and Collections	71	-	-	71
Total Capital Assets Being Depreciated	3,048,339	172,424	(23,621)	3,197,142
Less Accumulated Depreciation For:				
Infrastructure	135,965	9,878	-	145,843
Buildings and Building Improvements	516,318	43,459	(208)	559,569
Improvements Other Than Buildings	247,048	24,335	-	271,383
Machinery and Equipment	532,820	62,377	(20,487)	574,710
Software	5,055	1,561	-	6,616
Library Collections	2,464	246	(22)	2,688
Works of Art and Collections	15	2	-	17
Total Accumulated Depreciation	1,439,685	141,858	(20,717)	1,560,826
Total Capital Assets, Being Depreciated, Net	1,608,654	30,566	(2,904)	1,636,316
Component Units Capital Assets, Net*	**$ 2,072,083**	**$ 486,833**	**$ (77,593)**	**$ 2,481,323**

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

NOTE 9 – CAPITAL ASSETS (continued)

As of June 30, 2015, balances are available as follows:

Capital Assets Not Being Depreciated:		
Land	$	21,868
Construction in Progress		73
Total Capital Assets, Not Being Depreciated		21,941
Capital Assets Being Depreciated		
Buildings and Building Improvements		222,497
Machinery and Equipment		21,784
Software		4,237
Total Capital Assets Being Depreciated		248,518
Less: Accumulated Depreciation		(76,665)
Total Capital Assets, Being Depreciated, Net		171,853
Capital Assets, Net (FASB presentation)		193,794
Total Capital Assets, Net - All Component Units	**$**	**2,675,117**

NOTE 10 – LONG-TERM LIABILITITES

A. Changes in Long-term Liabilities

Primary Government

Changes in long-term liabilities for the fiscal year-ended June 30, 2015, are as follows (amount in thousands):

	Balance 7/1/2014 (Restated - Note 3)	Additions	Reductions	Balance 6/30/2015	Amounts Due Within One Year
Governmental Activities					
General Obligation Bonds Payable	$ 8,763,845	$ 982,905	$ (975,760)	$ 8,770,990	$ 743,670
Revenue Bonds Payable	381,353	12,897	(21,525)	372,725	38,045
GARVEE Bonds Payable	913,330	-	(141,150)	772,180	147,640
Less deferred amounts:					
Net Unamortized Premiums	746,384	16,642	(111,175)	651,851	-
Total Bonds Payable	10,804,912	1,012,444	(1,249,610)	10,567,746	929,355
Notes and Loans Payable	4,024	20,389	(2,751)	21,662	3,116
Capital Lease Obligations	245,386	10,168	(33,864)	221,690	27,348
Compensated Absences Payable	313,485	141,194	(134,862)	319,817	129,546
Arbitrage	4,834	22	(3,894)	962	962
Total Governmental Activities	**$ 11,372,641**	**$ 1,184,217**	**$ (1,424,981)**	**$ 11,131,877**	**$ 1,090,327**
Business-type Activities					
Revenue Bonds Payable	$ 1,432,323	$ 121,405	$ (196,823)	$ 1,356,905	$ 32,361
Less deferred amounts:					
Net Unamortized Premiums (Discounts)	19,443	6,729	981	27,153	-
Total Bonds Payable	1,451,766	128,134	(195,842)	1,384,058	32,361
Notes and Loans Payable	6,177	950	(1,101)	6,026	1,085
Capital Lease Obligations	2,062,013	12,449	(125,659)	1,948,803	49,368
Compensated Absences Payable	227,763	163,955	(158,293)	233,425	143,495
Other Postemployment Benefit Obligation	1,843,077	450,059	(129,759)	2,163,377	-
Total Business-type Activities	**$ 5,590,796**	**$ 755,547**	**$ (610,654)**	**$ 5,735,689**	**$ 226,309**

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, 2015: capital leases of $73.3 million, compensated absences of $4.8 million and notes payable of $21.7 million. Of these amounts, $7.6 million, $2.1 million and $3.1 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, 2015, are as follows (amount in thousands):

	Balance 7/1/2014 (Restated - Note 3)	Additions	Reductions	Balance 6/30/2015	Amounts Due Within One Year
Component Units					
Revenue Bonds Payable	$ 1,941,221	$ 228,220	$ (490,703)	$ 1,678,738	$ 82,200
Mortgage Bonds Payable	1,035,080	206,445	(131,770)	1,109,755	29,305
Net Unamortized Premiums	49,822	8,690	(19,238)	39,274	-
Total Bonds Payable	3,026,123	443,355	(641,711)	2,827,767	111,505
Notes and Loans Payable	200,380	21,694	(35,465)	186,609	73,742
Capital Lease Obligations	32,146	25,944	(6,100)	51,990	7,623
Compensated Absences Payable	26,724	11,344	(10,510)	27,558	20,722
Grand Prizes Payable	200,569	28,485	(26,941)	202,113	5,235
Derivative Instruments Payable	42,327	2,746	(411)	44,662	-
Other Liabilities	19,276	6,025	(4,435)	20,866	2,906
Total Component Units	**$ 3,547,545**	**$ 539,593**	**$ (725,573)**	**$ 3,361,565**	**$ 221,733**

B. Bonds and Notes Payable

At June 30, 2015, 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	0.35% - 7.25%	2034	$ 16,073,875	$ 6,221,070
General Government - Refunding	2.0% - 9.00%	2026		2,549,920
Revenue Bonds				
Transportation Projects	2.25% - 7.00%	2049	675,680	372,725
GARVEE Bonds	3.0% - 5.00%	2021	1,650,000	772,180
Notes and Loans Payable	1.0% - 4.6%	2022	21,916	21,662
Business-type Activities				
Revenue Bonds				
Georgia Higher Education Facilities Authority	2.0% - 6.25%	2041	284,135	243,065
Higher Education Foundations	2.0% - 6.0%	2043	1,193,390	1,113,840
Notes and Loans Payable	0.0% -.934%	2023	7,903	6,026
Component Units				
Revenue Bonds				
Higher Education Foundations	.02% - 6.3%	2044	1,452,300	1,299,645
Georgia Tech Foundation	1.31% - 6.66%	2032	269,845	225,195
Other Revenue Bonds	.54% - 5.28%	2036	355,145	153,898
Mortgage Bonds				
Georgia Housing and Financing Authority	.15% - 5.375%	2045	1,498,775	1,109,755
Notes and Loans Payable				
Higher Education Foundations	.51% - 4.25%	2040	139,868	99,182
Georgia Tech Foundation	.66% - .78%	2017	58,500	40,498
Other Notes and Loans Payable	.59% - 4.16%	2026	70,141	46,929

NOTE 10 – LONG-TERM LIABILITIES (continued)

C. General Obligation Bonds

Primary Government

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

General obligation bonds are direct obligations of the State to which the full faith and credit of the State are pledged.

Bonds Authorized but Unissued

Authorized but unissued general obligation bonds as of June 30, 2015, are as follows (amount in thousands):

Purpose	Authorized Unissued Debt	Fiscal Year 2016 De-authorizations
K-12 Education	$ 229,790	$ -
Higher Education	97,250	(760)
Transportation	2,000	(2,000)
Ports	35,000	-
Other	52,300	-
Total	**$ 416,340**	**$ (2,760)**

Defeasance and Refunding of General Obligation Bonds

On July 10, 2014, the State issued $159.4 million of current refunding bonds; the General Obligation Refunding Bond Series 2014D proceeds were used to refund a total $172.0 million from General Obligation Bonds Series 2004C and Series 2004D which had interest rates ranging from 2.00% to 5.50%. The difference between the cash flows required to service the old debt and the cash flow required to service the new debt and complete the refunding is $16.1 million. This amount is being netted against the new debt and amortized over the remaining life of the refunding debt. In addition, the refunding produced an economic gain of $16.0 million.

As of June 30, 2015, the State had total outstanding advance refunded bonds of $957.3 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)

D. Revenue Bonds

Governmental Activities

State Road and Tollway Authority (SRTA) has issued Guaranteed Revenue Bonds for the purpose of financing certain road and bridge projects in the State. The guaranteed revenue bonds are secured by a joint resolution between the Department of Transportation (DOT) (General Fund) and the SRTA (Nonmajor Governmental Fund) whereby DOT has pledged to provide sufficient motor fuel tax funds to pay the principal and interest of the revenue bonds. According to the State Constitution, motor fuel tax funds are imposed and appropriated for all activities incident to maintaining an adequate system of roads and bridges in the State. In fiscal year 2015, the State collected $1.0 billion of motor fuel tax funds, which exceeds the principal and interest due on the revenue bonds of $38.8 million for the same fiscal year. Further, the State has guaranteed the full payment of the bonds and the interest.

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

On June 26, 2014, SRTA issued $26.1 million of toll revenue bonds for the purpose of paying the costs of certain tolling infrastructure relating to the I-75 South Metro Express Lanes Project, financing a debt service reserve and paying the costs of issuance of the bonds. Interest on the bonds will not be paid on a current basis, but will be added to the principal amount of such bonds on each "accretion date," which is each June 1 and December 1, commencing December 1, 2014. Interest on these bonds ranges from 6.25% to 7.00% As of June 30, 2015, the outstanding principal balance is $27.9 million.

Business-type Activities

Higher Education Foundations have issued various revenue bonds to finance the costs of acquiring, renovating, constructing and equipping various facilities located on the campuses of the Board of Regents. The bond issues have interest rates ranging from 2.0% to 6.0% with maturity dates through fiscal year 2043. As of June 30, 2015, the outstanding principal for these revenue bonds is $1.1 billion. These bonds are secured by lease arrangements for these various facilities with the Board of Regents.

Georgia Higher Education Facilities Authority (GHEFA) has issued revenue bonds for the purpose of acquiring, constructing and equipping several projects on college campuses throughout the State. The bonds are secured solely by the related security deed and related assignment of contract documents. As of June 30, 2015, the outstanding principal for these revenue bonds is $243.1 million.

Component Units

Higher Education Foundations have issued various revenue bonds to finance the costs of acquiring, renovating, constructing and equipping various facilities located on the campuses of the Board of Regents. The bond issues have interest rates ranging from .02% to 6.3% with maturity dates through fiscal year 2044. As of June 30, 2015, the outstanding principal for these revenue bonds was $1.3 billion. These bonds are secured by lease arrangements for these various facilities with the Board of Regents.

NOTE 10 – LONG-TERM LIABILITIES (continued)

Georgia Tech Foundation, Inc. has issued various revenue bonds to finance the costs of acquiring, renovating, constructing and equipping various facilities located on the campus of The Georgia Institute of Technology. The bond issues have interest rates ranging from 1.31% - 6.66% with maturity dates through fiscal year 2032. As of June 30, 2015, the outstanding principal for these revenues was $225.2 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, 2015, of $153.9 million as detailed below (amounts in thousands):

	Amount
Georgia Environmental Finance Authority	$ 91,980
Georgia World Congress Center	51,030
Lake Lanier Islands Development Authority	7,623
Regional Educational Service Agencies	3,265
Total	**$ 153,898**

E. Mortgage Bonds

Component Units

Mortgage bonds outstanding of $1.1 billion at June 30, 2015, 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, 2015, were $21.7 million, attributable to the Georgia Technology Authority. Of this amount, $20.4 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 1.0% interest rate, and matures in 2022. The remaining $1.3 million is financing for equipment purchases with 4.6% interest rate and matures in 2019.

Business-type Activities

Notes and loans payable for business-type activities as of June 30, 2015, were as follows (amount in thousands):

	Amount
The North Georgia Real Estate Foundation	$ 2,869
The Technical College System of Georgia	2,208
Middle Georgia State College Real Estate Foundation	950
Total	**$ 6,027**

NOTE 10 – LONG-TERM LIABILITIES (continued)

Component Units

Notes and loans payable for component units as of June 30, 2015, were as follows (amount in thousands):

	Amount
Higher Education Foundations	$ 99,183
Georgia Tech Foundation, Inc.	40,498
Georgia Ports Authority	31,657
Lake Lanier Islands Development Authority	12,040
Georgia Military College	3,232
Total	**$ 186,610**

Higher Education Foundations Notes and Loans

During fiscal year 2012, MCG Health System, Inc. entered into a note in the amount of $50.0 million. Funds from the note are to be used to fund certain construction and renovation projects and to purchase new and replacement equipment. The note bears a fixed interest rate of 2.05% for a three year term, and the interest is due monthly. The balance on the note at June 30, 2015 was $47.1 million.

During fiscal year 2014, Kennesaw State University Foundation, Inc. entered into a secured term note with a bank in the amount of $12.8 million to acquire property. The note accrues interest at the 30- day LIBOR plus 2.25%, with interest payments due monthly. The note is collateralized by the building and land. As of June 30 2015, the outstanding balance on the note was $12.7 million.

Notes and loans payable include a revolving credit agreement for the University of Georgia Research Foundation, Inc. which provides for borrowings or letters of credit at the Research Foundation’s option. At June 30, 2015, amounts outstanding or issued under this agreement included borrowings of $10.3 million, with no unused letters of credit or bank reserves, resulting in $39.7 million available as borrowing capacity under this line. Borrowings under the revolving credit agreement bear interest at the bank’s 30-day LIBOR plus 0.8%. At June 30, 2015, the rate applicable to the borrowings was 0.98%.

During fiscal year 2007, the University of Georgia Foundation signed a $6.2 million promissory loan agreement which expires on November 1, 2037. Interest is charged at the bank’s 30-day LIBOR plus 0.325%. The balance on this note at June 30, 2015, was $5.5 million. In addition, during fiscal year 2014, the Foundation entered into a line of credit agreement totaling $9.5 million for use in the acquisition and renovation of the Washington, D.C. property. All amounts outstanding were fully repaid during fiscal year 2015. During fiscal year 2015, the Foundation entered into a series of transactions as follows: (1) The Foundation entered into a tax-exempt financing project with the Washington D.C. District council for $12.5 million involving tax-exempt bonds, which expire on November 1, 2039 and accrue interest at a per annum rate equal to 75% of the sum of one-month LIBOR, plus 1.60% payable monthly, and (2) the Foundation entered into a loan agreement with a bank in which the Foundation fully repaid its obligation under the newly acquired tax-exempt bonds in exchange for a promissory loan relating to the same principal. The bonds remain with the bank for a period of 25 years. The promissory loan agreement expires on November 1, 2039, is collateralized by certain real property, and includes certain debt covenants and restrictions. Interest on the promissory loan agreement is charged at 75% of the sum of one-month LIBOR plus 1.60%; such rate was 1.34% at June 30, 2015. Principal and interest on the promissory loan agreement are payable quarterly. The outstanding balance at June 30, 2015 was $12.3 million.

NOTE 10 – LONG-TERM LIABILITIES (continued)

The Georgia Tech Athletic Association (GTAA) entered into a note payable for $9.0 million, which is secured by real property. Interest is payable quarterly at a variable rate of 30-day LIBOR plus 1.85% per annum. As of June 30, 2015, the outstanding balance on the note was $7.2 million. GTAA has also entered into an unsecured note payable for $1.1 million. Interest is payable semi-annually. The effective rate of interest at June 30, 2015 was 4.25%. As of June 30, 2015, the outstanding balance on the note was $0.7 million.

In addition to the notes and loans discussed in the previous paragraphs, as of June 30, 2015, an additional $3.4 million in notes was held by various higher education foundations.

Other Component Units Notes and Loans

The Georgia Ports Authority maintains an uncollateralized revolving line of credit in the amount of $48.0 million. As of June 30, 2015, $31.7 million was outstanding on this line of credit. The interest rate (0.59% at June 30, 2015) is based on the one month LIBOR rate. This revolving line of credit expires on September 5, 2017.
The Georgia Tech Foundation, Inc. has five $10.0 million revolving lines of credit and one $28.5 million non-revolving line of credit. As of June 30, 2015, $40.5 million was outstanding on these lines of credit. Interest is calculated using the 30-day LIBOR rate.

G. Interest Rate Swaps

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

H. Pollution Remediation

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

<u>Governmental Activities</u>

Department of Transportation

DOT has recorded liabilities totaling $0.2 million at June 30, 2015 for pollution remediation related to underground storage tanks at two locations and for pollution remediation at two laboratory sites. The liabilities were determined using the expected cash flow measurement technique which measures the liability as the sum of probability-weighted amounts in a range of possible estimated amounts. There are no expected recoveries that have reduced the liability. Pollution remediation liability activity in fiscal year 2015 was as follows (amount in thousands):

Balance 7/1/2014	Additions	Reductions	Balance 6/30/2015	Amounts due Within One Year
$ 358	$ -	$ 172	$ 186	$ 186

NOTE 10 – LONG-TERM LIABILITIES (continued)

Department of Defense

The Department of Defense has recorded liabilities totaling $0.3 million at June 30, 2015 for pollution remediation primarily related to ground contamination at four sites. The liabilities were determined by previous experience. The estimated amount of recovery from insurance and other potentially responsible parties is $0.2 million. Pollution remediation liability activity in fiscal year 2015 was as follows (amount in thousands):

Balance 7/1/2014	Additions	Reductions	Balance 6/30/2015	Amounts due Within One Year
$ 289	$ -	$ (23)	$ 266	$ 56

Department of Agriculture

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

Business-type Activities

University of Georgia

The University of Georgia is responsible for pollution remediation at the Milledge Avenue landfill site. The University of Georgia has recorded a liability and expense related to this pollution remediation in the amount of $0.9 million. The liability is reflected on the Statement of Net Position in Accounts Payable and on the Statement of Revenues, Expenses and Changes in Fund Net Position in Services and Supplies. The liability was determined using a five year budget estimate provided by Brown and Caldwell. The University of Georgia does not anticipate any significant changes to the expected remediation outlay. There are no expected recoveries that have reduced the liability. Pollution remediation liability activity in fiscal 2015 was as follows (amount in thousands):

Balance 7/1/2014	Additions	Reductions	Balance 6/30/2015	Amounts due Within One Year
$ 883	$ 88	$ (97)	$ 874	$ 176

Georgia Institute of Technology

Georgia Institute of Technology is responsible for pollution monitoring and remediation in all Institute facilities, including asbestos abatement. Monitoring and remediation activities are performed during renovation/construction projects when deemed necessary by Institute management. The Institute did not record a liability and expense related to pollution remediation at June 30, 2015.

Georgia Regents University

Georgia Regents University is responsible for asbestos abatement as a small part of the project costs for various projects. The University did not record a liability and expense related to pollution remediation at June 30, 2015.

NOTE 10 – LONG-TERM LIABILITIES (continued)

Georgia Southern University (GSU) Housing Foundation, Inc.

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

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

Component Units

Georgia Ports Authority

The Georgia Ports Authority is responsible for certain pollution remediation costs related to soil and groundwater contamination at its Bainbridge, Georgia terminal. The amount of environmental clean-up costs that have been accrued by the Authority as of June 30, 2015 is approximately $0.3 million and is reported with accounts payable and other accruals.

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
2016	$ 743,670	$ 375,362	$ 38,045	$ 15,956	$ 147,640	$ 37,607	$ 3,116	$ 256
2017	721,845	341,562	39,965	14,034	154,560	30,684	3,158	214
2018	714,090	307,514	41,980	12,014	162,085	23,161	3,201	172
2019	670,655	275,379	61,810	9,893	119,135	15,197	3,273	128
2020	625,440	245,109	47,183	7,664	125,045	9,287	2,941	89
2021-2025	2,710,875	834,012	124,494	12,919	63,715	3,071	5,973	90
2026-2030	1,944,015	329,701	5,477	11,919	-	-	-	-
2031-2035	640,400	47,414	6,716	11,919	-	-	-	-
2036-2040	-	-	8,265	10,370	-	-	-	-
2041-2045	-	-	11,590	7,043	-	-	-	-
2046-2050	-	-	12,855	2,358	-	-	-	-
Total	**$ 8,770,990**	**$ 2,756,053**	**$ 398,380**	**$ 116,089**	**$ 772,180**	**$ 119,007**	**$ 21,662**	**$ 949**

	Business-type Activities			
	Revenue Bonds		Notes and Loans Payable	
Year	Principal	Interest	Principal	Interest
2016	$ 32,361	$ 62,787	$ 1,085	$ 9
2017	32,505	61,507	2,092	-
2018	35,416	60,170	1,230	-
2019	37,532	58,654	405	-
2020	40,329	56,977	405	-
2021-2025	236,532	255,368	809	-
2026-2030	297,555	194,711	-	-
2031-2035	290,886	124,805	-	-
2036-2040	308,595	51,314	-	-
2041-2045	45,194	2,426	-	-
Total	**$ 1,356,905**	**$ 928,719**	**$ 6,026**	**$ 9**

* Includes $127.3 million of bonds with variable interest rates that reset weekly at a spread of 40 basis points to the weekly Securities Industry and Financial Markets Association rate. The interest rate at June 30, 2015, for these variable rate bonds, was 0.47%.

** Includes accreted interest of $25.7 million that will be recorded beginning in FY 2015 by the State Road and Tollway Authority to increase bonds payable as the interest accretes.

NOTE 10 – LONG-TERM LIABILITIES (continued)

Component Units

	Higher Education Foundations		Georgia Tech Foundation		Other Component Units	
	Revenue Bonds		Revenue Bonds		Revenue Bonds	
Year	Principal	Interest	Principal	Interest	Principal	Interest
2016	$ 33,075	$ 57,502	$ 9,935	$ 11,487	$ 39,190	$ 5,974
2017	36,575	57,098	10,295	11,119	13,143	4,895
2018	38,295	55,505	10,725	10,691	13,571	4,458
2019	38,110	53,811	11,225	10,184	14,021	4,006
2020	67,585	51,419	11,830	9,584	2,143	3,735
2021-2025	248,445	222,483	64,810	37,428	4,069	17,886
2026-2030	277,033	162,503	80,255	18,092	2,245	16,987
2031-2035	301,279	97,022	26,120	1,376	65,516	2,518
2036-2040	195,928	35,902	-	-	-	-
2041-2045	63,320	4,313	-	-	-	-
Total	**$ 1,299,645**	**$ 797,558**	**$ 225,195**	**$ 109,961**	**$ 153,898**	**$ 60,459**

	Higher Education Foundations		Georgia Tech Foundation		Other Component Units	
	Notes and Loans Payable		Notes and Loans Payable		Notes and Loans Payable	
Year	Principal	Interest	Principal	Interest	Principal	Interest
2016	$ 30,141	$ 2,200	$ 40,498	$ 316	$ 3,103	$ 567
2017	5,081	1,759	-	-	3,137	524
2018	5,159	1,645	-	-	28,829	480
2019	38,776	803	-	-	1,208	434
2020	1,601	758	-	-	1,246	390
2021-2025	6,043	3,132	-	-	5,976	922
2026-2030	3,985	2,198	-	-	3,430	111
2031-2035	4,677	1,289	-	-	-	-
2036-2040	3,719	272	-	-	-	-
Total	**$ 99,182**	**$ 14,056**	**$ 40,498**	**$ 316**	**$ 46,929**	**$ 3,428**

	Georgia Housing and Finance Authority	
	Mortgage Bonds	
Year	Principal	Interest
2016	$ 29,305	$ 39,636
2017	35,385	38,636
2018	31,310	37,792
2019	32,870	37,032
2020	33,340	36,128
2021-2025	184,575	163,403
2026-2030	186,880	128,141
2031-2035	234,775	88,363
2036-2040	224,430	41,347
2041-2045	116,885	8,689
Total	**$ 1,109,755**	**$ 619,167**

NOTE 11 – LEASES

A. Operating Leases

The State leases land, office facilities, office and computer equipment, and other assets. Some of these leases are considered for accounting purposes to be operating leases. Although lease terms vary, many leases are subject to appropriation from the General Assembly to continue the obligation. Other leases generally contain provisions that, at the expiration date of the original term of the lease, the State has the option of renewing the lease on a year-to-year basis. Leases renewed yearly for a specified time period, i.e. lease expires at 12 months and must be renewed for the next year, do not meet the qualification as an operating lease. Total lease payments for the State's governmental activities, business-type activities, and component units were $35.9 million, $46.5 million, and $29.1 million, respectively, for the year ended June 30, 2015. Future minimum commitments for operating leases as of June 30, 2015, are listed below (amount in thousands).

	Primary Government		
Fiscal Year Ended June 30	**Governmental Activities**	**Business-type Activities**	**Component Units**
2016	$ 21,296	$ 44,158	$ 28,347
2017	11,890	35,885	26,017
2018	6,388	33,999	24,646
2019	2,863	31,902	21,921
2020	1,659	30,024	19,421
2021-2025	4,135	120,458	75,271
2026-2030	337	61,364	39,302
2031-2035	10	22,437	18,813
2036-2040	-	3,605	3,165
2041-2045	-	664	397
2046-2050	-	664	40
2051-2055	-	398	-
Total Minimum Commitments	**$ 48,578**	**$ 385,558**	**$ 257,340**

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, 2015, the historical cost of assets acquired through capital leases was as follows (amount in thousands):

	Primary Government		
	Governmental Activities	Business-type Activities	Component Units
Land	$ -	$ 50,164	$ -
Infrastructure	-	45,073	-
Buildings	352,488	3,434,734	4,516
Improvements Other Than Buildings	-	43,868	-
Machinery and Equipment	3,349	24,497	51,432
Software	1,887	-	-
Less: Accumulated Depreciation	(198,473)	(731,010)	(16,592)
Total Assets Held Under Capital Lease	**$ 159,251**	**$ 2,867,326**	**$ 39,356**

NOTE 11 – LEASES (continued)

At June 30, 2015, 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
2016	$ 51,365	$ 164,295	$ 10,562
2017	47,051	165,766	10,333
2018	44,691	166,395	9,708
2019	43,570	167,041	9,130
2020	30,344	195,966	8,101
2021-2025	88,530	830,711	14,696
2026-2030	48,898	840,465	592
2031-2035	28,555	662,913	-
2036-2040	13,989	332,484	-
2041-2045	4,737	32,858	-
2046-2050	-	180	-
2051-2055	-	72	-
Total Capital Lease Payments	401,730	3,559,146	63,122
Less: Interest	(170,158)	(1,493,525)	(11,082)
Executory Costs	(9,882)	(116,818)	(50)
Present Value of Capital Lease Payments	**$ 221,690**	**$ 1,948,803**	**$ 51,990**

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 Board of Regents.

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 $10.4 million, and $33.9 million, respectively, for the year ended June 30, 2015. Minimum future revenues and rentals to be received under operating leases as of June 30, 2015, are as follows (amount in thousands):

	Primary Government		
Fiscal Year Ended June 30	Governmental Activities	Business-type Activities	Component Units
2016	$ 8,660	$ -	$ 37,799
2017	8,769	-	24,928
2018	8,879	-	23,871
2019	8,997	-	22,720
2020	4,991	-	22,550
2021-2025	4,455	-	101,408
2026-2030	3,662	-	79,592
2031-2035	3,878	-	51,898
2036-2040	4,098	-	11,216
2041-2045	3,879	-	2,151
2046-2050	44	-	1,901
2051-2055	-	-	193
Total Minimum Revenues	**$ 60,312**	**$ -**	**$ 380,227**

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, 2015, are as follows (amount in thousands):

Fiscal Year Ended June 30	Amount
2016	$ 66,300
2017	67,570
2018	68,910
2019	70,036
2020	68,714
Thereafter	1,102,548
Total Minimum Revenues	1,444,078
Less: Unearned Income	(600,364)
Net Revenue	**$ 843,714**

NOTE 12 – ENDOWMENTS

A. Primary Government

Board of Regents of the University System of Georgia

Investments of the University System of Georgia's (USG) endowment funds are pooled at the individual member institution level, unless required to be separately invested by the donor. For USG 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 are determined to be prudent. Realized and unrealized appreciation in excess of the amount budgeted for current spending is retained by the endowments. Current year net appreciation for the endowment accounts was $2.9 million and is reflected as restricted net position.

Several USG member institutions with endowment funds, where the donor has not provided specific instructions, have predicated endowment funds investment returns on the total return concept. Annual payouts from the USG member institution's endowment funds are based on spending policies which limit spending between 3% and 6% of the endowments principal's market value. To the extent that the total return for the current year exceeds the payout, the excess is added to principal. If current year earnings do not meet the payout requirements, the USG member institution uses accumulated income and appreciation from restricted expendable net position endowment balances to make up the difference.

For endowment funds where the donor has not provided specific instructions and the USG member institution has determined not to utilize the total return concept, investment return of endowment funds is predicated under classical trust doctrines. Unless the donor has stipulated otherwise, capital gains and losses are accounted for as part of the endowment principal and are not available for expenditure.

During the current year, the USG member institutions incurred investment losses that exceeded the related endowment's available accumulated income and net appreciation. These losses resulted in a reduction to the specific nonexpendable endowment balance. At June 30, 2015, the amount of investment losses reported against the nonexpendable endowment balances was $21.0 thousand.

University System of Georgia Foundation, Inc. and Affiliates

Interpretation of Relevant Law

In approving endowment, spending and related policies, as part of the prudent and diligent discharge of its duties, the Board of Trustees of the Foundation, as authorized by the Uniform Prudent Management of Institutional Funds Act (UPMIFA), has relied upon the actions, reports, information, advice and counsel taken or provided by its duly constituted committees and the duly appointed officers of the Foundation and in doing so has interpreted the law to require the preservation of the historic dollar value of donor-restricted endowment funds, absent explicit donor directions to the contrary.

As a result of this interpretation, for accounting and financial statement purposes, the Foundation classifies as permanently restricted net position the historic dollar value of assets held as donor restricted endowment, including any subsequent gifts and any accumulations to donor-restricted endowments made in accordance with the direction of the applicable gift instruments.

The portion of the donor-restricted endowment fund that is not classified as permanently restricted net position is classified for accounting and financial statement purposes in accordance with requirements of the Financial Accounting Standards Board and the law.

NOTE 12 – ENDOWMENTS (continued)

Funds with Deficiencies
From time to time, the fair value of the assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature are reported in unrestricted net position. At June 30, 2015 and 2014, the Foundation did not have any such deficiencies in the endowment.

Return Objectives and Risk Parameters
The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the historic dollar value of the endowment assets. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity as well as board-designated funds. Under this policy, as approved by the Finance Committee of the Board of Trustees, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of benchmark indexes of similar asset classes while assuming a moderate level of investment risk.

Strategies Employed for Achieving Objectives
To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy
The Foundation's Finance Committee of the Board of Trustees (the "Committee") determines the method to be used to appropriate endowment funds for expenditure. The Foundation has a spending policy whereby a certain percentage (generally not to exceed 5% of the fair value of endowment net position each year) may be distributed for purposes of supporting unrestricted and temporarily restricted activities.

The Foundation's Finance Committee of the Board of Trustees reviews spending policies annually and approves distributions they deem to be prudent.

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net position composition by type of fund (in thousands)				
Donor-restricted endowment funds	$ -	$ 9	$ 94	$ 103
Board-designated endowment funds	4,724	-	-	4,724
Total funds	$ 4,724	$ 9	$ 94	$ 4,827

NOTE 12 – ENDOWMENTS (continued)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Changes in endowment net position				
(in thousands)				
Endowment net position, July 1	$ 4,892	$ 11	$ 94	$ 4,997
Investment income	98	2	-	100
Net realized and unrealized (losses)	(13)	-	-	(13)
Appropriation of endowment assets for expenditure	(253)	(4)	-	(257)
Endowment net position, June 30	$ 4,724	$ 9	$ 94	$ 4,827

B. Component Unit

<u>Georgia Tech Foundation</u>

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net position				
by type of fund (in thousands)				
Donor-restricted endowment funds	$ (201)	$ 542,220	$ 576,052	$ 1,118,071
Board-designated endowment funds	197,764	-	-	197,764
Total endowment net position	$ 197,563	$ 542,220	$ 576,052	$ 1,315,835

The Foundation's endowment consists of approximately 2,500 individual funds established for a variety of purposes including both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. Net position associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Return Objectives and Risk Parameters
The primary long-term financial investment objectives are to preserve the real purchasing power of the endowment and to earn an average annual real total return of at least 5.0% per year, net of management fees, over the long term, defined as rolling five-year periods.

Strategies Employed for Achieving Objectives
To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation utilizes a diversified asset allocation strategy designed to achieve its long-term return objectives while minimizing risk. As part of this strategy, the Foundation invests a portion of its funds in assets that have desirable return and/or diversification characteristics but which may be less liquid than other investment assets. The Foundation management constantly monitors its liquidity position to assure that it has the funds necessary to meet its obligations.

NOTE 12 – ENDOWMENTS (continued)

Spending Policy
The Foundation has a policy of appropriating for expenditure, on an annual basis, up to 6.0% of the trailing twelve quarter average market value of its endowment funds. The amount appropriated for expenditure includes an administrative fee for general overhead costs incurred in connection with the support and management of its endowment funds.

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Changes in endowment net position				
(in thousands)				
Endowment net position, July 1	$ 201,444	$ 563,290	$ 546,864	$ 1,311,598
Investment return:				
Investment income	4,140	15,889	165	20,194
Net realized/unrealized gain (loss)	1,485	5,771	(56)	7,200
Total investment return	5,625	21,660	109	27,394
Contributions	721	1,245	29,078	31,044
Change in value of trusts and annuities	-	(27)	(312)	(339)
Other income	-	(6)	313	307
Appropriation of endowment assets for expenditure	(10,227)	(43,942)	-	(54,169)
Endowment net position, June 30	$ 197,563	$ 542,220	$ 576,052	$ 1,315,835

Funds with Deficiencies
From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or the Act requires the Foundation to retain as a fund of perpetual duration. Deficiencies of this nature that are reported in unrestricted net position were $201 and $84 as of June 30, 2015 and 2014, respectively. These deficiencies resulted from unfavorable market fluctuations that occurred shortly after the investment of recent permanently restricted contributions and continued appropriation for certain programs that were deemed prudent by the Board of Trustees. Subsequent gains that restore the fair value of the assets of the endowment fund to the required level will be classified as an increase in unrestricted net position.

Georgia College & State University Foundation Inc.

The Foundation's endowment consists of 168 individual funds established for various purposes. The funds include both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. As required by accounting principles generally accepted in the United States (GAAP), net position associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Foundation has interpreted the UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net position: (1) the original value

NOTE 12 – ENDOWMENTS (continued)

of gifts donated to the permanent endowment, (2) the original value of subsequent gifts to the permanent endowment, and (3) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net position is classified as temporarily restricted net position until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor restricted endowment funds:

1. The duration and preservation of the fund
2. The purposes of the Foundation and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the Foundation
7. The investment policies of the Foundation

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net position composition by type of fund (in thousands)				
Donor-restricted endowment funds	$ 11	$ 4,979	$ 16,318	$ 21,309
Board-designated endowmnent funds	4,049	-	-	4,049
	$ 4,060	$ 4,979	$ 16,318	$ 25,358

The $11.0 thousand reflected as donor-restricted endowment funds included in the unrestricted fund represents funds for which donor restrictions have been met, but funds not spent as of year-end.

NOTE 12 – ENDOWMENTS (continued)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Changes in endowment net position				
(in thousands)				
Endowment net position, July 1	$ 3,631	$ 5,149	$ 15,024	$ 23,804
Investment return:				
Interest and dividend Income	70	371	-	441
Realized gains	28	155	-	182
Unrealized loss	(7)	(52)	-	(59)
Total investment return	90	474	-	564
Contributions	5	51	1,044	1,100
Other restricted income	1	(5)	-	(4)
Releases from restrictions	333	(690)	250	(107)
	339	(644)	1,294	989
Endowment net position, June 30	$ 4,060	$ 4,979	$ 16,318	$ 25,358

The beginning balance of all three categories of endowment net position have been corrected to accurately reflect balances as of June 30, 2014. This correction is the result of system changes which made the distinction between endowment and non-endowment balances and activities possible.

Description of amounts classified as permanently restricted net position and temporarily restricted net position (endowment only) are as follows:

Permanently Restricted Net Position	
(in thousands)	
The portion of perpetual endowment funds that is required to be retained permanently either by explicit donor stipulations or by UPMIFA	$ 16,318
Total endowment funds classified as permanently restricted net position	$ 16,318
Temporarily Restricted Net Position	
The portion of perpetual endowment funds subject to a time restriction under UPMIFA	
Without purpose restrictions	$ -
With purpose restrictions	4,979
Total endowment funds classified as temporarily restricted net position	$ 4,979

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the organization to retain as a fund of perpetual duration. These

NOTE 12 – ENDOWMENTS (continued)

deficiencies result from unfavorable market fluctuations that occur shortly after the investment of new permanently restricted contributions and continued appropriation for certain programs that are deemed prudent by the Board of Trustees. There were no such deficiencies as of June 30, 2015.

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity or for a donor-specified purpose as well as board-designated funds. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to produce results that are equal to or exceed the market as measured by the Standard & Poor's 500 and other applicable indices to be determined by the Investment Committee. Actual results in any given year may vary from this amount.

To satisfy its long-term rate of return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long term objectives within prudent risk constraints.

The Foundation has a policy of appropriating for distribution each year 4. 75% of its endowment fund's three year average fair value through the calendar year-end preceding the fiscal year in which the distribution is planned. In establishing this policy, the Foundation considered the long term expected return on its endowment. Accordingly, over the long term, the Foundation expects the current spending policy to allow its endowment to grow at a rate greater than the spending allocation. This is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

Georgia State University Foundation

The Foundation’s endowment consists of approximately 525 individual funds established for a variety of purposes including both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. Net position associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law
The Board of Trustees of the Foundation has interpreted the Georgia UPMIFA of 2008 as requiring the assets of an endowment fund be donor restricted until allocated for spending, unless otherwise specifically stated in the gift instrument.

The Board believes this interpretation is consistent with the long established Board approved investment and spending policy which is specifically referenced in the Foundation’s endowed gift instrument. In accordance with the investment policy and UPMIFA, with the exception of certain restricted assets that are separately invested, all restricted endowment assets are invested in the endowment pool on a pooled basis until allocated for spending.

As a result of this interpretation, the Foundation classifies permanently restricted net position as assets that, under the terms of the gift instrument, are permanent endowments not wholly expendable by the Foundation on a current basis until a portion is allocated for spending. Permanently restricted assets are invested in perpetuity in the

NOTE 12 – ENDOWMENTS (continued)

endowment investment pool subject to periodic spending allocations where a portion of the donor-restricted endowment fund in permanently restricted nets assets is allocated and classified as temporarily restricted net position available for spending.

The endowment investment pool also includes donor-restricted funds classified as temporarily restricted net position, not specifically designated as permanently restricted endowment funds but they are restricted and designated for a particular college or unit of the University. From time to time the Foundation will approve requests from a college or unit to invest a portion of these funds in the endowment investment pool. These funds are designated as quasi-endowments or funds functioning as endowments. The Foundation classifies these funds and the related investment return and spending allocation as temporarily restricted net position. There are no unrestricted net position invested in the endowment investment pool.

Based on the interpretation of the investment policy and UPMIFA, the total return of the endowment investment pool including appreciation/inflation, depreciation/deflation, income, expenses and fees shall be allocated to each endowment based on the ratio of that endowment's investment balance to the total endowment pool and included as part of the endowment net position classification.

Endowment Spending Policy
In accordance with UPMIFA the Foundation considers the following factors in making a determination to appropriate and allocate assets for spending or accumulate assets of an endowment fund:

1. The duration and preservation of the fund
2. The purposes of the Foundation and the endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the Foundation
7. The investment policies of the Foundation

According to the spending policy, the Foundation is not obliged to allocate for spending a stated percentage of its endowment assets in any given year. However, in order to achieve both reasonable stability in budgeting and a reasonable balance between near-term and distant programmatic priorities, the Board has adopted the following spending policy:

The allocation for spending in any given fiscal year shall equal:

- 70% of spending for the prior year, adjusted for cumulative changes in inflation (as measured by CPI), plus
- 30% of Foundation's long-term spending rate (currently 4.5%) applied to the endowment's market value at the beginning of the year.

This amount is divided by the endowment market value at the beginning of the year to calculate the spending allocation rate, which was 4.20% for the year ended June 30, 2014. The spending allocation rate for the year ended June 30, 2015 of 4.14% was applied to each individual endowment based on its average market value during the year. The total endowment spending allocation distributed for the years ended June 30, 2015 and 2014 was $5.2 million and $4.9 million, respectively. To the extent that the endowment investment pool's total return is greater or less than the allocations made for spending, the fair value of each endowment increases or decreases accordingly.

NOTE 12 – ENDOWMENTS (continued)

Return Objectives and Risk Parameters

The Foundation's primary long-term objective of the endowment pool is to earn an average annual total return net of fees and expenses (including advisor and Foundation fees), through appreciation and income, equal to or greater than the spending allocation rate, plus the rate of inflation as measured by the Consumer Price Index for all Urban Consumers (CPI-U), over long time periods (rolling ten or fifteen-year periods).

The Foundation understands the long-term nature of the endowment pool and believes investing in assets with higher return expectations outweighs the short-term volatility risks. In order to achieve the objectives, historically funds have had to exceed the objective substantially during some periods in order to compensate for inevitable shortfalls during other periods. Hence, the evaluation of progress toward the objectives should be made with a long-term perspective. The Foundation also recognizes the objectives to grow the endowment, produce a predictable spending allocation, and to cover fees, involves tradeoffs that must be balanced in establishing the investment and spending policies.

The Foundation stands prepared to incur risks consistent with its pursuit of the return objective set forth above, subject to two overarching limits. Its endowment pool should be deployed in a manner that reduces to tolerable levels (defined as 25% or below) the probabilities that it will suffer (1) peak-to-trough declines in endowment purchasing power exceeding 20% or (2) a shortfall exceeding 3% annualized total return relative to those of an approved peer group measured over rolling five-year periods.

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net position composition by type of fund (in thousands)				
Donor-restricted endowment funds	$ -	$ -	$ 108,388	$ 108,388
Quasi-endowment funds	-	28,718	-	28,718
Total endowment net position	$ -	$ 28,718	$ 108,388	$ 137,106

Endowment Related Activities by Type of Fund as of June 30, 2015:

	Donor-restricted Endowment Funds	Quasi-endowment Funds	Total
Endowment net position, July 1 (in thousands)	$ 106,407	$ 29,316	$ 135,723
Contributions	3,763	196	3,959
Net realized and unrealized gains	2,117	631	2,749
Allocation of endowment assets for expenditure	(3,986)	(1,189)	(5,175)
Transfers to comply with donor intent	87	(237)	(150)
Endowment net position, June 30	$ 108,388	$ 28,718	$ 137,106

NOTE 12 – ENDOWMENTS (continued)

Description of Amounts Classified as Permanently Restricted Net Position and Temporarily Restricted Net Position (Endowment Only)

	2015	2014
Permanently Restricted Net Position		
(in thousands)		
The portion of perpetual endowment funds that is required to be retained permanently either by explicit donor stipulation or by UPMIFA	$ 108,388	$ 106,407
Total endowment funds classified as permanently restricted net position	$ 108,388	$ 106,407
Temporarily Restricted Net Position		
Quasi-endowment	$ 28,718	$ 29,316
Total endowment funds classified as temporarily restricted net position	$ 28,718	$ 29,316

Georgia Tech Athletic Association

The Association has transferred assets to the Georgia Tech Foundation (the Foundation) to be managed on its behalf. Assets managed by the Foundation on behalf of the Association totaled $109.2 million and $109.9 million at June 30, 2015 and 2014, respectively. The Foundation manages these assets by investing in pooled investment funds. Interest, dividend income, and gains and losses earned on pooled funds are allocated equitably based on the fair value of the assets of each entity that participates in the pooled investment funds. The Association is entitled to all earnings on these assets; however, distributions are made by the Foundation to the Association only when requested. Interest, dividend income, gains and losses from these funds, net of fees, totaled $1.8 million and $14.2 million for the years ended June 30, 2015 and 2014, respectively, and are included in investment income and increase in fair value of investments in the statements of revenues, expenses, and changes in net position. The Foundation distributed $14.5 million and $14.0 million to the Association for the years ended June 30, 2015 and 2014, respectively.

In addition, based on donor designations, the Association allocated earnings from certain endowments of the Foundation, which had aggregate fair values of $16.7 million and $16.9 million at June 30, 2015 and 2014, respectively. The Foundation distributed $0.4 million and $0.6 million to the Association from these endowments for the years ended June 30, 2015 and 2014, respectively. These distributions are included in “proceeds of sales and maturities of investments” in the Statements of Cash Flows.

The Foundation prepares separate annual financial statements which are audited in accordance with auditing standards generally accepted in the United States of America. Information regarding investments held by the Foundation on behalf of the Association can be obtained from the Foundation.

As quantified in the previous paragraphs, draws are made annually from funds invested by the Georgia Tech Foundation on behalf of the Georgia Tech Athletic Association. All of the investments contain either permanent or temporary restrictions regarding how the funds and certain related earnings can be used. In general, as a result of these restrictions, funds drawn from these investments can only be used to fund sports related scholarships or expenses incurred by specific sports or sport related activities. The draws from these investments fund many of the transactions recorded as operating expenses on the Statements of Revenues, Expenses and Changes in Net Position. The amount withdrawn from these investments is included in the "Proceeds from sales and maturities of

NOTE 12 – ENDOWMENTS (continued)

investments" recorded on the Statements of Cash Flows. The breakdown of Endowment spending for the past two fiscal years is as follows:

	2015	2014
Net Position (in thousands):		
Restricted - Expendable	$ 14,526	$ 13,171
Unrestricted	-	789
	$ 14,526	$ 13,960

Restrictions on the assets included in the investment base from which these draws are made are as follows:

- 25% are classified as restricted, non-expendable. The earnings from these non-expendable assets are available to support scholarship expenses.
- 28% are restricted expendable assets for student-athlete support expenses. However, funds can also be drawn from these investments to cover approved capital projects and special project expenses.
- 40% are classified as restricted expendable assets. Draws can be made from these investments to fund facility enhancements and special projects expenses.
- The remaining 7% are classified as unrestricted expendable.

Kennesaw State University Foundation

Interpretation of Relevant Law

In approving endowment spending and related policies, as part of the prudent and diligent discharge of its duties, the Board of Trustees of the Foundation, as authorized by the UPMIFA, has relied upon the actions, reports, information, advice, and counsel taken or provided by its duly constituted committees and the duly appointed officers of the Foundation and in doing so has interpreted the law to require the preservation of the historic dollar value of donor-restricted endowment funds, absent explicit donor directions to the contrary.

As a result of this interpretation, for accounting and financial statement purposes, the Foundation classifies as permanently restricted net position the historic dollar value of assets held as donor-restricted endowment, including any subsequent gifts and any accumulations to donor-restricted endowments made in accordance with the direction of the applicable gift instruments.

The portion of the donor-restricted endowment fund that is not classified as permanently restricted net position is classified for accounting and financial statement purposes in accordance with requirements of the Financial Accounting Standards Board and the law.

Funds with Deficiencies

From time to time, the fair value of the assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature that are reported in unrestricted net position were $0.2 million and $0.2 million as of June 30, 2015 and 2014, respectively. These deficiencies resulted from unfavorable market fluctuations and continued appropriation for certain programs that was deemed prudent by the Board of Trustees.

NOTE 12 – ENDOWMENTS (continued)

Return Objectives and Risk Parameters

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the historic dollar value of the endowment assets. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity as well as board-designated funds. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of benchmark indexes of similar assets classes while assuming a moderate level of investment risk. The following are benchmark indexes: Russell Top 200 Index, Russell Mid Cap Index, Russell 2000 Index, MSCI EAFE Index (Net), MSCI Emerging Markets Index (Net), Barclays Aggregate Bond Index, Barclays Global High Yield Index, Citigroup WGBI ex USD, FTSE NAREIT all REIT Index and Dow Jones Commodity Index. The Foundation's target rate of the return 6.75% annually. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation to achieve its long-term return objectives within prudent risk constraints.

At June 30, 2015 and 2014, the target assets allocations were as follows:

	2015	2014
Large Cap Domestic Equity	21%	21%
Mid Cap Domestic Growth Equity	10%	10%
Small Cap Domestic	5%	5%
Domestic Bonds	24%	24%
Foreign Bonds	3%	3%
High Yield Bonds	4%	4%
International Markets	10%	10%
Commodities	7%	7%
Emerging Markets	6%	6%
Real Estate	5%	5%
Hedge Funds	5%	5%
	100%	100%

Spending Policy and How the Investment Objectives Related to Spending Policy

The Foundation had an endowment spending policy for the years ending June 30, 2015 and 2014 appropriating for distribution 0% to 3.25% and 0% to 3.5%, respectively, calculated based on a sliding scale from of its endowment fund's fair value as of the calendar year-end of preceding fiscal year in which the distribution is planned. The sliding scale was based on the balance of each endowment in relation to the corpus balance of each endowment. The Foundation's Board of Trustees review spending policies annually and approve distributions they deem to be prudent.

NOTE 12 – ENDOWMENTS (continued)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net position composition by type of fund (in thousands)				
Donor-restricted endowment funds	$ (194)	$ 4,572	$ 29,217	$ 33,595
Total funds	$ (194)	$ 4,572	$ 29,217	$ 33,595

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Changes in endowment net position (in thousands)				
Endowment net position, July 1	$ (171)	$ 5,641	$ 25,618	$ 31,088
Investment return:				
Investment income	-	621	-	621
Realized and unrealized gain (loss) below the permanent corpus	(23)	23	-	-
Net appreciation (realized and unrealized)	-	(250)	-	(250)
Total investment return	(23)	394	-	371
Contributions	-	13	3,579	3,591
Appropriation of endowment assets assets for expenditure	-	(1,218)	-	(1,218)
Net asset reclassification due to Change in donor intent	-	(257)	20	(237)
Endowment net position, June 30	$ (194)	$ 4,572	$ 29,217	$ 33,595

NOTE 12 – ENDOWMENTS (continued)

Description of Amounts Classified as Permanently Restricted Net Position and Temporarily Restricted Net Position (Endowment Only)

		2015
Permanently Restricted Net Position (in thousands)		
The portion of perpetual endowment funds that is required to be retained permanently either by explicit donor stipulations or by UPMIFA	$	29,217
Total endowment funds classified as permanently restricted net position	$	29,217
Temporarily Restricted Net Position		
The portion of perpetual endowment funds subject to a time restriction under UPMIFA:		
Without purpose restrictions	$	-
With purpose restrictions		4,572
Total endowment funds classified as temporarily restricted net position	$	4,572

Medical College of Georgia Foundation, Inc.

Interpretation of Relevant Law

In approving endowment, spending and related policies, as part of the prudent and diligent discharge of its duties, the Board of Directors of the Foundation, as authorized by the UPMIFA, has relied upon the actions, reports, information, advice and counsel taken or provided by its duly constituted committees and the duly appointed officers of the Foundation and in doing so has interpreted the law to require the preservation of the historic dollar value of donor-restricted endowment funds, absent explicit donor directions to the contrary.

As a result of this interpretation, for accounting and financial statement purposes, the Foundation classifies as permanently restricted net position the historic dollar value of assets held as donor-restricted endowment, including any subsequent gifts and any accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The portion of the donor-restricted endowment fund that is not classified as permanently restricted net position is classified as temporarily restricted net position until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by the Act. In accordance with the Act, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: the duration and preservation of the fund, the purposes of the Foundation and the donor-restricted endowment fund, general economic conditions, the possible effect of inflation and deflation, the expected total return from income and appreciation of investments, other resources of the Foundation, and the investment policies of the Foundation.

Funds with Deficiencies

From time to time, the fair value of the assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature are reported in unrestricted net position. Due to unfavorable

NOTE 12 – ENDOWMENTS (continued)

market conditions in recent years, deficiencies totaled $21.6 thousand and $12.8 thousand at June 30, 2015 and 2014, respectively.

Return Objectives and Risk Parameters

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the historic dollar value of the endowment assets. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity. Under this policy, as approved by the Investment Committee of the Board of Directors, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of benchmark indexes of similar assets classes while assuming a moderate level of investment risk.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation to achieve its long-term return objectives within prudent risk constraints. The Foundation uses a broadly diversified portfolio established by its investment committee, in consultation with a professional advisory firm. The Foundation portfolio is designed to achieve a total net return on investments which exceed the rate of inflation (Consumer Price Index) plus 5% over the long term, long-term on investments, net of expenses, that is equal to or exceed selected appropriate investment benchmarks for each class of investments, maintenance of sufficient liquidity to fund current programs and preservation of principal of the assets over the long term with minimal risk appropriate for this objective. The expected return is sufficient to support the Foundation's spending policy below.

Spending Policy and How the Investment Objectives Related to Spending Policy

The Foundation's Investment Committee of the Board of Directors (the "Committee") determines the method to be used to appropriate endowment funds for expenditure. The Foundation has a spending policy whereby a certain percentage (generally not to exceed 3.5% of a rolling average of endowment net position using the prior three calendar years ended December 31, 2014, 2013, and 2012) may be distributed for purposes of supporting unrestricted and temporarily restricted activities. In addition, the Foundation charges a 1% administration fee based on the prior year endowment pool balance. The Foundation's Investment Committee of the Board of Directors review spending policies annually and approved distributions they deem to be prudent.

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net position composition by type of fund (in thousands)				
Donor-restricted endowment funds	$ (22)	$ 57,598	$ 134,941	$ 192,517
Board-restricted endowment funds	4,594			4,594
Total funds	$ 4,572	$ 57,598	$ 134,941	$ 197,111

NOTE 12 – ENDOWMENTS (continued)

Changes in endowment net position (in thousands)	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net position, July 1	$ 4,581	$ 61,324	$ 133,686	$ 199,591
Investment return:				
Realized and unrealized gain (loss) below the permanent corpus balance	(9)	-	-	(9)
Net appreciation (realized and unrealized)	-	1,764	-	1,764
Total investment return	(9)	1,764	-	1,756
Contributions	-	-	1,255	1,255
Appropriation of endowment assets assets for expenditure	-	(5,490)	-	(5,490)
Endowment net position, June 30	$ 4,572	$ 57,598	$ 134,941	$ 197,111

Description of Amounts Classified as Permanently Restricted Net Position and Temporarily Restricted Net Position (Endowment Only)

	2015
Permanently Restricted Net Position (in thousands)	
The portion of perpetual endowment funds that is required to be retained permanently either by explicit donor stipulations or by UPMIFA	$ 134,941
Total endowment funds classified as permanently restricted net position	$ 134,941
Temporarily Restricted Net Position	
The portion of perpetual endowment funds subject to a time restriction under UPMIFA:	
Without purpose restrictions	$ -
With purpose restrictions	57,598
Total endowment funds classified as temporarily restricted net position	$ 57,598

NOTE 12 – ENDOWMENTS (continued)

University of Georgia Foundation

Endowment Net Position

The Foundation's endowment funds consist of individual donor-restricted endowment funds and funds designated by the Board of Trustees (the Board) to function as endowments. The net position associated with such endowment funds, including those funds designated by the Board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

As of July 1, 2008, the Foundation adopted the State of Georgia's UPMIFA, which requires the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. The Foundation classifies as permanently restricted net position (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net position is classified as temporarily restricted net position until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA. The Foundation allows spending from endowment funds based on the current spending policy. Fund spending is limited to the lesser of the established spending rate or available cash balance and investment return. In accordance with UPMIFA, the Foundation considered the following factors in making its determination to appropriate or accumulate endowment funds:

- The duration and preservation of the fund
- The purposes of the Foundation and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and appreciation of investments
- Other resources of the Foundation
- The investment policies of the Foundation

Where the Board designates unrestricted funds to function as endowments, they are classified as unrestricted net position.

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net position composition by type of fund (in thousands)				
Donor-restricted endowment funds	$ (2,266)	$ 306,131	$ 420,513	$ 724,378
Board-restricted endowment funds	82,389	-	-	82,389
Total funds	$ 80,123	$ 306,131	$ 420,513	$ 806,768

NOTE 12 – ENDOWMENTS (continued)

Changes in endowment net position (in thousands)	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net position, July 1	$ 70,143	$ 323,026	$ 396,178	$ 789,347
Investment return:				
Investment income	725	6,116	9	6,849
Market value adjustment	132	76	-	208
Total investment return	857	6,191	9	7,057
Contributions	10,601	4,593	24,012	39,206
Appropriation of endowment assets assets for expenditure	(1,478)	(27,679)	-	(29,158)
Other income	-	-	315	315
Endowment net position, June 30	$ 80,123	$ 306,131	$ 420,513	$ 806,768

Endowment Funds with Deficits

From time to time, the fair value of assets associated with individual donor endowment funds may fall below the value of the initial and subsequent donor gift amounts. Donor endowment deficits are classified as a reduction of unrestricted net position. Deficits occurred during 2015 and 2014 due to unfavorable market conditions that resulted in negative investment returns accumulated. Deficits of this nature reported in unrestricted net position were $2.3 million and $1.4 million as of June 30, 2015 and 2014, respectively. Subsequent recovery of investment market value will reduce these accumulated deficits through the reinstatement of unrestricted amounts.

Return Objectives and Risk Parameters

The Foundation has adopted endowment investment and spending policies that attempt to provide a predictable stream of funding to programs supported by its endowment, while seeking to maintain the purchasing power of endowment assets. Under this policy, endowment assets are invested in a manner that is intended to yield a long-term rate of return of approximately 6.5% annually, while assuming a moderate level of investment risk. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Investment Objectives

To achieve its long-term rate of return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (net realized and unrealized gains) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places greater emphasis on equity-based investments to achieve its long-term objectives within prudent risk constraints.

Relationship of Spending Policy to Investment Objectives

The Foundation's Investment Committee (the Committee) determines the method to be used to appropriate endowment funds for expenditure. The appropriation amount for the following fiscal year's spending rate is determined using investment values on a calendar-year basis. The Committee established a 4.0% spending rate for fiscal years 2015 and 2014 based on the endowment value at December 31, 2013 and 2012, respectively. The method used to calculate the spending budget was adopted by the Committee to reduce the spending volatility and include a predetermined inflation factor. The formula used for the fiscal year 2015 spending budget is ((80% * (1 + Consumer Price Index)) * fiscal year 2014 spending amount) + (20% * (fiscal year 2015 spending rate *

NOTE 12 – ENDOWMENTS (continued)

endowment market value at December 31, 2014)). In establishing this method, the Committee considered the expected long-term rate of return on the investment of the Foundation's endowment funds. Accordingly, over the long term, the Foundation expects the current spending policy to allow its endowment to grow at an average of approximately 1.5% annually, consistent with its intention to maintain the purchasing power of the endowment assets. Depending upon market conditions and the needs and available resources of the Foundation, appropriations for expenditure from individual endowments may be temporarily suspended to facilitate preservation of the individual endowment.

NOTE 13 – SERVICE CONCESSION ARRANGEMENTS

A. Primary Government

Board of Regents of the University System of Georgia

During fiscal year ended June 30, 2015, the Board of Regents of the University System of Georgia (BOR) entered into a Service Concession Arrangement (SCA) with Corvias Campus Living-USG, LLC (Corvias), whereby Corvias, will manage, maintain and operate certain student housing resources on the campuses of the following nine institutions: Abraham Baldwin Agricultural College, Armstrong State University, College of Coastal Georgia, Columbus State University, Dalton State College, East Georgia State College, Georgia Regents University, 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 accordance with the SCA, in May 2015, Corvias, provided $311.6 million to the BOR to retire the capital lease obligations transferred to the USO. These lease obligations with outstanding principal balances of $302.2 million, were subsequently retired using funds provided, with the difference of $9.4 million reported as other nonoperating expenses of the Higher Education Fund on the Statement of Revenues, Expenses and Changes in Net Position.

In addition to the aforementioned transfers of housing resources and related capital lease obligations from various units of the University System of Georgia to the USO, Georgia State University also transferred $8.7 million, which was the remaining unamortized gain from the refinancing of the Commons dormitory that was included in the new Corvias SCA. The net result of recognizing this gain in conjunction with the $9.4 million discussed above results in a net effect on other nonoperating expenses of the Higher Education Fund of $0.7 million.

The $311.6 million received from Corvias was reported as a deferred inflow of resources. The SCA is for 65 years (780 months) to end in June 2080. The USO amortized $0.4 million of this deferred inflow in June 2015, leaving a remaining deferred inflow of resources balance of $311.2 million at June 30, 2015.

As part of this SCA, beginning in fiscal year 2016, the USO will also receive $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 will also receive Retained Services funds each year as a percentage of gross revenues for that year. At June 30, 2015, the USO had received advances of $4.0 million of ground rent and $3.3 million in retained services funds. This total of $7.3 million is reflected as unearned revenue on the Statement of Net Position.

Georgia Gwinnett College

At June 30, 2015, Georgia Gwinnett College was a participant in one Service Concession Arrangement with Aramark Education Services, LLC (Aramark).

On May 13, 2014, Georgia Gwinnett College entered into an agreement with Aramark, whereby Aramark will operate food services operations from service recipients. Aramark is required to operate the food service facilities in accordance with the contractual agreement. The contract includes a period fixed fee ("Annual Fixed Fee") payable to Aramark in the amount of $4.1 million per operating year. In the event that the amount paid to or retained by Aramark are less than the Annual Fixed Fee of $4.1 million, then the College shall remit the amount equivalent to the difference of the Annual Fixed Fee minus Actual Operating Retainage. In the event that the actual operating year retainage is greater than 199.9% (upper threshold amount) of the Annual Fixed Fee, then Aramark shall remit

NOTE 13 – SERVICE CONCESSION ARRANGEMENTS (continued)

the difference of the Annual Fixed Fee minus the upper threshold amount to the College. Any amount above the Annual Fixed Fee but less than the upper threshold amount is retained by Aramark. The College and Aramark will review the Annual Fixed Fee prior to the commencement of each Operating Year and a revised Annual Fixed Fee shall be set forth in a written supplemental contract. In addition, the College shall pay to Aramark (or Aramark shall retain) 88% of net receipts on all categories of sales from Aramark's operations. The agreement is renewable each year for ten years.

Under the terms of the contract Aramark committed to a lump sum upfront payment of $0.4 million. Amortized revenue recorded in fiscal year 2015 was $36.0 thousand.

Under the terms of the agreement, the College will receive three yearly installment payments of $0.5 million from Aramark, the first payment was received in fiscal year 2015. Amortized revenue recorded in fiscal year 2015 was $0.2 million.

Under the terms of the agreement, Aramark has committed to $3.3 million in dining facility renovations. During fiscal year 2015, $2.9 million of renovations was completed with the remaining $0.4 million reported as accounts receivable. The total of $3.3 million was recorded as a deferred inflow of resources.

For fiscal year 2015, Georgia Gwinnett College reported a remaining deferred inflow of resources of $4.9 million and amortized revenue of $0.2 million.

<u>Kennesaw State University</u>

At June 30, 2015, Kennesaw State University (KSU) was a participant in three Service Concession Arrangements.

1. In August 2001, KSU entered into an agreement with Kennesaw State University Foundation, Inc. (KSUF) whereby KSUF will operate and collect revenues for housing operations from students. KSUF is required to operate the residence hall ("University Place") in accordance with a contractual agreement between the two parties. Under the terms of the agreement, the University received no funds upfront from KSUF, but will take full ownership of the residence hall at the end of the operating agreement in June 2031.

2. In August 2003, KSU entered into an agreement with KSUF whereby KSUF will operate and collect revenues for housing operations from students. KSUF is required to operate the residence hall ("University Village") in accordance with a contractual agreement between the parties. Under the terms of the agreement, the University received no funds upfront from KSUF, but will take full ownership of the housing at the end of the operating agreement in June 2034.

3. In August 2007, KSU entered into an agreement with KSUF whereby KSUF will operate and collect revenues for housing operations from students. KSUF is required to operate the residence hall ("University Suites") in accordance with a contractual agreement between the parties. Under the terms of the agreement, the University received no funds upfront from KSUF, but will take full ownership of the housing at the end of the operating agreement in June 2037.

At June 30, 2015, KSU reports the three housing residences as Capital Assets with a net carrying value of $70.7 million. For fiscal year 2015, the University reported a remaining deferred inflow of resources of $70.7 million and amortized revenue of $3.6 million. As part of the contractual agreement, KSUF is responsible for insuring each of the three residence halls and for providing maintenance services. The University has no reportable future obligation for these services.

NOTE 14 – DEFERRED INFLOWS AND OUTFLOWS

Deferred Outflows and Inflows of Resources reported on the Statement of Net Position as of June 30, 2015, 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	$ -	$ 6,789	$ 6,789	$ 7,494
Deferred Amount on Refundings of Bonded Debt	202,312	34,181	236,493	36,954
Deferred Costs on Operating Leases	-	100	100	-
Deferred Amount on Refundings of Swaption Agreements	-	30,122	30,122	-
Deferred Outflows Relating to Pensions:				
Change of assumptions	9,045	-	9,045	-
Net difference between projected and actual earnings on pension plan investments	-	2,066	2,066	-
Change in proportion	67,617	49,869	117,486	4,326
State contribution subsequent to the measurement date	526,100	252,895	778,995	38,641
Total Deferred Outflows of Resources	**$ 805,074**	**$ 376,022**	**$ 1,181,096**	**$ 87,415**
Deferred Inflows of Resources				
Accumulated Increase in Fair Value of Hedging Derivatives	$ -	$ 6,789	$ 6,789	$ -
Deferred Amount on Refundings of Bonded Debt	-	7,246	7,246	10,172
Deferred Service Concession Arrangement Receipts	-	386,806	386,806	-
Deferred Inflows Relating to Pensions:				
Difference between expected and actual experience	393	-	393	-
Change of assumptions	-	-	-	1,209
Net difference between projected and actual earnings on pension plan investments	1,024,198	759,798	1,783,996	44,576
Change in proportion	83,706	22,714	106,420	4,396
Other	-	8,018	8,018	-
Unavailable Revenue	13,358	56,047	69,405	7,469
Total Deferred Inflows of Resources	**$ 1,121,655**	**$ 1,247,418**	**$ 2,369,073**	**$ 67,822**

Of the $805.1 million of deferred outflows of resources reported in the governmental activities, $602.8 million represent deferred outflows relating to pensions, of which $8.7 million are reported in the internal service funds. The remaining $202.3 million represent deferred amounts on refundings of bonded debt.

Of the $1.1 billion of deferred inflows of resources reported in the governmental activities, $1.1 billion represent deferred inflows relating to pensions, of which $12.6 million are reported in the internal service funds. The remaining $13.4 million in unavailable revenue represent grant funds received before the period when those resources are permitted to be used.

NOTE 14 – DEFERRED INFLOWS AND OUTFLOWS (continued)

Of the $376.0 million of deferred outflows of resources reported in the business-type activities, $304.8 million represent deferred outflows relating to pensions, $34.2 million represent deferred amounts on refundings of bonded debt and $30.1 million represent deferred loan origination costs.

Of the $1.2 billion of deferred inflows of resources reported in the business-type activities column, $782.5 million represent deferred inflows relating to pensions, $386.8 million represent deferred service concession arrangement receipts described in *Note 13, Service Concession Arrangements* and $56.0 million in unavailable revenue represent grant funds received before the period when those resources are permitted to be used.

Of the $87.4 million of deferred outflows of resources reported in the component units, $43.0 million represent deferred outflows relating to pensions and $37.0 million represent deferred amounts on refundings of bonded debt.

Of the 67.8 million of deferred inflows of resources reported in the component units, $50.2 million represent deferred inflows relating to pensions.

Under the modified accrual basis of accounting, governmental funds reported $1.6 billion in unavailable revenue as deferred inflows of resources, which consisted primarily of taxes and interest received more than 30 days after close of the current fiscal year.

NOTE 15 – RETIREMENT SYSTEMS

The State administers various retirement plans. Two of the major retirement systems are: The Employees' Retirement System (the System) and Teachers Retirement System (TRS). The State also administers retirement plans for the State's peace officers and firefighters. Those plans are the Peace Officers' Annuity and Benefit Fund of Georgia (Peace Officers') and the Georgia Firefighters' Pension Fund (Firefighters'). The State is the plan sponsor (Plan) of these plans and in many cases the participating employer (Employer). The notes to the financial statements and required supplementary information that follow are presented from the perspective of the State as Plan sponsor and the State as Employer. In addition, the State is the only entity with a statutory requirement to contribute on behalf of the employer directly to many of these Plans creating a situation defined as a Nonemployer Contributing Entity in a Special Funding Situation (SFS).

Each of these systems issue separate publicly available financial reports that include the applicable financial statements and required supplementary information. The reports may be obtained by visiting the following websites:

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

In addition, the State administers the Regents Retirement Plan, which is an optional retirement plan for certain university employees. The State's significant retirement plans are described below. More detailed information can be found in the plan agreements and related legislation. Each plan, including benefit and contribution provisions, was established and can be amended by State law.

A. Summary of Significant Accounting Policies

Basis of Accounting

Retirement plan financial statements are prepared on the accrual basis of accounting, except for the collection of fines and forfeitures which are recognized when collected from the courts and insurance company premium taxes which are recognized annually, upon receipt. Contributions from the employers and members are recognized as additions when due, pursuant to formal commitments, as well as statutory or contractual requirements. Retirement benefits and refund payments are recognized as deductions when due and payable. The retirement plan's fiduciary net positions have been determined on the same basis as they are reported by the various plans.

Investments

Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price. No investment in any one organization, other than those issued or guaranteed by the U.S. Government or its agencies, represents 5% or more of the net position restricted for pension benefits.

For the fiscal year ended June 30, 2015, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, for the System, which includes the Employees' Retirement System (ERS), the Public School Employees Retirement System (PSERS), and the Georgia Judicial Retirement System (GJRS), was (5.32)%.

NOTE 15 – RETIREMENT SYSTEMS (continued)

For the fiscal year ended June 30, 2015, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense for the TRS plan was (0.45)%.

For the year ended June 30, 2015, the annual money-weighted rate of return on the fund’s investments, net of pension plan investment expense for the Peace Officers’ plan was 2.53%.

For the fiscal year ended June 30, 2015, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense for the Firefighters’ plan was 1.23%.

For all plans mentioned above, the money-weighted rate of return expressed investment performance, net of investment expense, adjusted for the changing amounts actually invested.

ERS, PSERS, GJRS, TRS, Peace Officers’ and Firefighters’ have investment policies regarding the allocation of invested assets.

The ERS, PSERS, GJRS, and TRS policies are established on a cost basis in compliance with Georgia Statute. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through each pension plan.

Peace Officers’ maintains an investment policy that may be amended by its Board of Commissioners both upon its own initiative and upon consideration of the advice and recommendations of its investment managers. The fund’s policy in regard to the allocation of invested assets is established on a cost basis in compliance with Georgia Statute. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the pension plan.

Firefighters’ policy in regard to the allocation of invested assets is established and may be amended by the fund’s Board. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the pension plan.

The following table summarizes the adopted asset allocation policy by plan at June 30, 2015:

Asset Class	ERS	PSERS	GJRS	TRS	Peace Officers'	Firefighters'
Fixed Income	25% - 45%	25% - 45%	25% - 45%	25% - 45%	20% - 40%	16% - 53%
Equities	55% - 75%	55% - 75%	55% - 75%	55% - 75%	30% - 75%	25.5% - 75.5%
Alternative Investments	0% - 5%	0% - 5%	0% - 5%	-	-	-
Cash	-	-	-	-	0% - 10%	-
Other	-	-	-	-	-	5% - 25%
Total	100%	100%	100%	100%	100%	100%

NOTE 15 – RETIREMENT SYSTEMS (continued)

B. Defined Benefit Plans

Plan Descriptions and Funding Policy

Employees' Retirement System of Georgia

The System is comprised of individual retirement systems and plans covering substantially all employees of the State except for teachers and other employees covered by TRS, Peace Officers', and Firefighters' funds. The System is administrated by a Board of Trustees that is comprised of active and retired members, ex-officio state employees, and appointees by the Governor.

Employees' Retirement System

Plan Description: One of the plans within the System, also titled Employees' Retirement System, is a cost-sharing multiple-employer defined benefit pension plan that was established by the Georgia General Assembly during the 1949 Legislative Session for the purpose of providing retirement allowances for employees of the State and its political subdivisions. ERS is directed by a Board of Trustees and has the powers and privileges of a corporation. ERS acts pursuant to statutory direction and guidelines, which may be amended prospectively for new hires but for existing members and beneficiaries may be amended in some aspects only subject to potential application of certain constitutional restraints against impairment of contract.

Benefits Provided: The benefit structure of ERS is established by the Board of Trustees under statutory guidelines. Unless the employee elects otherwise, an employee who currently maintains membership with ERS based upon State employment that started prior to July 1, 1982, is an "old plan" member subject to the plan provisions in effect prior to July 1, 1982. Members hired on or after July 1, 1982, but prior to January 1, 2009, are "new plan" members subject to the modified plan provisions. Effective January 1, 2009, newly hired State employees, as well as rehired State employees who did not maintain eligibility for the "old" or "new" plan, are members of the Georgia State Employees' Pension and Savings Plan (GSEPS). Members of the GSEPS plan may also participate in the GSEPS 401(k) defined contribution component described below. ERS members hired prior to January 1, 2009, also have the option to irrevocably change their membership to the GSEPS plan.

Under the old plan, new plan, and GSEPS, a member may retire and receive normal retirement benefits after completion of 10 years of creditable service and attainment of age 60 or 30 years of creditable service regardless of age. Additionally, there are some provisions allowing for early retirement after 25 years of creditable service for members under age 60.

Retirement benefits paid to members are based upon a formula adopted by the Board of Trustees for such purpose. The formula considers the monthly average of the member's highest 24 consecutive calendar months of salary, the number of years of creditable service, the applicable benefit factor, and the member's age at retirement. Postretirement cost-of-living adjustments may be made to members' benefits provided the members were hired prior to July 1, 2009. The normal retirement pension is payable monthly for life; however, options are available for distribution of the member's monthly pension, at reduced rates, to a designated beneficiary upon the member's death. Death and disability benefits are also available through ERS.

Contributions: Member contribution rates are set by law. Member contributions under the old plan are 4% of annual compensation up to $4,200 plus 6% of annual compensation in excess of $4,200. Under the old plan, the State pays member contributions in excess of 1.25% of annual compensation. Under the old plan, these State contributions are included in the members' accounts for refund purposes and are used in the computation of the

NOTE 15 – RETIREMENT SYSTEMS (continued)

members' earnable compensation for the purpose of computing retirement benefits. Member contributions under the new plan and GSEPS are 1.25% of annual compensation. The State is required to contribute at a specified percentage of active member payroll established by the Board of Trustees and determined annually in accordance with an actuarial valuation and minimum funding standards as provided by law. These State contributions are not at any time refundable to the member or his/her beneficiary.

Employer and nonemployer contributions required, as a percentage of covered payroll, for fiscal year 2015 were based on the June 30, 2012 actuarial valuation as follows:

Plan Segment	Contribution Rate 2015
Old Plan*	21.96%
New Plan	21.96%
GSEPS	18.87%

*17.21% exclusive of contributions paid by the State on behalf of old plan members.

The State makes contributions to ERS on behalf of certain non-State employers as follows: Pursuant to The Official Code of Georgia Annotated (O.C.G.A) 47-2-292(a) the Department of Revenue receives an annual appropriation from the Georgia General Assembly to be used to fund the employer contributions for local county tax commissioners and employees. Pursuant to O.C.G.A. 47-2-290(a) the Council of State Courts (CSC) and the Prosecuting Attorneys' Council (PAC) receive annual appropriations from the Georgia General Assembly for employer contributions of local employees in State Courts in Bibb, Chatham and DeKalb counties.

Members become vested after 10 years of service. Upon termination of employment, member contributions with accumulated interest are refundable upon request by the member. However, if an otherwise vested member terminates and withdraws his/her member contributions the member forfeits all rights to retirement benefits.

Public School Employees Retirement System

Plan Description: The Public School Employees Retirement System is also a plan within the System. PSERS is a cost-sharing multiple-employer defined benefit pension plan established by the Georgia General Assembly in 1969 for the purpose of providing retirement allowances for public school employees who are not eligible for membership in the Teachers Retirement System of Georgia. The ERS Board of Trustees, plus two additional trustees, administers PSERS.

Benefits Provided: A member may retire and elect to receive normal monthly retirement benefits after completion of ten years of creditable service and attainment of age 65. A member may choose to receive reduced benefits after age 60 and upon completion of ten years of service. Upon retirement, the member will receive a monthly benefit of $14.75, multiplied by the number of years of creditable service. Death and disability benefits are also available through PSERS. Additionally, PSERS may make periodic cost-of-living adjustments to the monthly benefits.

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.

NOTE 15 – RETIREMENT SYSTEMS (continued)

The State makes contributions to PSERS on behalf of certain non-State employers as follows: Pursuant to O.C.G.A. §47-4-29(a) and 60(b), the Georgia General Assembly makes an annual appropriation to cover the employer contribution to PSERS on behalf of local school employees (bus drivers, cafeteria workers, and maintenance staff). The annual employer contribution required by statute is actuarially determined and paid directly to PSERS by the State Treasurer. Contributions are expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Nonemployer contributions required for the year ended June 30, 2015 were $736.31 per active member and were based on the June 30, 2012, actuarial valuation.

Members become vested after ten years of creditable service. Upon termination of employment, member contributions with accumulated interest are refundable upon request by the member. However, if an otherwise vested member terminates and withdraws his/her member contribution, the member forfeits all rights to retirement benefits.

Georgia Judicial Retirement System

Plan Description: The Georgia Judicial Retirement System is also a plan within the System. GJRS is a cost-sharing multiple-employer defined benefit pension plan established by the Georgia General Assembly for the purpose of providing retirement allowances for judges and solicitors generals of the state courts and juvenile court judges in Georgia, and their survivors and other beneficiaries, superior court judges of the state of Georgia, and district attorneys of the state of Georgia. The ERS Board of Trustees and three additional trustees administer GJRS.

GJRS was also created to serve the members and beneficiaries of the Trial Judges and Solicitors Retirement fund, the Superior Court Judges Retirement System, and the District Attorneys Retirement System (collectively, the Predecessor Retirement Systems). As of June 30, 1998, any person who was an active, inactive, or retired member or beneficiary of the Predecessor Retirement Systems was transferred to GJRS in the same status effective July 1, 1998. All assets of the Predecessor Retirement Systems were transferred to GJRS as of July 1, 1998.

Benefits Provided: The normal retirement for GJRS is age 60, with 16 years of creditable service; however, a member may retire at age 60 with a minimum of 10 years of creditable service.

Annual retirement benefits paid to members are computed as 66⅔% of State paid salary at retirement for district attorneys and superior court judges and 66⅔% of the average over 24 consecutive months for trial judges and solicitors, plus 1% for each year of creditable service over 16 years, not to exceed 24 years. Early retirement benefits paid to members are computed as the pro rata portion of the normal retirement benefit, based on service not to exceed 16 years. Death, disability, and spousal benefits are also available.

Contributions: Members are required to contribute 7.5% of their annual salary. Those who became members prior to July 1, 2012 must also contribute an additional 2.5% of their annual salary if spousal benefit is elected. Employer contributions are actuarially determined and approved and certified by the GJRS Board of Trustees.

The State makes contributions to GJRS on behalf of certain non-State employers as follows: Pursuant to O.C.G.A. 47-23-81 the employer contributions for state court judges and solicitors are funded by the State of Georgia on behalf of the local county employers and pursuant to O.C.G.A. 47-23-82 the employer contributions for juvenile court judges are funded by the State on behalf of local county employers.

NOTE 15 – RETIREMENT SYSTEMS (continued)

Employer and nonemployer contributions required for year ended June 30, 2015 were 6.98% of contributions and were based on the June 30, 2012 actuarial valuation.

Members become vested after ten years of creditable service. Upon termination of employment, member contributions with accumulated interest are refundable upon request by the member. However, if an otherwise vested member terminates and withdraws his/her member contribution, the member forfeits all rights to retirement benefits.

Teachers Retirement System of Georgia

Plan Description: TRS is a cost-sharing multiple-employer defined benefit plan created in 1943 by an act of the Georgia General Assembly to provide retirement benefits for qualifying employees in educational service. A Board of Trustees comprised of two appointees by the Board, two ex-officio State employees, five appointees by the Governor, and one appointee of the Board of Regents is ultimately responsible for the administration of TRS. All teachers in the state public schools, the University System of Georgia (except those professors and principal administrators electing to participate in an optional retirement plan), and certain other designated employees in educational-related work are eligible for membership.

Benefits Provided: TRS provides service retirement, disability retirement, and survivor's benefits. Title 47 of the O.C.G.A. assigns the authority to establish and amend the provisions of TRS to the State Legislature. A member is eligible for normal service retirement after 30 years of creditable service, regardless of age, or after 10 years of service and attainment of age 60. A member is eligible for early retirement after 25 years of creditable service.

Normal retirement (pension) benefits paid to members are equal to 2% of the average of the member's two highest paid consecutive years of service, multiplied by the number of years of creditable service up to 40 years. Early retirement benefits are reduced by the lesser of one-twelfth of 7% for each month the member is below age 60 or by 7% for each year or fraction thereof by which the member has less than 30 years of service. It is also assumed that certain cost-of-living adjustments, based on the Consumer Price Index, may be made in future years. Retirement benefits are payable monthly for life. A member may elect to receive a partial lump-sum distribution in addition to a reduced monthly retirement benefit. Options are available for distribution of the member's monthly pension, at a reduced rate, to a designated beneficiary on the member's death. Death, disability, and spousal benefits are also available.

Contributions: TRS is funded by member, employer and nonemployer contributing entity (Nonemployer) contributions as adopted and amended by the Board of Trustees. Members become fully vested after 10 years of service. If a member terminates with less than 10 years of service, no vesting of employer contributions occurs, but the member's contributions may be refunded with interest. Member contributions are limited by State law to not less than 5% or more than 6% of a member's earnable compensation.

The State makes contributions to TRS on behalf of certain non-State employers as follows: Pursuant to O.C.G.A. 47-3-63, the employer contributions for certain full-time public school support personnel are funded on behalf of the employers by the State of Georgia.

Member contributions as adopted by the Board of Trustees for fiscal year 2015 were 6% of annual salary. Employer contributions required for fiscal year 2015 were 13.15% of annual salary as required by the June 30, 2012, actuarial valuation.

NOTE 15 – RETIREMENT SYSTEMS (continued)

Peace Officers' Annuity and Benefit Fund of Georgia

Plan Description: The Peace Officers' Annuity and Benefit Fund of Georgia is a cost-sharing multiple-employer defined benefit pension plan established in 1950 by the General Assembly of Georgia for the purpose of paying retirement benefits to peace officers of the State of Georgia. The Board of Commissioners of the Peace Officers' fund is comprised of six members and consists of the Governor or his designee, an appointee of the Governor other than the Attorney General, the Commissioner of Insurance or his designee and three active or retired peace officers appointed by the Governor in accordance with O.C.G.A. 47-17-20.

Individuals eligible to apply for membership in the Peace Officers' fund are defined in the O.C.G.A. 47-17-1 and generally include: any individual employed by the State of Georgia or any municipality, county, or other political subdivision thereof for the preservation of public order, the protection of life and property or the detection of crime; wardens and correction officers of correctional institutions; full-time parole officers; other individuals employed full-time for the purpose of law enforcement; and full-time employees of the Peace Officers' fund.

Benefits Provided: The Peace Officers' fund provides retirement as well as disability and death benefits. Title 47 of the O.C.G.A. assigns the authority to establish and amend the provisions of the Peace Officers' fund to the State Legislature. A member is eligible to receive retirement benefits with 30 years of service, regardless of age. A member is also eligible to receive retirement benefits at age 55 with 10 years of service; however, members joining on or after July 1, 2010, must have 15 years of service to be eligible for benefits. A member must have terminated his or her active employment as a peace officer to receive benefits.

The monthly benefit is a single life annuity payable in monthly payments for the life of the member only. The monthly payment amount at June 30, 2015, was $24.41 per month (plus 1/12 of this amount for each month of any partial year) for each full year of creditable service up to a maximum of 30 years of total service. The Board of Trustees is authorized to provide for increases effective as of January 1 and July 1 of each year up to 1.5% of the maximum monthly retirement benefit then in effect. Members may elect, as an alternate to the benefit described above, to receive a 100% joint life annuity payable during the life of the member or the member's spouse, or a contingency life annuity with a 50% monthly payment to the surviving spouse. The amount of the benefit for these options is an actuarially reduced portion of the single life annuity benefit described above.

At any time before a member begins drawing retirement benefits, the member may request a refund of 95% of all member contributions paid into the Peace Officers' fund during creditable service. No interest is paid on these withdrawals.

Contributions: The Peace Officers' fund is funded by member and nonemployer contributing entity (Nonemployer) contributions. Contribution provisions are established by statute and may be amended only by the General Assembly of Georgia. A description of contribution requirements is as follows:

Member Contributions: Member contribution requirements are set forth in O.C.G.A. 47-17-44 and are not actuarially determined. Each member must contribute $20 per month, to be paid no later than the tenth day of each month.

Court Fines and Forfeitures: Pursuant to O.C.G.A. 47-14-60, the State makes contributions to the Peace Officers' fund on behalf of non-State employers through the collection of court fines and forfeitures.

The fines and forfeitures are considered employer contributions for the purpose of determining whether the Peace Officers' fund has met minimum funding requirements specified in O.C.G.A. 47-20-10. This statute also prohibits

NOTE 15 – RETIREMENT SYSTEMS (continued)

any action to grant a benefit increase until such time as the minimum annual contribution requirements meet or exceed legislative requirements. The actuarial valuation as of July 1, 2015, calculated the minimum employer contribution for the fiscal year ended June 30, 2015, as $17.8 million. The fines and forfeitures revenue of $15.3 million for the fiscal year ended June 30, 2015, did not meet the minimum required fund contribution.

Administrative expenses are generally funded from current member and court fine and forfeiture contributions. Investment earnings may be utilized to fund any expenses in excess of contributions.

Georgia Firefighters' Pension Fund

Plan Description: The Georgia Firefighters' Pension fund is a cost-sharing multiple-employer defined benefit pension plan established in 1955 by the General Assembly of Georgia for the purpose of paying retirement benefits to firefighters of the State of Georgia. The Board of Trustees of the pension fund is comprised of five members and consists of the Governor or his designee, the Commissioner of Insurance or his designee, two active members of the pension fund appointed by the Governor and one retired beneficiary of the pension fund appointed by the Governor. Any person employed as a firefighter or enrolled as a volunteer firefighter within the State of Georgia or any regular employee of the pension fund is eligible for membership. The pension fund is funded through a combination of member contributions and insurance premiums tax collected and remitted by insurers directly to the pension fund in accordance with O.C.G.A. 47-7-61. Every fire insurance company, corporation or association doing business within the State of Georgia must pay to the executive director of the pension fund 1% of the gross premiums written by such insurance company, corporation, or association for fire, lightning, or extend coverage, inland marine or allied lines, or windstorm insurance policies covering property within the State.

Benefits Provided: The Firefighters' fund provides retirement as well as disability and death benefits. Benefit provisions and vesting requirements are established by statute and may be amended only by the General Assembly of Georgia. A member shall be eligible to receive retirement benefits at age 55 provided the member has 25 years of service. A member may be eligible to receive a pro rata share of benefits, at the latter of age 55 or at the member's termination as a firefighter or volunteer firefighter, after at least 15 years of service (amount received to be the maximum benefit amount times a ratio of years of service to 25 years). At age 50, a member may elect to receive a percentage of benefits to which the member would have been eligible to receive at age 55. Members may receive benefits and continue service as a volunteer firefighter as long as they receive no form of compensation for their volunteer department activity.

The maximum retirement benefit at June 30, 2015 is $882 per month for the life of the member. The Board of Trustees is authorized to provide for ad hoc cost-of-living adjustments (COLAs) effective as of January 1 and July 1 of each year up to 1½ percent of the maximum retirement benefit then in effect. Members retiring after July 1, 1984 with service in excess of 25 years are entitled to an additional one percent of the maximum benefit in effect at the time of retirement for each additional full year of service. Members retiring after July 1, 2002 with service in excess of 25 years are entitled to an additional two percent of the maximum benefit in effect at the time of retirement for each additional full year of service.

Members may elect, as an alternate to the benefit described above, to receive 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 ten years' certain and life option where an actuarially reduced benefit is received during the member's lifetime and, in the event of the member's death within 10 years of retirement, the same monthly benefits shall be payable to the member's selected beneficiary for the balance of the 10 year period.

NOTE 15 – RETIREMENT SYSTEMS (continued)

In the event a member terminates prior to receiving retirement benefits, 95% of the member's contribution will be returned. No interest is paid upon amounts so withdrawn.

Contributions: The Firefighters' fund is funded by members and insurance premium tax contributions. The insurance premium tax contributions are considered to be the annual employer contribution amount. Contribution provisions are established by statute and may be amended only by the General Assembly of Georgia. A description of contribution requirements is as follows:

Member Contributions: Each member must contribute $25 per month, to be paid no later than the tenth day of each month. In 2015, member contributions were $3.9 million.

Insurance Premium Tax: Pursuant to O.C.G.A. 47-7-61, the State makes contributions to the Firefighters' fund on behalf of non-State employers as follows: Nonemployer contributing entity contributions consist of contributions from fire insurance companies, corporations or associations doing business within the State of Georgia. These contributions must be paid to the executive director of the Firefighters' fund and are comprised of one percent of the gross premiums, written by such insurance companies, corporations, or associations for fire, lightning, or extended coverage, inland marine or allied lines, or windstorm insurance policies covering property within the State of Georgia.

In accordance with O.C.G.A. 47-20-10, the insurance premiums tax are considered employer contributions for the purpose of determining whether the Pension Fund has met minimum funding requirements. This statute also prohibits any action to grant a benefit increase until such time as the minimum annual contribution requirements meet or exceed legislative requirements. The actuarial valuation as of July 1, 2015, calculated the minimum employer contribution for the fiscal year ended June 30, 2015, as $26.2 million. The insurance premium tax revenue of $31.5 million for the fiscal year ended June 30, 2015, meets the minimum required fund contribution.

Administrative expenses are generally funded from current member and insurance premium tax contributions. Investment earnings may be utilized to fund any expenses in excess of contributions.

Plan Membership and Participating Employers

The following table summarized the participating membership and participating employers at June 30, 2015:

Participating Membership by Plan
June 30, 2015

Plan Membership	ERS	PSERS	GJRS	TRS	Peace Officers'	Firefighters'
Inactive plan members or beneficiaries currently receiving benefits	47,180	16,994	290	113,066	5,181	4,821
Inactive plan members entitled to but not yet receiving benefits	84,791	79,468	63	10,565	1,172	270
Inactive plan members not entitled to benefits	-	-	-	82,668	-	2,114
Active plan members	60,419	35,488	516	214,015	14,149	13,351
Total	192,390	131,950	869	420,314	20,502	20,556
Number of Employers	423	183	91	300	602	462

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

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

NOTE 15 – RETIREMENT SYSTEMS (continued)

employers and nonemployer contributing entities, determined in accordance with GASB Statement 67 as of June 30, 2015, by Plan (amount in thousands):

Components of the Net Pension Liability/(Asset)	ERS	PSERS	GJRS	TRS	Peace Officers'	Firefighters'
Total Pension Liability	$ 17,019,362	$ 946,200	$ 357,081	$ 82,023,118	$ 720,213	$ 923,835
Plan Fiduciary Net Position	12,967,964	823,150	404,852	66,799,111	703,536	767,333
Employers' and non-employer contributing entity's net pension liability/(asset)	$ 4,051,398	$ 123,050	$ (47,771)	$ 15,224,007	$ 16,677	$ 156,502
Plan fiduciary net position as a percentage of the total pension liability/(asset)	76.20%	87.00%	113.38%	81.44%	97.68%	83.06%

Actuarial Valuation Date

The total pension liability at June 30, 2015 is based upon the June 30, 2014 actuarial valuation for ERS, PSERS, GJRS, TRS, Peace Officers' and as of June 30, 2015 for Firefighters', using generally accepted actuarial procedures/techniques.

Actuarial Assumption

The total pension liability for each plan was determined by an actuarial valuation date indicated in the table below using the following actuarial assumptions, applied to all periods included in the measurement:

	ERS	PSERS	GJRS	TRS	Peace Officers'	Firefighters'
Valuation date	6/30/2014	6/30/2014	6/30/2014	6/30/2014	6/30/2014	6/30/2015
Actuarial assumptions:						
Inflation	3.00%	3.00%	3.00%	3.00%	3.00%	2.75%
Salary increases	5.45% - 9.25%*	N/A	6.00%*	3.75% - 7.00%*	N/A	N/A
Investment rate of return[1]	7.50%	7.50%	7.50%	7.50%	7.00%	6.00%
Mortality	RP-2000 Combined Mortality Table for the periods after service retirement, for dependent beneficiaries, and for deaths in active service, and the RP-2000 Disabled Mortality Table set back eleven years for males for the period after disability retirement.	RP-2000 Combined Mortality Table set forward for one year for males for the periods after service retirement, for dependent beneficiaries, and for deaths in active service, and the RP-2000 Disabled Mortality Table set back two years for males and set forward one year for females for the period after disability retirement.	RP-2000 Combined Mortality Table for the periods after service retirement, for dependent beneficiaries, and for deaths in active service, and the RP-2000 Disabled Mortality Table set back eleven years for males for the period after disability retirement.	RP-2000 Combined Mortality Table for Males or Females, set back two years for males and set back three years for females.	RP 2014 Healthy Mortality Table with blue collar adjustment and generational mortality projection using Scale MP 2014 for health lives and the RP 2014 Disabled Retiree Mortality Table with generational mortality projection using Scale MP 2014 for disabled lives.	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 1 year for males and set forward 4 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 5 years for males and set forward 3 years for females, however there are no longer any disability benefits in the plan.
Actuarial experience study	7/1/2004 - 6/30/2009	7/1/2004 - 6/30/2009	7/1/2004 - 6/30/2009	7/1/2004 - 6/30/2009	N/A	7/1/2009 - 6/30/2015

[1]Investment rate of return is net of pension plan investment expense, including inflation.
* Includes an inflation assumption of 3.00%

NOTE 15 – RETIREMENT SYSTEMS (continued)

Long Term Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined using either a log-normal distribution analysis or a Monte Carlo simulation in which best-estimate ranges of expected future real rates of return (expected nominal returns, net of pension plan investment expense and the assumed rate of inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized by plan in the table below:

	Target Allocation*											
Asset Class	**ERS**		**PSERS**		**GJRS**		**TRS**		**Peace Officers'[1]**		**Firefighters'**	
	Target allocation	**Long-term expected real rate of return***	**Target allocation**	**Long-term expected real rate of return***	**Target allocation**	**Long-term expected real rate of return***	**Target allocation**	**Long-term expected real rate of return***	**Target allocation**	**Long-term expected real rate of return***	**Target allocation**	**Long-term expected real rate of return***
Investment Grade Corporate Credit	-	-	-	-	-	-	-	-	-	-	3.6%	2.25%
Mortgage Backed Securities	-	-	-	-	-	-	-	-	-	-	12.4%	1.25%
Fixed Income	30.0%	3.0%	30.0%	3.0%	30.0%	3.0%	30.0%	3.0%		-	-	-
Fixed Income - Domestic	-	-	-	-	-	-	-	-	20.0%	2.7%	-	-
Fixed Income - International	-	-	-	-	-	-	-	-	5.0%	4.0%	-	-
Core Bonds	-	-	-	-	-	-	-	-	-	-	10.3%	1.46%
Custom fixed income	-	-	-	-	-	-	-	-	-	-	7.6%	2.25%
Domestic large equities	39.7%	6.5%	39.7%	6.5%	39.7%	6.5%	39.7%	6.5%	35.0%	7.5%	16.5%	4.75%
Domestic mid equities	3.7%	10.0%	3.7%	10.0%	3.7%	10.0%	3.7%	10.0%	8.0%	8.4%	-	-
Domestic small equities	1.6%	13.0%	1.6%	13.0%	1.6%	13.0%	1.6%	13.0%	7.0%	8.6%	-	-
Global equities	-	-	-	-	-	-	-	-	10.0%	8.2%		
Small/mid cap equities	-	-	-	-	-	-	-	-	-	-	18.3%	5.00%
International developed market equities	18.9%	6.5%	18.9%	6.5%	18.9%	6.5%	18.9%	6.5%	-	-	15.0%	5.25%
International emerging market equities	6.1%	11.0%	6.1%	11.0%	6.1%	11.0%	6.1%	11.0%	-	-	5.0%	6.50%
International equity funds	-	-	-	-	-	-	-	-	10.0%	8.8%		
Private equity	-	-	-	-	-	-	-	-	-	-	1.2%	6.75%
Real estate	-	-	-	-	-	-	-	-	-	-	5.0%	3.50%
Real Assets (liquid)	-	-	-	-	-	-	-	-	-	-	4.7%	4.75%
Commodities	-	-	-	-	-	-	-	-	5.0%	6.4%		
Cash	-	-	-	-	-	-	-	-	-	-	0.4%	0.75%
Total	100%		100%		100%		100%		100%		100%	

[1]Peace Officers' long-term expected rate of return on pension plan investments was determined using a Monte Carlo simulation.
* Rates shown are net of the 3.00% assumed rate of inflation with the exception of Peace Officers', which assumed a 2.50% rate of inflation.

Discount Rate

The discount rate used for ERS, PSERS, GJRS, and TRS to measure the total pension liability was 7.50%. The projection of cash flows used by each plan to determine the discount rate was assumed that plan member contributions will be made at the current contribution rate and that employer and nonemployer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, each pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The discount rate used to measure the total pension liability for the Peace Officers' plan was 7.00%. The projection of cash flows used to determine the discount rate assumes revenues will remain level. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The discount rate used to measure the total pension liability for the Firefighters' plan was 6.00%, which represents a 0.50% decrease from the prior year. 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

NOTE 15 – RETIREMENT SYSTEMS (continued)

entity contributions will remain at the level contributed the previous fiscal year. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Participating Employers and Nonemployer Contributing Entities NPL to Changes in the Discount Rate

The following schedule is presented from the perspective of the State as the sponsor of the various Plans and summarizes the NPL of the employer and nonemployer contributing entities. The NPL is calculated using the determined discount rate as well as what the NPL would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate by the Plan (amount in thousands):

Sensitivity of the Plan Participating Employer and Nonemployer Contributing Entities Net Pension Liability (Asset) to Changes in the Discount Rate

	1% Decrease	Current Discount Rate	1% Increase
	(6.50%)	(7.50%)	(8.50%)
ERS's Net Pension Liability	$ 5,743,002	$ 4,051,398	$ 2,609,240
	(6.50%)	(7.50%)	(8.50%)
PSERS's Net Pension Liability	$ 226,255	$ 123,050	$ 36,107
	(6.50%)	(7.50%)	(8.50%)
GJRS's Net Pension (Asset)	$ (12,669)	$ (47,771)	$ (78,291)
	(6.50%)	(7.50%)	(8.50%)
TRS's Net Pension Liability	$ 26,161,305	$ 15,224,007	$ 6,209,071
	(6.00%)	(7.00%)	(8.00%)
Peace Officers' Net Pension Liability/(Asset)	$ 106,477	$ 16,677	$ (57,874)
	(5.00%)	(6.00%)	(7.00%)
Firefighters' Net Pension Liability	$ 284,028	$ 156,502	$ 51,544

NOTE 15 – RETIREMENT SYSTEMS (continued)

The below section is from the perspective of the State as the employer.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The State reported a liability as the Employer for its proportionate share of the NPL associated with the plans listed below. In addition, the State reported a liability for its proportionate share of the NPL as a result of its statutory requirement to contribute to certain plans. These contributions were made by the State as the Nonemployer Contributing Entity in a Special Funding Situation.

The following schedule is presented from the perspective of the State as the Employer and/or nonemployer contributing entity and details the proportional share of the pension amounts for each plan as of June 30, 2015 is as follows (amount in thousands):

Aggregate Pension Amounts - All Plans

	Primary Government	Component Units
Pension liabilities	$ 5,810,766	$ 132,507
Pension assets	$ (122,136)	$ (1,190)
Deferred outflows of resources related to pensions	$ 907,592	$ 42,967
Deferred inflows of resources related to pensions	$ 1,890,809	$ 50,181
Pension expense/expenditures	$ 348,955	$ 14,349

The NPL for each plan was measured as of June 30, 2014. The total pension liability used to calculate the NPL for each plan was based on an actuarial valuation as of June 30, 2013 for ERS, PSERS, GJRS, TRS, Firefighters' and as of June 30, 2014 for Peace Officers'.

NOTE 15 – RETIREMENT SYSTEMS (continued)

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

Actuarial Assumption

The total pension liability for each plan was determined by an actuarial valuation date indicated in the table below using the following actuarial assumptions, applied to all periods included in the measurement:

	ERS	PSERS	GJRS	TRS	Peace Officers'	Firefighters'
Valuation date	6/30/2013	6/30/2013	6/30/2013	6/30/2013	6/30/2014	6/30/2013
Actuarial assumptions:						
Inflation	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Salary increases	5.45% - 9.25%*	N/A	6.00%*	3.75% - 7.00%*	N/A	N/A
Investment rate of return[1]	7.50%	7.50%	7.50%	7.50%	7.00%	6.50%
Mortality	RP-2000 Combined Mortality Table for the periods after service retirement, for dependent beneficiaries, and for deaths in active service, and the RP-2000 Disabled Mortality Table set back eleven years for males for the period after disability retirement.	RP-2000 Combined Mortality Table set forward for one year for males for the periods after service retirement, for dependent beneficiaries, and for deaths in active service, and the RP-2000 Disabled Mortality Table set back two years for males and set forward one year for females for the period after disability retirement.	RP-2000 Combined Mortality Table for the periods after service retirement, for dependent beneficiaries, and for deaths in active service, and the RP-2000 Disabled Mortality Table set back eleven years for males for the period after disability retirement.	RP-2000 Combined Mortality Table for Males or Females, set back two years for males and set back three years for females.	RP-2000 Combined Healthy Mortality Table with blue collar adjustment and fully generational mortality improvements.	Pre-retirement and post-retirement mortality rates were based on the RP-2000 blended mortality table with Projected Scale AA. Post-disability mortality rates were based on the 1944 Railroad Board Ultimate Table.
Actuarial experience study	7/1/2004 - 6/30/2009	7/1/2004 - 6/30/2009	7/1/2004 - 6/30/2009	7/1/2004 - 6/30/2009	N/A	7/1/2001 - 7/1/2006

[1]Investment rate of return is net of pension plan investment expense, including inflation.
* Includes an inflation assumption of 3.00%

An expected total pension liability as of June 30, 2014 for each plan was determined using standard roll-forward techniques. The State's proportion of the NPL was based on contributions to each plan during the fiscal year ended June 30, 2014.

Employees' Retirement System

Primary Government

At June 30 2014, the State's proportion for the ERS plan as Employer was 87.266834%, which was an increase of 0.946514% from its proportion measured as of June 30, 2013. For the year ended June 30, 2015, the State recognized pension expense of $217.5 million. The State's portion of the net pension liability was based on the State's proportion of the prior year contributions received by the pension plan relative to the contributions for all participants in the plan.

At June 30 2014, the State's proportion was 2.410713% for certain Local County Tax Commissioners and the Council of State Courts and Prosecuting Attorneys' Council employees in Bibb, Chatham and DeKalb counties. For the year ended June 30, 2015, the State recognized expense of ($16.0) million.

Component Units

At June 30 2014, the State's proportion for the ERS plan as Employer was 1.543905%, which was an increase of 0.081144% from its proportion measured as of June 30, 2013. For the year ended June 30, 2015, the State recognized pension expense of $5.1 million. The State's portion of the net pension liability was based on the

NOTE 15 – RETIREMENT SYSTEMS (continued)

State's proportion of the prior year contributions received by the pension plan relative to the contributions for all participants in the plan.

At June 30, 2015, the State 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	$ -	$ -	$ -	$ -	$ -	$ -
Changes of assumptions	-	-	-	-	-	-
Net difference between projected and actual earnings on pension plan investments	-	798,850	-	22,068	-	14,133
Changes in proportion and differences between State contributions and proportionate share of contributions	69,864	41,599	3,737	38,197	2,875	452
State contributions subsequent to the measurement date	440,602	-	11,174	-	8,304	-
Total	$ 510,466	$ 840,449	$ 14,911	$ 60,265	$ 11,179	$ 14,585

Primary Government

State contributions as employer and nonemployer subsequent to the measurement date of $440.6 million and $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, 2016.

Component Units

State contributions as employer subsequent to the measurement date of $8.3 million are reported as deferred outflows of resources and will be recognized as a reduction of the NPL in the year ended June 30, 2016.

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
Year ended June 30:	State as Employer	State as Nonemployer Contributing Entity	State as Employer
2016	$ (182,047)	$ (27,055)	$ (2,019)
2017	(189,113)	(18,440)	(2,625)
2018	(199,713)	(5,517)	(3,533)
2019	(199,712)	(5,516)	(3,533)
2020	-	-	-
Thereafter	-	-	-

NOTE 15 – RETIREMENT SYSTEMS (continued)

Public School Employees Retirement System

At June 30 2014, 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, 2015, the State recognized pension expense of $9.5 million. At June 30, 2015, the State reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (amount in thousands):

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ -
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	56,283
Changes in proportion and differences between State contributions and proportionate share of contributions	-	-
State contributions subsequent to the measurement date	28,461	-
Total	$ 28,461	$ 56,283

State contributions as nonemployer subsequent to the measurement date of $28.5 million are reported as deferred outflows of resources and will be recognized as a reduction of the NPL in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows (amount in thousands):

Year ended June 30:	
2016	$ (14,071)
2017	(14,071)
2018	(14,071)
2019	(14,070)
2020	-
Thereafter	-

NOTE 15 – RETIREMENT SYSTEMS (continued)

Georgia Judicial Retirement System

At June 30 2014, the State's proportion for the GJRS plan as Employer was 57.356971%, which was a decrease of 1.214116% from its proportion measured as of June 30, 2013. For the year ended June 30, 2015, the State recognized pension expense of ($2.6) million. The State's portion of the net pension liability was based on the State's proportion of the prior year contributions received by the pension plan relative to the contributions for all participants in the plan.

At June 30 2014, the State's proportion was 42.643029% for certain State court judges and solicitors general and for certain juvenile court judges. For the year ended June 30, 2015, the State recognized expense of ($2.0) million. At June 30, 2015, the State reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (amount in thousands):

	State as Employer		State as Nonemployer Contributing Entity	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ -	$ -	$ -
Changes of assumptions	-	-	-	-
Net difference between projected and actual earnings on pension plan investments	-	15,618	-	11,612
Changes in proportion and differences between State contributions and proportionate share of contributions	157	-	307	464
State contributions subsequent to the measurement date	2,209	-	1,558	-
Total	$ 2,366	$ 15,618	$ 1,865	$ 12,076

State contributions as employer and nonemployer subsequent to the measurement date of $2.2 million and $1.6 million are reported as deferred outflows of resources and will be recognized as a reduction of the NPL in the year ended June 30, 2016.

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

Year ended June 30:	State as Employer	State as Nonemployer Contributing Entity
2016	$ (3,866)	$ (2,941)
2017	(3,866)	(2,941)
2018	(3,866)	(2,941)
2019	(3,867)	(2,942)
2020	4	(4)
Thereafter	-	-

NOTE 15 – RETIREMENT SYSTEMS (continued)

Teachers Retirement System of Georgia

Primary Government

At June 30 2014, the State's proportion for the TRS plan as Employer was 16.517474%, which was an increase of 0.128963% from its proportion measured as of June 30, 2013. For the year ended June 30, 2015, the State recognized pension expense of $147.2 million. The State's portion of the net pension liability was based on the State's proportion of the prior year contributions received by the pension plan relative to the contributions for all participants in the plan.

At June 30 2014, the State's proportion was 0.504588% for certain full-time public school support personnel. For the year ended June 30, 2015, the State recognized expense of $4.1 million.

Component Units

At June 30 2014, the State's proportion for the TRS plan as Employer was 0.590520%, which was a decrease of -0.017602% from its proportion measured as of June 30, 2013.For the year ended June 30, 2015, the State recognized pension expense of $4.5 million. The State's portion of the net pension liability was based on the State's proportion of the prior year contributions received by the pension plan relative to the contributions for all participants in the plan.

At June 30, 2015, the State 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	$ -	$ -	$ -	$ -	$ -	$ -
Changes of assumptions	-	-	-	-	-	-
Net difference between projected and actual earnings on pension plan investments	-	727,442	-	22,225	-	26,008
Changes in proportion and differences between State contributions and proportionate share of contributions	40,122	21,664	3,299	4,496	1,451	3,944
State contributions subsequent to the measurement date	230,939	-	7,038	-	8,231	-
Total	$ 271,061	$ 749,106	$ 10,337	$ 26,721	$ 9,682	$ 29,952

NOTE 15 – RETIREMENT SYSTEMS (continued)

Primary Government

State contributions as employer and nonemployer subsequent to the measurement date of $230.9 million and $7.0 million are reported as deferred outflows of resources and will be recognized as a reduction of the NPL in the year ended June 30, 2016.

Component Units

State contributions as employer subsequent to the measurement date of $8.2 million are reported as deferred outflows of resources and will be recognized as a reduction of the NPL in the year ended June 30, 2016.

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
Year ended June 30:	**State as Employer**	**State as Nonemployer Contributing Entity**	**State as Employer**
2016	$ (177,666)	$ (5,828)	$ (7,069)
2017	(177,666)	(5,828)	(7,069)
2018	(177,666)	(5,828)	(7,069)
2019	(177,666)	(5,828)	(7,068)
2020	1,680	(110)	(226)
Thereafter	-	-	-

NOTE 15 – RETIREMENT SYSTEMS (continued)

Peace Officers' Annuity and Benefit Fund of Georgia

At June 30 2014, the State's proportion was 100% for the Peace Officers' plan for local government Peace Officers. For the year ended June 30, 2015, the State recognized expense of $0.9 million. At June 30, 2015, the State reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (amount in thousands):

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ -
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	49,348
Changes in proportion and differences between State contributions and proportionate share of contributions	-	-
State contributions subsequent to the measurement date	15,341	-
Total	$ 15,341	$ 49,348

State contributions subsequent to the measurement date of $15.3 million are reported as deferred outflows of resources and will be recognized as a reduction of the NPL in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows (amount in thousands):

Year ended June 30:	
2016	$(12,337)
2017	(12,337)
2018	(12,337)
2019	(12,337)
2020	-
Thereafter	-

NOTE 15 – RETIREMENT SYSTEMS (continued)

Georgia Firefighters' Pension Fund

At June 30 2014, the State's proportion was 100% for the Firefighters' plan for local government Firefighters. For the year ended June 30, 2015, the State recognized expense of $10.4 million. At June 30, 2015, the State reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (amount in thousands):

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ -
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	55,292
Changes in proportion and differences between State contributions and proportionate share of contributions	-	-
State contributions subsequent to the measurement date	31,489	-
Total	$ 31,489	$ 55,292

State contributions subsequent to the measurement date of $31.5 million are reported as deferred outflows of resources and will be recognized as a reduction of the NPL in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows (amount in thousands):

Year ended June 30:	
2016	$(13,823)
2017	(13,823)
2018	(13,823)
2019	(13,823)
2020	-
Thereafter	-

NOTE 15 – RETIREMENT SYSTEMS (continued)

Sensitivity of the State's proportionate share of the NPL to changes in the discount rate:

The following schedule is presented from the perspective of the State as the Employer and nonemployer contributing entity and details the State's proportionate share of the NPL calculated using the discount rate detailed below, as well as what the State's proportionate share of the NPL would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate (amount in thousands):

Sensitivity of the (Employer) Net Pension Liability to Changes in the Discount Rate

	Primary Government			Component Units		
	1% Decrease	Current Discount Rate	1% Increase	1% Decrease	Current Discount Rate	1% Increase
	(6.50%)	(7.50%)	(8.50%)	(6.50%)	(7.50%)	(8.50%)
ERS's Net Pension Liability	$ 4,772,750	$ 3,273,046	$ 1,996,448	$ 84,438	$ 57,906	$ 35,321
SFS	131,845	90,417	55,151	-	-	-
Total ERS Net Pension Liability	$ 4,904,595	$ 3,363,463	$ 2,051,599	$ 84,438	$ 57,906	$ 35,321
	(6.50%)	(7.50%)	(8.50%)			
PSERS's Net Pension Liability	$ 211,620	$ 109,012	$ 22,657			
	(6.50%)	(7.50%)	(8.50%)			
GJRS's Net Pension (Asset)	$ (9,212)	$ (28,878)	$ (45,946)			
SFS	(6,848)	(21,469)	(34,160)			
Total GJRS's Net Pension (Asset)	$ (16,060)	$ (50,347)	$ (80,106)			
	(6.50%)	(7.50%)	(8.50%)	(6.50%)	(7.50%)	(8.50%)
TRS's Net Pension Liability	$ 3,845,376	$ 2,086,629	$ 638,336	$ 137,486	$ 74,604	$ 22,823
SFS	117,479	63,748	19,502	-	-	-
Total TRS's Net Pension Liability	$ 3,962,855	$ 2,150,377	$ 657,838	$ 137,486	$ 74,604	$ 22,823
	(6.00%)	(7.00%)	(8.00%)			
Peace Officers' Net Pension Liability/(Asset)	$ 57,648	$ (25,230)	$ (94,409)			
	(5.50%)	(6.50%)	(7.50%)			
Firefighters' Net Pension Liability/(Asset)	$ 202,058	$ 87,199	$ (7,805)			

NOTE 15 – RETIREMENT SYSTEMS (continued)

C. Defined Contribution Plans

GSEPS 401(k) Component of ERS Plan

In addition to the ERS defined benefit pension described above, GSEPS members may also participate in the Peach State Reserves 401(k) defined contribution plan and receive an employer matching contribution. The 401(k) plan is administered by the System and was established by the Georgia Employee Benefit Plan Council in accordance with State law and Section 401(k) of the IRC. The GSEPS segment of the 401(k) plan was established by State law effective January 1, 2009. Plan provisions and contribution requirements specific to GSEPS can be amended by State law. Other general 401(k) plan provisions can be amended by the ERS Board of Trustees as required by changes in federal tax law or for administrative purposes. The State was not required to make significant contributions to the 401(k) plan prior to GSEPS because most members under other segments of the plan either were not State employees or were not eligible to receive an employer match on their contributions.

The GSEPS plan includes automatic enrollment in the 401(k) plan at a contribution rate of 5% of salary unless the participating member elects otherwise. The member may change such level of participation at any time. In addition, the member may make such additional contributions as he or she desires, subject to limitations imposed by federal law. The State will match 100% of the employee's initial 1% contribution and 50% of contribution percents two through five. Therefore, the State will match 3% of salary when an employee contributes at least 5% to the 401(k) plan. Employee contributions greater than 5% of salary do not receive any matching funds.

GSEPS employer contributions are subject to a vesting schedule, which determines eligibility to receive all or a portion of the employer contribution balance at the time of any distribution from the account after separation from all State service. Vesting is determined based on the table below:

Less than 1 year	0%
1 year	20%
2 years	40%
3 years	60%
4 years	80%
5 or more years	100%

Employee contributions and earnings thereon are 100% vested at all times. The 401(k) plan also allows participants to roll over amounts from other qualified plans to their respective account in the 401(k) plan on approval of the 401(k) plan administrator. Such rollovers are 100% vested at the time of transfer. Participant contributions are invested according to the participant's investment election. If the participant does not make an election, investments are automatically defaulted to a Lifecycle fund based on the participant's date of birth.

The participants may receive the value of their vested accounts upon attaining age 59.5, qualifying financial hardship, or 30 days after retirement or other termination of service (employer contribution balances are only eligible for distribution upon separation from service). Upon the death of a participant, his or her beneficiary shall be entitled to the vested value of his or her accounts. Employees who die while actively employed and eligible for 401(k) employer matching contributions become fully vested in employer contributions upon death. Distributions are made in installments or in a lump sum.

There were 23,516 plan members and 194 participating employers in the plan at June 30, 2015.

NOTE 15 – RETIREMENT SYSTEMS (continued)

In 2015, the State's employer and employee GSEPS contributions were $26.0 million and $14.1 million, respectively. Additionally, the State made contributions of about $0.1 million on behalf of employers that are not in the reporting entity. Employer contributions may be partially funded from non-vested contributions that were forfeited by employees.

Regents Retirement Plan

Plan Description

The Regents Retirement Plan, a single-employer defined contribution plan, is an optional retirement plan established by the Georgia General Assembly in Chapter 21 of Title 47 of the O.C.G.A. It is administered and may be amended by the Board of Regents (Proprietary Fund – Higher Education). A participant in the plan is an "eligible university system employee" defined as a faculty member or a principal administrator as designated by the regulations of the Board of Regents. Under the Plan, a plan participant may purchase annuity contracts from four approved vendors (AIG-VALIC, American Century, Fidelity, and TIAA-CREF) for the purpose of receiving retirement and death benefits. The approved vendors have separately issued financial reports that may be obtained through their respective corporate offices.

Benefits depend solely on amounts contributed to the plan plus investment earnings. Benefits are payable to participating employees or their beneficiaries in accordance with the terms of the annuity contracts.

The University System of Georgia makes monthly employer contributions for the Regents Retirement Plan at rates adopted by the TRS Board of Trustees in accordance with State statute and as advised by their independent actuary. For fiscal year 2015, the employer contribution was 9.24% of the participating employee's earned compensation. Employees contribute 6% of their earned compensation. Amounts attributable to all plan contributions are fully vested and non-forfeitable at all times. In 2015, employer and employee contributions were $116.9 million (9.24%) and $75.5 million (6%), respectively.

NOTE 16 – POSTEMPLOYMENT BENEFITS

The State provides the following significant other postemployment benefit (OPEB) plans:

Administered by Department of Community Health (DCH):
Georgia State Employees Post-employment Health Benefit Fund (State OPEB Fund)
Georgia School Personnel Post-employment Health Benefit Fund (School OPEB Fund)

Administered by the Employees' Retirement System:
State Employees' Assurance Department (SEAD)
– For retired and vested inactive (SEAD-OPEB)
– For active employees (SEAD-Active)

Administered by the Board of Regents University System Office:
Board of Regents Retiree Health Benefit Fund (Regents Plan)

The financial statements for these plans are presented in the Fiduciary Funds section of this report. Separate financial reports that include the required supplementary information for these plans are also publicly available and may be obtained from the offices that administer the plans.

A. Summary of Significant Accounting Policies

Basis of Accounting

The financial statements of these plans are prepared using the accrual basis of accounting. Contributions from employers and members are recognized in the period in which they are due. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

Investments

Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price.

B. Multiple-employer Plans

Plan Descriptions and Contribution Information

State OPEB Fund and School OPEB Fund

The State OPEB Fund and School OPEB Fund are cost-sharing multiple-employer defined benefit postemployment healthcare plans and are reported as employee benefit trust funds.

The State OPEB Fund provides postemployment health benefits (including benefits to qualified beneficiaries of eligible former employees) due under the group health plan for employees of State organizations (including technical colleges) and other entities authorized by law to contract with DCH for inclusion in the plan. It also pays administrative expenses of the fund. By law, no other use of the assets of the State OPEB Fund is permitted.

The School OPEB Fund provides postemployment health benefits (including benefits for qualified beneficiaries of eligible former employees) due under the group health plan for public school teachers including librarians and

NOTE 16 – POSTEMPLOYMENT BENEFITS (continued)

other certified employees of public schools and regional educational service agencies or due under the group health plan for non-certified public school employees. It also pays administrative expenses of the fund. By law, no other use of the assets of the School OPEB Fund is permitted.

The Official Code of Georgia Annotated (O.C.G.A.) assigns the authority to establish and amend the benefit provisions of the group health plans, including benefits for retirees under both the State and School OPEB Funds, to the Board of Community Health (Board).

The plans are currently funded on a pay-as-you go basis. That is, annual costs of providing benefits will be financed in the same year as claims occur, with no significant assets accumulating as would occur in an advance funding strategy.

The contribution requirements of plan members and participating employers are established by the Board in accordance with the 2015 Appropriations Act and may be amended by the Board. Contributions of plan members or beneficiaries receiving benefits vary based on plan election, dependent coverage, and Medicare eligibility and election. As of January 1, 2012, for members with fewer than five years of service, contributions also vary based on years of service. As of January 1, 2012, on average, members with five years or more of service pay approximately 25% of the cost of health insurance coverage. In accordance with the Board resolution dated December 8, 2011, for members with fewer than five years of service as of January 1, 2012, the State provides a premium subsidy in retirement that ranges from 0% for fewer than 10 years of service to 75% (but no greater than the subsidy percentage offered to active employees) for 30 or more years of service. The subsidy for eligible dependents ranges from 0% to 55% (but no greater than the subsidy percentage offered to dependents of active employees minus 20%). No subsidy is available to Medicare eligible members not enrolled in a Medicare Advantage Option. The Board sets all member premiums by resolution and in accordance with the law and applicable revenue and expense projections. Any subsidy policy adopted by the Board may be changed at any time by Board resolution and does not constitute a contract or promise of any amount of subsidy.

Participating employers, including but not limited to State organizations and school systems, are statutorily required to contribute in accordance with the employer contribution rates established by the Board. The contribution rates are established to fund all benefits due under the health insurance plans for both active and retired employees based on projected pay-as-you-go financing requirements. Contributions are not based on the actuarially calculated annual required contribution (ARC) which represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years.

The combined required contribution rates established by the Board for the active and retiree plans for the fiscal year ended June 30, 2015, were as summarized in the following tables:

Combined Active and State OPEB Fund Contribution Rates as a Percentage of Covered Payroll

State organizations, including technical colleges, and certain other eligible participating employers:

June 2014	30.781%	for July 2014 coverage
July 2014 – June 2015	30.454%	for August 2014 – July 2015 coverage

Combined Active and School OPEB Fund Dollar Contribution Rates per Member per Month

Certificated teachers, regional educational service agencies, certain other eligible participating employers:

July 2014 – June 2015	$945.00	for July 2014 – July 2015 coverage

NOTE 16 – POSTEMPLOYMENT BENEFITS (continued)

Library employees:		
July 2014 – June 2015	$843.00	for July 2014 – July 2015 coverage
Non-certificated school personnel:		
July 2014 – June 2015	$596.20	for July 2014 – July 2015 coverage

Additional contributions were required by the Board in fiscal year 2015 as a reserve for financing future costs associated with the OPEB liabilities. Amounts contributed to the State OPEB Fund and the School OPEB Fund were $95.2 million and $.2 million, respectively. Such additional contribution amounts are determined annually by the Board in accordance with the State plan for OPEB and are subject to appropriation.

The State's estimated required pay-as-you-go employer contributions made to the State OPEB Fund and the School OPEB Fund for the fiscal years ended June 30, 2015, 2014, and 2013 were (amount in thousands):

	State OPEB Fund		School OPEB Fund	
	State Employer Required Contribution	Percent Contributed	State Employer Required Contribution	Percent Contributed
2015	$ 155,505	100%	$ 2,269	100%
2014	165,917	100%	2,395	100%
2013	169,992	100%	1,947	100%

In addition to the above OPEB contributions for former employees of organizations in the State reporting entity, the State made on-behalf contributions during 2014 and 2013 to SHBP for combined active and OPEB coverage of certificated personnel employed by Local Education Agencies. A portion of those contributions was transferred to the School OPEB Fund as follows:

	On-behalf Contribution to SHBP	Estimated Transfer to School OPEB
2015	$0.0 billion	$ 0.0 million
2014	0.7 billion	186 million
2013	0.9 billion	224 million

State Employees' Assurance Department

SEAD-OPEB and SEAD-Active are cost-sharing multiple-employer defined benefit other postemployment plans that were created in fiscal year 2007 by the Georgia General Assembly to provide term life insurance to eligible members of the ERS, Georgia Judicial Retirement System (JRS), and Legislative Retirement System (LRS). SEAD-OPEB provides benefits for retired and vested inactive members, and SEAD-Active provides benefits for active members. Effective July 1, 2009, no newly hired members of any State public retirement system are eligible for term life insurance under SEAD. Pursuant to Title 47 of the O.C.G.A., benefit provisions of the plans were established and can be amended by State statute.

In addition to SEAD-OPEB and SEAD-Active, and included with the OPEB plans, is the Survivors Benefit Fund (SBF). SBF was established under O.C.G.A. 47-2-128(c)(3) within the ERS trust solely for maintaining group term life insurance coverage for members of the ERS plan. All assets of SBF are therefore limited to the payment of benefits and expenses for such coverage and cannot be used to pay pension benefits of ERS. SBF is shown on the financial statements separately with the OPEB plans to closely align with their ultimate purpose. While

NOTE 16 – POSTEMPLOYMENT BENEFITS (continued)

shown within the OPEB plans for reporting purposes, SBF may only be used to pay benefits or expenses of SEAD-OPEB or SEAD-Active with authorization by the ERS Board of Trustees. There are no liabilities associated with this fund and an actuarial valuation is not prepared, as there are no funding requirements.

Contributions by plan members are established by the ERS Board of Trustees, up to the maximum allowed by statute (not to exceed 0.5% of earnable compensation). The ERS Board of Trustees establishes employer contribution rates, such rates which, when added to members' contributions, shall not exceed 1% of earnable compensation. Contributions for fiscal year 2015 were based on June 30, 2012, actuarial valuations as follows:

	SEAD-OPEB	SEAD-Active	Total SEAD
Member Rates:			
ERS Old Plan	0.45%	0.05%	0.50%
Less: Offset Paid by Employer	(0.22%)	(0.03%)	(0.25%)
Net ERS Old Plan	0.23%	0.02%	0.25%
ERS New Plan, JRS, and LRS	0.23%	0.02%	0.25%
Employer Rates	0.00%	0.00%	0.00%

In prior years the ERS Board of Trustees voted and approved that the SEAD-OPEB employer contribution would be paid from existing assets of the Survivors Benefit Fund (SBF) instead of requiring payment by the employers. The SBF transferred $5.0 million to the SEAD-OPEB Fund in 2013. Of that amount, $4.5 million was paid on behalf of organizations in the State reporting entity for 2013. There were no required employer contributions for SEAD in 2015 and 2014.

According to the policy terms covering the lives of members, insurance coverage is provided on a monthly, renewable term basis, and no return premiums or cash value are earned. The net position represents the excess accumulation of investment income and premiums over benefit payments and expenses and is held as a reserve for payment of death benefits under existing policies.

For SEAD-Active the amount of insurance coverage is equal to 18 times monthly earnable compensation frozen at age 60. For members with no creditable service prior to April 1, 1964, the amount decreases from age 60 by a half of 1% per month until age 65 at which point the member will be covered for 70% of the age 60 coverage. Life insurance proceeds are paid in lump sum to the beneficiary upon death of the member.

For SEAD-OPEB the amount of insurance for a retiree with creditable service prior to April 1, 1964, is the full amount of insurance under SEAD-Active in effect on the date of retirement. The amount of insurance for a service retiree with no creditable service prior to April 1, 1964, is 70% of the amount of insurance under SEAD-Active at age 60 or at termination, if earlier. Life insurance proceeds are paid in lump sum to the beneficiary upon death of the retiree.

NOTE 16 – POSTEMPLOYMENT BENEFITS (continued)

Participating Employers

The number of participating employers for the multiple-employer postretirement benefit plans as of June 30, 2015, was:

State OPEB	205
School OPEB	244
SEAD (OPEB and Active)	481

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

C. Single-employer Plan: Board of Regents Retiree Health Benefit Fund

Plan Description and Funding Policy

The Regents Plan is a single-employer, defined benefit postemployment healthcare plan administered by the Board of Regents (BOR). The Regents Plan was authorized pursuant to O.C.G.A. Section 47-21-21 for the purpose of accumulating funds necessary to meet employer costs of retiree postemployment health insurance benefits.

Pursuant to the general powers conferred by O.C.G.A. Section 20-3-31, the BOR (higher education fund) has established group health and life insurance programs for regular employees of the university system. It is the policy of the BOR to permit employees of the university system eligible for retirement or who become permanently and totally disabled to continue as members of the group health and life insurance programs. The policies of the BOR define and delineate who is eligible for these postemployment health and life insurance benefits.

The contribution requirements of plan members and the employer are established and may be amended by the BOR. The Regents Plan is substantially funded on a pay-as-you-go basis; however, amounts above the pay-as-you-go basis may be contributed annually, either by specific appropriation or by BOR designation. Organizational units of the BOR pay the employer portion for group insurance for eligible retirees. The employer portion of health insurance for its eligible retirees is based on rates that are established annually by the BOR for the upcoming plan year. For the 2015 plan year, the employer rate was approximately 80% of the total health insurance cost for eligible retirees, and the retiree rate was approximately 20%. The employer covers the total cost for $25,000 of basic life insurance. If an individual elects to have supplemental, and/or dependent life insurance coverage, such costs are borne entirely by the retiree.

Annual OPEB Cost and Net OPEB Obligation

The annual OPEB cost (expense) for the Regents Plan is calculated based on the ARC of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

NOTE 16 – POSTEMPLOYMENT BENEFITS (continued)

The following table presents the components of the annual OPEB cost, the amount actually contributed, and the changes in the net OPEB obligation for the Regents Plan for 2015, 2014, and 2013 (amount in thousands):

	Fiscal Year Ended 6/30/2015	Fiscal Year Ended 6/30/2014	Fiscal Year Ended 6/30/2013
Annual required contribution	$ 442,400	$ 403,300	$ 362,400
Interest on net OPEB obligation	82,900	69,900	57,500
Adjustment to annual required contribution	(75,200)	(63,400)	(52,100)
Annual OPEB cost (expense)	450,100	409,800	367,800
Less: Contributions made	(129,800)	(120,900)	(83,400)
Increase in net OPEB obligation	320,300	288,900	284,400
Net OPEB obligation - beginning of year	1,843,100	1,562,600	1,278,200
Prior Year Adjustment - Life Insurance	-	(8,400)	-
Net OPEB obligation - end of year	**$ 2,163,400**	**$ 1,843,100**	**$ 1,562,600**
Percentage of annual OPEB cost contributed	**28.8%**	**29.5%**	**22.7%**

D. Funded Status, Funding Progress, and Actuarial Methods and Assumptions

The funded status of each plan as of the most recent actuarial valuation date is as follows (amount in thousands):

	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a) / (b)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b - a) / (c)
State OPEB	6/30/2014	-	2,871,843	2,871,843	0.0%	2,293,104	125.2%
School OPEB	6/30/2014	-	8,514,320	8,514,320	0.0%	9,429,531	90.3%
SEAD-OPEB	6/30/2014	1,037,901	788,020	(249,881)	131.7%	1,628,712	(15.3%)
SEAD-Active	6/30/2014	235,358	35,877	(199,481)	656.0%	1,628,712	(12.2%)
Regents Plan	7/1/2014	81	4,278,445	4,278,364	0.0%	2,608,757	164.0%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare cost trends. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The impact of the Affordable Care Act (ACA) was addressed in this valuation. While the impact of certain provisions [such as the excise tax on high-value health insurance plans beginning in 2018 (if applicable), mandated benefits and participation changes due to the individual mandate] should be recognized in the determination of liabilities, overall future plan costs and the resulting liabilities are driven by amounts employers and retirees can afford (i.e., trend). The trend assumption forecasts the anticipated increase to initial per capita costs, taking into account

NOTE 16 – POSTEMPLOYMENT BENEFITS (continued)

health care cost inflation, increases in benefit utilization, plan changes, government-mandated benefits, and technological advances. Given the uncertainty regarding the ACA's implementation (e.g., the impact of excise tax on high-value health insurance plans, changes in participation resulting from the implementation of state based health insurance exchanges), continued monitoring of the ACA's impact on the Plan's liability will be required. The June 30, 2014 and 2013 valuations also included using payroll location codes and various pension plan data to exclude compensation for pension plan members ineligible for participation in SHBP. The schedule of funding progress with multiyear trend information for the Regents Plan is presented as required supplementary information following the notes to the financial statements. The multiyear trend information about the funding progress for the multiple-employer plans is presented in the standalone reports issued by the administering systems. These multiyear schedules indicate whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculation.

Additional information as of the latest actuarial valuation follows:

	State OPEB and School OPEB	SEAD-OPEB and SEAD-Active	Regents Plan
Valuation date	6/30/2014	6/30/2014	7/1/2014
Actuarial cost method	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit
Amortization method	Level percentage of pay, open	Level dollar, open	Level percentage of pay, closed
Remaining amortization period	30 years	N/A	30 years
Asset valuation method	Market Value	Market Value	Market Value
Actuarial assumptions:			
Investment rate of return	4.50%*	7.50%*	4.50%**
Salary Growth	n/a	0.00% - 9.25%*	3.00%**
Salary Scale	n/a	n/a	4.00%**
Healthcare cost trend rate - initial			
Pre-Medicare eligible	7.50%*	n/a	7.80%**
Medicare eligible	5.75%*	n/a	10.10%**
Ultimate trend rate			
Pre-Medicare eligible	5.00%	n/a	4.50%**
Medicare eligible	5.00%	n/a	4.50%**
Year of ultimate trend rate	2019	n/a	2030

* Includes an inflation assumption of 3.00%
** Includes an inflation assumption of 2.50%

NOTE 17 – RISK MANAGEMENT

A. Public Entity Risk Pool

The Department of Community Health (DCH) administers the State Health Benefit Plan (SHBP) for the State. Under O.C.G.A. Section 45-18-2, the DCH Board has the authority to establish a health insurance plan; provide rules and regulations; and general provisions of the plan. The plan is comprised of three health insurance plans: (1) a plan primarily for State employees (O.C.G.A. Section 45-18-2), (2) a plan for teachers (O.C.G.A. Section 20-2-881), and (3) a plan for non-certificated public school employees (O.C.G.A. Section 20-2-911). The SHBP acts as the plan administrator for approximately 460 organizations (state, county and local educational agencies) and provides health coverage to more than 0.6 million employees, teachers, retirees and their dependents. All employees become members of the plan unless coverage is rejected or waived. An employee may withdraw from the plan if they become eligible for coverage under the aged program of the Social Security Administration (O.C.G.A. Section 45-18-17). SHBP accepts all of the risk of insuring its employees.

SHBP is accounted for on the accrual basis. Claim liabilities are based on estimates for claims that have been incurred, but not reported. Liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Estimates of liabilities for incurred, (both reported and unreported) but unpaid are actuarially determined based on estimates of the ultimate cost of settling claims, using past experience adjusted for current trends and any other factors that would modify past experience. Because actual claim liabilities depend on such factors as inflation, changes in legal doctrines and damage awards, the process used in computing claim liabilities may not result in an exact amount. Claim liabilities are evaluated periodically to take into consideration recently settled claims, the frequency of claims and other economic and social factors.

SHBP's general objectives as required under Georgia Compensation Rules & Regulations (Section 111-4-1) are to collect enrollment information from covered employer groups, collect health premiums and employer contributions, and provide management and planning of health benefits.

B. Board of Regents Employee Health Benefits Plan

The Board of Regents of the University System of Georgia (BOR) maintains a program of health benefits for its employees and retirees. This plan is funded jointly through premiums paid by participants covered under the plan and employer contributions paid by the BOR and its organizational units. All units of the University System of Georgia share the risk of loss for claims of the plan.

C. Other Risk Management

Department of Administrative Services (DOAS) has the responsibility for administering the risk management funds of the State and making and carrying out decisions that will minimize the adverse effects of accidental losses that involve State government assets. The State believes it is more economical to manage its risks internally and set aside assets for claim settlement. Accordingly, DOAS services claims for risk of loss to which the State is exposed, including general liability, property and casualty, workers' compensation, unemployment compensation, and law enforcement officers' and teachers' indemnification. Limited amounts of commercial insurance are purchased applicable to property, employee and automobile liability, fidelity and certain other risks. Premiums for the risk management program are charged to State organizations by DOAS to provide claims servicing and claims payment.

NOTE 17 – RISK MANAGEMENT (continued)

Charges by the workers' compensation risk management fund and the liability insurance risk management fund to other funds have failed to recover the full cost of claims over a reasonable period of time. Therefore, the unadjusted deficit at June 30, 2015, of $565.3 million both for workers' compensation and liability was charged back to the contributing funds. Expenditures of $383.4 million are reported in the General Fund, and expenses of $129.8 million are reported in the Higher Education Fund (enterprise fund) relating to this charge-back.

D. Claims Liabilities

A reconciliation of total claims liabilities for fiscal years ended June 30, 2015, and 2014, is shown below (amount in thousands):

	Public Entity Risk Pool		Board of Regents Employee Health Benefits Plan		Risk Management Fund	
	Fiscal Year Ended 6/30/2015	Fiscal Year Ended 6/30/2014	Fiscal Year Ended 6/30/2015	Fiscal Year Ended 6/30/2014	Fiscal Year Ended 6/30/2015	Fiscal Year Ended 6/30/2014
Unpaid Claims and Claim Adjustments July 1	**$ 177,083**	**$ 224,461**	**$ 39,089**	**$ 32,737**	**$ 582,538**	**$ 574,861**
Current Year Claims and Changes in Estimates	1,882,588	1,880,541	376,622	360,328	151,473	138,458
Claims Payments	(1,882,765)	(1,927,919)	(379,214)	(353,976)	(126,292)	(130,781)
Unpaid Claims and Claim Adjustments June 30	**$ 176,906**	**$ 177,083**	**$ 36,497**	**$ 39,089**	**$ 607,719**	**$ 582,538**


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NOTE 18 – SEGMENT INFORMATION

Segments are identifiable activities reported within or as part of an enterprise fund by which some form of revenue-supported debt is outstanding. Furthermore, to qualify as a segment, an activity must meet an external requirement to separately account for a specific revenue stream and the associated expenses, gains, and losses. The State maintains ten enterprise funds that qualify as a segment. Financial information for each segment is included within the nonmajor enterprise funds. The following paragraphs describe the State's segments.

Georgia Higher Education Facilities Authority, issued revenue bonds to acquire, construct, and equip several projects on college campuses throughout the State.

Georgia Southern University Housing Foundation, Inc. received revenue bond proceeds issued on its behalf by the Development Authority of Bulloch County. The revenue bonds were issued to finance construction of student housing and dining facilities, athletic and recreation facilities and to provide for future debt service payments.

Georgia State University Research Foundation, Inc. includes the activity of Science Park, LLC, which has issued revenue bonds to acquire, construct and equip a research facility on the campus of the Georgia State University; fund a debt service reserve fund; finance associated capitalized interest; and pay the costs of issuance.

Georgia Tech Facilities, Inc. issued revenue bonds to finance the costs of acquiring, renovating, constructing and equipping various facilities on the Georgia Institute of Technology campus. The debt service on these bonds is supported by leasing arrangements from various sources.

Middle Georgia State College Real Estate Foundation, Inc. includes several limited liability companies which have issued revenue bonds to finance construction and equipping of student housing, recreation and wellness facilities on college campuses supported by the Foundation. In addition, the proceeds will fund capitalized interest on the bonds, fund a debt service reserve fund and pay issuance costs associated with the bonds.

University of North Georgia Real Estate Foundation, Inc. received revenue bond proceeds issued on its behalf from the Oconee County Industrial Development Authority and Downtown Development Authority of the City of Dahlonega. The revenue bonds were issued to finance the cost of acquisition and improvement of the education facilities, construction of housing and other various facility projects.

UWG Real Estate Foundation, Inc. received Revenue Anticipation Certificate proceeds issued on its behalf by the Carrollton Payroll Development Authority. The proceeds are used to finance or reimburse the cost of construction, renovation or equipping of facilities. In addition, proceeds will be used to fund capitalized interest on the certificates, fund a debt service reserve fund for the certificates, and pay costs of issuance.

VSU Auxiliary Services Real Estate Foundation, Inc. includes several limited liability companies which have issued revenue bonds to finance the construction of facility and infrastructure projects on college campuses supported by the Foundation.

NOTE 18 – SEGMENT INFORMATION (continued)

Summary financial information for the State's segments for the year ended June 30, 2015, is presented below:

	Georgia Higher Education Facilities Authority	Georgia Southern University Housing Foundation, Inc.	Georgia State University Research Foundation, Inc. Science Park, LLC	Georgia Tech Facilities, Inc.
Condensed Statement of Net Position				
Assets				
Current Assets	$ 992	$ 6,283	$ 13,662	$ 8,579
Noncurrent Assets	-	39,078	79,176	12,142
Due from Other Funds	243,065	214,441	-	252,765
Capital Assets	-	430	-	3,619
Total Assets	244,057	260,232	92,838	277,105
Deferred Outflows	4,303	1,575	-	30,122
Liabilities				
Current Liabilities	4,783	11,532	3,855	12,377
Noncurrent Liabilities	242,327	215,638	82,841	276,864
Due to Other Funds	-	4,544	-	-
Total Liabilities	247,110	231,714	86,696	289,241
Deferred Inflows	-	-	-	-
Net Position				
Net Investment in Capital Assets	-	430	-	3,619
Restricted	-	27,023	6,142	8,408
Unrestricted	1,250	2,640	-	5,959
Total Net Position	$ 1,250	$ 30,093	$ 6,142	$ 17,986
Condensed Statement of Revenues, Expenses, and Changes in Net Position				
Operating Revenues (Pledged Against Bonds)	$ 14,430	$ 13,149	$ 4,394	$ 15,192
Depreciation/Amortization Expense	80	-	-	(1,663)
Other Operating Expenses	(109)	(903)	(125)	(884)
Operating Income (Loss)	14,401	12,246	4,269	12,645
Nonoperating Revenues (Expenses)				
Investment Income	1	576	294	166
Interest Expense	(14,430)	(9,744)	(4,162)	(12,030)
Other Nonoperating Expenses	(904)	-	-	-
Change in Net Position	(932)	3,078	401	781
Beginning Net Position (restated)	2,182	27,015	5,741	17,205
Ending Net Position	$ 1,250	$ 30,093	$ 6,142	$ 17,986
Condensed Statement of Cash Flows				
Net Cash Provided By (Used In):				
Operating Activities	$ 52,641	$ 18,485	$ 4,372	$ 25,297
Noncapital Financing Activities	(52,650)	(200)	-	-
Capital and Related Financing Activities	-	(16,439)	(5,913)	(23,581)
Investing Activities	1	74	1,971	166
Net Increase (Decrease)	(8)	1,920	430	1,882
Beginning Cash and Cash Equivalents	512	36,122	11,468	3,316
Ending Cash and Cash Equivalents	$ 504	$ 38,042	$ 11,898	$ 5,198

NOTE 18 – SEGMENT INFORMATION (continued)

	Middle Georgia State College Real Estate Foundation, Inc.	University of North Georgia Real Estate Foundation, Inc.	UWG Real Estate Foundation, Inc.	VSU Auxiliary Services Real Estate Foundation, Inc.
	$ 202	$ 2,183	$ 5,196	$ 12,469
	13,968	18,607	4,112	-
	96,541	127,527	123,159	179,850
	1,123	2,510	-	227
	111,834	150,827	132,467	192,546
	-	100	6,126	10,758
	3,589	6,378	3,821	6,328
	96,936	138,494	129,718	172,420
	-	-	-	-
	100,525	144,872	133,539	178,748
	-	-	1,071	6,789
	173	2,509	-	227
	-	-	-	-
	11,136	3,546	3,983	17,540
	$ 11,309	$ 6,055	$ 3,983	$ 17,767
	$ 5,554	$ 10,135	$ 6,689	$ 9,323
	-	(13)	-	(48)
	(201)	(704)	(525)	(1,297)
	5,353	9,418	6,164	7,978
	80	449	40	5
	(4,629)	(7,191)	(6,061)	(8,225)
	-	(359)	-	-
	804	2,317	143	(242)
	10,505	3,738	3,840	18,009
	$ 11,309	$ 6,055	$ 3,983	$ 17,767
	$ 5,245	$ 11,501	$ 7,607	$ 10,896
	-	(2,176)	-	-
	(5,329)	(11,609)	(8,331)	(10,557)
	(157)	-	314	5
	(241)	(2,284)	(410)	344
	14,291	22,805	7,959	10,990
	$ 14,050	$ 20,521	$ 7,549	$ 11,334

NOTE 19 – LITIGATION, CONTINGENCIES, AND COMMITMENTS

A. Grants and Contracts

The amounts received or receivable from grantor agencies are subject to audit and review by grantor agencies, principally the federal government. This could result in a request for reimbursement by the grantor agency for any expenditures which are disallowed under grant terms.

B. Litigation and Contingencies

The State is a defendant in various legal proceedings pertaining to matters incidental to the performance of routine governmental operations. The ultimate disposition of these proceedings is not presently determinable. However, it is not believed that the ultimate disposition of these proceedings would have a material adverse effect on the financial condition of the State. The following are significant active litigation, claims and assessments involving the State:

Primary Government

Trecia Neal, et al. v. Georgia Department of Community Health - Plaintiffs, who seek class action status, are members of the State Health Benefit Plan ("SHBP") who have brought suit for breach of contract asserting that retroactive modifications to the SHBP that were made after members enrolled for the 2014 plan year had the effect of breaching the members' alleged contracts with SHBP. Plaintiffs assert that state employees who elected the higher cost coverage options had their benefits reduced to similar benefits received by employees paying significantly lower costs, but the higher premiums were not reduced or refunded. Plaintiffs seek reimbursement of excess medical premiums paid by the class members, plus attorneys' fees. The Department of Community Health ("DCH") filed a motion to dismiss based on sovereign immunity arguing that the SHBP documents do not create an express, written contract with the state employees; however the judge denied the motion. DCH filed an appeal with the Georgia Court of Appeals. On November 20, 2015, the Court of Appeals issued its decision which granted DCH's appeal and reversed the trial court. Plaintiffs filed a Petition for Writ of Certiorari, but it is discretionary as to whether the Georgia Supreme Court will choose to review the case. At this stage of the litigation, it is impracticable to render an opinion about whether the likelihood of an unfavorable outcome is either "probable" or "remote"; however, the State believes it has meritorious defenses and is vigorously defending this action.

C. Guarantees and Financial Risk

Component Units

Georgia Housing Finance Authority (GHFA) has uninsured loans of approximately $32.2 million as of June 30, 2015. All of these loans are for home mortgages in the State. A provision for possible losses on delinquent loans is made when, in the opinion of Authority management, the loan balance exceeds the net realizable value of the underlying collateral, including federal and mortgage pool insurance. The provision for possible losses recognized during fiscal year 2015 totaled $1.4 million and the total allowance for possible losses on mortgage loans receivable, which includes a provision for accrued interest on foreclosed loans, totaled $4.5 million at June 30, 2015. Collateralized loans historically have not resulted in losses. Since 2007, as a result of the depressed housing market, GHFA has experienced increases in loan delinquencies and decreases in underlying loan collateral. As a result, the Authority has increased its reserve for losses related to its uninsured loans in recent years.

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

D. Other Significant Commitments

Primary Government

Bond Proceeds

Georgia State Financing and Investment Commission (GSFIC) (general obligation bond projects fund) has entered into agreements with various State organizations for the expenditure of bond proceeds and cash supplements (provided by or on behalf of the organization involved) to acquire and construct capital projects. At June 30, 2015, the undisbursed balance remaining on these agreements approximated $951.4 million. Of this balance, $184.3 million in encumbrances are included in the fund balance of the General Obligation Bond Projects Fund (see paragraph below regarding allowability of encumbering funds available on the statutory basis).

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, 2015, the fund balances of governmental funds include encumbrances of $3.5 billion in the general fund.

BOR (Higher Education Fund) had significant, unearned, outstanding construction or renovation contracts executed in the amount of $123.1 million as of June 30, 2015. This amount is not reflected in the financial statements.

Georgia Technology Authority (GTA) has significant commitments to IBM and AT&T through master service agreements. The $1.1 billion IBM master contract, effective April 1, 2009, is an eight year contract with two optional years, and has a remaining balance of $320.8 million as of June 30, 2015. The $437.7 million AT&T master contract, effective May 1, 2009, is a five year contract with two optional years, and has a remaining balance of $53.9 million as of June 30, 2015.

On March 2, 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 $277.9 million.

In April 2011 as permitted by Article IX, Section III, Paragraph I (a) of the Constitution of 1983, State Road and Tollway Authority (SRTA) (nonmajor governmental fund) and Department of Transportation (GDOT) (General Fund) entered into an agreement whereby GDOT would build and SRTA would fund a portion of certain transportation projects along the GA 400 corridor. The original SRTA commitment was $27.3 million and $2.1 million was added to the commitment in fiscal year 2013. Expenses through June 30, 2015, were $19.5 million with the remaining balance of $4.2 million, which is shown as restricted fund balance on the governmental fund financial statements, carried forward to fiscal year 2016.

In addition, SRTA has contractual commitments on other uncompleted contracts of $432.0 million, the majority of which is for the I-75 Northwest Corridor Express Lane Project.

The State Properties Commission has six multi-year leases where the rent will commence in fiscal year 2016. These leases were entered into on behalf of other state agencies. The terms range from 8 to 20 years. Two of the leases have renewal options. Currently, five of those leases are under construction and the rent has not commenced yet. However, the leases are signed and rent is expected to commence in fiscal year 2016. The anticipated total rental amounts for all the leases through the renewal options is $15.0 million.

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

Component Units

Contractual Commitments

Georgia Environmental Finance Authority (GEFA) has entered into contractual agreements to fund three Clean Water State Revolving Loan Fund loans with resources from GEFA's Georgia Fund in the amount of $41.0 million. It is anticipated that balloon payments on these loans will become due in full between February 1, 2027, and February 1, 2028. GEFA plans to designate funds at a proportionate amount annually to accumulate adequate resources at the time the loans become payable to each of their respective funds beginning with fiscal year 2013. As of June 30, 2015, an amount of $8.8 million has been accumulated for the purpose of satisfying this future obligation.

At June 30, 2015, the Georgia Ports Authority (GPA) had commitments for construction projects of approximately $64.1 million.

In August 2007, the GPA formally entered into an agreement to make voluntary annual payments to the Office of Planning and Budget (OPB) (General Fund) over a 21-year period. The total amount of payments due to OPB at June 30, 2015, was approximately $192.6 million.

During the fiscal year ended June 30, 2013, the GPA entered into a compromise and settlement agreement with the U.S. Army Corps of Engineers, the State of South Carolina and several nongovernmental environmental organizations relative to the project by the U.S. Army Corps of Engineers to deepen the Savannah River federal navigation channel. The project is commonly referred to as the Savannah Harbor Expansion Project (SHEP).

The respective SHEP agreement, approved by the U.S. Federal District Court for the District of South Carolina, resulted in a commitment by the GPA in the amount of $35.5 million, which includes the following provision to be funded by the GPA subject to satisfaction of certain conditions that at this time are based on all known and expected factors, and therefore, considered to be "probable" at this time as defined by respective and authoritative financial reporting standards:

1) The GPA will establish a letter of credit or escrow account within 6 months of the commencement of inner harbor dredging in the amount of $2.0 million to serve as a contingency fund should the operation of the dissolved oxygen injection system not receive funding by the federal government. This letter of credit or escrow account will be maintained at $2.0 million for 50 years after completion of the SHEP.

2) The GPA will contribute $3.0 million for water quality monitoring in the Lower Savannah River Basin; $3.0 million for monitoring and research of Shortnose and Atlantic Sturgeon; $15.0 million for conservation, wetlands preservation, acquisitions of easements and/or upland buffers, and creation, restoration or enhancement of wetlands to benefit the Lower Savannah River watershed.

3) The GPA will contribute $12.5 million for environmental and conservation projects in the Savannah River Basin to the Savannah River Restoration Board whose membership is prescribed in the agreement.

In fiscal year 2015,in relation to activities at the Geo. L. Smith II Georgia World Congress Center Authority, the State of Georgia acquired all land needed for the site of the New Stadium Project (NSP). The NSP will replace the Georgia Dome (Dome) as the home of the NFL Atlanta Falcons and other major events currently hosted at the Dome. Additionally in fiscal year 2015, the Georgia World Congress Center Authority (Authority) and the Atlanta Falcons Football Club (AFFC) finalized all agreements related to the ownership, operation and financing of the

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

NSP. The Authority will own the new stadium and will license rights of use to StadCo (the AFFC division responsible for the NSP), who in turn will sublicense the NSP to the AFFC. The license term is 30 years, with the StadCo having the right to exercise three 5-year renewal terms. StadCo will pay the Authority an annual license payment of $2.5 million per year with a two-percent annual escalator during the term of the license. The AFFC also entered into a non-relocation agreement for the same period as the term of the StadCo License, including exercised renewals.

The NSP construction cost is estimated at $1.4 billion. The project is being funded in a public/private partnership. The public contribution will be funded by $200.0 million in revenue bonds issued by the City of Atlanta and PSL fees sold by the Authority prior to June 2017. The AFFC is responsible for the remaining costs of development and construction, as well as any cost overruns. PSL's are a one-time fee for seat ownership rights and a common form of financing for building new stadiums or undergoing large-scale renovation of sporting venues. In February 2014, the Authority appointed StadCo as the exclusive agent and sales representative for the marketing and sale of PSLs in the new stadium. All agreements between the parties can be found on the Authority website.

University System Foundations

The Georgia Tech Athletic Association Foundation has entered into employment contracts with certain employees expiring in years through 2020 that provide for a minimum annual salary. At June 30, 2015, the total commitment for all contracts for each of the next five years is as follows:

June 30, 2016 - $6.9 million
June 30, 2017 - $5.5 million
June 30, 2018 - $5.6 million
June 30, 2019 - $4.0 million
June 30, 2020 - $4.1 million

In June 2014, Georgia Tech Foundation (Foundation) committed $24.1 million of unrestricted funds to the Georgia Institute of Technology for support of its programs and development operations, with a condition that the funds are to be expended during years 2014 and 2015. If the funds are not expended by June 30, 2016, the remainder is retained by the Foundation. As of June 30, 2015 the Foundation expended a total of $21.6 million and $2.5 million remained as a commitment.

In June 2006, the Foundation entered into a limited guaranty agreement with a bank in the amount of $4.8 million to support a letter of credit pertaining to an obligation Georgia Advanced Technology Ventures (GATV) has under a rental agreement. The letter of credit was scheduled to expire in June 2015, but was amended to expire in June 2016. As consideration for the limited guaranty agreement, GATV pays the Foundation 0.20% of the limited guaranty amount annually.

NOTE 20 – SUBSEQUENT EVENTS

A. Primary Government

Long-term Debt Issues

General Obligation Bonds Issued

In June 2015, the State sold General Obligation bonds in the total amount of $1.0 billion for delivery on July 9, 2015, 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)
2015A	$ 560.5
2015B	447.8
Total	**$ 1,008.3**

The true interest cost on the 2015AB bonds was 3.21% and the average life is 9.687 years.

General Obligation Refunding Bonds

In June 2015, the State sold Series 2015C General Obligation refunding bonds in the total amount of $276.0 million for delivery on July 9, 2015, to refund $300.6 million of the State's outstanding General Obligation bonds to achieve debt service cash flow savings of $29.6 million over the life of the bonds.

The true interest cost for the Series 2015C refunding bonds, which have an average life of 2.534 years, is 1.0234%.

Revenue Bonds

On September 2, 2015, the Development Authority of Cobb County issued revenue bonds and loaned the proceeds to the Kennesaw State University Foundation (Foundation). These revenue bonds were issued to refund the 2004 Parking Series, 2004 University Facilities Series, and 2006A and 2006B Town Point Series bonds. The Foundation passed the economic gain resulting from this debt refunding to the University in the form of reduced annual lease payments over the life of the University's capital leases with the Foundation.

Other Subsequent Events

BOR approved a change to the retiree healthcare benefit plan that will significantly reduce the annual Other Postemployment Benefits (OPEB) cost (AOC) and the net OPEB obligation (NOO) in fiscal year 2016. The NOO is equal to a running total of the AOC less employer contributions. Effective January 1, 2016, the University System of Georgia (USG) will provide supplemental healthcare coverage for Medicare-eligible retirees through a private retiree healthcare exchange instead of through the USG healthcare plan. On August 12, 2015, BOR approved the funding level for the 2016 USG retiree supplemental plan and kept the funding amount the same as 2015 at $43.3 million. For Medicare-eligible retirees, the USG will provide a subsidy not to exceed $2.7 thousand per retiree toward healthcare costs for 2016. For fiscal years 2016 and 2017, this change in the supplemental healthcare coverage for Medicare-eligible retirees is forecasted to reduce the NOO by $42.1 and $43.9 million, respectively, from what the obligation would have been under the old plan.

NOTE 20 – SUBSEQUENT EVENTS (continued)

On May 19, 2015 BOR approved a lease agreement for the High Performance Computing (HPC) Facility. In this agreement, the Georgia Institute of Technology (GIT) proposes to lease approximately 340,000 rentable square feet as anchor tenant in a new real estate development project to be located in Technology Square. The mixed-use office, computing center and retail complex will be programmed around a High Performance Computing (HPC) innovation ecosystem that integrates the existing assets of Technology Square with new opportunities in interdisciplinary research, commercialization and sustainability. The building will house GIT administrative and research computing operations. To facilitate development, GIT will enter into a long-term lease for about 50% of the space with a private developer who, subject to GIT approval, will design, construct, finance and own the project, and lease the remaining building space to commercial companies meeting specific criteria as outlined in the project proposal. The lease will be for a 15 year term and is expected to qualify as an operating lease. The lease agreement has not been signed, it is expected to be signed early in 2016, with rental payments expected to begin in the third calendar quarter of 2018. GIT will pay an estimated total rent of $187.8 million over a 15 year period, with the first year's annual rental payment estimated to be $10.4 million. The Georgia Tech Foundation (Foundation) intends to enter into a ground lease with the site developer with terms to be negotiated by the Foundation.

On May 19, 2015, BOR passed a resolution authorizing GIT to enter into a General Energy Savings Project Contract with Johnson Controls Inc. as the energy service pursuant to O.C.G.A. Section 50-37-1 et.seq. The resolution further provided that the parties could enter into an installment purchase agreement for the provision of energy and water saving capital improvements for the use of the Institute for an amount not to exceed $7.8 million. The project will entail installing energy optimization and water savings improvements at several GIT water plants and cooling towers. Utility cost savings from this project would yield a simple pay-back of 4.72 years. The final contract negotiations and financing terms are to be handled in consultation with GEFA and the Department of Law. GIT is expected to enter into a seven year installment purchase agreement for this project in FY2016 and will pay estimated quarterly payments of $0.3 million beginning January 2017.

On September 4, 2015, BOR, on behalf of Kennesaw State University, purchased real property at 3305 Busbee Parkway from the Kennesaw State University Foundation in the amount of $12.6 million. This purchase was funded by the Georgia State Financing and Investment Commission.

The Georgia Technology Authority signed two agreements:

- The IBM contract was renegotiated in Fiscal Year 2016.The IBM contract was effective July 1, 2015, and is a two year contract with two option years for a total contract amount of $361.1 million.
- The AT&T contract was renegotiated in Fiscal Year 2016.The AT&T contract will be effective in fiscal year 2016, and is a five year contract with three option years for a total contract amount of $440.5 million.

Georgia Tech Facilities, Inc. (GTF) executed a Disbursement Agreement Grant with a local foundation to receive up to $25.0 million for the design, development and construction of an education and research facility on the campus of GIT. The Grant will be disbursed over six key phases beginning with design and consulting; and ending with the final disbursement delivered to GTF upon its execution of a guaranteed maximum price construction contract.

It is expected that BOR will ground lease certain property to GTF for construction of the facility. Upon construction completion, GTF will lease the facility back to GIT to be used for education and research to include student learning and laboratory environments; and for operation in accordance with the International Living Future Institute's Living Building Challenge 3.0 standards. The Living Building Challenge is a sustainable building certification program advocacy tool and philosophy that promotes the most advanced measurement of sustainability in the build environment.

NOTE 20 – SUBSEQUENT EVENTS (continued)

On August 26, 2015, the Board of Directors of Middle Georgia State College Real Estate Foundation voted to approve a contract with USG to move forward with the USG's new Public Private Partnership (P3) program. The purpose of this program is 1) to provide USG housing without incurring additional debt obligations, 2) reduce the amount of current capital lease obligations to real estate foundations, and 3) leverage private sector efficiencies and enhance the college experience for students. The P3 program would defease approximately $74.0 million in bond debt. In addition, the ground leases would be cancelled and the residence halls would be leased to a private concessionaire that will manage and operate the properties. As a result, the operations of the MGC Real Estate Foundation, LLC, MGC Real Estate Foundation II, Limited liability corporation (LLC), and the MSC Real Estate Foundation, LLC would be reduced significantly. The operations of the MSC Foundation Real Estate II, LLC would remain as they are since this entity manages the recreation and wellness center, which is beyond the scope of the P3 program. Management's proposed timeline is to have the P3 program operating by July 1, 2016.

The State entered into various Energy Performance Contracts (EPC) after June 30, 2015, with a contract value totaling $68.8 million. The purpose of all is to provide energy savings through chilled water system upgrade, chilled water plant improvements, heating, ventilating, air conditioning improvements and extensive lighting upgrades and chiller, boiler plant replacement.

On December 10, 2015 the State Health Benefit Plan transferred a total contribution of $478.1 million to the Other Post Employment Benefit Plans funds in which $413.7 was transferred to the Georgia State Employees Postemployment Health Benefit Fund and $64.4 was transferred to Georgia School Personnel Postemployment Health Benefit Fund.

B. Component Units

Revenue Bonds

In July 2015, the Geo. L. Smith II Georgia World Congress Center Authority (GWCCA) redeemed $24.8 million of refunding revenue bonds with an interest rate of 3.17%. In October 2015, GWCCA redeemed $4.8 million of refunding revenue bonds with an interest rate of 3.17%. On January 1, 2016, GWCCA will redeem $3.2 million of refunding revenue bonds with an interest rate of 3.17%. GWCCA will pay any excess Hotel/Motel collections received over the required reserve amounts towards paying off the debt early on a quarterly basis.

Other Subsequent Events

On July 14, 2015, GEFA received full repayment of funds that secured the debt of the Cobb County Marietta-Water Authority loan, Series 2011 issuance. Once GEFA receives prepayment used to retire the debt, those prepayments are considered mandatory redemptions toward the outstanding debt and are therefore reflected as due within one year. Full redemption of the bonds was made on September 15, 2015, in the amount of $23.7 million.

On December 15, 2015, the Georgia Housing and Finance Authority issued 2015 Series B Single-Family Mortgage Bonds in the amount of $ 111.6 million.

GWCCA sold through November 30, 2015, 44.06% of the total number of Personal Seat Licenses (PSLs) offered these licenses entitle the holder to priority rights to buy tickets for events at the new stadium.

REQUIRED SUPPLEMENTARY INFORMATION

Required Supplementary Information
Budgetary Comparison Schedule
Budget Fund
For the Fiscal Year Ended June 30, 2015
(dollars in thousands)

	Original Appropriation	Amended Appropriation	Final Budget	Actual	Variance
Funds Available					
State Appropriation					
State General Funds	$ 18,306,820	$ 18,594,105	$ 18,594,105	18,594,000	$ 105
State Motor Fuel Funds	1,005,758	997,333	997,333	997,333	-
Lottery Proceeds	947,948	947,948	947,948	947,948	-
Tobacco Settlement Funds	142,462	142,367	142,367	142,367	-
Brain and Spinal Injury Trust Fund	1,784	1,784	1,784	1,784	-
Nursing Home Provider Fees	167,756	167,969	175,414	175,414	-
Hospital Provider Fee	264,217	261,401	278,958	278,958	-
State Funds - Prior Year Carry-Over					
State General Fund Prior Year	-	-	162,058	188,466	(26,408)
Brain and Spinal Injury Trust Fund - Prior Year	-	-	731	1,304	(573)
State Motor Fuel Funds - Prior Year	-	-	327,862	1,290,274	(962,412)
Tobacco Settlement Funds - Prior Year	-	-	-	-	-
Federal Funds					
CCDF Mandatory & Matching Funds	97,387	102,807	96,439	96,439	-
Child Care and Development Block Grant	102,841	109,581	115,710	115,523	187
Community Mental Health Services Block Grant	14,164	14,164	11,424	10,197	1,227
Community Services Block Grant	18,303	16,527	17,796	17,006	790
Federal Highway Administration - Highway Planning and Construction	1,143,641	1,526,297	1,543,225	1,082,039	461,186
Foster Care Title IV-E	75,782	84,526	80,544	80,535	9
Low-Income Home Energy Assistance	55,906	55,867	56,003	55,113	890
Maternal and Child Health Services Block Grant	20,411	16,533	18,910	14,586	4,324
Medical Assistance Program	6,381,490	6,314,803	7,336,832	6,959,733	377,099
Prevention and Treatment of Substance Abuse Block Grant	47,734	47,734	57,033	54,869	2,164
Preventive Health and Health Services Block Grant	1,957	2,403	6,282	4,185	2,097
Social Services Block Grant	92,797	93,259	91,104	81,866	9,238
State Children's Insurance Program	330,215	303,292	368,885	314,213	54,672
Temporary Assistance for Needy Families Block Grant	348,134	387,441	408,789	395,328	13,461
TANF Unobligated Balance	9,552	-	-	-	-
Federal Funds Not Specifically Identified [1]	3,381,428	3,717,435	4,147,941	3,826,830	321,111
American Recovery and Reinvestment Act of 2009					
Federal Highway Administration - Highway Planning and Construction	-	-	453	453	-
Medical Assistance Program	-	-	60,128	46,208	13,920
Federal Funds Not Itemized	63,242	102,797	260,487	209,889	50,598
Other Funds	9,353,167	9,479,967	11,500,048	11,337,926	162,122
Total Funds Available	42,374,896	43,493,590	47,813,569	47,327,762	485,807
Expenditures					
Georgia Senate	10,586	10,586	10,982	9,738	1,244
Georgia House of Representatives	18,705	18,705	19,707	17,115	2,592
Georgia General Assembly Joint Offices	10,044	10,044	10,181	8,387	1,794
Audits and Accounts, Department of	34,090	34,090	33,955	33,896	59
Appeals, Court of	15,186	15,230	15,482	15,481	1
Judicial Council	17,159	17,318	18,487	17,840	647
Juvenile Courts	7,477	7,673	7,673	7,110	563
Prosecuting Attorneys	69,003	69,009	90,818	87,289	3,529
Superior Courts	64,909	65,016	65,039	65,020	19
Supreme Court	12,108	12,181	12,428	12,428	-
Accounting Office, State	22,236	23,600	29,132	28,711	421
Administrative Services, Department of	199,796	198,932	326,362	200,623	125,739
Agriculture, Department of	49,989	49,989	56,207	55,493	714
Banking and Finance, Department of	11,669	11,669	11,669	11,639	30
Behavioral Health & Developmental Disabilities, Department of	1,168,316	1,145,629	1,216,048	1,196,016	20,032
Community Affairs, Department of	250,502	326,280	346,503	327,760	18,743
Community Health, Department of	13,387,306	13,243,958	15,100,584	13,450,967	1,649,617
Corrections, Department of	1,162,580	1,166,005	1,200,776	1,200,533	243

(continued)

Required Supplementary Information
Budgetary Comparison Schedule
Budget Fund
For the Fiscal Year Ended June 30, 2015
(dollars in thousands)

	Original Appropriation	Amended Appropriation	Final Budget	Actual	Variance
Expenditures					
Defense, Department of	91,645	57,146	70,111	66,724	3,387
Driver Services, Department of	65,884	65,944	67,795	67,687	108
Early Care and Learning, Department of	692,648	716,246	715,772	713,526	2,246
Economic Development, Department of [1]	109,537	109,594	219,705	197,000	22,705
Education, Department of	9,637,902	10,193,818	10,220,817	10,103,061	117,756
Employees' Retirement System of Georgia	53,588	54,161	54,161	52,611	1,550
Forestry Commission, Georgia	45,987	45,987	50,433	50,429	4
Governor, Office of the	84,108	81,259	371,617	245,390	126,227
Human Services, Department of	1,622,669	1,715,042	1,751,475	1,722,717	28,758
Insurance, Department of	22,063	21,571	21,543	21,384	159
Investigation, Georgia Bureau of	153,615	153,615	212,978	185,307	27,671
Juvenile Justice, Department of	313,615	309,332	314,334	311,199	3,135
Labor, Department of	136,827	136,827	140,477	127,062	13,415
Law, Department of	61,429	61,429	69,152	68,220	932
Natural Resources, Department of	248,601	244,669	314,101	281,475	32,626
Pardons and Paroles, State Board of	54,978	55,129	57,236	56,179	1,057
Properties Commission, State	820	1,751	1,825	1,817	8
Public Defender Standards Council, Georgia	43,013	47,297	78,452	78,387	65
Public Health, Department of	662,212	639,297	732,663	696,449	36,214
Public Safety, Department of	205,437	206,341	212,645	191,978	20,667
Public Service Commission	9,357	9,462	9,554	9,553	1
Regents, University System of Georgia	6,611,815	6,712,394	7,402,421	6,775,052	627,369
Revenue, Department of	178,552	192,922	206,679	206,333	346
Secretary of State	22,987	26,819	31,407	30,621	786
Soil and Water Conservation Commission	4,415	4,439	4,141	4,077	64
Student Finance Commission, Georgia	683,220	689,832	693,162	660,109	33,053
Teachers' Retirement System	33,419	34,769	34,794	32,571	2,223
Technical College System of Georgia	732,941	760,479	771,451	697,939	73,512
Transportation, Department of	2,081,088	2,556,767	3,077,010	2,467,798	609,212
Veterans Service, Department of	41,164	38,878	41,386	40,951	435
Workers' Compensation, State Board of	23,054	23,054	22,909	18,085	4,824
State of Georgia General Obligation Debt Sinking Func	1,134,645	1,101,406	1,269,330	1,202,604	66,726
Total Expenditures	42,374,896	43,493,590	47,813,569	44,130,341	3,683,228
Excess of Funds Available over Expenditures	$ -	$ -	$ -	$ 3,197,421	$ (3,197,421)

[1] The actual amount includes open encumbrance balances of $49,679,543.82 transferred from the Office of the Governor to the Department of Economic Development as of July 1, 2014.

Required Supplementary Information
Budget to GAAP Reconciliation
For the Fiscal Year Ended June 30, 2015
(dollars in thousands)

	General Fund
Sources/Inflows of Resources	
Summary	
Actual amounts (budgetary basis) "Total Funds Available" from the budgetary comparison schedule	$ 47,327,762
Differences - budget to GAAP	
Perspective Differences:	
Revenues of budgeted funds included in the Budget Fund, but removed from the General Fund for financial reporting purposes.	(8,599,953)
Revenues of nonbudgeted funds included within the State's reporting entity, and shown in the General Fund for financial reporting purposes.	21,616,814
State appropriations revenues are budgetary resources, but are netted with the State's treasury disbursements for GAAP purposes.	(21,137,804)
Basis Differences:	
Accrual of taxpayer assessed receivables and revenues.	137,542
Fund balance adjustments are not inflows of budgetary resources, but affect current year revenues for GAAP reporting purposes.	(347,176)
Prior Year Reserves Available for Expenditure are included in Funds Available, but are not revenues for GAAP reporting purposes.	(2,899,018)
Revenues from intrafund transactions are budgetary resources, but are not revenues for GAAP reporting purposes.	(536,643)
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.	254,468
Transfers from other funds are inflows of budgetary resources, but are not revenues for financial reporting purposes.	(190,219)
Revenue reported for nonbudgetary food stamp program and donated commodities.	2,976,165
Revenue reported for on-behalf payments related to pensions	54,951
Other net accrued receivables and revenues.	(41,799)
Total Revenues (General Fund) as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds	$ 38,615,090

Required Supplementary Information
Budget to GAAP Reconciliation
For the Fiscal Year Ended June 30, 2015
(dollars in thousands)

Uses/Outflows of Resources	General Fund
Summary	
Actual amounts (budgetary basis) "Total Expenditures" from the budgetary comparison schedule	$ 44,130,341
Differences - budget to GAAP	
Perspective Differences:	
Expenditures of nonbudgeted Funds included within the State's reporting entity, and shown in the General Fund for financial reporting purposes.	56,092
Expenditures of Budgeted Funds for organizations not reported in the General Fund.	(10,561,559)
Basis Differences:	
Accrual of teacher salaries not included in current budget year.	74,949
Capital lease acquisitions are not outflows of budgetary resources, but are recorded as current expenditures and other financing sources for GAAP reporting.	12,573
Change in expenditure accrual for nonbudgetary Medicaid claims	36,300
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.	72,250
Expenditures from intrafund transactions are budgetary outflows, but are not expenditures for GAAP reporting purposes.	(535,020)
Expenditures reported for nonbudgetary food stamp program and donated commodities.	2,976,165
Expenditures reported for on-behalf payments related to pensions	54,951
Fund balance adjustments are not outflows of budgetary resources, but affect current year expenditures for GAAP reporting purposes.	(551,029)
Transfers to other funds are outflows of budgetary resources, but are not expenditures for GAAP reporting purposes.	(1,621,133)
Other net accrued liabilities and expenditures.	21,421
Total Expenditures (General Fund) as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds	$ 34,166,301

Required Supplementary Information
Notes to Required Supplementary Information
Budgetary Comparison
For the Fiscal Year Ended June 30, 2015

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.

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, 2015, total State funds expenditures did not exceed appropriated amounts.

For more information on budgetary exceptions, please refer to the *Budgetary Compliance Report* issued under separate cover. This report can be found on website of the State Accounting Office at http://sao.georgia.gov/.

Budgetary Presentation

The accompanying Budgetary Comparison Schedule for the Budget Fund presents comparisons of the legally adopted budget with actual data prepared on the budgetary basis of accounting utilized by the State. The Budget Fund, a compilation of the budget units of the State, differs from the funds presented in the basic financial statements. The Budget-to-GAAP reconciliation immediately following the budgetary comparison schedule identifies the types and amounts of adjustments necessary to reconcile the Budget Fund with the General Fund as reported in accordance with generally accepted accounting principles.

Required Supplementary Information
Schedule of Funding Progress for Other Postemployment Benefits
For the Fiscal Year Ended June 30, 2015
(dollars in thousands)

Retirement System	Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) using Projected Unit Credit (b)	Unfunded AAL/(Funding Excess) (b - a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	Unfunded AAL/Funding Excess) as a Percentage of Covered Payroll (b - a) / (c)
Board of Regents-Retiree	7/1/2012	$ 166	$ 3,758,970	$ 3,758,804	0.0%	$2,466,314	152.4%
Health Benefit Fund	7/1/2013	217	4,095,304	4,095,087	0.0%	2,594,800	157.8%
	7/1/2014	82	4,278,445	4,278,364	0.0%	2,608,757	164.0%

Separate financial reports that include the required supplementary information for this plan are publicly available and may be obtained from the Board of Regents.

Required Supplementary Information
Public Entity Risk Pool
For the Fiscal Year Ended June 30, 2015
(dollars in thousands)

Claims Development Information

The table below illustrates how SHBP's earned revenues and investment income compare to related costs of loss and other expenses assumed by the SHBP as of the end of the current fiscal year. The rows of the table are defined as follows: (1) This line shows the total of each fiscal year's earned contribution revenues and investment revenues. (2) This line shows each fiscal year's other operating costs of the fund including overhead and claims expense not allocable to individual claims. (3) This line shows the fund's incurred claims and allocated claim adjustment expenses (both paid and accrued) as originally reported at the end of the first year in which the event that triggered coverage under the contract occurred (policy year). (4) This section shows the cumulative net amounts paid as of the end of the 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.

	2013	2014	2015
(1) Required contribution and investment revenue earned			
(fiscal year)	2,366,054	2,434,392	2,267,667
(2) Unallocated expenses	100,532	150,939	155,501
(3) Estimated claims and expenses, end of policy year,			
net incurred	2,074,390	1,880,541	1,882,588
(4) Net paid (cumulative) as of:			
End of policy year	2,053,332	1,758,032	1,708,902
One year later	2,242,456	1,931,895	
Two 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
One year later	2,068,566	1,879,800	
Two years later[1]	2,014,054		
(6) Increase (decrease) in estimated net incurred claims			
and expenses from end of policy year	(60,336)	(741)	-

[1]Data not available prior to fiscal year 2013

Required Supplementary Information
Schedules of Employers' and Nonemployers' Contributions
Defined Benefit Pension Plans
For the Last Ten Fiscal Years
(dollars in thousands)

	Year ended	Actuarially determined contribution (a)	Contributions in relation to the actuarially determined contribution (b)	Contribution deficiency (excess) (a-b)	Covered employee payroll (c)	Contributions as a percentage of covered-employee payroll (b/c)
Employees' Retirement System [1]	6/30/2006	258,482	258,482	-	2,630,167	9.83%
	6/30/2007	270,141	270,141	-	2,680,972	10.08%
	6/30/2008	286,256	286,256	-	2,809,199	10.19%
	6/30/2009	282,103	281,206	897	2,674,155	10.52%
	6/30/2010	263,064	263,064	-	2,571,042	10.23%
	6/30/2011	261,132	261,132	-	2,486,780	10.50%
	6/30/2012	273,623	274,034	(411)	2,414,884	11.35%
	6/30/2013	358,376	358,992	(616)	2,335,773	15.37%
	6/30/2014	428,982	429,752	(770)	2,335,773	18.40%
	6/30/2015	517,220	518,163	(943)	2,353,225	22.02%
Public School Employees Retirement System [2]	6/30/2006	3,638	3,638	-	N/A	N/A
	6/30/2007	6,490	6,490	-	N/A	N/A
	6/30/2008	2,869	2,869	-	N/A	N/A
	6/30/2009	5,529	5,529	-	N/A	N/A
	6/30/2010	5,530	5,530	-	N/A	N/A
	6/30/2011	7,509	7,509	-	N/A	N/A
	6/30/2012	15,884	15,884	-	N/A	N/A
	6/30/2013	24,829	24,829	-	N/A	N/A
	6/30/2014	27,160	27,160	-	N/A	N/A
	6/30/2015	28,461	28,461	-	N/A	N/A
Georgia Judicial Retirement System	6/30/2006	1,683	1,683	-	45,308	3.71%
	6/30/2007	1,778	1,778	-	48,621	3.66%
	6/30/2008	2,395	2,395	-	51,102	4.69%
	6/30/2009	1,703	1,703	-	52,803	3.23%
	6/30/2010	2,600	2,600	-	51,293	5.07%
	6/30/2011	1,932	1,932	-	52,331	3.69%
	6/30/2012	2,083	2,083	-	51,898	4.01%
	6/30/2013	2,279	2,279	-	52,807	4.32%
	6/30/2014	2,375	2,375	-	54,787	4.33%
	6/30/2015	4,261	4,261	-	54,272	7.85%
Teachers Retirement System of Georgia	6/30/2006	855,626	855,626	-	9,260,022	9.24%
	6/30/2007	927,371	927,371	-	10,036,483	9.24%
	6/30/2008	986,759	986,759	-	10,633,179	9.28%
	6/30/2009	1,026,287	1,026,287	-	11,059,127	9.28%
	6/30/2010	1,057,416	1,057,416	-	10,856,427	9.74%
	6/30/2011	1,089,912	1,089,912	-	10,602,257	10.28%
	6/30/2012	1,082,224	1,082,224	-	10,527,471	10.28%
	6/30/2013	1,180,469	1,180,469	-	10,345,916	11.41%
	6/30/2014	1,270,963	1,270,963	-	10,349,862	12.28%
	6/30/2015	1,406,706	1,406,706	-	10,697,384	13.15%
Peace Officers' Annuity and Benefit Fund of Georgia	6/30/2006	12,495	15,994	(3,499)	N/A	N/A
	6/30/2007	12,936	17,334	(4,398)	N/A	N/A
	6/30/2008	12,936	17,595	(4,659)	N/A	N/A
	6/30/2009	14,034	16,144	(2,110)	N/A	N/A
	6/30/2010	14,034	17,281	(3,247)	N/A	N/A
	6/30/2011	19,760	16,185	3,575	N/A	N/A
	6/30/2012	19,760	16,256	3,504	N/A	N/A
	6/30/2013	22,343	15,472	6,871	N/A	N/A
	6/30/2014	22,340	15,342	6,998	N/A	N/A
	6/30/2015	17,815	15,341	2,474	N/A	N/A
Georgia Firefighters' Pension Fund	6/30/2006	16,083	21,033	(4,950)	N/A	N/A
	6/30/2007	20,456	22,538	(2,082)	N/A	N/A
	6/30/2008	20,706	25,415	(4,709)	N/A	N/A
	6/30/2009	22,845	26,446	(3,601)	N/A	N/A
	6/30/2010	36,031	25,720	10,311	N/A	N/A
	6/30/2011	36,031	26,257	9,774	N/A	N/A
	6/30/2012	29,995	27,399	2,596	N/A	N/A
	6/30/2013	29,995	28,786	1,209	N/A	N/A
	6/30/2014	28,956	30,034	(1,078)	N/A	N/A
	6/30/2015	26,215	31,489	(5,274)	N/A	N/A

This data, except for annual covered payroll, was provided by the System's actuary.

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

[2] No statistics regarding covered payroll are available. Contributions are not based upon members' salaries, but are simply $4.00 per member, per month, for nine months, each fiscal year if hired prior to July 1, 2012 and $10 per month, per member, per month, for nine months, if hired after July 1, 2012.

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

Required Supplementary Information
Schedules of Employers' and Nonemployers' Net Pension Liability
Defined Benefit Pension Plans
For the Last Two Fiscal Years
(dollars in thousands)

	2015	2014
Employees' Retirement System:		
Total pension liability	$ 17,019,362	$ 17,042,149
Plan fiduciary net position	12,967,964	13,291,531
Employers' and nonemployers' net pension liability	$ 4,051,398	$ 3,750,618
Plan fiduciary net position as a percentage of the total pension liability	76.20%	77.99%
Covered-employee payroll	2,353,225	2,335,773
Employers' and nonemployers' net pension liability as a percentage of covered-employee payroll	172.16%	160.57%
Public School Employees Retirement System:		
Total pension liability	$ 946,200	$ 930,745
Plan fiduciary net position	823,150	821,733
Employers' and nonemployers' net pension liability	$ 123,050	$ 109,012
Plan fiduciary net position as a percentage of the total pension liability	87.00%	88.29%
Covered-employee payroll	N/A	N/A
Employers' and nonemployers' net pension liability as a percentage of covered-employee payroll	N/A	N/A
Georgia Judicial Retirement System:		
Total pension liability	$ 357,081	$ 350,443
Plan fiduciary net position	404,852	400,790
Employers' and nonemployers' net pension liability/(asset)	$ (47,771)	$ (50,347)
Plan fiduciary net position as a percentage of the total pension liability	113.38%	114.37%
Covered-employee payroll	54,272	54,787
Employers' and nonemployers' net pension liability (asset) as a percentage of covered-employee payroll	-88.02%	-91.90%
Teachers Retirement System:		
Total pension liability	$ 82,023,118	$ 79,099,772
Plan fiduciary net position	66,799,111	66,466,091
Employers' and nonemployers' net pension liability	$ 15,224,007	$ 12,633,681
Plan fiduciary net position as a percentage of the total pension liability	81.44%	84.03%
Covered-employee payroll	10,697,384	10,349,862
Employers' and nonemployers' net pension liability as a percentage of covered-employee payroll	142.32%	122.07%
Peace Officers' Annuity and Benefit Fund of Georgia		
Total pension liability	$ 720,213	$ 674,725
Plan fiduciary net position	703,536	698,889
Employers' and nonemployers' net pension liability/(asset)	$ 16,677	$ (24,164)
Plan fiduciary net position as a percentage of the total pension liability	97.68%	103.58%
Covered-employee payroll	N/A	N/A
Employers' and nonemployers' net pension liability as a percentage of covered-employee payroll	N/A	N/A
Georgia Firefighters' Pension Fund:		
Total pension liability	$ 923,835	$ 848,314
Plan fiduciary net position	767,333	761,115
Employers' and nonemployers' net pension liability	$ 156,502	$ 87,199
Plan fiduciary net position as a percentage of the total pension liability	83.06%	89.72%
Covered-employee payroll	N/A	N/A
Employers' and nonemployers' net pension liability as a percentage of covered-employee payroll	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 Two Fiscal Years
(dollars in thousands)

	2015	2014
Employees' Retirement System:		
Total pension liability:		
Service cost	$ 145,045	$ 150,075
Interest	1,227,846	1,224,380
Differences between expected and actual experience	(53,950)	-
Benefit payments	(1,334,278)	(1,305,998)
Refunds of contributions	(7,450)	(8,757)
Net change in total pension liability	(22,787)	59,700
Total pension liability-beginning	17,042,149	16,982,449
Total pension liability-ending (a)	17,019,362	17,042,149
Plan fiduciary net position:		
Contributions-employer	505,668	418,807
Contributions-nonemployer	12,495	10,945
Contributions-member	33,713	32,423
Administrative expense allotment	10	-
Net investment income	474,147	2,021,748
Benefit payments	(1,334,278)	(1,305,998)
Administrative expense	(7,872)	(7,440)
Refunds of contributions	(7,450)	(8,757)
Net change in plan fiduciary net position	(323,567)	1,161,728
Plan fiduciary net position-beginning	13,291,531	12,129,803
Plan fiduciary net position-ending (b)	12,967,964	13,291,531
Net pension liability-ending (a)-(b)	$ 4,051,398	$ 3,750,618
Public School Employees Retirement System:		
Total pension liability:		
Service cost	$ 12,088	$ 11,049
Interest	67,652	66,143
Differences between expected and actual experience	(6,858)	-
Benefit payments	(56,972)	(56,189)
Refunds of contributions	(455)	(514)
Net change in total pension liability	15,455	20,489
Total pension liability-beginning	930,745	910,256
Total pension liability-ending (a)	946,200	930,745
Plan fiduciary net position:		
Contributions-nonemployer	28,461	27,160
Contributions-member	1,800	1,659
Net investment income	30,129	123,799
Benefit payments	(56,972)	(56,189)
Administrative expense	(1,545)	(1,450)
Refunds of contributions	(456)	(514)
Net change in plan fiduciary net position	1,417	94,465
Plan fiduciary net position-beginning	821,733	727,268
Plan fiduciary net position-ending (b)	823,150	821,733
Net pension liability-ending (a)-(b)	$ 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 significants plans and funds administered by the State of Georgia

Required Supplementary Information
Schedules of Changes in Employers' and Nonemployers' Net Pension Liability
Defined Benefit Pension Plans
For the Last Two Fiscal Years
(dollars in thousands)

	2015	2014
Georgia Judicial Retirement System:		
Total pension liability:		
Service cost	$ 7,751	$ 7,584
Interest	25,566	24,530
Differences between expected and actual experience	(7,542)	-
Benefit payments	(18,365)	(17,441)
Refunds of contributions	(772)	(22)
Net change in total pension liability	6,638	14,651
Total pension liability-beginning	350,443	335,792
Total pension liability-ending (a)	357,081	350,443
Plan fiduciary net position:		
Contributions-employer	2,696	1,373
Contributions-nonemployer	1,564	1,002
Contributions-member	5,061	4,731
Net investment income	14,697	60,012
Benefit payments	(18,365)	(17,441)
Administrative expense	(819)	(754)
Refunds of contributions	(772)	(22)
Net change in plan fiduciary net position	4,062	48,901
Plan fiduciary net position-beginning	400,790	351,889
Plan fiduciary net position-ending (b)	404,852	400,790
Net pension liability (asset)-ending (a)-(b)	$ (47,771)	$ (50,347)
Teachers Retirement System:		
Total pension liability:		
Service cost	$ 1,386,498	$ 1,374,556
Interest	5,779,597	5,557,046
Differences between expected and actual experience	(165,785)	-
Benefit payments	(3,996,879)	(3,764,452)
Refunds of contributions	(80,083)	(87,095)
Net change in total pension liability	2,923,348	3,080,055
Total pension liability-beginning	79,099,772	76,019,717
Total pension liability-ending (a)	82,023,120	79,099,772
Plan fiduciary net position:		
Contributions-employer	1,399,668	1,264,546
Contributions-nonemployer	7,038	6,417
Contributions-member	661,835	640,120
Net investment income	2,384,145	9,826,743
Benefit payments	(3,994,593)	(3,764,452)
Administrative expense	(17,282)	(15,025)
Refunds of contributions	(80,085)	(87,095)
Other	-	-
Net change in plan fiduciary net position	360,726	7,871,254
Plan fiduciary net position-beginning	66,438,387	58,594,837
Plan fiduciary net position-ending (b)	66,799,113	66,466,091
Net pension liability-ending (a)-(b)	$ 15,224,007	$ 12,633,681

(continued)

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

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

Required Supplementary Information
Schedules of Changes in Employers' and Nonemployers' Net Pension Liability
Defined Benefit Pension Plans
For the Last Two Fiscal Years
(dollars in thousands)

	2015	2014
Peace Officers' Annuity and Benefit Fund of Georgia		
Total pension liability:		
Service cost	$ 13,085	$ 17,890
Interest	47,138	43,877
Changes of assumptions	14,577	-
Benefit payments	(28,879)	(27,263)
Refunds of contributions	(433)	(437)
Net change in total pension liability	45,488	34,067
Total pension liability-beginning	674,725	640,658
Total pension liability-ending (a)	720,213	674,725
Plan fiduciary net position:		
Contributions-nonemployer	15,341	15,342
Contributions-member	3,537	3,532
Net investment income	15,771	103,600
Benefit payments	(28,879)	(27,263)
Miscellaneous	65	90
Administrative expense	(755)	(730)
Refunds of contributions	(433)	(437)
Net change in plan fiduciary net position	4,647	94,134
Plan fiduciary net position-beginning	698,889	604,755
Plan fiduciary net position-ending (b)	703,536	698,889
Net pension liability (asset)-ending (a)-(b)	$ 16,677	$ (24,164)
Georgia Firefighters' Pension Fund:		
Total pension liability:		
Service cost	$ 18,377	$ 17,889
Interest	53,833	51,850
Differences between expected and actual experience	(11,448)	-
Changes of assumptions	54,973	-
Benefit payments	(39,379)	(37,530)
Refunds of contributions	(835)	(694)
Net change in total pension liability	75,521	31,515
Total pension liability-beginning	848,314	816,799
Total pension liability-ending (a)	923,835	848,314
Plan fiduciary net position:		
Insurance Company Premium Taxes	31,489	30,034
Contributions-member	3,896	3,836
Net investment income	12,080	111,715
Benefit payments	(39,379)	(37,530)
Administrative expense	(1,329)	(1,209)
Refunds of contributions	(835)	(693)
Other	296	332
Net change in plan fiduciary net position	6,218	106,485
Plan fiduciary net position-beginning	761,115	654,630
Plan fiduciary net position-ending (b)	767,333	761,115
Net pension liability-ending (a)-(b)	$ 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 Two Fiscal Years
(dollars in thousands)

	Annual money-weighted rate of return, net of investment expense	
	2015	**2014**
Pooled Investment Fund: Employees' Retirement System: Public School Employees Retirement System: Georgia Judicial Retirement System:	-5.32%	5.95%
Teachers Retirement System:	-0.45%	12.17%
Peace Officers' Annuity and Benefit Fund of Georgia	2.53%	18.49%
Georgia Firefighters' Pension Fund	1.23%	17.60%

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

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

Required Supplementary Information
Notes to Required Supplementary Information
Methods and Assumptions
For the Fiscal Year Ended June 30, 2015

Actuarial Methods and Assumptions

This note provides information about changes of benefit terms, changes of assumptions, and methods and assumptions used in calculations of actuarially determined contributions.

<u>Employees' Retirement System</u>

Changes of benefit terms: A new benefit tier was added for members joining the System on and after July 1, 2009.

Changes of assumptions: In 2010 and later, the expectation of retired life mortality was changed to the RP-2000 Mortality Tables rather than the 1994 Group Annuity Mortality Table, which was used prior to 2010. In 2010, rates of withdrawal, retirement, disability and mortality were adjusted to more closely reflect actual experience. In 2010, assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience.

<u>Public School Employees Retirement System</u>

Changes of benefit terms: The member contribution rate was increased from $4 to $10 per month for members joining the System on or after July 1, 2012.

Changes of assumptions: In 2010 and later, the expectation of retired life mortality was changed to the RP-2000 Mortality Tables rather than the 1994 Group Annuity Mortality Table, which was used prior to 2010. In 2010, rates of withdrawal, retirement, disability and mortality were adjusted to more closely reflect actual experience.

<u>Georgia Judicial Retirement System</u>

Changes of benefit terms: Spouses benefits were changed for members joining the System on or after July 1, 2012.

Changes of assumptions: In 2010 and later, the expectation of retired life mortality was changed to the RP-2000 Mortality Tables rather than the 1994 Group Annuity Mortality Table, which was used prior to 2010. In 2010, rates of withdrawal, retirement, disability and mortality were adjusted to more closely reflect actual experience. In 2010, assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience.

<u>Teachers Retirement System</u>

Changes of assumptions: In 2010 and later, the expectation of retired life mortality was changed to the RP-2000 Mortality Tables rather than the 1994 Group Annuity Mortality Table, which was used prior to 2010. In 2010, rates of withdrawal, retirement, disability and mortality were adjusted to more closely reflect actual experience. In 2010, assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience.

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 health lives and to RP 2014 Disabled Retiree Mortality Table with generational mortality projection using Scale MP 2014 for disabled lives.

Georgia Firefighters' Pension Fund

Changes of benefit terms: In 2013, membership dues were increased from $15 per month to $25 per month.

Change in assumptions: In 2015 the following changes were made:

- The assumed investment rate of return was lowered from 6.5% to 6.0%.
- The assumed rate of inflation was lowered from 3.0% to 2.75%
- Rates of withdrawal and retirement were adjusted to more closely reflect actual experience.
- Rates of mortality were adjusted during the most recent experience study. Pre-retirement mortality rates were changed to the RP 2000 employee mortality table projected to 2025 with projection scale BB. Post-retirement mortality rates were changed to the RP 2000 blue collar mortality table projected to 2025 with projection scale BB. Post-disability mortality rates were changed to the RP 2000 disabled mortality table projected to 2025 with projection scale BB.

In 2013, a funding policy was adopted which changes the amortization period of the unfunded actuarial accrued liability from 15 to 30 years.

Required Supplementary Information
Notes to Required Supplementary Information
Methods and Assumptions
For the Fiscal Year Ended June 30, 2015

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

	ERS	GJRS
Valuation date	June 30, 2012	June 30, 2012
Actuarial cost method	Entry age	Entry age
Amortization method	Level dollar, open	Level percent of pay, open
Remaining amortization period	30 years	10 years
Asset valuation method	7-year smoothed market	7-year smoothed market
Inflation	3.00%	3.00%
Salary increases:		
Fiscal Year 2012-2013	2.725 - 4.625%	3.00%
Fiscal Year 2014+, including inflation	5.45 - 9.25%	6.00%
Investment rate of return	7.50%, net of pension plan investment expense, including inflation	7.50%, net of pension plan investment expense, including inflation

	PSERS	TRS
Valuation date	June 30, 2012	June 30, 2012
Actuarial cost method	Entry age	Entry age
Amortization method	Level dollar, open	Level percent of payroll, open
Remaining amortization period	30 years	30 years
Asset valuation method	7-year smoothed market	7-year smoothed market
Inflation	3.00%	3.00%
Salary increases	N/A	3.75 - 7.00%, including inflation
Investment rate of return	7.50%, net of pension plan investment expense, including inflation	7.50%, net of pension plan investment expense, including inflation

	Peace Officers'	Firefighters'
Valuation date	June 30, 2014	June 30, 2015
Actuarial cost method	Entry age normal	Entry age normal
Amortization method	Level dollar, open	Level dollar, open
Remaining amortization period	30 years	30 years
Asset valuation method	Actuarial value	5-year smoothed market with 15% corridor
Inflation	3.00%	2.75% - 3.00%
Salary increases	N/A	N/A
Investment rate of return	7.00%, net of pension plan investment expense, including inflation	6.00% - 6.50%, 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 Fiscal Year Ended June 30, 2015
(dollars in thousands)

	2015
Employees' Retirement System:	
Statutorily required contribution	$ 440,602
Contributions in relation to the statutorily required contribution	(440,602)
Contribution Deficiency (excess)	$ -
State's covered-employee payroll	$ 1,685,296
Contributions as a percentage of the covered-employee payroll	26.14%
Georgia Judicial Retirement System:	
Statutorily required contribution	$ 2,209
Contributions in relation to the statutorily required contribution	(2,209)
Contribution Deficiency (excess)	$ -
State's covered-employee payroll	$ 31,184
Contributions as a percentage of the covered-employee payroll	7.08%
Teachers Retirement System:	
Statutorily required contribution	$ 230,939
Contributions in relation to the statutorily required contribution	(230,939)
Contribution Deficiency (excess)	$ -
State's covered-employee payroll	$ 1,683,292
Contributions as a percentage of the covered-employee payroll	13.72%

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 Fiscal Year Ended June 30, 2015
(dollars in thousands)

	2015
Employees' Retirement System:	
Statutorily required contribution	$ 11,174
Contributions in relation to the statutorily required contribution	(11,174)
Contribution Deficiency (excess)	$ -
Public School Employees Retirement System:	
Statutorily required contribution	$ 28,461
Contributions in relation to the statutorily required contribution	(28,461)
Contribution Deficiency (excess)	$ -
Georgia Judicial Retirement System:	
Statutorily required contribution	$ 1,558
Contributions in relation to the statutorily required contribution	(1,558)
Contribution Deficiency (excess)	$ -
Teachers Retirement System:	
Statutorily required contribution	$ 7,038
Contributions in relation to the statutorily required contribution	(7,038)
Contribution Deficiency (excess)	$ -
Peace Officers' Annuity and Benefit Fund of Georgia	
Statutorily required contribution	$ 15,341
Contributions in relation to the statutorily required contribution	(15,341)
Contribution Deficiency (excess)	$ -
Georgia Firefighters' Pension Fund:	
Statutorily required contribution	$ 31,489
Contributions in relation to the statutorily required contribution	(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 Fiscal Year Ended June 30, 2015
(dollars in thousands)

	2015
Primary Government	
Employees' Retirement System:	
State's proportion of the net pension liability	87.266834%
State's proportionate share of the net pension liability	$ 3,273,046
State's Covered-employee payroll	$ 1,615,070
State's proportionate share of the net pension liability as a percentage of its covered-employee payroll	202.66%
Plan fiduciary net position as a percentage of the total pension liability	77.99%
Georgia Judicial Retirement System:	
State's proportion of the net pension asset	57.356971%
State's proportionate share of the net pension asset	$ (28,878)
State's Covered-employee payroll	$ 29,887
State's proportionate share of the net pension asset as a percentage of its covered-employee payroll	-96.62%
Plan fiduciary net position as a percentage of the total pension liability	114.37%
Teachers Retirement System:	
State's proportion of the net pension liability	16.517474%
State's proportionate share of the net pension liability	$ 2,086,629
State's Covered-employee payroll	$ 1,756,586
State's proportionate share of the net pension liability as a percentage of its covered-employee payroll	118.79%
Plan fiduciary net position as a percentage of the total pension liability	84.03%
Component Units	
Employees' Retirement System:	
State's proportion of the net pension liability	1.543905%
State's proportionate share of the net pension liability	$ 57,906
State's Covered-employee payroll	$ 28,075
State's proportionate share of the net pension liability as a percentage of its covered-employee payroll	206.25%
Plan fiduciary net position as a percentage of the total pension liability	77.99%
Teachers Retirement System:	
State's proportion of the net pension liability	0.590520%
State's proportionate share of the net pension liability	$ 74,604
State's Covered-employee payroll	$ 60,180
State's proportionate share of the net pension liability as a percentage of its covered-employee payroll	123.97%
Plan fiduciary net position as a percentage of the total pension liability	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 Fiscal Year Ended June 30, 2015
(dollars in thousands)

	2015
Employees' Retirement System:	
State's proportion of the net pension liability (asset)	2.410713%
State's proportionate share of the net pension liability (asset)	$ 90,417
Plan fiduciary net position as a percentage of the total pension liability	77.99%
Public School Employees Retirement System:	
State's proportion of the net pension liability (asset)	100.000000%
State's proportionate share of the net pension liability (asset)	$ 109,012
Plan fiduciary net position as a percentage of the total pension liability	88.29%
Georgia Judicial Retirement System:	
State's proportion of the net pension liability (asset)	42.643029%
State's proportionate share of the net pension liability (asset)	$ (21,469)
Plan fiduciary net position as a percentage of the total pension liability	114.37%
Teachers Retirement System:	
State's proportion of the net pension liability (asset)	0.504588%
State's proportionate share of the net pension liability (asset)	$ 63,748
Plan fiduciary net position as a percentage of the total pension liability	84.03%
Peace Officers' Annuity and Benefit Fund of Georgia	
State's proportion of the net pension liability (asset)	100.000000%
State's proportionate share of the net pension liability (asset)	$ (25,230)
Plan fiduciary net position as a percentage of the total pension liability	103.75%
Georgia Firefighters' Pension Fund:	
State's proportion of the net pension liability (asset)	100.000000%
State's proportionate share of the net pension liability (asset)	$ 87,199
Plan fiduciary net position as a percentage of the total pension liability	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

COMBINING AND INDIVIDUAL FUND STATEMENTS


STATE OF GEORGIA
CONSTITUTION
WIS DOM
JUSTICE
MODER ATION
1776

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

Special Revenue Funds account for specific revenue sources that are legally restricted to expenditures for specific purposes. The State's special revenue funds, other than the Transportation Investment Act Fund, include the blended component units that conduct general governmental functions as described below:

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

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

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

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

The **State Road and Tollway Authority** is a legally separate public corporation created to construct, operate and manage a system of roads, bridges and tunnels and facilities related thereto.

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

The **Transportation Investment Act Fund** (TIA) accounts for funds collected by the State and dispensed to the Department of Transportation for TIA projects in the relevant special tax districts.

DEBT SERVICE FUNDS

Debt Service Funds account for the accumulation of resources that are restricted, committed or assigned to expenditures for principal and interest.

The **General Obligation Debt Sinking Fund** accounts for the payment of principal and interest on the State's general long-term debt.

The **State Road and Tollway Authority Debt Service Fund** accounts for the payment of principal and interest on the debt of the Authority's governmental funds. The Authority issues bonded debt which finances State transportation infrastructure construction. Debt service payments due on outstanding bonds are paid by the Authority from redirected funds from the U. S. Department of Transportation and/or State motor fuel tax funds.

PERMANENT FUND

The Permanent Fund is used to report resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that benefit the State or its citizenry. The State's nonmajor permanent fund is described below:

The **Pupils Trust Fund - Georgia Academy for the Blind** is used to account for principal trust amounts received and related interest income. The interest portion of the trust may be used for student activities at Georgia Academy for the Blind.

Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2015
(dollars in thousands)

	Special Revenue				
	Georgia Aviation Authority	Georgia Economic Development Foundation, Inc.	Governor's Defense Initiative, Inc.	Georgia Natural Resources Foundation	State Road and Tollway Authority
Assets					
Cash and Cash Equivalents	$ 72	$ 544	$ 415	$ 442	$ 16,163
Investments	-	-	-	-	-
Accounts Receivable	-	-	-	-	1,730
Inventories	-	-	-	-	241
Restricted Assets					
Cash and Cash Equivalents	-	-	-	-	171,976
Other Assets	-	-	-	-	2
Total Assets	$ 72	$ 544	$ 415	$ 442	$ 190,112
Liabilities and Fund Balances					
Liabilities:					
Accounts Payable and Other Accruals	$ 17	$ -	$ -	$ -	$ 457
Due to Other Funds	-	-	-	-	540
Contracts Payable	-	-	-	-	13,848
Unearned Revenue	-	-	-	-	50,637
Total Liabilities	17	-	-	-	65,482
Fund Balances:					
Nonspendable	-	-	-	-	243
Restricted	-	-	-	-	103,884
Assigned	55	544	415	442	20,503
Total Fund Balances	55	544	415	442	124,630
Total Liabilities and Fund Balances	$ 72	$ 544	$ 415	$ 442	$ 190,112

		Debt Service		Permanent	
Georgia Tourism Foundation	Transportation Investment Act Fund	General Obligation Debt Sinking Fund	State Road and Tollway Authority	Pupils Trust Fund - Georgia Academy for the Blind	Total
$ 496	$ 107,428	$ -	$ -	$ 14	$ 125,574
-	80,443	-	-	-	80,443
-	8,897	-	-	-	10,627
-	-	-	-	-	241
-	-	-	5,678	-	177,654
-	-	-	-	-	2
$ 496	$ 196,768	$ -	$ 5,678	$ 14	$ 394,541
$ -	$ -	$ -	$ -	$ -	$ 474
-	3,653	-	-	-	4,193
-	372	-	-	-	14,220
-	-	-	-	-	50,637
-	4,025	-	-	-	69,524
-	-	-	-	14	257
-	192,743	-	5,678	-	302,305
496	-	-	-	-	22,455
496	192,743	-	5,678	14	325,017
$ 496	$ 196,768	$ -	$ 5,678	$ 14	$ 394,541

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Fiscal Year Ended June 30, 2015
(dollars in thousands)

				Special Revenue
	Georgia Aviation Authority	Georgia Economic Development Foundation, Inc.	Governor's Defense Initiative, Inc.	Georgia Natural Resources Foundation
Revenues				
Intergovernmental - Other	$ -	$ -	$ -	$ -
Sales and Services	24	200	-	-
Interest and Other Investment Income	-	1	-	-
Other	-	110	275	519
Total Revenues	24	311	275	519
Expenditures				
Transportation	-	-	-	-
Economic Development and Assistance	953	435	292	-
Conservation	-	-	-	188
Debt Service				
Principal	-	-	-	-
Interest	-	-	-	-
Other Debt Service Expenditures	-	-	-	-
Total Expenditures	953	435	292	188
Excess (Deficiency) of Revenues Over (Under) Expenditures	(929)	(124)	(17)	331
Other Financing Sources (Uses)				
Debt Issuance - Refunding Bonds	-	-	-	-
Debt Issuance - Revenue Bonds	-	-	-	-
Debt Issuance - Refunding Bonds - Premium	-	-	-	-
Capital Leases	-	-	-	-
Payment to Refunded Bond Escrow Agent	-	-	-	-
Transfers In	839	-	-	-
Transfers Out	-	-	-	-
Net Other Financing Sources (Uses)	839	-	-	-
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(90)	(124)	(17)	331
Fund Balances, July 1 - Restated (Note 3)	145	668	432	111
Fund Balances, June 30	$ 55	$ 544	$ 415	$ 442

			Debt Service		Permanent	
State Road and Tollway Authority	Georgia Tourism Foundation	Transportation Investment Act Fund	General Obligation Debt Sinking Fund	State Road and Tollway Authority	Pupils Trust Fund - Georgia Academy for the Blind	Total
$ 13,080	$ -	$ 105,749	$ -	$ -	$ -	$ 118,829
-	395	-	-	-	-	619
468	1	429	-	2	-	901
11,532	-	-	-	-	-	12,436
25,080	396	106,178	-	2	-	132,785
160,567	-	-	-	86	-	160,653
-	631	21,850	-	-	-	24,161
-	-	-	-	-	-	188
-	-	-	803,770	162,675	-	966,445
-	-	-	398,834	61,379	-	460,213
81	-	-	137	-	-	218
160,648	631	21,850	1,202,741	224,140	-	1,611,878
(135,568)	(235)	84,328	(1,202,741)	(224,138)	-	(1,479,093)
-	-	-	159,350	-	-	159,350
11,057	-	-	-	-	-	11,057
-	-	-	13,819	-	-	13,819
252	-	-	-	-	-	252
-	-	-	(173,032)	-	-	(173,032)
119,656	301	-	1,202,604	229,734	-	1,553,134
(86)	-	(20,985)	-	-	-	(21,071)
130,879	301	(20,985)	1,202,741	229,734	-	1,543,509
(4,689)	66	63,343	-	5,596	-	64,416
129,319	430	129,400	-	82	14	260,601
$ 124,630	$ 496	$ 192,743	$ -	$ 5,678	$ 14	$ 325,017


STATE OF GEORGIA
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NONMAJOR ENTERPRISE FUNDS


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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 **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 **Georgia Southern University Housing Foundation, Inc.** is a nonprofit corporation created to acquire, construct or improve student housing and other facilities.

The **Georgia State University Research Foundation, Inc.** is a nonprofit corporation created to support the research activities of the university through securing gifts, contributions and grants from individuals, private organizations and public agencies and in obtaining contracts with such individuals or entities for the performance of sponsored research, development, or other programs by the university.

The **Georgia Tech Facilities, Inc.** is a nonprofit corporation that promotes and supports the Georgia Institute of Technology, principally by financing and constructing buildings and facilities for use by the Institute.

The **Middle Georgia State College Real Estate Foundation, Inc.** is a nonprofit organization created for various purposes including to construct, operate and manage various real estate projects for the College. The Foundation formed a number of limited liability companies of which it is the sole owner for purposes including acquiring and/or constructing residence halls, student housing and recreation facilities.

The **University of North Georgia Real Estate Foundation, Inc.** is a nonprofit corporation formed to serve the needs and interest of the University and to benefit and promote the well-being of its administration, faculty, staff, student body, and the people and communities served by the University; and to acquire, lease, receive, accept, develop, manage, encumber, assign, sell, transfer and convey real property to be administered exclusively for charitable purposes for the benefit of the University.

The **University System of Georgia Foundation, Inc.** is a nonprofit corporation created to support and advance the work of the University System of Georgia. The foundation's support comes primarily from contributions and grants from individuals and corporations, and from leasing activities within the University System of Georgia.

The **UWG Real Estate Foundation, Inc.** is a nonprofit corporation which constructs research and auxiliary buildings and facilities for use by the University of West Georgia and then leases the completed building to the University.

The **VSU Auxiliary Services Real Estate Foundation, Inc.** is a nonprofit corporation created to provide accommodations, food services and store facilities to students, faculty, and staff of Valdosta State University. The Foundation is the sole owner of various limited liability companies, which their collective purpose is to construct facilities to be used as student housing, parking decks, a health center, and a student union. Upon completion, the facilities are leased to the Board of Regents of the University System of Georgia.

Combining Statement of Net Position
Nonmajor Enterprise Funds
June 30, 2015
(dollars in thousands)

	Georgia Higher Education Facilities Authority	Georgia Southern University Housing Foundation, Inc.	Georgia State University Research Foundation, Inc.	Georgia Tech Facilities, Inc.
Assets				
Current Assets:				
Cash and Cash Equivalents	$ 504	$ 3,409	$ 2,939	$ 3,131
Investments	-	2,507	-	-
Accounts Receivable (Net)	488	90	9,508	-
Due from Other Funds	243,065	214,441	82,471	252,765
Due from Component Units	-	-	-	553
Notes Receivable	-	-	-	600
Advances to Other Funds	-	-	7,445	-
Other Assets	-	277	7,925	4,295
Restricted Assets:				
Cash and Cash Equivalents	-	-	11,704	-
Noncurrent Assets:				
Investments	-	-	7,670	-
Other Receivables	-	-	-	2,400
Due from Component Units	-	-	-	7,675
Other Noncurrent Assets	-	4,445	-	-
Restricted Assets:				
Cash and Cash Equivalents	-	34,633	-	2,067
Nondepreciable Capital Assets	-	430	2,035	3,439
Depreciable Capital Assets, net	-	-	5,160	180
Total Assets	244,057	260,232	136,857	277,105
Deferred Outflows of Resources	4,303	1,575	-	30,122
Liabilities				
Current Liabilities:				
Accounts Payable and Other Accruals	-	4,740	2,475	2,147
Due to Other Funds	-	4,544	17,547	-
Unearned Revenue	-	-	7,546	30
Revenue Bonds Payable	4,295	6,792	1,760	10,200
Other Current Liabilities	488	-	-	-
Noncurrent Liabilities:				
Revenue Bonds Payable	242,327	215,638	82,841	276,771
Other Noncurrent Liabilities	-	-	-	93
Total Liabilities	247,110	231,714	112,169	289,241
Deferred Inflows of Resources	-	-	-	-
Net Position				
Net Investment in Capital Assets	-	430	7,195	3,619
Restricted for:				
Bond Covenants/Debt Service	-	27,023	5,172	8,408
Higher Education	-	-	1,963	-
Permanent Trusts:				
Nonexpendable	-	-	4,000	-
Unrestricted	1,250	2,640	6,358	5,959
Total Net Position	$ 1,250	$ 30,093	$ 24,688	$ 17,986

Middle Georgia State College Real Estate Foundation, Inc.	University of North Georgia Real Estate Foundation, Inc.	University System of Georgia Foundation, Inc.	UWG Real Estate Foundation, Inc.	VSU Auxiliary Services Real Estate Foundation, Inc.	Total
$ 82	$ 1,914	$ 2,382	$ 3,998	$ 11,334	$ 29,693
-	-	-	1,198	-	3,705
120	170	962	-	861	12,199
96,541	127,527	225,874	123,159	179,850	1,545,693
-	-	-	-	-	553
-	99	-	-	-	699
-	-	-	-	-	7,445
-	-	21	-	274	12,792
-	-	-	-	-	11,704
-	-	5,576	154	-	13,400
-	-	-	-	-	2,400
-	-	-	-	-	7,675
-	-	81	407	-	4,933
13,968	18,607	11,848	3,551	-	84,674
1,123	2,278	-	-	227	9,532
-	232	-	-	-	5,572
111,834	150,827	246,744	132,467	192,546	1,752,669
-	100	13,280	6,126	10,758	66,264
2,329	3,484	743	1,134	3,270	20,322
-	-	243,065	-	-	265,156
-	164	500	49	-	8,289
1,260	2,358	-	2,638	3,058	32,361
-	372	1,277	-	-	2,137
95,986	135,996	-	129,718	172,420	1,351,697
950	2,498	2,685	-	-	6,226
100,525	144,872	248,270	133,539	178,748	1,686,188
-	-	-	1,071	6,789	7,860
173	2,509	-	-	227	14,153
-	-	-	-	-	40,603
-	-	5,584	-	-	7,547
-	-	94	-	-	4,094
11,136	3,546	6,076	3,983	17,540	58,488
$ 11,309	$ 6,055	$ 11,754	$ 3,983	$ 17,767	$ 124,885

Combining Statement of Revenues, Expenses and Changes in Fund Net Position
Nonmajor Enterprise Funds
For the Fiscal Year Ended June 30, 2015
(dollars in thousands)

	Georgia Higher Education Facilities Authority	Georgia Southern University Housing Foundation, Inc.	Georgia State University Research Foundation, Inc.	Georgia Tech Facilities, Inc.
Operating Revenues:				
Contributions/Premiums	$ -	$ -	$ 66,348	$ -
Rents and Royalties	-	-	-	1,303
Sales and Services	14,430	-	-	5
Other	-	13,149	4,476	13,884
Total Operating Revenues	14,430	13,149	70,824	15,192
Operating Expenses:				
Personal Services	-	122	-	-
Services and Supplies	9	-	-	617
Depreciation	-	-	172	60
Amortization	(80)	-	-	1,603
Other	100	781	67,728	267
Total Operating Expenses	29	903	67,900	2,547
Operating Income	14,401	12,246	2,924	12,645
Nonoperating Revenues (Expenses):				
Grants and Contributions	-	-	750	-
Interest and Other Investment Income	1	576	380	166
Interest Expense	(14,430)	(9,744)	(4,162)	(12,030)
Other	(904)	-	272	-
Total Nonoperating Revenues (Expenses)	(15,333)	(9,168)	(2,760)	(11,864)
Change in Net Position	(932)	3,078	164	781
Net Position, July 1 - Restated (Note 3)	2,182	27,015	24,524	17,205
Net Position, June 30	$ 1,250	$ 30,093	$ 24,688	$ 17,986

Middle Georgia State College Real Estate Foundation, Inc.	University of North Georgia Real Estate Foundation, Inc.	University System of Georgia Foundation, Inc.	UWG Real Estate Foundation, Inc.	VSU Auxiliary Services Real Estate Foundation, Inc.	Total
$ -	$ 99	$ 2,111	$ -	$ 98	$ 68,656
448	1,596	-	-	-	3,347
-	-	111	-	-	14,546
5,106	8,440	16,417	6,689	9,225	77,386
5,554	10,135	18,639	6,689	9,323	163,935
-	231	716	-	-	1,069
-	-	82	172	1,198	2,078
-	13	-	-	-	245
-	-	-	-	48	1,571
201	473	2,205	353	99	72,207
201	717	3,003	525	1,345	77,170
5,353	9,418	15,636	6,164	7,978	86,765
-	-	-	-	-	750
80	449	(161)	40	5	1,536
(4,629)	(7,191)	(13,883)	(6,061)	(8,225)	(80,355)
-	(359)	(654)	-	-	(1,645)
(4,549)	(7,101)	(14,698)	(6,021)	(8,220)	(79,714)
804	2,317	938	143	(242)	7,051
10,505	3,738	10,816	3,840	18,009	117,834
$ 11,309	$ 6,055	$ 11,754	$ 3,983	$ 17,767	$ 124,885

Combining Statement of Cash Flows
Nonmajor Enterprise Funds
For the Fiscal Year Ended June 30, 2015
(dollars in thousands)

	Georgia Higher Education Facilities Authority	Georgia Southern University Housing Foundation, Inc.	Georgia State University Research Foundation, Inc.	Georgia Tech Facilities, Inc.
Cash Flows from Operating Activities:				
Cash Received from Customers	$ -	$ 17,468	$ 4,496	$ 21,872
Cash Received from Other Funds (Internal Activity)	52,650	-	-	-
Cash Received from Required Contributions/Premiums	-	-	65,526	-
Cash Paid to Vendors	(9)	(353)	(66,900)	(55)
Cash Paid to Employees	-	-	-	-
Cash Paid for Scholarships, Fellowships and Loans	-	-	-	-
Other Operating Receipts	-	1,370	82	3,553
Other Operating Payments	-	-	-	(73)
Net Cash Provided by Operating Activities	52,641	18,485	3,204	25,297
Cash Flows from Noncapital Financing Activities:				
Refunding Deposit with Escrow Agent	-	-	-	-
Interest Paid on Bonds/Long-Term Debt	(14,555)	-	-	-
Payments on Noncapital Financing Debt	(33,234)	-	-	-
Other Noncapital Receipts (Payments)	(4,861)	(200)	-	-
Net Cash Used in Noncapital Financing Activities	(52,650)	(200)	-	-
Cash Flows from Capital and Related Financing Activities:				
Bond Issuance Costs	-	-	-	(3)
Proceeds from Capital Debt	-	-	603	-
Acquisition and Construction of Capital Assets	-	(175)	-	(80)
Principal Paid on Capital Debt	-	(6,150)	(1,682)	(10,666)
Interest Paid on Capital Debt	-	(10,114)	(4,233)	(12,832)
Net Cash Provided by (Used in) Capital and Related Financing Activities	-	(16,439)	(5,312)	(23,581)
Cash Flows from Investing Activities:				
Proceeds from Sales of Investments	-	-	8,527	-
Purchase of Investments	-	(399)	(11,080)	-
Interest and Dividends Received	1	473	1,457	-
Other Investing Activities	-	-	1,676	166
Net Cash Provided by (Used in) Investing Activities	1	74	580	166
Net Increase (Decrease) in Cash and Cash Equivalents	(8)	1,920	(1,528)	1,882
Cash and Cash Equivalents, July 1 - Restated (Note 3)	512	36,122	16,171	3,316
Cash and Cash Equivalents, June 30	$ 504	$ 38,042	$ 14,643	$ 5,198
Reconciliation of Operating Income to Net Cash Provided by (Used in) Operating Activities:				
Operating Income	$ 14,401	$ 12,246	$ 2,924	$ 12,645
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:				
Depreciation/Amortization Expense	(80)	-	172	1,663
Other	99	-	-	927
Changes in Assets, Deferred Outflows of Resources, Liabilities, and Deferred Inflows of Resources:				
Accounts Receivable	125	-	(4,164)	1,779
Due from Other Funds	35,572	5,689	-	7,998
Notes Receivable	2,524	-	-	488
Other Assets	-	262	-	(5)
Deferred Outflows of Resources	-	-	-	-
Accounts Payable and Other Accruals	-	288	4,073	(167)
Other Liabilities	-	-	199	(31)
Net Cash Provided by (Used in) Operating Activities	$ 52,641	$ 18,485	$ 3,204	$ 25,297

Middle Georgia State College Real Estate Foundation, Inc.	University of North Georgia Real Estate Foundation, Inc.	University System of Georgia Foundation, Inc.	UWG Real Estate Foundation, Inc.	VSU Auxiliary Services Real Estate Foundation, Inc.	Total
$ 5,892	$ 10,611	$ 20,508	$ 8,093	$ 12,102	$ 101,042
-	-	-	-	-	52,650
-	99	-	-	-	65,625
(1,394)	-	-	(514)	(830)	(70,055)
-	(95)	(798)	-	(98)	(991)
-	-	(1,597)	-	-	(1,597)
747	886	4,142	28	98	10,906
-	-	(1,382)	-	(376)	(1,831)
5,245	11,501	20,873	7,607	10,896	155,749
-	-	(93,477)	-	-	(93,477)
-	-	-	-	-	(14,555)
-	-	-	-	-	(33,234)
-	(2,176)	-	-	-	(7,237)
-	(2,176)	(93,477)	-	-	(148,503)
-	-	-	(689)	-	(692)
-	-	88,041	436	-	89,080
-	(1,328)	-	(407)	-	(1,990)
(660)	(3,066)	(3,740)	(2,235)	(2,510)	(30,709)
(4,669)	(7,215)	(13,945)	(5,436)	(8,047)	(66,491)
(5,329)	(11,609)	70,356	(8,331)	(10,557)	(10,802)
-	-	243	1,276	-	10,046
(157)	-	-	(966)	-	(12,602)
-	-	(128)	4	5	1,812
-	-	-	-	-	1,842
(157)	-	115	314	5	1,098
(241)	(2,284)	(2,133)	(410)	344	(2,458)
14,291	22,805	16,363	7,959	10,990	128,529
$ 14,050	$ 20,521	$ 14,230	$ 7,549	$ 11,334	$ 126,071

$ 5,353	$ 9,418	$ 15,636	$ 6,164	$ 7,978	$ 86,765
-	13	-	-	48	1,816
81	359	-	-	-	1,466
-	10	513	-	(100)	(1,837)
1,084	2,200	3,372	1,382	2,978	60,275
-	-	-	-	-	3,012
-	19	1,192	-	(8)	1,460
-	15	-	-	-	15
(1,273)	65	(340)	12	-	2,658
-	(598)	500	49	-	119
$ 5,245	$ 11,501	$ 20,873	$ 7,607	$ 10,896	$ 155,749


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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, surplus property, document services, fleet management, and human resources administration.

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

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

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

The **Liability Insurance Fund** is used to account for the accumulation of funds for the purpose of providing liability insurance coverage for employees of the State against personal liability for damages arising out of performance of their duties.

The **Property Insurance Fund** is used to account for the assessment of premiums against various state agencies for the purpose of providing property, fire and extended coverage, automobile, aircraft and marine insurance.

The **State Indemnification Fund** is used to account for the accumulation of funds for the purpose of providing indemnification with respect to the death of any law enforcement officer, fireman or prison guard killed in the line of duty.

The **Supplemental Pay Fund** was created to provide a program of compensation for law enforcement officers who become physically disabled, but not permanently disabled, as a result of physical injury incurred in the line of duty and caused by a willful act of violence and for firefighters who become physically disabled, but not permanently disabled, as a result of physical injury incurred in the line of duty while fighting a fire. This program, not to exceed a 12 month period, shall entitle an injured law enforcement officer or firefighter to receive monthly compensation in an amount equal to such person's regular compensation for the period of time that the person is physically unable to perform the required duties of employment.

The **Teacher Indemnification Fund** is used to account for the accumulation of funds for the purpose of providing indemnification with respect to the death of any public school employees killed or permanently disabled by an act of violence in the line of duty on or after July 1, 2001.

The **Unemployment Compensation Fund** was created for the purpose of consolidating processing of unemployment compensation claims against state agencies and the payment of sums due to the Department of Labor.

The **Workers' Compensation Fund** was established to authorize insurance coverage for employees of the State and for the receipt of premiums as prescribed by the Workers' Compensation statutes of the State.

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, 2015
(dollars in thousands)

	Department of Administrative Services	Georgia Building Authority	Georgia Correctional Industries Administration
Assets			
Current Assets:			
Cash and Cash Equivalents	$ 4,658	$ 26,270	$ 2,365
Investments	-	-	-
Accounts Receivable (Net)	533	1,849	3,209
Due from Other Funds	-	-	-
Due from Component Units	-	-	-
Other Assets	-	504	13,235
Noncurrent Assets:			
Investments	-	-	-
Capital Assets:			
Land	-	19,290	44
Buildings and Building Improvements	-	529,243	12,474
Improvements Other Than Buildings	-	7,440	-
Machinery and Equipment	368	6,268	28,606
Software	-	-	-
Works of Art and Collections	-	1,274	-
Accumulated Depreciation	(368)	(295,005)	(33,638)
Total Assets	5,191	297,133	26,295
Deferred Outflows of Resources	854	1,426	1,476
Liabilities			
Current Liabilities:			
Accounts Payable and Other Accruals	1,707	2,408	4,495
Due to Other Funds	-	1,037	2
Unearned Revenue	-	221	-
Claims and Judgments Payable	-	-	-
Compensated Absences Payable	-	778	450
Capital Leases Payable	-	7,602	-
Other Current Liabilities	390	-	-
Noncurrent Liabilities:			
Compensated Absences Payable	-	-	877
Capital Leases Payable	-	65,668	-
Net Pension Liability	4,176	10,569	11,433
Other Noncurrent Liabilities	-	-	-
Total Liabilities	6,273	88,283	17,257
Deferred Inflows of Resources	1,025	2,580	2,790
Net Position			
Net Investment in Capital Assets	-	195,241	7,486
Unrestricted	(1,253)	12,455	238
Total Net Position	$ (1,253)	$ 207,696	$ 7,724

Risk Management (see combining)	Georgia Technology Authority	Total
$ 49,971	$ 37,791	$ 121,055
6,305	-	6,305
52,260	4,556	62,407
513,202	16,274	529,476
-	48	48
8	1	13,748
65,099	-	65,099
-	13	19,347
-	562	542,279
-	-	7,440
-	41,933	77,175
-	55,079	55,079
-	-	1,274
-	(93,294)	(422,305)
686,845	62,963	1,078,427
479	4,471	8,706
265	32,832	41,707
-	-	1,039
-	-	221
607,719	-	607,719
-	838	2,066
-	-	7,602
9	3,458	3,857
-	1,875	2,752
-	-	65,668
2,246	23,087	51,511
-	18,545	18,545
610,239	80,635	802,687
548	5,635	12,578
-	4,294	207,021
76,537	(23,130)	64,847
$ 76,537	$ (18,836)	$ 271,868

Combining Statement of Revenues, Expenses and Changes in Fund Net Position
Internal Service Funds
For the Fiscal Year Ended June 30, 2015
(dollars in thousands)

	Department of Administrative Services	Georgia Building Authority	Georgia Correctional Industries Administration
Operating Revenues:			
Contributions/Premiums	$ -	$ -	$ -
Rents and Royalties	-	53,965	-
Sales and Services	7,079	3,330	-
Other	5,462	574	61,792
Total Operating Revenues	12,541	57,869	61,792
Operating Expenses:			
Personal Services	4,086	10,107	11,490
Services and Supplies	8,375	36,700	54,546
Claims and Judgments	-	-	-
Depreciation	-	21,711	1,696
Total Operating Expenses	12,461	68,518	67,732
Operating Income (Loss)	80	(10,649)	(5,940)
Nonoperating Revenues (Expenses):			
Interest and Other Investment Income	4	49	2
Other	-	914	4,076
Total Nonoperating Revenues (Expenses)	4	963	4,078
Income (Loss) Before Contributions and Transfers	84	(9,686)	(1,862)
Capital Contributions	-	16,161	-
Transfers Out	-	(596)	-
Change in Net Position	84	5,879	(1,862)
Net Position, July 1 - Restated (Note 3)	(1,337)	201,817	9,586
Net Position, June 30	$ (1,253)	$ 207,696	$ 7,724

Risk Management (see combining)	Georgia Technology Authority	Total
$ 183,608	$ 2,256	$ 185,864
-	-	53,965
-	258,297	268,706
-	-	67,828
183,608	260,553	576,363
2,555	24,054	52,292
29,952	230,404	359,977
151,471	-	151,471
-	3,196	26,603
183,978	257,654	590,343
(370)	2,899	(13,980)
1,677	52	1,784
11,480	(20,436)	(3,966)
13,157	(20,384)	(2,182)
12,787	(17,485)	(16,162)
-	-	16,161
-	(2,128)	(2,724)
12,787	(19,613)	(2,725)
63,750	777	274,593
$ 76,537	$ (18,836)	$ 271,868

Combining Statement of Cash Flows
Internal Service Funds
For the Fiscal Year Ended June 30, 2015
(dollars in thousands)

	Department of Administrative Services	Georgia Building Authority	Georgia Correctional Industries Administration
Cash Flows from Operating Activities:			
Cash Received from Customers	$ 2,245	$ 6,434	$ 13,416
Cash Received from Other Funds (Internal Activity)	10,234	51,355	49,133
Cash Received from Required Contributions/Premiums	-	-	-
Cash Received from Required Contributions/Premiums (Internal Activity)	-	-	-
Cash Paid to Vendors	(7,736)	(35,933)	(53,147)
Cash Paid to Employees	(4,196)	(10,858)	(12,311)
Cash Paid for Claims and Judgments	-	-	-
Other Operating Receipts	264	-	-
Net Cash Provided by (Used in) Operating Activities	811	10,998	(2,909)
Cash Flows from Noncapital Financing Activities:			
Transfers to Other Funds	-	(596)	-
Other Noncapital Receipts (Payments)	-	-	4,077
Net Cash Provided by (Used in) Noncapital Financing Activities	-	(596)	4,077
Cash Flows from Capital and Related Financing Activities:			
Capital Contributions	-	2,431	-
Proceeds from Sale of Capital Assets	-	1,217	-
Acquisition and Construction of Capital Assets	-	(4,423)	(760)
Principal Paid on Capital Debt	-	(6,300)	-
Net Cash Used in Capital and Related Financing Activities	-	(7,075)	(760)
Cash Flows from Investing Activities:			
Proceeds from Sales of Investments	-	-	-
Purchase of Investments	-	-	-
Interest and Dividends Received	4	49	2
Net Cash Provided by Investing Activities	4	49	2
Net Increase (Decrease) in Cash and Cash Equivalents	815	3,376	410
Cash and Cash Equivalents, July 1 - Restated (Note 3)	3,843	22,894	1,955
Cash and Cash Equivalents, June 30	$ 4,658	$ 26,270	$ 2,365

Risk Management (see combining)	Georgia Technology Authority	Total
$ -	$ 38,409	$ 60,504
-	233,553	344,275
18,781	-	18,781
142,924	-	142,924
(30,954)	(249,565)	(377,335)
(2,663)	(24,263)	(54,291)
(126,292)	-	(126,292)
-	25	289
1,796	(1,841)	8,855
-	(2,128)	(2,724)
11,480	(2,752)	12,805
11,480	(4,880)	10,081
-	-	2,431
-	-	1,217
-	-	(5,183)
-	-	(6,300)
-	-	(7,835)
84,531	-	84,531
(71,988)	-	(71,988)
2,259	52	2,366
14,802	52	14,909
28,078	(6,669)	26,010
21,893	44,460	95,045
$ 49,971	$ 37,791	$ 121,055

(continued)

Combining Statement of Cash Flows
Internal Service Funds
For the Fiscal Year Ended June 30, 2015
(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)	$ 80	$ (10,649)	$ (5,940)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:			
Depreciation Expense	-	21,711	1,696
Changes in Assets, Deferred Outflows of Resources, Liabilities, and Deferred Inflows of Resources:			
Accounts Receivable	(61)	153	(306)
Due from Other Funds	-	-	1,062
Due from Component Units	-	-	-
Other Assets	-	14	942
Deferred Outflows of Resources	(391)	(255)	(209)
Accounts Payable and Other Accruals	769	697	468
Due to Other Funds	(128)	56	-
Unearned Revenue	-	(233)	-
Claims and Judgments Payable	-	-	-
Compensated Absences Payable	-	(53)	(61)
Net Pension Liability	(744)	(3,023)	(3,351)
Other Liabilities	261	-	-
Deferred Inflows of Resources	1,025	2,580	2,790
Net Cash Provided by (Used in) Operating Activities	$ 811	$ 10,998	$ (2,909)
Noncash Investing, Capital, and Financing Activities:			
Donation of Capital Assets	$ -	$ 13,729	$ -
Change in Fair Value of Investments	-	-	-
Total Noncash Investing, Capital and Financing Activities:	$ -	$ 13,729	$ -

Risk Management (see combining)	Georgia Technology Authority	Total
$ (370)	$ 2,899	$ (13,980)
-	3,196	26,603
(3,709)	2,010	(1,913)
(18,786)	9,380	(8,344)
-	18	18
594	371	1,921
(231)	(1,912)	(2,998)
(407)	(19,532)	(18,005)
-	-	(72)
(1)	-	(234)
25,180	-	25,180
-	209	95
(426)	(4,140)	(11,684)
(596)	25	(310)
548	5,635	12,578
$ 1,796	$ (1,841)	$ 8,855
$ -	$ -	$ 13,729
(584)	-	(584)
$ (584)	$ -	$ 13,145

Combining Statement of Net Position
Internal Service Funds
Risk Management
June 30, 2015
(dollars in thousands)

	Liability Insurance Fund	Property Insurance Fund	State Indemnification Fund
Assets			
Current Assets:			
Cash and Cash Equivalents	$ 7,445	$ 27,337	$ 1,246
Investments	958	3,521	32
Accounts Receivable (Net)	6,629	68	-
Due From Other Funds	53,523	-	-
Other Assets	-	1	-
Noncurrent Assets:			
Investments	9,894	36,345	327
Total Assets	78,449	67,272	1,605
Deferred Outflows of Resources	137	120	6
Liabilities			
Current Liabilities:			
Accounts Payable and Other Accruals	71	5	-
Claims and Judgments Payable	77,761	5,167	827
Other Current Liabilities	9	-	-
Noncurrent Liabilities:			
Net Pension Liability	599	544	37
Total Liabilities	78,440	5,716	864
Deferred Inflows of Resources	146	133	9
Net Position			
Unrestricted	$ -	$ 61,543	$ 738

Supplemental Pay Fund	Teacher Indemnification Fund	Unemployment Compensation Fund	Workers' Compensation Fund	Total
$ 39	$ 1,285	$ 5,462	$ 7,157	$ 49,971
5	165	703	921	6,305
-	-	-	45,563	52,260
-	-	-	459,679	513,202
-	-	-	7	8
53	1,708	7,261	9,511	65,099
97	3,158	13,426	522,838	686,845
-	-	-	216	479
-	-	-	189	265
-	-	2,425	521,539	607,719
-	-	-	-	9
-	-	-	1,066	2,246
-	-	2,425	522,794	610,239
-	-	-	260	548
$ 97	$ 3,158	$ 11,001	$ -	$ 76,537

Combining Statement of Revenues, Expenses and Changes in Fund Net Position
Internal Service Funds
Risk Management
For the Fiscal Year Ended June 30, 2015
(dollars in thousands)

	Liability Insurance Fund	Property Insurance Fund	State Indemnification Fund
Operating Revenues:			
Contributions/Premiums	$ 23,166	$ 25,513	$ -
Operating Expenses:			
Personal Services	748	649	32
Services and Supplies	3,359	15,662	4
Claims and Judgments	18,755	3,092	348
Total Operating Expenses	22,862	19,403	384
Operating Income (Loss)	304	6,110	(384)
Nonoperating Revenues (Expenses):			
Interest and Other Investment Income	343	839	22
Other	-	(3)	-
Total Nonoperating Revenues (Expenses)	343	836	22
Change in Net Position	647	6,946	(362)
Net Position, July 1 - Restated (Note 3)	(647)	54,597	1,100
Net Position, June 30	$ -	$ 61,543	$ 738

Supplemental Pay Fund	Teacher Indemnification Fund	Unemployment Compensation Fund	Workers' Compensation Fund	Total
$ -	$ -	$ 10,000	$ 124,929	$ 183,608
-	-	-	1,126	2,555
-	4	106	10,817	29,952
-	6	5,662	123,608	151,471
-	10	5,768	135,551	183,978
-	(10)	4,232	(10,622)	(370)
2	40	143	288	1,677
-	-	-	11,483	11,480
2	40	143	11,771	13,157
2	30	4,375	1,149	12,787
95	3,128	6,626	(1,149)	63,750
$ 97	$ 3,158	$ 11,001	$ -	$ 76,537

Combining Statement of Cash Flows
Internal Service Funds
Risk Management
For the Fiscal Year Ended June 30, 2015
(dollars in thousands)

	Liability Insurance Fund	Property Insurance Fund	State Indemnification Fund
Cash Flows from Operating Activities:			
Cash Received from Required Contributions/Premiums	$ 1,681	$ 3,563	$ -
Cash Received from Required Contributions/Premiums (Internal Activity)	30,673	22,577	-
Cash Paid to Vendors	(3,350)	(16,305)	(4)
Cash Paid to Employees	(785)	(680)	(33)
Cash Paid for Claims and Judgments	(21,474)	(6,827)	(703)
Net Cash Provided by (Used in) Operating Activities	6,745	2,328	(740)
Cash Flows from Noncapital Financing Activities:			
Other Noncapital Receipts (Payments)	-	(3)	-
Cash Flows from Investing Activities:			
Proceeds from Sales and Maturities of Investments	8,750	51,445	1,814
Purchase of Investments	(10,953)	(40,179)	(358)
Interest and Dividends Received	443	1,152	21
Net Cash Provided by (Used in) Investing Activities	(1,760)	12,418	1,477
Net Increase in Cash and Cash Equivalents	4,985	14,743	737
Cash and Cash Equivalents, July 1	2,460	12,594	509
Cash and Cash Equivalents, June 30	$ 7,445	$ 27,337	$ 1,246
Reconciliation of Operating Income (Loss) to Net Cash provided by (Used in) Operating Activities:			
Operating Income (Loss)	$ 304	$ 6,110	$ (384)
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	(1,684)	523	-
Due from Other Funds	10,271	106	-
Other Assets	602	(1)	-
Deferred Outflows of Resources	(71)	(60)	(2)
Accounts Payable and Other Accruals	3	(421)	-
Unearned Revenue	-	(1)	-
Claims and Judgments Payable	(2,718)	(3,735)	(356)
Net Pension Liability	(114)	(103)	(7)
Other Liabilities	6	(223)	-
Deferred Inflows of Resources	146	133	9
Net Cash Provided by (Used in) Operating Activities	$ 6,745	$ 2,328	$ (740)
Noncash Investing Activities:			
Change in Fair Value of Investments	$ (100)	$ (314)	$ 1

Supplemental Pay Fund	Teacher Indemnification Fund	Unemployment Compensation Fund	Workers' Compensation Fund	Total
$ -	$ -	$ 1,203	$ 12,334	$ 18,781
-	-	8,807	80,867	142,924
-	(4)	(106)	(11,185)	(30,954)
-	-	-	(1,165)	(2,663)
-	(6)	(7,109)	(90,173)	(126,292)
-	(10)	2,795	(9,322)	1,796
-	-	-	11,483	11,480
74	2,442	8,187	11,819	84,531
(58)	(1,888)	(8,033)	(10,519)	(71,988)
2	55	212	374	2,259
18	609	366	1,674	14,802
18	599	3,161	3,835	28,078
21	686	2,301	3,322	21,893
$ 39	$ 1,285	$ 5,462	$ 7,157	$ 49,971
$ -	$ (10)	$ 4,232	$ (10,622)	$ (370)
-	-	11	(2,559)	(3,709)
-	-	-	(29,163)	(18,786)
-	-	-	(7)	594
-	-	-	(98)	(231)
-	-	-	11	(407)
-	-	-	-	(1)
-	-	(1,448)	33,437	25,180
-	-	-	(202)	(426)
-	-	-	(379)	(596)
-	-	-	260	548
$ -	$ (10)	$ 2,795	$ (9,322)	$ 1,796
$ -	$ (15)	$ (69)	$ (87)	$ (584)

FIDUCIARY FUNDS

Fiduciary funds are used to account for assets held by the State in a fiduciary capacity. The State has the following fiduciary funds.

PENSION AND OTHER EMPLOYEE BENEFIT TRUST FUNDS

Pension and Other Employee Benefit Trust Funds are used to account for activities and balances of the public employee retirement systems and other employee benefit plans. The State's pension and other employee benefit trust funds are described below:

Pension Trust Funds

Defined Benefit Pension Plans

The **Employees' Retirement System** is used to account for the accumulation of resources for the purpose of providing retirement allowances for qualified employees of the State and its political subdivisions.

The **Firefighters' Pension Fund** is used to account for the accumulation of resources for the purpose of paying retirement benefits to the firefighters of the State.

The **Georgia Judicial Retirement System** is used to account for the accumulation of resources for the purpose of providing retirement allowances for trial judges and solicitors of certain courts in Georgia, and their survivors and beneficiaries, superior court judges of the State, and district attorneys of the State.

Other Defined Benefit Plans is comprised of the following smaller plans:

The **District Attorneys Retirement Fund** (old plan) is used to account for the accumulation of resources for the purpose of paying retirement benefits to the district attorneys of the State.

The **Georgia Military Pension Fund** is used to account for the accumulation of resources for the purpose of providing retirement allowances and other benefits to members of the Georgia National Guard.

The **Georgia Regents University Early Retirement Pension Plan** is a single-employer defined benefit pension plan designed to provide eligible participants additional benefits above the amounts payable through Teachers Retirement System of Georgia (TRS). The plan was designed to allow vested employees aged 55 or employees of any age with 25 years of creditable service to retire without penalties as applied by the TRS for early retirement.

The **Judges of the Probate Courts Retirement Fund** is used to account for the accumulation of resources for the purpose of paying retirement benefits to the judges of the Probate Courts of the State.

The **Legislative Retirement System** is used to account for the accumulation of resources for the purpose of providing retirement allowances and other benefits for all members of the Georgia General Assembly.

The **Magistrates Retirement Fund** is used to account for the accumulation of resources for the purpose of providing retirement benefits for those serving as duly qualified and commissioned chief magistrates of counties in the State.

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.

The **State Employees' Assurance Department – Active** is used to account for the accumulation of resources for the purpose of providing survivors' benefits for eligible members of the Employees', Judicial, and Legislative Retirement Systems.

The **Survivors Benefit Fund** within the Employee Retirement System of Georgia (ERS*)* trust is solely for maintaining group term life insurance coverage for members of the plan. All assets are limited to the payment of benefits and expenses for SEAD-OPEB and SEAD-ACTIVE members and cannot be used to pay pension benefits of ERS.

INVESTMENT TRUST FUNDS

Investment Trust Funds are used to account for the external portion of a government sponsored investment pool. The State's investment trust funds are described below:

The **Georgia Extended Asset Pool** is responsible for providing prudent management of public funds on behalf of the State and local governments seeking income higher than money market rates.

The **Georgia Fund 1** is a combination local and state government investment pool with primary objectives specific to safety of capital, investment income, liquidity and diversification while maintaining principal. This fund was established to enable local governments to voluntarily invest any idle local monies.

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.

The **Railroad Car Tax** fund is used to collect railroad car taxes on behalf of county governments and to remit the taxes back to the counties.

The **Real Estate Transfer Tax** fund is used to collect real estate transfer taxes on behalf of county governments and to remit the taxes back to the counties.

Sales Tax Collections for Local Governments for the **Education Local Option Sales Tax, Homestead Option Sales Tax, Local Option Sales Tax, MARTA Sales Tax,** and **Special Purpose Local Option Sales Tax**. These funds are used to account for the collection and disbursement of local option sales taxes on behalf of county and municipal governments.

Sales Tax Collections for Local Governments for the **Transportation Investment Act (TIA)** accounts for the State's collection of and disbursement to the special tax districts in which the tax has been imposed and collected in accordance with the TIA.

The **Telecommunications Relay Service Fund** was established to provide telecommunication services to hearing/speech impaired Georgians. All local exchange telephone companies in the State impose a monthly maintenance surcharge on residential and business local exchange access facilities, which are deposited into this fund solely for the provisions of the Dual Party Relay System.

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.

Combining Statement of Fiduciary Net Position
Pension and Other Employee Benefit Trust Funds
June 30, 2015
(dollars in thousands)

	Defined Benefit Pension Plans (see combining)	Defined Contribution Plans: Georgia Defined Contribution Plan	Defined Contribution Plans – Deferred Compensation Plans: State of Georgia 401 (K) Plan	Defined Contribution Plans – Deferred Compensation Plans: State of Georgia 457 Plan	Defined Contribution Plans – Deferred Compensation Plans: Regents 457 (F) Plan
Assets					
Cash and Cash Equivalents	$ 1,535,286	$ 16,782	$ 28	$ 34	$ 417
Receivables					
Interest and Dividends	240,810	335	-	-	-
Due from Brokers for Securities Sold	26,270	-	-	-	-
Other	194,536	944	2,625	719	-
Due from Other Funds	-	-	-	-	-
Investments					
Pooled Investments	14,062,161	-	-	-	-
Mutual Funds	751,790	-	626,566	577,826	5,228
Municipal, U. S. and Foreign Government Obligations	8,449,710	39,590	-	-	-
Corporate Bonds/Notes/Debentures	10,661,714	44,978	-	-	-
Stocks	46,938,256	-	-	-	-
Asset-Backed Securities	25,975	-	-	-	-
Mortgage Investments	103,270	-	-	-	-
Real Estate Investment Trusts	39,993	-	-	-	-
Capital Assets					
Land	8,824	-	-	-	-
Buildings	7,695	-	-	-	-
Software	29,325	-	-	-	-
Machinery and Equipment	5,992	-	-	-	-
Works of Art	115	-	-	-	-
Accumulated Depreciation	(35,912)	-	-	-	-
Other Assets	685	-	-	-	-
Total Assets	83,046,495	102,629	629,219	578,579	5,645
Deferred Outflows of Resources	4,640	-	-	-	-
Liabilities					
Accounts Payable and Other Accruals	37,096	478	2,758	905	-
Cash Overdraft	-	-	-	-	-
Due to Other Funds	711	-	-	-	-
Due to Brokers for Securities Purchased	99,226	-	-	-	-
Salaries/Withholdings Payable	263	-	-	-	-
Benefits Payable	-	-	-	-	-
Unearned Revenue	6	-	-	-	-
Compensated Absences Payable	46	-	-	-	-
Net Pension Liability	25,077	-	-	-	-
Total Liabilities	162,425	478	2,758	905	-
Deferred Inflows of Resources	6,121	-	-	-	-
Net Position					
Restricted for:					
Pension Benefits	82,882,589	102,151	626,461	577,674	-
Other Postemployment Benefits	-	-	-	-	5,645
Other Employee Benefits	-	-	-	-	-
Total Net Position	$ 82,882,589	$ 102,151	$ 626,461	$ 577,674	$ 5,645

Board of Regents Retiree Health Benefit Fund	Georgia State Employees Postemployment Health Benefit Fund	Georgia School Personnel Postemployment Health Benefit Fund	State Employees' Assurance Department - OPEB	State Employees' Assurance Department - Active	Survivor's Benefit Fund	Total
Other Post Employment Benefit Plans						
$ -	$ 101,434	$ 30,848	$ 75	$ 58	$ 95	$ 1,685,057
-	-	-	-	-	-	241,145
-	-	-	-	-	-	26,270
10,091	5,999	12,923	-	-	-	227,837
-	11,016	25,672	616	83	-	37,387
7,374	-	-	1,046,257	240,579	119,260	15,475,631
-	-	-	-	-	-	1,961,410
-	-	-	-	-	-	8,489,300
-	-	-	-	-	-	10,706,692
-	-	-	-	-	-	46,938,256
-	-	-	-	-	-	25,975
-	-	-	-	-	-	103,270
-	-	-	-	-	-	39,993
-	-	-	-	-	-	8,824
-	-	-	-	-	-	7,695
-	-	-	-	-	-	29,325
-	-	-	-	-	-	5,992
-	-	-	-	-	-	115
-	-	-	-	-	-	(35,912)
-	-	-	-	-	-	685
17,465	118,449	69,443	1,046,948	240,720	119,355	85,974,947
-	-	-	-	-	-	4,640
-	563	1,392	389	43	-	43,624
5,759	-	-	-	-	-	5,759
-	-	-	-	-	-	711
-	-	-	-	-	-	99,226
-	-	-	-	-	-	263
11,425	12,510	28,726	-	-	-	52,661
-	3,942	8,477	-	-	-	12,425
-	-	-	-	-	-	46
-	-	-	-	-	-	25,077
17,184	17,015	38,595	389	43	-	239,792
-	-	-	-	-	-	6,121
-	-	-	-	-	119,355	84,308,230
281	101,434	30,848	1,046,559	-	-	1,184,767
-	-	-	-	240,677	-	240,677
$ 281	$ 101,434	$ 30,848	$ 1,046,559	$ 240,677	$ 119,355	$ 85,733,674

Combining Statement of Changes in Fiduciary Net Position
Pension and Other Employee Benefit Trust Funds
For the Fiscal Year Ended June 30, 2015
(dollars in thousands)

		Defined Contribution Plans			
			Deferred Compensation Plans		
	Defined Benefit Pension Plans (see combining)	Georgia Defined Contribution Plan	State of Georgia 401 (K) Plan	State of Georgia 457 Plan	Regents 457 (F) Plan
Additions:					
Contributions					
Employer	$ 1,922,162	$ -	$ 25,615	$ -	$ 1,212
NonEmployer	59,527	-	-	-	-
Plan Members	710,702	15,655	64,870	17,445	-
Other Contributions					
Fines and Bond Forfeitures	4,202	-	-	-	-
Insurance Company Premium Taxes	31,489	-	-	-	-
Insurance Premiums	-	-	-	-	-
Other Fees	9,600	-	-	-	-
Interest and Other Investment Income					
Dividends and Interest	1,797,067	1,410	547	766	168
Net Appreciation (Depreciation) in Investments Reported at Fair Value	1,238,739	(31)	19,326	19,050	27
Less: Investment Expense	(66,439)	(53)	(2,208)	(825)	(1)
Other					
Transfers from Other Funds	2,229	-	-	-	-
Miscellaneous	712	-	1,298	-	-
Total Additions	5,709,990	16,981	109,448	36,436	1,406
Deductions:					
General and Administrative Expenses	30,419	990	2,755	866	-
Benefits	5,503,963	-	95,428	50,479	40
Refunds	90,077	22,340	-	-	-
Total Deductions	5,624,459	23,330	98,183	51,345	40
Change in Net Position Restricted for Pension and Other Employee Benefits	85,531	(6,349)	11,265	(14,909)	1,366
Net Position, July 1 - Restated (Note 3)	82,797,058	108,500	615,196	592,583	4,279
Net Position, June 30	$ 82,882,589	$ 102,151	$ 626,461	$ 577,674	$ 5,645

Board of Regents Retiree Health Benefit Fund		Georgia State Employees Postemployment Health Benefit Fund		Georgia School Personnel Postemployment Health Benefit Fund		State Employees' Assurance Department - OPEB		State Employees' Assurance Department - Active		Survivor's Defined Benefit		Total	
Other Post Employment Benefit Plans													
$	129,823	$	267,160	$	406,599	$	-	$	-	$	-	$	2,752,571
	-		-		-		-		-		-		59,527
	37,770		48,819		106,554		-		-		-		1,001,815
	-		-		-		-		-		-		4,202
	-		-		-		-		-		-		31,489
	25		-		-		4,187		581		-		4,793
	-		-		-		-		-		-		9,600
	-		-		-		23,048		5,268		2,587		1,830,861
	78		-		-		15,818		3,615		1,776		1,298,398
	-		-		-		(990)		(169)		(56)		(70,741)
	-		-		-		2		-		(2)		2,229
	-		-		-		-		-		-		2,010
	167,696		315,979		513,153		42,065		9,295		4,305		6,926,754
	17,257		8,267		17,605		428		47		-		78,634
	150,240		206,278		464,700		32,979		3,929		-		6,508,036
	-		-		-		-		-		-		112,417
	167,497		214,545		482,305		33,407		3,976		-		6,699,087
	199		101,434		30,848		8,658		5,319		4,305		227,667
	82		-		-		1,037,901		235,358		115,050		85,506,007
$	281	$	101,434	$	30,848	$	1,046,559	$	240,677	$	119,355	$	85,733,674

Combining Statement of Fiduciary Net Position
Pension and Other Employee Benefit Trust Funds
Defined Benefit Pension Plans
June 30, 2015
(dollars in thousands)

	Employees' Retirement System	Firefighters' Pension Fund	Georgia Judicial Retirement System	Other Defined Benefit Plans (see combining)
Assets				
Cash and Cash Equivalents	$ 173,065	$ 38,691	$ 533	$ 24,739
Receivables				
Interest and Dividends	45,807	1,606	-	466
Due from Brokers for Securities Sold	795	19,293	-	525
Other	31,863	-	573	275
Investments				
Pooled Investments	12,742,207	-	404,378	62,652
Mutual Funds	-	269,432	-	87,269
Municipal, U.S. and Foreign Government Obligations	-	50,412	-	52,000
Corporate Bonds/Notes/Debentures	-	93,615	-	14,631
Stocks	-	196,770	-	172,093
Asset-backed Securities	-	4,501	-	4,830
Mortgage Investments	-	87,850	-	3,013
Real Estate Investment Trusts	-	36,366	-	3,202
Capital Assets				
Land	4,321	85	-	-
Buildings	2,800	1,535	-	-
Software	14,345	-	-	-
Machinery and Equipment	2,652	128	-	-
Works of Art	-	115	-	-
Accumulated Depreciation	(17,268)	(537)	-	-
Other Assets	-	-	-	-
Total Assets	13,000,587	799,862	405,484	425,695
Deferred Outflow of Resources	-	-	-	-
Liabilities				
Accounts Payable and Other Accruals	24,348	1,775	618	238
Due to Other Funds	687	-	14	2
Due to Brokers for Securities Purchased	7,523	30,708	-	8,807
Salaries/Withholdings Payable	65	-	-	-
Unearned Revenue	-	-	-	6
Compensated Absences Payable	-	46	-	-
Net Pension Liability	-	-	-	-
Total Liabilities	32,623	32,529	632	9,053
Deferred Inflow of Resources	-	-	-	-
Net Position				
Restricted for Pension Benefits	$ 12,967,964	$ 767,333	$ 404,852	$ 416,642

Peace Officers' Annuity and Benefit Fund	Public School Employees Retirement System	Teachers Retirement System	Total
$ 43,218	$ 101	$ 1,254,939	$ 1,535,286
-	-	192,931	240,810
2,040	-	3,617	26,270
-	38	161,787	194,536
28,823	824,101	-	14,062,161
395,089	-	-	751,790
52,711	-	8,294,587	8,449,710
40,817	-	10,512,651	10,661,714
146,565	-	46,422,828	46,938,256
16,644	-	-	25,975
12,407	-	-	103,270
425	-	-	39,993
98	-	4,320	8,824
560	-	2,800	7,695
-	-	14,980	29,325
167	-	3,045	5,992
-	-	-	115
(289)	-	(17,818)	(35,912)
-	-	685	685
739,275	824,240	66,851,352	83,046,495
-	-	4,640	4,640
-	1,090	9,027	37,096
-	-	8	711
35,737	-	16,451	99,226
3	-	195	263
-	-	-	6
-	-	-	46
-	-	25,077	25,077
35,740	1,090	50,758	162,425
-	-	6,121	6,121
$ 703,535	$ 823,150	$ 66,799,113	$ 82,882,589

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, 2015
(dollars in thousands)

	Employees' Retirement System	Firefighters' Pension Fund	Georgia Judicial Retirement System	Other Defined Benefit Plans (see combining)
Additions:				
Contributions				
Employer	$ 505,653	$ -	$ 2,696	$ 14,466
NonEmployer	12,495	-	1,564	1,666
Plan Members	33,713	3,896	5,061	860
Other Contributions				
Fines and Bond Forfeitures	-	-	-	4,202
Insurance Company Premium Taxes	-	31,489	-	-
Other Fees	10	296	-	2,256
Interest and Other Investment Income				
Dividends and Interest	290,202	15,386	8,924	(2,496)
Net Appreciation (Depreciation) in Investments Reported at Fair Value	199,165	26	6,125	42,560
Less: Investment Expense	(15,220)	(3,332)	(352)	(1,665)
Other				
Transfers from Other Funds	15	-	-	1,893
Miscellaneous	-	-	-	647
Total Additions	1,026,033	47,761	24,018	64,389
Deductions:				
General and Administrative Expenses	7,872	1,329	819	817
Benefits	1,334,278	39,379	18,365	31,497
Refunds	7,450	835	772	46
Total Deductions	1,349,600	41,543	19,956	32,360
Change in Net Position Restricted for Pension Benefits	(323,567)	6,218	4,062	32,029
Net Position, July 1 (Restated - Note 3)	13,291,531	761,115	400,790	384,613
Net Position, June 30	$ 12,967,964	$ 767,333	$ 404,852	$ 416,642

Peace Officers' Annuity and Benefit Fund	Public School Employees Retirement System	Teachers Retirement System	Total
$ -	$ -	$ 1,399,347	$ 1,922,162
15,341	28,461	-	59,527
3,537	1,800	661,835	710,702
-	-	-	4,202
-	-	-	31,489
-	-	7,038	9,600
16,005	18,296	1,450,750	1,797,067
2,852	12,557	975,454	1,238,739
(3,087)	(724)	(42,059)	(66,439)
-	-	321	2,229
65	-	-	712
34,713	60,390	4,452,686	5,709,990
755	1,545	17,282	30,419
28,879	56,972	3,994,593	5,503,963
433	456	80,085	90,077
30,067	58,973	4,091,960	5,624,459
4,646	1,417	360,726	85,531
698,889	821,733	66,438,387	82,797,058
$ 703,535	$ 823,150	$ 66,799,113	$ 82,882,589

Combining Statement of Fiduciary Net Position
Pension and Other Employee Benefit Trust Funds
Defined Benefit Pension Plans
Other Defined Benefit Pension Plans
June 30, 2015
(dollars in thousands)

	District Attorneys Retirement Fund	Georgia Military Pension Fund	Georgia Regents University Early Retirement Pension Plan	Judges of the Probate Courts Retirement Fund
Assets				
Cash and Cash Equivalents	$ 3	$ 84	$ 5,899	$ 3,180
Receivables				
Interest and Dividends	-	-	-	-
Due from Brokers for Securities Sold	-	-	-	95
Other	-	-	-	-
Investments				
Pooled Investments	-	16,669	-	-
Mutual Funds	-	-	45,916	-
Repurchase Agreements	-	-	-	-
Municipal, U.S. and Foreign Government Obligations	-	-	-	2,239
Corporate Bonds/Notes/Debentures	-	-	-	5,742
Stocks	-	-	24,600	62,758
Asset-backed Securities	-	-	-	1,404
Mortgage Investments	-	-	-	55
Real Estate Investment Trusts	-	-	2,710	492
Total Assets	3	16,753	79,125	75,965
Liabilities				
Accounts Payable and Other Accruals	1	41	-	-
Due to Other Funds	-	-	-	-
Due to Brokers for Securities Purchased	-	-	-	70
Unearned Revenue	-	-	-	-
Total Liabilities	1	41	-	70
Net Position				
Restricted for Pension Benefits	$ 2	$ 16,712	$ 79,125	$ 75,895

Legislative Retirement System	Magistrates Retirement Fund	Sheriffs' Retirement Fund	Superior Court Clerks' Retirement Fund	Superior Court Judges Retirement Fund	Total
$ 122	$ 429	$ 2,209	$ 12,787	$ 26	$ 24,739
-	11	171	284	-	466
-	-	-	430	-	525
-	-	-	275	-	275
32,311	-	-	13,672	-	62,652
-	11,781	29,572	-	-	87,269
-	-	-	-	-	-
-	5,916	5,763	38,082	-	52,000
-	-	8,889	-	-	14,631
-	2	36,620	48,113	-	172,093
-	-	3,426	-	-	4,830
-	-	2,958	-	-	3,013
-	-	-	-	-	3,202
32,433	18,139	89,608	113,643	26	425,695
72	-	19	86	19	238
2	-	-	-	-	2
-	-	-	8,737	-	8,807
-	-	-	6	-	6
74	-	19	8,829	19	9,053
$ 32,359	$ 18,139	$ 89,589	$ 104,814	$ 7	$ 416,642

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, 2015
(dollars in thousands)

	District Attorneys Retirement Fund	Georgia Military Pension Fund	Georgia Regents University Early Retirement Pension Plan	Judges of the Probate Courts Retirement Fund
Additions:				
Contributions				
Employer	$ 69	$ -	$ 13,085	$ -
NonEmployer	-	-	-	-
Plan Members	-	-	-	162
Other Contributions				
Fines and Bond Forfeitures	-	-	-	1,283
Other Fees	1	-	-	-
Interest and Other Investment Income				
Dividends and Interest	-	354	926	1,542
Net Appreciation (Depreciation) in Investments Reported at Fair Value	-	243	2,319	11,303
Less: Investment Expense	-	(13)	(122)	(503)
Other				
Transfers from Other Funds	-	1,893	-	-
Miscellaneous	-	-	-	-
Total Additions	70	2,477	16,208	13,787
Deductions:				
General and Administrative Expenses	1	120	-	79
Benefits	69	896	13,277	3,823
Refunds	-	-	-	-
Total Deductions	70	1,016	13,277	3,902
Change in Net Position Restricted for Pension Benefits	-	1,461	2,931	9,885
Net Position, July 1	2	15,251	76,194	66,010
Net Position, June 30	$ 2	$ 16,712	$ 79,125	$ 75,895

Legislative Retirement System	Magistrates Retirement Fund	Sheriffs' Retirement Fund	Superior Court Clerks' Retirement Fund	Superior Court Judges Retirement Fund	Total
$ -	$ -	$ -	$ -	$ 1,312	$ 14,466
-	1,666	-	-	-	1,666
327	151	79	141	-	860
-	-	2,030	889	-	4,202
-	-	-	2,252	3	2,256
722	258	(6,298)	-	-	(2,496)
496	2,156	9,860	16,183	-	42,560
(29)	(66)	(460)	(472)	-	(1,665)
-	-	-	-	-	1,893
-	-	647	-	-	647
1,516	4,165	5,858	18,993	1,315	64,389
169	99	215	131	3	817
1,756	6	5,532	4,830	1,308	31,497
26	-	-	20	-	46
1,951	105	5,747	4,981	1,311	32,360
(435)	4,060	111	14,012	4	32,029
32,794	14,079	89,478	90,802	3	384,613
$ 32,359	$ 18,139	$ 89,589	$ 104,814	$ 7	$ 416,642

Combining Statement of Fiduciary Net Position
Investment Trust Funds
June 30, 2015
(dollars in thousands)

	Georgia Extended Asset Pool	Georgia Fund 1	Total
Assets			
Cash and Cash Equivalents	$ -	$ 6,321,285	$ 6,321,285
Investments, at Fair Value			
Pooled Investments	122,409	-	122,409
Interest Receivable	31	438	469
Total Assets	122,440	6,321,723	6,444,163
Net Position			
Restricted for Pool Participants	$ 122,440	$ 6,321,723	$ 6,444,163

Combining Statement of Changes in Fiduciary Net Position
Investment Trust Funds
For the Fiscal Year Ended June 30, 2015
(dollars in thousands)

	Georgia Extended Asset Pool	Georgia Fund 1	Total
Additions:			
Pool Participant Deposits	$ 19,000	$ 7,464,260	$ 7,483,260
Interest and Other Investment Income			
Dividends and Interest	258	11,060	11,318
Net Appreciation (Depreciation) in Investments			
Reported at Fair Value	51	-	51
Less: Investment Expense	(51)	(1,866)	(1,917)
Total Additions	19,258	7,473,454	7,492,712
Deductions:			
Pool Participant Withdrawals	22,500	7,605,862	7,628,362
Change in Net Position Restricted for Pool Participants	(3,242)	(132,408)	(135,650)
Net Position, July 1	125,682	6,454,131	6,579,813
Net Position, June 30	$ 122,440	$ 6,321,723	$ 6,444,163

Combining Statement of Fiduciary Net Position
Private Purpose Trust Funds
June 30, 2015
(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	$ 647	$ 1,526	$ 18,811	$ 20,984
Capital Assets				
Buildings	-	-	826	826
Machinery and Equipment	-	-	103	103
Accumulated Depreciation	-	-	(486)	(486)
Total Assets	647	1,526	19,254	21,427
Deferred Outflows of Resources	-	-	203	203
Liabilities				
Accounts Payable and Other Accruals	-	-	2	2
Compensated Absences Payable	-	-	194	194
Net Pension Liability	-	-	1,725	1,725
Other Liabilities	-	-	385	385
Total Liabilities	-	-	2,306	2,306
Deferred Inflows of Resources	-	-	523	523
Net Position				
Restricted for Other Purposes	$ 647	$ 1,526	$ 16,628	$ 18,801

Combining Statement of Changes in Fiduciary Net Position
Private Purpose Trust Funds
For the Fiscal Year Ended June 30, 2015
(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	$ 12	$ 133	$ 99,301	$ 99,446
Interest and Other Investment Income				
Dividends and Interest	1	3	65	69
Total Additions	13	136	99,366	99,515
Deductions;				
General and Administrative Expenses	-	101	1,583	1,684
Benefits	-	-	84,223	84,223
Total Deductions	-	101	85,806	85,907
Change in Net Position Restricted for Other Purposes	13	35	13,560	13,608
Net Position, July 1 - Restated (Note 3)	634	1,491	3,068	5,193
Net Position, June 30	$ 647	$ 1,526	$ 16,628	$ 18,801

Combining Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2015
(dollars in thousands)

	Child Support Recovery Program	County Medicaid Administrative Funds	Detainees' Accounts	Flexible Benefits Program	Insurance Premium Tax Collections for Local Governments	Railroad Car Tax	Real Estate Transfer Tax
Assets							
Cash and Cash Equivalents	$ 18,790	$ 31	$ 47,101	$ 14,064	$ -	$ 1,053	$ 52
Accounts Receivable	-	-	-	-	-	-	-
Investments, at Fair Value							
Certificates of Deposit	-	-	-	-	-	-	-
Pooled Investments	-	-	-	-	-	-	-
Municipal, U. S. and Foreign Government Obligations	-	-	-	-	-	-	-
Other Assets	-	-	-	-	-	-	-
Total Assets	$ 18,790	$ 31	$ 47,101	$ 14,064	$ -	$ 1,053	$ 52
Liabilities							
Accounts Payable and Other Accruals	-	-	-	908	-	-	-
Funds Held for Others	18,790	31	47,101	13,156	-	1,053	52
Other Liabilities	-	-	-	-	-	-	-
Total Liabilities	$ 18,790	$ 31	$ 47,101	$ 14,064	$ -	$ 1,053	$ 52

Sales Tax Collections for Local Governments									
Education Local Option	Homestead Option	Local Option	MARTA	Special Purpose Local Option	Transportation Investment Act	Telecom-munications Relay Service Fund	Universal Service Fund	Miscellaneous	Total
$ 639	$ 51	$ 221	$ 240	$ (328)	$ -	$ 4,711	$ 13,579	$ 78,212	$ 178,416
-	-	-	-	-	2,966	-	-	195	3,161
-	-	-	-	-	-	-	-	1,663	1,663
-	-	-	-	-	-	-	-	202	202
-	-	-	-	-	-	-	54,288	-	54,288
-	-	-	-	-	-	-	-	15,935	15,935
$ 639	$ 51	$ 221	$ 240	$ (328)	$ 2,966	$ 4,711	$ 67,867	$ 96,207	$ 253,665
-	-	-	-	-	-	-	-	295	1,203
639	51	221	240	(328)	2,966	4,711	67,867	95,903	252,453
-	-	-	-	-	-	-	-	9	9
$ 639	$ 51	$ 221	$ 240	$ (328)	$ 2,966	$ 4,711	$ 67,867	$ 96,207	$ 253,665

Combining Statement of Changes in Fiduciary Assets and Liabilities
Agency Funds
For the Fiscal Year Ended June 30, 2015
(dollars in thousands)

	Balance July 1, 2014	Additions	Deductions	Balance June 30, 2015
Child Support Recovery Program				
Assets				
Cash and Cash Equivalents	$ 132	$ 890,659	$ 872,001	$ 18,790
Liabilities				
Funds Held for Others	$ 132	$ 887,345	$ 868,687	$ 18,790
County Medicaid Administrative Funds				
Assets				
Cash and Cash Equivalents	$ 207	$ 31,047	$ 31,223	$ 31
Liabilities				
Accounts Payable and Other Accruals	$ 10	$ 25,819	$ 25,829	$ -
Funds Held for Others	197	25,512	25,678	31
Total Liabilities	$ 207	$ 51,331	$ 51,507	$ 31
Detainees' Accounts				
Assets				
Cash and Cash Equivalents	$ 36,764	$ 172,964	$ 162,627	$ 47,101
Liabilities				
Funds Held for Others	$ 36,764	$ 172,964	$ 162,627	$ 47,101
Flexible Benefits Program				
Assets				
Cash and Cash Equivalents	$ 22,175	$ 212,625	$ 220,736	$ 14,064
Liabilities				
Accounts Payable and Other Accruals	$ 871	$ 137,525	$ 137,488	$ 908
Funds Held for Others	21,304	135,797	143,945	13,156
Total Liabilities	$ 22,175	$ 273,322	$ 281,433	$ 14,064
Insurance Premium Tax Collections for Local Governments				
Assets				
Cash and Cash Equivalents	$ -	$ 494,617	$ 494,617	$ -
Liabilities				
Funds Held for Others	$ -	$ 494,617	$ 494,617	$ -
Railroad Car Tax				
Assets				
Cash and Cash Equivalents	$ 1,053	$ -	$ -	$ 1,053
Liabilities				
Funds Held for Others	$ 1,053	$ -	$ -	$ 1,053
Real Estate Transfer Tax				
Assets				
Cash and Cash Equivalents	$ 52	$ -	$ -	$ 52
Liabilities				
Funds Held for Others	$ 52	$ -	$ -	$ 52

(continued)

Combining Statement of Changes in Fiduciary Assets and Liabilities
Agency Funds
For the Fiscal Year Ended June 30, 2015
(dollars in thousands)

	Balance July 1, 2014	Additions	Deductions	Balance June 30, 2015
Sales Tax Collections for Local Governments				
Education Local Option Sales Tax				
Assets				
Cash and Cash Equivalents	$ 795	$ 1,648,734	$ 1,648,890	$ 639
Liabilities				
Funds Held for Others	$ 795	$ 1,648,734	$ 1,648,890	$ 639
Homestead Option Sales Tax				
Assets				
Cash and Cash Equivalents	$ 48	$ 125,221	$ 125,218	$ 51
Liabilities				
Funds Held for Others	$ 48	$ 125,221	$ 125,218	$ 51
Local Option Sales Tax				
Assets				
Cash and Cash Equivalents	$ 499	$ 1,388,777	$ 1,389,055	$ 221
Liabilities				
Funds Held for Others	$ 499	$ 1,388,777	$ 1,389,055	$ 221
MARTA Sales Tax				
Assets				
Cash and Cash Equivalents	$ 209	$ 376,176	$ 376,145	$ 240
Liabilities				
Funds Held for Others	$ 209	$ 376,176	$ 376,145	$ 240
Special Purpose Local Option Sales Tax				
Assets				
Cash and Cash Equivalents	$ (185)	$ 1,190,287	$ 1,190,430	$ (328)
Liabilities				
Funds Held for Others	$ (185)	$ 1,190,287	$ 1,190,430	$ (328)
Transportation Investment Act				
Assets				
Cash and Cash Equivalents	$ -	$ 35,097	$ 35,097	$ -
Accounts Receivable	2,813	2,966	2,813	2,966
Total Assets	$ 2,813	$ 38,063	$ 37,910	$ 2,966
Liabilities				
Funds Held for Others	$ 2,813	$ 38,064	$ 37,911	$ 2,966

(continued)

Combining Statement of Changes in Fiduciary Assets and Liabilities
Agency Funds
For the Fiscal Year Ended June 30, 2015
(dollars in thousands)

	Balance July 1, 2014	Additions	Deductions	Balance June 30, 2015
Telecommunications Relay Service Fund				
Assets				
Cash and Cash Equivalents	$ 6,471	$ 3,458	$ 5,218	$ 4,711
Liabilities				
Funds Held for Others	$ 6,471	$ 3,458	$ 5,218	$ 4,711
Universal Service Fund				
Assets				
Cash and Cash Equivalents	$ 5,953	$ 16,046	$ 8,420	$ 13,579
Investments	58,481	54,288	58,481	54,288
Total Assets	$ 64,434	$ 70,334	$ 66,901	$ 67,867
Liabilities				
Funds Held for Others	$ 64,434	$ 16,046	$ 12,613	$ 67,867
Miscellaneous				
Assets				
Cash and Cash Equivalents	$ 60,936	$ 131,676	$ 114,400	$ 78,212
Accounts Receivable	289	1,115	1,209	195
Investments	1,421	484	40	1,865
Other Assets	60,200	10,558	54,823	15,935
Total Assets	$ 122,846	$ 143,833	$ 170,472	$ 96,207
Liabilities				
Accounts Payable and Other Accruals	$ 930	$ 9,534	$ 10,169	$ 295
Funds Held for Others	121,913	137,970	163,980	95,903
Other Liabilities	3	7	1	9
Total Liabilities	$ 122,846	$ 147,511	$ 174,150	$ 96,207
TOTAL - ALL AGENCY FUNDS				
Assets				
Cash and Cash Equivalents	$ 135,109	$ 6,717,384	$ 6,674,077	$ 178,416
Accounts Receivable	3,102	4,081	4,022	3,161
Investments	59,902	54,772	58,521	56,153
Other Assets	60,200	10,558	54,823	15,935
Total Assets	$ 258,313	$ 6,786,795	$ 6,791,443	$ 253,665
Liabilities				
Accounts Payable and Other Accruals	$ 1,811	$ 172,878	$ 173,486	$ 1,203
Funds Held for Others	256,499	6,640,968	6,645,014	252,453
Other Liabilities	3	7	1	9
Total Liabilities	$ 258,313	$ 6,813,853	$ 6,818,501	$ 253,665

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

The **Georgia Development Authority** is a body corporate and politic. The Authority was created to assist agricultural and industrial interests by providing credit and servicing functions to better enable farmers and businessmen to obtain needed capital funds. The Board consists of three State officials designated by statute and four members appointed by the Governor.

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

The **Georgia Seed Development Commission** is a body corporate and politic and an instrumentality and public corporation of the State whose purpose is to purchase, process, and resell breeders' and foundation seeds. The Commission consists of eleven members who are accountable as trustees. Of the eleven members serving on the Board, six members are State officials or are appointed by State officials.

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

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

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

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

The **Georgia Military College** (GMC) is a public authority, body corporate and politic, and is an instrumentality and a public corporation of the State. GMC is dedicated to providing a high-quality military education to the youth of the State. The Board of Trustees consists of the mayor of the City of Milledgeville and six additional members, one of which is elected from each of the six municipal voting districts of the City, as required by statute. The government, control, and management of GMC are vested in the Board of Trustees. GMC receives any designated funds appropriated by the General Assembly through the Board of Regents of the University System of Georgia.

The **Georgia Public Telecommunications Commission** is a body corporate and politic. This Commission is a public charitable organization created for the purpose of providing educational, instructional and public broadcasting services to citizens of Georgia. The budget of the Commission must be approved by the State. The Board consists of nine members appointed by the Governor. Financial information presented for the Commission includes its component unit, Foundation for Public Broadcasting in Georgia, Inc.

The **Georgia Rail Passenger Authority** is a body corporate and politic. This Authority is responsible for construction, financing, operation and development of rail passenger service and other public transportation projects. The Board includes one member from each congressional district appointed by the Governor, as well as two appointed members from the State at large.

The **Georgia Regional Transportation Authority** is a body corporate and politic. The purpose of the Authority is to manage land transportation and air quality within certain areas of the State. The Governor appoints the fifteen 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 fourteen members of the Board, and the Governor appoints the remaining ten.

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

The **Regional Educational Service Agencies** were established to provide shared services to improve the effectiveness of educational programs and services of local school systems and to provide direct instructional programs to selected public school students. The State has sixteen 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 ten 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 **Georgia Sports Hall of Fame Authority** is a body corporate and politic. This Authority was created to construct and maintain a facility to house the Georgia Sports Hall of Fame to honor those who have made outstanding and lasting contributions to sports and athletics, and to operate, advertise and promote the Sports Hall of Fame. State officials appoint the nine members of the Board. The Georgia State Financing and Investment Commission must approve the issuance of Authority bonds.

The **Jekyll Island State Park Authority** is a body corporate and politic and an instrumentality and public corporation of the State. The Authority was created to operate and manage resort recreational facilities on Jekyll Island. The Board consists of one State official designated by statute and eight members appointed by the Governor. Financial information presented for the Authority includes its component unit, Jekyll Island Foundation, Inc.

The **Lake Lanier Islands Development Authority** is a body corporate and politic and an instrumentality and public corporation of the State. The purpose of the Authority is to manage, preserve and protect projects on Lake Lanier Islands. The Board consists of one State official designated by statute and eight members appointed by the Governor.

The **North Georgia Mountains Authority** is a body corporate and politic and an instrumentality and public corporation of the State responsible for the construction and management of recreation, accommodation and tourist facilities and services. The Governor appoints the nine members of the Board.

The **Sapelo Island Heritage Authority** is a body corporate and politic. The purpose of the authority is the preservation of the cultural and historic values of Hog Hammock Community located on Greater Sapelo Island. The Board consists of four State officials designated by statute and one member appointed by the Governor.

The **Stone Mountain Memorial Association** is a body corporate and politic and an instrumentality and public corporation of the State. The Authority is responsible for the maintaining and operating of Stone Mountain as a Confederate memorial and public recreational area. The Board consists of one State official designated by statute and nine members appointed by the Governor.

Combining Statement of Net Position
Nonmajor Component Units
June 30, 2015
(dollars in thousands)

	Economic Development Organizations (see combining)	Georgia Foundation for Public Education	Georgia Higher Education Assistance Corporation	Georgia Highway Authority	Georgia Military College	Georgia Public Telecommunications Commission
Assets						
Current Assets:						
Cash and Cash Equivalents	$ 216,850	$ 1,357	$ 17,379	$ 465	$ 8,349	$ 1,966
Investments	-	-	-	-	-	6,396
Receivables						
Accounts (Net)	20,152	-	-	-	4,767	2,480
Capital Leases from Primary Government	-	-	-	-	-	-
Interest and Dividends	1,209	-	-	-	-	-
Notes and Loans (Net)	31,454	-	-	-	-	-
Taxes	5,141	-	-	-	-	-
Due from Primary Government	-	-	397	-	-	-
Due from Component Units	150	-	-	-	-	-
Intergovernmental Receivables	494	-	272	-	552	-
Other Current Assets	3,601	-	-	-	1,636	-
Noncurrent Assets:						
Investments	-	42	-	-	-	-
Receivables (Net)						
Capital Leases from Primary Government	-	-	-	-	-	-
Notes and Loans	54,508	-	-	-	-	-
Other	-	-	-	-	-	-
Due from Component Units	6,950	-	-	-	-	-
Restricted Assets						
Cash and Cash Equivalents	45,783	-	-	-	36	-
Investments	-	-	-	-	1,427	-
Receivables						
Other	80,384	-	-	-	-	-
Non-depreciable Capital Assets	373,276	-	-	-	744	1,479
Depreciable Capital Assets (Net)	64,143	-	-	-	70,727	3,236
Other Noncurrent Assets	-	-	-	-	-	-
Total Assets	904,095	1,399	18,048	465	88,238	15,557
Deferred Outflows of Resources	5,726	-	-	-	3,683	1,563

Georgia Rail Passenger Authority	Georgia Regional Transportation Authority	Georgia Student Finance Authority	Higher Education Foundations	Regional Educational Service Agencies	Superior Court Clerks' Cooperative Authority	Tourism / State Attractions (see combining)	Total
$ 148	$ 13,739	$ 54,860	$ 177,207	$ 23,289	$ 8,175	$ 12,715	$ 536,499
-	-	-	167,225	150	-	131	173,902
-	197	93	151,317	790	906	5,272	185,974
-	-	-	17,462	-	-	-	17,462
-	-	1,664	-	-	-	-	2,873
-	-	78,113	-	-	-	-	109,567
-	-	-	-	-	-	-	5,141
-	-	759	6,928	-	-	-	8,084
-	-	355	-	-	-	-	505
-	1,500	-	-	8,485	-	-	11,303
-	785	214	55,526	3,015	101	2,913	67,791
-	-	-	1,450,398	-	-	3,588	1,454,028
-	-	-	690,264	-	-	-	690,264
-	-	-	-	-	-	-	54,508
-	-	-	45,995	-	-	-	45,995
-	-	-	109,163	-	-	-	116,113
-	-	-	72,572	-	9,877	-	128,268
-	-	-	39,485	-	-	-	40,912
-	-	-	-	-	-	-	80,384
-	419	424	118,676	410	-	37,630	533,058
-	21,504	1,242	730,373	4,487	1,240	227,225	1,124,177
-	-	-	25,752	-	-	-	25,752
148	38,144	137,724	3,858,343	40,626	20,299	289,474	5,412,560
-	442	-	44,448	6,219	471	1,933	64,485

(continued)

Combining Statement of Net Position
Nonmajor Component Units
June 30, 2015
(dollars in thousands)
(continued)

	Economic Development Organizations (see combining)	Georgia Foundation for Public Education	Georgia Higher Education Assistance Corporation	Georgia Highway Authority	Georgia Military College	Georgia Public Telecommunications Commission
Liabilities						
Current Liabilities:						
Accounts Payable and Other Accruals	12,490	1	49	-	1,949	266
Due to Primary Government	1	-	-	-	-	-
Due to Component Units	-	-	355	-	-	-
Funds Held for Others	-	-	-	-	132	-
Unearned Revenue	151,495	-	-	-	3,211	79
Notes and Loans Payable	-	-	-	-	218	-
Revenue/Mortgage Bonds Payable	-	-	-	-	-	-
Other Current Liabilities	5,180	-	34	-	604	329
Current Liabilities Payable from Restricted Assets:						
Accrued Interest Payable	809	-	-	-	-	-
Revenue Bonds Payable	11,895	-	-	-	-	-
Other	-	-	-	-	-	-
Noncurrent Liabilities:						
Unearned Revenue	80,384	-	-	-	-	-
Notes and Loans Payable	-	-	-	-	3,014	-
Revenue/Mortgage Bonds Payable	39,135	-	-	-	-	-
Due to Component Units	-	-	-	-	-	-
Derivative Instrument Payable	-	-	-	-	-	-
Net Pension Liability	25,702	-	-	-	22,751	9,783
Other Noncurrent Liabilities	30,955	-	1,887	-	46	1,537
Total Liabilities	358,046	1	2,325	-	31,925	11,994
Deferred Inflows of Resources	6,273	-	-	-	7,913	2,410
Net Position						
Net Investment in Capital Assets,	386,387	-	-	-	68,142	4,715
Restricted for:						
Bond Covenants/Debt Service	25,685	-	-	-	-	-
Higher Education	-	-	-	-	-	-
Permanent Trusts						
Expendable	-	-	-	-	-	-
Nonexpendable	-	-	-	-	1,463	-
Other Purposes	3,463	1,398	-	-	-	-
Unrestricted	129,967	-	15,723	465	(17,522)	(1,999)
Total Net Position	$ 545,502	$ 1,398	$ 15,723	$ 465	$ 52,083	$ 2,716

Georgia Rail Passenger Authority	Georgia Regional Transportation Authority	Georgia Student Finance Authority	Higher Education Foundations	Regional Educational Service Agencies	Superior Court Clerks' Cooperative Authority	Tourism / State Attractions (see combining)	Total
-	1,775	5,736	79,549	6,167	2,832	1,233	112,047
-	7	-	48,842	4	-	9	48,863
-	-	-	-	-	-	150	505
-	-	-	4,882	577	-	-	5,591
41	-	686	30,860	256	-	1,405	188,033
-	-	-	30,141	-	-	885	31,244
-	-	-	33,075	410	-	420	33,905
-	426	926	67,655	110	-	287	75,551
-	-	-	-	-	-	-	809
-	-	-	-	-	-	-	11,895
-	-	-	-	-	7,840	-	7,840
-	-	-	27,371	-	-	-	107,755
-	-	-	69,042	-	-	11,154	83,210
-	-	-	1,286,224	2,855	-	7,203	1,335,417
-	-	-	-	-	-	6,950	6,950
-	-	-	44,662	-	-	-	44,662
-	3,433	-	-	52,559	1,599	11,197	127,024
-	1,494	3,497	66,520	872	-	604	107,412
41	7,135	10,845	1,788,823	63,810	12,271	41,497	2,328,713
-	1,288	-	10,172	22,177	390	2,733	53,356
-	20,245	1,601	180,569	3,964	1,240	250,132	916,995
-	-	-	-	-	-	-	25,685
-	-	-	308,069	-	-	-	308,069
-	-	-	417,132	-	-	-	417,132
-	-	-	686,481	-	-	-	687,944
-	-	78,639	-	-	-	987	84,487
107	9,918	46,639	511,545	(43,106)	6,869	(3,942)	654,664
$ 107	$ 30,163	$ 126,879	$ 2,103,796	$ (39,142)	$ 8,109	$ 247,177	$ 3,094,976

Combining Statement of Activities
Nonmajor Component Units
For the Fiscal Year Ended June 30, 2015
(dollars in thousands)

	Economic Development Organizations (see combining)	Georgia Foundation for Public Education	Georgia Higher Education Assistance Corporation	Georgia Highway Authority	Georgia Military College	Georgia Public Telecommunications Commission
Expenses	$ 154,463	$ 161	$ 2,306	$ -	$ 66,429	$ 34,507
Program Revenues:						
Sales and Charges for Services	103,693	244	3,652	-	36,037	7,122
Operating Grants and Contributions	8,126	210	18	-	29,974	11,355
Capital Grants and Contributions	335,347	-	-	-	5,862	2,211
Total Program Revenues	447,166	454	3,670	-	71,873	20,688
Net (Expenses) Revenue	292,703	293	1,364	-	5,444	(13,819)
General Revenues:						
Taxes	32,313	-	-	-	-	-
Payments from the State of Georgia	26,203	-	-	-	2,330	14,690
Contributions to Permanent Endowments	-	-	-	-	-	-
Total General Revenues	58,516	-	-	-	2,330	14,690
Change in Net Position	351,219	293	1,364	-	7,774	871
Net Position, July 1 - Restated (Note 3)	194,283	1,105	14,359	465	44,309	1,845
Net Position, June 30	$ 545,502	$ 1,398	$ 15,723	$ 465	$ 52,083	$ 2,716

Georgia Rail Passenger Authority	Georgia Regional Transportation Authority	Georgia Student Finance Authority	Higher Education Foundations	Regional Educational Service Agencies	Superior Court Clerks' Cooperative Authority	Tourism / State Attractions (see combining)	Total
$ -	$ 33,229	$ 21,989	$ 1,140,231	$ 79,175	$ 15,168	$ 58,507	$ 1,606,165
-	6,041	11,208	861,683	17,459	16,134	46,017	1,109,290
-	10,559	29,000	254,650	66,962	20	2,893	413,767
-	-	-	-	-	-	4,777	348,197
-	16,600	40,208	1,116,333	84,421	16,154	53,687	1,871,254
-	(16,629)	18,219	(23,898)	5,246	986	(4,820)	265,089
-	-	-	-	-	-	1,549	33,862
-	12,030	-	32,009	-	-	966	88,228
-	-	-	34,582	-	-	-	34,582
-	12,030	-	66,591	-	-	2,515	156,672
-	(4,599)	18,219	42,693	5,246	986	(2,305)	421,761
107	34,762	108,660	2,061,103	(44,388)	7,123	249,482	2,673,215
$ 107	$ 30,163	$ 126,879	$ 2,103,796	$ (39,142)	$ 8,109	$ 247,177	$ 3,094,976

Combining Statement of Net Position
Nonmajor Component Units
Economic Development Organizations
June 30, 2015
(dollars in thousands)

	Geo. L. Smith II Georgia World Congress Center Authority	Georgia Development Authority	Georgia International and Maritime Trade Center Authority	Georgia Seed Development Commission	OneGeorgia Authority	Total
Assets						
Current Assets:						
Cash and Cash Equivalents	$ 63,794	$ 13,050	$ 7,194	$ 4,967	$ 127,845	$ 216,850
Receivables						
Accounts (Net)	17,598	-	2,224	330	-	20,152
Taxes	4,542	-	599	-	-	5,141
Interest and Dividends	-	1,209	-	-	-	1,209
Notes and Loans (Net)	-	13,628	-	-	17,826	31,454
Due from Component Units	-	-	-	-	150	150
Intergovernmental Receivables	-	-	494	-	-	494
Other Current Assets	1,003	2,155	202	241	-	3,601
Noncurrent Assets:						
Receivables (Net)						
Notes and Loans	-	54,508	-	-	-	54,508
Due from Primary Government						
Due from Component Units	-	-	-	-	6,950	6,950
Restricted Assets						
Cash and Cash Equivalents	45,783	-	-	-	-	45,783
Receivables	80,384	-	-	-	-	80,384
Non-depreciable Capital Assets	372,521	50	140	565	-	373,276
Depreciable Capital Assets (Net)	59,365	422	1,366	2,990	-	64,143
Total Assets	644,990	85,022	12,219	9,093	152,771	904,095
Deferred Outflows of Resources	5,726	-	-	-	-	5,726
Liabilities						
Current Liabilities:						
Accounts Payable and Other Accruals	9,686	303	1,737	139	625	12,490
Due to Primary Government	1	-	-	-	-	1
Unearned Revenue	58,863	-	-	161	92,471	151,495
Other Current Liabilities	241	4,570	177	-	192	5,180
Current Liabilities Payable from Restricted Assets:						
Accrued Interest Payable	809	-	-	-	-	809
Revenue Bonds Payable	11,895	-	-	-	-	11,895
Noncurrent Liabilities:						
Unearned Revenue	80,384	-	-	-	-	80,384
Revenue/Mortgage Bonds Payable	39,135	-	-	-	-	39,135
Net Pension Liability	25,702	-	-	-	-	25,702
Other Noncurrent Liabilities	12,811	18,144	-	-	-	30,955
Total Liabilities	239,527	23,017	1,914	300	93,288	358,046
Deferred Inflows of Resources	6,273	-	-	-	-	6,273
Net Position						
Net Investment in Capital Assets	380,855	472	1,506	3,554	-	386,387
Restricted for:						
Bond Covenants/Debt Service	25,685	-	-	-	-	25,685
Other Purposes	61	3,402	-	-	-	3,463
Unrestricted	(1,685)	58,131	8,799	5,239	59,483	129,967
Total Net Position	$ 404,916	$ 62,005	$ 10,305	$ 8,793	$ 59,483	$ 545,502

Combining Statement of Activities
Nonmajor Component Units
Economic Development Organizations
For the Fiscal Year Ended June 30, 2015
(dollars in thousands)

	Geo. L. Smith II Georgia World Congress Center Authority	Georgia Development Authority	Georgia International and Maritime Trade Center Authority	Georgia Seed Development Commission	OneGeorgia Authority	Total
Expenses	$ 115,519	$ 2,040	$ 6,540	$ 4,265	$ 26,099	$ 154,463
Program Revenues:						
Sales and Charges for Services	91,450	2,573	4,855	4,815	-	103,693
Operating Grants and Contributions	2,716	5,000	-	-	410	8,126
Capital Grants and Contributions	335,238	-	109	-	-	335,347
Total Program Revenues	429,404	7,573	4,964	4,815	410	447,166
Net (Expenses) Revenue	313,885	5,533	(1,576)	550	(25,689)	292,703
General Revenues:						
Taxes	29,283	-	3,030	-	-	32,313
Payments from the State of Georgia	-	-	-	-	26,203	26,203
Total General Revenues	29,283	-	3,030	-	26,203	58,516
Change in Net Position	343,168	5,533	1,454	550	514	351,219
Net Position, July 1 - Restated (Note 3)	61,748	56,472	8,851	8,243	58,969	194,283
Net Position, June 30	$ 404,916	$ 62,005	$ 10,305	$ 8,793	$ 59,483	$ 545,502

Combining Statement of Net Position
Nonmajor Component Units
Tourism/State Attractions
June 30, 2015
(dollars in thousands)

	Georgia Agricultural Exposition Authority	Georgia Sports Hall of Fame Authority	Jekyll Island State Park Authority	Lake Lanier Islands Development Authority
Assets				
Current Assets:				
Cash and Cash Equivalents	$ 712	$ -	$ 1,787	$ 5,581
Investments	-	-	131	-
Receivables				
Accounts (Net)	98	-	4,913	-
Other Current Assets	-	-	947	-
Noncurrent Assets:				
Investments	-	-	-	-
Non-depreciable Capital Assets	4,890	-	13,013	-
Depreciable Capital Assets (Net)	32,499	-	83,255	32,022
Total Assets	38,199	-	104,046	37,603
Deferred Outflows of Resources	552	-	1,292	89
Liabilities				
Current Liabilities:				
Accounts Payable and Other Accruals	-	-	635	5
Due to Primary Government	-	-	9	-
Due to Component Unit	-	-	150	-
Unearned Revenue	465	-	940	-
Notes and Loans Payable	-	-	-	885
Revenue/Mortgage Bonds Payable	-	-	-	420
Other Current Liabilities	-	-	287	-
Noncurrent Liabilities:				
Notes and Loans Payable	-	-	-	11,154
Due to Component Unit	-	-	6,950	-
Revenue/Mortgage Bonds Payable	-	-	-	7,203
Net Pension Liability	3,452	-	7,432	313
Other Noncurrent Liabilities	227	-	342	35
Total Liabilities	4,144	-	16,745	20,015
Deferred Inflows of Resources	842	-	1,814	77
Net Position				
Net Investment in Capital Assets	37,389	-	89,167	24,400
Restricted for:				
Other Purposes	81	-	906	-
Unrestricted	(3,705)	-	(3,294)	(6,800)
Total Net Position	$ 33,765	$ -	$ 86,779	$ 17,600

North Georgia Mountains Authority	Sapelo Island Heritage Authority	Stone Mountain Memorial Association	Total
$ 73	$ 3	$ 4,559	$ 12,715
-	-	-	131
15	-	246	5,272
-	-	1,966	2,913
-	-	3,588	3,588
2,526	4,767	12,434	37,630
11,562	-	67,887	227,225
14,176	4,770	90,680	289,474
-	-	-	1,933
85	-	508	1,233
-	-	-	9
-	-	-	150
-	-	-	1,405
-	-	-	885
-	-	-	420
-	-	-	287
-	-	-	11,154
-	-	-	6,950
-	-	-	7,203
-	-	-	11,197
-	-	-	604
85	-	508	41,497
-	-	-	2,733
14,088	4,767	80,321	250,132
-	-	-	987
3	3	9,851	(3,942)
$ 14,091	$ 4,770	$ 90,172	$ 247,177

Combining Statement of Activities
Nonmajor Component Units
Tourism/State Attractions
For the Fiscal Year Ended June 30, 2015
(dollars in thousands)

	Georgia Agricultural Exposition Authority	Georgia Sports Hall of Fame Authority	Jekyll Island State Park Authority	Lake Lanier Islands Development Authority
Expenses	$ 12,478	$ 3	$ 24,152	$ 4,006
Program Revenues:				
Sales and Charges for Services	10,505	-	19,037	3,978
Operating Grants and Contributions	1,255	-	1,621	-
Capital Grants and Contributions	-	-	4,777	-
Total Program Revenues	11,760	-	25,435	3,978
Net (Expenses) Revenue	(718)	(3)	1,283	(28)
General Revenues:				
Taxes	-	-	1,549	-
Payments from the State of Georgia	966	-	-	-
Total General Revenues	966	-	1,549	-
Change in Net Position	248	(3)	2,832	(28)
Net Position, July 1 - Restated (Note 3)	33,517	3	83,947	17,628
Net Position, June 30	$ 33,765	$ -	$ 86,779	$ 17,600

North Georgia Mountains Authority	Sapelo Island Heritage Authority	Stone Mountain Memorial Association	Total
$ 5,194	$ -	$ 12,674	$ 58,507
1,769	-	10,728	46,017
-	-	17	2,893
-	-	-	4,777
1,769	-	10,745	53,687
(3,425)	-	(1,929)	(4,820)
-	-	-	1,549
-	-	-	966
-	-	-	2,515
(3,425)	-	(1,929)	(2,305)
17,516	4,770	92,101	249,482
$ 14,091	$ 4,770	$ 90,172	$ 247,177

STATE OF GEORGIA

CONSTITUTION

WISDOM JUSTICE MODERATION

1776

STATISTICAL SECTION

FOREST FAMILY---WOOD THRUSH
Randall Pinson, Dahlonega, Georgia

This part of the *Comprehensive Annual Financial Report* presents detailed information as a context for understanding what the information in the financial statements, note disclosures and required supplementary information says about the State's overall financial health.

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Financial Trends Information

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Sources: Unless otherwise noted, the information in these schedules is derived from the *Comprehensive Annual Financial Reports* for the relevant year.

Schedule 1
Net Position by Component
For the Last Ten Fiscal Years
(accrual basis of accounting)
(dollars in thousands)

	2015	2014	2013	2012
Governmental Activities (1) (2) (4)				
Net Investment in Capital Assets	$ 16,562,899	$ 13,186,605	$ 13,737,276	$ 13,355,209
Restricted	3,668,030	3,653,903	3,301,316	3,968,493
Unrestricted	(6,914,616)	(1,644,265)	(1,781,096)	(2,456,411)
Total Governmental Activities Net Position	$ 13,316,313	$ 15,196,243	$ 15,257,496	$ 14,867,291
Business-type Activities (1) (2) (3)				
Net Investment in Capital Assets	$ 7,344,726	$ 6,575,166	$ 6,502,029	$ 6,257,436
Restricted	1,546,723	1,367,598	816,428	457,265
Unrestricted	(3,957,761)	(820,616)	(1,063,406)	(1,293,130)
Total Business-type Activities Net Position	$ 4,933,688	$ 7,122,148	$ 6,255,051	$ 5,421,571
Total Primary Government (2) (3) (4)				
Net Investment in Capital Assets	$ 20,926,469	$ 19,761,771	$ 20,239,305	$ 19,612,645
Restricted	5,214,753	5,021,501	4,117,744	4,425,758
Unrestricted	(7,891,221)	(2,464,881)	(2,844,502)	(3,749,541)
Total Primary Government Net Position	$ 18,250,001	$ 22,318,391	$ 21,512,547	$ 20,288,862

(1) Beginning in fiscal year 2007, the Georgia Technology Authority is reported as an internal service fund serving primarily governmental organizations and, as such, its activity and balances are included in Governmental Activities (previously reported in Business-type Activities).

(2) Beginning in fiscal year 2007, the funds of the State Road and Tollway Authority (SRTA), a component unit, were blended with those of the primary government (previously discretely presented). As such, its activity and balances are included in both Governmental Activities and in Business-type Activities. In fiscal year 2015, the activities of SRTA were re-examined and all activities of this blended component unit are reported as Governmental Activities.

(3) Beginning in fiscal year 2013, the activity of the Armstrong Atlantic State University Educational Properties Foundation, Inc., the Georgia State University Foundation, Inc., the Georgia State University Research Foundation, Inc., the Georgia Tech Facilities, Inc., the University System of Georgia Foundation, Inc. and the VSU Auxiliary Services Real Estate Foundation, Inc., component units, are blended with those of the nonmajor enterprise funds (previously discretely presented). Beginning in the fiscal year 2014, the activity of the University of Georgia Research Foundation, Incorporated 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).

(4) Beginning in fiscal year 2015, Governmental Activities classification of outstanding general obligation bonds for the purposes of capital acquisition and construction on behalf of Business Type Activities, previously reported as net investment in capital assets, is presented as unrestricted. For the Primary Government, the presentation of these outstanding general obligation bonds is presented as net investment in capital assets.

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

Fiscal Year

2011	2010	2009	2008	2007	2006
$ 12,880,313	$ 12,550,617	$ 12,066,578	$ 11,979,690	$ 10,804,344	$ 11,274,666
4,031,347	2,605,116	2,254,051	1,641,507	2,398,250	2,164,233
(2,106,699)	(648,171)	(468,978)	1,383,624	2,233,041	994,617
$ 14,804,961	$ 14,507,562	$ 13,851,651	$ 15,004,821	$ 15,435,635	$ 14,433,516
$ 5,952,035	$ 5,426,787	$ 5,178,579	$ 4,801,548	$ 4,582,190	$ 4,387,218
489,736	423,325	1,022,564	1,745,185	1,877,790	1,767,054
(1,069,413)	(546,363)	(152,768)	604,035	475,506	374,831
$ 5,372,358	$ 5,303,749	$ 6,048,375	$ 7,150,768	$ 6,935,486	$ 6,529,103
$ 18,832,348	$ 17,977,404	$ 17,245,157	$ 16,781,238	$ 15,386,534	$ 15,661,884
4,521,083	3,028,441	3,276,615	3,386,692	4,276,040	3,931,287
(3,176,112)	(1,194,534)	(621,746)	1,987,659	2,708,547	1,369,448
$ 20,177,319	$ 19,811,311	$ 19,900,026	$ 22,155,589	$ 22,371,121	$ 20,962,619

Schedule 2
Changes in Net Position
For the Last Ten Fiscal Years
(accrual basis of accounting)
(dollars in thousands)

	2015	2014	2013	2012
Expenses				
Governmental Activities				
General Government [(1)]	$ 1,735,174	$ 1,658,846	$ 1,606,626	$ 1,326,657
Education	11,408,408	10,788,262	10,770,532	10,100,155
Health and Welfare	16,589,708	16,107,840	16,033,221	15,657,704
Transportation [(2)]	1,904,464	1,845,850	1,656,662	1,519,707
Public Safety	1,994,413	2,002,615	2,012,501	1,912,814
Economic Development and Assistance	590,676	510,338	515,874	783,308
Culture and Recreation	236,922	247,170	240,018	233,043
Conservation	54,280	37,002	51,038	50,334
Interest and Other Charges on Long-Term Debt [(2)]	678,888	592,668	616,328	638,775
Total Governmental Activities	35,192,933	33,790,591	33,502,800	32,222,497
Business-type Activities				
Georgia Technology Authority [(1)]	-	-	-	-
Higher Education Fund	8,323,884	7,984,962	7,931,918	7,916,281
State Employees' Health Benefit Plan	2,025,638	2,032,910	2,193,829	2,362,677
Unemployment Compensation Fund	458,112	1,152,763	1,858,989	2,240,295
Nonmajor Enterprise Funds [(2)]	158,809	229,630	191,949	35,735
Total Business-type Activities	10,966,443	11,400,265	12,176,685	12,554,988
Total Primary Government Expenses	$ 46,159,376	$ 45,190,856	$ 45,679,485	$ 44,777,485
Program Revenues				
Governmental Activities [(1) (2) (4)]				
Sales and Charges for Services				
General Government	$ 621,448	$ 2,770,681	$ 2,205,860	$ 1,912,183
Health and Welfare	134,140	562,606	576,110	489,289
Public Safety	157,056	154,324	161,190	162,970
Other Sales and Charges for Services	260,346	236,035	235,067	264,309
Operating Grants and Contributions	15,758,799	14,780,822	15,317,258	14,764,360
Capital Grants and Contributions	1,182,723	1,239,876	1,310,696	1,142,924
Total Governmental Activities	18,114,512	19,744,344	19,806,181	18,736,035
Business-type Activities [(1) (2)]				
Sales and Charges for Services				
Georgia Technology Authority	-	-	-	-
Higher Education Fund	3,241,333	2,993,298	2,992,037	2,922,710
State Health Benefit Plan	2,363,917	-	-	-
Unemployment Compensation Fund	849,070	-	-	-
Nonmajor Enterprise Funds	95,020	146,407	114,152	38,716
Operating Grants and Contributions	2,611,058	6,695,670	7,251,162	7,245,740
Capital Grants and Contributions	102,216	36,664	90,665	36,157
Total Business-type Activities	9,262,614	9,872,039	10,448,016	10,243,323
Total Primary Government Program Revenues	$ 27,377,126	$ 29,616,383	$ 30,254,197	$ 28,979,358
Net (Expense) Revenue				
Governmental Activities [(1) (2)]	$ (17,078,421)	$ (14,046,247)	$ (13,696,619)	$ (13,486,462)
Business-type Activities [(1) (2)]	(1,703,829)	(1,528,226)	(1,728,669)	(2,311,665)
Total Primary Government	$ (18,782,250)	$ (15,574,473)	$ (15,425,288)	$ (15,798,127)

Fiscal Year

2011	2010	2009	2008	2007	2006
$ 1,222,954	$ 1,467,147	$ 1,904,893	$ 1,896,438	$ 1,830,659	$ 1,562,693
10,002,351	10,731,693	10,085,766	10,812,665	9,948,891	9,030,145
14,745,268	14,210,928	13,118,680	12,256,789	11,764,652	11,238,207
1,517,213	1,752,933	1,786,808	3,056,226	1,705,285	1,624,369
1,974,964	1,834,315	1,972,187	2,130,454	1,891,555	1,715,838
843,912	808,742	735,415	504,897	759,979	696,800
233,608	287,860	273,401	251,055	286,132	263,813
59,159	62,059	69,726	69,836	102,149	60,660
462,602	446,520	466,077	405,255	385,449	326,741
31,062,031	31,602,197	30,412,953	31,383,615	28,674,751	26,519,266
-	-	-	-	-	176,153
7,622,542	7,067,724	6,728,721	6,242,687	5,592,755	5,292,112
2,224,280	2,298,354	2,211,087	2,043,604	1,868,431	2,182,743
2,954,208	4,011,802	2,435,344	774,030	626,058	582,171
26,613	26,174	17,835	15,110	12,845	-
12,827,643	13,404,054	11,392,987	9,075,431	8,100,089	8,233,179
$ 43,889,674	$ 45,006,251	$ 41,805,940	$ 40,459,046	$ 36,774,840	$ 34,752,445
$ 1,887,736	$ 1,763,847	$ 1,654,486	$ 1,634,855	$ 1,653,554	$ 787,894
473,934	245,953	367,829	321,172	504,520	706,876
160,161	135,736	232,579	278,675	334,033	141,432
248,385	263,202	225,419	245,978	258,936	284,498
14,029,675	15,656,694	12,714,639	11,886,083	10,041,218	9,393,686
1,473,052	1,599,721	1,286,969	1,426,839	1,213,420	1,032,961
18,272,943	19,665,153	16,481,921	15,793,602	14,005,681	12,347,347
-	-	-	-	-	177,137
2,647,604	2,408,042	2,103,284	1,834,826	1,694,368	1,567,385
-	-	-	-	-	-
-	-	-	-	223	-
35,476	34,142	27,669	20,648	20,854	-
7,557,366	7,837,041	5,376,243	4,509,566	4,214,533	4,374,153
106,217	41,634	45,385	111,055	48,490	45,965
10,346,663	10,320,859	7,552,581	6,476,095	5,978,468	6,164,640
$ 28,619,606	$ 29,986,012	$ 24,034,502	$ 22,269,697	$ 19,984,149	$ 18,511,987
$ (12,789,088)	$ (11,937,044)	$ (13,931,032)	$ (15,590,013)	$ (14,669,070)	$ (14,171,919)
(2,480,980)	(3,083,195)	(3,840,406)	(2,599,336)	(2,121,621)	(2,068,539)
$ (15,270,068)	$ (15,020,239)	$ (17,771,438)	$ (18,189,349)	$ (16,790,691)	$ (16,240,458)

(continued)

Schedule 2
Changes in Net Position
For the Last Ten Fiscal Years
(accrual basis of accounting)
(dollars in thousands)
(continued)

	2015	2014	2013	2012
General Revenues and Other Changes in Net Position				
Governmental Activities [(1) (2)]				
General Revenues				
Taxes				
Individual Income	$ 9,769,658	$ 8,976,720	$ 8,854,916	$ 8,196,187
Sales - General	5,235,481	4,988,620	5,082,342	5,141,871
Motor Vehicle License and Title ad valorem Taxes[(4)]	1,167,421	-	-	-
Other Taxes	2,998,974	2,947,574	2,708,094	2,636,648
Lottery for Education - Lottery Proceeds[(4)]	980,653	-	-	-
Nursing Home and Hospital Provider Fees[(4)]	454,372	-	-	-
Tobacco Settlement Funds[(4)]	138,385	-	-	-
Unrestricted Investment Income	9,103	4,995	323	6,183
Unclaimed Property	156,360	148,129	138,832	83,215
Other	9,646	12,112	126,862	12,909
Special Items	-	-	-	-
Transfers	(2,657,978)	(2,308,895)	(2,377,595)	(2,346,986)
Total Governmental Activities	18,262,075	14,769,255	14,533,774	13,730,027
Business-type Activities [(1) (2)]				
General Revenues				
Unrestricted Investment Income	-	-	-	-
Contributions to Permanent Endowments	-	7,522	1,231	-
Transfers	2,657,978	2,308,895	2,377,595	2,346,986
Total Business-type Activities	2,657,978	2,316,417	2,378,826	2,346,986
Total Primary Government General Revenues and Other Changes in Net Position	$ 20,920,053	$ 17,085,672	$ 16,912,600	$ 16,077,013
Changes in Net Position				
Governmental Activities [(1) (2)]	$ 1,183,654	$ 723,008	$ 837,155	$ 243,565
Business-type Activities [(1) (2) (3)]	954,149	788,191	650,157	35,321
Total Primary Government	$ 2,137,803	$ 1,511,199	$ 1,487,312	$ 278,886

(1) Beginning in fiscal year 2007, the Georgia Technology Authority is reported as an internal service fund serving primarily governmental organizations and, as such, its activity and balances are included in Governmental Activities (previously reported in Business-type Activities).

(2) Beginning in fiscal year 2007, the funds of SRTA, a component unit, were blended with those of the primary government (previously discretely presented). As such, its activity and balances are included in both Governmental Activities and in Business-type Activities. In fiscal year 2015, the activities of SRTA were re-examined and all activities of this blended component unit are reported as Governmental Activities.

(3) Beginning in fiscal year 2013, the activity of the Armstrong Atlantic State Univeristy 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 University of Georgia Research Foundation, Incorporated 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).

(4) Beginning in fiscal year 2015, Motor Vehicle License and Title ad valorem Taxes, Lottery for Education - Lottery Proceeds, Nursing Home and Hospital Provider Fees, and Tobacco Settlement Funds, previously reported within the General Government function program revenues, are reported as general revenues of the Governmental Activities.

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

2011	2010	2009	2008	2007	2006
$ 7,797,739	$ 7,109,984	$ 7,794,606	$ 8,834,591	$ 8,831,753	$ 8,104,465
5,133,404	5,196,117	5,080,946	5,760,691	6,234,221	5,603,743
-	-	-	-	-	-
2,330,338	2,334,928	2,370,848	2,694,710	2,810,010	2,451,385
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
(3,066)	993	63,074	264,448	470,480	196,422
98,098	85,277	35,356	58,857	140,367	107,149
30,285	44,183	112,681	247,322	54,317	958,131
288,000	(10,090)	-	-	-	-
(2,532,118)	(2,269,701)	(2,679,135)	(2,670,418)	(2,478,882)	(2,306,278)
13,142,680	12,491,691	12,778,376	15,190,201	16,062,266	15,115,017
-	-	76,060	134,436	147,034	110,942
-	-	-	-	47	-
2,532,118	2,269,701	2,679,135	2,670,418	2,478,882	2,306,278
2,532,118	2,269,701	2,755,195	2,804,854	2,625,963	2,417,220
$ 15,674,798	$ 14,761,392	$ 15,533,571	$ 17,995,055	$ 18,688,229	$ 17,532,237
$ 353,592	$ 554,647	$ (1,152,656)	$ (399,812)	$ 1,393,196	$ 943,098
51,138	(813,494)	(1,085,211)	205,518	504,342	348,681
$ 404,730	$ (258,847)	$ (2,237,867)	$ (194,294)	$ 1,897,538	$ 1,291,779

Schedule 3
Fund Balances of Governmental Funds
For the Last Ten Fiscal Years
(modified accrual basis of accounting)
(dollars in thousands)

	2015	2014	2013	2012
General Fund				
Nonspendable	$ 50,979	$ 54,972	$ 56,937	$ 74,206
Restricted	3,284,676	3,371,495	3,177,010	3,004,697
Unrestricted				
Committed	7,713	3,232	4,954	7,695
Assigned	444,077	325,552	365,985	298,557
Unassigned	1,282,974	1,073,662	798,630	334,655
Reserved	-	-	-	-
Unreserved	-	-	-	-
Total General Fund	$ 5,070,419	$ 4,828,913	$ 4,403,516	$ 3,719,810
All Other Governmental Funds (1) (2)				
Nonspendable	$ 257	$ 14	$ 14	$ 8,398
Restricted	1,074,877	1,216,195	1,065,153	963,782
Unrestricted				
Committed	-	-	-	-
Assigned	60,062	74,489	55,061	18,227
Unassigned	-	-	-	-
Reserved	-	-	-	-
Unreserved, Reported in				
Special Revenue Funds	-	-	-	-
Capital Projects Funds	-	-	-	-
Total All Other Governmental Funds	$ 1,135,196	$ 1,290,698	$ 1,120,228	$ 990,407

(1) Beginning in fiscal year 2007, the funds of SRTA, a component unit, was blended with those of the primary government (previously discretely presented). As such, the balances of its General Fund are included in the State's Special Revenue Funds. In fiscal year 2015, the activities of SRTA were re-examined and all activities of this blended component unit are reported as Special Revenue Funds. The Georgia Higher Education Facilities Authority, a blended component unit, was reported in the State's Capital Projects Funds in fiscal year 2008. Beginning in fiscal year 2009, the balances of this organization are included in the State's Nonmajor Enterprise Funds.

(2) Beginning in fiscal year 2011, fund balance categories were reclassified as a result of implementing GASB Statement No. 54. Fund balance was not restated to the new categories for prior years.

Source: Financial Statements included in Current and Prior Years' *Comprehensive Annual Financial Reports*
(certain amounts restated for purposes of comparability)

Fiscal Year

2011	2010	2009	2008	2007	2006
$ 94,810	$ -	$ -	$ -	$ -	$ -
2,951,729	-	-	-	-	-
9,403	-	-	-	-	-
256,676	-	-	-	-	-
401,414	-	-	-	-	-
-	3,737,311	3,520,953	2,837,792	3,487,699	3,342,233
-	(41,837)	(492,520)	1,489,500	2,077,088	924,590
$ 3,714,032	$ 3,695,474	$ 3,028,433	$ 4,327,292	$ 5,564,787	$ 4,266,823
$ 68	$ -	$ -	$ -	$ -	$ -
1,079,604	-	-	-	-	-
-	-	-	-	-	-
20,442	-	-	-	-	-
-	-	-	-	-	-
-	43,114	14	14	14	1,028
-	33,319	436,838	286,451	187,585	1,219
-	1,323,352	1,496,019	1,195,760	1,476,288	1,207,665
$ 1,100,114	$ 1,399,785	$ 1,932,871	$ 1,482,225	$ 1,663,887	$ 1,209,912

Schedule 4
Changes in Fund Balances of Governmental Funds
For the Last Ten Fiscal Years
(modified accrual basis of accounting)
(dollars in thousands)

	2015	2014	2013	2012
Revenues [(1)]				
Taxes				
Individual Income	$ 9,714,090	$ 8,976,720	$ 8,854,916	$ 8,196,187
Sales - General	5,263,011	4,988,620	5,082,342	5,141,871
Motor Vehicle License and Title ad valorem Taxes[(3)]	1,167,421	-	-	-
Other Taxes	3,095,527	2,947,574	2,708,094	2,636,648
Licenses and Permits	328,028	1,387,113	753,517	593,541
Intergovernmental - Federal	16,056,116	15,359,809	15,935,839	15,294,531
Intergovernmental - Other	646,442	590,000	626,723	505,974
Operating Grants and Contributions - Premiums	54,951	-	-	-
Sales and Services	439,342	449,697	483,606	440,951
Fines and Forfeits	444,301	446,646	607,862	450,457
Interest and Other Investment Income	26,243	23,365	7,244	18,580
Unclaimed Property	156,360	148,129	138,832	83,215
Lottery Proceeds	980,653	945,097	927,479	901,329
Nursing Home Provider Fees	175,414	169,521	176,864	132,393
Hospital Provider Payments	278,958	237,978	232,080	225,260
Other	74,141	68,375	75,148	72,657
Total Revenues	38,900,998	36,738,644	36,610,546	34,693,594
Expenditures [(1)]				
Current				
General Government	1,059,255	1,119,722	1,045,120	920,513
Education	11,435,031	10,787,182	10,768,786	10,099,224
Health and Welfare	16,713,851	16,106,379	16,031,121	15,668,820
Transportation	2,095,554	1,847,149	1,879,877	1,664,812
Public Safety	2,122,905	1,969,468	2,033,814	1,921,717
Economic Development and Assistance	610,472	512,286	494,016	782,055
Culture and Recreation	263,263	257,416	263,636	258,472
Conservation	53,394	47,471	51,314	54,694
Capital Outlay	1,010,110	699,126	600,128	674,905
Debt Service				
Principal	966,445	850,290	774,855	803,600
Interest	460,214	466,787	461,432	475,208
Other Charges	27,284	75,372	155,290	98,368
Intergovernmental	223,531	209,097	138,161	239,879
Total Expenditures	37,041,309	34,947,745	34,697,550	33,662,267
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,859,689	1,790,899	1,912,996	1,031,327

Fiscal Year

2011	2010	2009	2008	2007	2006
$ 7,797,739	$ 7,109,984	$ 7,794,606	$ 8,834,591	$ 8,831,754	$ 8,104,465
5,133,404	5,196,117	5,080,946	5,760,691	6,234,221	5,603,743
-	-	-	-	-	-
2,330,338	2,334,928	2,370,848	2,694,710	2,810,010	2,451,385
581,994	507,764	667,363	682,940	649,930	539,158
14,709,708	16,456,059	13,417,524	11,623,735	10,648,457	10,024,646
652,244	569,179	360,531	405,077	401,637	117,040
-	-	-	-	-	-
471,236	490,954	392,097	376,674	687,277	994,996
458,341	300,032	335,485	321,804	344,139	303,788
12,930	41,535	138,077	240,337	443,226	186,974
98,098	85,277	35,356	58,857	140,367	107,149
846,106	883,882	872,136	867,686	853,641	822,797
128,771	122,047	122,623	133,974	111,768	95,607
215,080	-	-	-	-	-
94,327	96,393	157,741	152,296	258,313	386,791
33,530,316	34,194,151	31,745,333	32,153,372	32,414,740	29,738,539
873,658	860,558	1,250,409	1,251,265	1,207,057	1,158,810
9,981,903	10,719,216	10,083,963	10,481,854	9,945,327	9,031,188
14,721,528	14,211,763	13,097,393	12,475,474	11,724,373	11,270,055
1,699,712	2,127,591	2,725,244	3,256,231	2,628,075	2,079,873
1,874,257	1,895,659	1,976,831	2,035,807	1,841,350	1,788,074
836,341	787,261	718,858	816,766	739,998	685,680
275,974	275,746	306,434	315,578	293,620	282,422
51,573	62,430	65,007	69,883	101,773	61,041
882,731	500,166	560,229	471,251	474,050	478,109
845,300	804,560	801,565	750,909	679,216	570,042
493,845	485,195	469,281	434,494	409,632	324,893
57,923	42,203	36,059	(2,342)	(10,855)	(2,497)
153,190	220,118	377,607	341,524	324,056	243,347
32,747,935	32,992,466	32,468,880	32,698,694	30,357,672	27,971,037
782,381	1,201,685	(723,547)	(545,322)	2,057,068	1,767,502

(continued)

Schedule 4
Changes in Fund Balances of Governmental Funds
For the Last Ten Fiscal Years
(modified accrual basis ofaccounting)
(dollars in thousands)
(continued)

	2015	2014	2013	2012
Other Financing Sources (Uses) [1]				
General Obligation Bonds Issuance	823,555	857,670	834,870	803,615
Refunding Bonds Issuance	159,350	-	486,825	719,465
Revenue Bond Issuance	11,057	32,718	-	-
Premium on General Obligation Bonds Sold	78,602	62,075	124,742	78,781
Premium on Refunding Bonds Sold	13,819	-	102,681	86,523
Premium on Revenue Bonds Sold	-	-	-	-
Accrued Interest on Refunding Bonds Sold	-	-	-	-
Accrued Interest on Revenue Bonds Sold	-	-	-	-
Payment to Refunded Bond Escrow Agent	(173,032)	-	(587,396)	(805,945)
Proceeds from Disposition of General Capital Assets	-	-	-	-
Capital Leases	12,825	8,207	5,847	11,179
Transfers In	1,609,361	1,550,566	1,424,420	1,414,093
Transfers Out	(3,882,868)	(3,706,268)	(3,481,263)	(3,409,603)
Net Other Financing Sources (Uses)	(1,347,331)	(1,195,032)	(1,089,274)	(1,101,892)
Special Item	-	-	-	-
Other Adjustments to Fund Balance	-	-	-	-
Net Change in Fund Balance	$ 512,358	$ 595,867	$ 823,722	$ (70,565)
Debt Service Expenditures as a Percentage of Noncapital Expenditures [2]	4.36%	4.39%	4.26%	4.41%

(1) Beginning in fiscal year 2007, the funds of SRTA, a component unit, was blended with those of the primary government (previously discretely presented). As such, the balances of its General Fund are included in the State's Special Revenue Funds. In fiscal year 2015, the activities of SRTA were re-examined and all activities of this blended component unit are reported as Special Revenue Funds. The Georgia Higher Education Facilities Authority, a blended component unit, was reported in the State's Capital Projects Funds in fiscal year 2008. Beginning in fiscal year 2009, the balances of this organization are included in the State's Nonmajor Enterprise Funds.

(2) Noncapital expenditures are calculated as total expenditures less capital outlay expenditures less capital expenditures in current expenditure functions. Capital expenditures in current expenditure functions are identified in the process of reconciling Governmental Funds to Governmental Activities.

(3) Beginning in fiscal year 2015, Motor Vehicle License and Title ad valorem Taxes previously reported as Licenses and Permits are reported as Taxes.

Source: Financial Statements included in Current and Prior Years' *Comprehensive Annual Financial Reports* and supporting working papers

Fiscal Year

2011	2010	2009	2008	2007	2006
653,925	793,855	1,445,645	946,035	1,410,648	1,236,010
344,420	640,825	149,730	-	213,720	425,000
-	-	600,000	600,000	450,000	-
32,170	25,206	84,867	16,828	3,894	4,040
55,821	112,131	21,730	-	18,922	46,399
-	-	57,683	39,911	19,967	-
-	-	-	-	742	-
-	-	538	-	-	-
(398,339)	(750,209)	(171,307)	-	(235,516)	(469,479)
-	-	-	1,661	-	600
25,851	6,201	2,259	825	777	1,085
1,467,443	1,959,530	2,151,031	2,121,862	1,925,552	1,022,503
(3,532,786)	(3,923,140)	(4,466,328)	(4,599,625)	(4,211,954)	(3,165,858)
(1,351,495)	(1,135,601)	(124,152)	(872,503)	(403,248)	(899,700)
288,000	-	-	-	-	-
-	-		(1,332)	98,119	37,112
$ (281,114)	$ 66,084	$ (847,699)	$ (1,419,157)	$ 1,751,939	$ 904,914
4.67%	4.32%	4.37%	3.98%	3.85%	3.44%

Schedule 5
Revenue Base - Personal Income by Industry
For the Last Ten Calendar Years
(dollars in millions)

	2014	2013	2012	2011
Accommodation and Food Services	$ 9,551	$ 8,969	$ 8,595	$ 8,040
Administrative and Waste Management Services	14,828	13,744	12,873	12,418
Arts, Entertainment and Recreation	2,379	2,277	2,162	2,066
Construction	14,766	13,365	12,471	12,113
Educational Services	4,638	4,391	4,318	4,134
Farm Earnings	3,230	3,640	3,429	1,982
Federal Government - Civilian	9,824	9,796	10,076	10,303
Federal Government - Military	6,833	7,048	7,229	7,500
Finance and Insurance	18,200	17,386	16,492	15,364
Forestry, Fishing and Related Activities	1,010	872	847	761
Health Care and Social Assistance	28,658	27,487	26,127	25,083
Information	12,225	11,414	10,922	10,239
Management of Companies and Enterprises	7,776	7,009	6,626	5,974
Manufacturing	26,822	25,876	24,977	24,267
Mining	592	558	524	505
Other Services, Except Public Administration	10,460	10,055	9,619	9,095
Professional, Scientific and Technical Services	28,908	26,708	25,972	24,313
Real Estate, Rental and Leasing	6,454	6,135	5,740	4,780
Retail Trade	18,127	17,303	16,415	15,985
State and Local Government	32,454	32,139	32,100	31,825
Transportation and Warehousing	13,881	13,143	12,498	11,945
Utilities	2,435	2,401	2,294	2,422
Wholesale Trade	19,539	18,709	17,917	17,238
Other	101,183	97,731	98,926	98,954
Total Personal Income	$ 394,773	$ 378,156	$ 369,149	$ 357,306
Average Effective Rate [1]	2.3%	2.3%	2.2%	2.2%

(1) The total direct rate for personal income is not available. The average effective rate was calculated by dividing individual income tax collections on a fiscal year basis (see Schedule 4) by total personal income on a calendar year basis.

Source: U. S. Department of Commerce, Bureau of Economic Analysis

Calendar Year

2010	2009	2008	2007	2006	2005
$ 7,625	$ 7,504	$ 7,748	$ 7,725	$ 7,491	$ 6,987
11,618	11,128	11,764	11,783	11,336	10,694
1,995	1,970	1,989	1,969	1,831	1,714
12,274	13,103	15,638	17,401	17,507	15,708
3,980	3,857	3,589	3,394	3,190	2,775
1,749	1,972	2,606	1,838	1,570	2,469
10,043	9,332	8,746	8,445	8,016	7,679
7,529	7,251	6,926	6,195	5,881	5,606
15,007	16,574	18,082	16,776	15,501	14,205
778	700	700	732	756	664
24,282	23,570	22,445	21,186	20,004	18,731
9,974	10,627	11,481	11,858	11,591	11,257
5,471	5,504	5,374	5,750	5,448	5,748
22,969	22,986	25,374	26,185	26,260	25,253
412	375	469	527	524	500
8,807	8,687	8,701	9,075	8,886	8,211
22,853	23,092	24,526	22,697	21,445	19,398
3,852	3,683	4,509	4,708	5,438	5,379
15,472	15,391	16,039	16,659	16,315	15,361
31,814	30,909	30,728	29,383	28,469	27,120
11,092	10,708	11,318	11,608	10,227	10,022
2,161	2,355	2,300	2,185	2,169	1,988
16,700	16,701	17,867	17,825	16,750	15,620
85,102	82,481	80,981	76,455	68,427	61,463
$ 333,559	$ 330,460	$ 339,900	$ 332,359	$ 315,032	$ 294,552
2.1%	2.4%	2.6%	2.7%	2.6%	2.4%

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**	**2006-2015**
Single	
Not Over $750	1%
Over $750 But Not Over $2,250	$7.50 Plus 2% of Amount Over $750
Over $2,250 But Not Over $3,750	$37.50 Plus 3% of Amount Over $2,250
Over $3,750 But Not Over $5,250	$82.50 Plus 4% of Amount Over $3,750
Over $5,250 But Not Over $7,000	$142.50 Plus 5% of Amount Over $5,250
Over $7,000	$230.00 Plus 6% of Amount Over $7,000
Married Filing Separately	
Not Over $500	1%
Over $500 But Not Over $1,500	$5.00 Plus 2% of Amount Over $500
Over $1,500 But Not Over $2,500	$25.00 Plus 3% of Amount Over $1,500
Over $2,500 But Not Over $3,500	$55.00 Plus 4% of Amount Over $2,500
Over $3,500 But Not Over $5,000	$95.00 Plus 5% of Amount Over $3,500
Over $5,000	$170.00 Plus 6% of Amount Over $5,000
Head of Household and Married Filing Jointly	
Not Over $1,000	1%
Over $1,000 But Not Over $3,000	$10.00 Plus 2% of Amount Over $1,000
Over $3,000 But Not Over $5,000	$50.00 Plus 3% of Amount Over $3,000
Over $5,000 But Not Over $7,000	$110.00 Plus 4% of Amount Over $5,000
Over $7,000 But Not Over $10,000	$190.00 Plus 5% of Amount Over $7,000
Over $10,000	$340.00 Plus 6% of Amount Over $10,000

Source: O.C.G.A. Section 48-7-20, Paragraph (b)(1)

Schedule 7

Individual Income Tax Filers and Liability by Income Level

For Calendar Years 2013(1) and 2004

(dollars, except income level, are in thousands)

2013(1)				
Income Level	**Number of Filers**	**Percentage of Total**	**Personal Income Tax Liability**	**Percentage of Total**
$1,000 and under (2)	784,286	18.2%	$ 531,818	6.2%
$1,001 to $5,000	221,176	5.1%	2	0.0%
$5,001 to $10,000	334,591	7.7%	10,239	0.1%
$10,001 to $15,000	361,478	8.4%	45,861	0.5%
$15,001 to $20,000	317,290	7.3%	93,368	1.1%
$20,001 to $25,000	274,663	6.4%	140,131	1.6%
$25,001 to $30,000	235,264	5.4%	172,995	2.0%
$30,001 to $50,000	635,990	14.7%	808,020	9.4%
$50,001 to $100,000	687,969	15.9%	1,887,383	22.0%
$100,001 to $500,000	443,739	10.3%	3,372,619	39.4%
$500,001 to $1,000,000	16,079	0.4%	549,080	6.4%
$1,000,001 and higher	7,186	0.2%	957,507	11.3%
Totals	4,319,711	100.0%	$ 8,569,024	100.0%

2004				
Income Level	**Number of Filers**	**Percentage of Total**	**Personal Income Tax Liability**	**Percentage of Total**
$1,000 and under (2)	498,000	13.2%	$ 405,783	6.1%
$1,001 to $5,000	265,000	7.0%	8	0.0%
$5,001 to $10,000	341,000	9.0%	8,293	0.1%
$10,001 to $15,000	320,000	8.4%	38,576	0.6%
$15,001 to $20,000	287,000	7.6%	86,874	1.3%
$20,001 to $25,000	261,000	6.9%	134,756	2.0%
$25,001 to $30,000	227,000	6.0%	166,988	2.5%
$30,001 to $50,000	607,000	16.1%	758,902	11.3%
$50,001 to $100,000	653,000	17.3%	1,729,706	25.8%
$100,001 to $500,000	301,000	8.0%	2,209,210	33.0%
$500,001 to $1,000,000	11,000	0.3%	404,356	6.0%
$1,000,001 and higher	6,000	0.2%	757,470	11.3%
Totals	3,777,000	100.0%	$ 6,700,922	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	Revenue Bonds
2015	$ 9,367,381	$ 1,200,365	$ 221,690	$ 21,662	$ 1,384,058
2014	9,437,844	1,367,068	252,830	4,024	1,781,514
2013	9,072,784	1,503,925	255,763	4,000	1,211,200
2012	8,889,868	1,678,744	262,111	14,600	319,247
2011	8,774,586	1,848,570	223,429	19,600	328,597
2010	8,837,728	2,009,489	242,430	27,614	213,814
2009	8,725,198	2,169,235	3,266	27,698	121,736
2008	7,927,420	1,617,932	5,184	32,820	31,628
2007	7,688,919	1,037,993	8,162	568	38,540
2006	6,909,343	-	4,748	796	-

(1) Beginning in fiscal year 2007, the funds of the State Road and Tollway Authority (SRTA), a component unit, were blended with those of the primary government (previously discretely presented). As such, its activity and balances were included in both Governmental Activities and in Business-type Activities. In fiscal year 2015, the activities of SRTA were re-examined and all activities of this blended component unit are reported as Governmental Activities.

(2) The Governmental Activities Revenue Bonds include $327.1 million of bonds secured by a joint resolution between the Department of Transportation (DOT) (General Fund) and the SRTA (Nonmajor Governmental Fund) whereby DOT has pledged to provide sufficient motor fuel tax funds to pay the principal and interest of the revenue bonds. According to the State Constitution, motor fuel tax funds are imposed and appropriated for all activities incident to maintaining an adequate system of roads and bridges in the State. In fiscal year 2015, the State collected $1.0 billion of motor fuel tax funds. The principal and interest on the revenue bonds for fiscal year 2015 was $38.8 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] Capital Leases	Notes and Loans	Less: Net Position Restricted to Guaranteed Revenue Debt	Total Primary Government	Percentage of Personal Income[3]	Outstanding Debt Per Capita[3]
$ 1,948,804	$ 6,027	$ (54,003)	$ 14,095,984	3.6%	$ 1,396
1,829,517	3,923	(54,003)	14,622,717	3.9%	1,463
2,370,028	397,692	(54,003)	14,761,389	4.0%	1,488
3,436,099	751,299	(54,003)	15,297,965	4.3%	1,558
3,170,521	734,189	(54,003)	15,045,489	4.5%	1,549
2,648,321	424,424	(62,886)	14,340,934	4.3%	1,459
2,240,418	8,733	(62,887)	13,233,397	3.9%	1,365
1,795,234	9,170	(63,084)	11,356,304	3.4%	1,191
1,201,524	9,477	(63,084)	9,922,099	3.1%	1,063
839,926	2,618	-	7,757,431	2.6%	853

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]
2015	$ 9,668,940	2.45%	$ 957.57
2014	9,768,380	2.58%	977.35
2013	9,427,553	2.55%	950.45
2012	9,278,490	2.60%	945.51
2011	9,197,267	2.76%	946.76
2010	9,280,726	2.81%	944.20
2009	9,200,175	2.71%	948.68
2008	8,431,520	2.54%	884.39
2007	8,219,971	2.61%	881.02
2006	6,909,343	2.35%	759.48

(1) Beginning in fiscal year 2007, the funds of the State Road and Tollway Authority (SRTA), a component unit, were blended with those of the primary government (previously discretely presented). As such, its activity and balances were included in both Governmental Activities and in Business-type Activities. In fiscal year 2015, the activities of SRTA were re-examined and all activities of this blended component unit are reported as Governmental Activities.

(2) See Schedule 11 (Population/Demographics) for personal income and population data.

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


STATE OF GEORGIA
CONSTITUTION
WISDOM
JUSTICE
MODERATION
1776

Schedule 10
Computation of Legal Debt Margin
For the Last Ten Fiscal Years
(in whole dollars)

	2015	2014	2013	2012
Revenue Base:				
Treasury Receipts for the Preceding Fiscal Year [1]	$ 20,256,765,494	$ 19,539,691,058	$ 18,316,797,048	$ 17,546,376,094
Debt Limit Amount:				
Highest Aggregate Annual Commitments (Principal and Interest) Permitted Under Constitutional Limitation (10% of above)	$ 2,025,676,549	$ 1,953,969,106	$ 1,831,679,705	$ 1,754,637,609
Debt Applicable to the Limit:				
Highest Total Annual Commitments in Current or any Subsequent Fiscal Year [2]	1,305,012,971	1,320,929,740	1,289,411,544	1,310,228,303
Legal Debt Margin	$ 720,663,578	$ 633,039,366	$ 542,268,161	$ 444,409,306
Total Debt Applicable to the Limit as a Percentage of Debt Limit Amount	64.4%	67.6%	70.4%	74.7%

(1) Includes Indigent Care Trust Fund Receipts, Brain and Spinal Injury Trust Fund Receipts, Lottery Proceeds and Tobacco Settlement Funds.

(2) Includes issued and outstanding debt as of the end of each fiscal year and appropriated debt service for any authorized but unissued general obligation (and guaranteed revenue) bonds.

Source: Prior Year's *Comprehensive Annual Financial Reports* , other annual state reports, Georgia State Financing and Investment Commission, Constitution of the State of Georgia.

Note: The Constitution of the State of Georgia limits the combined total of highest annual debt service requirements for general obligation and guaranteed revenue debt to 10 percent of the prior year's revenue collections.

Fiscal Year

2011	2010	2009	2008	2007	2006
$16,251,244,423	$17,841,696,614	$19,789,803,318	$19,859,978,972	$18,343,188,273	$16,789,925,019
$ 1,625,124,442	$ 1,784,169,661	$ 1,978,980,332	$ 1,985,997,897	$ 1,834,318,827	$ 1,678,992,502
1,328,679,199	1,369,585,101	1,307,083,843	1,245,513,776	1,144,843,403	1,091,329,526
$ 296,445,243	$ 414,584,560	$ 671,896,489	$ 740,484,121	$ 689,475,424	$ 587,662,976
81.8%	76.8%	66.0%	62.7%	62.4%	65.0%

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
2014	10,097,343	$ 394,773	$ 39,097	1,736,416	7.2%
2013	9,994,759	378,156	37,845	1,716,905	8.2%
2012	9,919,000	369,149	37,229	1,693,374	9.2%
2011	9,813,201	357,306	36,422	1,673,740	10.2%
2010	9,714,464	333,559	34,341	1,665,557	10.5%
2009	9,829,211	330,460	34,348	1,656,689	9.9%
2008	9,697,838	339,900	35,761	1,642,033	6.2%
2007	9,533,761	332,359	35,546	1,634,255	4.5%
2006	9,330,086	315,032	34,408	1,618,869	4.7%
2005	9,097,428	294,552	33,000	1,588,803	5.3%

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 2015 and Nine Years Previous (2006)

2015 Employers	**2006 Employers**
AT&T Services, Incorporated	AT&T Company
Childrens Healthcare of Atlanta	Bank of America
Delta Air Lines, Incorporated	BellSouth Corporation
Emory Healthcare, Incorporated	Columbia Healthcare Corporation
Emory University	Delta Air Lines, Incorporated
Gulfstream Aerospace Corporation	First American Home Care of Georgia
Lowes Home Centers, Incorporated	K-Mart Corporation
Northside Hospital	Mohawk Industries
Publix Super Markets, Incorporated	Promina Health System
Shaw Industries Group, Incorporated	Publix Supermarkets, Incorporated
The Home Depot	Shaw Industries, Incorporated
The Kroger Company	The Home Depot, Incorporated
United Parcel Service	The Kroger Company
Waffle House	The Southern Company/Georgia Power Company
Wal-Mart Stores, Incorporated	United Parcel Service, Incorporated
Wellstar Health System, Incorporated	Wal-Mart Stores, Incorporated

To protect employer confidentiality, O.C.G.A. Section 34-8-121(b)(3) prohibits the release of employee numbers by employer.

Sources: 2015 - Georgia Department of Labor (1st quarter 2015)
2006 - *Comprehensive Annual Financial Report* - Fiscal Year Ended June 30, 2006

Schedule 13
State Government Employment by Function
For the Last Ten Fiscal Years [1]

	2015	2014	2013	2012
Governmental Activities				
General Government	8,402	7,848	8,194	7,729
Education	1,836	1,419	1,422	1,371
Health and Welfare	22,102	18,868	20,463	18,007
Transportation	5,102	4,379	4,385	4,577
Public Safety	25,513	23,430	21,418	20,449
Economic Development and Assistance	2,760	2,757	2,459	4,802
Culture and Recreation	2,838	2,284	2,403	3,169
Conservation	837	638	647	664
	69,390	61,623	61,391	60,768
Business-Type Activities [2] [6]				
Georgia Technology Authority [3]	-	-	-	-
State Road and Tollway Authority [4]	-	70	79	71
Higher Education Fund [5]	76,972	76,594	74,503	82,109
	76,972	76,664	74,582	82,180
Total Employment	146,362	138,287	135,973	142,948

(1) Includes employees that were active at any time during the Fiscal Year. An individual employee may, therefore, be included in multiple functions if the employee transferred among functions during the fiscal year. This does not represent the number of active employees at the end of the year.

(2) Employees of certain Business-Type Activities organizations are included in Governmental Activities as follows:
Employees of the State Employees' Health Benefit Plan are included as employees of the Department of Community Health in Health and Welfare.
Employees of the Unemployment Compensation Fund are included as employees of the Department of Labor in Economic Development and Assistance.

(3) Beginning in fiscal year 2007, the Georgia Technology Authority is reported as an internal service fund serving primarily governmental organizations and, as such, its employees are included in Governmental Activities - General Government.

(4) Beginning in fiscal year 2007, the State Road and Tollway Authority (SRTA), formerly a discretely presented component unit, was blended with the primary government with activities in both governmental and business-type activities. In fiscal year 2015, the activities of SRTA were re-examined and all activity is reported as governmental activities.

(5) 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.

(6) No employees for the Nonmajor Enterprise Funds (Business-Type Activities) Georgia Higher Education Finance Authority and Higher Education Foundations are included as these organizations either have no employees, their data is not available or their employees are already reported as employees of another organization in either the Governmental Activities or Business-Type Activities.

Source: Open.Georgia.gov

Fiscal Year

2011	2010	2009	2008	2007	2006
9,658	9,103	8,425	9,151	9,240	6,779
1,213	1,399	1,156	1,186	1,160	1,129
18,616	27,653	22,629	23,430	22,732	22,170
5,273	5,363	5,340	5,745	5,849	5,769
21,997	25,014	21,829	23,850	23,115	23,266
5,144	5,375	4,636	4,650	4,584	4,589
2,548	3,184	2,785	3,160	3,023	2,945
686	845	746	776	776	742
65,135	77,936	67,546	71,948	70,479	67,389
-	-	-	-	-	562
52	64	53	43	51	-
79,174	96,739	85,193	86,579	84,795	82,200
79,226	96,803	85,246	86,622	84,846	82,762
144,361	174,739	152,792	158,570	155,325	150,151

Schedule 14
Operating Indicators and Capital Assets by Function
For the Last Ten Years (1)

	2015	2014	2013	2012
General Government				
Department of Revenue				
Number of Personal Income Tax Filers	NCA	NCA	4,319,711	4,226,144
Education				
Department of Education				
Public School Enrollment (March FTE Count)				
Pre Kindergarten through Grade 5	854,352	846,364	836,627	829,900
Grades 6 through 8	392,433	392,381	388,542	383,553
Grades 9 through 12	489,631	478,160	468,205	460,287
Board of Regents of the University System of Georgia				
Number of Separate Institutions	30	31	31	35
Number of Active Educators	14,478	14,309	13,903	13,855
Number of Students	312,936	309,469	314,365	318,027
Health and Welfare				
Department of Human Services				
Food Stamp Recipients	1,825,606	1,823,017	1,957,886	1,875,000
Temporary Assistance for Needy Families Recipients	27,219	31,598	35,185	35,887
Transportation				
Department of Transportation				
Miles of State Highway	17,907	17,912	17,967	17,985
Public Safety				
Department of Corrections				
Number of Inmates	51,002	51,216	53,168	54,336
Number of Probationers	165,926	165,560	164,051	163,265
Economic Development and Assistance				
Department of Economic Development				
Economic Impact of Tourism (in millions):				
Domestic Traveler Spending - Direct	NCA	$ 23,707	$ 22,354	$ 21,489
Domestic Travel-generated State Tax Revenues	NCA	$ 1,059	$ 989	$ 949
Culture and Recreation:				
Department of Natural Resources				
Number of State Parks	49	49	49	48
Number of Historic Sites	15	15	15	18
Acreage of State Parks and Historic Sites (in acres)	85,647	92,880	92,880	86,000+
Number of Daily Park Passes Sold	790,020	659,391	650,651	659,860
Number of Annual Park Passes Sold	7,852	6,187	5,595	8,042
Number of Hunting and Fishing Licenses Sold	1,346,360	1,025,782	955,340	1,004,771
Number of Registered Boats	144,979	147,854	125,280	124,610
Conservation				
Forestry Commission				
Economic Impact of Forestry Industry				
Output (in millions)	NCA	NCA	$ 16,900	$ 16,313
Employment	NCA	NCA	50,110	49,516
Compensation (in millions)	NCA	NCA	$ 3,100	$ 3,078

(1) Data is presented by either fiscal year or calendar year based on availability of information.

Source: NCA - Not Currently Available
Information obtained from the individual organizations listed.

Fiscal Year					
2011	2010	2009	2008	2007	2006
4,265,347	4,266,318	4,166,498	4,229,929	4,273,200	4,046,275
828,005	825,044	818,709	812,311	801,307	782,428
376,315	371,759	367,453	368,734	371,020	369,809
461,237	459,886	455,871	453,210	446,539	436,566
35	35	35	35	35	35
13,311	12,828	11,654	11,422	11,082	9,721
311,442	301,892	282,978	270,022	259,945	253,552
1,737,545	1,389,935	1,202,181	986,245	947,146	947,683
36,534	90,581	38,824	40,609	47,395	68,993
17,985	18,093	18,095	18,096	18,066	18,084
55,162	52,291	54,049	54,016	53,226	52,635
156,630	154,989	154,218	148,629	142,663	136,175
$ 20,537	$ 18,906	$ 17,570	$ 19,026	$ 18,680	$ 17,743
$ 919	$ 855	$ 816	$ 851	$ 845	$ 812
48	48	48	48	48	48
18	15	15	15	15	15
86,000+	84,000+	85,000+	82,000+	82,000+	72,835
679,838	840,000	440,845	NCA	NCA	809,393
10,792	9,470	19,669	NCA	NCA	16,935
997,651	1,038,015	1,299,525	1,195,801	1,238,399	1,210,282
132,832	134,815	128,003	116,858	122,927	128,612
$ 15,100	$ 14,500	$ 16,900	$ 18,300	$ 18,500	$ 17,760
46,378	43,425	48,519	57,812	64,192	67,733
$ 2,900	$ 2,600	$ 2,800	$ 3,100	$ 3,400	$ 3,513