This Preliminary Official Statement and the information contained herein are subject to completion or amendment without notice. These securities may not be sold nor may offers to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or a solicitation of an offer to buy, nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of such jurisdiction.

PRELIMINARY OFFICIAL STATEMENT DATED JULY 13, 2016

NEW ISSUE
(BOOK-ENTRY ONLY)

RATINGS
Moody's:
Standard & Poor's:
Fitch:
See "MISCELLANEOUS - Ratings" herein.

In the opinion of Bond Counsel, under existing laws, regulations, and judicial decisions and assuming continued compliance with certain tax covenants, interest on the 2016 Bonds is exempt from present State of Georgia income taxation, is excluded from gross income for federal income tax purposes, and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, such interest on the 2016 Bonds is taken into account in determining adjusted current earnings for the purpose of computing the federal alternative minimum tax imposed on certain corporations. See Appendix F hereto for the form of opinion Bond Counsel proposes to deliver in connection with the issuance of the 2016 Bonds. For a more complete discussion of such opinion and certain other tax consequences of owning the 2016 Bonds, including certain exceptions to the exclusion of the interest on the 2016 Bonds from gross income, see ***"LEGAL MATTERS - Opinion of Bond Counsel"*** *herein.*

$19,355,000*
STATE ROAD AND TOLLWAY AUTHORITY
State of Georgia (Full Faith and Credit)
Guaranteed Revenue Refunding Bonds, Series 2016

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

The State Road and Tollway Authority (the "Authority") will issue its State of Georgia (Full Faith and Credit) Guaranteed Revenue Refunding Bonds, Series 2016 (the "2016 Bonds") only as fully registered bonds in denominations of $5,000 each or any integral multiple thereof. Interest on the 2016 Bonds is payable on October 1, 2016 and semiannually thereafter on each April 1 and October 1 as more fully described herein.

The 2016 Bonds will be issued in book-entry form registered in the name of Cede & Co., the nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the 2016 Bonds. Payments of principal and interest on the 2016 Bonds will be made by U.S. Bank National Association, as successor Trustee, directly to Cede & Co., as nominee for DTC, as registered owner of the 2016 Bonds, to be subsequently disbursed to DTC Participants and thereafter to the beneficial owners of the 2016 Bonds, all as further described herein. Beneficial owners of the 2016 Bonds will not receive physical delivery of bond certificates.

The 2016 Bonds are not subject to redemption prior to maturity.

The 2016 Bonds are being issued by the Authority for the purpose of (i) refunding all outstanding State of Georgia Guaranteed Revenue Bonds, Series 2003 (the "2003 Bonds") and (ii) paying a portion of the costs of issuing the 2016 Bonds as further described herein.

The 2016 Bonds will be guaranteed by the State of Georgia and will be entitled to the full faith, credit, and taxing power of the State of Georgia for payment in accordance with their terms. The 2016 Bonds are special limited obligations of the Authority payable solely from and secured on a parity with the State Road and Tollway Authority State of Georgia (Full Faith and Credit) Guaranteed Revenue Refunding Bonds, Series 2011B (the "2011B Bonds"), by a pledge of and lien on the funds specified in the Trust Indenture, dated as of October 1, 2003, as supplemented by the First Supplemental Trust Indenture, dated as of March 1, 2011, and the Second Supplemental Trust Indenture, dated as of July 1, 2016 (as so supplemented, the "2003 Indenture"), between the Authority and U.S. Bank National Association as successor Trustee. Pledged revenues under the 2003 Indenture consist primarily of a portion of the proceeds of the motor fuel taxes imposed by the State of Georgia, which portion will be transferred to the Authority pursuant to the Joint Resolution described herein. Pledged funds do not include revenues to be derived by the Authority from the ownership or operation of any existing or future projects of the Authority, all as further described herein.

This cover page contains certain information for quick reference only. It is *not* a summary of this issue. Investors must read the entire Official Statement to obtain information essential to making an informed investment decision.

The 2016 Bonds are offered when, as and if issued by the Authority, subject to prior sale or withdrawal or modification of the offer without notice, and approval as to legality by Sutherland Asbill & Brennan LLP, Atlanta, Georgia, Bond Counsel. Certain legal matters will be passed on for the Authority by its disclosure counsel, Kutak Rock LLP, Atlanta, Georgia. The 2016 Bonds in definitive form are expected to be delivered through the book-entry system of DTC in New York, New York on or about July 28, 2016.*

The Authority will receive electronic bids July 20, 2016, at 10:00AM, Eastern Time, as set forth in the Official Notice of Sale.

The date of this Official Statement is July __, 2016

*Preliminary, subject to change

$19,355,000*
State Road and Tollway Authority
State of Georgia (Full Faith and Credit)
Guaranteed Revenue Refunding Bonds, Series 2016

Maturing October 1,*	Principal*	Interest Rate	Yield	CUSIP(a)
2023	$19,355,000*			

*** Preliminary, subject to change**

(a) CUSIP numbers have been assigned by an organization not affiliated with the State of Georgia or the Authority and are shown above for the convenience of the holders of the 2016 Bonds. The Authority, the State of Georgia, and the Georgia State Financing and Investment Commission are not responsible for the selection or uses of these CUSIP numbers, nor is any representation made as to their accuracy on the 2016 Bonds or as indicated above.

STATE ROAD AND TOLLWAY AUTHORITY

Members

Nathan Deal, *Chairperson*
Teresa MacCartney, *Vice Chairperson*
Mitchell Land
Russell McMurry
Joe Wood, Jr.

Appointed Officials

Christopher Tomlinson., *Executive Director and Secretary*
Mark Peoples, *Chief Financial Officer*

STATE OF GEORGIA

GEORGIA STATE FINANCING AND INVESTMENT COMMISSION

Members

Nathan Deal, *Governor*
Casey Cagle, *Lieutenant Governor and President of the Senate*
David Ralston, *Speaker of the House of Representatives*
Samuel S. Olens, *Attorney General*
Gary W. Black, *Commissioner of Agriculture*
Steven McCoy, *State Treasurer*
Greg S. Griffin, *State Auditor*

Appointed Officials

Diana Pope, *Director, Financing and Investment Division*
Steve Stancil, *Director, Construction Division & Executive Secretary to the Commission*

DEPARTMENT OF TRANSPORTATION

State Transportation Board

Emily Dunn, Chairperson
Robert L. Brown, Jr., *Vice Chairperson*

Ann R. Purcell
Johnny Floyd
Sam M. Wellborn
Stacey Key
Mark Burkhalter
Rudy Bowen
Tim Golden
Jamie Boswell
Jeff Lewis
Don Grantham
Dana Lemon
Roger Williams

Appointed Officials

Russell McMurry, *Commissioner of Transportation*
Jay Roberts, *Director of Planning*
Mike Dover, *Deputy Commissioner of Transportation*
Meg Pirkle, *Chief Engineer*
Angela Whitworth, *Treasurer of Transportation*

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OFFICIAL STATEMENT

$19,355,000*
STATE ROAD AND TOLLWAY AUTHORITY
STATE OF GEORGIA (FULL FAITH AND CREDIT)
GUARANTEED REVENUE REFUNDING BONDS, SERIES 2016

INTRODUCTION

The purpose of this Official Statement, which includes the cover page and the Appendices hereto, is to furnish certain information in connection with the sale by the State Road and Tollway Authority of $19,355,000* in aggregate principal amount of its State of Georgia (Full Faith and Credit) Guaranteed Revenue Refunding Bonds, Series 2016 (the "2016 Bonds").

This Introduction is not a summary of this Official Statement and is intended only for quick reference. It is only a brief description of and guide to, and is qualified in its entirety by reference to, more complete and detailed information contained in the entire Official Statement, including the cover page and the Appendices hereto, and the documents summarized or described herein. Potential investors should fully review this entire Official Statement. The offering of the 2016 Bonds to potential investors is made only by means of the entire Official Statement, including the Appendices hereto. No person is authorized to detach this Introduction from the Official Statement or to otherwise use it without the entire Official Statement, including the Appendices hereto. The State of Georgia and the State Road and Tollway Authority historically have organized, and currently expect to continue in the future to organize, their fiscal affairs on the basis of a fiscal year, rather than a calendar year, which fiscal year extends from July 1 of any calendar year through June 30 of the immediate subsequent calendar year and throughout this Official Statement will be referenced as the fiscal year ("FY") of the year ending that June 30. For example, FY 2016 means the fiscal year ended June 30, 2016 and FY 2017 means the fiscal year ending June 30, 2017.

The Authority

The State Road and Tollway Authority (the "Authority"), the issuer of the 2016 Bonds, is a public corporation created and existing under the laws of the State of Georgia (the "State"). For more complete information, see **"THE AUTHORITY"** herein.

The Georgia State Financing and Investment Commission

The Georgia Financing and Investment Commission (the "Commission") is an agency and instrumentality of the State, and its members are the Governor, the President of the Senate (the Lieutenant Governor), the Speaker of the House of Representatives, the State Auditor, the Attorney General, the State Treasurer, and the Commissioner of Agriculture.

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

Georgia Department of Transportation

The Georgia Department of Transportation ("GDOT") administers the State's highway system. For more complete information, see **"GEORGIA DEPARTMENT OF TRANSPORTATION"** herein.

The Trustee

U.S. Bank National Association, Atlanta, Georgia (the "Trustee"), will act as trustee, as bond registrar, and as paying agent for the 2016 Bonds.

*** Throughout this Preliminary Official Statement and all appendices hereto, a single asterisk indicates that the information is preliminary and subject to change.**

Purpose of the 2016 Bonds

The 2016 Bonds are being issued by the Authority for the purpose of (i) refunding $23,810,000 in aggregate principal amount of its State of Georgia Guaranteed Revenue Bonds, Series 2003 (the "2003 Bonds" or the "Refunded Bonds") maturing October 1, 2023, which constitute all of the outstanding 2003 Bonds, and (ii) paying a portion of the costs of issuing the 2016 Bonds. For more complete information, see **"PLAN OF FINANCING"** herein.

Security and Sources of Payment for the 2016 Bonds

The 2016 Bonds are special limited obligations of the Authority payable solely from and secured on a parity with the State Road and Tollway Authority State of Georgia (Full Faith and Credit) Guaranteed Revenue Refunding Bonds, Series 2011B, currently outstanding in the aggregate principal amount of $137,125,000 (the "2011B Bonds") and any Additional Parity Bonds (as described in "**APPENDIX C - SUMMARY OF THE 2003 INDENTURE**" herein), by a pledge of and lien on the funds specified in the Trust Indenture, dated as of October 1, 2003, as supplemented by the First Supplemental Trust Indenture, dated as of March 1, 2011 and by a Second Supplemental Trust Indenture, to be dated as of July 1, 2016 (the "Second Supplemental Indenture") (as so supplemented, the "2003 Indenture"), between the Authority and the Trustee. The 2011B Bonds were issued under the 2003 Indenture for the purposes of refunding a portion of the State Road and Tollway Authority State of Georgia Guaranteed Revenue Bonds, Series 2003 (the "2003 Bonds"), which also were issued under the 2003 Indenture. Of the 2003 Bonds, only those bonds maturing October 1, 2023 in the aggregate principal amount of $23,810,000 remain outstanding. The 2011B Bonds and the 2016 Bonds are referred to collectively in this Official Statement as the "2003 Indenture Bonds." Pledged revenues for the 2003 Indenture Bonds consist primarily of a portion of the proceeds of the motor fuel taxes imposed by the State, which portion will be transferred to the Authority pursuant to the Joint Resolution described herein. Pledged funds do not include revenues to be derived by the Authority from the ownership or operation of any existing or future projects of the Authority, all as further described herein.

The Authority previously issued the State Road and Tollway Authority State of Georgia Guaranteed Revenue Bonds (Governor's Transportation Choices Initiative), Series 2001, in the original principal amount of $350,000,000 (the "2001 Bonds"), and the State Road and Tollway Authority State of Georgia Guaranteed Revenue Refunding Bonds, Series 2011A, in the original aggregate principal amount of $191,335,000 (the "2011A Bonds"). Of the 2001 Bonds, only the $120,000 aggregate principal amount of 2001 Bonds maturing on March 1, 2017 and bearing interest at 4.9% remain outstanding. Of the 2011A Bonds, $128,010,000 aggregate principal amount remains outstanding, consisting of 2011A Bonds maturing in the years 2017 through 2021 inclusive. The 2001 Bonds and the 2011A Bonds (collectively the "2001 Indenture Bonds") were issued and secured under a Trust Indenture, dated as of March 1, 2001, as supplemented by the First Supplemental Trust Indenture, dated as of March 1, 2011 (as so supplemented, the "2001 Indenture"), between the Authority and the U.S. Bank National Association, as trustee. Pledged funds for the 2001 Indenture Bonds, like that for the 2003 Indenture Bonds, consist primarily of a portion of the proceeds of the motor fuel taxes imposed by the State, which portion has been directed by the State to the Authority, and do not include revenues to be derived by the Authority from the ownership or operation of any existing or future projects of the Authority.

Although the 2001 Indenture Bonds and the 2003 Indenture Bonds ultimately are payable from the same source of funds, they are not cross-collateralized or cross-defaulted. The 2001 Indenture Bonds are not secured by a lien on the funds securing the 2003 Indenture Bonds, and the 2003 Indenture Bonds are not secured by a lien on the funds securing the 2001 Indenture Bonds. Nonetheless, all of the 2001 Indenture Bonds and all of the 2003 Indenture Bonds are (1) payable from pledged revenues consisting primarily of a portion of the motor fuel taxes imposed by the State and (2) guaranteed by the State and will be entitled to the full faith, credit, and taxing power of the State for payment in accordance with their terms.

Pursuant to the 2003 Indenture, the Authority has assigned and pledged to the Trustee, for the benefit of the owners of the 2011B Bonds, the 2016 Bonds, and any Additional Parity Bonds hereafter issued under the 2003 Indenture, all of its right, title, and interest in and to the Pledged Revenues under the 2003 Indenture (as defined in **"SUMMARY OF THE 2003 INDENTURE - Certain Definitions"** in Appendix C hereto and as described below). Pledged Revenues consist primarily of a portion of the proceeds of the motor fuel taxes imposed by the State and appropriated pursuant to the Constitution of the State of Georgia (the "Georgia Constitution") for all activities incident to maintaining an adequate system of roads and bridges in the State, which proceeds are transferred to the Authority from time to time. Pursuant to a Joint Resolution adopted by the State Transportation Board on September 10, 2003 and by the Authority on September 18, 2003 (the "Joint Resolution"), the State Transportation Board has directed GDOT to transfer to the Authority so much of the net proceeds of the motor fuel taxes received by GDOT in each fiscal year as is necessary to enable the Authority to pay the principal of and interest on the 2003 Indenture Bonds when due.

The 2003 Indenture provides that the Authority may issue additional revenue bonds secured by a lien on the Trust Estate thereunder on a parity with the 2003 Indenture Bonds, upon the terms and subject to the conditions set forth in the 2003 Indenture. The 2016 Bonds are being issued pursuant to such provisions contained in the 2003 Indenture. The 2016 Bonds will be equally and ratably secured on a parity basis under the 2003 Indenture with the outstanding 2011B Bonds.

THE 2016 BONDS WILL BE GUARANTEED BY THE STATE AND WILL BE ENTITLED TO THE FULL FAITH, CREDIT AND TAXING POWER OF THE STATE FOR PAYMENT IN ACCORDANCE WITH THEIR TERMS.

For more complete and detailed information, see **"SECURITY AND SOURCES OF PAYMENT FOR THE 2016 BONDS"** and **"INFORMATION CONCERNING THE STATE'S MOTOR FUEL TAXES"** herein.

Description of the 2016 Bonds

Redemption. The 2016 Bonds are not subject to redemption prior to maturity. See **"THE 2016 BONDS - Redemption"** herein.

Denominations. The 2016 Bonds are issuable in denominations of $5,000 or any integral multiple thereof.

Book-Entry Bonds. The 2016 Bonds will be issued as a fully registered certificate in the denomination of the stated maturity thereof, and, when issued, will be registered in the name of Cede & Co., as nominee for The Depository Trust Company ("DTC"), New York, New York, an automated depository for securities and clearing house for securities transactions, which will act as securities depository for the 2016 Bonds. Purchasers will not receive certificates representing their ownership interest in the 2016 Bonds purchased. Purchases of beneficial interests in the 2016 Bonds will be made in book-entry only form (without certificates), in authorized denominations, and, under certain circumstances as more fully described in this Official Statement, such beneficial interests are exchangeable for one or more fully registered certificates of the same series of like principal amount and maturity in authorized denominations. For more complete information, see **"THE 2016 BONDS - Book-Entry Only System"** herein and **"SUMMARY OF THE 2003 INDENTURE - Issuance of Bonds; Global Form"** in Appendix C hereto.

Payments. So long as DTC or its nominee, Cede & Co., is the registered owner of the 2016 Bonds, payments of the principal of, premium, if any, and interest on the 2016 Bonds will be made directly to Cede & Co., which will remit such payments to the DTC participants, which will in turn remit such payments to the beneficial owners of the 2016 Bonds.

For a more complete description of the 2016 Bonds, see **"THE 2016 BONDS"** herein.

Tax Exemption

In the opinion of Bond Counsel, under existing laws, regulations, and judicial decisions and assuming continued compliance with certain tax covenants, interest on the 2016 Bonds is exempt from present State of Georgia income taxation, is excluded from gross income for federal income tax purposes, and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, such interest is taken into account in determining adjusted current earnings for the purpose of computing the federal alternative minimum tax imposed on certain corporations. See Appendix F hereto for the form of opinion Bond Counsel proposes to deliver in connection with the issuance of the 2016 Bonds. For a more complete discussion of such opinion and certain other tax consequences of owning the 2016 Bonds, including certain exceptions to the exclusion of the interest on the 2016 Bonds from gross income, see "**LEGAL MATTERS - Opinion of Bond Counsel** and **-Bond Premium"** herein.

Professionals Involved in the Offering

Certain legal matters pertaining to the Authority and its authorization and issuance of the 2016 Bonds are subject to the approving opinion of Sutherland Asbill & Brennan LLP, Atlanta, Georgia, Bond Counsel. Copies of such opinion will be available at the time of delivery of the 2016 Bonds, and a copy of the proposed form of such opinion is attached as Appendix F hereto. Certain legal matters will be passed on for the Authority by its Disclosure Counsel, Kutak Rock LLP, Atlanta, Georgia. Public Resources Advisory Group, New York, New York, has been employed as Financial Advisor to the Authority in connection with the issuance of the 2016 Bonds.

Legal Authority

The 2016 Bonds are being issued and secured pursuant to the authority granted by the Georgia Constitution and laws of the State and under the provisions of the Joint Resolution, and a Bond Resolution adopted by the members of the Authority on June 8, 2016, to be supplemented by a supplemental resolution of the Authority to be adopted on July 20, 2016 (collectively, the "Bond Resolution"). The issuance of the 2016 Bonds and the guarantee thereof in accordance with the Georgia Constitution and laws of the State were approved by the Georgia State Financing and Investment Commission (the "Commission") by a resolution adopted on June 8, 2016 (the "Commission Resolution").

Offering and Delivery of the 2016 Bonds

The 2016 Bonds are offered when, as, and if issued by the Authority, subject to prior sale and to withdrawal or modification of the offer without notice. The 2016 Bonds in definitive form are expected to be delivered to, or held in safekeeping for, The Depository Trust Company, New York, New York on or about July 28, 2016*.

Continuing Disclosure

In order to assist the underwriters in complying with Securities and Exchange Commission Rule 15c2-12(b)(5) (the "Rule"), (a) the Authority has covenanted in the Second Supplemental Indenture and will covenant in a Continuing Disclosure Certificate, in substantially the form attached as Appendix D hereto, for the benefit of the beneficial owners of the 2016 Bonds to provide certain financial information and operating data relating to the Authority by not later than one year after the end of each fiscal year of the Authority, commencing with FY 2016, and to provide notices of the occurrence of certain listed events, and (b) the State has covenanted in the Commission Resolution and will covenant in a Continuing Disclosure Certificate, in substantially the form attached as Appendix E hereto, for the benefit of the beneficial owners of the 2016 Bonds to provide certain financial information and operating data relating to the State by not later than one year after the end of each fiscal year of the State, commencing with FY 2016, and to provide notices of the occurrence of certain listed events.

The annual reports provided in accordance with such documents will be filed with the Municipal Securities Rulemaking Board (the "MSRB") via the MSRB's Electronic Municipal Market Access System ("EMMA"). The notices of listed events provided in accordance with such documents will be filed with the MSRB via EMMA. The specific nature of the information to be contained in such annual reports or the notices of listed events is set forth in the copies of such documents attached as Appendices D and E hereto.

Certain financial information and operating data required to be provided for fiscal years prior to 2012 pursuant to certain of the State's prior continuing disclosure agreements were filed timely by the State with the MSRB on EMMA through the posting of various official statements and/or comprehensive annual financial reports and such filings with the MSRB or EMMA may not have initially cross-referenced all applicable CUSIP numbers for the State's bonds to denote such filings.

Other Information

This Official Statement speaks only as of its date, and the information contained herein is subject to change.

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

This Official Statement and the Appendices hereto contain brief descriptions of, among other matters, the Authority, the State, the Commission, GDOT, the 2016 Bonds, the State's motor fuel taxes, the Bond Resolution, the Commission Resolution, the 2003 Indenture, the Continuing Disclosure Certificates, and the security and sources of payment for the 2016 Bonds. Such descriptions and information do not purport to be comprehensive or definitive. The summaries of various constitutional provisions and statutes, the Bond Resolution, the Commission Resolution, the 2003 Indenture, the Continuing Disclosure Certificates, and other documents are intended as summaries only and are qualified in their entirety by reference to such documents, and references herein to the 2016 Bonds are qualified in their entirety to the forms thereof included in the 2003 Indenture. Copies of the Bond

Resolution, the Commission Resolution, the 2003 Indenture, the Continuing Disclosure Certificates, and other documents and information are available, upon request and upon payment to the Authority of a charge for copying, mailing, and handling, from Chris Tomlinson, Executive Director, State Road and Tollway Authority, 47 Trinity Avenue, 4th Floor, Atlanta, Georgia 30334, telephone 404-893-6111.

The 2016 Bonds have not been registered under the Securities Act of 1933, as amended, and the 2003 Indenture has not been qualified under the Trust Indenture Act of 1939, in reliance on exemptions contained in such Acts.

This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the 2016 Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation, or sale.

No dealer, broker, salesman, or other person has been authorized by the Authority, the State, the Commission, or GDOT to give any information or to make any representations other than those contained in this Official Statement, and, if given or made, such other information or representations should not be relied upon as having been authorized by the Authority, the State, the Commission, or GDOT. Except where otherwise indicated, all information contained in this Official Statement has been provided by the Authority. The information contained herein is subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall under any circumstances create an implication that there has been no change in the affairs of the Authority, the State, the Commission, or GDOT, or the other matters described herein since the date hereof or the earlier dates set forth herein as of which certain information contained herein is given.

PLAN OF FINANCING

Refunding Program

The Authority expects to use the proceeds of the 2016 Bonds, including all or a portion of the original issue premium thereon, together with certain amounts on deposit under the 2003 Indenture, to refund the $23,810,000 in aggregate principal amount of the 2003 Bonds maturing on October 1, 2023 (the "Refunded Bonds"). Simultaneously with the issuance of the 2016 Bonds, the Authority will deposit or cause to be deposited a portion of the proceeds derived from the sale of the 2016 Bonds into a special fund (the "Refunding Escrow Fund") created under the terms of a Refunding Escrow Agreement dated the date of issuance and delivery of the 2016 Bonds, by and between the Authority, and U.S. Bank National Association, in its separate capacity as escrow agent (in such capacity, the "Escrow Agent") and as Trustee under the 2003 Indenture. The Refunded Bonds will be redeemed on August 29, 2016.

The Refunded Bonds are being refunded to effect interest cost savings to the Authority, which will be passed on to GDOT under the Joint Resolution, providing additional funds to GDOT to pay the costs of transportation projects. After giving effect to the current refunding and defeasance of the Refunded Bonds, the Authority will have outstanding $156,480,000* in aggregate principal amount of revenue bonds under the 2003 Indenture. Simultaneously with the issuance of the 2016 Bonds and the execution and delivery of the Refunding Escrow Agreement, the Authority also will pay or provide for the payment of the fees incurred and to be incurred by the Escrow Agent and the Trustee with respect to the Refunded Bonds. The sums deposited into the Refunding Escrow Fund will be invested by the Escrow Agent in certain non-callable, general and direct obligations of the United States of America (the "Refunding Escrow Obligations") or held as cash in the Refunding Escrow Fund, all as set forth in the Refunding Escrow Agreement. The Refunding Escrow Obligations shall mature and bear interest at such times and in such amounts as shall be at all times sufficient, together with any cash in the Refunding Escrow Fund, to pay the interest on the Refunded Bonds from the most recent preceding interest payment date of the Refunded Bonds to and including the redemption date for the Refunded Bonds, and to redeem the Refunded Bonds on such redemption date at the redemption price. Under the terms of the Refunding Escrow Agreement, the Trustee has agreed to give appropriate notice of the redemption of the Refunded Bonds, as required under the terms of the 2003 Indenture. Moneys available from time to time in the Refunding Escrow Funds shall be held in trust and used by the Escrow Agent to pay the principal and interest with respect to the Refunded Bonds.

Upon issuance of the 2016 Bonds and compliance with the requirements of the Refunding Escrow Agreement for the payment of the Refunded Bonds now outstanding, pursuant to Article VII, Section IV, Paragraph V of the Georgia Constitution, the annual debt service requirements of the Refunded Bonds shall not be included in any constitutional debt limitations.

The Refunding Escrow Obligations and all other amounts held under the Refunding Escrow Agreement will not be available to pay the principal or interest on the 2016 Bonds and the owners of the 2016 Bonds will have no claim to any amounts held under the Refunding Escrow Agreement.

In the opinion of Bond Counsel, based upon the verification by Terminus Analytics, LLC, of the mathematical computations used to determine the sufficiency of the escrow deposits (see "MISCELLANEOUS - Verification of Mathematical Computations" herein), the Refunded Bonds will no longer be deemed outstanding under the 2003 Indenture, upon the purchase of the Refunding Escrow Obligations required pursuant to the Refunding Escrow Agreement, and the lien of the 2003 Indenture securing the payment of the Refunded Bonds will be fully and completely discharged.

Sources and Applications of Funds

The table below sets forth the estimated sources and uses of funds in connection with issuance of the 2016 Bonds.

Sources of Funds:	
Principal Amount of Bonds	$
Original Issue Premium	
Revenue Fund	
Total Sources of Funds	$
Applications of Funds:	
Deposit to Refunding Escrow Fund	$
Underwriters' Discount	
Costs of Issuance	
Total Applications of Funds	$

THE 2016 BONDS

General

The 2016 Bonds will be dated as of the date of delivery and will bear interest at the rate per annum set forth on the inside cover page of this Official Statement, computed on the basis of a 360-day year consisting of twelve 30-day months, payable on October 1, 2016, and semiannually thereafter on April 1 and October 1 of each year and, subject to the redemption provisions described below, will mature on the date and in the amount set forth on the inside cover page of this Official Statement. The principal of the 2016 Bonds is payable when due to the registered owners upon presentation at the principal corporate trust office of the Trustee.

The 2016 Bonds are issuable only as fully registered bonds, without coupons, in the denomination of $5,000 or any integral multiple thereof. Purchases of beneficial ownership interests in the 2016 Bonds will be made in book-entry form, and purchasers will not receive Bond certificates representing interests in the 2016 Bonds so purchased. If the book-entry system is discontinued, Bond certificates will be delivered as described in the 2003 Indenture, and beneficial owners will become the registered owners of the 2016 Bonds. See "THE 2016 BONDS **- Book-Entry Only System**" herein and **"SUMMARY OF THE 2003 INDENTURE - Issuance of Bonds; Global Form"** in Appendix C hereto.

Redemption

The 2016 Bonds are not subject to redemption prior to maturity.

Book-Entry Only System

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

The Depository Trust Company, New York, New York, will act as securities depository for the 2016 Bonds. The 2016 Bonds will be issued as fully registered securities registered in the name of Cede & Co. (DTC's

partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered Bond certificate will be issued for each maturity of the 2016 Bonds, in the aggregate principal amount of such maturity, and will be deposited with DTC.

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

Purchases of the 2016 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2016 Bonds on DTC's records. The ownership interest of each actual purchaser of each 2016 Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are, however, expected to receive written confirmation providing details of the transaction, as well as periodic statements of their holdings from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the 2016 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the 2016 Bonds, except in the event that use of the book-entry-only system for the 2016 Bonds is discontinued.

To facilitate subsequent transfers, all 2016 Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the 2016 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the 2016 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such 2016 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the 2016 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the 2016 Bonds, such as redemptions, defaults, and proposed amendments to the documents relating to the 2016 Bonds. For example, Beneficial Owners of the 2016 Bonds may wish to ascertain that the nominee holding the 2016 Bonds for their benefit has agreed to transmit notices to Beneficial Owners, in the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of the notices be provided directly to them.

Redemption notices will be sent to DTC. If less than all of the 2016 Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity, or maturities, to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the 2016 Bonds unless authorized by a Direct Participant in accordance with DTC's procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Trustee as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the 2016 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the 2016 Bonds will be made to Cede & Co. or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Trustee, on the payable date in accordance

with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the 2016 Bonds at any time by giving reasonable notice to the Authority and the Trustee. Under such circumstances, in the event that a substitute or successor securities depository is not obtained, Bond certificates will be printed and delivered as provided in the 2003 Indenture.

The Authority may decide to discontinue use of the system of book-entry only transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered as provided in the 2003 Indenture.

THE ABOVE INFORMATION CONCERNING DTC AND DTC'S BOOK-ENTRY SYSTEM HAS BEEN OBTAINED FROM SOURCES THAT THE AUTHORITY BELIEVES TO BE RELIABLE, BUT NEITHER THE AUTHORITY NOR THE STATE TAKES ANY RESPONSIBILITY FOR THE ACCURACY THEREOF. NEITHER THE AUTHORITY NOR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DTC PARTICIPANTS, BENEFICIAL OWNERS OR OTHER NOMINEES OF SUCH BENEFICIAL OWNERS FOR (i) SENDING TRANSACTION STATEMENTS; (ii) MAINTAINING, SUPERVISING OR REVIEWING, OR THE ACCURACY OF, ANY RECORDS MAINTAINED BY DTC OR ANY DTC PARTICIPANT OR OTHER NOMINEES OF SUCH BENEFICIAL OWNERS; (iii) PAYMENT OR THE TIMELINESS OF PAYMENT BY DTC TO ANY DTC PARTICIPANT, OR BY ANY DTC PARTICIPANT OR OTHER NOMINEES OF BENEFICIAL OWNERS TO ANY BENEFICIAL OWNER, OF ANY AMOUNT DUE IN RESPECT OF THE PRINCIPAL OF AND INTEREST ON THE 2016 BONDS; (iv) DELIVERY OR TIMELY DELIVERY BY DTC TO ANY DTC PARTICIPANT, OR BY ANY DTC PARTICIPANT OR OTHER NOMINEES OF BENEFICIAL OWNERS TO ANY BENEFICIAL OWNER, OF ANY NOTICE OR OTHER COMMUNICATION WHICH IS REQUIRED OR PERMITTED UNDER THE TERMS OF THE 2003 INDENTURE TO BE GIVEN TO BONDHOLDERS OR OWNERS OF THE 2016 BONDS; OR (v) ANY ACTION TAKEN BY DTC OR ITS NOMINEE AS THE REGISTERED OWNER OF THE 2016 BONDS.

So long as Cede & Co., as nominee for DTC, is the registered owner of the 2016 Bonds, reference herein to the registered owners of the 2016 Bonds (other than under the heading "LEGAL MATTERS – Opinion of Bond Counsel, *and* - Bond Premium" herein) shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners of the 2016 Bonds.

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Principal and Interest Requirements

Set forth below are the principal and interest payment requirements with respect to the 2016 Bonds, the outstanding Series 2001 Bonds, the outstanding 2011A Bonds and the outstanding 2011B Bonds. For debt service requirements with respect to all outstanding general obligation and guaranteed revenue debt of the State, see **"STATE OF GEORGIA DEBT AND REVENUE INFORMATION - Outstanding Debt Service"** in Appendix A hereto.

	Outstanding 2001 Bonds, 2011A Bonds, and 2011B Bonds (1)		The 2016 Bonds (2)			
Fiscal Year Ending June 30	Principal	Total Debt Service Requirements	Principal	Interest	Total Debt Service Requirements	Combined Total Debt Service Requirements
2017	$39,965,000	$52,808,255	$	$	$	$
2018	41,980,000	52,803,625				
2019	44,105,000	52,807,000				
2020	46,335,000	52,808,000				
2021	48,675,000	52,806,250				
2022	21,545,000	23,216,125				
2023	22,650,000	23,216,250				
2024	0	0				
Total	$265,255,000	$310,465,505	$	$	$	$

(1) After the outstanding 2003 Bonds have been refunded through the issuance of the 2016 Bonds.

(2) To be completed upon the sale of the 2016 Bonds

SECURITY AND SOURCES OF PAYMENT FOR THE 2016 BONDS

Separate Trust Estates

The 2001 Indenture Bonds and the 2003 Indenture Bonds separately financed or refinanced various transportation projects of the State and are not cross-collateralized or cross-defaulted. The 2001 Indenture Bonds are not secured by a lien on the Trust Estate securing the 2003 Indenture Bonds, and the 2003 Indenture Bonds are not secured by a lien on the Trust Estate securing the 2001 Indenture Bonds. The 2001 Indenture and the 2003 Indenture are substantially similar, but separate, contracts. The Trust Estate for each Indenture, the Pledged Revenues under each Indenture, and the funds established under each Indenture are separate and distinct and separately secure the bonds issued under the related Indenture. Nonetheless, all of the 2001 Indenture Bonds and the 2003 Indenture Bonds are (1) payable from pledged revenues consisting primarily of a portion of the motor fuel taxes imposed by the State and (2) guaranteed by the State and will be entitled to the full faith, credit, and taxing power of the State for payment in accordance with their terms. See **"APPENDIX C – SUMMARY OF THE 2003 INDENTURE"** herein for additional information.

Pledged Revenues

To secure its obligations with respect to the 2003 Indenture Bonds, the Authority has entered into the 2003 Indenture with the Trustee, pursuant to which the Authority has assigned and pledged to the Trustee, for the benefit of the owners of the 2003 Indenture Bonds, among other things, all of its right, title, and interest in and to the Pledged Revenues under the 2003 Indenture. The Authority has warranted in the 2003 Indenture that the Trust Estate thereunder has not been the subject of any previous conveyances, assignments, or pledges by the Authority. The Authority has covenanted and agreed in the 2003 Indenture that, except as provided in the 2003 Indenture, it has not and will not sell, convey, assign, pledge, encumber, grant a security interest in, or otherwise dispose of, or create or suffer to be created any lien, encumbrance, security interest, or charge upon, any part of the Trust Estate or the Pledged Revenues thereunder or the income and revenues therefrom, or enter into any contract or take any action by which the rights of the Trustee or the 2016 Bondholders may be impaired.

Pledged Revenues for the 2003 Indenture Bonds consist primarily of a portion of the proceeds of the motor fuel taxes imposed by the State and appropriated pursuant to Article III, Section IX, Paragraph VI(b) of the Georgia Constitution for all activities incident to maintaining an adequate system of public roads and bridges in the State,

which portion will be transferred to the Authority pursuant to the Joint Resolution. Pursuant to the Joint Resolution, the State Transportation Board has directed GDOT to transfer to the Authority so much of the net proceeds of the motor fuel taxes received by GDOT in each fiscal year as is necessary to enable the Authority to pay the principal of and interest on the 2003 Indenture Bonds when due. The Joint Resolution does not constitute a contract with the owners of the 2016 Bonds and, under Georgia law, may be repealed at any time**.** See **"INFORMATION CONCERNING THE STATE'S MOTOR FUEL TAXES"** herein for a discussion of the motor fuel taxes imposed by the State.

Under the terms of the 2003 Indenture, the 2011B Bonds are equally and ratably secured as to lien on the Pledged Revenues under the 2003 Indenture on a parity basis with the presently outstanding 2003 Bonds that are to be refunded by the 2016 Bonds; the aggregate amount of 2003 Bonds presently outstanding is $23,810,000 and the aggregate amount of 2011B Bonds presently outstanding is $137,125,000. Upon the issuance of the 2016 Bonds, the 2011B Bonds and the 2016 Bonds will be equally and ratably secured on a parity basis each with the other under the 2003 Indenture and will be the only bonds secured under the 2003 Indenture.

State Guarantee

The 2016 Bonds constitute guaranteed revenue debt of the State within the meaning of Article VII, Section IV, Paragraphs I(f) and III(b)(1) of the Constitution of the State of Georgia (the "Constitutional Provision") and the Georgia State Financing and Investment Commission Act, codified as Article 2 of Chapter 17 of Title 50 of the Official Code of Georgia Annotated (the "Commission Act"), and are entitled to the full faith, credit and taxing power of the State.

The Constitutional Provision authorizes the State to incur guaranteed revenue debt by guaranteeing the payment of revenue obligations issued by an instrumentality of the State if such revenue obligations are issued to finance, among other things, land public transportation facilities or systems. Pursuant to the Constitutional Provision, guaranteed revenue debt may not be incurred until legislation has been enacted authorizing the guarantee of the specific issue of revenue obligations then proposed, reciting that the General Assembly of the State of Georgia (the "General Assembly") has determined that such obligations will be self-liquidating over the life of the issue (which determination shall be conclusive), specifying the maximum principal amount of such issue, and appropriating an amount at least equal to the highest annual debt service requirements for such issue. Such legislation was enacted with respect to the Refunded Bonds, and the amount appropriated by the General Assembly pursuant to such legislation was deposited in the special trust designated "State of Georgia Guaranteed Revenue Debt Common Reserve Fund (the "Common Reserve Fund"), as required by the Constitutional Provision. See "Debt Information" in Appendix A herein.

Article VII, Section IV, Paragraph V of the Georgia Constitution (the "Refunding Provision") authorizes the State to incur guaranteed revenue debt to refund any previously issued guaranteed revenue debt, as long as (1) the term of the refunding issue does not extend beyond the term of the original obligation, (2) the total interest on the refunding issue does not exceed the total interest to be paid on the original obligation, and (3) the highest aggregate annual debt service requirements for the then current year or any subsequent year for outstanding general obligation debt and guaranteed revenue debt, including the proposed debt and excluding the debt to be refunded, does not exceed 10 percent of the total revenue receipts, less refunds, of the state treasury in the fiscal year preceding the year in which any such debt is to be incurred. The issuance of guaranteed revenue debt for refunding purposes under authority of the Refunding Provision may be accomplished by resolution of the Commission without any action on the part of the General Assembly, and any appropriation made or required to be made with respect to the obligation being refunded will immediately attach and inure to the benefit of the refunding obligations.

Pursuant to the Commission Resolution, and in accordance with the Refunding Provision and the Commission Act, the Commission has approved the issuance of the 2016 Bonds as guaranteed revenue debt of the State which is entitled to the full faith, credit, and taxing power of the State.

Amounts deposited in the Common Reserve Fund are held under the Constitutional Provision, together with all other sums similarly appropriated, as a common reserve for any payments that may be required by virtue of any guarantee entered into in connection with the 2016 Bonds or any other issue of guaranteed revenue obligations. The Constitutional Provision requires that the amount to the credit of the Common Reserve Fund shall at all times be at least equal to the aggregate highest annual debt service requirements on all outstanding guaranteed revenue obligations entitled to the benefit of the Common Reserve Fund. If at the end of any fiscal year of the State, moneys in the Common Reserve Fund are in excess of the required amount, the excess moneys will be transferred to the general funds of the State free of the trust of the Common Reserve Fund. If any payments are required to be made from the Common Reserve Fund to meet debt service requirements on guaranteed revenue obligations by virtue of an insufficiency of revenues, the State Treasurer shall pay to the designated paying agent, upon certification by the issuer as to the insufficiency of such revenues, from the Common Reserve Fund, the amount necessary to cure such deficiency. Any payments made from the Common Reserve Fund shall be reimbursed from the general funds of the

State within 10 days following the commencement of any fiscal year of the State. The obligation to reimburse the Common Reserve Fund is unconditional and is not subject to annual appropriation. Presently the amount deposited in the Common Reserve Fund as required to comply with the Constitutional Provision is $54,003,250.

The obligation of the State to make reimbursements to the Common Reserve Fund for payments made with respect to the 2016 Bonds is subordinate to the payment of debt service on $9,518,970,000 in aggregate principal amount of outstanding general obligation debt of the State as of the date of this Official Statement, and is on a parity with the payment of debt service on $289,065,000 in aggregate principal amount of outstanding (as of July 7, 2016) guaranteed revenue debt of the State.

Funds Created by the 2003 Indenture and Flow of Funds

The 2003 Indenture establishes the following funds to be held by the Trustee:

(a) the State Road and Tollway Authority Transportation Revenue Fund;

(b) the State Road and Tollway Authority Transportation Sinking Fund;

(c) the State Road and Tollway Authority Motor Fuel Tax Guarantee Fund; and

(d) the State Road and Tollway Authority Transportation Rebate Fund.

For a description of the provisions governing the flow of funds under the 2003 Indenture, see **"SUMMARY OF THE 2003 INDENTURE - Revenues and Funds"** in Appendix C hereto.

Parity Bonds

Upon satisfaction of certain conditions, the 2003 Indenture permits the Authority to issue Additional Parity Bonds without express limit as to principal amount, which will be equally and ratably secured on a parity basis with the 2003 Indenture Bonds. See **"SUMMARY OF THE 2003 INDENTURE - Revenues and Funds** -- *Additional Parity Bonds***"** in Appendix C hereto.

Limited Obligations

The 2016 Bonds are special limited obligations of the Authority payable solely from the Trust Estate pledged under the 2003 Indenture. The 2016 Bonds are not payable from and are not secured by a charge, lien, or encumbrance upon any funds or assets of the Authority other than the Trust Estate pledged under the 2003 Indenture.

Remedies

For a description of the remedies available to owners of the 2016 Bonds under the terms of the 2003 Indenture upon the occurrence of an Event of Default thereunder, see **"SUMMARY OF THE 2003 INDENTURE - Events of Default and Remedies"** in Appendix C hereto.

The Constitutional Provision provides that the appropriate state fiscal officer may be required to apply funds held in the Common Reserve Fund as provided in the Constitutional Provision at the suit of any holder of any guaranteed revenue obligations.

If the Authority were to default on the 2016 Bonds, the realization of value from the pledge of the Pledged Revenues to secure the payment of the 2016 Bonds would depend upon the exercise of various remedies specified by the 2003 Indenture and Georgia law. These remedies may require judicial actions, which are often subject to discretion and delay and which may be difficult to pursue. The enforceability of rights or remedies with respect to the 2016 Bonds may be limited by state and federal laws, rulings, and decisions affecting remedies and by bankruptcy, insolvency, or other laws affecting creditors' rights or remedies heretofore or hereafter enacted.

Section 36-80-5 of the Official Code of Georgia Annotated provides that no authority created under the Georgia Constitution or laws of the State shall be authorized to file a petition for relief from payment of its debts as they mature or a petition for composition of its debts under any federal statute providing for such relief or composition or otherwise to take advantage of any federal statute providing for the adjustment of debts of political subdivisions and public agencies and instrumentalities. Section 36-80-5 of the Official Code of Georgia Annotated also provides that no chief executive or other governmental officer, governing body, or organization shall be empowered to cause or authorize the filing by or on behalf of any authority created under the Georgia Constitution or laws of the State of any petition for relief from payment of its debts as they mature or a petition for composition

of its debts under any federal statute providing for such relief or composition or otherwise to take advantage of any federal statute providing for the adjustment of debts of political subdivisions and public agencies and instrumentalities.

THE AUTHORITY

Introduction

The State Road and Tollway Authority is a body corporate and politic and an instrumentality and public corporation created and existing under the laws of the State of Georgia, particularly Article 2 of Chapter 10 of Title 32 of the Official Code of Georgia Annotated (the "Authority Act). The Authority, originally known as the State Toll Bridge Authority, was created by an Act of the General Assembly which became effective on March 2, 1953. **The Authority has no taxing power**.

Governing Body

The affairs of the Authority are conducted by five members. Under the Authority Act, the members of the Authority are the Governor, the Commissioner of Transportation, the Director of the Office of Planning and Budget, one member to be appointed by the Lieutenant Governor and to serve during the term of office of the Lieutenant Governor and until a successor is duly appointed and qualified, and one member to be appointed by the Speaker of the House of Representatives and to serve during the term of office of the Speaker of the House of Representatives and until a successor is duly appointed and qualified.

Under the Authority Act, the members of the Authority elect a chairperson from the membership of the Authority.

Information concerning the current members of the Authority is set forth below.

Name and Office Held	Expiration of Term	Public Office Held or Principal Occupation
Nathan Deal, *Chairperson*	January 9, 2019	Governor
Teresa MacCartney, *Vice Chairperson*	Ex Officio[1]	Director of Governor's Office of Planning and Budget
Mitchell Land	At the pleasure of the Speaker of the House of Representatives	Director of Transportation, Operations – Shaw Industries, Inc.
Russell McMurry	Ex Officio[2]	Commissioner of Georgia Department of Transportation
Joe Wood, Jr.	At the pleasure of the Lieutenant Governor	President and Partner, Turner, Wood & Smith Insurance Agency

[1]Serves at the pleasure of the Governor.
[2] Serves at the pleasure of the State Transportation Board.

The members of the Authority conduct special called meetings when needed in Atlanta, Georgia. Under the Authority Act, three members of the Authority constitute a quorum necessary for the transaction of business, and a majority vote of those present at any meeting at which there is a quorum is sufficient to do and perform any action permitted to the Authority by the Authority Act. Under the Authority Act, the members of the Authority are not entitled to compensation for their services but are entitled to be reimbursed for their actual expenses necessarily incurred in the performance of their duties.

Staff

The Authority conducts its operations through its staff.

Chris Tomlinson was named the Executive Director of the Authority effective as of April 1, 2013.

Mark Peoples was named the Chief Financial Officer of the Authority on April 1, 2016.

Operations

The Authority presently possesses and operates one toll project which consists of a 16-mile stretch of Interstate Highway 85 ("I-85") from Old Peachtree Road to Chamblee Tucker Road, just south of Interstate Highway 285 ("I-285"), in the metropolitan Atlanta area (the "I-85 Express Lanes"); this project is tolled using a variable pricing methodology. Tolls are charged 24 hours per day every day although the pricing methodology algorithms result in workweek days (i.e. Monday through Friday) being the primary toll revenue production days and generally only nominal toll revenues are generated on the weekend days (i.e. Saturday and Sunday). Presently an average of approximately 26,643 vehicles per workweek day travel on the I-85 Express Lanes Adjustments to tolls are made for carpools, emergency response vehicles, buses, and motorcycles.

The Authority, in conjunction with GDOT, currently is constructing 3 additional managed lanes projects:

1. Northwest Corridor. This project will add 29.7 miles of managed lanes along Interstate Highway 75 ("I-75") from Akers Mill Road to Hickory Grove Road and along Interstate Highway 575 ("I-575") from I-75 to Sixes Road. Two express lanes will be built to the west of the existing lanes along I-75 between I-285 and I-575. From the interchange of I-75 and I-575, one express lane will be added along I-75 north to Hickory Grove Road and one express lane will be added along I-575 to Sixes Road. The project will be tolled using a variable pricing methodology.

2. I-75 South Metro Express Lanes. This project will add approximately 12 miles of managed lanes along I-75 south beginning at State Route ("SR") 155 / McDonough Road and ending at SR 138 / Stockbridge Highway. The project, consisting of the addition of two reversible express lanes located within the current median of I-75, will be tolled using a variable pricing methodology.

3. I-85 Express Lanes Extension. This project will add 10 miles of newly constructed lanes north of the existing I-85 Express Lanes. Located entirely within Gwinnett County, these lanes will begin north of the existing express lanes on I-85 beginning at Old Peachtree Road and will extend to Hamilton Mill Road. The project will be tolled using a variable pricing methodology.

The Authority also is the signatory to a contract with the developer of the I-285/SR400 Interchange Reconstruction Project. The project is located on the northern portion of I-285, beginning west of Roswell Road in Fulton County and ending east of Ashford Dunwoody Road in DeKalb County, a length of approximately 4.3 miles. The project also includes approximately 1.2 miles of improvements on SR 400 between the Glenridge Connector and Hammond Drive. Tolling of this project is not anticipated.

As a result of amendments to the Authority Act which were passed by the General Assembly in its 2001 session, the Authority's mission was significantly broadened to include the financing of the acceleration and expansion of the State Transportation Improvement Program. Since 2001, the Authority has issued approximately $2.7 billion of various revenue obligations, of which $940 million remains outstanding as of the date of this Official Statement, to finance projects for the benefit of GDOT. Also, the Authority has secured a loan commitment from the U.S. Department of Transportation for a TIFIA loan to assist in the funding of the Northwest Corridor project described above in the initial principal amount of $275 million. As of the date of this Official Statement there have been no draw-downs against the loan amount, however draw-downs are expected during FY 2017 and FY 2018.

GEORGIA DEPARTMENT OF TRANSPORTATION

Introduction

The Georgia Department of Transportation ("GDOT") is an agency of the State established for the purpose of providing for the organization, administration, and operation of an efficient, modern system of public roads and other modes of transportation. The governance, powers, and authority of GDOT are provided for under Section IV of Article IV of the Georgia Constitution (the "GDOT Constitutional Provision") and the Georgia Code of Public Transportation, codified as Title 32 of the Official Code of Georgia Annotated (the "Transportation Code"). The Transportation Code provides that GDOT shall consist of the State Transportation Board, the Commissioner of

Transportation, the Director of Planning, the Deputy Commissioner of Transportation, the Chief Engineer, the Treasurer and the Assistant Treasurer of Transportation, and such subordinate employees as may be deemed necessary by the Commissioner of Transportation or the Director of Planning.

Governing Body

The GDOT Constitutional Provision provides that there shall be a State Transportation Board composed of as many members as there are congressional districts in Georgia and that the member of the State Transportation Board from each congressional district shall be elected for a term of five years by a majority vote of the members of the House of Representatives and Senate whose respective districts are embraced or partly embraced within such congressional district meeting in caucus.

The Transportation Code provides that each member of the State Transportation Board must be a resident of the congressional district he or she represents and may not be an officer, agent, official, or employee of the State or of any county, municipality, or other political subdivision thereof or a member of the General Assembly. There are presently 14 congressional districts in Georgia.

Under the Transportation Code, the members of the State Transportation Board elect a Chairperson and a Vice Chairperson from the membership of the State Transportation Board. The Transportation Code charges the State Transportation Board with the general control and supervision of GDOT.

Information concerning the current members of the State Transportation Board is set forth below.

Name and Office Held	Expiration of Term	Congressional District Represented
Emily Dunn *Chairperson*	April 15, 2018	9th
Robert L. Brown, Jr., *Vice Chairperson*	April 15, 2021	4th
Jamie Boswell, *Secretary*	April 15, 2018	10th
Ann Purcell	April 15, 2017	1st
Johnny Floyd	April 15, 2018	2nd
Sam M. Wellborn	April 15, 2017	3rd
Stacey Key	April 15, 2018	5th
Mark Burkhalter	April 15, 2019	6th
Rudy Bowen	April 15, 2020	7th
Tim Golden	April 15, 2020	8th
Jeff Lewis	April 15, 2021	11th
Don Grantham	April 15, 2019	12th
Dana L. Lemon	April 15, 2018	13th
Roger Williams	April 15, 2018	14th

The Transportation Code provides that the State Transportation Board must meet in regular session at least one day each month, at least nine of which regular sessions are to be held at the headquarters of GDOT in Atlanta, that a majority of the State Transportation Board constitutes a quorum for the transaction of all business including election or removal of the Commissioner of Transportation, and that, except as otherwise provided in the Transportation Code, any power of the State Transportation Board may be exercised by a majority vote of those members present at any meeting at which there is a quorum. The Transportation Code provides that the members of the State Transportation Board shall receive no salary but shall receive specified per diem and transportation costs.

Staff

GDOT conducts its operations through its staff. The GDOT Constitutional Provision provides that the State Transportation Board must select a Commissioner of Transportation, who shall be the chief executive officer of GDOT. The Transportation Code authorizes the Commissioner of Transportation to appoint a Deputy Commissioner of Transportation, a Chief Engineer, a Treasurer of Transportation, and an assistant Treasurer of Transportation, each to serve at the pleasure of the Commissioner of Transportation. The Transportation Code permits the Commissioner of Transportation or the Deputy Commissioner of Transportation to simultaneously serve as Chief Engineer. The Transportation Code authorizes the Commissioner of Transportation to employ, discharge, promote, supervise, and determine the compensation of such personnel as he or she may deem necessary or useful to the effective operation, and administration of GDOT. The Transportation Code provides that there must be a Director of Planning appointed by the Governor, subject to approval by a majority vote of the Transportation Committee of the House of Representatives, who shall serve during the term of the Governor by whom he or she is appointed and at the pleasure of the Governor. The Transportation Code provides that there shall be a Planning

Division of GDOT, directed and staffed by the Director of Planning, which shall be GDOT's principal unit for developing the state transportation improvement program and state-wide transportation plan and coordinating transportation policies, planning, and programs related to design, construction, maintenance, operations, and financing of transportation, under the supervision of the Director of Planning. The Transportation Code also provides that there shall be an Engineering Division of GDOT to be supervised by the Chief Engineer, a Finance Division of GDOT to be supervised by the Treasurer of Transportation, an Administration Division of GDOT to be supervised by the Deputy Commissioner of Transportation, and a Local Grants Division to be supervised by an appointee serving at the pleasure of the Commissioner.

Russell McMurry has served GDOT as Commissioner, a position appointed by the State Transportation Board, since January 2015. Prior to being named Commissioner, he was appointed by the Governor as Planning Director. During his 25 year career with GDOT, he has served in a variety of roles including Chief Engineer where he was responsible for the Divisions of Engineering, Construction, Operations, Intermodal, P3/Innovative, and Program Delivery, as well as the Offices of Organizational Performance Management and Engineering Services. He previously served as the Division Director of Engineering. McMurry is a *cum laude* graduate of Georgia Southern University where he received a B.S. degree in Civil Engineering Technology in 1991. He is a Registered Professional Engineer in Georgia.

Jay Roberts has served GDOT as the Director of Planning since May 2015. Prior to joining GDOT, he served in the Georgia House of Representatives for over 13 years. During his service in the Georgia House of Representatives, he served as Chairman of the House Transportation Committee for 6 years. He also served in several other leadership positions while serving on the Appropriations, Rules, Agriculture, Game and Fish, and Ways and Means Committees.

Mike Dover has served GDOT as the Deputy Commissioner since August 2015. He is responsible for assisting the Commissioner in maintaining and operating the activities of GDOT. He oversees the following: the Division of Administration, including the offices of General Counsel, Human Resources, Legal Services, and Equal Employment Opportunity; the Division of Local Grants and Field Services, including District Offices; Communications; Procurement; and Information Technology. In his 27 year career with GDOT, he previously has served in a variety of roles including Transportation Investment Act (TIA) Project Delivery Program Administrator, Executive Assistant to the Commissioner, Assistant District Construction Engineer, and Area Engineer. As a member of the Innovative Delivery Team, Dover assisted in the implementation of the Department's Public Private Initiative (PPI) program. Dover began his career with GDOT as a Civil Engineering Technologist in the Gainesville District Office. He received a Bachelor of Science in Civil Engineering Technology from Southern Polytechnic State University and is a registered Professional Engineer in Georgia. He is a member of the American Society of Highway Engineers (ASHE) and the Institute of Transportation Engineers (ITE).

Meg Pirkle has served GDOT as the Chief Engineer since January 1, 2015. She is responsible for the Divisions of Engineering, Construction, Operations, Intermodal, and Program Delivery as well as the offices of TIA and Engineering Services. Pirkle began her career with GDOT in 1989 as an engineering trainee and has served in a variety of roles throughout her career. Her experience consists of Transportation Planning Engineer, State Scheduling Engineer, Assistant Director of Preconstruction, and Executive Assistant to the Chief Engineer, where she was the Program Manager for the American Reinvestment and Recovery Act (ARRA). Prior to being named Chief Engineer, she served as the Director of Operations for three years. Pirkle earned a Bachelor of Civil Engineering in 1989 from Vanderbilt University and a Masters of Civil Engineering in 1997 from the Georgia Institute of Technology. Pirkle is a registered Professional Engineer in the State of Georgia.

Angela Whitworth has served GDOT as Treasurer since June 1, 2011. She is charged with the administration and management of GDOT's $3.5 billion annual budget. Having more than 25 years of accounting and finance experience in both the public and private sectors, Whitworth established a thorough understanding of GDOT's finance and accounting practices by serving as Assistant Budget Administrator, Financial Management Administrator, Director of Finance, and Assistant Treasurer. With more than 18 years of service to the State of Georgia, she also held various accounting and financial roles with the State Board of Pardons and Paroles and the General Assembly's Legislative Budget Office. Whitworth received a B.B.A. degree in Accounting from the University of West Georgia in 1991. She also serves on the AASHTO Standing Committee on Finance and Administration.

Operations

GDOT owns and operates the hereinafter described State Highway System, including 52.5 current centerline miles of High Occupancy Vehicle lanes and 87 park and ride lots. GDOT has approximately 3,129 miles of bicycle routes and owns and leases to others approximately 490 miles of railroad. GDOT provides grants for the hereinafter described County Road Systems and Municipal Street Systems, railroads, public airports, and urban and rural transit systems.

GDOT's total budget for the fiscal year ended June 30, 2015, which includes appropriated motor fuel taxes, reimbursements and other assistance from the Federal government ("Federal Transportation Funds"), and general funds, was approximately $3.1 billion. The FY 2016 Amended Appropriation for GDOT is approximately $3.3 billion.

GDOT has approximately 4,000 employees who oversee the implementation of the various transportation programs in Georgia. GDOT is divided into seven districts across Georgia, each headed by a District Engineer who is responsible for operating and maintaining the transportation system at the local level.

State Highway System

The Transportation Code divides and classifies the public roads of Georgia into the following three classes for purposes of jurisdiction and administration:

- State Highway System,
- County Road Systems, and
- Municipal Street Systems.

GDOT has jurisdiction over the State Highway System, the counties of Georgia have jurisdiction over the County Road Systems, and the municipalities of Georgia have jurisdiction over the Municipal Street Systems.

As of 2015, the State Highway System contained approximately 17,949 miles of highways, the County Road Systems contained approximately 87,413 miles of roads, and the Municipal Street Systems contained approximately 19,834 miles of streets. Although only 14 percent of Georgia's public roads fall under GDOT jurisdiction, such roads carry approximately 60 percent of the total vehicular miles traveled in the state.

Funding the State Highway System

Prior to July 1, 2015, GDOT had two primary sources of revenue to fund the construction and maintenance of the State Highway System: (1) a first 7½¢ per gallon motor fuel tax on distributors and motor carriers and a second motor fuel tax equal to 3% of the retail sale price of motor fuel (see **"INFORMATION CONCERNING THE STATE'S MOTOR FUEL TAXES"** herein), and (2) Federal Transportation Funds. The table below shows the revenue generated by this funding methodology for the period FY 2011 through FY 2015.

Year Ended June 30	First Motor Fuel Tax Collections	Second Motor Fuel Tax Collections
2011	$445,097,904.38	$479,880,699.38
2012	435,025,284.70	573,047,104.67
2013	449,972,305.85	547,187,226.45
2014	435,941,576.98	568,929,683.01
2015	456,075,024.43	564,236,864.90

Source: State of Georgia

During its 2015 legislative session, the General Assembly passed House Bill ("HB") 170 that became effective on July 1, 2015. Provisions of HB 170, among other things, consolidated all state motor fuel taxes into an excise tax which is indexed to inflation until July 1, 2018 and vehicle manufacturer corporate average fuel economy standards, repealed a current exemption for qualifying airlines of 1% of the 4% state sales tax on sales and use of jet fuel, implemented a Highway User Fee on alternative fuel vehicles, implemented a Highway Impact Fee on heavy trucks, eliminated Georgia's income tax credits for purchases of low and zero emission vehicles, and implemented a fee on hotel and motel room rentals of $5 per night. See **"INFORMATION CONCERNING THE STATE'S MOTOR FUEL TAXES"** herein for additional information regarding HB 170 and its fiscal impacts, both FY 2016 year to date through May 2016 and subsequent fiscal years through FY 2020.

Article III, Section IX, Paragraph VI(b) of the Georgia Constitution appropriates motor fuel taxes received by the State for all activities incident to providing and maintaining an adequate system of public roads and bridges in Georgia, as authorized by laws enacted by the General Assembly, and for grants to counties by law authorizing road construction and maintenance, as provided by law authorizing such grants. See **"INFORMATION CONCERNING THE STATE'S MOTOR FUEL TAXES"** herein.

The Transportation Code continually appropriates Federal Transportation Funds received by the State (except those that may be directed by the federal government to the Authority) to GDOT.

Excluding debt payments, lease rental payments, department operational costs, and "emergencies and unusual situations," O.C.G.A. 32-5-30 requires that 80% of the remaining transportation funds be balanced by congressional district over a five year period. The statute provides for further exemptions in that federal earmarks, expenditures on the Dwight D. Eisenhower System of Interstate and Defense Highways, and expenditures on the designated freight corridor network are also not subject to the balancing requirement. If funding becomes available to GDOT that could not otherwise be allocated among congressional districts due to the allocation requirements described above, the State Transportation Board may upon approval by a majority of its membership waive such allocation requirement. Such waiver will be valid only for the fiscal year in which it was granted. The Transportation Code permits the State Transportation Board upon approval by two-thirds of its membership to authorize a reduction in the share of such funds allocated to any congressional district upon finding that such district does not have sufficient projects available for expenditure of such funds.

In FY 2015, GDOT received approximately $853 million of motor fuel taxes and $1.143 billion of Federal Transportation Funds. In FY 2015, debt service on general obligation debt for public road work was $157 million, and GDOT's general operating expenses related to the State Highway System and operation and maintenance expenditures for the State Highway System were approximately $319 million. Operation and maintenance includes resealing, patching, guardrail and shoulder repair, and other work required on a frequent basis to assure the continued safe operation of the State Highway System. In FY 2015, GDOT expended approximately $1.494 billion for capital improvements to the State Highway System.

State-wide Transportation Improvement Program

The Transportation Code requires the Director of Planning and the Planning Division of GDOT to, among other things, develop the State-wide Strategic Transportation Plan and the State-wide Transportation Improvement Program (the "STIP"), and develop an annual capital construction project list to be reviewed by the Governor and submitted to the General Assembly for consideration in the budget. The Transportation Code requires the State-wide Strategic Transportation Plan and the STIP to be reviewed and approved by the Governor and then submitted to the State Transportation Board for approval.

The Director of Planning and the Planning Division of GDOT has developed a four-year STIP and, together with the Authority's staff, a plan to finance the STIP, which relies on a combination of proceeds of general obligation bonds to be issued by the State, revenue obligations to be issued by the Authority, investment earnings on such proceeds, county and other local funds, Federal Transportation Funds, and motor fuel taxes to be collected by the State. The present STIP is a listing of planned project activity over a four-year period and is developed from the State-wide Strategic Transportation Plan under guidelines provided by Transportation Equity Act for the 21st Century (TEA-21) passed by Congress in 1998 and has continued with the Fixing America's Surface Transportation Act or "FAST ACT", signed into law December 4, 2015 by the President of the United States. No project can advance using federal surface transportation funds if it is not included in the STIP.

Projects listed in the STIP are identified through the transportation planning process and include urban and rural transportation projects. Urban projects are incorporated without change from the Transportation Improvement Programs ("TIPs") developed by Metropolitan Planning Organizations ("MPOs") in each metropolitan area in Georgia and adopted by the MPO Policy Committees. The Governor or his designee approves the TIPs. GDOT has responsibility for identifying projects for inclusion in the STIP in rural areas.

The STIP is multi-modal and includes highway and bridge, bicycle, pedestrian, transportation enhancement activities, and public transportation (transit) projects. Projects in the STIP emphasize the maintenance, safety, and improvement of existing transportation facilities and public transportation systems. A major component of the STIP development is the public involvement process that reaches out to citizens, local officials, advocacy groups, chambers of commerce, transportation providers, and other stakeholders.

The STIP is fiscally constrained and includes only those projects that have funding available or that have a reasonable expectation of obtaining funds. Project-related costs, such as preliminary engineering, right of way, and construction, are included in the STIP for highways, and capital and operating costs are included in the STIP for public transit. Cost estimates for individual projects are based on the best available engineering estimates. These costs may change as a project progresses from preliminary engineering to the purchase of right of way to construction. If these increased costs are the result of a change in the original scope of the project or a new project phase is needed, the STIP is amended, after public comments are considered. If the increased costs are based on updated engineering improvements, and not a change in the actual work, no amendment to the STIP is necessary.

The present STIP was approved by Governor Deal on September 15, 2014 and represents approximately $7.67 billion of projects to be undertaken between FY 2015 and FY 2018.

INFORMATION CONCERNING THE STATE'S MOTOR FUEL TAXES

Description

Article 1 of Chapter 9 of Title 48 of the Official Code of Georgia Annotated, known as the Motor Fuel Tax Law, imposes an excise tax at the rate of 26 cents per gallon on distributors who sell or use motor fuel other than diesel fuel within the State and an excise tax at the rate of 29 cents per gallon on distributors who sell or use diesel fuel within the State. The excise taxes described in the preceding sentence were implemented pursuant to HB 170, described below, and are indexed from 2016 to 2018 for inflation and annually indexed for increased vehicle fuel efficiency. The term "motor fuel" under the Motor Fuel Tax Law means any source of energy that can be used for propulsion of motor vehicles on public highways, including, but not limited to, gasoline, fuel oils, and compressed petroleum gas. For additional information regarding exemptions from the motor fuel taxes and the collection process for motor fuel taxes, reference is made to the provisions of the Motor Fuel Tax Law.

During its 2015 legislative session, the General Assembly passed House Bill 170, which became effective on July 1, 2015, that amended Georgia's tax code, particularly with respect to the way that Georgia funds transportation. HB 170 is expected to have a material impact on revenue collections. Principal among the provisions which affect transportation funding are:

- Consolidation of all state motor fuel taxes into an excise tax which is indexed to inflation until July 1, 2018 and vehicle manufacturer corporate average fuel economy standards. This took the previous existing two part motor fuel tax structure and consolidated it into a single tax structure. Prior law included both an excise tax and a prepaid motor fuel sales tax based on the price of fuel. The prepaid state rate was four percent (4%) with three percent (3%) allocated to motor fuel collections and one percent (1%) allocated to the general funds of the State (the "Fourth Penny"). HB 170 eliminated the prepaid rate including the one percent (1%) allocated to the state general fund revenues. The elimination of the "fourth penny" was expected to reduce state general fund revenues by approximately $168 million in FY 2016.
- Repeal of an exemption for qualifying airlines of 1% of the 4% state sales tax on sales and use of jet fuel; the increased funds are intended to be used to support aviation.
- Implementation of a Highway User Impact Fee on alternative fuel vehicles.
- Implementation of a Highway Impact Fee on heavy trucks.
- Elimination of Georgia's income tax credits for purchases of low and zero emission vehicles.
- Implementation of a fee on hotel and motel room rentals of $5 per night.

The Highway Impact User Fee on alternative fuel vehicles, the Highway User Fee on heavy trucks, and the Hotel/Motel Fee implemented by HB 170 also are intended to be used for transportation purposes.

The table shown below summarizes the expected impact at the time HB 170 was passed of each of these provisions on state revenues and motor fuel taxes for FY 2016 through FY 2020.

Overall Effects of HB 170 on State Revenues

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

For FY 2016 year-to-date (July 2015 through June 2016 (unaudited)) motor fuel tax revenues have increased by approximately $634 million, or 62% over the same twelve months in FY 2015, primarily due to the motor fuel tax changes implemented via HB 170. The new hotel motel fee has generated approximately $151 million year-to-date FY 2016, and the new alternate fuel vehicle and highway impact fees have generated approximately $14 million year-to-date FY 2016; these new fees have no prior year revenues to allow a computation of growth rates. In total, the year-to-date FY 2016 impact of HB 170 changes with respect to motor fuel taxes and funding of GDOT is a net increase of approximately $794 million, which exceeded the approximately $759 million increase projected in GDOT's FY 2016 budget as a result of HB 170. GDOT's adopted FY 2017 budget incorporates an increase of approximately $826 million over the FY 2015 budget levels as a result of the changes made in HB 170.

Permitted Uses

Article III, Section IX, Paragraph VI(b) of the Georgia Constitution appropriates the motor fuel taxes received by the State (i.e. the excise tax referred to in the Motor Fuel Tax Law) for all activities incident to providing and maintaining an adequate system of public roads and bridges in the State, as authorized by laws enacted by the General Assembly, and for grants to counties by law authorizing road construction and maintenance, as provided by law authorizing such grants. While the Highway Impact User Fee on alternative fuel vehicles, the Highway User Fee on heavy trucks, and the Hotel/Motel Fee described above are intended to be used for transportation purposes, the appropriation provided by Article III, Section IX, Paragraph VI(b) of the Georgia Constitution relates solely to motor fuel taxes.

The Transportation Code requires motor fuel taxes received by the State, after application to pay debt service on general obligation debt for public road work, to be deposited into the "State Public Transportation Fund" and to be expended to pay in the following order, among other things:

(1) the amount of the highest annual debt service requirement for an issue of guaranteed revenue debt for public road projects into the Common Reserve Fund, upon the issuance of such guaranteed revenue debt;

(2) the costs of operating GDOT and for any emergencies or unusual situations;

(3) the costs necessary to comply with the conditions of federal-aid apportionments to the State for public roads;

(4) as directed from time to time by appropriations acts of the General Assembly; and

(5) the costs of maintaining, improving, constructing, and reconstructing the public roads of the State Highway System.

The Transportation Code requires the Planning Division of GDOT and the Director of Planning to develop an allocation formula for:

(1) a state-wide transportation asset management program, in which appropriated funds will be allocated pursuant to the State-wide Strategic Transportation Plan for administration, maintenance, operations, and rehabilitation of infrastructure;

(2) a state-wide transportation asset improvement program, in which funds will be allocated for capital construction projects, including not less than 10 percent nor more than 20 percent of the aggregate allocation from the State Public Transportation Fund for each fiscal year for a specific itemized and prioritized project list consistent with the STIP; and

(3) a local maintenance and improvement grant program, in which funds will be allocated in each fiscal year by the Local Grants Division of GDOT to local governments as grants, in amounts not less than 10 percent nor more than 20 percent of Motor Fuel Taxes received by the State in the immediately preceding fiscal year.

The Transportation Code provides that funds must be allocated by GDOT pursuant to the formula described above and as appropriated by the General Assembly. The Transportation Code requires the Planning Division and the Director of Planning to update the allocation formula described above with the renewal of the State-wide Strategic Transportation Plan.

LEGAL MATTERS

Legal Counsel

Certain legal matters relating to the authorization and validity of the 2016 Bonds will be subject to the approving opinion of Sutherland Asbill & Brennan LLP, Atlanta, Georgia. Copies of such opinion will be available at the time of delivery of the 2016 Bonds, and the proposed form of such opinion is attached hereto as Appendix F. Certain legal matters will be passed on for the Authority by its disclosure counsel, Kutak Rock LLP, Atlanta, Georgia.

Pending Litigation

The Authority, the Commission, and the State, like other similar entities, are each subject to a variety of suits and proceedings arising in the ordinary conduct of its affairs. The Authority, after reviewing the current status of all pending and threatened litigation with its counsel, the Department of Law of the State, believes that, while the outcome of litigation cannot be predicted, the final settlement of all lawsuits that have been filed and of any actions or claims pending or threatened against the Authority or its officials in such capacity are adequately covered by insurance or self-insurance reserves maintained by the Authority or will not have a material adverse effect upon the financial position or results of operations of the Authority. The Commission, on behalf of the State, after reviewing the current status of all pending and threatened litigation with the State's counsel, the Department of Law of the State, believes that, while the outcome of litigation cannot be predicted, the final settlement of all lawsuits that have been filed and of any actions or claims pending or threatened against the State or its officials in such capacity are adequately covered by insurance or self-insurance reserves maintained by the State or will not have a material adverse effect upon the financial position or results of operations of the State.

There is no litigation now pending or, to the knowledge of the Authority or the Commission, threatened against the Authority or the State, respectively, that restrains or enjoins the issuance or delivery of the 2016 Bonds, the pledge of the Pledged Revenues to secure the 2016 Bonds, or the use of the proceeds of the 2016 Bonds or that questions or contests the validity of the 2016 Bonds or the proceedings and authority under which they are to be issued and secured. There is no litigation now pending or, to the knowledge of the Authority or the Commission, threatened against the Authority or the Commission, respectively, that contests or questions the creation, organization, or existence of the Authority or the Commission or the title of the present members or other officials of the Authority or the Commission to their respective offices.

Opinion of Bond Counsel

Legal matters incident to the authorization, validity, and issuance of the 2016 Bonds are subject to the unqualified approving opinion of Sutherland Asbill & Brennan LLP, Atlanta, Georgia, Bond Counsel, whose opinion will be available at the time of delivery of the 2016 Bonds. It is anticipated that the approving opinion will be in substantially the form attached to this Official Statement as Appendix F.

In the opinion of Bond Counsel, under existing law, interest on the 2016 Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, such interest is taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on certain corporations.

The opinion of Bond Counsel is subject to the condition that the Authority complies with all requirements of the Internal Revenue Code of 1986, as amended (the "Code"), that must be satisfied subsequent to the issuance of the 2016 Bonds in order that interest thereon be, and continue to be, excludable from gross income for federal income tax purposes. The Authority has covenanted to comply with all such requirements. Failure to comply with certain of such requirements may cause interest on the 2016 Bonds to be included in gross income for federal income tax purposes retroactively to the date of issuance of the 2016 Bonds.

Bond Counsel expresses no opinion regarding other federal tax consequences arising with respect to the 2016 Bonds. For example, prospective purchasers should be aware that Section 265 of the Code denies a deduction for interest on indebtedness incurred or continued to purchase or carry tax-exempt obligations or, in the case of a financial institution (within the meaning of Section 265(b)(5) of the Code), that portion of such financial institution's interest expense allocable to tax-exempt interest.

Prospective purchasers of the 2016 Bonds should be aware that ownership of the 2016 Bonds may also result in collateral federal income tax consequences to certain taxpayers, including, without limitation, financial institutions, insurance companies, individual recipients of Social Security or Railroad Retirement benefits, certain S corporations with "excess net passive income," and foreign corporations subject to the branch profits tax. Bond Counsel will not

express any opinion as to such collateral consequences. Prospective purchasers of the 2016 Bonds should consult their tax advisors as to collateral federal income tax consequences.

In the opinion of Bond Counsel, under existing law, interest on the 2016 Bonds is exempt from present State of Georgia income taxation. Interest on the 2016 Bonds may or may not be subject to state or local income taxation in jurisdictions other than the State of Georgia. Each purchaser of the 2016 Bonds should consult his or her own tax advisor regarding the tax-exempt status of interest on the 2016 Bonds in a particular state or local jurisdiction other than the State of Georgia.

Bond Premium

The 2016 Bonds are being sold at an initial offering price in excess of the principal amount payable thereof. Under the Code, the excess of an owner's cost basis of a bond over the principal amount of such bond (other than a bond held as inventory, stock in trade, or for sale to customers in the ordinary course of business) is generally characterized as "bond premium." For federal income tax purposes, bond premium is amortized over the term of the related bond. An owner will therefore be required to decrease its basis in the 2016 Bonds by the amount of amortizable bond premium attributable to each taxable year it holds the 2016 Bonds. The amount of amortizable bond premium attributable to each taxable year is determined on an actuarial basis at a constant interest rate compounded on each interest payment date. The amortizable bond premium attributable to a taxable year is not deductible for federal income tax purposes. Purchasers of the 2016 Bonds should consult their own tax advisors with respect to the precise determination for federal income tax purposes of the treatment of bond premium upon sale, redemption, or other disposition of the 2016 Bonds.

The foregoing is a general discussion of certain federal income tax consequences of bond premium and does not purport to deal with all tax questions that may be relevant to particular investors or circumstances, including purchasers of the 2016 Bonds in the secondary market. Owners of the 2016 Bonds should consult their own tax advisors with respect to these issues and with respect to the state and local tax consequences of bond premium.

Validation Proceedings

The State of Georgia instituted proceedings in the Superior Court of Fulton County, Georgia to validate the 2016 Bonds and the security therefor. The State of Georgia was the plaintiff in the proceeding, and the Authority and the Commission were the defendants. The Superior Court of Fulton County, Georgia issued a final judgment confirming and validating the 2016 Bonds and the security therefor on July 13, 2016. Under the Authority Act, the judgment of validation is final and conclusive with respect to the 2016 Bonds and against the Authority.

Closing Certificates

At closing of the sale of the 2016 Bonds, the Authority and the Commission, on behalf of the State, will each deliver to the purchasers a certificate (1) that no litigation is pending or, to its knowledge, threatened against the Authority or the State, respectively, that would have a material effect on the issuance or validity of the 2016 Bonds or the security for the 2016 Bonds or, except as described in this Official Statement, on its financial condition, and (2) that the information contained in this Official Statement relating to the Authority or the State, respectively, does not contain any misstatement of a material fact and does not omit to state any material fact necessary to make the statements herein contained, in light of the circumstances under which they were made, not misleading.

MISCELLANEOUS

Ratings

Moody's Investors Service, Inc. (“Moody’s), Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc. (“Standard & Poor’s”), and Fitch Ratings (“Fitch”) have assigned to the 2016 Bonds ratings of “___”, “___” and “___,” respectively. The ratings reflect only the view of the respective rating agency. Any desired explanation of the significance of such ratings should be obtained from the rating agency furnishing it. Generally, rating agencies base their ratings on information and materials furnished to the agencies and on investigations, studies and assumptions by the rating agencies. There is no assurance that any rating will remain in effect for a given period of time or that any rating will not be lowered or withdrawn entirely if, in the judgment of the agency originally establishing the rating, circumstances so warrant. Any such change or withdrawal of a rating could have an adverse effect on the market price of the 2016 Bonds. Except as described in Appendices D and E neither the Authority, the Commission, nor the Underwriters have undertaken any responsibility either to bring to the attention of the holders of the 2016 Bonds any proposed revision, suspension or withdrawal of a rating or to oppose any such revision, suspension or withdrawal.

Sale at Competitive Bidding

The 2016 Bonds will be offered by the Authority by electronic competitive bid on July 20, 2016 and awarded by Authority action on that same date*, in accordance with the Official Notice of Sale unless such date is postponed or changed as described therein. This Preliminary Official Statement has been deemed final as of its date by the Authority and the Commission in accordance with the meaning and requirements of Securities and Exchange Commission Rule 15c2-12, except for the omission of certain pricing and other information permitted to be omitted pursuant to such Rule. After the award of the 2016 Bonds, the Authority and the Commission will complete the Official Statement so as to be a “final official statement” with the meaning of Rule 15c2-12. The final Official Statement will include, among other matters, the identity of the winning bidder and the manager of the syndicate, if any, submitting the winning bid, the expected selling compensation to underwriters of the 2016 Bonds and other information on the interest rates, CUSIP and offering price or yield of the 2016 Bonds, as supplied by the winning bidder.

Financial Advisor

The Authority has employed Public Resources Advisory Group, New York, New York, as its Financial Advisor in connection with the issuance of the 2016 Bonds.

Verification of Mathematical Computations

The accuracy of the mathematical computations of the adequacy of the principal of and interest on the Refunding Escrow Obligations to be held in the Refunding Escrow Fund under the terms of the Refunding Escrow Agreement to pay when due the interest on and the redemption price of the Refunded Bonds will be verified by Terminus Analytics, LLC, a provider of mathematical verification services. Such verification will be based upon certain information supplied to Terminus Analytics, LLC by the Authority.

Additional Information

Use of the words “shall,” “must,” or “will” in this Official Statement in summaries of documents or laws to describe future events or continuing obligations is not intended as a representation that such event will occur or obligation will be fulfilled but only that the document or law contemplates or requires such event to occur or obligation to be fulfilled.

Any statements made in this Official Statement involving estimates or matters of opinion, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates or matters of opinion will be realized. Neither this Official Statement nor any statement that may have been made orally or in writing is to be construed as a contract with the owners of the 2016 Bonds.

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CERTIFICATION

The execution and delivery of this Official Statement, and its distribution and use, have been duly authorized and approved by the Authority and the Commission.

STATE ROAD AND TOLLWAY AUTHORITY

By: /s/
Christopher Tomlinson, Executive Director

GEORGIA STATE FINANCING AND INVESTMENT COMMISSION

By: /s/
Greg S. Griffin, Secretary

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APPENDIX A

STATE OF GEORGIA
DEBT AND REVENUE AND STATISTICAL INFORMATION

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This APPENDIX A to the Official Statement sets forth certain information with respect to the constitutional and statutory limitations as to indebtedness incurred by the State and its various institutions, departments, and agencies; certain selected budgetary and financial data; significant matters; and employment and population data for the State of Georgia.

DEBT INFORMATION

Appropriations and Debt Limitations

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

> The General Assembly shall not appropriate funds for any given fiscal year which, in aggregate, exceed a sum equal to the amount of unappropriated surplus expected to have accrued in the state treasury at the beginning of the fiscal year together with an amount not greater than the total treasury receipts from existing revenue sources anticipated to be collected in the fiscal year, less refunds, as estimated in the budget report and amendments thereto.

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

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

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

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

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

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

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

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

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

Article VII, Section IV, Paragraph I (b) of the Georgia Constitution provides that the State may incur: "Public debt to supply a temporary deficit in the state treasury in any fiscal year created by a delay in collecting the taxes of that year. Such debt shall not exceed, in the aggregate, 5 percent of the total revenue receipts, less refunds, of the state treasury in the fiscal year immediately preceding the year in

which such debt is incurred. The debt incurred shall be repaid on or before the last day of the fiscal year in which it is incurred out of taxes levied for that fiscal year. No such debt may be incurred in any fiscal year under the provisions of this subparagraph (b) if there is then outstanding unpaid debt from any previous fiscal year which was incurred to supply a temporary deficit in the state treasury." Pursuant to O.C.G.A. § 50-17-24(b)(2), the amount of aggregate borrowing under this constitutional authorization currently is statutorily restricted to "1 percent of the total revenue receipts, less refunds, of the state treasury in the fiscal year immediately preceding the year in which such debt is incurred." No such debt has been incurred under this provision since its inception.

See "SECURITY AND SOURCES OF PAYMENT FOR THE 2016 BONDS" and "APPENDIX B – STATE OF GEORGIA BASIC FINANCIAL STATEMENTS FOR FISCAL YEAR ENDED JUNE 30, 2015" herein.

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Authorized Indebtedness

The following table sets forth the aggregate net principal amount of general obligation debt and guaranteed revenue debt authorized by the General Assembly to be issued during the fiscal years FY 1975 through FY 2017. The amounts of such general obligation debt and guaranteed revenue debt actually funded and the remaining amounts authorized but unissued as of the date of this Official Statement have been aggregated for presentation in the third and fourth columns of this table and labeled "Total State Debt Funded" and "Unissued Authorized Indebtedness." The amounts reflected in the column labeled "Total State Debt Funded" reflect the amounts of authorized general obligation debt and guaranteed revenue debt funded through the date of this Official Statement, including any portions of which have been funded with initial issue premium, and the amounts reflected in the column labeled "Unissued Authorized Indebtedness" reflect the amount of authorized general obligation debt remaining to be issued. There is no unissued authorized guaranteed revenue debt.

	General Obligation Debt Authorized	Guaranteed Revenue Debt Authorized	Total State Debt Funded	Unissued Authorized Indebtedness
K-12 School Construction	$ 6,494,925,000		$ 6,196,715,000	$298,210,000
University Facilities	5,715,468,000		5,712,168,000	3,300,000
Transportation	4,688,385,000	$755,245,000	5,443,630,000	
Technical College System	1,803,387,000		1,790,387,000	13,000,000
Department of Corrections	1,047,835,000		1,047,835,000	
Port Facilities	863,815,000		863,815,000	
Environmental Finance Authority	795,100,000	97,470,000	892,570,000	
Department of Natural Resources	775,860,000		775,860,000	
World Congress Center	716,500,000		716,500,000	
Building Authority	583,415,000		583,415,000	
Human Resources Facilities	421,775,000		405,970,000	15,805,000
Department of Juvenile Justice	383,185,000		383,185,000	
Economic Development	183,790,000		183,790,000	
Public Safety	149,085,000		149,085,000	
Public Libraries	123,035,000		123,035,000	
Bureau of Investigations	115,215,000		113,355,000	1,860,000
Department of Revenue	103,475,000		79,475,000	24,000,000
Department of Agriculture	95,630,000		95,630,000	
Jekyll Island-State Park Authority	97,465,000		97,465,000	
Department of Community Affairs	81,740,000		81,740,000	
Forestry Commission	60,165,000		60,165,000	
Department of Administrative Services	59,605,000		59,605,000	
Department of Labor	55,660,000		55,660,000	
Secretary of State	55,050,000		55,050,000	
Stone Mountain Memorial Association	48,400,000		48,400,000	
Department of Defense	45,690,000		45,690,000	
Soil and Water Conservation Commission	30,540,000		30,540,000	
Agricultural Exposition	26,480,000		26,480,000	
Department of Veterans Services	19,055,000		16,055,000	3,000,000
All Other	66,900,000		62,400,000	4,500,000
Total	$25,706,630,000	$852,715,000	$26,195,670,000	$363,675,000

Source: Georgia State Financing and Investment Commission

Outstanding Debt

The following table sets forth the outstanding principal amount of indebtedness of the State as of July 7, 2016; there are no additional transactions which are scheduled or expected to occur prior to the issuance of the 2016 Bonds.

	General Obligation	Guaranteed Revenue	Total Outstanding
Total bonds outstanding as of June 30, 2016	$8,952,260,000	$289,065,000	$9,241,325,000
Plus the 2016A, 2016B, 2016C, 2016D general obligation bonds issued on July 7, 2016	1,370,705,000	0	1,370,705,000
Less outstanding bonds refunded on July 7, 2016	-501,125,000	0	-501,125,000
Subtotal bonds to be repaid FY 2017 through FY 2036	9,821,840,000	289,065,000	10,110,905,000
Less bonds retired on July 1, 2016	-302,870,000	0	-302,870,000
Total bonds outstanding	$9,518,970,000	$289,065,000	$9,808,035,000

Sources: Georgia State Financing and Investment Commission and State Road and Tollway Authority

In November 2010, Georgia voters approved an amendment to the Georgia Constitution which provided that "The General Assembly may by general law authorize state governmental entities to incur debt for the purpose of entering into multiyear contracts for governmental energy efficiency or conservation improvement projects in which payments are guaranteed over the term of the contract by vendors based on the realization of specified savings or revenue gains attributable solely to the improvements…." (Ga. L. 2010, Volume One, Book One, p. 1264, 2010 Regular Session, S.R. 1231) Consequent to the ratification of said amendment to the Georgia Constitution, S.B. 194, passed by the General Assembly during its 2010 session, and signed by the Governor on June 4, 2010, became effective January 1, 2011 (Ga. L. 2010, Volume One, Book One, commencing at p. 1091, Act No. 669, 2010 Regular Session, S.B. 194). S.B. 194 amended Title 50 of the Official Code of Georgia Annotated by adding Chapter 37, which is codified as O.C.G.A. § 50-37-1 through O.C.G.A. § 50-37-8 (the "Guaranteed Energy Savings Performance Act ("GESP Act")). The GESP Act, among other things, authorizes State governmental units to enter into such guaranteed energy savings performance contracts ("EPC" or "EPCs") for terms not to exceed twenty years. O.C.G.A. § 50-37-7(3) authorizes the Commission to establish a total multiyear guaranteed energy savings performance contract value and provided that any EPC entered into by a state entity that was not in compliance with the total contract value set by the Commission shall be void and of no effect. Approximately $73.5 million of Commission approved EPC contract value authority has been utilized. The Georgia Environmental Finance Authority has not requested that the Commission approve any new EPC contract value authority for FY 2017. Per the Commission's adopted fiscal guideline policies for EPCs and multiyear rental agreements, the Commission generally will limit the total contract value authority to an amount that will not cause the ratio for debt service to prior year receipts in the Commission's debt management model to increase by more than 0.50%, or exceed the established debt management planning target, when including all existing and anticipated multiyear obligations. EPCs are not general obligation debt or guaranteed revenue debt of the State and therefore are not subject to the 10% debt limit described under "DEBT INFORMATION - Appropriations and Debt Limitations" herein.

The State periodically acquires certain property and equipment through multiyear lease, purchase, or lease purchase contracts that are considered for accounting purposes to be capital lease or installment purchase obligations. The State also periodically leases land, office facilities, office and computer equipment, and other assets pursuant to leases that are considered for accounting purposes to be operating leases. For information regarding outstanding capital and operating leases entered into by the State, reference is made to Note 11 to the State's basic financial statements as of and for the Fiscal Year ended June 30, 2015, included herein as APPENDIX B.

In November 2012, Georgia voters approved an amendment to the Georgia Constitution to authorize the General Assembly to allow certain State agencies to enter into multiyear rental agreements, without obligating present funds for the full amount of obligation the State may bear under the full term

of such agreements. Consequent to the ratification of said amendment to the Georgia Constitution, S.B. 37, passed by the General Assembly during its 2012 session, and signed by the Governor on May 2, 2012, became effective January 1, 2013 (Ga. L. 2012, Volume One, Book Two, commencing at p. 989, Act No. 717, 2012 Regular Session, S.B. 37). As amended by S.B. 37, O.C.G.A. § 50-16-41(c) authorizes the State Properties Commission (the "SPC") to enter into multiyear lease agreements for administrative space on behalf of state agencies for terms not to exceed twenty years. Pursuant to O.C.G.A. § 50-16-41(l) the Commission established fiscal policies regarding multiyear lease and rental agreements and, each year, the Commission establishes total multiyear contract value authority for use by SPC and the Board of Regents ("BOR"). As of May 1, 2016, the SPC has entered into 29 leases utilizing approximately $102 million of Commission approved multiyear rental agreement contract value authority and expects to execute another seven (7) leases to utilize an additional $130 million of contract value authority by the end of FY 2016. There is $100 million of multiyear rental agreement contract value authority approved for use by SPC in FY 2017. As of May 1, 2016, the BOR has entered into two (2) leases utilizing approximately $93.3 million of Commission approved multiyear rental agreement contract value authority and expects to utilize an additional $27.1 million by the end of FY 2016. (One of the current leases, for $86.8 million, is contingent upon project completion, which is expected in FY 2019; the additional $27.1 million lease also will be contingent upon project completion, which is expected in FY 2019.) The Commission, at its June 8, 2016 meeting, approved BOR's request for $30 million of multiyear rental agreement contract value authority for FY 2017. Such multiyear rental agreements are not subject to the 10% debt limitation described under "DEBT INFORMATION - Appropriations and Debt Limitations" herein.

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Outstanding Debt Service

Principal and interest debt service payments are made in various months throughout the year; amounts shown in the following schedule are the maximum aggregate scheduled sinking fund payments by fiscal year for all issued and outstanding general obligation bonds and guaranteed revenue bonds.

	General Obligation Bonds		Guaranteed Revenue Bonds		Total Bonds		
Fiscal Year	Principal	Interest[1]	Principal	Interest	Total Principal	Total Interest	Total Debt Service
2017	$ 824,290,000	$ 396,259,996	$ 39,965,000	$ 14,033,755	$ 864,255,000	$ 410,293,751	$ 1,274,548,751
2018	821,925,000	382,909,954	41,980,000	12,014,125	863,905,000	394,924,079	1,258,829,079
2019	783,090,000	347,007,114	44,105,000	9,892,500	827,195,000	356,899,614	1,184,094,614
2020	745,350,000	312,587,632	46,335,000	7,663,500	791,685,000	320,251,132	1,111,936,132
2021	710,975,000	279,059,550	48,675,000	5,321,750	759,650,000	284,381,300	1,044,031,300
2022	638,265,000	247,396,697	21,545,000	2,861,625	659,810,000	250,258,322	910,068,322
2023	640,090000	195,301,233	22,650,000	1,756,750	662,740,000	197,057,983	859,797,983
2024	563,895,000	216,500,519	23,810,000	595,250	587,705,000	217,095,769	804,800,769
2025	552,040,000	167,021,192	-	-	552,040,000	167,021,192	719,061,192
2026	530,755,000	141,630,351	-	-	530,755,000	141,630,351	672,385,351
2027	543,160,000	118,051,664	-	-	543,160,000	118,051,664	661,211,664
2028	473,770,000	95,496,046	-	-	473,770,000	95,496,046	569,266,046
2029	440,645,000	75,473,945	-	-	440,645,000	75,473,945	516,118,945
2030	358,050,000	56,875,083	-	-	358,050,000	56,875,083	414,925,083
2031	318,765,000	42,844,578	-	-	318,765,000	42,844,578	361,609,578
2032	296,615,000	30,502,365	-	-	296,615,000	30,502,365	327,117,365
2033	256,350,000	19,815,606	-	-	256,350,000	19,815,606	276,165,606
2034	163,820,000	11,056,113	-	-	163,820,000	11,056,113	174,876,113
2035	107,265,000	5,208,494	-	-	107,265,000	5,208,494	112,473,494
2036	52,725,000	1,576,526	-	-	52,725,000	1,576,526	54,301,526
Total	$9,821,840,000	$3,142,574,656	$289,065,000	$54,139,255	$10,110,905,000	$3,196,713,911	$13,307,618,911

[1] Interest on $127,305,000 outstanding variable rate bonds with a weekly interest rate reset mechanism is calculated at the maximum legally allowable rate (9.00%); actual rate is expected to be lower.

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

Rate of Debt Retirement

The following table sets forth the rate of scheduled debt retirement on all outstanding general obligation bonds and guaranteed revenue bonds of the State as of July 7, 2016, but not including the 2016 Bonds.

Principal Amount Due	Amount	% of Total
In 5 Years (60 Months)	$4,106,690,000	40.6%
In 10 Years (120 Months)	7,099,740,000	70.2

Source: Georgia State Financing and Investment Commission

Market Transactions to Retire Debt

From time to time the State uses earnings on invested general obligation bond proceeds to purchase outstanding general obligation bonds in secondary market transactions with dealers; bonds so purchased are then cancelled and are no longer outstanding. Beginning with the fiscal year ended June 30, 2010, the very low interest rates available on the invested general obligation bond proceeds has resulted in significantly fewer funds available for this program than in preceding years; this condition is

expected to continue for an indeterminate period of time into the future. The schedule below summarizes these transactions for the years indicated.

Fiscal Year	Par Value	Purchase Price (a)	Purchase Price as % of Par Value
2011	$ 0	$ 0	--
2012	0	0	--
2013	1,740,000	1,953,419	112.265%
2014	880,000	1,043,224	118.548
2015	0	0	NA
2016	0	0	NA

(a) Excluding Accrued Interest

Source: Georgia State Financing and Investment Commission

Debt Statistics

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

State Treasury Receipts

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

Fiscal Year	State Treasury Receipts	% Change From Prior Year
2011	$17,546,376,094	8.0%
2012	18,316,797,048	4.4
2013	19,539,691,058	6.7
2014	20,256,765,495	3.7
2015	21,557,498,541	6.4

Source: State Accounting Office – Georgia Revenues and Reserve Report

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Legal Debt Margin

The amounts permissible under the State's constitutional debt limitation as of July 7, 2016 are set forth below:

• Highest annual commitments permitted under constitutional limitation – 10% of State Treasury Receipts for FY 2015	$2,155,749,854
• Highest debt service for currently outstanding debt in any year (FY 2017)	$1,274,548,751
• As a percent of FY 2015 State Treasury Receipts	5.91%
• Total additional debt service appropriations for all remaining currently authorized but unissued general obligation bonds	$36,938,013
• Total highest annual commitments in any fiscal year, current outstanding debt service plus debt service appropriations for all currently authorized but unissued bonds	$1,311,486,764
• As a percent of FY 2015 State Treasury Receipts	6.08%
• Projected State Treasury Receipts for FY 2016	$22,847,085,285
• As a percent of FY 2016 Projected State Treasury Receipts	5.74%
• Projected State Treasury Receipts for FY 2017	$23,722,455,604
• As a percent of FY 2017 Projected State Treasury Receipts	5.53%

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

Assessed Valuation
(Real Estate and Personal Property)

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

Year	Assessed Valuation	Estimated Actual Value	Assessed as a % of EAV
2010	$365,054,957,708	$935,558,579,466	39.0%
2011	350,260,546,889	875,651,367,224	40.0
2012	341,928,704,669	864,329,384,907	39.6
2013	337,598,773,233	860,124,263,015	39.2
2014	350,521,082,495	880,263,893,759	39.8

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

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

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

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Debt Ratios

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

Total State Debt Outstanding as of July 7, 2016 (see "Outstanding Debt herein)	$9,808,035,000
2015 Population Estimate (a)	10,214,860
2015 Total Personal Income Estimate ($000) (b)	$414,274,158
Debt per Capita	$960
Debt to Personal Income	2.37%
Debt to Estimated Actual Value	1.11%
Debt to Assessed Valuation	2.80%

(a) U.S. Department of Commerce, Bureau of the Census
(b) U.S. Department of Commerce, Bureau of Economic Analysis – Calendar Year 2015
Source: Georgia State Financing and Investment Commission

REVENUE INFORMATION

Fiscal Policy

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

Budgetary Controls and Cash Flow Management

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

Before money can be disbursed pursuant to an appropriation, it must be allotted (administratively allocated and approved for expenditure). Allotments are provided to State agencies and other budget units by issuance of warrants by OPB. A warrant is the approval of funding a portion of the appropriated amount to a budget unit such that the budget unit has the funding available to expend in accordance with an appropriation. The Office of the State Treasurer ("OST") funds warrants against the allotments as allotment draw requests are presented to it by the various State budget units and monitors approved, but undrawn allotment balances. Undrawn allotment balances include funding for expenditures associated with contracts resulting in some carry-forwards from the previous fiscal year. Allotments tend to be paid

out gradually; however, there is a risk that a sudden increase in requests by budget units for previously allotted funds could strain the State's cash resources. OPB has the authority to withhold undrawn allotments prior to such allotments being funded by the OST, if necessary, to manage state expenditures to available revenues or to maintain liquidity as was the case in FY 2009 and FY 2010. During the course of a fiscal year, if it appears that revenues have fallen below the amounts originally anticipated, OPB can take steps to reduce State expenditures by requiring budget units to reserve appropriations or, through coordination with State agencies and other budget units, can delay approval of allotments and rescind prior allotments. OPB also may rescind previously approved but undrawn allotments should the funds no longer be needed for the purpose as originally budgeted as was the case in FY 2011, FY 2012, and FY 2013. In addition, the Governor can reduce the revenue estimate for a fiscal year and recommend that the legislature amend the then current budget to reflect lowered revenue estimates. The next regular session of the legislature is scheduled to begin in January 2017.

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

Maximum Marginal Rate of Income Tax

During its 2014 session, the General Assembly adopted Senate Resolution 415, which proposed an amendment to the Georgia Constitution related to State income taxes. The amendment, which was voted upon in the November 2014 general election and passed, became effective on January 1, 2015 and effectively provides that the maximum marginal rate of income tax may not exceed six percent (6%). During the most recent five fiscal years, income taxes have accounted for approximately 48.6% of total State Treasury Receipts.

Revenue Shortfall Reserve

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

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

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

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

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

(e) As of the end of each fiscal year, an amount shall be released from the Revenue Shortfall Reserve to the general fund to cover any deficit by which total expenditures and contractual obligations of

state funds authorized by appropriation exceed net revenue and other amounts in state funds made available for appropriation.

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

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

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

		Revenue Shortfall Reserve (a)		
Fiscal Year	Total State General Funds	Total Reserves	1% Education (K-12) (b)	Net
2011	$16,559	$ 494	$166	$ 328
2012	17,270	553	173	380
2013	18,296	900	183	717
2014	19,168	1,055	192	863
2015	20,435	1,635	204	1,431

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

(b) Up to 1% of the net revenue collections (referred to as "State General Funds" above) of the preceding fiscal year may be used for funding increased educational (K-12) needs. Such amounts for FY 2011, FY 2012, FY 2013, FY 2014, and FY 2015 were appropriated in the immediate subsequent fiscal year for this purpose (see the table entitled, "GEORGIA REVENUES" herein).

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

Reconciliation of Revenue Shortfall Reserve - FY 2014 and FY 2015 Uses

Ending FY 2014 Revenue Shortfall Reserve Balance	$862,835,448
Plus Excess of FY 2015 Total Budget-Based Revenues Available Over FY 2015 Appropriations	587,851,405
Plus Audited Agency Lapse of Surplus Funds	184,908,726
Less 1% Mid-year Adjustment for K-12 Education Appropriation in Amended FY 2016 Budget	(204,347,430)
Ending FY 2015 Revenue Shortfall Reserve Balance	$1,431,248,148

Source: State Accounting Office

Fiscal Performance

FY 2015 Results. FY 2015 state general fund revenues totaled $20.4 billion, an increase of 6.6% over FY 2014 state general fund revenues. Tax revenues totaled $19.1 billion which was 6.6% higher than in FY 2014. Revenues from interest, fees, and sales totaled $1.3 billion, 7.3% higher than in FY 2014.

Georgia's key tax components posted revenue growth for FY 2015 compared to FY 2014. FY 2015 individual income tax revenues grew by 8.0% compared to the prior fiscal year. Individual income tax withholding revenues grew by 5.6% in FY 2015 over FY 2014. In FY 2015, other individual income tax payments, including estimated payments, final return payments, and non-resident payments, grew by 17.2% over FY 2014.

FY 2015 corporate income tax revenues grew by 6.0% compared to FY 2014 revenues. Corporate payments grew by 5.3% in FY 2015 compared to FY 2014 while refunds paid in FY 2015 grew by 1.9% compared to FY 2014 refund payments.

Sales and use tax revenues grew by 5.2% in FY 2015 compared to FY 2014. In addition, the title ad valorem tax, which replaced the sales tax on dealer new and used car sales and expanded the tax base to include nearly all vehicle title transactions, grew by 11.6% in FY 2015 compared to FY 2014.

Revenue Shortfall Reserve. Georgia's Revenue Shortfall Reserve ("RSR") increased to $1.43 billion at the end of FY 2015 from $863 million at the end of FY 2014; this amount is net of the appropriation of the Amended FY 2016 budget 1% mid-year adjustment of $204 million for K-12 education needs. The increase in the RSR balance reflected excess funds over appropriations plus agency lapse.

Changes to Georgia's Tax Code. During its 2016 legislative session, the General Assembly passed several bills that were signed into law by the Governor that amended Georgia's tax code. Most of these bills extended current provisions scheduled to sunset at the end of FY 2016, however, two bills were passed and signed that implement new provisions and are anticipated to have a significant impact on Georgia tax revenues. Senate Bill 258 institutes an income tax credit for donations to rural health care organizations. Fiscal analysis of this bill projected a revenue decrease equal to the annual maximum credits available of $50 million in FY 2016 and $60 million in FY 2017. House Bill ("HB") 742 changed Georgia's tax code in line with selected changes to the Internal Revenue Service tax code. Most of the changes implemented in HB 742 extended existing tax provisions which were scheduled to expire. One material change was made to Georgia's tax code which impacts small business expensing of investments for tax purposes. This provision is anticipated to reduce Georgia tax revenues by $30.1 million in FY 2016 and $46.2 million in FY 2017.

During the 2015 legislative session HB 170, with an effective date of July 1, 2015, was passed and signed into law by the Governor. It restructured motor fuel taxation and other tax provisions to increase funding for transportation in the state; it also created a Special Joint Committee on Georgia Revenue Structure (the "Committee"). The Committee was directed to develop comprehensive tax reform legislation for consideration during the 2016 session of the General Assembly; however, the Committee did not recommend any legislation to the House of Representatives or Senate during the 2016 legislative session for adoption. As a result, any future comprehensive tax legislation in the manner as was contemplated in HB 170 would be possible only after passage of new legislation by a future General Assembly and then signed into law by the Governor.

FY 2016 Year to Date Results. For fiscal year to date through June 2016 ("FYTD 2016"), total tax revenues (unaudited), as reported by the Georgia Department of Revenue, have increased by 9.4% compared to the same twelve-month period for FY 2015 ("FYTD 2015"). Revenue growth reflects on-

going economic growth in the state as well as tax re-structuring associated with HB 170 which was passed in 2015 and is described in more detail below.

Individual income tax revenues have increased by 7.9% FYTD 2016 compared to FYTD 2015. Withholding revenues, largely reflecting wages and salaries paid to Georgia workers, are up 6.4% and other income tax payment revenues have grown by 7.0%. FYTD 2016 individual income tax refund payments have increased by 0.9% compared to FYTD 2015. The small increase reflects, in part, the implementation of tighter fraud detection processes which has slowed refund processing in FY 2016 as compared to FY 2015.

Sales tax revenues have grown 0.6% FYTD 2016 compared to FYTD 2015. The slow growth in sales tax largely reflects the elimination of the fourth penny of the prepaid sales tax on motor fuels. In addition, a reporting change that took effect for FY 2016 impacts the growth of sales tax revenues. Prior to FY 2016, the administration fee that the Department of Revenue retains for collecting and remitting local sales taxes was reported as sales tax collections during the year and the year-end auditing practice was to reclassify these fee revenues as a component of interest, fees and sales revenues. Beginning with FY 2016, however, monthly reporting was altered to conform to year-end practice. This reporting change reduces monthly reported sales tax revenues and growth, but increases monthly interest fees and sales revenues and growth.

Corporate income tax revenues have declined by 1.9% FYTD 2016 compared to FYTD 2015. While corporate payments have increased by 1.4% over this period, refund payments have increased by 20.4%, resulting in an overall decline.

Revenues from the title ad valorem tax on vehicle title transactions have grown by 13.4% FYTD 2016 compared to FYTD 2015, reflecting the robust vehicle market performance in the US and Georgia.

Motor fuel tax revenues have increased by $633.6 million, or 62.0%, in FYTD 2016 over FYTD 2015 primarily due to the motor fuel tax changes implemented via HB 170. The hotel motel fee has generated $150.7 million FYTD 2016 and the alternate fuel vehicle and highway impact fees have generated $14.4 million FYTD 2016. These new fees have no prior year revenues to compute growth rates.

The provisions of HB 170 have increased Georgia's tax revenues by approximately $794 million in FYTD 2016, or 4.2% compared to FYTD 2015; revenues due to economic growth and other reasons have increased by $991.7 million, or 5.2%.

HB 170 took effect July 1, 2015 and implemented the following provisions:

- Consolidated all state motor fuel taxes into an excise tax which is indexed to inflation and vehicle manufacturer corporate average fuel economy standards. This took the prior two part motor fuel tax structure and consolidated it into a single excise tax. Prior law included an excise tax and a prepaid motor fuel sales tax based on the price of fuel. The prepaid state rate was 4% with 3% allocated to motor fuel collections and 1% allocated to the general funds of the State (the "Fourth Penny"). HB 170 eliminated the prepaid rate including the 1% allocated to the state general fund revenues. The elimination of the "fourth penny" therefore reduced general sales tax revenue in FY 2016 and beyond.
- Repealed an exemption for qualifying airlines of 1% of the 4% state sales tax on sales and use of jet fuel.
- Implemented a Highway User Impact Fee on alternative fuel vehicles.
- Implemented a Highway Impact Fee on heavy trucks.
- Eliminated Georgia's income tax credits for purchases of low and zero emission vehicles.

- Implemented a fee on hotel and motel room rentals of $5 per night.

Current Economic Indicators. The economic recovery in the U.S. has been in place since mid-2009. Since the recovery began, the U.S. has experienced several cycles where gross domestic product ("GDP") growth accelerated followed by a slowdown in growth only to re-strengthen again. Most recently, GDP growth reached 3.9% in the second quarter of 2015, but has weakened since then with GDP growing at 1.1% in the first quarter of 2016. The weakness in GDP growth is largely due to a slowdown in inventory accumulations, reduced business investment in equipment and structures and weak export performance.

While U.S. GDP growth has been weak, the U.S. labor market continues to expand. Net job growth had averaged 224,000 new jobs over the prior three months as of February 2016; net job growth has slowed to an average of just 116,000 new jobs per month over the prior three months as of May 2016. Other labor market indicators show continued improvement in the national labor market. The U.S. unemployment rate has fallen steadily over the last year to 4.7% in May 2016, down from 5.5% in May 2015. Importantly, this decline in unemployment has been accompanied by increases in the labor force and increases in household employment. Initial unemployment claims currently are averaging fewer than 300,000 per week and have remained below this level for much of the last year.

The Institute of Supply Management ("ISM") Indices for Manufacturing and for Services are currently above 50, the dividing line between expansion and contraction, and have strengthened in recent months. As of May 2016, the ISM index for manufacturing is 51.3, just above the neutral threshold. The ISM manufacturing index has dipped into contractionary territory in recent months. The combination of falling investment in oil and gas drilling and the declining exports due to weak global growth and a rising dollar has created headwinds for the manufacturing sector. The ISM index for services in May 2016 is 52.9, down from a reading of 55.7 in April 2016.

Non-farm employment in Georgia has grown at a healthy pace over the last year. On a seasonally adjusted basis, non-farm employment grew by over 124,000 jobs from May 2015 to May 2016; a growth rate of 2.9% which exceeds the U.S. non-farm employment growth rate of 1.7% for the same period. However, non-farm employment growth has slowed over the last three months with net new job additions declining from an average of 13,700 per month as of April 2016 to an average of 8,000 per month as of May 2016.

Georgia's employment growth has been well diversified across sectors. On a year over year, three month moving average basis as of May 2016, the construction sector has experienced the largest percentage growth at 8.1%, followed by professional and business services at 4.7%, leisure and hospitality at 4.2%, and trade, transportation and utilities and other services, both at 3.0%. The only sector to experience net job losses is the information sector with net job growth of -1.4%.

On a regional basis, Georgia's employment growth also has been well diversified across metro areas. Of the thirteen metro areas tracked by the U.S. Bureau of Labor Statistics, only Hinesville experienced net job losses on a year over year three month moving average basis. The net job growth rate for Hinesville equaled -0.5% as of May 2016. In contrast, seven metro areas experienced job growth on a year over year three month moving average basis greater than 2.0% as of April 2016, including metro areas with job growth in excess of 3.0%: Athens, 4.1%; Gainesville, 3.9%; Savannah, 3.7%; Brunswick, 3.4%; and Atlanta, 3.2%.

Georgia's unemployment rate continues to track above that of the U.S. As of May 2016, Georgia's unemployment rate was 5.3% as compared to the U.S. rate of 4.7%. Since May 2015, Georgia's unemployment rate has declined from 5.9% to 5.3% currently. During this period, Georgia's labor force has grown by 2.3%, household employment has grown by 3.0%, and the number of unemployed has declined by 9.3%.

The Purchasing Managers Index ("PMI") for manufacturing in Georgia in May 2016 is 49.4, which is just below the neutral level of 50 and falls short of the U.S. ISM index reading of 50.8. The Georgia PMI index indicates that the Georgia manufacturing sector is neutral to slightly contracting. However, this monthly index value is highly volatile. It dropped 10 points from its April 2016 reading to its current value.

Personal income growth in Georgia is moderate. Growth on a year over year basis equals 4.9% as of the first quarter of 2016. This compares to growth in U.S. personal income of 4.4% for the same quarter. Income from wages and salaries in Georgia has grown more quickly than total personal income over the last two years. Income from wages and salaries grew at 6.4% year over year in 1st quarter 2016.

The housing sector in Georgia and nationally has faced continued headwinds. Home prices have been rising on a year over year basis since late 2012. The S&P Case Shiller Home Price Index for the Atlanta metropolitan area is up 6.45% as of April 2016 compared to April 2015. This growth is stronger than that posted by the composite index for 20 metro areas nationwide, which came in at 5.4%.

Home sales have moved erratically month to month with large increases and decreases from the prior month. On a year over year basis as of May 2016, existing home sales are up 4.9% while new home sales are up 23.8%. Existing home sales have been trending flat since December 2015 with May 2016 sales slightly above December 2015 sales. New home sales also had been weak until surging in April 2016; new home sales pulled back in May 2016, but still are 8.7% ahead of May 2015 sales. Over all, home sales data is that the US housing recovery is progressing, but at a modest pace.

While mortgage credit quality continues to improve, foreclosure rates and mortgage delinquency rates in Georgia remain above the U.S. averages, which is the historical norm. Georgia's foreclosure rates are below pre-recession levels while delinquencies are in line with pre-recession delinquency rates and are still trending down.

Amended FY 2016 Budget. The Amended FY 2016 budget anticipates state general fund revenues growth of 6.2% over the FY 2015 state general fund revenue collections and total tax revenue growth of 6.7% over the FY 2015 tax revenue collections. The Amended FY 2016 budget was increased over the original FY 2016 budget by $1.24 billion, which includes both the mid-year K-12 adjustment and an additional $759 million in revenue resulting from H.B. 170. For both the original FY 2016 budget and the Amended FY 2016 budget state agencies were not required to submit budget reductions. While revenues associated with H.B. 170 are dedicated to transportation funding needs, remaining new revenues are projected to be sufficient to cover other growth needs in core spending areas. The required contributions for state retirement systems were fully funded in the original FY 2016 budget with no additional funding required in the Amended FY 2016 budget.

The Amended FY 2016 budget focused on adequately funding growth needs in education and healthcare spending. The Amended FY 2016 budget includes $110 million for mid-term growth in the Quality Basic Education funding formula for K-12 education and $15 million for the Forestland Protection Grant program, a portion of which goes directly to local school systems whose property tax digests have been impacted by dedicated forestland. The Amended FY 2016 budget includes $20.2 million for growth in the Move on When Ready program, which allows high school students to earn college credits while completing their high school diploma. The Amended FY 2016 budget also includes $14.9 million for the OneGeorgia Authority to provide additional grants to local school systems to expand digital learning opportunities. In healthcare, the Amended FY 2016 budget includes an additional $90.8 million for the Medicaid and PeachCare for Kids programs for projected expense growth due to enrollment increases, increases in pharmaceutical costs for new Hepatitis C and Cystic Fibrosis drug therapies, and changes in the Medicare program for dually eligible Medicaid enrollees. Additionally, the Amended FY 2016 budget includes a one-time enhancement of $70 million to the Mercer and Morehouse schools of medicine grant programs to assist those institutions in attracting and retaining physicians to underserved areas of the state. Finally, the Amended FY 2016 budget includes $86 million to provide

additional resources to the State's child welfare programs to meet an anticipated increase in need for services and replace federal funds.

At this time, growth in revenue collections is in excess of the pace built into the Amended FY 2016 budget revenue estimate. The State will continue to monitor revenue trends and is prepared to take steps should revenue performance deteriorate below expectations.

FY 2017 Budget. The FY 2017 budget revenue estimate assumes tax revenue growth of 3.9% and state general fund revenue growth in the range of 3.8% compared to Amended FY 2016 budget revenue estimate. As in FY 2016, no reductions to agency budgets were necessary in FY 2017, and anticipated revenue growth is sufficient to add substantial new resources to fund transportation infrastructure needs as well as meet expected growth in K-12 education, Medicaid and PeachCare for Kids, and the state's child welfare programs. H.B. 170 is expected to generate an additional $826 million for transportation for the state over FY 2015 spending levels and $66 million over FY 2016, the first full year the legislation is in effect. The FY 2017 budget also includes the authorization of an additional $100 million in general obligation bonds for rehabilitation of the State's bridges to continue to address transportation infrastructure needs.

The FY 2017 budget includes an additional $432.5 million for K-12 education to allow local school systems to increase instructional days, eliminate teacher furloughs, or enhance teacher and non-certified employee salaries. These funds will meet enrollment growth needs in the system as well as continue to restore funding reduced from the K-12 budget during the economic recession. As in the Amended FY 2016 budget, the FY 2017 budget also includes additional funds of $29.4 million for the Move on When Ready program. The budget also fully funds enrollment growth in higher education by providing an additional $43.5 million for the University System of Georgia. As in prior years, health and human services continues to require additional investments from the state each year. The FY 2017 budget includes $45.8 million for projected expense growth in Medicaid and PeachCare for Kids and $108.1 million to meet anticipated additional needs for child welfare services and replace federal funds.

Budget instructions for the Amended FY 2017 budget and the FY 2018 budget are expected to be issued in August 2016. At that time, initial planning estimates for the Amended FY 2017 budget and the FY 2018 budget will be developed for the Governor's consideration. Those estimates will incorporate a revised outlook based on any legislation passed during the 2016 session of the General Assembly that may impact state revenues and the most recent economic data. In addition, these estimates will factor in actual FY 2016 revenue collections as a new baseline for estimating future growth.

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Georgia Revenues
Actual FY 2011 – FY 2015

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

State General Funds	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**
Net Taxes: Department of Revenue					
Income Tax – Individual	$7,658,782,326	$8,142,370,500	$8,772,227,404	$8,965,572,421	$ 9,678,524,026
Income Tax – Corporate	670,409,796	590,676,110	797,255,429	943,806,441	1,000,536,425
Sales and Use Tax – General	5,080,776,730	5,303,524,233	5,277,211,183	5,125,501,785	5,390,353,066
Motor Fuel	932,702,991	1,019,300,802	1,000,625,732	1,006,493,364	1,025,819,044
Tobacco Taxes	228,858,070	227,146,091	211,618,073	216,640,134	215,055,115
Alcoholic Beverages Tax	161,803,418	175,050,571	180,785,957	181,874,583	184,373,811
Estate Tax	0	27,923	(15,351,947)	0	0
Property Tax	76,704,325	68,951,095	53,491,655	38,856,854	26,799,138
Title Ad Valorem Tax			118,522,060	741,933,576	828,133,775
Net Taxes: Other Organizations					
Insurance Premium Tax	360,669,593	309,192,735	329,236,920	372,121,805	419,653,207
Motor Vehicle License Tax	298,868,209	308,342,308	338,968,306	337,455,825	339,611,871
Total Net Taxes	15,469,575,458	16,144,582,369	17,064,590,773	17,930,256,787	19,108,859,479
Interest, Fees and Sales -					
Department of Revenue	224,083,020	244,372,037	288,781,506	325,419,014	338,135,999
Office of State Treasurer - Interest on Deposits	-70,422	6,913,651	3,644,434	2,958,365	11,044,230
Behavioral Health	5,634,937	4,571,175	3,616,363	3,017,554	2,516,533
Driver Services	57,487,315	58,417,440	57,757,270	57,549,778	51,274,419
Natural Resources	44,969,509	45,053,302	42,518,506	44,181,240	45,956,400
Secretary of State	81,479,049	85,174,697	79,616,756	81,693,371	78,617,291
Labor	29,077,607	29,896,747	25,518,209	26,334,786	27,724,158
Public Health			11,196,064	11,042,775	9,836,616
Human Services	7,942.374	7,850,965	5,569,741	3,744,711	7,137,755
Banking and Finance	20,158,138	21,362,614	21,500,505	20,941,029	20,531,999
Corrections	15,013,036	15,289,299	14,440,421	13,782,279	15,110,617
Workers' Compensation	21,078,738	20,314,485	20,967,938	21,717,715	22,008,305
Public Service Commission	1,123,038	1,219,515	1,185,784	772,127	833,665
Nursing Home Provider Fees	128,771,295	132,393,274	176,864,128	169,521,312	175,413,852
Care Management Organization Fees	297,276	718,946			
Hospital Provider Payments	215,079,822	225,259,561	232,080,023	237,978,451	278,958,076
Driver Services Super Speeder Fine	14,161,809	18,391,393	18,593,040	20,394,462	22,372,600
Indigent Defense Fees	42,426,463	41,720,648	41,221,700	40,099,349	39,068,313
Peace Officers' and Prosecutors' Training Funds	25,547,136	25,276,638	22,542,417	24,698,552	24,405,610
All Other	154,811,930	141,196,718	163,653,012	131,702,985	154,937,117
Total Interest, Fees & Sales	1,089,072,069	1,125,393,105	1,231,267,815	1,237,549,854	1,325,883,555
Total State General Funds	16,558,647,527	17,269,975,474	18,295,858,588	19,167,806,641	20,434,743,034
Lottery Funds	847,049,832	903,224,565	929,142,038	946,977,108	982,460,046
Tobacco Settlement Funds	138,450,703	141,139,300	212,792,063	139,892,084	138,441,332
Guaranteed Revenue Debt Common Reserve Fund Interest Earnings	265,380	119,758	133,736	98,713	67,010
National Mortgage Settlement			99,365,105		
Brain and Spinal Injury Trust Fund	1,960,848	2,333,708	2,396,580	1,988,502	1,784,064
Other	1,803	4,243	2,948	2,446	3,054
Total State Treasury Receipts	**17,546,376,094**	**18,316,797,048**	**19,539,691,058**	**20,256,765,495**	**21,557,498,541**
Funds Transferred from State Organizations (a)	209,873,762	144,228,314	93,156,724	280,462,097	113,520,036
GEFA Loan Sale	288,000,000				
Mid-Year Adjustment–Education Reserve	152,157,908	165,586,475	172,699,755	182,958,586	191,678,066
TOTAL STATE FUNDS	$18,196,407,763	$18,626,611,837	$19,805,547,537	$20,720,186,177	$21,862,696,643

(a) The amounts for FY 2011 through FY 2014 have been restated to include all agency surplus amounts, rather than just the preliminary figures, resulting in increases in these amounts from the amounts as shown in previous Official Statements for State General Obligation Bonds.
Note: Amounts may not add precisely due to rounding.
Source: State Accounting Office

Georgia Revenues
Amended FY 2016 Budget and FY 2017 Budget

The following table sets forth projected budget-based State revenues available for appropriation for the Amended FY 2016 Budget and the FY 2017 Budget.

State General Funds	Amended FY 2016	Enacted FY 2017
Net Taxes: Department of Revenue		
Income Tax - Individual	$10,154,280,366	$10,715,557,454
Income Tax - Corporate	990,335,000	1,023,212,560
Sales and Use Tax-General	5,432,889,000	5,658,900,000
Motor Fuel	1,599,051,300	1,653,200,000
Tobacco Taxes	210,759,079	209,073,000
Alcoholic Beverages Tax	187,381,300	189,067,700
Property Tax	14,295,000	7,000,000
Title Ad Valorem Tax	886,624,702	795,830,333
Net Taxes: Other Organizations		
Insurance Premium Tax	431,193,700	441,973,500
Motor Vehicle License Tax	342,830,400	347,238,700
Additional Transportation Fees	145,493,420	157,985,500
Total Net Taxes	20,395,133,267	21,199,038,747
Interest, Fees and Sales - Dept. of Revenue	349,371,400	356,358,800
Office of State Treasurer - Interest on Deposits	11,956,000	11,956,000
Other Fees and Sales:		
Banking and Finance	19,000,000	19,000,000
Behavioral Health	2,400,000	2,200,000
Corrections	14,500,000	14,200,000
Human Services	4,500,000	4,500,000
Labor	27,500,000	27,500,000
Natural Resources	44,000,000	48,113,164
Public Health	13,627,000	14,004,240
Public Service Commission	800,000	800,000
Secretary of State	74,084,000	72,846,000
Workers' Compensation	21,910,323	19,923,553
Driver Services	58,000,000	58,000,000
Driver Services Super Speeder Fine	21,000,000	21,000,000
Nursing Home Provider Fees	167,969,114	167,969,114
Hospital Provider Payment	272,255,461	283,993,012
Indigent Defense Fees	40,200,000	40,200,000
Peace Officers' & Prosecutors' Training Funds	24,400,000	24,400,000
All Other Departments	136,290,840	137,072,716
Total Interest Fees and Sales	1,303,764,138	1,324,036,599
Total State General Funds	21,698,897,405	22,523,075,346
Lottery Funds	1,008,098,562	1,073,563,561
Tobacco Settlement Funds	138,630,751	124,490,762
Brain and Spinal Injury Trust Fund	1,458,567	1,325,935
Total State Treasury Receipts	**22,847,085,285**	**23,722,455,604**
Other Funds Available for Expenditure:		
Funds Transferred from State Organizations	14,041,081	16,814,634
Mid-year Adjustment Reserve	204,347,430	-
TOTAL STATE FUNDS	$23,065,473,796	$23,739,270,238

Source: Governor's Office of Planning and Budget

State Treasury Receipts

The following table sets forth, by category, the State Treasury Receipts available for appropriation for the period FY 2011 through FY 2015.

State General Fund Receipts	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
Net Taxes					
Department of Revenue					
Income Tax – Individual	$ 7,658,782,326	$ 8,142,370,500	$ 8,772,227,404	$ 8,965,572,421	$ 9,678,524,026
Income Tax – Corporate	670,409,796	590,676,110	797,255,429	943,806,441	1,000,536,425
Sales and Use Tax – General	5,080,776,730	5,303,524,233	5,277,211,183	5,125,501,785	5,390,353,066
Motor Fuel					
Excise & Motor Carrier Mileage Tax	452,197,063	446,655,687	453,438,505	437,637,790	461,582,179
Prepaid Motor Fuel Sales Tax	480,505,928	572,645,116	547,187,226	568,855,574	564,236,865
Tobacco Products Tax	228,858,070	227,146,091	211,618,073	216,640,134	215,055,115
Alcoholic Beverages Tax	161,803,418	175,050,571	180,785,957	181,874,583	184,373,811
Estate Tax	0	27,923	(15,351,947)	0	0
Property Tax	76,704,325	68,951,095	53,491,655	38,856,854	26,799,138
Motor Vehicle License Tax	298,868,209	308,342,308	338,968,306	337,455,825	339,611,871
Title Ad Valorem Tax			118,522,060	741,933,576	828,133,775
Total Department of Revenue	15,108,905,865	15,835,389,634	16,735,353,853	17,558,134,982	18,689,206,272
Other Departments					
Insurance Premium Tax and Fees	360,669,593	309,192,735	329,236,920	372,121,805	419,653,207
Total Taxes	15,469,575,458	16,144,582,369	17,064,590,773	17,930,256,787	19,108,859,479
Interest, Fees, and Sales	1,089,072,069	1,125,393,105	1,231,267,815	1,237,549,854	1,325,883,555
Total State General Fund Receipts	16,558,647,527	17,269,975,474	18,295,858,588	19,167,806,641	20,434,743,034
Other Revenues Retained (a)	987,728,567	1,046,821,574	1,243,832,470	1,088,958,854	1,122,755,507
Total State Treasury Receipts	$17,546,376,094	$18,316,797,048	$19,539,691,058	$20,256,765,495	$21,557,498,541

(a) Other Revenues Retained include Lottery Funds, Tobacco Settlement Funds, Guaranteed Revenue Debt Common Reserve Fund Earnings, Brain and Spinal Injury Trust Fund, Job and Growth Tax Relief, and Other amounts from Georgia Revenues Actual FY 2011 – FY 2015. All years have been restated to include Guaranteed Revenue Debt Common Reserve Fund Interest Earnings.
Note: Amounts may not add precisely due to rounding.
Sources: FY 2011 through FY 2015 – *Budgetary Compliance Report; The Georgia Revenue and Reserves Report* – State Accounting Office

Changes in State Treasury Receipts – FY 2014 to FY 2015

The following table sets forth, by category, the changes in budget-based revenue available for appropriation for FY 2015 as compared to FY 2014.

State General Fund Receipts	FY 2014	FY 2015	$ Change	% Change
Net Taxes				
Department of Revenue				
Income Tax – Individual	$ 8,965,572,421	$ 9,678,524,026	$ 712,951,605	8.0%
Income Tax – Corporate	943,806,441	1,000,536,425	56,729,984	6.0%
Sales and Use Tax – General	5,125,501,785	5,390,353,066	264,851,282	5.2%
Excise and Motor Carrier Mileage Tax	437,637,790	461,582,179	23,944,389	5.5%
Prepaid Motor Fuel Sales Tax	568,855,574	564,236,865	(4,618,709)	(0.8)%
Tobacco Products Tax	216,640,134	215,055,115	(1,585,019)	(0.7)%
Alcoholic Beverages Tax	181,874,583	184,373,811	2,499,229	1.4%
Property Tax	38,856,854	26,799,138	(12,057,716)	(31.0)%
Motor Vehicle License Tax	337,455,825	339,611,871	2,156,046	0.6%
Title Ad Valorem Tax	741,933,576	828,133,775	86,200,199	11.6%
Total Department of Revenue	17,558,134,982	18,689,206,272	1,131,071,289	6.4%
Other Departments				
Insurance Premium Tax and Fees	372,121,805	419,653,207	47,531,402	12.8%
Total Taxes	17,930,256,787	19,108,859,479	1,178,602,692	6.6%
Interest, Fees, and Sales	1,237,549,854	1,325,883,555	88,333,701	7.1%
Total State General Fund Receipts	19,167,806,641	20,434,743,034	1,266,936,393	6.6%
Other Revenues Retained (a)	1,088,958,854	1,122,755,507	33,796,653	3.1%
Total State Treasury Receipts	$20,256,765,495	$21,557,498,541	$1,300,733,046	6.4%

Source: 2015 *Budgetary Compliance Report*, State Accounting Office, 2015

Summary of Appropriation Allotments

The following table summarizes the appropriation allotment amounts to various areas of State government for the five fiscal years FY 2011 through FY 2015.

	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
Education	$10,372,130,365	$9,985,262,716	$10,337,921,348	$10,747,131,836	$11,419,439,731
Public Health and Welfare	3,506,185,744	4,132,143,031	4,561,952,241	4,628,454,661	4,874,516,201
Transportation	682,500,519	755,702,058	866,764,685	875,808,645	880,489,499
Judicial, Penal and Corrections	1,440,130,535	1,583,762,746	1,630,095,700	1,649,003,797	1,687,527,435
Natural Resources	146,441,378	149,564,635	162,022,641	165,703,469	179,953,073
General Obligation Debt Sinking Fund	1,182,283,016	931,171,587	950,274,605	1,170,767,561	1,083,144,820
General Government	721,991,027	806,046,413	814,804,214	976,684,297	1,012,732,249
Total Allotments	$18,051,662,584	$18,343,653,186	$19,323,835,434	$20,213,554,266	$21,137,803,008

Source: Governor's Office of Planning and Budget

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Georgia Department of Revenue – Unaudited State Revenues

The following table ($ in thousands) sets forth unaudited net revenue collections by the Department of Revenue in certain categories for the twelve-month period (July 1 through June 30) of FY 2015 and FY 2016. There are various other revenues of the State that are collected by other State agencies and remitted to the Office of the State Treasurer which are not listed below.

	FY 2015	FY 2016	Change	% Change
Tax Revenues:				
Income Tax – Individual	$9,677,987	$10,439,534	$761,547	7.9%
Sales and Use Tax – General:				
Sales and Use Tax – Gross	10,353,350	10,486,544	133,193	1.3%
Local Sales Tax Distribution[(a)]	(4,822,300)	(4,890,521)	(68,221)	(1.4)%
Sales Tax Refunds/Adjustments	(89,638)	(119,243)	(29,605)	(33.0)%
Net Sales and Use Tax – General	5,441,413	5,476,779	35,367	0.6%
Motor Fuel Taxes:				
Prepaid Motor Fuel Sales Tax	516,128			
Motor Fuel Excise Tax	418,543			
Total Motor Fuel Taxes[(b)]	1,021,422	1,655,028	633,606	62.0%
Income Tax – Corporate	1,000,087	981,003	(19,083)	(1.9)%
Tobacco Taxes	215,055	219,870	4,815	2.2%
Alcohol Beverages Tax	184,374	190,472	6,098	3.3%
Estate Tax	-	-	-	-
Property Tax	26,799	13,803	(12,996)	(48.5)%
Motor Vehicle – Tag, Title & Fees	1,166,107	1,320,160	154,053	13.2%
Total Tax Revenues	18,733,243	20,296,650	1,563,407	8.3%
Other Revenues:				
Other Fees and Taxes[(c)]	295,281	517,951	222,670	75.4%
Total Taxes and Other Revenues	$19,028,524	$20,814,601	$1,786,077	9.4%

(a) The Local Distribution is adjusted with an accrual to reflect payment activity that occurs after the actual distribution (3 business days prior to the end of a month).
(b) See discussion of HB 170 in "Fiscal Performance" herein – effective July 1, 2015, both the Prepaid Motor Fuel Sales Tax and the Motor Fuel Excise Tax were repealed and replaced with a consolidated excise tax.
(c) "Other Fees and Taxes" include payments that have been deposited in the bank, but for which returns may not yet have been processed. These undistributed amounts are then re-classified (once the return is processed) to the appropriate tax revenue account. "Other Fees" also includes Unclaimed Property collections.

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

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Monthly Cash Investments

The following table ($ in millions) sets forth the month ending cash investments of State fund balances in the State Treasury for FY 2012 through FY 2016.

Month	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**
July	$2,050	$2,370	$2,766	$3,156	$3,708
August	2,218	2,505	2,771	3,224	3,833
September	2,437	2,748	3,200	3,504	4,191
October	2,046	2,300	2,823	3,051	3,754
November	1,912	2,217	2,802	2,850	3,825
December	2,092	2,451	2,993	3,214	4,286
January	2,413	2,817	3,414	3,650	4,771
February	1,979	2,243	2,835	3,039	4,287
March	1,866	2,206	2,799	3,027	4,338
April	2,234	2,722	3,115	3,561	4,825
May	2,175	2,669	3,025	3,483	4,833
June	2,594	2,909	3,433	3,755	5,164

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

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

Retirement Systems

Introduction. The State administers various retirement plans under two major retirement systems: the Employees' Retirement System of Georgia ("ERS"), which administers multiple retirement plans for various employer entities of the State, and the Teachers Retirement System of Georgia ("TRS"), which administers a retirement plan for teachers in State public schools, the University System of Georgia and certain other employees in legislatively designated educational agencies. The ERS and TRS are referred to herein, collectively, as the "Systems." The ERS retirement plan for State employees in the executive branch is the most significant of the defined benefit pension plans operated by ERS. Statistical information included herein regarding ERS is limited to the plan for State employees in the executive branch. As of June 30, 2015, TRS and the ERS retirement plan for State employees in the executive branch comprise approximately 96.2% of the net assets of the State's 15 defined benefit pension plans. For additional information on these two retirement plans (as well as four significantly smaller plans), including details regarding benefit eligibility, benefit formula and employee contributions rates, see Note 15, "Retirement Systems," in APPENDIX B hereto. The retirement plans are subject to the provisions of Title 47 of Official Code of Georgia in general and Chapter 2 (ERS) and Chapter 3 (TRS) thereof, in particular. The retirement plans administered by the Systems are the subject of annual actuarial valuations. In the opinion of the actuary for the Systems, as of June 30, 2015, each of ERS and TRS are operating on an actuarially sound basis and in conformity with minimum funding standards of Georgia law.

According to the most recent actuarial valuation of ERS, as of June 30, 2015, the funded ratio (actuarial value of assets / actuarial accrued liability) was equal to 74.1% (as compared to 72.8% as of June 30, 2014) and the unfunded actuarial accrued liability ("UAAL") as a percentage of covered payroll was equal to 188.0% (as compared to 199.3% as of June 30, 2014). According to the most recent actuarial valuation of TRS, as of June 30, 2015, the funded ratio was equal to 79.1% (as compared to 81.9% as of June 30, 2014) and the UAAL as a percentage of covered payroll was equal to 167.0% (as compared to 137.2% as of June 30, 2014). The decline in the funded ratio for TRS is due principally to an increase in the UAAL resulting from a decline in the forward looking interest rate used to value its liabilities as a result of the smoothed valuation interest rate methodology as described in the *Actuarial Methods and Assumptions* sub-section herein. ERS and TRS each received 100% of its respective Actuarially Determined Employer Contribution ("ADEC") for FY 2014 and FY 2015. For both FY 2016 and FY 2017, both the ERS and the TRS ADEC payments are budgeted at 100%. ADEC payments are funded from a variety of sources, including State general fund appropriations, as well as federal, local and other sources.

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

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

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

System Membership and Beneficiary Information. ERS was created in 1949 by an act of the General Assembly to provide benefits for employees of the State and is managed by a seven-member Board of Trustees (the "ERS Board") comprised of the State Auditor (ex-officio), the State Treasurer (ex-officio), the Commissioner of the Department of Administrative Services (ex-officio), one appointee of the Governor and three appointees of the ERS Board. TRS was created in 1943 by an act of the General Assembly to provide benefits for qualifying teachers and is managed by a ten-member Board of Trustees (the "TRS Board") comprised of the State Auditor (ex-officio), the State Treasurer (ex-officio), five appointees of the Governor, two appointees of the TRS Board and one appointee of the Board of Regents. The ERS and TRS plans are cost-sharing multiple employer defined benefit plans. The ERS plan for State employees consists of 423 employers, of which 422 are not in the State reporting entity. TRS consists of 300 employers, of which 293 are not in the State reporting entity. Membership in the plans as of June 30, 2015 is shown below.

	ERS	**TRS**
Retirees and beneficiaries currently receiving benefits	47,180	113,066
Terminated employees entitled to benefits, but not yet receiving benefits, vested	5,878	10,565
Terminated employees, non-vested	78,913	82,668
Active plan members	60,419	214,015
Total	192,390	420,314

Sources: ERS and TRS Audited Financial Statements

According to the ERS audited financial statements as of June 30, 2015, ERS receipts (consisting of member and employer contributions and net investment earnings for the year) totaled $1,026,033,000 (compared to $2,483,923,000 for FY 2014) and ERS disbursements (consisting of benefit payments, member refunds and administrative expenses for the year) totaled $1,349,600,000 (compared to $1,322,195,000 for FY 2014). According to the TRS audited financial statements as of June 30, 2015, TRS receipts (consisting of member and employer contributions, net investment earnings and unrealized appreciation for the year) totaled $4,452,686,000 (compared to $11,737,826,000 for FY 2014) and TRS disbursements (consisting of benefit payments, member refunds and administrative expenses for the year) totaled $4,091,960,000 (compared to $3,866,572,000 for FY 2014).

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

Obligations and Funded Status. The State reports the funded status for each of the retirement plans "as a whole" using a smoothing method to calculate each retirement plan's actuarial value of assets ("AVA"). Under this method, changes in the market value of assets ("MVA") are recognized over a period of years. Prior to the FY 2006 actuarial valuation report, the State used a 5-year smoothing period. For the FY 2006 through FY 2012 actuarial valuation reports, the State used a 7-year smoothing period. The funded status of ERS and TRS for the ten most recent actuarial valuation dates is presented in the following table. The actuarial valuations for TRS shown below for valuation years 2009 through 2012 reflect the TRS Board action on July 27, 2011 to use a 7-year smoothing method within a corridor of between 75% and 125% of the MVA around the AVA. The actuarial valuations for ERS and TRS from June 30, 2013 and later shown below reflect the funding policies adopted by the ERS Board and TRS Board to set the actuarial value of assets equal to the market value of assets as of June 30, 2013 and to use a 5-year smoothing method in subsequent years. TRS uses a corridor of between 75% and 125% of the MVA around the AVA. For a more detailed explanation, see "Actuarial Methods and Assumptions"

below. The retirement plans are the subject of five-year experience studies by actuarial firms and various assumptions and methods have been revised to reflect the results of such studies. The most recent experience studies were completed for the five-year period ending June 30, 2014 with results first reflected in the June 30, 2015 valuations.

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

Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL) – Entry Age	Unfunded AAL (UAAL) (AAL – AVA)	Funded Ratio (AVA/AAL)	Annual Covered Payroll	UAAL as % of Annual Covered Payroll
ERS						
6/30/2015	$12,675,649	$17,099,527	$4,423,878	74.1%	$2,352,920	188.0%
6/30/2014	12,376,120	16,991,963	4,615,843	72.8	2,315,625	199.3
6/30/2013	12,129,804[a]	16,982,449	4,852,645	71.4	2,335,773	207.8
6/30/2012	12,260,595	16,777,922	4,517,327	73.1	2,414,884	187.1
6/30/2011	12,667,557	16,656,905	3,989,348	76.0	2,486,780	160.4
6/30/2010	13,046,193	16,295,352	3,249,159	80.1	2,571,042	126.4
6/30/2009	13,613,606	15,878,022	2,264,416	85.7	2,674,155	84.7
6/30/2008	14,017,346	15,680,857	1,663,511	89.4	2,809,199	59.2
6/30/2007	13,843,689	14,885,179	1,041,490	93.0	2,680,972	38.8
6/30/2006	13,461,132	14,242,845	781,713	94.5	2,630,167	29.7
TRS						
6/30/2015	$65,514,119	$82,791,010	$17,276,891	79.1%	$10,347,332	167%
6/30/2014	62,061,722	75,772,117	13,710,395	81.9	9,993,686	137.2
6/30/2013	58,594,837[b]	72,220,865	13,626,028	81.1	9,924,682	137.3
6/30/2012	56,262,332	68,348,678	12,086,346	82.3	10,036,023	120.4
6/30/2011	55,427,716	65,978,640	10,550,924	84.0	10,099,278	104.5
6/30/2010	54,529,416	63,592,037	9,062,621	85.7	10,437,703	86.8
6/30/2009	53,438,604	59,450,116	6,011,512	89.9	10,641,543	56.5
6/30/2008	54,354,284	59,133,777	4,779,493	91.9	10,197,584	46.9
6/30/2007	52,099,171	54,996,570	2,897,399	94.7	9,482,003	30.5
6/30/2006	49,263,027	51,059,681	1,796,654	96.5	8,785,985	20.4

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

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

Sources: ERS and TRS actuarial reports.

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

Historical Funding Progress
Market Value
($ in thousands)

Valuation Date	Market Value of Assets (MVA)	Actuarial Accrued Liability (AAL) – Entry Age	Unfunded AAL (UAAL) (AAL – MVA)	Funded Ratio (MVA / AAL)	Annual Covered Payroll	UAAL as % of Annual Covered Payroll
ERS						
6/30/2015	$12,967,964	$17,099,527	$4,131,563	75.8%	$2,352,920	175.6%
6/30/2014	13,291,531	16,991,963	3,700,432	78.2	2,315,625	159.8
6/30/2013	12,129,804	16,982,449	4,852,645	71.4	2,335,773	207.8
6/30/2012	11,537,408	16,777,922	5,240,514	68.8	2,414,884	217.0
6/30/2011	12,233,380	16,656,905	4,423,525	73.4	2,486,780	177.9
6/30/2010	10,872,348	16,295,352	5,423,004	66.7	2,571,042	210.9
6/30/2009	10,550,357	15,878,022	5,327,665	66.4	2,674,155	199.2
6/30/2008	13,080,653	15,680,857	2,600,204	83.4	2,809,199	92.6
6/30/2007	14,272,114	14,885,179	613,065	95.9	2,680,972	22.9
6/30/2006	13,033,861	14,242,845	1,208,984	91.5	2,630,167	46.0
TRS						
6/30/2015	$66,799,111	$82,791,010	$15,991,899	80.7%	$10,347,332	154.5%
6/30/2014	66,466,091	75,772,117	9,306,026	87.7	9,993,686	93.1
6/30/2013	58,594,837	72,220,865	13,626,028	81.1	9,924,682	137.3
6/30/2012	53,487,149	68,348,678	14,861,529	78.3	10,036,023	148.1
6/30/2011	54,084,176	65,978,640	11,894,464	82.0	10,099,278	117.8
6/30/2010	45,925,549	63,592,037	17,666,488	72.2	10,437,703	169.3
6/30/2009	42,478,583	59,450,116	16,971,533	71.5	10,641,543	159.5
6/30/2008	50,063,600	59,133,777	9,070,177	84.7	10,197,584	88.9
6/30/2007	53,133,101	54,996,570	1,863,469	96.6	9,482,003	19.7
6/30/2006	47,246,347	51,059,681	3,813,334	92.5	8,785,985	43.4

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

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

Funding Progress Comparison
($ in thousands)

Valuation Date	Actuarial Value of Assets (AVA)	Market Value of Assets (MVA)	% of AVA to MVA	Funded Ratio (AVA)	Funded Ratio (MVA)
ERS					
6/30/2015	$12,675,649	$12,967,964	97.7%	74.1%	75.8%
6/30/2014	12,376,120	13,291,531	93.1	72.8	78.2
6/30/2013	12,129,804[a]	12,129,804[a]	100.0	71.4	71.4
6/30/2012	12,260,595	11,537,408	106.3	73.1	68.8
6/30/2011	12,667,557	12,233,380	103.5	76.0	73.4
6/30/2010	13,046,193	10,872,348	120.0	80.1	66.7
6/30/2009	13,613,606	10,550,357	129.0	85.7	66.4
6/30/2008	14,017,346	13,080,653	107.2	89.4	83.4
6/30/2007	13,843,689	14,272,114	97.0	93.0	95.9
6/30/2006	13,461,132	13,033,861	103.3	94.5	91.5
TRS					
6/30/2015	$65,514,119	$66,799,111	98.1%	79.1%	80.7%
6/30/2014	62,061,722	66,466,091	93.4	81.9	87.7
6/30/2013	58,594,837[b]	58,594,837[b]	100.0	81.1	81.1
6/30/2012	56,262,332	53,487,149	105.2	82.3	78.3
6/30/2011	55,427,716	54,084,176	102.5	84.0	82.0
6/30/2010	54,529,416	45,925,549	118.7	85.7	72.2
6/30/2009	53,438,604	42,478,583	125.8	89.9	71.5
6/30/2008	54,354,284	50,063,600	108.6	91.9	84.7
6/30/2007	52,099,171	53,133,101	98.1	94.7	96.6
6/30/2006	49,263,027	47,246,347	104.3	96.5	92.5

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

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

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

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

standards, and do not change the actuarial methods or assumptions that ERS and TRS use for their actuarial valuations to determine the funding status of the plans.

Net Pension Liability
($ in thousands)

Fiscal Year	Fiduciary Net Position (FNP)	Total Pension Liability (TPL)	Net Pension Liability (NPL)	Fiduciary Net Position as Percentage of Total Pension Liability (FNP/TPL)	Covered Employee Payroll [a]	NPL as % of Annual Covered Payroll
ERS						
6/30/2015	$12,967,964	$17,019,362	$4,051,398	76.2%	$2,353,225	172.2%
6/30/2014	13,291,531	17,042,149	3,750,618	78.0	2,335,773	160.6
6/30/2013 [b]	12,129,804	16,982,449	4,852,645	71.4	2,335,773	207.8
TRS						
6/30/2015	$66,799,111	$82,023,118	$15,224,007	81.4%	$10,697,384	142.32%
6/30/2014	66,466,091	79,099,772	12,633,681	84.0	10,349,862	122.1
6/30/2013 [b]	58,594,837	76,019,717	17,424,880	77.1	10,345,916	168.4

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

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

Sources: ERS and TRS audited financial statements.

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

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

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

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

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

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

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

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

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

Asset Allocation. Permissible investments of the Systems are set forth in the Public Retirement Systems Investment Authority Law (O.C.G.A. § 47-20-80 through O.C.G.A. § 47-20-86). In accordance with O.C.G.A. § 47-20-84, the investment assets of the Systems are prohibited from being allocated more than 75% to equity securities. Accordingly, current policy is to maintain equity exposure on a cost basis between 55% and 75% and fixed income between 25% and 45%. The cost of investments is computed using the original cost of equity securities and the amortized cost of bonds, which means that premiums and discounts are recognized totally over the life of the bonds.

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

The following table presents the annualized rates of return (net of fees) of ERS and TRS through FY 2015.

Historical Rates of Return

	ERS	TRS
1 year	3.74%	3.70%
3 years	11.31	11.24
5 years	11.32	11.27
10 years	6.86	6.82
20 years	7.82	7.89

Source: Division of Investment Services, ERS and TRS.

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

Historical Rates of Return

	ERS		**TRS**	
Fiscal Year	Assumed	Actual	Assumed	Actual
2015	7.50%	3.74%	7.50%	3.70%
2014	7.50	17.29	7.50	17.17
2013	7.50	13.33	7.50	13.28
2012	7.50	2.19	7.50	2.16
2011	7.50	21.29	7.50	21.27
2010	7.50	10.99	7.50	11.09
2009	7.50	-12.97	7.50	-13.06
2008	7.50	-3.50	7.50	-3.38
2007	7.50	14.72	7.50	14.61
2006	7.50	6.17	7.50	6.05

Source: Division of Investment Services, ERS and TRS.

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

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

portion of the normal cost and unfunded accrued liability contributions and the General Assembly is to make an appropriation to the TRS Board sufficient to provide for such contributions as a part of the earnable compensation of such employer's eligible members.

For purposes of estimating the budgetary impact of any legislatively proposed benefit changes and other TRS costs, the State Auditor estimates the percentage of State general fund appropriations to be applied to the ADEC. For FY 2015, State general fund appropriations were estimated to comprise approximately 56.0% of the ADEC payments for TRS and 73.3% for ERS. State general fund appropriations in FY 2015 for the ADEC payments for ERS and TRS were approximately $380 million and $788 million, respectively, and comprised, together, approximately 5.8% of total State general fund appropriations.

For FY 2016, State general fund appropriations are estimated to comprise approximately 56.0% of the ADEC payments for TRS and 69.9% for ERS. State general fund appropriations in FY 2016 for the ADEC payments for ERS and TRS are estimated to be approximately $384 million and $864 million, respectively, and are estimated to comprise, together, approximately 5.7% of total State general fund appropriations. See tables labeled "ERS Projected Actuarially Determined Employer Contribution Status ($ in thousands)" "TRS Projected Actuarially Determined Employer Contribution Status ($ in thousands)" herein.

The following table indicates, on a fiscal year basis, the ADEC for ERS and TRS, the portion of the ADEC funded by organizations in the State reporting entity, any amount unfunded, and the portion of the ADEC funded by organizations in the State reporting entity as a percentage of total State general fund appropriations. Employer offsets are not included in the amounts provided below and are not available. An employer offset exists under the ERS plan for employees who maintain membership with ERS based upon employment that started prior to July 1, 1982 (old plan members). The old plan offset as of June 30, 2015 is 4.75% of covered compensation paid by the employer on behalf of employees.

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ERS Annual Employer Contribution Status
($ in thousands)

Fiscal Year	ADEC	Amount Unfunded[a]	State Portion of ADEC[b]	State Portion Amount Unfunded	State Portion as a % of State General Fund Appropriations
2015	$517,220	($942)	$452,708	-	2.26%
2014	428,982	(770)	373,127	-	1.95
2013	358,376	(616)	306,738	-	1.68
2012	273,623	(411)	238,738	-	1.37
2011	261,132	-	222,401	-	1.33
2010	263,064	-	236,656	-	1.51
2009[a]	282,103	897	258,307	$897	1.45
2008	286,256	-	263,293	-	1.35
2007	270,141	-	246,649	-	1.36
2006	258,482	-	NA	-	NA

[a]FY 2009 was restated to reflect a contribution shortfall of $897,000 by one employer group–Locally Elected Tax Commissioners. Combined with an additional shortfall of $5,262,000 for the same employer group in years prior to FY 2001, the total deficit of $6,159,000 is expected to be repaid over ten years. Repayment of the deficit commenced in October 2011 and amounts shown in the "Amounts Unfunded" column in FY 2012, FY 2013, FY 2014, and FY 2015 represent such repayments.
[b] Amounts reflect the portion of the ADEC funded by organizations within the State reporting entity and consist of State, federal and other monies.
NA: Not Available
Sources: ERS audited financial statements, ERS actuarial reports, the State of Georgia CAFR and the Governor's Budget in Brief.

TRS Annual Employer Contribution Status
($ in thousands)

Fiscal Year	ADEC	Amount Unfunded	State Portion of ADEC[a]	State Portion Amount Unfunded	State Portion as a % of State General Fund Appropriations
2015	$1,406,706	-	$239,464	-	1.20%
2014	1,270,963	-	214,220	-	1.12
2013	1,180,469	-	194,804	-	1.06
2012	1,082,224	-	175,588	-	1.01
2011	1,089,912	-	170,893	-	1.02
2010	1,057,416	-	161,184	-	1.03
2009	1,026,287	-	147,863	-	0.83
2008	986,759	-	142,523	-	0.73
2007	927,371	-	134,510	-	0.74
2006	855,626	-	128,265	-	0.76

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

Contribution Rate Structure. Actuarially determined employer contribution rates for ERS and TRS for FY 2016, FY 2017, and FY 2018 are as shown in the following table. The employer contribution rate structures of ERS and TRS are established by their respective Boards of Trustees under statutory

guidelines, including requirements for the minimum annual contributions necessary to ensure the actuarial soundness of ERS and TRS (see O.C.G.A. § 47-20-10). Unless the employee elects otherwise, an employee who currently maintains membership with ERS based upon State employment that started prior to July 1, 1982, is an "old plan" member subject to the plan provisions in effect prior to July 1, 1982. Members hired on or after July 1, 1982 but prior to January 1, 2009 are "new plan" members subject to the modified plan provisions. Effective January 1, 2009, newly hired State employees, as well as rehired State employees who did not maintain eligibility for the "old" or "new" plan, are members of the Georgia State Employees' Pension and Savings Plan "GSEPS". ERS members hired prior to January 1, 2009 also have the option to irrevocably change their membership to the GSEPS plan. Employer offsets are the portion of the employees' required contribution to the pension system that the employer makes on the employees' behalf. An employer offset exists under the ERS plan for old plan members.

	ERS			TRS
Expressed as a % of Covered Compensation	**Old Plan**	**New Plan**	**GSEPS**	
For FY 2016				
Normal Cost	6.10%			
Less Employer Offset	-4.75			
Employer Normal Cost	1.35	6.10%	3.07%	6.38%
UAAL	18.62	18.62	18.62	7.89
Total Rate	19.97%	24.72%	21.69%	14.27%
For FY 2017				
Normal Cost	6.13%			
Less Employer Offset	-4.75			
Employer Normal Cost	1.38	6.13%	3.13%	6.56%
UAAL	18.56	18.56	18.56	7.71
Total Rate	19.94%	24.69%	21.69%	14.27%
For FY 2018				
Normal Cost	5.99%			
Less Employer Offset	-4.75			
Employer Normal Cost	1.24	5.99%	2.96%	6.84%
UAAL	18.70	18.70	18.70	9.97
Total Rate	19.94%	24.69%	21.66%	16.81%

Sources: ERS and TRS actuarial reports.

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Employee contribution rates for ERS and TRS for FY 2016, FY 2017, and FY 2018 are as shown in the following table. Employee contribution rates for ERS are fixed by statute. The TRS Board may establish employee rates between 5.00% and 6.00%.

	ERS			TRS
Employee Contributions Expressed as a % of Salary	**Old Plan**	**New Plan**	**GSEPS**	
For FY 2016				
Pension contribution	6.00%	1.25%	1.25%	6.00%
Group Term Life Insurance contribution	0.50%	0.25%	Not Covered	Not Covered
Employer Off-set	5.00%			
Total percent of pay contributed	1.50%	1.50%	1.25%	6.00%
For FY 2017				
Pension contribution	6.00%	1.25%	1.25%	6.00%
Group Term Life Insurance contribution	0.50%	0.25%	Not Covered	Not Covered
Employer Off-set	5.00%			
Total percent of pay contributed	1.50%	1.50%	1.25%	6.00%
For FY 2018				
Pension contribution	6.00%	1.25%	1.25%	6.00%
Group Term Life Insurance contribution	0.50%	0.25%	Not Covered	Not Covered
Employer Off-set	5.00%			
Total percent of pay contributed	1.50%	1.50%	1.25%	6.00%

Sources: ERS and TRS actuarial reports.

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The following tables indicate, for the applicable fiscal and valuation years, commencing with FY 2016 and the valuation year ending June 30, 2013, the projected ADEC for ERS and TRS based on the estimated normal costs of benefits and the payments made to amortize the estimated UAAL. Also shown are the actual funded ratios for valuation years 2013, 2014 and 2015, the estimated prospective funded ratios for valuation years 2016 through 2019, the portion of the projected ADEC funded by State general fund appropriations, and the portion of the projected ADEC funded by State general fund appropriations as a percentage of total State general fund appropriations. Other than the last two columns, the information in the following tables regarding ERS and TRS was prepared by their enrolled actuary. The information in the last two columns of the following tables was derived by the Governor's Office of Planning and Budget from revenue estimates of the State Economist and using the assumptions noted. The following tables are based on the ERS and TRS actuarial valuations as of June 30, 2015 and utilize the same assumptions as the June 30, 2015 actuarial valuations other than the projected investment returns for FY 2016 were used (0.00% rate of return for both ERS and TRS).

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

Valua-tion Year	Fiscal Year	Employer Rate (%)	Annual Payroll	ADEC Payment	AVA	AAL	UAAL	Funded Ratio	State Portion of ADEC[c]	State Portion of ADEC as % of State General Fund Appropriations[d]
2013	2016	24.72 [a] / 21.69 [b]	$2,341,625	$549,126	$12,129,803	$16,982,449	$4,852,645	71.4%	$383,839	1.75%
2014	2017	24.69 [a] / 21.69 [b]	2,332,063	543,396	12,376,120	16,991,963	4,615,843	72.8	379,834	1.69
2015	2018	24.69 [a] / 21.66 [b]	2,321,145	537,639	12,675,649	17,099,527	4,423,878	74.1	375,810	1.61
2016	2019	24.66 [a] / 21.66 [b]	2,334,100	537,073	12,767,381	17,094,449	4,327,068	74.7	375,414	1.55
2017	2020	24.61 [a] / 21.66 [b]	2,349,080	537,329	12,769,323	17,060,964	4,291,641	74.9	375,593	1.50
2018	2021	24.57 [a] / 21.66 [b]	2,364,914	538,210	12,749,164	17,000,754	4,251,590	75.0	376,209	1.45
2019	2022	24.76 [a] / 21.88 [b]	2,378,418	543,943	12,483,056	16,912,980	4,429,924	73.8	380,216	1.42

[a] Old Plan and New Plan.

[b] GSEPS.

[c] Amounts reflect the portion of the projected ADEC, 69.9%, estimated to be comprised of State general fund appropriations. This portion of the projected ADEC for FY 2016 – FY 2022 is based upon the estimated percent of payroll to be paid through state general fund appropriations during FY 2016.

[d] State general fund appropriations for FY 2016 – FY 2022 are based on the most recent revenue estimates of the State Economist.

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

Valua-tion Year	Fiscal Year	Employer Rate	Annual Payroll	ADEC Payment	AVA	AAL	UAAL	Funded Ratio	State Portion of ADEC[a]	State Portion of ADEC as % of State General Fund Appropriations[b]
2013	2016	14.27%	$10,813,127	$1,543,033	$58,594,837	$72,220,865	$13,626,028	81.1%	$ 864,099	3.94%
2014	2017	14.27	10,975,006	1,566,133	62,061,722	75,772,117	13,710,395	81.9	877,035	3.89
2015	2018	16.81	11,166,972	1,877,168	65,514,119	82,791,010	17,276,891	79.1	1,051,214	4.49
2016	2019	20.65	11,383,602	2,350,714	67,931,226	90,561,737	22,630,511	75.0	1,316,400	5.44
2017	2020	21.45	11,618,956	2,492,266	69,885,477	93,812,022	23,926,545	74.5	1,395,669	5.57
2018	2021	17.95	11,870,101	2,130,683	72,007,966	91,092,423	19,084,457	79.0	1,193,183	4.60
2019	2022	20.62	12,132,490	2,501,719	73,345,751	96,685,227	23,339,476	75.9	1,400,963	5.22

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

[b] State general fund appropriations for FY 2016 – FY 2022 are based on the most recent revenue estimates of the State Economist.

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

Georgia law requires that at least once every five years an experience study be performed on TRS and ERS. An experience study is the investigation into the mortality, service and compensation experience of the members and beneficiaries by comparing the actual experience with the assumed experience during the five year period. The actuarial firm preparing the experience study will recommend changes to the assumptions and methods if there are any significant differences. The purpose of the experience study is to assess the reasonableness of the actuarial assumptions and methods used by the Systems.

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

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

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

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

On July 27, 2011, the TRS Board of Trustees adopted a refinement of its smoothed valuation interest rate methodology to include a corridor around the long-term investment rate of return, effectively reducing the potential volatility of the actuarial valuation results reflected in the financial statements. This approach has been used since the June 30, 2010 actuarial valuation and was retroactively applied to the June 30, 2009 actuarial valuation. The corridor around the long-term investment rate of return (i.e., the average investment rate of return over the 40-year period beginning on the valuation date) is determined such that the long-term investment rate of return is between the 40th and 50th percentile of expected returns over a 40-year period based on TRS market assumptions and asset allocations, which as of the June 30, 2015 actuarial valuation is between 7.20% and 7.78%. The methodology to determine the AVA also includes a corridor between 75% and 125% of the MVA around the AVA.

On November 20, 2013, the TRS Board adopted a formal funding policy to define TRS funding objectives, the benchmarks used to measure progress, and the primary methods and assumptions that will be used to develop the benchmarks. Two significant changes in actuarial methods and assumptions were adopted by the TRS Board. First, the method used to amortize the unfunded actuarial accrued liability (UAAL) was changed from an open 30-year period to a closed 30-year period. The previous 30-year open period meant that with each actuarial valuation, the total UAAL is amortized over a new 30-year period. This method in effect "refinanced" the UAAL each year, resulting in the UAAL never being paid off. The new 30-year closed period means that the initial UAAL (the UAAL as of June 30, 2013) would be amortized over a closed 30-year period. Each year thereafter, the change in the UAAL would be amortized over a separate closed 30-year period. The blended amortization period as of the June 30, 2015 actuarial valuation is 28.4 years. This method will lead to an eventual reduction in the UAAL with the intention of it being paid off. Second, the method used in smoothing asset values was changed from 7-year smoothing to 5-year smoothing. A shorter period results in a closer fit to market value. The actuarial value of assets also was set to equal the market value of the assets which fully recognized the remaining unrealized gains and losses from the prior 7 years and facilitated the transition from 7-year smoothing to 5-year smoothing.

The TRS actuarial report prepared by the TRS enrolled actuary dated May 1, 2016 indicates that, as of June 30, 2015, TRS has an UAAL in the amount of $17.3 billion and was used to set the ADEC for FY 2018. Significant actuarial assumptions used in the TRS actuarial report as of June 30, 2015 include: (a) an ultimate investment rate of return of 7.50%, (b) projected salary increases of 3.25% - 9.00%, (c) an annual inflation rate of 2.75%, (d) anticipated annual cost-of-living adjustments of 3.00%, (e) amortization of the UAAL over a closed period of 30 years, and (f) 5-year smoothing of assets. The smoothed interest rate during the 23-year look forward period was determined to be equal to 7.53%. The combination of the 7.53% smoothed interest rate for the first 23 years and the ultimate investment rate of return of 7.50% for the remaining 17 years of the 40-year calculation period resulted in a calculated long-term investment rate that would be within the corridor limits described above. The TRS actuarial

report indicates that, in the opinion of the actuary, TRS is operating on an actuarially sound basis, and in conformity with the minimum funding standards of Georgia law.

The TRS audited financial statements shows a net position restricted for pensions as of June 30, 2015 of approximately $66.8 billion, an increase of 0.45% from the June 30, 2014 net position restricted for pensions of approximately $66.5 billion. As of April 30, 2016, TRS had a net position restricted for pensions of approximately $65.1 billion (unaudited).

On December 19, 2013, the ERS Board adopted a formal funding policy to define ERS funding objectives, the benchmarks used to measure progress, and the primary methods and assumptions that will be used to develop the benchmarks. Two significant changes in actuarial methods and assumptions were adopted by the ERS Board. First, the method used to amortize the unfunded actuarial accrued liability (UAAL) was changed from an open 30-year period to a closed 25-year period. The previous 30-year open period meant that with each actuarial valuation, the total UAAL is amortized over a new 30-year period. This method in effect "refinanced" the UAAL each year. The new 25-year closed period means that the initial UAAL (FY 2013) would be amortized over a closed 25-year period. Each year thereafter, any incremental change in the UAAL would be amortized over a separate closed 25-year period. The blended amortization period as of the June 30, 2015 actuarial valuation is 19.4 years. This method will lead to an eventual reduction in the UAAL with the intention of it being paid off, and in a shorter (25-year) timeframe than previously utilized. Second, the method used in smoothing assets was changed from 7-year smoothing to 5-year smoothing. A shorter period results in a closer fit to market value. The actuarial value of assets also was set to equal the market value of the assets for the FY 2013 actuarial valuation, which fully recognized the remaining unrealized gains and losses from the prior 7 years and facilitated the transition from 7-year smoothing to 5-year smoothing.

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

The ERS actuarial report prepared by the enrolled actuary dated April 21, 2016 indicates that, as of June 30, 2015, ERS has an UAAL in the amount of $4.424 billion and was used to set the ADEC for FY 2018. Significant actuarial assumptions used in the ERS actuarial report as of June 30, 2015 include: (a) an investment rate of return of 7.50%, (b) projected salary increases of 3.25% - 7.00%, (c) an annual inflation rate of 2.75%, (d) no cost-of-living adjustments, (e) amortization of the UAAL over a closed period of 25 years, and (f) 5-year smoothing of assets. The ERS actuarial report indicates that, in the opinion of the actuary, ERS is operating on an actuarially sound basis and in conformity with the minimum funding standards of Georgia law.

The ERS audited financial statements shows a net position restricted for pensions as of June 30, 2015 of approximately $13.0 billion, a decrease of 2.3% from the June 30, 2014 net position restricted for

pensions of approximately $13.3 billion. As of April 30, 2016, ERS had a net position restricted for pensions of approximately $12.3 billion (unaudited).

On June 25, 2012, the Governmental Accounting Standards Board ("GASB") approved GASB Statement Nos. 67 and 68, which will impact the accounting and financial reporting for defined benefit pension plans and for state and local governments that participate in such plans. Statement No. 67 superseded existing guidance for the financial reports of pension plans by, among other things, requiring additional disclosure in the notes to financial statements and in required supplementary information; it also provides guidance regarding the calculation of the net pension liability ("NPL") as the difference between the total pension liability (the present value of projected benefit payments to employees based on their past service, using new parameters) and the net plan position (consisting mostly of investments reflected at fair value). ERS and TRS implemented GASB Statement No. 67 in their Comprehensive Annual Financial Statements for FY 2014. For additional information, refer to the prior section entitled "*Financial Reporting of Net Pension Liability*" and also Note 15, "Retirement Systems," in APPENDIX B hereto. Statement No. 68 revises and establishes new financial reporting requirements for most state and local governments that provide their employees with pension benefits by, among other things, requiring governments to recognize long-term obligations for pension benefits as a liability. Major changes include: (1) the inclusion of the NPL on the government employer's balance sheet (previously, unfunded liabilities typically were included as notes to the government's financial statements) rather than the portion of the actuarially determined employer contribution that has not been funded; (2) separation of expenses from funding: reported annual pension expense will no longer be connected to the funding of the plan and could be significantly different from the actuarially determined employer contribution, and could be more volatile; (3) use of a single blended discount rate reflecting a long-term expected rate of return on plan assets to the extent that assets are projected to be available to pay benefits and a municipal borrowing rate to the extent a funding shortfall is projected; and (4) immediate recognition of certain benefit plan changes, which generally would increase pension expense; and shorter amortization periods than currently used to recognize the effects on the total pension liability for changes in assumptions and differences in assumptions and actual experience. In addition, the new standard requires cost-sharing employers to record a liability and expense equal to their proportionate share of the collective NPL and expense for the cost-sharing plan while under the prior standard, an employer in a cost-sharing plan would report a liability only if it failed to make its full contractually required contribution to the plan. GASB Statement No. 68 was implemented by state and local governments that provide their employees with pension benefits for FY 2015. The State reported a net pension liability for all plans of the primary government of $5.8 billion in its entity-wide financial statements for FY 2015. For additional information please refer to Note 15, "Retirement Systems" in APPENDIX B hereto.

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Other Post-Employment Benefit Plans

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

The State provides the following significant OPEB plans:

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

The State's current accounting and financial reporting for its OPEB plans follows GASB Statement 43 and GASB Statement 45 (collectively the "GASB Statements"). Briefly, under the GASB Statements, the State must report in its financial statements "costs" associated with future participation of retirees in OPEB. Beginning with FY 2007, the State implemented financial reporting requirements for OPEB plans under GASB Statement 43. Beginning with FY 2008, the State implemented accounting and financial reporting requirements for employers under GASB Statement 45. See discussion further below with respect to recently issued GASB statements that will impact financial statement reporting of net OPEB liability.

Financial statements (including the notes thereto and other supplementary information as presented in the "State of Georgia Comprehensive Annual Financial Report for the fiscal year ended June 30, 2015" attached hereto as APPENDIX B) report accrued OPEB costs and funding progress and other information required by the GASB Statements. The OPEB disclosures rely on information produced by the plans and their independent accountants and actuaries. Actuarial assessments are "forward-looking" valuation estimates that reflect the judgment of the fiduciaries of the plans. Actuarial assessments are based upon a variety of assumptions. Should actual experience differ from actuarial assumptions, the projected OPEB obligations and related OPEB costs would be affected in future years.

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The State OPEB Fund and School OPEB Fund are cost-sharing multiple employer defined benefit post-employment healthcare plans. The State Employees' Assurance Department ("SEAD") plans, SEAD-OPEB and SEAD-Active, are cost-sharing multiple employer defined benefit post-employment plans for the provision of life insurance benefits. The BOR Retiree Plan is a single-employer, defined-benefit, post-employment healthcare plan. Membership in the plans as of June 30, 2015 follows:

	State OPEB Fund	School OPEB Fund	SEAD-OPEB	SEAD-Active	BOR Retiree Plan
Retirees and beneficiaries	35,368	76,086	39,794	-	21,530
Terminated employees entitled to benefits			1,063		-
Active plan members	47,260	168,741	35,142	35,142	38,763
Total	82,628	244,827	75,999	35,142	60,293

Sources: Audited financial statements of the plans as of June 30, 2015 for the BOR Retiree Plan and the SEAD term life insurance plans, and actuarial valuations as of June 30, 2014 for the Georgia State Employees Post-Employment Health Benefit Fund and Georgia School Personnel Post-Employment Health Benefit Fund.

In accounting terms, the State OPEB Fund and the School OPEB Fund (the "OPEB Trust Funds") primarily operate on a "pay-as-you-go" basis. This also is the case for the separate retiree health plan administered by the Board of Regents, under its general power to govern, control and manage the University System of Georgia. Each fiscal year the General Assembly in the general appropriations act determines the maximum amount of the State's contributions, and the Board of Community Health and the Board of Regents, respectively, reacting to input from various entities, determine plan benefits, terms and conditions, contributions required from all employers offering coverage under the respective plans, and the subscription (premium) rate for participants. Changes in the UAAL and the ARC do not necessarily impact funding decisions, which remain within the discretion of the Board of Community Health and the annual appropriations process, and the OPEB Trust Funds primarily operate on a "Pay-as-you-go" basis.

The AFY 2015 and FY 2016 Appropriations Acts directed, and the FY 2017 Appropriations Act directs, the SHBP to transfer funds exceeding Incurred But Not Reported (IBNR) liability plus a 10% contingency reserve to the OPEB Trust Funds. Accordingly, as of April 30, 2016, the Department of Community Health has transferred $515.1 million to the State OPEB Fund and $95.1 million to the School OPEB Fund with allocations between the two funds based on the original source of the funds. It is expected that FY 2017 Financial Statements will reflect over $900 million in assets in the OPEB Trust Funds.

Employer contributions to the State OPEB Fund currently are funded as a percent of state agency payroll. Employer contributions are funded through a mix of State appropriations, federal revenue, fee income and other income streams available to State agencies. For FY 2016, the budgeted employer share of pay-as-you-go contributions to the State OPEB Fund is approximately $166 million. Approximately $117 million, or 70% of the employer contributions, is budgeted from State appropriations.

Employer contributions to the School OPEB Fund currently are funded from local school district direct contributions, a significant portion of which is derived from State appropriations. For FY 2016, the budgeted employer share of pay-as-you-go contributions to the School OPEB Fund is approximately $378 million. Approximately $231 million, or 60% of the employer contributions, is budgeted from State appropriations.

The Group Term Life Insurance ("GTLI") benefit is administered by the SEAD Board. The GTLI benefit provides coverage to both active and retired members of ERS, the Legislative Retirement

System and certain Judicial Retirement System members. As of today, no new members can be added to the GTLI plan per legislation passed in 2008 and 2009.

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

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

A valuation analysis is conducted each year to determine if employer contributions will be necessary. There are no required employer contributions for either GTLI plan for FY 2016 or FY 2017.

The Board of Community Health's most recent available Retiree Medical Actuarial Valuation Report is as of June 30, 2015. The June 30, 2015 actuarial valuation considers changes in plan options and premium pricing made by the SHBP for the 2016 calendar plan year, which included adding new plan designs and vendors to increase choices available to members.

For the State OPEB Fund, the June 30, 2015 UAAL is valued actuarially at approximately $3.428 billion. The Annual Required Contribution ("ARC") for FY 2018 is $232.2 million. The UAAL on the June 30, 2014 actuarial valuation was $2.872 billion. Since the previous valuation, various assumptions and methods have been revised to reflect the results of the experience studies of the pension systems for the five-year period ending June 30, 2014. The UAAL decreased $57.0 million due to employer contributions offset by interest and normal cost accruals. Plan changes together with a 22.15% increase in Medicare Advantage claims costs increased the UAAL by $380.6 million. Additional increases to the UAAL were due to the loss of $232.2 million due to changes in actuarial assumptions and actual experience differing from assumptions. With all factors considered the net increase to the UAAL is $555.8 million.

For the School OPEB Fund, the June 30, 2015 UAAL is valued actuarially at approximately $10.512 billion. The ARC for FY 2018 is $824.9 million. The UAAL on the June 30, 2014 actuarial valuation was $8.514 billion. Since the previous valuation, various assumptions and methods have been revised to reflect the results of the experience studies of the pension systems for the five-year period ending June 30, 2014. The UAAL increased $328.6 million due to interest and normal cost accruals, offset by employer contributions. Plan changes together with a 22.15% increase in Medicare Advantage claims costs increased the UAAL by $1.238 billion. Additional increases to the UAAL were due to a loss of $431.3 million due to actual experience differing from assumptions. With all factors considered, the net increase to the UAAL is $1.998 billion.

Changes in the UAAL and the ARC do not necessarily impact funding decisions, which remain within the discretion of the Board of Community Health and the annual appropriations process, and the OPEB Trust Funds primarily operate on a "pay-as-you-go" basis.

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

Pursuant to 2013, 2014, and 2015 valuations, the FY 2016 ARC, the FY 2017 ARC, and the FY 2018 ARC for the GTLI programs are $0. The employer also pays 0.22% of the 0.45% and 0.03% of the 0.05% of member contributions for ERS old plan members for the SEAD – OPEB and SEAD – Active, respectively. The SEAD – OPEB UAAL was actuarially valued at ($249.9 million) and ($276.8 million) as of the FY 2014 and FY 2015 valuations, respectively. The SEAD – Active UAAL was actuarially valued at ($199.5 million) and ($219 million) as of the FY 2014 and FY 2015 valuations, respectively.

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

The BOR Retiree Plan is a single-employer, defined benefit, healthcare plan administered by the Board of Regents for the purpose of accumulating funds necessary to meet employer costs of retiree post-employment health insurance benefits. The Board of Regents actuarial report prepared by its enrolled actuary dated September 10, 2015, indicates that as of July 1, 2014, the BOR Retiree Plan has an UAAL in the amount of $4.278 billion. The ARC for FY 2015 was $442.4 million. For FY 2015, the Board of Regents contributed $129.8 million to the BOR Retiree Plan for current premiums or claims. Plan members receiving benefits contributed $37.8 million for current premiums or claims.

The following table shows the components of the Board of Regents' annual OPEB cost for FY 2015, the amount actually contributed to the BOR Retiree Plan, and changes in the Board of Regents' net OPEB obligation to the BOR Retiree Plan ($ in millions).

	June 30, 2015
Annual required contribution	$442.4
Interest on net OPEB obligation	82.9
Adjustment to annual required contribution	(75.2)
Annual OPEB cost (expense)	450.1
Less: Contributions made	(129.8)
Increase in net OPEB obligation	320.3
Net OPEB obligation – beginning of year (restated)	1,843.1
Net OPEB obligation – end of year	$2,163.4

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

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

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

OPEB Plan / Valuation Date	Actuarial Value of Assets equals Market Value (a)	Actuarial Accrued Liability (AAL) Projected Unit Credit (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
State Plan						
6/30/2015[d]	$101,450	$3,529,010	$3,427,560	2.9%	$2,333,060	146.9%
6/30/2014	0	2,871,843	2,871,843	0.0	2,293,104	125.2
6/30/2013	0	3,587,913	3,587,913	0.0	2,328,334	154.1
6/30/2012[a]	0	3,867,927	3,867,927	0.0	2,408,000	160.6
6/30/2011	0	4,311,636	4,311,636	0.0	2,542,891	169.6
6/30/2010[b]	186	4,478,594	4,478,408	0.0	2,626,081	170.5
School Plan[c]						
6/30/2015[d]	$30,853	$10,543,010	$10,512,157	0.3%	$9,687,485	108.5%
6/30/2014	0	8,514,320	8,514,320	0.0	9,429,531	90.3
6/30/2013	0	10,788,795	10,788,795	0.0	9,445,376	114.2
6/30/2012[a]	0	10,869,930	10,869,930	0.0	9,678,000	112.3
6/30/2011	0	11,143,125	11,143,125	0.0	11,127,288	100.1
6/30/2010[b]	58	11,250,400	11,250,342	0.0	11,446,504	98.3
SEAD-OPEB						
6/30/2015	$1,046,559	$769,747	$(276,812)	136.0%	$1,521,741	(18.2)%
6/30/2014	1,037,901	788,020	(249,881)	131.7	1,628,712	(15.3)
6/30/2013	907,831	754,786	(153,045)	120.3	1,767,052	(8.7)
6/30/2012	818,284	704,617	(113,667)	116.1	1,962,800	(5.8)
6/30/2011	807,893	678,420	(129,472)	119.1	2,166,982	(6.0)
SEAD-Active						
6/30/2015	$240,677	$21,723	$(218,954)	1,107.9%	$1,521,741	(14.4)%
6/30/2014	235,358	35,877	(199,481)	656.0	$1,628,712	(12.2)
6/30/2013	204,779	37,513	(167,266)	545.9	1,767,052	(9.5)
6/30/2012	183,390	39,317	(144,073)	466.4	1,962,800	(7.3)
6/30/2011	184,783	40,145	(144,638)	460.3	2,166,982	(6.7)
BOR Retiree Plan						
7/1/2014	$ 82	$4,278,445	$4,278,364	0.0%	$2,608,757	164.0%
7/1/2013	217	4,095,304	4,095,087	0.0	2,594,800	157.8
7/1/2012	166	3,758,970	3,758,804	0.0	2,466,314	152.4
7/1/2011	123	3,494,501	3,494,378	0.0	2,526,212	138.3
7/1/2010	123	3,384,100	3,383,977	0.0	2,432,367	139.1

[a] Reflects changes based on data audit.
[b] Reflects assumption changes based on experience study of 5-year period ending June 30, 2009.
[c] The salary amount shown is total salaries and is not the salary amount upon which regular employer contributions to the SHBP are based. Since individual PSERS salary is not available, it assumes annual salary for PSERS members of $27,000 for 2014, $27,000 for 2013, $27,000 for 2012, $26,192 for 2011, and $25,244 for 2010.
[d] Reflects assumption changes based on experience study of five year period ending June 20, 2014.

Source: Plan actuarial reports and underlying actuarial data

The following table indicates, on a fiscal year basis, the ARC, the contractually required contribution ("CRC"), the percentage of ARC contributed and any unfunded CRC. Total CRC from all employers participating in the OPEB plans are provided below, with the portion of the CRC contributed by organizations in the State reporting entity provided separately. The BOR Retiree Plan is a single-employer plan. Therefore, all employer contributions to the Regents Plan are the responsibility of the State. Employer contributions to the SEAD-OPEB plan are not required in FY 2015, FY 2016, and FY 2017.

OPEB Plans Annual Employer Contribution Status
($ in thousands)

OPEB Plan / Fiscal Year	ARC	CRC	Percentage of ARC Contributed	CRC Amount Unfunded	State Portion CRC	State Portion Amount Unfunded
State Plan						
2015	$275,681	$267,235	96.9%	-	$155,505	-
2014	321,456	177,045	55.1	-	165,917	-
2013	338,819	181,504	53.6	-	169,992	-
2012	317,100	181,899	57.4	-	159,827	-
2011	327,053	168,384	51.5	-	147,749	-
2010[a]	347,772	22,209	6.4	-	19,516	-
School Plan						
2015	$873,278	$408,538	46.8%		$2,269	-
2014	943,310	408,422	43.3	-	2,395	-
2013	982,120	362,527	36.9	-	1,947	-
2012	1,054,708	380,859	36.1	-	1,949	-
2011	1,050,851	339,221	32.3	-	1,682	-
2010	1,080,042	308,539	28.6	-	1,535	-
SEAD-OPEB and SEAD-Active						
2015	-	-	-	-	-	-
2014	-	-	-	-	-	-
2013[b]	-	-	-	-	-	-
2012[c]	-	-	-	-	-	-
2011	-	-	-	-	-	-
BOR Retiree Plan						
2015	$442,359	$129,823	28.8%	-	$129,823	-
2014	403,314	120,926	30.0	-	120,926	-
2013	362,426	83,414	23.0	-	83,414	-
2012	345,298	88,836	25.7	-	88,836	-
2011	411,516	80,262	19.5	-	80,262	-

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

The GASB recently issued two new accounting pronouncements for governmental postretirement benefit plans and their sponsoring employers which will change the State's accounting and financial reporting for OPEB. On June 2, 2015, GASB Statement No. 74 ("GASB 74") and GASB Statement No. 75 ("GASB 75" and collectively with GASB 74 "GASB 74 and 75") were unanimously adopted by the GASB Board. GASB 74 and 75 will replace the current statements, GASB 43 and GASB 45 and are effective beginning with FY 2017 and FY 2018, respectively.

GASB 74 and 75 will require applicable OPEB plan sponsors and contributing employers to recognize a net OPEB liability, defined as the total OPEB liability or actuarial accrued liability offset by the OPEB plan's net fiduciary position, on the employer's statement of financial position. The total OPEB liability will have to be determined using the entry age normal actuarial cost method. The discount rate used to determine the total OPEB liability for pay-as-you-go plans will be based upon a 20-year, tax-exempt municipal bond yield or index rate. For funded plans, this bond rate may be blended with the plan's expected rate of return on plan assets to the extent plan assets are projected to be available for the payment of future benefits. In addition to requiring significant additional disclosures, GASB 74 and 75 introduces a new definition of OPEB expense equal to the change in the net OPEB liability from year to year with some limited deferrals. While the State currently is evaluating the new standards, GASB 74 and 75 are expected to have a material effect on the financial position of the State in its entity-wide financial statements when they are implemented.

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

Employee Health Benefit Plans

State Health Benefit Plan. The SHBP is comprised of three health insurance plans: (1) a plan primarily for State employees (O.C.G.A. § 45-18-2), (the "State Employees' Plan"), (2) a plan for teachers (O.C.G.A. § 20-2-881) (the "Teachers' Plan"), and (3) a plan for non-certificated public school employees (O.C.G.A. § 20-2-911) (the "Public School Employees' Plan"). All three plans operate on a plan year that is coincident with the calendar year. The State Employees' Plan is supported by the fund described in O.C.G.A. § 45-18-12, which holds contributions from State departments and agencies and other entities authorized by law to contract with DCH for inclusion, as well as contributions from their employees and retirees. Starting September 1, 2009, retirees' contributions and the portion of employer contributions to the State Employees' Plan allocated by DCH for the payment of retiree benefits are deposited in the Georgia State Employees' Post-employment Health Benefit Fund. For FY 2016, the budgeted share of the employer contributions to the State Employee's Plan from State appropriations is estimated to be approximately 70%.

The Teachers' Plan is supported by the fund described in O.C.G.A. § 20-2-891, which holds contributions from the Department of Education, local school systems, libraries and regional educational service agencies ("RESAs"), as well as contributions from their employees and retirees. The Public School Employees' Plan is supported by the fund described in O.C.G.A. § 20-2-918, which holds contributions from the Department of Education, local school systems, libraries and RESAs, as well as contributions from their employees and retirees. Starting September 1, 2009, retirees' contributions and the portion of employer contributions to the Teachers' Plan and the Public School Employees' Plan allocated by DCH for the payment of retiree benefits under those plans are deposited in the Georgia School Personnel Post-employment Health Benefit Fund. For FY 2016, the budgeted share of the employer contributions to the Teacher's Plan and the Public School Employees' Plan from State appropriations is approximately 60%.

The DCH conducted a procurement in 2014 to provide additional plan offerings in Plan Year 2015, including two statewide HMOs, a High-Deductible Health Plan, a Regional HMO, and a statewide Medicare Advantage (MA) plan option. The SHBP continues to prioritize wellness. Members may earn incentive credits by completing various wellness activities. Effective January 2016, the DCH board approved an increase for the Non Certificated Public School Employee Per Member Per Month (PMPM) Employer Contribution Rate (ECR) to $746.20 from $596.20. The Teachers Plan ECR will remain at $945.00 PMPM for each non library employee enrolled in the Teachers Plan, and $843.00 PMPM for each library employee enrolled in the Teachers Plan. The State Employee ECR was reduced from an annual rate of 30.781% to 30.454% effective July 1, 2014.

Requirements of the Affordable Care Act and associated fees are projected to cost SHBP $271 million in FY 2017. Included in these costs are coverage requirements and mandated fees such as: dependent coverage up to age 26, preventive care and women's health services, limits on cost-sharing, increased enrollment due to the individual mandate, the Patient Centered Outcomes Research Institute (PCORI) fee and the Transitional Reinsurance Fee.

Board of Regents Health Benefit Plan. The University System of Georgia offers its employees and retirees access to three self-insured healthcare plan options and one fully insured plan option. For the University System of Georgia's Plan Year 2015, the following self-insured health care options were available: Blue Choice HMO plan, (Blue Cross and Blue Shield of Georgia) Consumer Choice HSA plan, and the (Blue Cross and Blue Shield of Georgia) Comprehensive Care plan. The University System of Georgia institutions and participating employees and retirees pay premiums to the plan fund to access benefits coverage. All units of the University System of Georgia share the risk of loss for claims associated with these plans. The reserves for these plans are considered to be a self-sustaining risk fund. The Board of Regents has contracted with Blue Cross and Blue Shield of Georgia, a wholly owned subsidiary of Anthem, Inc., to serve as the claims administrator for the self-insured healthcare plan options. In addition to the self-insured healthcare plan options offered to the employees and retirees of the University System of Georgia, a fully insured HMO healthcare plan option also is offered through Kaiser Permanente. The Comprehensive Care plan has a carved-out prescription drug plan administered through CVS Caremark. Pharmacy drug claims are processed in accordance with guidelines established for the Board of Regents' Prescription Drug Benefit Program. Generally, claims are submitted by participating pharmacies directly to CVS Caremark for verification, processing and payment. CVS Caremark maintains an eligibility file based on information furnished by Blue Cross and Blue Shield of Georgia on behalf of the various organizational units of the University System of Georgia. Medicare eligible retirees enrolled in the Comprehensive Care plan are enrolled in the University System of Georgia PDP Medicare Part D prescription drug plan for their pharmacy benefit. SilverScript (CVS Caremark) administers this plan on behalf of the University System of Georgia.

The self-funded plan reserve fund had the following cash basis activity for FY 2015: premiums collected of $499,963,869; claims and expenses paid of $548,740,178; prescription rebates of $42,990,115; and other income of $77,675 resulting in an overall self-funded plan fund balance at June 30, 2015 of $68,498,452. As of June 30, 2014, the self-funded plans had IBNR claims of $39,089,023 for active employees and $12,119,357 for retirees. As of June 30, 2015, the self-funded plans had IBNR claims of $36,497,000 for active employees and $11,425,000 for retirees, and held investment assets of $44.9 million in the self-funded reserve fund.

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

SIGNIFICANT CONTINGENT LIABILITIES

The State is a defendant in various legal proceedings pertaining to matters incidental to the performance of routine governmental operations. Unless noted otherwise, the ultimate outcome of these proceedings is not presently determinable; however, it is not believed that any such outcome would have a material adverse effect on the financial condition of the State. The following are significant active, or recently concluded, litigation, claims and assessments involving the State:

Tibbles v. Teachers Retirement System of Georgia

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

Georgia Power Co. v. Lynnette T. Riley

Georgia Power Company, et al. v. Lynnette T. Riley, Commissioner, Georgia Department of Revenue, Ga. Tax Tribunal Docket No. 1403540, July 26, 2013. Georgia Power seeks a refund of sales and use taxes allegedly paid on purchases of certain tangible personal property, which Georgia Power asserts to be subject to certain manufacturing-related sales and use tax exemptions. The total sales and use tax refund claimed by Georgia Power is in excess of $18,000,000. The Commissioner's position is that the machinery and equipment in question do not qualify for the sales tax exemption. The Georgia Tax Tribunal conducted a trial in this case in November of 2014. The Tribunal ruled in favor of the Commissioner. Georgia Power filed a petition for review in the Superior Court of Fulton County. The Superior Court of Fulton County affirmed the decision of the Tribunal. Georgia Power did not pursue further appeal. This case is now concluded.

Trecia Neal v. Georgia Department of Community Health

Trecia Neal, et al. v. Georgia Department of Community Health, Ga. Supreme Court Case No. S16C0505, on appeal from Ga. Court of Appeals Case No. A15A1033, on appeal from Fulton County Superior Court Civil Case No. 2014-CV-246395, May 14, 2014. Plaintiffs, who seek class action status, are members of the State Health Benefit Plan ("SHBP") who have brought suit for breach of contract asserting that retroactive modifications to the SHBP that were made after members enrolled for the 2014 plan year had the effect of breaching the members' alleged contracts with SHBP. Plaintiffs assert that state employees who elected the higher cost coverage options had their benefits reduced to similar benefits received by employees paying significantly lower costs, but the higher premiums were not reduced or refunded. Plaintiffs seek reimbursement of excess medical premiums paid by the class members, plus attorneys' fees. The Department of Community Health ("DCH") filed a motion to dismiss based on sovereign immunity arguing that the SHBP documents do not create an express, written contract with the state employees, however the judge denied the motion. DCH filed an appeal with the Georgia Court of Appeals. On November 20, 2015, the Court of Appeals issued its decision which granted DCH's

appeal and reversed the trial court. Plaintiffs subsequently filed a Petition for Writ of Certiorari with the Georgia Supreme Court. On March 25, 2016, in a separate case, the Georgia Supreme Court issued a decision in *Rivera v. Washington*, which appears to have overruled all Court of Appeals decisions that allowed direct appeals of adverse trial court rulings based on sovereign immunity grounds under the collateral order doctrine, finding that they should have instead been brought as interlocutory appeals. *Rivera v.Washington*, Ga. Supreme Court Case No. A15A1033, on appeal from Ga. Court of Appeals Case No. A15A0878. The Georgia Supreme Court's decision states that, as a result of its determination of the *Rivera* case, multiple decisions of the Court of Appeals, including the Court of Appeals decision in *Neal*, are therefore overruled. On April 26, 2016, the Georgia Supreme Court granted Plaintiff's Petition for Certiorari, vacated the Court of Appeals decision in *Neal* and, in light of the decision in *Rivera*, remanded the case to the Court of Appeals for reconsideration of its conclusion that it had jurisdiction over the direct appeal. It seems likely that the case will eventually be returned to the trial court. If that occurs, DCH intends to file another motion to have the case dismissed on sovereign immunity grounds. At this stage of litigation, it is impracticable to render an opinion about whether the likelihood of an unfavorable outcome is either "probable" or "remote"; however, the State believes it has meritorious defenses and is vigorously defending this action.

SIGNIFICANT MATTERS

Interstate Water Disputes Among Georgia, Alabama, and Florida

Background.

The State is involved in a number of disputes concerning the operation of U.S. Army Corps of Engineers ("Corps") dams and reservoirs in the Apalachicola-Chattahoochee-Flint ("ACF") River Basin and the Alabama-Coosa-Tallapoosa ("ACT") River Basin for water supply and other purposes. Buford Dam impounds the Chattahoochee River to form Lake Lanier and is part of the ACF River Basin. Lake Lanier is the primary source of water supply to more than three million people in north Georgia, including a substantial portion of the metropolitan Atlanta region's population. The additional federal reservoirs are downstream of Lake Lanier in the ACF River Basin. The ACF River Basin is shared by Alabama, Florida, and Georgia. Lake Allatoona is in the ACT River Basin, which is shared by Alabama and Georgia. Lake Allatoona also is a major source of water supply to north Georgia.

ACF River Basin Litigation.

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

In an order issued on June 28, 2011, the Eleventh Circuit held, among other things, that (1) water supply is an authorized purpose of Lake Lanier under the River and Harbor Act of 1946 (the "1946 RHA"); (2) water supply is not subordinate to hydropower or other purposes under the 1946 RHA; (3) Congress contemplated in the 1946 RHA that water supply may have to be increased over time, at the expense of hydropower, as the metropolitan Atlanta area grows; (4) the 1946 RHA authorizes the Corps to reallocate storage from hydropower to water supply; and (5) the Water Supply Act of 1958 (the "WSA") supplies supplemental authority, in addition to the authority under the 1946 RHA, for the Corps to reallocate storage to water supply. *In Re: MDL 1824 Tri-State Water Rights Litigation*, 644 F.3d 1160 (11th Cir. 2011). The Eleventh Circuit directed the Corps to decide the extent to which it can reallocate

storage to meet Georgia's present and future water supply needs in light of the Eleventh Circuit's holdings regarding interpretation of the 1946 RHA and the WSA. On June 26, 2012, the Corps determined that it possesses the legal authority to grant Georgia's water supply request in its entirety. The Corps is in the process of determining whether and to what extent it will grant Georgia's water supply request and of establishing revised operating procedures for the federal projects in the ACF River Basin. Although the Corps determined that there is no legal impediment to granting the State's water supply request, the Corps' operational decisions could be affected by a number of other considerations, including environmental factors. On October 1, 2015, the Corps published the Draft Environmental Impact Statement, Update of the Water Control Manual for the Apalachicola-Chattahoochee-Flint River Basin in Alabama, Florida, and Georgia and a Water Supply Storage Assessment. In the Draft Environmental Impact Statement, the Corps proposed an operational alternative granting a portion of Georgia's water supply request. The Corps accepted public comments on the Draft Environmental Impact Statement through January 30, 2016 and is now reviewing public comments and preparing a Final Environmental Impact Statement. It is not possible at this time to predict the Corps' final decision or, in the event the decision is challenged, the outcome of any such challenge.

On October 1, 2013, the State of Florida filed a motion for leave to file a complaint in the U.S. Supreme Court against the State of Georgia, seeking an apportionment of the waters of the ACF River Basin. The Supreme Court has original and exclusive jurisdiction over suits directly between states. The suit challenges Georgia's use of the waters of the ACF Basin for municipal and industrial use and for agriculture. Among other things, the suit alleges that municipal and agricultural water consumption in the State has reduced flows in the ACF River Basin to a sufficient degree to harm Florida's oyster industry, among other harms. Georgia denies that its actions are responsible for harms suffered by Florida, if any. On November 3, 2014, the Supreme Court granted Florida's motion for leave to file an action seeking the equitable apportionment of the waters of the ACF River Basin. On November 19, 2014, the Supreme Court appointed a Special Master in this case with authority to fix the time and conditions for the filing of additional pleadings, to direct subsequent proceedings, to summon witnesses, to issue subpoenas, and to take such evidence as may be introduced and such as the Special Master deems it necessary to call for. Fact discovery was completed on February 29, 2016, and expert discovery is ongoing. A trial date has been set for October 31, 2016. The States are also involved in mediation. It is not possible at this time to predict the duration or outcome of this litigation.

ACT River Basin Litigation.

The State of Georgia has submitted a request to the Corps for it to accommodate water supply needs from Lake Allatoona beyond those that can be met under existing storage contracts. Georgia has determined that, depending on how the Corps accounts for storage usage, local governments that now withdraw water from Lake Allatoona may need additional storage to accommodate current levels of withdrawal, as well as future demands. The Corps has stated that it is reviewing that request and has yet to make a determination whether it will grant the request. The Corps has also been in the process of establishing revised operating procedures for the federal projects in the ACT River Basin. On November 7, 2014, the Corps published the Final Environmental Impact Statement for Revised Water Control Manuals for the ACT River Basin. On November 7, 2014, the State of Georgia sued the Corps in the United States District Court for the Northern District of Georgia, alleging that the Corps unlawfully failed to prepare water control plans and manuals reflecting current operations in the ACT River Basin and that the Corps had unlawfully failed to respond to Georgia's water supply requests. Georgia also alleged that the Final Environmental Impact Statement failed to meet applicable legal standards. On May 4, 2015, the Corps issued a Record of Decision adopting the water control plans and manuals for the ACT River Basin. On May 4, 2015, the State of Georgia amended its complaint to allege that the Record of Decision failed to meet applicable legal standards. On April 22, 2016, the Corps certified the Administrative Record in the litigation. If the State does not move to supplement or complete the Administrative Record, the State's motion for summary judgment will be due in July 2016. If the current scheduling order holds, summary judgment briefing will be completed in November 2016.

On May 7, 2015, the State of Alabama and Alabama Power also filed challenges to the ACT Record of Decision, the Corps' water control manuals, and the Final Environmental Impact Statement, asserting that the Corps' actions were contrary to law. Both Alabama and Alabama Power filed the challenges in the District Court for the District of Columbia. Those claims, if successful, could affect the Corps' operation of Lake Allatoona, including future water supply allocation and storage. On July 16, 2015, the Corps moved to transfer both the Alabama and Alabama Power lawsuits to the Northern District of Georgia claiming that the Northern District of Georgia has a "substantial connection to this controversy and because two related cases are pending in that forum." Both Alabama and Alabama Power have opposed the venue transfer, and the transfer motions have been thoroughly briefed. The District of Columbia is scheduled to hold a hearing on both venue transfer motions on July 21, 2016.

It is not possible at this time to predict the duration or outcome of any of these cases, nor is it possible to predict what impact the Alabama and Alabama Power cases could have on the schedule of the State of Georgia's case if the District of Columbia grants the Corps' venue transfer motion.

Review of Medicaid Funding Arrangements for Nursing Facilities

During 2014, the United States Department of Health and Human Services Centers for Medicare & Medicaid Services ("CMS") conducted an onsite review of Georgia's nursing facility funding arrangements related to Medicaid for FY 2010 and FY 2011. In December of 2014, CMS provided a draft report to the Department of Community Health ("DCH") indicating that CMS had determined that certain funding arrangements for the payment of the State's share of upper payment limit payments to certain nursing homes owned by development authorities within the State were in violation of federal law and the State's Medicaid Plan. The draft report included a demand for the return of such upper payment limit payments for FY 2010 and FY 2011 in an aggregate amount of approximately $76,000,000 and the return of any upper payment limit payments made to such nursing homes in subsequent fiscal years, which DCH estimates to be in an aggregate amount of approximately $94,000,000 for FY 2012 and FY 2013. DCH has not made upper payment limit payments to such facilities since FY 2013. DCH responded to the draft report from CMS in February of 2015 strongly contesting the proposed determination. In November of 2015, CMS released the final report that affirmed its findings as per the draft report. DCH has taken no action to return the funds and expects to receive a notice of disallowance from CMS. At that time, DCH will have the opportunity to appeal. It is impracticable to predict the outcome of this matter, but DCH expects to continue to vigorously assert its position contesting the determination from CMS.

INSURANCE

The type and amounts of insurance that are carried by the various departments of the State and the State's agencies and authorities are specified through contracts and other arrangements between the Department of Administrative Services and each such department, agency or authority entered into pursuant to the provisions of O.C.G.A. Title 50, Chapter 5 and other sections of the Official Code of Georgia Annotated. See "APPENDIX B – STATE OF GEORGIA – Basic Financial Statements For Fiscal Year Ended June 30, 2015" "Notes to the Financial Statements – Note 17: Risk Management" herein.

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SELECTED EMPLOYMENT AND POPULATION DATA

The following tables under this heading set forth certain categories of employment and population data for the State of Georgia.

State of Georgia
Annual Averages

Year	Civilian Labor Force	Employment	Unemployment	Unemployment Rate
2011	4,748,754	4,263,305	485,449	10.2%
2012	4,788,068	4,349,796	438,272	9.2
2013	4,759,506	4,369,349	390,157	8.2
2014	4,753,765	4,416,715	337,050	7.1
2015	4,770,873	4,490,931	279,942	5.9
2016(a)	4,857,178	4,601,711	255,467	5.3

(a) May 2016 statistics are preliminary estimates and are seasonally adjusted
Source: U.S. Department of Labor, Bureau of Labor Statistics

State Employees
(As of June 30)

Year	Total Employees[A]	Part Time	Full Time
2011	73,452	664	72,788
2012	70,961	668	70,293
2013	68,360	623	67,737
2014	67,838	141	67,697
2015	62,696	62	62,634

[A] Effective with 2015, Community Service Board and Georgia World Congress Center Authority employees (approximately 4500 total) are no longer counted as State Employees.

Source: State Personnel Administration

Major Nongovernmental Employers (Fiscal Year 2015)

Company
AT&T Services, Incorporated
Children's Healthcare of Atlanta
Delta Air Lines, Incorporated
Emory Health Care. Incorporated
Emory University
Gulfstream Aerospace Corporation
The Home Depot
The Kroger Company
Lowe's Home Centers, Incorporated
Northside Hospital
Publix Supermarkets, Incorporated
Shaw Industries Group, Incorporated
United Parcel Service
Waffle House
Wall-Mart Stores, Incorporated
Wellstar Health System, Incorporated

Source: Georgia Department of Labor (1st quarter 2015)

Employment in Non-Agricultural Establishments by Sector in Georgia
(Annual Average, in thousands)

Sector	2011	2012	2013	2014	2015	May 2016
Mining and logging	9.0	8.6	8.9	9.0	9.1	8.8
Construction	145.9	141.5	145.9	156.8	166.5	178.8
Manufacturing	350.4	354.4	357.3	367.6	379.3	383.8
Total – Goods Producing	505.3	504.5	512.1	533.3	554.9	571.4
Trade, transportation and utilities	826.5	838.1	850.4	877.4	905.4	927.9
Information	94.5	96.4	98.7	104.1	106.1	105.6
Financial activities	223.2	226.6	229.0	231.3	235.3	240.6
Professional and business services	543.6	560.5	586.4	616.2	641.5	667.6
Education and health services	484.7	495.3	510.0	523.1	539.4	549.1
Leisure and hospitality	381.7	393.8	411.4	428.1	449.4	463.4
Other services	153.6	153.1	153.2	153.6	156.3	160.3
Government	687.4	685.8	681.6	678.2	679.2	684.6
Total – Service Producing	3,395.2	3,449.5	3,520.6	3,611.9	3,712.5	3,799.1
Total non-farm	3,900.5	3,954.0	4,032.7	4,145.2	4,267.3	4,370.5

Source: U. S. Department of Labor, Bureau of Labor Statistics; May 2016 data is seasonally adjusted. (Note: amounts may not add precisely due to rounding.)

Average Hourly Earnings in Manufacturing

Year	United States	Southeast	Georgia	Georgia as % of U.S.	Georgia as % of Southeast
2011	$18.93	$17.34	$17.69	93.4%	102.0%
2012	19.08	17.70	17.90	93.8	101.1
2013	19.30	18.20	18.08	93.7	99.3
2014	19.56	18.44	18.09	92.5	98.1
2015	19.91	18.64	18.02	90.5	96.7

Source: US Department of Labor, Bureau of Labor Statistics

Average Annual Growth Rates in Hourly Earnings

Years	U.S.	Southeast (a)	Georgia
2000-2005	2.9%	2.8%	2.3%
2005-2010	2.4	3.0	2.7
2010-2015	1.4	1.7	1.6

(a) Southeast refers to the twelve state region made up of Alabama, Arkansas, Florida, Georgia, Kentucky, Louisiana, Mississippi, North Carolina, South Carolina, Tennessee, Virginia, and West Virginia.

Source: U.S. Bureau of Labor Statistics, Employment and Earnings (Southeast calculated as weighted average of each state's average hourly earnings of production workers. Weight is based on number of employees on manufacturing payrolls.)

Population Trends

	1980	1990	2000	2010
State Total	5,464,265	6,478,000	8,186,453	9,687,653
Percent Urban	62.4%	65.0%	71.6%	75.1%
Percent Rural	37.6%	35.0%	28.4%	24.9%
Median Age	28.6 years	31.5 years	33.4 years	35.3 years

Source: U.S. Bureau of Census

Georgia Public School Enrollment (PK –12)

Year	Annual Enrollment (a)
2011-2012	1,684,430
2012-2013	1,702,758
2013-2014	1,723,439
2014-2015	1,744,029
2015-2016	1,756,553

(a) Enrollment as of October, yearly.

Source: Georgia Department of Education

Per Capita Income

			Georgia		
Year	U.S.	Southeast (a)	Income	% of U.S.	% of Southeast
2011	$42,453	$38,190	$36,588	86.2%	95.8%
2012	44,266	39,476	37,254	84.2	94.4
2013	44,438	39,466	37,596	84.56	95.3
2014	46,049	40,792	38,980	84.6	95.6
2015	47,669	42,252	40,551	85.1	96.0

(a) Southeast refers to the twelve state region made up of Alabama, Arkansas, Florida, Georgia, Kentucky, Louisiana, Mississippi, North Carolina, South Carolina, Tennessee, Virginia, and West Virginia

Source: U.S. Department of Commerce, Bureau of Economic Analysis

Average Annual Growth Rates in Per Capita Income

Years	U.S.	Southeast (a)	Georgia
1990 – 2000	4.6%	4.6%	4.4%
2000 – 2005	3.2	3.7	3.7
2005 – 2010	2.3	2.1	2.1
2010 – 2015	3.4	3.0	3.3

(a) Southeast refers to the twelve state region made up of Alabama, Arkansas, Florida, Georgia, Kentucky, Louisiana, Mississippi, North Carolina, South Carolina, Tennessee, Virginia, and West Virginia

Source: U.S. Department of Commerce, Bureau of Economic Analysis

Median Household Income ($2011 per Household)

Year	U.S.	Georgia	Georgia % of U.S.
2010	$50,831	$45,509	89.5%
2011	50,054	45,973	91.8
2012	51,017	48,121	94.3
2013	53,585	46,992	87.7
2014	53,657	49,555	92.4

Source: U.S. Bureau of Census – Current Population Survey

Real Per Capita Gross State Product
(Chained $2005 per Capita)

Year	United States	Southeast (a)	Georgia
2010	$47,287	$40,708	$41,735
2011	47,586	40,589	41,889
2012	48,160	40,653	41,904
2013	48,397	40,731	42,262
2014	49,110	41,184	42,959

(a) Southeast refers to the twelve state region made up of Alabama, Arkansas, Florida, Georgia, Kentucky, Louisiana, Mississippi, North Carolina, South Carolina, Tennessee, Virginia, and West Virginia.

Source: U.S. Department of Commerce, Bureau of Economic Analysis

Georgia Revenues and Personal Income

	Georgia Revenues (a)		State Personal Income (b)		
Fiscal Year (c)	$Billions	Annual % Change Over 5-year Period	$Billions	Annual % Change Over 5-year Period	Georgia Revenues as a % of State Personal Income
2011	16.559	8.8	347.386	5.2	4.8
2012	17.270	6.5	363.743	4.9	4.7
2013	18.296	6.3	373.357	4.2	4.9
2014	19.168	5.9	383.435	3.8	5.0
2015	20.436	6.1	404.087	4.1	5.1

(a) Amounts derived from the table "GEORGIA REVENUES" under line-item "Total State General Funds" in APPENDIX A.
(b) 2010 – average of total personal income for the four calendar quarters of the fiscal year
(c) Annual growth computed from 2010 ($15.216 billion)

Sources: U.S. Department of Commerce, Bureau of Economic Analysis; *Budgetary Compliance Report*, FY 2011, FY 2012, FY 2013, FY 2014, FY 2015

EARNINGS BY MAJOR INDUSTRY: 2015 Annual Average
($ in Billions, Seasonally Adjusted Annual Rate)

	Construction	Manufacturing	Trade	Services	Government
Georgia	$16	$28	$40	$165	$52
Southeast	139	219	278	1,227	423
United States	643	1,044	1,211	5,923	1,818

Source: U.S. Department of Commerce, Bureau of Economic Analysis

SELECTED AGRICULTURAL DATA

Georgia Cash Receipts by Selected Commodities 2010-2014 ($ in Millions)

Year	Crops	Livestock & Dairy Products	Poultry & Eggs	Vegetables & Melons	Total Receipts (a)
2010	$3,054	$4,516	$3,778	$465	$7,571
2011	3,203	4,767	3,919	472	7,970
2012	3,799	5,260	4,371	447	9,060
2013	3,913	6,126	5,229	480	10,039
2014	3,291	6,667	5,502	425	9,959

(a) Total Receipts is the sum of Crops and Livestock & Products.

Source: U.S. Department of Agriculture, Economic Research Service

2014 Farm Cash Receipts ($ in Millions)

	Georgia	United States
Crops		
Food Grains	$ 88	$ 16,172
Feed Crops	390	66,042
Cotton	1,157	7,302
Tobacco	61	1,696
Oil Crops	460	42,683
Vegetables & Melons	425	18,852
Fruit & Nuts	337	30,101
All Other Crops	374	26,446
Total Crops	3,291	209,294
Animals and Products		
Meat Animals	609	107,671
Dairy Products, Milk	442	49,349
Poultry and Eggs	5,502	48,292
Miscellaneous Animals and Products	114	6,898
Total Animals and Products	6,667	212,211
Total Farm Cash Crops	$9,959	$421,505

Source: U.S. Department of Agriculture, Economic Research Service

APPENDIX B

STATE OF GEORGIA
BASIC FINANCIAL STATEMENTS
FOR
FISCAL YEAR ENDED JUNE 30, 2015

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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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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.

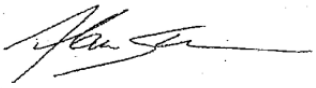
AWARDS AND ACKNOWLEDGEMENTS

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:

STATE ACCOUNTING OFFICE

Kris Martins, Deputy State Accounting Officer, Financial Reporting

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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
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%

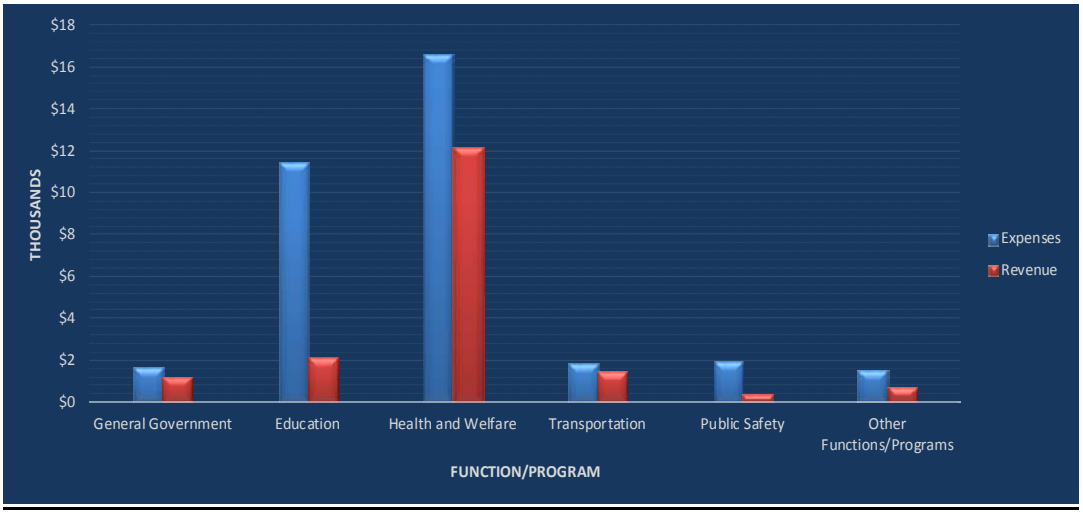
Note: Prior year adjustments recorded in the current year have not been reflected in the prior year column in the table above.

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:

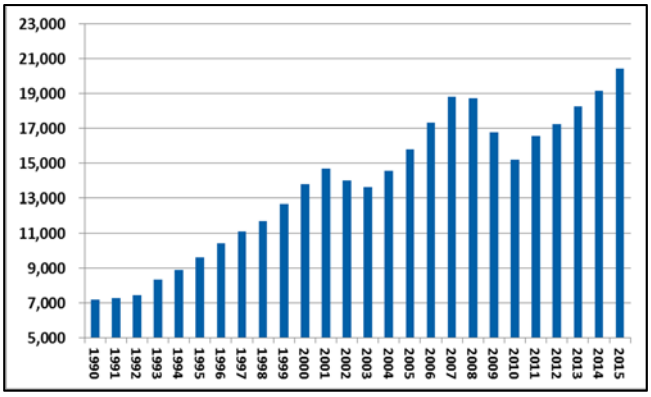
- $128.5 million for a mid-term adjustment for K-12 education growth.
- $39.2 million for Medicaid and PeachCare for Kids.
- $15.0 million for Forestland Protection Grant reimbursements
- $15.3 million to meet increased demand in child welfare services programs
- $20.0 million for Regional Economic Business 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

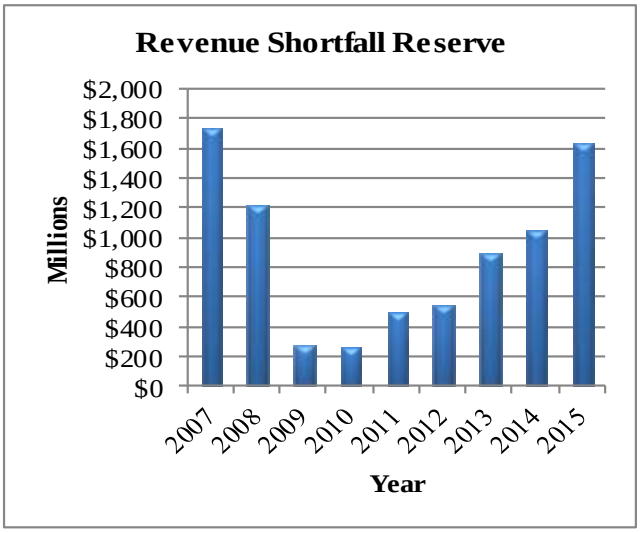


Total funds deposited with the Office of the State Treasurer during fiscal year 2015 were $1.0 billion more than the initial revenue estimate used for the budget. Of the major tax sources, motor vehicle taxes/motor vehicle ad valorem tax, individual income tax, corporate income tax and general sales 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

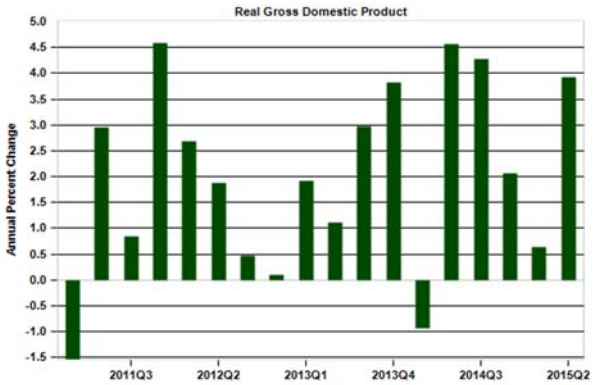
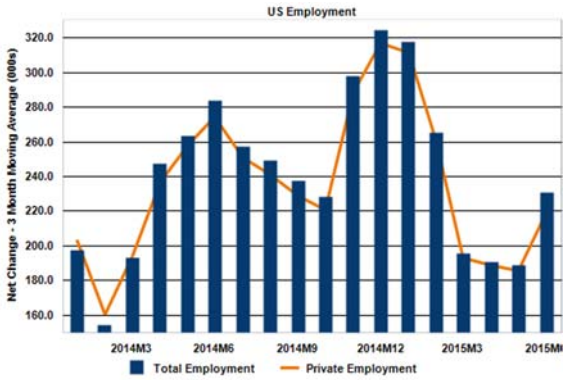


Table B - U.S Job Growth



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

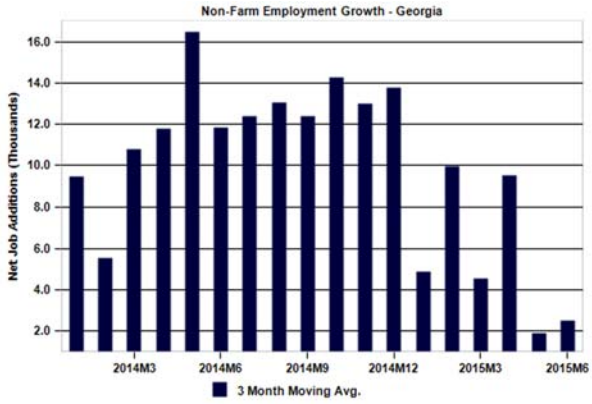
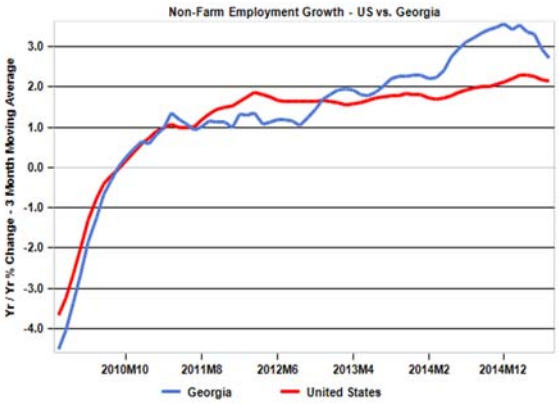


Table D - Year over Year Job



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

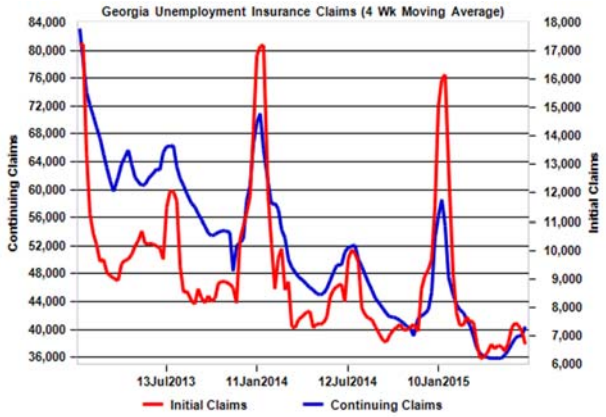
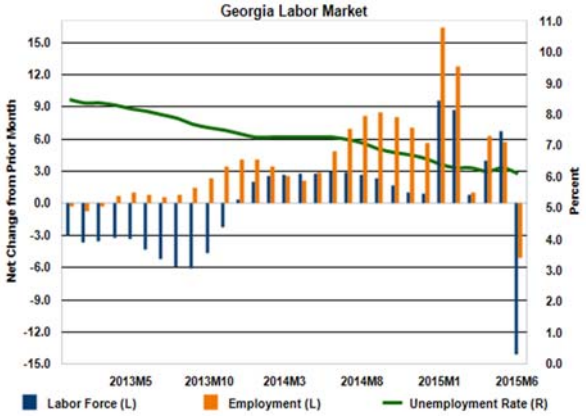


Table F – Georgia Unemployment Rate



<u>Fiscal Year 2016 Budget Highlights</u>

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
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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

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.

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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 - Internal Service Funds
	Higher Education Fund	State Health Benefit Plan	Unemployment Compensation Fund	Nonmajor Funds	Total	
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 - Internal Service Funds
	Higher Education Fund	State Health Benefit Plan	Unemployment Compensation Fund	Nonmajor Funds	Total	
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 - Internal Service Funds
	Higher Education Fund	State Health Benefit Plan	Unemployment Compensation Fund	Nonmajor Funds	Total	
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.

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.

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.

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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 <u>nonmajor</u> discretely presented component units are as follows:

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

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

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

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) Short Term Fund – 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) Legal Fund – The Legal Fund provides an opportunity for greater income and modest principal growth to the extent possible with the securities allowed under Georgia Code 50-17-59 and 50-17-63. The average 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) Balanced Income Fund – The Balanced Income Fund is designed to be a vehicle to invest funds that are not subject to the state regulations concerning investing in equities. This 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) Total Return Fund – The Total Return Fund is another pool designed to be a vehicle to invest funds that are not subject to state regulations concerning investing in equities. This pool offers 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):

		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	$ 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):

		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	$ 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):

		Maturity Period		Range of Yields
	Total Fair Value	Less than 3 Months	4 - 12 Months	
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):

		Maturity Period		Range of Yields
	Total Fair Value	Less than 3 Months	4 - 12 Months	
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

<u>VSU Auxiliary Services Real Estate Foundation, Inc. (VSU Foundation)</u>

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

Component Units – GASB 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 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.

Governmental Activities

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):

Fiscal Year Ended June 30	Primary Government: Governmental Activities	Primary Government: 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

Georgia Tech Foundation

	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.

Changes in endowment net position (in thousands)	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
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)

Changes in endowment net position (in thousands)	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
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	$ 106,407	$ 29,316	$ 135,723
(in thousands)			
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)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Changes in endowment net position				
(in thousands)				
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.

Kennesaw State University

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 Constructior	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 Constructior	-	-	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 Fund	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)

	General Fund
Uses/Outflows of Resources	
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.

Required Supplementary Information
Notes to Required Supplementary Information
Budgetary Comparison
For the Fiscal Year Ended June 30, 2015

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:	-5.32%	5.95%
Employees' Retirement System:		
Public School Employees Retirement System:		
Georgia Judicial Retirement System:		
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.

Employees' Retirement System

Changes of benefit terms: A new benefit tier was added for members joining the System on and after July 1, 2009.

Changes of assumptions: In 2010 and later, the expectation of retired life mortality was changed to the RP-2000 Mortality Tables rather than the 1994 Group Annuity Mortality Table, which was used prior to 2010. In 2010, rates of withdrawal, retirement, disability and mortality were adjusted to more closely reflect actual experience. In 2010, assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience.

Public School Employees Retirement System

Changes of benefit terms: The member contribution rate was increased from $4 to $10 per month for members joining the System on or after July 1, 2012.

Changes of assumptions: In 2010 and later, the expectation of retired life mortality was changed to the RP-2000 Mortality Tables rather than the 1994 Group Annuity Mortality Table, which was used prior to 2010. In 2010, rates of withdrawal, retirement, disability and mortality were adjusted to more closely reflect actual experience.

Georgia Judicial Retirement System

Changes of benefit terms: Spouses benefits were changed for members joining the System on or after July 1, 2012.

Changes of assumptions: In 2010 and later, the expectation of retired life mortality was changed to the RP-2000 Mortality Tables rather than the 1994 Group Annuity Mortality Table, which was used prior to 2010. In 2010, rates of withdrawal, retirement, disability and mortality were adjusted to more closely reflect actual experience. In 2010, assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience.

Teachers Retirement System

Changes of assumptions: In 2010 and later, the expectation of retired life mortality was changed to the RP-2000 Mortality Tables rather than the 1994 Group Annuity Mortality Table, which was used prior to 2010. In 2010, rates of withdrawal, retirement, disability and mortality were adjusted to more closely reflect actual experience. In 2010, assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience.

Required Supplementary Information
Notes to Required Supplementary Information
Methods and Assumptions
For the Fiscal Year Ended June 30, 2015

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

APPENDIX C

SUMMARY OF THE 2003 INDENTURE

This Appendix C has been prepared by Sutherland Asbill & Brennan LLP, Atlanta, Georgia, Bond Counsel.

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APPENDIX C

SUMMARY OF THE 2003 INDENTURE

Certain Definitions

In addition to certain terms defined in the Official Statement, the following terms are used in this Appendix C and in the Official Statement with the meanings as follows:

"Act" means the State Road and Tollway Authority Act, codified, as amended, at O.C.G.A. § 32-10-60 et seq.

"Additional Parity Bonds" means any additional parity bonds issued in accordance with the provisions of the 2003 Indenture described below under the caption "**Revenues and Funds—***Additional Parity Bonds*."

"Agent Member" means a member of, or participant in, the Securities Depository.

"Authorized Authority Representative" means the Chairman of the Authority or any other individual designated to the Trustee by a certificate signed by an authorized officer of the Authority to represent the Authority.

"Authorized Denominations" means, with respect to the Bonds, $5,000 and any integral multiple thereof, and means, with respect to any Additional Parity Bonds, $5,000 and any integral multiple thereof unless a different Authorized Denomination is specified in the Supplemental Indenture authorizing the issuance of such Additional Parity Bonds.

"Beneficial Owner" means the owner of a beneficial interest in any 2003 Indenture Bonds issued in Book Entry Form.

"Book-Entry Form" or "**Book-Entry System"** means a form or system, as applicable, under which (i) the ownership of beneficial interests in such Series 2016 Bonds and bond service charges may be transferred only through book-entry and (ii) physical Series 2016 Bonds in fully registered, certificated form are registered only in the name of a Securities Depository or its nominee as holder, with physical Series 2016 Bonds immobilized in the custody of a Securities Depository.

"Bond Counsel" means an attorney or firm of attorneys selected by the Authority of national recognition experienced in the field of municipal bonds whose opinions are generally accepted by purchasers of municipal bonds.

"Bonds" or **"2003 Indenture Bonds"** means collectively the Series 2011B Bonds, the Series 2016 Bonds, and any Additional Parity Bonds.

"Business Day" means any day excluding Saturday, Sunday or any day which shall be in Atlanta, Georgia, or New York, New York, as specified, a legal holiday or a day on which banking institutions or dealers who are members of the National Association of Securities Dealers, Inc., are authorized or obligated by law or administrative order to close.

"Bondholder" or "**holder of Bonds**" or **"holders"** or **"registered owners"** means the Person(s) in whose name(s) any Bond or Bonds are registered in accordance with the 2003 Indenture.

"Code" means the Internal Revenue Code of 1986, as amended, and any temporary, final or proposed Treasury Regulations relating thereto.

"Common Reserve Fund" means the State of Georgia Guaranteed Revenue Debt Common Reserve Fund created pursuant to pursuant to Article VII, Section IV, Paragraph III(b) of the Constitution of Georgia of 1983.

"Counsel" means an attorney-at-law or firm thereof (who or which may be counsel for the Authority).

"Extraordinary Services of the Trustee" and **"Extraordinary Expenses of the Trustee"** mean all services rendered and all expenses incurred by the Trustee under the 2003 Indenture, including reasonable counsel fees and expenses, other than Ordinary Services of the Trustee and Ordinary Expenses of the Trustee.

"Fiscal Year" when used with respect to the Authority, means the period commencing on July 1 of each year and ending on June 30 of the following calendar year, or such other period as may be designated by the Authority.

"Fitch" means Fitch IBCA, Inc.

"Fund" means any fund established pursuant to the provisions of the 2003 Indenture described below under the caption "**Revenues and Funds**."

"Guarantee Fund" means the fund of such name established pursuant to the provisions of the 2003 Indenture described below under the caption "**Revenues and Funds—***Creation of Funds*."

"Guaranteed Revenue Bonds" means revenue debt guaranteed by the State pursuant to Article VII, Section IV, Paragraph I(f) of the Constitution of Georgia.

"Investment Securities" means and include such securities that are permitted by law for the investment of the Authority's funds.

"Joint Resolution" means that certain Joint Resolution adopted by the State Transportation Board on September 10, 2003 and by the Authority on September 18, 2003, with respect to the Bonds.

"Moody's" means Moody's Investors Service, Inc.

"Ordinary Services of the Trustee" and **"Ordinary Expenses of the Trustee"** mean those reasonable services rendered and those reasonable expenses incurred by the Trustee in the performance of its duties under the 2003 Indenture of the type ordinarily performed by corporate trustees under like indentures, including reasonable counsel fees and expenses.

"Outstanding" in connection with any 2003 Indenture Bonds, means as of the time in question, all Bonds which have been authenticated and delivered under the 2003 Indenture, except:

Bonds theretofore canceled or required to be canceled pursuant to the 2003 Indenture;

Bonds deemed to have been paid in accordance with the provisions of the 2003 Indenture described below under the caption "**Defeasance**"; and

Bonds in substitution for which other Bonds have been authenticated and delivered.

In determining whether the registered owners of a requisite aggregate principal amount of Bonds outstanding have concurred in any request, demand, authorization, direction, notice, consent or waiver under the provisions of the 2003 Indenture, Bonds which are held by or on behalf of the Authority or any affiliate thereof are disregarded for the purposes of any such determination unless all such Bonds are so owned.

"Paying Agent" means (i) the Trustee or (ii) any bank or trust company appointed by the Authority and the Trustee meeting the qualifications of a Paying Agent under an Indenture and which accepts the responsibilities and duties of a Paying Agent under such Indenture pursuant to a written agreement among the Trustee, the Authority and the bank or trust company agreeing to serve as the Paying Agent.

"Person" means an individual, a corporation, a partnership, an association, a joint stock company, a joint venture, a trust, an unincorporated organization, a governmental unit or an agency, political subdivision or instrumentality thereof or any other group or organization of individuals.

"Pledged Revenues" means (i) the revenues received by the Authority pursuant to the Joint Resolution, (ii) all other amounts which are deposited into the Revenue Fund by the Authority and (iii) the investment earnings on the foregoing and on any funds and accounts established pursuant to the 2003 Indenture.

"Principal Office" when referring to the Trustee, means the office where the Trustee maintains its principal corporate trust office, and when referring to any other Person, means the office thereof designated as such in writing to the Trustee and the Authority, or such other address as may be provided by the Trustee.

"Rating Agency" means Standard & Poor's, Moody's or Fitch, whichever has provided and is maintaining a rating for the Bonds, and includes their successors and assigns. If either such corporation which has provided a rating for the Bonds no longer performs the functions of a securities rating service, such corporation will thereafter be deemed to refer to any other nationally recognized rating service which provides a rating for the Bonds, as designated by the Authority, upon written notice to the Trustee.

"Rebate Analyst" means a certified public accountant, financial analyst, bond counsel or any firm of the foregoing, or any financial institution experienced in making the arbitrage and

rebate calculations required pursuant to Section 148 of the Code and any regulations promulgated thereunder and retained by the Authority to make the required rebate computations.

"Rebate Fund" means the Rebate Fund established pursuant to the provisions of the 2003 Indenture described below under the caption "**Revenues and Funds—**C*reation of Funds*."

"Record Date" means the 15th day (whether or not a Business Day) of the calendar month next preceding any interest payment date, redemption date or maturity date.

"Revenue Fund" means the fund of that name created pursuant to the provisions of the 2003 Indenture described under the caption "**Revenues and Funds—**C*reation of Funds***,**" into which the Authority will cause the Pledged Revenues to be deposited.

"Second Supplemental Indenture" means that certain Second Supplemental Trust Indenture, to be dated as of July 1, 2016, between the Authority and the Trustee, supplementing the 2003 Indenture.

"Securities Depository" means any securities depository that is a "clearing corporation" within the meaning of the New York Uniform Commercial Code and a "clearing agency" registered pursuant to provisions of Section 17A of the Securities Exchange Act of 1934, operating and maintaining, with its participants or otherwise, a Book-Entry System to record ownership of beneficial interest in bonds and bond service charges, and to effect transfers of bonds in Book-Entry Form, and means, initially, The Depository Trust Company (a limited purpose trust company), New York, New York.

"Securities Depository Nominee" means any nominee of a Securities Depository and initially means Cede & Co., New York, New York, as nominee of The Depository Trust Company.

"Series 2011B Bonds" means the $153,085,000 in original aggregate principal amount of State Road and Tollway Authority State of Georgia (Full Faith and Credit) Guaranteed Revenue Refunding Bonds, Series 2011B.

"Series 2016 Bonds" means the $_____ in original aggregate principal amount of State Road and Tollway Authority State of Georgia (Full Faith and Credit) Guaranteed Revenue Refunding Bonds, Series 2016.

"Sinking Fund" means the fund of that name created pursuant to the provisions of the 2003 Indenture described under the caption "**Revenues and Funds—***Creation of Funds.*"

"Sinking Fund Year" means the period commencing on October 2 of each year and ending on October 1 of the following calendar year.

"Standard & Poor's" means S&P Global Ratings, a division of Standard & Poor's Financial Services LLC.

"State" means the State of Georgia.

"Supplemental Indenture" means any supplemental indenture executed and delivered by the Authority and the Trustee pursuant to the provisions of the 2003 Indenture related thereto.

"2003 Indenture" means that certain Trust Indenture, dated as of October 1, 2003, as supplemented by a First Supplemental Trust Indenture, dated as of March 1, 2011, and by a Second Supplemental Trust Indenture, to be dated as of July 1, 2016, between the Authority and U.S. Bank National Association, as successor Trustee.

"Trust Estate" means all right, title and interest of the Authority in and to the Pledged Revenues; all moneys and securities held by the Trustee in any and all of the funds and accounts established under the 2003 Indenture (other than the Rebate Fund); and, any and all other property from time to time conveyed, mortgaged, pledged, assigned or transferred as and for additional security under the Indenture by the Authority or by anyone on its behalf or with its written consent to the Trustee.

"Trustee" means U.S. Bank National Association and any successor trustee or trustees under the 2003 Indenture and any co-Trustees appointed under the 2003 Indenture.

Issuance of Bonds; Global Form

Authentication of Bonds

Before the Trustee authenticates any of the Series 2016 Bonds, there shall be delivered to the Trustee the following:

(i) a written request by the Chairman of the Authority requesting the Trustee to authenticate and deliver such Series 2016 Bonds upon the receipt by the Trustee for the account of the Authority of specified sums;

(ii) a copy, certified by the Secretary of the Authority, of the resolution adopted by the Authority authorizing the issuance and delivery of the Series 2016 Bonds and the execution, delivery and performance of the Second Supplemental Indenture;

(iii) an executed counterpart of the 2003 Indenture;

(iv) a certificate of the Clerk of the Superior Court of Fulton County certifying that the judgment of validation has been entered with respect to the Series 2016 Bonds;

(v) a certified copy of the action of the Georgia State Financing and Investment Commission authorizing the issuance of the Series 2016 Bonds as Guaranteed Revenue Bonds; and

(vi) the opinion of Bond Counsel, to the effect that the Series 2016 Bonds to be authenticated are valid and binding obligations of the Authority and constitute Guaranteed Revenue Bonds and that the interest thereon is not includable in gross income for federal tax purposes.

Before the Trustee authenticates any Additional Parity Bonds, there shall be delivered to the Trustee the items described below under the caption "**Revenues and Funds—***Additional Parity Bonds*."

Securities Depository

The Series 2016 Bonds will be initially issued in Book-Entry Form. All Bonds issued in Book-Entry Form will be initially issued as a single bond for each maturity registered in the name of the Securities Depository or the Securities Depository Nominee, and ownership thereof will be maintained in Book-Entry Form by the Securities Depository for the account of the Agent Members thereof. Beneficial Owners of such Bonds will not receive bond certificates from the Trustee evidencing their ownership interests. Except as described below, the Series 2016 Bonds may be transferred, in whole but not in part, only to the Securities Depository or the Securities Depository Nominee, or to a successor Securities Depository selected or approved by the Authority or to a nominee of such successor Securities Depository.

With respect to Series 2016 Bonds registered in the name of the Securities Depository or the Securities Depository Nominee, neither the Authority nor the Trustee will have any responsibility or obligation to any Agent Member or Beneficial Owner. Without limiting the foregoing, neither the Authority nor the Trustee will have any responsibility or obligation with respect to:

(i) the accuracy of the records of the Securities Depository, the Securities Depository Nominee or any Agent Member with respect to any Beneficial Ownership interest in the Series 2016 Bonds;

(ii) the delivery to any Agent Member, any Beneficial Owner or any other person, other than the Securities Depository or the Securities Depository Nominee, of any notice with respect to the Series 2016 Bonds; or

(iii) the payment to any Agent Member, any Beneficial Owner or any other person, other than the Securities Depository or the Securities Depository Nominee, of any amount with respect to the principal of, premium, if any, or interest on the Series 2016 Bonds.

So long as any Series 2016 Bonds are registered in Book-Entry Form, the Authority, and the Trustee may treat the Securities Depository as, and deem the Securities Depository to be, the absolute owner of such Series 2016 Bonds for all purposes whatsoever, including without limitation:

(i) the payment of principal of, premium, if any, and interest on such Series 2016 Bonds;

(ii) giving notices of redemption and other matters with respect to such Series 2016 Bonds;

(iii) registering transfers with respect to such Series 2016 Bonds; and

(iv) voting and obtaining consents under the 2003 Indenture.

So long as any Series 2016 Bonds are registered in Book-Entry Form, the Trustee will pay all principal of, premium, if any, and interest on the Series 2016 Bonds only to the Securities Depository or the Securities Depository Nominee as shown in the registration books kept by the Trustee, and all such payments will be valid and effective to fully discharge the Authority's obligations with respect to payment of principal of, premium, if any, and interest on the Series 2016 Bonds to the extent so paid.

Under certain circumstances provided for in the 2003 Indenture, the Authority may discontinue the Book-Entry System and in such case will execute and the Trustee will authenticate and deliver certificates representing the Series 2016 Bonds to the Bondholders. Such Series 2016 Bond certificates will be registered in such names and Authorized Denominations as the Securities Depository, pursuant to instructions from the Agent Member or otherwise, instructs the Trustee. Upon exchange, the Trustee will authenticate and deliver such Series 2016 Bonds representing the Series 2016 Bonds to the persons in whose names such Series 2016 Bonds are so registered on the business day immediately preceding the date of such exchange.

2016 Expense Account

The Second Supplemental Indenture creates a separate account of the Authority to be designated as the "**2016 Expense Account**." All payments from the 2016 Expense Account shall be applied at the written direction of the Authority to the payment of costs and expenses incurred by the Authority in connection with the issuance and delivery of the Series 2016 Bonds.

Revenues and Funds

Creation of Funds

The 2003 Indenture creates the following funds and accounts:

(i) The State Road and Tollway Authority Transportation Revenue Fund;

(ii) The State Road and Tollway Authority Transportation Sinking Fund;

(iii) The State Road and Tollway Authority Motor Fuel Tax Guarantee Fund; and

(iv) The State Road and Tollway Authority Transportation Rebate Fund.

Each such fund and account will be maintained separate and apart from any other fund or account.

2003 Indenture Pledged Revenues; Disposition of 2003 Indenture Revenue Fund

All Pledged Revenues under the 2003 Indenture will be collected by the Authority or by its agents or employees and will be deposited promptly with the Trustee to the credit of the Revenue Fund. At the times provided below, the Trustee will transfer moneys from the Revenue Fund, to the extent available, and deposit the amounts required to the following funds and accounts:

(i) On or before the Business Day immediately preceding the 1st day of each month, until there are on deposit in the Sinking Fund moneys in an amount sufficient to pay the entire amount of principal of the Bonds coming due in the then-current Sinking Fund Year, whether at maturity or by proceedings for mandatory redemption, and the interest which will become due and payable on the Bonds during the then-current Sinking Fund Year, the Trustee will transfer the entire balance of the Revenue Fund to the Sinking Fund. There will be a credit against required monthly payments for Bonds purchased, redeemed or canceled, as provided in the 2003 Indenture.

(ii) Moneys on deposit in the Revenue Fund after making the payments required by paragraph (i) above will be transferred by the Trustee to the Rebate Fund in the amount equal to the Rebate Amount computed by the Rebate Analyst; provided, however, that the Authority has furnished the computation of such amount to the Trustee in writing at least three Business Days prior to the date for such transfer.

Moneys on deposit in the Revenue Fund after making the payments required by the provisions of the 2003 Indenture described in paragraphs (i) and (ii) above may be used by the Authority to pay the costs of operating and maintaining the facilities financed or refinanced by the Bonds and to make any payments required to be made pursuant to the 2003 Indenture or pursuant to any other agreements entered into by the Authority in connection with operation and maintenance of the facilities financed or refinanced by the Bonds, the issuance of the Bonds or the administration of the 2003 Indenture, including allocable overhead and administrative costs of the Authority and the Commission, Trustee's fees and expenses, legal expenses, rating agency fees, and investment management fees and expenses. If for any reason the monthly payments required to be made pursuant to the provisions of the 2003 Indenture described in paragraphs (i) and (ii) above or by this paragraph are not made in the full amount required, the deficiency will be added to and will become a part of the amount due and payable from the Revenue Fund in the next succeeding month.

If on the 2nd day of October in any year there are on deposit in the Sinking Fund any money and securities, same will be withdrawn therefrom and immediately deposited into the Revenue Fund.

Guarantee Fund

There will be deposited to the Guarantee Fund any amounts derived from the Common Reserve Fund or otherwise paid by or on behalf of the State with respect to its obligations on the Bonds then Outstanding, and any other amounts other than Pledged Revenues deposited with the Trustee with written instructions to deposit said amounts in the Guarantee Fund. Amounts in the Guarantee Fund will be applied by the Trustee to pay debt service on the Bonds then Outstanding and falling due at any time for the payment or reimbursement of which money is not available in the Sinking Fund, and amounts in the Guarantee Fund are not pledged to and will not be used to pay any other bond or obligation.

Should any deficiency exist in the Sinking Fund on any April 1 or October 1 interest payment date or on any other date on which amounts otherwise are due with respect to Bonds then Outstanding, the Trustee will immediately make telephonic demand, followed immediately

in writing, upon the Authority and the State Treasurer or otherwise against the State for satisfaction of the State's obligations under the Constitution and laws of the State with respect to the Bonds in an amount sufficient to pay the amounts due on the Bonds, after application of amounts available therefor in accordance with the terms of the 2003 Indenture in the Sinking Fund, and the Authority will immediately certify in writing to the State Treasurer and to the Trustee the amount of such insufficiency in such Sinking Fund.

Nonpresentment of Bonds

In the event any Bond will not be presented for payment when the principal thereof becomes due, either at maturity, at the date fixed for redemption thereof, or otherwise, or if any interest check will not be cashed, if funds sufficient to pay such Bond or interest will have been made available to the Trustee for the benefit of the owner thereof, all liability of the Authority to the owner thereof for the payment of such Bond or such interest will forthwith cease, terminate, and be completely discharged, and thereupon it will be the duty of the Trustee to hold such fund or funds, uninvested and without liability for interest thereon, for the benefit of the owner of such Bond or the payee of such interest check, as the case may be, who will thereafter be restricted exclusively to such fund or funds for any claim of whatever nature on its part under the 2003 Indenture or on, or with respect to, such Bond or interest.

Any moneys so deposited with and held by the Trustee not so applied to the payment of such Bond or such interest, if any, within five years after the date on which the same will have become due (or such earlier date as immediately precedes the date on which such funds would be required to escheat or be payable to the State or any other governmental unit under any laws governing unclaimed funds) will be transferred to the Authority upon receipt of a written request of the Authority, and thereafter Bondholders will be entitled to look only to the Authority for payment, and then only to the extent of the amount so repaid, and the Authority will not be liable for any interest thereon and will not be regarded as a trustee of such money.

Trustee's Fees and Expenses

The Authority agrees to pay the Trustee, but only from the Pledged Revenues, until the principal of, interest, and premium, if any, on the Bonds will have been fully paid, (i) an amount equal to the annual fee of the Trustee for the Ordinary Services of the Trustee rendered, as trustee, and its Ordinary Expenses of the Trustee incurred, as trustee, under the 2003 Indenture, as and when the same become due, (ii) the reasonable fees and charges of the Trustee, as bond registrar and paying agent and of any paying agents and co-bond registrars for acting as paying agent or co-bond registrar, and (iii) the reasonable fees and charges for the necessary Extraordinary Services of the Trustee and Extraordinary Expenses of the Trustee under the 2003 Indenture, as and when the same become due. The Authority may, without creating a default, contest in good faith the necessity for any such Extraordinary Services of the Trustee and Extraordinary Expenses of the Trustee and the reasonableness of any of the fees, charges, or expenses described above.

Moneys to be Held in Trust

All moneys required to be deposited with or paid to the Trustee for the account of the Funds under any provision of the 2003 Indenture (other than the Rebate Fund) will be held by the Trustee in trust and will, while held by the Trustee, constitute part of the Trust Estate and be subject to the trust created by the 2003 Indenture and any lien or security interest granted with respect to the Trust Estate and will be and remain entitled to the benefit and will be subject to the security of the 2003 Indenture for the equal and proportionate benefit (except as otherwise expressly provided in the 2003 Indenture) of the owners of all Outstanding Bonds. The Trustee covenants that all moneys held in any fund under the 2003 Indenture and any collateral securing such funds are a part of the Trust Estate, and that the rights and interests of the Bondholders in and to such moneys and collateral are and will be superior to the claims of the creditors and depositors of the Trustee and of any other financial institution in which such moneys are deposited or which has provided or pledged such collateral. To the extent not invested, all such moneys held by the Trustee in excess of the amount insured by the Federal Deposit Insurance Corporation or a successor federal agency will be continuously secured, for the benefit of the Authority and the owners of the Bonds, by a pledge of Investment Securities.

Additional Parity Bonds

The Authority covenants and agrees that it will not issue any other bonds or obligations of any kind or nature payable from or enjoying a lien on the Pledged Revenues prior or equal to the lien created for the payment of the Bonds, except as described below.

The Authority reserves the right, from time to time, to issue Additional Parity Bonds, which Additional Parity Bonds will rank as to lien on the Pledged Revenues on a parity with the Bonds previously issued in an unlimited amount, provided that all of the following conditions are met:

(i) The payments covenanted to be made into the Sinking Fund, as the same may have been enlarged and extended in any proceedings authorizing the issuance of any Additional Parity Bonds, must be currently being made in the full amount as required and such Sinking Fund must be at its proper balance immediately prior to the issuance of such Additional Parity Bonds.

(ii) The Authority will authorize the issuance of said Additional Parity Bonds and will provide in a Supplemental Indenture, among other things, the date of and the rate or rates of interest such Additional Parity Bonds will bear, and the Interest Payment Dates and maturity dates and redemption provisions with respect to such Additional Parity Bonds and any other matters applicable thereto as the Authority may deem advisable.

(iii) The General Assembly of the State and the Georgia State Financing and Investment Commission will constitute such Additional Parity Bonds as Guaranteed Revenue Bonds.

(iv) Such Additional Parity Bonds and all proceedings relative thereto, and the security therefor, will be validated as prescribed by law.

(v) The Trustee will receive a written request by the Chairman of the Authority requesting the Trustee to authenticate and deliver such Additional Parity Bonds upon the receipt by the Trustee for the account of the Authority of a specified sum.

(vi) The Chairman of the Authority will execute simultaneously with the issuance of Additional Parity Bonds a certificate certifying compliance with all requirements of the 2003 Indenture described above.

(vii) The Authority and the Trustee will receive an opinion of Bond Counsel to the effect that the proceedings authorizing the issuance of Additional Parity Bonds have been duly adopted by the Authority, that such Additional Parity Bonds were issued in conformity with the provisions of the 2003 Indenture, that the Bonds to be authenticated are valid and binding obligations of the Authority and the interest thereon is not includable in gross income for federal tax purposes and that the issuance of such Additional Parity Bonds will not, in and of itself, affect the exclusion of interest on the Outstanding Bonds from gross income for federal income tax purposes.

The Authority reserves the right, from time to time, to issue Additional Parity Bonds to refund all or a portion of any Outstanding Bonds, which Additional Parity Bonds will rank as to lien on the Pledged Revenues on a parity with the Bonds previously issued, provided that the conditions described in (i) through (vii) above are met and provided further that there is filed with the Trustee a certificate of the Secretary of the Georgia State Financing and Investment Commission stating that the term of the refunding Bonds does not extend beyond the term of the Bonds being refunded and that the total interest requirement for the refunding Bonds does not exceed the total interest requirement on the Bonds being refunded. In such case, notwithstanding the provisions of the 2003 Indenture described in (iii) above, no action on the part of the General Assembly will be required.

Investments

Subject to the provisions of any law then in effect to the contrary, the Trustee will invest to the extent reasonably possible all moneys on deposit in the funds and accounts created and established pursuant to the 2003 Indenture and held by it in Investment Securities specified from time to time by oral (promptly confirmed in writing) or written direction from an Authorized Authority Representative. Such investments will be made so as to mature or be subject to redemption (without penalty) at the option of the owner thereof on or prior to the date or dates that the Authority anticipates that moneys therefrom will be required. The Trustee may trade with itself or its affiliates in the purchase and sale of such Investment Securities and the Trustee or its nominee will not be liable or responsible for any loss resulting from any such investment. Such Investment Securities will be registered in the name of the Trustee or its nominee except as may be otherwise contemplated by any other provision of the 2003 Indenture. The Trustee may invest in Investment Securities through its own trust department or bond department. The Trustee will not be responsible for any loss on any investment of moneys pursuant to the 2003 Indenture.

The Trustee will, without further direction from the Authority, sell such Investment Securities as and when required to make any payment for the purpose for which such investments are held. Each investment will be credited to the fund or account for which it is held,

subject to any other provision of the 2003 Indenture directing some other credit or disposition thereof, and the income, profits and revenues on such Investment Securities will be credited to the fund or account for which such investment was made unless otherwise provided in the 2003 Indenture.

Particular Covenants

Payment of Principal, Interest and Premium; Limited Obligation

The Authority covenants that it will promptly pay, or cause to be paid, the principal of and the interest on the Bonds at the places, on the dates and in the manner provided in the 2003 Indenture and in the Bonds, according to the true intent and meaning thereof, but only from the Trust Estate.

The Bonds will not be general obligations of the Authority but limited and special obligations payable solely from the Pledged Revenues and other amounts specifically pledged therefor under the 2003 Indenture, and will be a valid claim of the respective owners thereof only against the various accounts of the Sinking Funds and other moneys held by the Trustee or otherwise pledged therefor, which amounts are pledged, assigned and otherwise secured for the equal and ratable payment of the Bonds and will be used for no other purpose than to pay the principal of, premium, if any, and interest on the Bonds, except as may be otherwise expressly authorized in the 2003 Indenture. Any Bonds which are Guaranteed Revenue Bonds, as provided by the Constitution and laws of the State, will be guaranteed by the State as to the full payment thereof and the interest thereon in accordance with the terms thereof, and the full faith, credit and taxing power of the State will be pledged to such payment.

Performance; Authorization, Execution and Delivery

The Authority covenants that it will faithfully perform at all times any and all covenants, undertakings, stipulations, and provisions contained in the 2003 Indenture, in any and every Bond executed, authenticated, and delivered thereunder, and in all proceedings pertaining thereto. The Authority represents and warrants that it is duly authorized under the Constitution and laws of the State of Georgia, particularly the Act, to issue the Bonds authorized thereby and to enter into the 2003 Indenture and to pledge the Trust Estate in the manner and to the extent therein set forth; that all action on its part for the issuance of the Bonds initially issued thereunder and the adoption of the 2003 Indenture has been duly and effectively taken; and that the Bonds in the hands of the registered owners thereof are and will be valid and enforceable limited obligations of the Authority according to their terms. The Authority warrants that the Trust Estate has not been the subject of any previous conveyances, assignments or pledges by the Authority.

Further Assurances

The Authority covenants that it will do, execute, acknowledge and deliver or cause to be done, executed, acknowledged and delivered such Supplemental Indentures and such further acts, instruments, and transfers as the Trustee may reasonably require for the better assuring, transferring, conveying, pledging, assigning, and confirming unto the Trustee the Trust Estate. Any and all property acquired after the date of execution and delivery of the 2003 Indenture

which is of the kind or nature provided in the 2003 Indenture to be and become subject to the lien and security interest thereof will, without any further conveyance, assignment, or act on the part of the Authority or the Trustee, be and become subject to the lien and security interest of the 2003 Indenture as fully and completely as though specifically described therein. The Authority covenants and agrees that, except as provided in the 2003 Indenture, it has not and will not sell, convey, assign, pledge, encumber, grant a security interest in, or otherwise dispose of, or create or suffer to be created any lien, encumbrance, security interest, or charge upon, any part of the Trust Estate or the Pledged Revenues or the income and revenues therefrom, or enter into any contract or take any action by which the rights of the Trustee or the Bondholders may be impaired. The Authority will at all times, to the extent permitted by law, defend, preserve, and protect the pledge, assignment, lien, and security interest in and on the Trust Estate and all the rights of the Bondholders under the 2003 Indenture against all claims and demands of all persons whomsoever.

Recording and Filing

The security interest of the Trustee created by the 2003 Indenture will be perfected by the filing of financing statements required to be filed by the Authority pursuant to the State of Georgia Uniform Commercial Code or by the taking of possession of appropriate collateral. Such financing or continuation statements will be filed from time to time by the Authority, and the appropriate parties will take or maintain possession or control of appropriate collateral, as is necessary to preserve the security interest of the 2003 Indenture. The Trustee will not be responsible for the creation or perfection of any security interest created under the 2003 Indenture.

Maintenance of Existence

The Authority will at all times maintain its corporate existence or assure the assumption of its obligations under the 2003 Indenture by any other entity succeeding to its powers.

Creation of Liens

The Authority will not issue or permit to remain outstanding any bonds, notes, obligations, or other evidences of indebtedness of similar nature, payable out of or secured by a pledge or assignment of or lien or security interest in the Trust Estate, or create or cause to be created any other pledge or assignment of, or lien, charge, or encumbrance on, the Trust Estate. The Authority reserves the right to issue such other bonds or other obligations payable from and secured by revenues other than the Trust Estate and facilities other than the facilities financed or refinanced by the Bonds.

Arbitrage Covenant

The Authority covenants and agrees that it will not, subsequent to the date of the issuance and delivery of the Bonds, intentionally use any portion of the proceeds of the Bonds to acquire higher yielding investments, or to replace funds which were used directly or indirectly to acquire higher yielding investments, except as may otherwise be permitted by the Code or the regulations promulgated thereunder, including, but not limited to, complying with the

requirements of Section 148(f) of the Code and the regulations promulgated thereunder and the payment of rebate, if any, required to be made.

The Authority covenants with the holders of the Bonds as follows:

(i) that it will not take any action, or fail to take any action, if any such action or failure to take action would adversely affect the tax exempt status of interest on the Bonds under Section 103 of the Code.

(ii) that no use will be made (directly or indirectly) of the proceeds of the Bonds or of the facilities financed or refinanced thereby which would cause any of the Bonds to be a "private activity bond" within the meaning of Section 141(a) of the Code, including, without limitation, any sale, lease, management or similar use of property acquired with the proceeds of the Bonds to or by any person other than a governmental unit (other than as a member of the general public).

(iii) that it will not directly or indirectly use or permit the use of any proceeds of the Bonds or any other funds of the Authority or take or omit to take any action that would cause the Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Code. To that end, the Authority will comply with all requirements of Section 148 of the Code to the extent applicable to the Bonds.

In the event that at any time the Authority is of the opinion that it is necessary to restrict or limit the yield on the investment of any moneys held under the 2003 Indenture, the Authority will take such action as may be necessary. Earnings on amounts in any fund or account may, and will to the extent necessary, be used to pay the Rebate Amount.

2003 Indenture Rebate Covenant

The Authority agrees to retain a Rebate Analyst. The Trustee will make information regarding the Bonds and the investment of funds related thereto available to the Rebate Analyst prior to the first day of March of each year. The Authority will cause the Rebate Analyst to annually make the computations of the Rebate Amount pursuant to Section 148(f) of the Code. The Authority will cause to be deposited to the Rebate Fund any amount earned on any fund or account held under the 2003 Indenture in excess of the arbitrage yield on the Bonds, as directed by the Rebate Analyst. If a deposit to the Rebate Fund is required as a result of such computations, the Authority will prior to the end of any calendar year that a payment to the Rebate Fund is required cause an amount equal to the Rebate Amount to be deposited to the Rebate Fund by directing the Trustee to transfer such amount from the Revenue Fund into the Rebate Fund.

The Authority will cause the Rebate Analyst to compute the amount, if any, required to be paid to the United States in accordance with Section 148 of the Code and regulations promulgated thereunder and will pay such amounts from moneys on deposit in the appropriate account of the Rebate Fund. The Authority will provide to the Trustee copies of the Form 8038-Gs originally filed with respect to the Bonds and any other required forms which are required to be filed with each payment. If the amount in the appropriate account of the Rebate Fund is insufficient to make any required payment to the United States, the Authority agrees to

either (i) pay or cause to be paid any amount necessary to satisfy all or part of such deficiency, or (ii) direct the Trustee in writing to transfer all or part of the amount of such deficiency from the appropriate fund into the appropriate account of the Rebate Fund, or any combination of (i) or (ii) provided that the total amount deposited in the appropriate account of the Rebate Fund equals the amount of such deficiency.

The Trustee will not be responsible for determining compliance of the Authority with the requirements of the 2003 Indenture described above, and will not be responsible for making any payment of a Rebate Amount from the Rebate Fund, except as directed in writing by the Authority.

Events of Default and Remedies

Events of Default

Any one or more of the following events constitutes an "event of default" under the 2003 Indenture:

(i) failure to make payment of the principal or redemption price of any Bond when the same shall become due and payable, either at maturity or by proceedings for redemption or otherwise;

(ii) failure to make payment of any installment of interest on any Bond when same shall become due and payable; or

(iii) failure of the Authority to duly and punctually perform any other of the covenants, conditions, agreements and provisions on its part contained in the Bonds or in the 2003 Indenture, which failure shall continue for 60 days after written notice specifying such default and requiring the same to be remedied has been given to the Authority by the Trustee; provided, however, if the failure stated in such notice cannot be corrected within the applicable period, the Trustee will not unreasonably withhold its consent to an extension of such time if it is possible to correct such failure and corrective action is instituted by the Authority within the applicable period and is diligently pursued until such failure is corrected.

Remedies

If such an event of default occurs, then in each and every such case the Trustee may, and upon the written request of the owners of a majority of the outstanding principal amount of Bonds affected by each event of default, the Trustee will, upon receiving indemnity or security satisfactory to it, proceed to protect and enforce its rights and the rights of the owners of the Bonds by a suit, action or special proceeding in equity or at law, by mandamus or otherwise, either for the specific performance of any covenant or agreement contained in the 2003 Indenture or in aid or execution of any power therein granted or for any enforcement of any proper legal or equitable remedy as the Trustee, being advised by Counsel, deems most effectual to protect and enforce the rights aforesaid.

Notice of Default

The Trustee will immediately after the occurrence of an event of default consisting of a failure to pay principal or interest on the Bonds, and immediately after receipt of written notice of any other event of default, mail by first-class mail to the owners of the Bonds notice of all events of default known to the Trustee unless such defaults have been cured before the giving of such notice.

Termination of Proceedings by Trustee

In case any proceedings taken by the Trustee on account of any default has been discontinued or abandoned for any reason, or determined adversely to the Trustee, then and in every case the Authority, the Trustee and the owners of the Bonds will be restored to their former positions and rights under the 2003 Indenture, and all rights, remedies and powers of the Trustee will continue as though no such proceeding had been taken.

Right of Bond Owners to Control Proceedings

The owners of a majority of the outstanding principal amount of the Bonds will have the right, by an instrument in writing executed and delivered to the Trustee, to direct the method and place of conducting all remedial proceedings to be taken by the Trustee in respect of the Bonds; provided that such direction is not otherwise than in accordance with law and the Trustee is indemnified to its satisfaction against the costs, expenses and liabilities which may be incurred therein or thereby.

Right of Bond Owners to Institute Suit

No owner of any of the Bonds will have any right to institute any suit, action or proceeding in equity or at law for the execution of any trust under the 2003 Indenture, or for any other remedy under the 2003 Indenture or on the Bonds unless (a) such owner previously has given to the Trustee written notice of an event of default as described above, (b) the owner or owners of not less than 25 percent of the outstanding principal amount of the Bonds have made written request of the Trustee after the right to exercise such powers or right of action, as the case may be, shall have accrued, and have afforded the Trustee a reasonable opportunity either to proceed to exercise the powers described above or to institute such action, suit or proceeding in its name; (c) the Trustee has been offered security and indemnity satisfactory to it against the costs, expenses and liabilities which may be incurred therein or thereby; and (d) the Trustee has refused or neglected to comply with such request within a reasonable period of time.

Waiver of Default

No delay or omission of the Trustee or of any of the owners of any Bond to exercise any right, remedy or power upon any default shall be construed to be a waiver of any such default, or an acquiescence therein; and every right, power and remedy granted by the 2003 Indenture to the Trustee and the owners of the Bonds may be exercised from time to time, and as often as may be deemed expedient.

Application of Moneys After Default

The Authority covenants that if an event of default shall happen and shall not have been remedied, the Trustee shall apply all moneys, securities and funds received by the Trustee pursuant to any right given or action taken under the provisions of the 2003 Indenture in the following order:

(i) Expenses of Trustee—to the payment of the reasonable and proper fees, charges, expenses and liabilities of the Trustee (including collection fees and counsel fees and expenses);

(ii) Principal or Redemption Price and Interest—to the payment of the interest and principal or redemption price then due on the Bonds, as follows:

(a) Unless the principal of all Bonds has become due and payable, all such moneys will be applied

first: to the payment to the persons entitled thereto of all installments of interest then due, in the order of the maturity of such installments and, if the amount available is not sufficient to pay in full any particular installment, then to the payment ratably, according to the amounts due on such installment, to the persons entitled thereto, without any discrimination or preference;

second: to the payment to the persons entitled thereto of the unpaid principal of any of the Bonds which has become due (other than Bonds called for redemption for the payment of which moneys are held pursuant to the provisions of the 2003 Indenture), in the order of their due dates, with interest on such Bonds from the respective dates upon which they became due and, if the amount available is not sufficient to pay in full Bonds due on any particular date, together with such interest, then to the payment first of such interest, ratably according to the amount of such interest due on such date, and then to the payment of such principal, ratably according to the amount of such principal due on such date, to the persons entitled thereto without any discrimination or preference; and

third: to the payment of the redemption premium on and the principal of any Bonds called for redemption.

(b) If the principal of all the Bonds has become due and payable, all such moneys will be applied to the payment of the principal and interest then due and unpaid upon the Bonds, with interest thereon as aforesaid, without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any Bond over any other Bond, ratably, according to the amounts due respectively for principal and interest, to the persons entitled thereto without any discrimination or preference.

Whenever moneys are to be applied by the Trustee pursuant to the provisions of the 2003 Indenture described above, such moneys will be applied by the Trustee at such times, and from time to time, as the Trustee determines in its sole discretion, having due regard to the amount of such moneys available for application and the likelihood of additional moneys becoming

available for such application in the future. The setting aside of such moneys in trust for the proper purpose will constitute proper application by the Trustee; and the Trustee will incur no liability whatsoever to the Authority, to any owner of a Bond or to any other person for any delay in applying any such funds, so long as the Trustee acts with reasonable diligence, having due regard to the circumstances, and ultimately applies the same in accordance with such provisions of the 2003 Indenture as may be applicable at the time of application by the Trustee. Whenever the Trustee exercises such discretion in applying such funds, it will fix the date (which shall be an interest payment date unless the Trustee deems another date more suitable) upon which such application is to be made and upon such date interest on the amounts of principal paid on such date will cease to accrue. The Trustee will give such notice as it may deem appropriate of the fixing of any such date and of the endorsement to be entered on each Bond on which payment is made, and will not be required to make payment to the owner of any Bond until such Bond has been presented to the Trustee for appropriate endorsement, or some other procedure deemed satisfactory by the Trustee.

Concerning the Trustee

Acceptance by Trustee

The Trustee accepts the trusts created by the 2003 Indenture, but only upon the terms and conditions described below, and no implied covenants or obligations are to be read into the 2003 Indenture against the Trustee.

Performance of Duties

The Trustee agrees, prior to an event of default, and after the curing of all such events of default which may have occurred, to perform such duties and only such duties as are specifically set forth in the 2003 Indenture, using such care as a corporate trustee ordinarily would use in performing trusts under a corporate indenture under which no default has occurred. The Trustee agrees that, during the existence of any such event of default which has not been cured, it will exercise such of the rights and powers vested in it by the 2003 Indenture, and use the same degree of care and skill in their exercise, as a prudent fiduciary would exercise or use under the circumstances in the conduct of the affairs of its beneficiaries.

The Trustee will not be relieved from liability for its own negligent action, its own grossly negligent failure to act, or its own willful misconduct, except that

(i) prior to an event of default and after the curing of all such events of default which may have occurred:

(1) the duties and obligations of the Trustee will be determined solely by the express provisions of the 2003 Indenture, and the Trustee will not be liable except for the performance of such duties and obligations as are specifically set forth in the 2003 Indenture, and no implied covenants or obligations will be read into the 2003 Indenture against the Trustee; and

(2) In the absence of bad faith on the part of the Trustee, the Trustee may conclusively rely, as to the truth of the statements and the correctness of

the opinion expressed therein, upon any certificate or opinion furnished to the Trustee conforming to the requirements of the 2003 Indenture; but in the case of any such certificate or opinion which by any provision of the 2003 Indenture is specifically required to be furnished to the Trustee, the Trustee will be under a duty to examine the same to determine whether or not it conforms to the requirements of the 2003 Indenture;

at all times, regardless of whether or not any such event of default exists:

(1) the Trustee will not be liable for any error of judgment made in good faith by a responsible officer or officers of the Trustee unless it is proven that the Trustee was negligent in ascertaining the pertinent facts; and

(2) the Trustee will not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the owners of not less than a majority (or such larger percentage as is otherwise specifically required by the terms of the 2003 Indenture) in aggregate principal amount of all the Bonds at the time outstanding;

the Trustee is not required to expend or risk its own funds or otherwise incur individual financial liability in the performance of any of its duties or in the exercise of any of its rights or powers;

the permissive right of the Trustee to do things enumerated in the 2003 Indenture will not be construed as a duty and the Trustee will not be answerable for other than its gross negligence or willful misconduct;

the Trustee will not be required to take notice or be deemed to have notice of any default, except failure by the Authority to cause to be made any of the payments to the Trustee required to be made, unless a trust officer located at the principal office of the Trustee is specifically notified in writing of such default by the Authority, or by the owners of not less than 25 percent in aggregate principal amount of all Bonds then outstanding, and in the absence of such notice so delivered, the Trustee may conclusively assume there is no default except as aforesaid. All notices or other instruments required by the 2003 Indenture to be delivered to the Trustee, must, in order to be effective, be delivered at the Principal Office of the Trustee;

the Trustee will not be required to give any Bond or surety in respect to the execution of the said trusts and powers or otherwise in respect of the premises;

notwithstanding anything elsewhere in the 2003 Indenture contained, the Trustee will have the right, but will not be required, to demand, in respect of the authentication of any Bonds, the withdrawal of any cash, the release of any property, or any action whatsoever within the purview of the 2003 Indenture, any showings, certificates, opinions, appraisals or other information or corporate action or evidence thereof, in addition to that by the terms thereof required as a condition of such action by the Trustee, deemed desirable for the purpose of establishing the right of the Authority to the authentication of any Bonds, the withdrawals of any cash, the release of any property or the taking of any other action by the Trustee;

before taking any action, the Trustee may require that satisfactory indemnity or other security satisfactory to it be furnished for the reimbursement of all expenses to which it may be put and to protect it against all liability, except liability which is adjudicated to have resulted from the gross negligence or willful misconduct of the Trustee in connection with any action so taken;

all moneys received by the Trustee will be held in trust for the purposes for which they were received, until used or applied or invested. The Trustee will have no liability for interest on any moneys received except such as may be agreed upon;

the Trustee will furnish to the Authority on request and at least annually a report setting forth a list of each investment purchased or sold by the Trustee in accordance with the provisions of the 2003 Indenture during the period covered by the report, the date on which each such transaction took place, the purchase or sales price, as the case may be, of the investment, the rate of interest borne by the investment the fund and account for which such investment was made and such other information and data as the Authority may reasonably request; and

the Trustee may execute any of the trusts or powers of the 2003 Indenture and perform any of its duties by or through attorneys, agents, receivers or employees, but will not be answerable for the conduct of the same unless it is proven that the Trustee was grossly negligent in ascertaining the pertinent facts.

Instruments Upon Which Trustee May Rely

Except as otherwise described above under the caption "*—Performance of Duties*,"

(i) the Trustee may rely and will be protected in acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, consent, order, certificate or other paper or document reasonably believed by it to be genuine and to have been signed or presented by the proper party or parties;

(ii) any notice, request, direction, election, order or demand of the Authority will be sufficiently evidenced by an instrument signed in the name of the Authority by an Authorized Authority Representative (unless other evidence in respect thereof is specifically required by the 2003 Indenture);

(iii) the Trustee may consult with counsel, who may, but need not, be counsel for the Authority, and the opinion or advice of such counsel, approved by the Trustee in the exercise of reasonable care, will be full and complete authorization and protection in respect of any action taken or suffered by it in good faith and in accordance with the advice or opinion of such counsel; and

(iv) whenever in the administration of the trusts under the 2003 Indenture the Trustee deems it necessary or desirable that a matter be proved or established prior to taking or suffering any action, such matter may, in the absence of gross negligence or willful misconduct on the part of the Trustee, be deemed to be conclusively proved and established by a certificate of the Authority; and such certificate of the Authority will, in the absence of gross negligence or willful

misconduct on the part of the Trustee, be full warranty to the Trustee for any action taken or suffered by it under the provisions of the 2003 Indenture upon the faith thereof.

Trustee not Responsible for Recitals and Other Matters

The Trustee will not be responsible in any manner whatsoever for the correctness of the recitals in the 2003 Indenture or in the Bonds (except the Trustee's certificate of authentication thereon); and the Trustee will not be responsible or accountable in any manner whatsoever for or with respect to the validity or execution or sufficiency of the 2003 Indenture, or of any indenture supplemental thereto, or of the Bonds, or for the value of the Trust Estate, or any part thereof, or for the title of the Authority thereto, or for the security afforded by the 2003 Indenture or for the validity of any securities at any time held thereunder, and the Trustee makes no representation with respect thereto. The Trustee will not be accountable for the use or application by the Authority of any Bonds or of the proceeds of such Bonds, or for the use or application of any moneys paid over by the Trustee in accordance with any provision of the 2003 Indenture.

Trustee May Acquire Bonds

The Trustee and its officers and directors may acquire and own, or become the pledgee of, Bonds and may otherwise deal with the Authority in the manner and to the same extent and with like effect as though it were not Trustee.

Intervention by Trustee

In any judicial proceeding to which the Authority is a party and which in the opinion of the Trustee and its counsel has a substantial bearing on the interests of owners of the Bonds, the Trustee may intervene on behalf of the owners of the Bonds and, subject to the receipt by the Trustee of satisfactory indemnity or other satisfactory security, will do so if requested in writing by the owners of not less than 25 percent of the outstanding principal amount of the Bonds. The rights and obligations of the Trustee to intervene in any such judicial proceeding under Section 906 of the 2003 Indenture are subject to the approval of a court of competent jurisdiction if approval of such intervention is otherwise required by law.

Qualification of Trustee

The 2003 Indenture requires that there be at all times a trustee thereunder which is a commercial bank or trust company organized and doing business under the laws of the United States of America or any state thereof, authorized under such laws to exercise corporate trust powers, having, together with its affiliates (hereinafter defined) a combined capital, surplus and undivided profits of at least $75,000,000, or $500,000,000 in trust assets under management and subject to supervision or examination by federal or state authority. If such corporation publishes reports of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to, the combined capital, surplus and undivided profits of such corporation will be deemed to be its combined capital, surplus and undivided profits as set forth in its most recent report of condition so published. In case at any time the Trustee shall cease to be eligible, the Trustee shall resign immediately. For purposes of this paragraph, the term "**affiliate**" of the Trustee means any corporation or other person which, directly or indirectly, controls or is controlled by or is under common control with the Trustee. For the

purposes of this definition, "control" (including the correlative meanings of the terms "controlled by" and "under common control with"), as used with respect to any person, means the possession, directly or indirectly, or the power to direct or cause the direction of the management and policies of such person, whether through the ownership of voting securities or by contract or otherwise.

Resignation of Trustee and Appointment of Successor

The Trustee may at any time resign by giving written notice to the Authority and by giving to the owners of the Bonds notice by first class mail. Upon receiving such notice of resignation, the Authority must promptly appoint a successor Trustee by an instrument in writing.

In the event that in case either of the following occurs:

(v) the Trustee ceases to be eligible in accordance with the provisions of the 2003 Indenture described above under the caption "—*Qualification of Trustee*," and fails to resign after written request by the Authority, or

(vi) the Trustee becomes incapable of acting, or is adjudged a bankrupt or insolvent, or a receiver of the Trustee or of its property is appointed, or any public officer takes charge or control of the Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation,

then, in any such case, the Authority may remove the Trustee and appoint a successor Trustee by an instrument in writing.

The owners of a majority of the outstanding principal amount of the Bonds may at any time remove the Trustee and appoint a successor Trustee by an instrument or concurrent instruments in writing signed by such Bond owners.

Any resignation or removal of the Trustee and appointment of a successor trustee will become effective upon acceptance of appointment by the successor Trustee. If no successor Trustee shall have been so appointed and have accepted such appointment within 30 days after the resignation or removal of the Trustee, the resigning Trustee or the Authority may petition any court of competent jurisdiction for the appointment of a successor Trustee, or any owner of the Bonds who has been a bona fide owner of a Bond or Bonds for at least six months may, on behalf of himself and all others similarly situated, petition any such court for the appointment of a successor Trustee. Such court may thereupon, after such notice, if any, as it may deem proper and prescribe, appoint a successor Trustee.

Notwithstanding any other provision of the 2003 Indenture, no removal or resignation of the Trustee (or any other paying agent) shall take effect until a successor has been appointed.

Concerning the Successor Trustee

Any successor Trustee will be required to execute, acknowledge and deliver to the Authority and to its predecessor Trustee an instrument accepting such appointment, and

thereupon the resignation or removal of the predecessor Trustee will become effective and such successor Trustee, without any further act, deed or conveyance, will become vested with all the rights, powers, trusts, duties and obligations of its predecessor in the trusts of the 2003 Indenture, with like effect as if originally named as Trustee; but nevertheless, on the written request of the Authority or the request of the successor Trustee, the Trustee ceasing to act is required to execute and deliver an instrument transferring to such successor Trustee, all the rights, powers and trusts of the Trustee so ceasing to act. Upon request of any such successor Trustee, the Authority will execute any and all instruments in writing more fully and certainly vesting in and confirming to such successor Trustee all such rights, powers and duties. Any Trustee ceasing to act will, nevertheless, retain a lien upon funds held or collected by such Trustee to secure the amounts due it as compensation, reimbursement, expenses and indemnity.

Upon the acceptance of appointment by a successor Trustee, the Authority will give notice thereof by first class mail to all Bond owners. If the Authority fails to mail such notice within 10 days after acceptance of appointment by the successor Trustee, the successor Trustee will cause such notice to be mailed at the expense of the Authority.

Merger or Consolidation of Trustee

Any corporation into which the Trustee may be merged or with which it may be consolidated, or any corporation resulting from any merger or consolidation to which the Trustee shall be a party, or any corporation succeeding to the corporate trust business of the Trustee in whole or in such part as includes the administration of the Trust Estate, will be the successor of the Trustee without the execution or filing of any paper or any further act, provided that such successor Trustee meets the requirements described above under the caption "—Qualifications of Trustee." If the Trustee is not the successor corporation in any such merger or consolidation, the Trustee must take such action as may be required to effect a transfer of the Trust Estate to such successor corporation.

Retention of Financial Statements

The Trustee will retain all financial statements furnished to it by the Authority for at least a period of seven years after the receipt thereof.

Co-Trustees

Two or more Persons may be designated as Co-Trustees, each with power and authority to function as Trustee under the 2003 Indenture, and any such Co-Trustees may determine between them the allocation of the functions involved in their service as Trustee. With the consent of the Authority, any Co-Trustee may resign and the remaining Trustee or Co-Trustees will perform the functions of Trustee.

Manner of Evidencing Ownership of Bonds; Meetings of Bond Owners

Ownership

Any request, direction or other instrument required by the 2003 Indenture to be signed or executed by bondholders may be in any number of concurrent writings of similar tenor and may be signed or executed by such bondholders in person or by agent appointed in writing. Proof of the execution of any such request, direction or other instruments, or of the writing appointing such agent and of the ownership of Bonds, if made in the following manner, will be sufficient for any purpose of the 2003 Indenture and will be conclusive in favor of the Trustee with regard to any action taken by it under such request:

(i) the fact and date of the execution by any person of any such writing may be proved by the certificate of any officer in any jurisdiction, who, by the laws thereof, has power to take acknowledgments within said jurisdiction, to the effect that the person signing such writing acknowledged before him the execution thereof, or by an affidavit of a witness to such execution; and

(ii) the ownership of Bonds will be proved by the registration book maintained by the Trustee.

Bond Owners' Meetings

A meeting of owners of Bonds may be called at any time and from time to time for any of the following purposes:

(i) to give any notice to the Authority or the Trustee, or to give any directions to the Trustee, or to consent to the waiving of any default under the 2003 Indenture and its consequences, or to take any other action authorized to be taken by such owners;

(ii) to remove the Trustee;

(iii) to consent to the execution of a Supplemental Indenture; or

(iv) to take any other action authorized to be taken by or on behalf of the owners of any specified aggregate principal amount of the Bonds under any other provision of the 2003 Indenture or under applicable law.

Meetings of owners may be held at such place or places as the Trustee or, in case of its failure to act, the owners of Bonds calling the meeting determine.

Notice of every meeting of owners of Bonds, setting forth the time and the place of such meeting and in general terms the action proposed to be taken at such meeting, will be given by first class mail not less than 20 nor more than 180 days prior to the date fixed for such meeting. In case at any time the owners of Bonds of at least 25 percent in aggregate principal amount of the respective Outstanding Bonds have requested the Trustee to call a meeting of the Owners of Bonds by written request setting forth in reasonable detail the action proposed to be taken at the

meeting, and the Trustee has not made the first giving of the notice of such meeting within 20 days after receipt of such request, then such owners may determine the time and the place for such meeting and may call such meeting to take any action authorized to be taken by the Bond owners by giving notice thereof as described above.

Revocation by Bond Owners

At any time prior to (but not after) the evidencing to the Trustee of the taking of any action by the owners of Bonds of the percentage in aggregate principal amount of the Bonds specified in the 2003 Indenture in connection with such action, any owner of a Bond the number of which is included in the Bonds the owners of which have consented to such action may, by filing written notice with the Trustee at its principal office and upon proof of ownership as described above, revoke such consent so far as concerns such Bond. Otherwise, any such consent given by the owner of any Bond will be conclusive and binding upon such owner and upon all future owners of such Bond and of any Bond issued in exchange therefor or in lieu thereof, irrespective of whether or not any notation in regard thereto is made upon such Bond. Any action permitted to be taken by the owners will be conclusively binding upon the Authority, the Trustee, the registered owners of all the Bonds and anyone whatsoever when such action is taken by the owners of the percentage in aggregate principal amount of Bonds specified in the 2003 Indenture for such action.

Defeasance

If (1) the Authority pays or causes to be paid to the owners of the Bonds the principal, redemption premium (if any) and interest to become due thereon at the times and in the manner stipulated therein and in the 2003 Indenture, (2) all fees and expenses of the Trustee then due and owing or accrued and all fees and expenses to accrue until the payment in full of the Bonds have been paid or provided for to the satisfaction of the Trustee, and (3) the Authority keeps, performs and observes all and singular the covenants and promises in the Bonds and in the 2003 Indenture expressed as to be kept, performed and observed by it or on its part, the Trustee will cancel and discharge the 2003 Indenture and execute and deliver to the Authority such instruments in writing as are necessary to evidence such cancellation and discharge. If the Authority pays or causes to be paid to the owners of all outstanding Bonds of a particular maturity or series, the principal, premium, if any, and interest to become due thereon at the times and in the manner stipulated therein and in the 2003 Indenture, such Bonds will cease to be entitled to any lien, benefit or security under the 2003 Indenture, and all covenants, agreements and obligations of the Authority to the owners of such Bonds will thereupon cease, terminate and become discharged and satisfied.

Bonds for the payment or redemption of which sufficient moneys or sufficient Permitted Defeasance Investments (as hereinafter defined) have been deposited with the Trustee (whether upon or prior to the maturity or the redemption date of such Bonds) will be deemed to be paid and no longer outstanding under the 2003 Indenture; provided, however, that if such Bonds are to be redeemed prior to the maturity thereof, notice of such redemption must have been duly given as provided in the 2003 Indenture or irrevocable arrangements satisfactory to the Trustee must have been made for the giving thereof and all fees and expenses of the Trustee then due and owing or accrued and all fees and expenses to accrue in connection with such payment or

redemption shall have been paid or provided for. "**Permitted Defeasance Investments**" means direct, general obligations of the United States government and obligations unconditionally guaranteed as to principal and interest by the United States government, which, as evidenced by a report of independent certified public accountants, with interest, mature and bear interest in such amounts and at such times as will assure sufficient cash to pay currently maturing interest and to pay principal and redemption premiums (if any) when due on the Bonds (or such portion thereof with respect to which such deposit is made), and the Trustee also receives an opinion of nationally-recognized bond counsel satisfactory to it to the effect that the pledge of such obligations to the payment of the Bonds will not, by itself, result in the interest on any Bonds or any obligations being issued to fund said defeasance becoming includable in gross income for federal income tax purposes under the Code.

Bonds deemed to have been paid by deposit of sufficient moneys or Permitted Defeasance Investments pursuant to this Section shall cease to be Guaranteed Revenue Bonds and to be secured by or have any call upon the Common Reserve Fund, the Guarantee Fund, the Sinking Fund or any other fund or account, except to the extent of such moneys or Permitted Defeasance Investments deposited with the Trustee pursuant to this Section.

Upon the cancellation and discharge of the 2003 Indenture as described above, or upon the deposit with the Trustee of sufficient money and Permitted Defeasance Investments, all liability of the Authority in respect of such Bond or Bonds shall cease, determine and be completely discharged and the owners thereof shall thereafter be entitled only to payment out of the moneys and the proceeds of the Permitted Defeasance Investments deposited with the Trustee as aforesaid for their payment. All moneys on deposit in any funds or accounts remaining after payment in full of all outstanding Bonds as described above will be remitted to the Authority.

Supplemental Indentures

Supplemental Indentures Not Requiring Consent of Bond Owners

The Authority and the Trustee from time to time and at any time, subject to the conditions and restrictions in the 2003 Indenture contained, may enter into a Supplemental Indenture or Indentures for any one or more or all of the following purposes:

(i) to add to the covenants and agreements of the Authority in the 2003 Indenture contained, other covenants and agreements thereafter to be observed or to surrender, restrict or limit any right or power reserved to or conferred upon the Authority;

(ii) to make such provisions for the purpose of curing any ambiguity, or curing, correcting or supplementing any defective provision, contained in the 2003 Indenture as may be requested or required by any nationally-recognized rating agency, or in regard to matters or questions arising under the 2003 Indenture, as the Authority may deem necessary or desirable and not inconsistent with the 2003 Indenture;

(iii) to provide for the issuance of Additional Parity Bonds pursuant to Section 507 of the 2003 Indenture;

(iv) to modify, amend or supplement the 2003 Indenture or any Supplemental Indentures in such manner as to permit the qualification of the 2003 Indenture under the Trust Indenture Act of 1939 or any similar federal statute or any state securities or trust indenture law and, if they so determine, to add to the 2003 Indenture, or any Supplemental Indentures, such other terms, conditions and provisions as may be permitted by the Trust Indenture Act of 1939 or similar federal statute or such state securities or trust indenture law;

(v) to grant additional rights and powers to the Trustee;

(vi) to create such accounts or subaccounts within the funds and accounts created thereunder as the Authority deems necessary or desirable to enable the Authority to account for expenditures of Bond proceeds or as otherwise requested by the Authority;

(vii) to provide for, or modify existing provisions to, a Book-Entry System of registration for the Bonds;

(viii) to obtain or maintain a rating on the Bonds from any Rating Agency; or

(ix) to make any other change that the Authority and the Trustee determine will not have a material adverse effect on the owners of the Bonds.

Supplemental Indentures Requiring Consent of Bond Owners

With the consent of the owners of not less than a majority in outstanding principal amount of the Bonds, the Authority and the Trustee may from time to time and at any time enter into a Supplemental Indenture or Indenture for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of the 2003 Indenture or of any Supplemental Indenture; provided, however, that no such Supplemental Indenture shall (1) extend the fixed maturity of any Bond or reduce the rate of interest thereon or extend the time for payment of interest, or reduce the amount of the principal thereof, or reduce or extend the time for payment of any premium payable on the redemption thereof, without the consent of the owners of each Bond so affected, or (2) reduce the aforesaid percentage of owners of Bonds required to approve any such Supplemental Indenture without the consent of the owners of all the Bonds then outstanding, or (3) deprive the owners of the Bonds (except as aforesaid) of the lien created by the 2003 Indenture, without the consent of the owners of all the Bonds then outstanding.

Notice of Supplemental Indenture

Prior to the execution and delivery of any Supplemental Indenture, the Trustee will mail to the Authority and the registered owners of the Bonds, at least 30 days prior to the proposed effective date of such Supplemental Indenture a notice of such proposed Supplemental Indenture. Such notice (and the consents of the owners of the Bonds) need not set forth such Supplemental Indenture in full but shall contain a summary of the provisions thereof. Such notice will set forth a time and procedure for consenting to such proposed Supplemental Indenture.

Promptly after the execution by the Authority and the Trustee of any Supplemental Indenture, a notice, setting forth in general terms the substance of such Supplemental Indenture,

shall be given by the Authority by first-class postage prepaid, mailed to each owner of Bonds at the address appearing in the registration book maintained by the Trustee. Any failure of the Authority to give such notice, or any defect therein, shall not, however, in any way impair or affect the validity of any such Supplemental Indenture.

Supplemental Indenture to Modify the 2003 Indenture

Upon the execution of any Supplemental Indenture, the 2003 Indenture will be deemed to be modified and amended in accordance therewith and the respective rights, duties and obligations under the 2003 Indenture of the Authority, the Trustee and all owners of Bonds outstanding thereunder will thereafter be determined, exercised and enforced under the 2003 Indenture subject in all respects to such modification and amendments.

APPENDIX D

AUTHORITY CONTINUING DISCLOSURE CERTIFICATE

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CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (this "Disclosure Certificate") is executed and delivered by the State Road and Tollway Authority (the "Authority" or the "Issuer") in connection with the issuance of $19,355,000* in aggregate principal amount of State Road and Tollway Authority State of Georgia (Full Faith and Credit) Guaranteed Revenue Refunding Bonds, Series 2016 (the "Bonds"). The Bonds are being issued pursuant to a Trust Indenture, dated as of October 1, 2003, as supplemented by a First Supplemental Trust Indenture, dated as of March 1, 2011 and a Second Supplemental Trust Indenture, to be dated as of July 1, 2016 (collectively, the "Indenture"), between the Authority and U.S. Bank National Association, as successor trustee (the "Trustee"). The Authority hereby covenants and agrees as follows:

Section 1. Purpose of this Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Authority for the benefit of the Beneficial Owners (as hereinafter defined) of the Bonds and in order to assist the Participating Underwriters (as hereinafter defined) in complying with the Rule (as hereinafter defined).

Section 2. Definitions. In addition to the definitions set forth in the Indenture, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section 2, the following capitalized terms shall have the following meanings:

"Annual Filing" shall mean any annual report provided by the Authority pursuant to the Rule and as described in Sections 4 and 5 of this Disclosure Certificate.

"Annual Filing Date" shall mean the date set forth in Section 4(a) and Section 4(c) hereof, by which the Annual Filing is to be filed with the MSRB.

"Annual Financial Statements" shall mean the Authority's basic financial statements for the preceding Fiscal Year, which shall be prepared in accordance with generally accepted accounting principles, as in effect from time to time (except for any departures from generally accepted accounting principles that result from the Authority's inability to conform to future changes in generally accepted accounting principles), and which shall be accompanied by an audit report, if available at the time of submission of the Annual Filing to the MSRB pursuant to Section 4(a) hereof, resulting from an audit conducted by (a) the State of Georgia Department of Audits and Accounts or (b) an independent certified public accountant or firm of independent certified public accountants, in conformity with generally accepted auditing standards (except for departures from generally accepted auditing standards disclosed from time to time in the audit report).

"Authority" shall mean the State Road and Tollway Authority.

"Beneficial Owner" shall mean any person who (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories, or other intermediaries) or (b) is treated as the owner of any Bonds for federal income tax purposes.

"Dissemination Agent" shall mean any Dissemination Agent designated in writing by the Authority and which has filed with the Authority a written acceptance of such designation.

"Effective Date" shall mean the date of original issuance and delivery of the Bonds.

"EMMA" shall mean the Electronic Municipal Market Access system as described in 1934 Act Release No. 59062 and maintained by the MSRB for purposes of the Rule.

"Filing" shall mean, as applicable, any Annual Filing or Listed Event Filing or any other notice or report made public under this Disclosure Certificate and made to the MSRB in such form as shall be prescribed by the MSRB. As of the date hereof, all such filings shall be made in accordance with EMMA.

"Fiscal Year" shall mean any period of twelve consecutive months adopted by the Authority as its fiscal year for financial reporting purposes and shall initially mean the period beginning on July 1 of each calendar year and ending on June 30 of the next calendar year.

"Issuer" shall mean the State Road and Tollway Authority.

"Listed Events" shall mean any of the events listed in Section 7(a) hereof.

"Listed Event Filing" shall have the meaning specified in Section 7(c) hereof.

"MSRB" shall mean the Municipal Securities Rulemaking Board, or any successor thereto for purposes of the Rule. Currently, MSRB's address, phone number and fax number for purposes of the Rule are:

MSRB
c/o CDINet
1900 Duke Street
Suite 600
Alexandria, VA 22314
Phone: (703) 797-6000
Fax: (703) 683-1930

"Official Statement" shall mean the Official Statement of the Issuer dated July _,2016 with respect to the Bonds.

"Participating Underwriter" shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with the offering of the Bonds.

"Rule" shall mean Rule 15c2-12 adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

"Securities and Exchange Commission" shall mean the United States Securities and Exchange Commission.

"Third-Party Beneficiary" shall have the meaning specified in Section 12 hereof.

"Voluntary Filing" means the information provided to the MSRB by the Authority pursuant to Section 6 hereof.

Section 3. Filings; Actions of the Authority.

(a) All Filings made pursuant to this Disclosure Certificate shall be provided to the MSRB in an electronic format as prescribed by the MSRB.

(b) The Secretary of the Authority (or his authorized designee) shall be the individual person authorized to be responsible for taking all actions described in this Disclosure Certificate.

Section 4. Provision of Annual Filings.

(a) Not later than one year after the end of each Fiscal Year, commencing with the Fiscal Year ending June 30, 2016, the Authority shall provide to the MSRB the Annual Filing which is consistent with the requirements of Section 5 hereof. In each case, the Annual Filing may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 5 hereof. Notwithstanding the foregoing, the audited Annual Financial Statements of the Authority may be submitted separately from the balance of the Annual Filing when such audited Annual Financial Statements are available. If the audit report described in the defined term "Annual Financial Statements" is not submitted as part of the Annual Filing to the MSRB pursuant to this Section 4(a), the Authority shall provide to the MSRB such audit report, together with the Annual Financial Statements to which such audit report relates, when they are available to the Authority.

(b) If the Annual Filing is not filed with the MSRB by the Annual Filing Date, the Authority shall, in a timely manner, send a notice of such failure to the MSRB.

(c) The Authority shall promptly file a notice of any change in its Fiscal Year and the new Annual Filing Date with the MSRB.

Section 5. Contents of Annual Filings. Each Annual Filing shall contain or incorporate by reference the following:

(a) the Annual Financial Statements;

(b) if generally accepted accounting principles have changed since the last Annual Filing was submitted pursuant to Section 4(a) hereof and if such changes are material to the Authority, a narrative explanation describing the impact of such changes on the Authority; and

(c) information for the preceding Fiscal Year regarding the following categories of financial information and operating data of the Authority: collections of motor fuel taxes by the State of Georgia.

Any or all of the items listed above may be incorporated by reference from other documents, including official statements of debt issues with respect to which the Authority is an "obligated person" (as defined by the Rule), which have been submitted to the MSRB or the Securities and Exchange Commission. Any document incorporated by reference must be available to the public on the MSRB's Internet Website or be filed with the Securities and Exchange Commission. The Authority shall clearly identify each such other document so incorporated by reference.

Section 6. Voluntary Filings.

(a) The Authority may file information with the MSRB from time to time (a "Voluntary Filing").

(b) Nothing in this Disclosure Certificate shall be deemed to prevent the Authority from disseminating any other information using the means of dissemination set forth in this Disclosure Certificate or including any other information in any Annual Filing, Annual Financial Statement, Voluntary Filing or Listed Event Filing, in addition to that specifically required by this Disclosure Certificate. If the Authority chooses to include any information in any Annual Filing, Annual Financial Statement, Voluntary Filing or Listed Event Filing in addition to that which is specifically required by this Disclosure Certificate, the Authority shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Filing, Annual Financial Statement, Voluntary Filing or Listed Event Filing.

(c) Notwithstanding the foregoing provisions of this Section 6, the Authority is under no obligation to provide any Voluntary Filing.

Section 7. Reporting of Significant Events.

(a) The occurrence of any of the following events constitutes a "Listed Event" with respect to the Bonds:

(i) Principal and interest payment delinquencies.

(ii) Non-payment related defaults, if material.

(iii) Unscheduled draws on debt service reserves reflecting financial difficulties.

(iv) Unscheduled draws on credit enhancements reflecting financial difficulties.

(v) Substitution of credit or liquidity providers, or their failure to perform.

(vi) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or

determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds.

(vii) Modifications to rights of Beneficial Owners, if material.

(viii) Bond calls, if material, and tender offers.

(ix) Defeasances.

(x) Release, substitution, or sale of property securing repayment of the Bonds, if material.

(xi) Rating changes.

(xii) Bankruptcy, insolvency, receivership or similar event of the Authority.

(xiii) The consummation of a merger, consolidation, or acquisition involving the Authority or the sale of all or substantially all of the assets of the Authority, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material.

(xiv) Appointment of a successor or additional trustee or the change of name of a trustee, if material.

(b) For the purposes of the event identified in Section 7(a)(xii) hereof, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the Authority in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Authority, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Authority.

(c) The Authority shall in a timely manner and not in excess of ten business days after the occurrence of any Listed Event, file a notice of the occurrence of such Listed Event with the MSRB (each a "Listed Event Filing"). Notice of Listed Events described in subsections (a)(viii) and (ix) above shall be disseminated automatically and need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to the Beneficial Owners of affected Bonds pursuant to the Indenture.

Section 8. Termination of Reporting Obligation. The Authority's obligations under this Disclosure Certificate shall terminate as to the Bonds upon the legal defeasance, prior redemption, or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the Authority shall give notice of such termination in the same manner as for a Listed Event under Section 7(c) hereof.

Section 9. Dissemination Agent. The Authority may, from time to time, appoint a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and the Authority may, from time to time, discharge the Dissemination Agent, with or without appointing a successor Dissemination Agent. If at any time there is not a designated Dissemination Agent, the Authority shall be the Dissemination Agent.

Section 10. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the Authority may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, if:

(a) such amendment or waiver is made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of the obligor on the Bonds, or type of business conducted by such obligor;

(b) such amendment or waiver does not materially impair the interests of the Beneficial Owners, as determined either by an unqualified opinion of nationally recognized bond counsel filed with the Authority or by the approving vote of the registered owners owning more than two-thirds in aggregate principal amount of the Bonds outstanding at the time of such amendment or waiver; and

(c) such amendment or waiver is supported by an opinion of counsel expert in federal securities laws, to the effect that such amendment or waiver would not, in and of itself, cause the undertakings herein to violate the Rule if such amendment or waiver had been effective on the date hereof but taking into account any subsequent change in or official interpretation of the Rule, as well as any change in circumstances.

If any provision of Section 5 hereof is amended or waived, the first Annual Filing containing any amended, or omitting any waived, operating data or financial information shall explain, in narrative form, the reasons for the amendment or waiver and the impact of the change in the type of operating data or financial information being provided.

If the provisions of Section 5 hereof specifying the accounting principles to be followed in preparing the Authority's financial statements are amended or waived, the Annual Filing for the Fiscal Year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information, in order to provide information to the Beneficial Owners to enable them to evaluate the ability of the Authority to meet its obligations. To the extent reasonably feasible, the comparison shall also be quantitative.

The Authority shall file a notice of the change in the accounting principles with the MSRB on or before the effective date of any such amendment or waiver.

Section 11. Default. In the event of a failure of the Authority to comply with any provision of this Disclosure Certificate, any Third-Party Beneficiary may take such actions as may be necessary or appropriate, including seeking mandamus or specific performance by court order, to cause the Authority to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed a "default" or an "event of default" under the Indenture, and the sole remedy under this Disclosure Certificate in the event of any failure of the Authority to comply with this Disclosure Certificate shall be an action to compel performance. The cost to the Authority of performing its obligations under the provisions hereof shall be paid solely from funds lawfully available for such purpose.

Section 12. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Authority, the Participating Underwriters, and the Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Neither this Disclosure Certificate, nor the performance by the Authority of its obligations hereunder, shall create any third-party beneficiary rights, shall be directly enforceable by any third-party, or shall constitute a basis for a claim by any person except as expressly provided herein and except as required by law, including, without limitation, the Rule; provided, however, the Participating Underwriters and the Beneficial Owners are hereby made third-party beneficiaries hereof (collectively, and each respectively, a "Third-Party Beneficiary") and shall have the right to enforce the obligations of the parties hereunder pursuant to Section 11 hereof.

Section 13. Intermediaries; Expenses. The Dissemination Agent appointed hereunder, if any, is hereby authorized to employ intermediaries to carry out its obligations hereunder. The Dissemination Agent shall be reimbursed immediately for all such expenses and any other reasonable expense incurred hereunder (including, but not limited to, attorney's fees).

Section 14. Counterparts. This Disclosure Certificate may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 15. Governing Law. This Disclosure Certificate shall be governed by and construed in accordance with the laws of the State of Georgia, excluding choice of law provisions, and applicable federal law.

Section 16. Severability. In case any one or more of the provisions of this Disclosure Certificate shall for any reason be held to be illegal or invalid, such illegality or invalidity shall not affect any other provision of this Disclosure Certificate, but this Disclosure Certificate shall be construed and enforced as if such illegal or invalid provision had not been contained herein.

SIGNATURE PAGE TO CONTINUING DISCLOSURE CERTIFICATE

for

$19,355,000* STATE ROAD AND TOLLWAY AUTHORITY
STATE OF GEORGIA (FULL FAITH AND CREDIT)
GUARANTEED REVENUE REFUNDING BONDS, SERIES 2016

This Continuing Disclosure Certificate is hereby executed and delivered by a duly authorized official of the Authority, to be effective as of the Effective Date.

Date: July __, 2016

STATE ROAD AND TOLLWAY AUTHORITY

By: _____
Christopher Tomlinson
Executive Director

APPENDIX E

STATE CONTINUING DISCLOSURE CERTIFICATE

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CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (this "Disclosure Certificate") is executed and delivered by the State of Georgia (the "State"), acting by and through the Georgia State Financing and Investment Commission, in connection with the issuance of $19,355,000* in aggregate principal amount of State Road and Tollway Authority State of Georgia (Full Faith and Credit) Guaranteed Revenue Refunding Bonds, Series 2016 (the "Bonds"). The Bonds are being guaranteed by the State pursuant to a resolution adopted by the Georgia State Financing and Investment Commission on June 8, 2016 (the "Resolution"). The State hereby covenants and agrees as follows:

Section 1. Purpose of this Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the State for the benefit of the Beneficial Owners (as hereinafter defined) of the Bonds and in order to assist the Participating Underwriters (as hereinafter defined) in complying with the Rule (as hereinafter defined).

Section 2. Definitions. In addition to the definitions set forth in the Resolution, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section 2, the following capitalized terms shall have the following meanings:

"Annual Filing" shall mean any annual report provided by the State pursuant to the Rule and as described in Sections 4 and 5 of this Disclosure Certificate.

"Annual Filing Date" shall mean the date set forth in Section 4(a) and Section 4(c) hereof, by which the Annual Filing is to be filed with the MSRB.

"Annual Financial Statements" shall mean the State's basic financial statements for the preceding Fiscal Year, which shall be prepared in accordance with generally accepted accounting principles, as in effect from time to time (except for any departures from generally accepted accounting principles that result from the State's inability to conform to future changes in generally accepted accounting principles), and which shall be accompanied by an audit report, if available at the time of submission of the Annual Filing to the MSRB pursuant to Section 4(a) hereof, resulting from an audit conducted by (a) the State of Georgia Department of Audits and Accounts or (b) an independent certified public accountant or firm of independent certified public accountants, in conformity with generally accepted auditing standards (except for departures from generally accepted auditing standards disclosed from time to time in the audit report).

"Beneficial Owner" shall mean any person who (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories, or other intermediaries) or (b) is treated as the owner of any Bonds for federal income tax purposes.

"Dissemination Agent" shall mean any Dissemination Agent designated in writing by the State and which has filed with the State a written acceptance of such designation.

"Effective Date" shall mean the date of original issuance and delivery of the Bonds.

"EMMA" shall mean the Electronic Municipal Market Access system as described in 1934 Act Release No. 59062 and maintained by the MSRB for purposes of the Rule.

"Filing" shall mean, as applicable, any Annual Filing or Listed Event Filing or any other notice or report made public under this Disclosure Certificate and made to the MSRB in such form as shall be prescribed by the MSRB. As of the date hereof, all such filings shall be made in accordance with EMMA.

"Fiscal Year" shall mean any period of twelve consecutive months adopted by the State as its fiscal year for financial reporting purposes and shall initially mean the period beginning on July 1 of each calendar year and ending on June 30 of the next calendar year.

"Issuer" shall mean the State Road and Tollway Authority.

"Listed Events" shall mean any of the events listed in Section 7(a) hereof.

"Listed Event Filing" shall have the meaning specified in Section 7(c) hereof.

"MSRB" shall mean the Municipal Securities Rulemaking Board, or any successor thereto for purposes of the Rule. Currently, MSRB's address, phone number and fax number for purposes of the Rule are:

MSRB
c/o CDINet
1900 Duke Street
Suite 600
Alexandria, VA 22314
Phone: (703) 797-6000
Fax: (703) 683-1930

"Official Statement" shall mean the Official Statement of the Issuer dated July _, 2016 with respect to the Bonds.

"Participating Underwriter" shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with the offering of the Bonds.

"Rule" shall mean Rule 15c2-12 adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

"Securities and Exchange Commission" shall mean the United States Securities and Exchange Commission.

"State" shall mean the State of Georgia, acting by and through the Georgia State Financing and Investment Commission.

"Third-Party Beneficiary" shall have the meaning specified in Section 12 hereof.

"Voluntary Filing" means the information provided to the MSRB by the State pursuant to Section 6 hereof.

Section 3. <u>Filings; Actions of the State</u>.

(a) All Filings made pursuant to this Disclosure Certificate shall be provided to the MSRB in an electronic format as prescribed by the MSRB.

(b) The Secretary of the Georgia State Financing and Investment Commission (or his authorized designee) shall be the individual person authorized to be responsible for taking all actions described in this Disclosure Certificate.

Section 4. <u>Provision of Annual Filings</u>.

(a) Not later than one year after the end of each Fiscal Year, commencing with the Fiscal Year ending June 30, 2016, the State shall provide to the MSRB the Annual Filing which is consistent with the requirements of Section 5 hereof. In each case, the Annual Filing may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 5 hereof. Notwithstanding the foregoing, the audited Annual Financial Statements of the State may be submitted separately from the balance of the Annual Filing when such audited Annual Financial Statements are available. If the audit report described in the defined term "Annual Financial Statements" is not submitted as part of the Annual Filing to the MSRB pursuant to this Section 4(a), the State shall provide to the MSRB such audit report, together with the Annual Financial Statements to which such audit report relates, when they are available to the State.

(b) If the Annual Filing is not filed with the MSRB by the Annual Filing Date, the State shall, in a timely manner, send a notice of such failure to the MSRB.

(c) The State shall promptly file a notice of any change in its Fiscal Year and the new Annual Filing Date with the MSRB.

Section 5. <u>Contents of Annual Filings</u>. Each Annual Filing shall contain or incorporate by reference the following:

(a) the Annual Financial Statements;

(b) if generally accepted accounting principles have changed since the last Annual Filing was submitted pursuant to Section 4(a) hereof and if such changes are material to the State, a narrative explanation describing the impact of such changes on the State; and

(c) information for the preceding Fiscal Year regarding the following categories of financial information and operating data of the State: (i) authorized indebtedness, (ii) state treasury receipts, legal debt margin and debt ratios, (iii) assessed valuation, (iv) revenue shortfall reserve, (v) state revenues, (vi) analysis of general fund receipts, (vii) summary of appropriation allotments, (viii) monthly cash investments and

(ix) purchases for cancellation of state general obligation debt and state guaranteed revenue debt.

Any or all of the items listed above may be incorporated by reference from other documents, including official statements of debt issues with respect to which the State is an "obligated person" (as defined by the Rule), which have been submitted to the MSRB or the Securities and Exchange Commission. Any document incorporated by reference must be available to the public on the MSRB's Internet Website or be filed with the Securities and Exchange Commission. The State shall clearly identify each such other document so incorporated by reference.

Section 6. Voluntary Filings.

(a) The State may file information with the MSRB from time to time (a "Voluntary Filing").

(b) Nothing in this Disclosure Certificate shall be deemed to prevent the State from disseminating any other information using the means of dissemination set forth in this Disclosure Certificate or including any other information in any Annual Filing, Annual Financial Statement, Voluntary Filing or Listed Event Filing, in addition to that specifically required by this Disclosure Certificate. If the State chooses to include any information in any Annual Filing, Annual Financial Statement, Voluntary Filing or Listed Event Filing in addition to that which is specifically required by this Disclosure Certificate, the State shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Filing, Annual Financial Statement, Voluntary Filing or Listed Event Filing.

(c) Notwithstanding the foregoing provisions of this Section 6, the State is under no obligation to provide any Voluntary Filing.

Section 7. Reporting of Significant Events.

(a) The occurrence of any of the following events constitutes a "Listed Event" with respect to the Bonds:

(i) Principal and interest payment delinquencies.

(ii) Non-payment related defaults, if material.

(iii) Unscheduled draws on debt service reserves reflecting financial difficulties.

(iv) Unscheduled draws on credit enhancements reflecting financial difficulties.

(v) Substitution of credit or liquidity providers, or their failure to perform.

(vi) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds.

(vii) Modifications to rights of Beneficial Owners, if material.

(viii) Bond calls, if material, and tender offers.

(ix) Defeasances.

(x) Release, substitution, or sale of property securing repayment of the Bonds, if material.

(xi) Rating changes.

(xii) Bankruptcy, insolvency, receivership or similar event of the State.

(xiii) The consummation of a merger, consolidation, or acquisition involving the State or the sale of all or substantially all of the assets of the State, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material.

(xiv) Appointment of a successor or additional trustee or the change of name of a trustee, if material.

(b) For the purposes of the event identified in Section 7(a)(xii) hereof, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the State in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the State, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the State.

(c) The State shall in a timely manner and not in excess of ten business days after the occurrence of any Listed Event, file a notice of the occurrence of such Listed Event with the MSRB (each a "Listed Event Filing"). Notice of Listed Events described in subsections (a)(viii) and (ix) above shall be disseminated automatically and need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to the Beneficial Owners of affected Bonds pursuant to the Trust Indenture securing such Bonds.

Section 8. Termination of Reporting Obligation. The State's obligations under this Disclosure Certificate shall terminate as to the Bonds upon the legal defeasance, prior redemption, or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the State shall give notice of such termination in the same manner as for a Listed Event under Section 7(c) hereof.

Section 9. Dissemination Agent. The State may, from time to time, appoint a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and the State may, from time to time, discharge the Dissemination Agent, with or without appointing a successor Dissemination Agent. If at any time there is not a designated Dissemination Agent, the State shall be the Dissemination Agent.

Section 10. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the State may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, if:

(a) such amendment or waiver is made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of the obligor on the Bonds, or type of business conducted by such obligor;

(b) such amendment or waiver does not materially impair the interests of the Beneficial Owners, as determined either by an unqualified opinion of nationally recognized bond counsel filed with the State or by the approving vote of the registered owners owning more than two-thirds in aggregate principal amount of the Bonds outstanding at the time of such amendment or waiver; and

(c) such amendment or waiver is supported by an opinion of counsel expert in federal securities laws, to the effect that such amendment or waiver would not, in and of itself, cause the undertakings herein to violate the Rule if such amendment or waiver had been effective on the date hereof but taking into account any subsequent change in or official interpretation of the Rule, as well as any change in circumstances.

If any provision of Section 5 hereof is amended or waived, the first Annual Filing containing any amended, or omitting any waived, operating data or financial information shall explain, in narrative form, the reasons for the amendment or waiver and the impact of the change in the type of operating data or financial information being provided.

If the provisions of Section 5 hereof specifying the accounting principles to be followed in preparing the State's financial statements are amended or waived, the Annual Filing for the Fiscal Year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information, in order to provide information to the Beneficial Owners to enable them to evaluate the ability of the State to meet its obligations. To the extent reasonably feasible, the comparison shall also be quantitative. The

State shall file a notice of the change in the accounting principles in the same manner as for a Listed Event under Section 7(c) hereof on or before the effective date of any such amendment or waiver.

Section 11. Default. In the event of a failure of the State to comply with any provision of this Disclosure Certificate, any Third-Party Beneficiary may take such actions as may be necessary or appropriate, including seeking mandamus or specific performance by court order, to cause the State to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed a "default" or an "event of default" under the Resolution or the Trust Indenture securing the Bonds, and the sole remedy under this Disclosure Certificate in the event of any failure of the State to comply with this Disclosure Certificate shall be an action to compel performance. The cost to the State of performing its obligations under the provisions hereof shall be paid solely from funds lawfully available for such purpose. Nothing contained in the Resolution or in this Disclosure Certificate shall obligate the levy of any tax for the State's obligations set forth herein.

Section 12. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the State, the Participating Underwriters, and the Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Neither this Disclosure Certificate, nor the performance by the State of its obligations hereunder, shall create any third-party beneficiary rights, shall be directly enforceable by any third-party, or shall constitute a basis for a claim by any person except as expressly provided herein and except as required by law, including, without limitation, the Rule; provided, however, the Participating Underwriters and the Beneficial Owners are hereby made third-party beneficiaries hereof (collectively, and each respectively, a "Third-Party Beneficiary") and shall have the right to enforce the obligations of the parties hereunder pursuant to Section 11 hereof.

Section 13. Intermediaries; Expenses. The Dissemination Agent appointed hereunder, if any, is hereby authorized to employ intermediaries to carry out its obligations hereunder. The Dissemination Agent shall be reimbursed immediately for all such expenses and any other reasonable expense incurred hereunder (including, but not limited to, attorney's fees).

Section 14. Counterparts. This Disclosure Certificate may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 15. Governing Law. This Disclosure Certificate shall be governed by and construed in accordance with the laws of the State of Georgia, excluding choice of law provisions, and applicable federal law.

Section 16. Severability. In case any one or more of the provisions of this Disclosure Certificate shall for any reason be held to be illegal or invalid, such illegality or invalidity shall not affect any other provision of this Disclosure Certificate, but this Disclosure Certificate shall be construed and enforced as if such illegal or invalid provision had not been contained herein.

SIGNATURE PAGE TO CONTINUING DISCLOSURE CERTIFICATE

for

$19,355,000* STATE ROAD AND TOLLWAY AUTHORITY
STATE OF GEORGIA (FULL FAITH AND CREDIT)
GUARANTEED REVENUE REFUNDING BONDS, SERIES 2016

This Continuing Disclosure Certificate is hereby executed and delivered by a duly authorized official of the State, to be effective as of the Effective Date.

Date: July __, 2016

STATE OF GEORGIA

By:_____
Greg S. Griffin
Secretary, Georgia State Financing and Investment Commission

APPENDIX F

FORM OF LEGAL OPINION

The form of Legal Opinion for the 2016 Bonds included as this Appendix F has been prepared by Sutherland Asbill & Brennan LLP, Atlanta, Georgia, Bond Counsel, and is substantially the form to be given by such firm in connection with the delivery of the 2016 Bonds.

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SUTHERLAND

SUTHERLAND ASBILL & BRENNAN LLP
999 Peachtree St., N.E., Suite 2300
Atlanta, GA 30309-3996
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July __, 2016

State Road and Tollway Authority
Atlanta, Georgia

Georgia State Financing and Investment Commission
Atlanta, Georgia

U.S. Bank National Association, as Trustee
Atlanta, Georgia

Re: $_____ State Road and Tollway Authority State of Georgia (Full Faith and Credit) Guaranteed Revenue Refunding Bonds, Series 2016

Ladies and Gentlemen:

We have acted as bond counsel to the State Road and Tollway Authority (the "Authority") and the Georgia State Financing and Investment Commission (the "Commission") in connection with the issuance by the Authority of the State Road and Tollway Authority State of Georgia (Full Faith and Credit) Guaranteed Revenue Refunding Bonds, Series 2016, in the original aggregate principal amount of $_____ (the "Bonds").

In such capacity, we have examined a certified copy of the validation proceedings, judgment of validation entered on July ___, 2016, a Trust Indenture, dated as of October 1, 2003, between the Authority and Wachovia Bank, National Association, predecessor to U.S. Bank National Association, as trustee (the "Trustee"), as supplemented by a First Supplemental Trust Indenture, dated as of March 1, 2011 and by a Second Supplemental Trust Indenture, dated as of July 1, 2016 (the "Second Supplemental Indenture") (as so supplemented, the "2003 Indenture"), between the Authority and the Trustee, a certified copy of the resolution of the Authority adopted June 8, 2016, as supplemented by a supplemental resolution of the Authority adopted July __, 2016 (collectively, the "Bond Resolution"), a certified copy of the resolution of the Commission adopted June 8, 2016, the law and other documents relating to the Bonds. In all of such examinations, we have assumed the genuineness of signatures on original documents and the conformity to original documents of all copies submitted to us as certified, conformed or photographic copies, and as to the certificates of public officials, we have assumed the same to have been properly given and to be accurate.

The Bonds are initially issued in book-entry only form as fully registered bonds without coupons, dated their date of delivery, in the denomination of $5,000 or any integral multiple thereof, and bear interest and mature as set forth in the Bond Resolution and in the Second Supplemental Indenture. The Bonds are not subject to redemption prior to maturity.

The Bonds are being issued pursuant to the 2003 Indenture for the purpose of providing funds to refund all of the outstanding State Road and Tollway Authority State of Georgia Guaranteed Revenue Bonds, Series 2003, being the bonds of such issue maturing in the year 2023 (the "Refunded Bonds") and are issued under authority of the Constitution of the State of Georgia (the "Georgia Constitution"), the various acts of the General Assembly of the State of Georgia (the "General Assembly") establishing the Authority, codified, as amended, at O.C.G.A. §§ 32-10-60 through 32-10-133 and the Revenue Bond Law, codified, as amended, at O.C.G.A. §§ 36-82-60 through 36-82-85, and have been duly authorized by the Bond Resolution.

The Refunded Bonds were issued for the purpose of providing funds to pay or to be applied toward the costs of a land public transportation project consisting of the construction and improvement to roads and bridges including related planning, engineering and land acquisition expenses.

Simultaneously with the issuance and delivery of the Bonds, a sufficient sum as will be necessary derived from the sale of the Bonds and other lawfully available funds will be deposited with U.S. Bank National Association, in its capacities as escrow agent and as trustee under the 2003 Indenture (the "Escrow Agent"), in accordance with a Refunding Escrow Agreement, dated July __, 2016 (the "Refunding Escrow Agreement"), by and between the Authority and the Escrow Agent, to pay the cost of establishing an initial cash balance and acquiring certain non-callable, general and direct obligations of the United States of America (the "Direct Obligations"), which cash and Direct Obligations shall be deposited in a special and irrevocable trust fund held by the Escrow Agent under the Refunding Escrow Agreement. The cash and Direct Obligations so deposited with the Escrow Agent and the principal of and the income derived from the cash and the Direct Obligations shall be subject to an express lien and charge in favor of the owners of the Refunded Bonds and shall be held for the security of such owners until used and applied as provided in the Second Supplemental Indenture and the Refunding Escrow Agreement. The moneys so deposited in trust with the Escrow Agent shall be in an amount sufficient without reinvestment and shall be used to refund all of the Refunded Bonds on the earliest date for redemption.

The Series 2016 Bonds are not general obligations of the Authority but are limited and special obligations payable solely from and secured on a parity with the outstanding State Road and Tollway Authority State of Georgia (Full Faith and Credit) Guaranteed Revenue Refunding Bonds, Series 2011B previously issued under the 2003 Indenture, and any additional bonds hereafter issued pursuant to the 2003 Indenture (collectively, the "2003 Indenture Bonds") by a pledge of the Trust Estate (as defined in the 2003 Indenture), and will be a valid claim of the

respective owners thereof only against the various accounts of the Sinking Fund created pursuant to the 2003 Indenture and other moneys held by the Trustee thereunder or otherwise pledged therefor.

The 2003 Indenture Bonds, as provided by the Georgia Constitution and laws of the State of Georgia (the "State"), are guaranteed revenue bonds and the State has guaranteed the full payment thereof and the interest thereon in accordance with the terms thereof and of the 2003 Indenture, and the State has pledged the full faith, credit and taxing power of the State to such payment.

We express no opinion with respect to the accuracy or completeness of any offering materials distributed in connection with the offer and sale of the Bonds or the compliance by the Authority or the underwriters of the Bonds with any law applicable to any of them in connection with the offer or sale of the Bonds.

In rendering our opinion that the interest on the Bonds is excluded from gross income for federal income tax purposes, we have relied as to questions of fact material to our opinion on certificates and certified proceedings of public officials, including officials of the Authority, and covenants of the Authority with respect to the use of the proceeds of the Bonds and the nature and use of the facilities being financed or refinanced thereby without undertaking to verify the same by independent investigation. In addition, the Authority has covenanted in the Bond Resolution and in the 2003 Indenture that it will not, subsequent to the date hereof, intentionally use any portion of the proceeds of the Bonds to acquire higher yielding investments or to replace funds which were used directly or indirectly to acquire higher yielding investments, except as may be otherwise permitted by Section 148 of the Internal Revenue Code of 1986, as amended (the "Code"), and that it will comply with, and take such action and make such payments as may be permitted or required by, Section 148(f) of the Code, to ensure that the Bonds do not constitute "arbitrage bonds" within the meaning of Section 148(a) of the Code. Failure to comply with these covenants could result in interest on the Bonds being includable in gross income for federal income tax purposes retroactive to the date of issuance.

Based on the foregoing, we are of the opinion that:

(a) The Authority is a body corporate and politic and an instrumentality and public corporation of the State with all necessary right, power and authority to adopt the Bond Resolution, to execute and deliver the 2003 Indenture and the Refunding Escrow Agreement and to perform its obligations thereunder, and to issue the Bonds pursuant to the Bond Resolution and the 2003 Indenture.

(b) The 2003 Indenture has been duly authorized by the Authority pursuant to the Bond Resolution and has been executed and delivered by the Authority and constitutes the legal, valid and binding obligation of the Authority in accordance with its terms.

(c) The Refunding Escrow Agreement has been duly authorized by the Authority pursuant to the Bond Resolution, has been executed and delivered by the Authority and constitutes the legal, valid and binding obligation of the Authority in accordance with its terms.

(d) The Bonds have been duly and lawfully issued by the Authority as guaranteed revenue obligations under the Georgia Constitution and laws of the State of Georgia and constitute the legally valid and binding revenue obligations of the Authority, payable from the Trust Estate pledged under the 2003 Indenture. The State has guaranteed payment in full of the Bonds and the interest thereon in accordance with their terms and the terms of the 2003 Indenture and has pledged the full faith, credit and taxing power of the State of Georgia to such payment.

(e) The interest on the Bonds is exempt from present State of Georgia income taxation.

(f) Assuming compliance with the above-described covenants, based on existing statutes, regulations, rulings and court decisions, interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; provided, however, with respect to corporations (as defined for federal income tax purposes), such interest is taken into account in determining adjusted current earnings for the purpose of computing the federal alternative minimum tax imposed on such corporations. We express no opinion regarding other federal tax consequences arising with respect to the Bonds.

The rights and remedies of the owners of the Bonds and the enforceability of the Bonds, the 2003 Indenture and the Refunding Escrow Agreement may be limited or affected by bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the enforcement of creditors' rights and may also be subject to the exercise of judicial discretion in appropriate cases.

Very truly yours,

SUTHERLAND ASBILL & BRENNAN LLP

By:

APPENDIX G

OFFICIAL NOTICE OF SALE

STATE ROAD AND TOLLWAY AUTHORITY

STATE OF GEORGIA (FULL FAITH AND CREDIT)

GUARANTEED REVENUE REFUNDING BONDS, SERIES 2016

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OFFICIAL NOTICE OF SALE

$19,355,000*
STATE ROAD AND TOLLWAY AUTHORITYOF GEORGIA
STATE OF GEORGIA (FULL FAITH AND CREDIT)
GUARANTEED REVENUE REFUNDING BONDS, SERIES 2016

All or none ("AON") bids will be received electronically (as described in further detail below) by the State Road and Toll Authority (the "Authority") for the purchase through a single bid of the $19,355,000* State Road and Tollway Authority State of Georgia (Full Faith and Credit) Guaranteed Revenue Refunding Bonds, Series 2016 (the "2016 Bonds"). Bids will be received via **PARITY®**, until **10:00 AM EDT, on Wednesday, July 20, 2016*.**

DESCRIPTION OF THE 2016 BONDS

The 2016 Bonds will be dated the date of delivery, expected to be July 28, 2016*, and will be issued in book-entry form only as fully registered bonds in denominations of $5,000 each or any integral multiple thereof. Principal and semiannual interest are payable by the designated corporate trust office of U.S. Bank National Association, as Paying Agent, (the "Paying Agent").

Interest for the 2016 Bonds is payable each April 1 and October 1 with the first interest payment due on October 1, 2016. The 2016 Bonds mature as follows:

October 1	Principal*
2023	$19,355,000

ADJUSTMENT OF PRINCIPAL AMOUNT OF THE 2016 BONDS

The amount of the October 1, 2023 maturity set forth above for the 2016 Bonds (the "2016 Bonds Initial Amount") represents an estimate of the principal amount of 2016 Bonds that will be sold. The Authority reserves the right to change the 2016 Bonds Initial Amount, based on market conditions immediately prior to the sale, by announcing any such revised principal amount (the "2016 Bonds Bid Amount") not later than 9:00 AM EDT on the day of the sale via a supplement to this Official Notice of Sale to be posted on www.i-dealprospectus.com. Furthermore, if no such change is announced, the 2016 Bonds Initial Amount will become the 2016 Bonds Bid Amount.

The Authority reserves the right to change the 2016 Bonds Bid Amount, after determination of the winning bidder, by increasing or decreasing the principal amount by an amount not to exceed 15% of the 2016 Bonds Bid Amount. In such event, the dollar amount bid by the successful bidder will be adjusted to reflect any adjustment in the principal amount of the 2016 Bonds. Such adjusted bid price will reflect changes in the dollar amount of the underwriter's discount and original issue discount/premium, if any, but will not change the selling compensation per $1,000 of par amount of 2016 Bonds from the selling compensation that would have been received based on the purchase price in the winning bid and the provided reoffering price.

The successful bidder may not withdraw its bid or change the interest rate bid for the 2016 Bonds as a result of any changes made to the principal amount of the 2016 Bonds in accordance with the aforementioned terms. The Authority will notify the successful bidder of any adjustment to the 2016 Bonds Bid Amount not later than 4:00 PM EDT, on the day of the sale.

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* *Preliminary, subject to change.*

RIGHT TO CHANGE THE SALE AND SUPPLEMENT NOTICE OF SALE

The Authority reserves the right to change, from time to time, the date and/or time established for the receipt of bids. A postponement of the bid date will be announced via a supplement to this Official Notice of Sale to be posted on www.i-dealprospectus.com not later than 9:00 AM EDT on the announced date for receipt of bids and an alternative sale date and time will be announced via notification published on www.i-dealprospectus.com by 3:00 PM EDT at least one business day prior to such alternative date and time for receipt of bids.

On such alternative date and time for receipt of bids, the Authority will accept electronic bids for the purchase of the 2016 Bonds, such bids to conform in all respects to the provisions of this Official Notice of Sale, except for the changes in the date and time for receipt of bids and any other changes announced via www.i-dealprospectus.com when the date and time for receipt of bids are announced.

In addition, any other information in connection with the offer and sale of the 2016 Bonds will be given to prospective bidders via www.i-dealprospectus.com not later than 9:00 AM EDT on the announced date for receipt of bids and any such supplemental information shall be deemed a part of this Official Notice of Sale.

BOOK ENTRY

The 2016 Bonds will be issued in book-entry form, as more fully described in the Preliminary Official Statement. Beneficial owners of the 2016 Bonds will not receive physical delivery of 2016 Bond certificates. Principal and interest payments on the 2016 Bonds will be made to Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York, which will act as depository for the 2016 Bonds. Such payments then will be distributed to the participating members of DTC, and by such participating members to the beneficial owners of the 2016 Bonds.

OPTIONAL REDEMPTION

The 2016 Bonds are not subject to optional redemption.

AUTHORIZATION AND SECURITY

The 2016 Bonds will be issued and secured pursuant to the authority granted by the Constitution and laws of the State of Georgia and under the provisions of the Joint Resolution, adopted by the State Transportation Board on September 10, 2003 and by the Authority on September 18, 2003, and a Bond Resolution adopted by the members of the Authority on June 8, 2016, to be supplemented by a supplemental resolution of the Authority to be adopted on July 20, 2016 (collectively, the "Bond Resolution"). The issuance of the 2016 Bonds and the guarantee thereof in accordance with the Constitution of the State of Georgia and laws of the State were approved by the Georgia State Financing and Investment Commission (the "Commission") by a resolution adopted on June 8, 2016 (the "Commission Resolution").

The 2016 Bonds are special limited obligations of the Authority payable solely by a pledge of and lien on the funds specified in the Trust Indenture, dated as of October 1, 2003, as supplemented by the First Supplemental Trust Indenture, dated as of March 1, 2011, and the Second Supplemental Trust Indenture, dated as of July 1, 2016 (as so supplemented, the "2003 Indenture"), between the Authority and U.S. Bank National Association as successor Trustee.

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[*] *Preliminary, subject to change.*

THE 2016 BONDS WILL BE GUARANTEED BY THE STATE AND WILL BE ENTITLED TO THE FULL FAITH, CREDIT AND TAXING POWER OF THE STATE OF GEORGIA FOR PAYMENT IN ACCORDANCE WITH THEIR TERMS.

DELIVERY AND PAYMENT

Delivery of the 2016 Bonds will be made in New York, New York as soon as the 2016 Bonds can be validated and prepared, which is estimated to be on or about July 28, 2016*; however, the purchaser shall allow 50 days from the date of acceptance of bids for delivery. Payment for the 2016 Bonds shall be made in federal funds.

CUSIP NUMBERS AND DTC ELIGIBILITY

It is anticipated that CUSIP number will be printed on the 2016 Bonds, but neither the failure to print such number on 2016 Bonds, nor any error with respect thereto, shall constitute cause for a failure or refusal by the successful bidder to accept delivery of and make payment for the 2016 Bonds. It will be the responsibility of the successful bidder to timely obtain and pay for the assignment of such CUSIP number.

It is anticipated that the 2016 Bonds will be eligible for custodial deposit with DTC; however, it will be the responsibility of the successful bidder to obtain such eligibility. Failure of the successful bidder to obtain DTC eligibility will not constitute cause for failure or refusal by the successful bidder to accept delivery of and pay for the 2016 Bonds in accordance with its bid and agreement to purchase the 2016 Bonds.

LEGAL OPINIONS AND CLOSING CERTIFICATES

The State of Georgia (the "State") instituted proceedings in the Superior Court of Fulton County, Georgia to validate the 2016 Bonds and the security therefor. The State was the plaintiff in the proceeding, and the Authority and the Commission were the defendants. The Superior Court of Fulton County, Georgia issued a final judgment confirming and validating the 2016 Bonds and the security therefor on July 13, 2016. Under the Authority Act, the judgment of validation is final and conclusive with respect to the 2016 Bonds and against the Authority. The delivery of the 2016 Bonds will be accompanied by an execution, signature and no-litigation certificate, and a tax and non-arbitrage certificate. The legality of the proceedings and the 2016 Bonds will be approved by Sutherland, Asbill & Brennan LLP, Atlanta, Georgia, Bond Counsel, the cost of whose approving opinion shall be paid by the Authority. The Authority and the Commission, on behalf of the State, will each furnish to the successful bidder at the closing of the sale of the 2016 Bonds: (i) a certificate of authorized officers of the Authority and the Commission to the effect that, to the best knowledge, information, and belief of such officers, the Preliminary Official Statement used in connection with the 2016 Bonds did not on the date of sale, and the final Official Statement does not on the date of delivery, contain any misstatement of a material fact or omit to state a material fact necessary to make the statements therein contained, in light of the circumstances under which they were made, not misleading; and (ii) an opinion of Kutak Rock LLP, Atlanta, Georgia, disclosure counsel to the Authority, to the effect that their performance of certain services, their participation in certain discussions, and their examination of certain factual certifications and legal opinions did not disclose to them any information that would lead them to believe that the Preliminary Official Statement or the Official Statement (other than the information under the heading "DESCRIPTION OF THE BONDS—Book-Entry System" and the financial statements and related notes and other financial and statistical data included therein, as to which they will express no view) contains any untrue statement of a material fact or omits to state a material fact necessary to make the statements therein made, in light of the circumstances under which they were made, not misleading.

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* *Preliminary, subject to change.*

CONTINUING DISCLOSURE

A Preliminary Official Statement for the 2016 Bonds has been prepared by the Authority and the Commission, on behalf of the State. The Preliminary Official Statement is deemed by the Authority and the Commission to be final for the purposes of compliance with Rule 15c2-12 of the Securities and Exchange Commission ("Rule 15c2-12"), except for certain omissions permitted thereunder. In order to assist bidders in complying with paragraph (b)(5) of Rule 15c2-12, (a) the Authority has covenanted in the Second Supplemental Indenture and will covenant in a Continuing Disclosure Certificate delivered simultaneously with the 2016 Bonds, to provide certain financial information and operating data relating to the Authority and to provide notices of the occurrence of certain listed events, and (b) the State has covenanted in the Commission Resolution and will covenant in a Continuing Disclosure Certificate to provide certain financial information and operating data relating to the State and to provide notices of the occurrence of certain listed events. Forms of the Continuing Disclosure Certificates for both the Authority and the State are set forth in Appendices D and E of the Preliminary Official Statement and will be set forth in the final Official Statement. Failure of either, or both, of the Authority or the State to deliver their respective Continuing Disclosure Certificate on the date of issuance and delivery of the 2016 Bonds shall relieve the successful bidder of its obligation to purchase the 2016 Bonds.

Except as otherwise may be described in the Preliminary Official Statement (to the extent that any described instance constitutes a material failure), as of the date of hereof, neither the Authority nor the State is aware of any instances in the previous five years in which they have failed to comply in any material respect with any previous undertaking entered into pursuant to Rule 15c2-12. See "INTRODUCTION – Continuing Disclosure" in the Preliminary Official Statement with regard to certain EMMA filings in the last five years.

GOOD FAITH DEPOSIT

The successful bidder is required to submit a good faith deposit of 1% of the aggregate principal amount of the 2016 Bonds, based on the 2016 Bonds Bid Amount (the "Deposit"), to the Authority upon the Verbal Award, as defined below. The Deposit will be in the form of a wire transfer in immediately available funds and must be received no later than 4:00 PM EDT on the date of the Verbal Award by the Authority; the Authority will provide wire transfer instructions to the successful bidder within two business hours of the notice of award via ***PARITY***®. The Deposit of the successful bidder will be deposited by the Authority, invested for its own account, credited to the purchase price of the 2016 Bonds, held as a security for the performance by the successful bidder of its bid, and no interest or other earnings on the Deposit will be paid or otherwise credited to the successful bidder. Proceeds of the Deposit and any investment income will be retained by the Authority as liquidated damages, in whole or in part, should the successful bidder fail to comply with the terms of the bid.

BIDDING PROCEDURES

Bids must be submitted electronically for the purchase of the 2016 Bonds (all or none) by means of the "State Road and Tollway Authority AON Bid Form" via ***PARITY***® until 10:00 AM EDT, on Wednesday, July 20, 2016*. By submitting a bid for the 2016 Bonds, a bidder represents and warrants to the Authority that such bidder's bid is submitted for and on behalf of such bidder by an officer or agent who is duly authorized to bind the bidder to a legal, valid and enforceable contract for the purchase of the 2016 Bonds. Once the bids are communicated electronically via ***PARITY***® to the Authority, each bid will constitute an irrevocable offer to purchase the 2016 Bonds on the terms herein and therein provided. For purposes of the electronic bidding process, the time as maintained on the ***PARITY***® system shall constitute the official time. The Authority reserves the right to reject any and all bids and to waive any informalities in any and all bids.

* *Preliminary, subject to change.*

DISCLAIMER

Each bidder shall be solely responsible for making the necessary arrangements to access the PARITY® system for purposes of submitting its bid in a timely manner and in compliance with the requirements of this Official Notice of Sale. Neither the Authority nor PARITY® shall have any duty or obligation to provide or assure such access to any bidder and neither the Authority nor PARITY® shall be responsible for the proper operation of, or have any liability for, any delays or interruptions of, or any damages caused by, the PARITY® system. The Authority is authorizing the use of PARITY® as a communication mechanism to conduct the electronic bidding for the 2016 Bonds; the owners of such services are not agents of the Authority. The Authority is not bound by any advice and determination of PARITY® to the effect that any particular bid complies with the terms of this Official Notice of Sale and in particular the specifications set forth in "BID SPECIFICATIONS" and "BASIS OF AWARD" below. All costs and expenses incurred by bidders in connection with their registration via PARITY® are the sole responsibility of such bidders.

BID SPECIFICATIONS

Bidders will name the rate of interest the 2016 Bonds are to bear in multiples of 1/8 or 1/20 of 1% provided that rate of interest stated may not exceed 5.00% and may not be less than 4.00%. No bid for other than all of the 2016 Bonds will be considered.

BASIS OF AWARD

The 2016 Bonds will be awarded to the bidder submitting a bid in conformance with this Official Notice of Sale that produces the lowest true interest cost (TIC) to the Authority based on the bids received for the 2016 Bonds. The true interest cost (expressed as an annual interest rate) will be the rate necessary, when using a 360-day year and semiannual compounding, to discount the aggregate debt service payments for the 2016 Bonds from the payment dates to the date of the 2016 Bonds and to the total price bid on the 2016 Bonds.

In case of a tie, the 2016 Bonds will be awarded to the bidder whose bid was submitted first. The time as maintained on the ***PARITY***® system shall constitute the official time. In the case of a tie with the time, the 2016 Bonds will be awarded by lot.

AWARD OF THE 2016 BONDS

The Authority will notify the apparent successful bidder as soon as possible after bids have been received and verified (the "Verbal Award"), that such bidder's bid is the lowest and best bid received which conforms to the requirements of this Official Notice of Sale, subject to verification and official action by the Authority. **The award of the 2016 Bonds will be considered at the Authority meeting to be held beginning at 1:30 PM EDT on July 20, 2016* (the "Sale Date"), and the Authority's acceptance of the winning bid shall be made to the successful bidder as promptly as possible.**

UNDERTAKINGS OF THE SUCCESSFUL BIDDER

The successful bidder shall make a bona fide public offering of all the 2016 Bonds and shall, within 30 minutes of being notified of the Verbal Award of the 2016 Bonds, advise the Authority in writing (via facsimile transmission or e-mail notification) of the initial public offering price of the 2016 Bonds (the "Initial Reoffering Price"). The successful bidder must, by facsimile transmission or delivery received by

* *Preliminary, subject to change.*

the Authority within 24 hours after notification of the award, furnish the following information to the Authority to complete the Official Statement in final form, as described below:

A. Selling compensation (aggregate total anticipated compensation to the underwriters expressed in dollars, based on the expectation that all 2016 Bonds are sold at the price or yield at which the successful bidder advised the Authority that the 2016 Bonds were initially offered to the public).

B. The identity of the underwriters if the successful bidder is part of a group or syndicate.

C. Any other material information the Authority determines is necessary to complete the Official Statement in final form.

On or prior to the date of delivery of the 2016 Bonds, the successful bidder shall furnish to the Authority a certificate acceptable to Bond Counsel to the Authority generally to the effect that (i) as of the Sale Date, the successful bidder offered all of the 2016 Bonds to the general public (excluding bond houses, brokers, or similar persons acting in the capacity of underwriters or wholesalers) in a bona fide public offering at the price set forth in such certificate, (ii) such price represents a fair market price of the 2016 Bonds as of the Sale Date, and (iii) as of the Sale Date, at least 10% of the 2016 Bonds actually was sold to the general public at such price. To the extent the certifications described in the preceding sentence are not factually accurate with respect to the reoffering of the 2016 Bonds, Bond Counsel should be consulted by the bidder as to alternative certifications that will be suitable to establish the "issue price" of the 2016 Bonds for federal tax law purposes. For example, to the extent that, as of the Sale Date, less than 10% of the 2016 Bonds was actually sold to the general public at the price of set forth in such certificate, the successful bidder will be expected to (i) certify that based on the reasonable expectations of the successful bidder as of the Sale Date, the successful bidder expected to sell at least 10% of the 2016 Bonds on the Sale Date at the price set forth in such certificate and (ii) certify as to the facts and circumstances which occurred resulting in at least 10% of the 2016 Bonds not being sold to the general public at the price set forth in such certificate.

OFFICIAL STATEMENT

The Authority will prepare and provide to the Purchaser within seven (7) business days after the sale of the Bonds, a sufficient number of copies of the final Official Statement to enable the Purchaser to comply with Rule 15c2-12. The final Official Statement will be in substantially the same form as the Preliminary Official Statement, subject to any additions, deletions, or revisions that the Authority believes are necessary.

ADDITIONAL INFORMATION

The Preliminary Official Statement, including the Official Notice of Sale, may be obtained via the Internet at www.i-dealprospectus.com.

State Road and Tollway Authority
47 Trinity Avenue, 4th Floor
Atlanta, Georgia 30334

July 13, 2016