

G **GEORGIA**

Comprehensive Annual Financial Report
June 30, 1998

State of Georgia

Comprehensive Annual Financial Report June 30, 1998

Prepared by
GEORGIA DEPARTMENT OF AUDITS AND ACCOUNTS
Claude L. Vickers, State Auditor

Georgia's State Flower

Cover Drawing by Scott Fuss

In 1916, with the support of the Georgia Federation of Women's Clubs, the Cherokee rose was named the state floral emblem.
The name "Cherokee Rose" is a local designation derived from the Cherokee Indians
who widely distributed the plant.

State of Georgia

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————— I ntroductory Section —————



DEPARTMENT OF AUDITS AND ACCOUNTS

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CLAUDE L. VICKERS

STATE AUDITOR
(404) 656-2174

May 13, 1999

The Honorable Roy E. Barnes
Governor of Georgia
and
Members of the General Assembly
Citizens of the State of Georgia

The Comprehensive Annual Financial Report of the State of Georgia for the year ended June 30, 1998, is hereby submitted. Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with the State. All disclosures necessary to enable the reader to gain an understanding of the State's financial activities have been included.

This report is presented in three sections: Introductory, Financial and Statistical. The Introductory Section, which is unaudited, includes this transmittal letter, an organization chart and a listing of principal officials. The Financial Section includes the general purpose financial statements and the combining financial statements, the auditor's report on the financial statements, and required supplementary information. The Statistical Section, which is unaudited, includes selected financial and demographic information, generally presented for multiple years.

Federal laws and regulations require that the State undergo an annual audit in conformity 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, which includes a schedule of expenditures of federal awards, a report on internal control and compliance applicable to each major program, and a schedule of findings and questioned costs, is included in a separately issued State of Georgia Single Audit Report. Also included is a report on internal control over financial reporting and compliance with certain laws, regulations, contracts and grants in accordance with *Government Auditing Standards*.

This Comprehensive Annual Financial Report presents information on the financial position and operations of state government as one reporting entity. The various agencies, departments, boards, commissions and funds of Georgia state government which constitute the State financial reporting entity are included in the Comprehensive Annual Financial Report in accordance with criteria established by

the Governmental Accounting Standards Board. These criteria define the financial reporting entity as the primary government, organizations for which the primary government is financially accountable, and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The reporting entity is based primarily on the concept of financial accountability. A primary government is financially accountable for the organizations which make up its legal entity and for legally separate organizations if its officials appoint a voting majority of the organization's governing board and either the primary government is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to or impose specific burdens on the primary government. The primary government may also be financially accountable for governmental organizations that are fiscally dependent upon it.

The State of Georgia provides a variety of governmental services as set forth in its Constitution and statutes. These services include education, health and welfare, transportation, public safety, economic development, recreation and conservation.

ECONOMIC CONDITION AND OUTLOOK

Eight years after reaching cyclical peaks in economic activity, Georgia's private and public economic sectors still register signs of strong growth. In the private sector, unemployment levels have fallen low enough to indicate a virtually fully-employed labor force. Except for the impact of additional capital or improved technology, output and income have moved to their paths of practical maxima. In the public sector, income and sales taxes have been reduced, but their yields, bolstered by direct and indirect effects of capital gains, have held to the trends of the last several years. Of course, with full-employment, the opportunity for jobs to climb much more rapidly than the population has been essentially exhausted. Hence, neither the growth rates for income nor state revenues have broken any records in fiscal year 1998. At year's end, nevertheless, there is no sign of serious economic imbalances or developing shocks on the economic horizon. While growth rates in both sectors will surely slow in fiscal year 1999, a "soft", rather than "hard", landing is in prospect. In fact, the record-setting 116-month span separating the activity peaks in the 1960's may be challenged before a recessionary slippage occurs. If so, fiscal year 1999 will be marked by gains not appreciably weaker than those which marked fiscal year 1998.

In the 1980's, increasing rates of participation of the population in the workforce allowed past achievements in the growth of jobs, incomes, and revenues to be exceeded. Georgia's employment rose by as much as 7.8 percent in one year (1984) and reached or exceeded 3.5 percent for 6 years running. The percentage of Georgia's population at work rose from 40 to 46 percent between the activity peaks of 1981 and 1990. In the 1990's, employment increases have drawn more from unemployment and much less from boosts in participation. The unemployed participants in the labor force have been reduced by 2 percentage points, while participation rates have risen by 3 percentage points to reach 49 percent. In fiscal year 1998, in contrast, participation rates in Georgia (as in the Nation) have been flat. Georgia's employment growth, fired by a rise in population of almost 2 percent and a reduction in the numbers unemployed to about 3.9 percent, has approached 3.0 percent. This is below the 3.7 and 3.1 percent rates for fiscal years 1997 and 1996, respectively. Undoubtedly, the restraint on worker supply will limit growth in employment in fiscal year 1999 as well.

The calls for the output of the workers added in fiscal year 1998 have come mainly from three sources. Consumers in Georgia and in the Nation have shifted purchases towards durables, especially to motor vehicles and household furnishings-and-appliances. While a substantial proportion of these sales has been satisfied by imports, the domestic markets have strengthened as well. The surge in the consumption of durables in this year, the eighth after the cyclical peak, has been exceptional. It has been aided by strong gains in housing starts and home resales, low interest rates, weak inflation, and a continuing climb in the worth of financial assets. The calls for additional output have also come from Georgia businesses. Spending on information-processing equipment has continued to grow at an annual rate of over 15 percent for the fifth consecutive year. Finally, the greatest stimulus to the absorption of Georgia workers has come from the State's immersion in the U.S. economy. National output during fiscal year 1998 rose at a 3.8 percent rate. This was a stronger performance than in any other fiscal year in the 1990's.

As employment in Georgia has risen, so has the level of income climbed. Wage inflation tied to tight labor markets and increases in productivity have combined to push compensation rates in fiscal year 1998 upward by roughly 3.6 percent. In combination with the 3 percent gain in employment, personal income has risen by about 6.8 percent. In nominal terms, this gain falls below levels of earlier years in the decade. When adjusted for inflation, nevertheless, the growth was the strongest since the eighties. Without doubt, the gain in income would have been greater had retail trade and service employments not been such dominant absorbers of additional workers.

Income on a per capita basis, the mark of economic effectiveness, fared less well than total personal income. The gain during fiscal year 1998 was only 4.5 percent compared to an average of roughly 5.3 percent in the prior three years. Relative to U.S. per capita income, Georgia's per capita income slipped slightly to a level of about 94 percent. The catch-up which the State demonstrated in the 1980's (8 percentage points) flagged in the 1990's.

In Georgia's public sector, the pace of collections in fiscal year 1998 has remained strong. The revenue gain, when finally tabulated, will likely to be between 5 and 6 percent. While this gain is what was built into the State's financial and budgetary plans, the growth falls below the rate of 6.6 percent in fiscal year 1997, and drops well below the rates above 8 percent in fiscal years 1993 to 1996. In the main, the State's yield has been limited by the slowing in the growth of the tax bases. Neither individual income, corporate income, nor taxable sales have matched their earlier growth rates. Additionally, cuts in income taxes and exclusions of sales of food from the sales and use tax base have restrained revenue yield.

Since fiscal year 1999 begins in a condition of full employment, growth cannot be expected to match that achieved as full employment was being approached in fiscal year 1998. Certainly, it will fall far short of that experienced in the early years of the expansion when participation rates and worker absorption both contributed. In terms of output, productivity gains will be especially important. While output per hour will respond to the continuing investment in information-processing equipment, the response shows no signs of being sudden or concentrated. Should Georgia's economic advance fall short of the gains being achieved in states where labor supply and productivity are higher, the growth in population, which has driven the State's "horizontal expansion", may itself ease. Still, impressions of economic opportunity for households and businesses take time to change. Thus, a reduction in population growth will not likely be important in the next fiscal year. Overall, fiscal year 1999 will likely be marked by gains in employment of roughly 2 percent and in income of about 5 percent. If

corporate profits are reduced because of rising labor costs in a world of competitively-stabilized prices, the growth in the State's revenues is likely to slip relative to growth in income and certainly to growth last year. Probably, an advance of about 4.5 percent is as much as can be assured for the State.

MAJOR INITIATIVES

Economic Development

State funds will assist in launching a new program to create state development teams to promote and assist with regional and rural development in eleven regions throughout Georgia. These teams will focus on rural development and assist communities and businesses with planning, economic development, workforce development, infrastructure improvement and leadership development.

Education

A special funding initiative will provide funds to develop a Statewide Desktop Distance Learning known as "Georgia On-Line". This two year network pilot program, offering both credit and non-credit courses over the World Wide Web, will enable working professionals throughout Georgia to meet their educational needs on-line.

Environment

An executive order was issued during fiscal year 1998 requiring all departments of state government and all units of the university system in the thirteen county metropolitan Atlanta area to change ozone producing behaviors during summer months in order to improve the metro area's air quality. The Partnership for a Smog-Free Georgia (PSG) program was created to encourage voluntary participation in reducing ground-level ozone in the metro Atlanta area by an overall reduction of vehicles on the road during critical ozone producing hours. Prior to the State initiating the PSG program, the metro Atlanta area was considered in nonattainment for mandatory federal air quality standards for ground-level ozone; such standards must be met to avoid jeopardizing federal funding for Georgia and impacting the State's future economic growth and development. Additionally, enhancing the vehicle emission inspection program for the metro Atlanta area will ensure all vehicles will be required to meet tougher emission standards.

Human Resources

Funds will be reduced in the Temporary Assistance for Needy Families (TANF) program due to the continued decline in caseloads. The welfare program funds, state and federal, are being redirected to the provision of childcare and to support various social services. An additional amount of redirected state funds from TANF will provide the match for federal funds to support the newly enacted federal Welfare-to-Work grant for hard-to-employ TANF recipients.

Medicaid

State funds were set aside to implement a federally enacted program to provide health care coverage for uninsured children from birth through age 18 in families with incomes under 200% of the Federal Poverty Level. This program, called the Children's Health Insurance Program (CHIP), will be implemented through passage of a new law creating a public-private partnership.

Tax Reductions

Funds were set aside from actual tax collections in order to fund two tax reductions. The first tax cut - the largest in Georgia's history - represents the fourth and final year of the elimination of the State's 4 cents sales taxes on groceries. The second tax cut - the second largest in Georgia's history - will reduce state income taxes and will be implemented in two phases; the first phase will raise the income tax personal exemption for both taxpayers and dependents beginning January 1, 1998, and the second phase will raise the deductions for citizens over age 65.

FINANCIAL INFORMATION

Internal Controls

Management of the State is responsible for establishing and maintaining internal accounting controls designed to ensure that assets are safeguarded and that financial transactions are properly recorded and adequately documented. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived and that the valuation of costs and benefits requires estimates and judgments by management.

Budgetary Controls

The objective of budgetary control is to ensure compliance with legal provisions embodied in the General Appropriations Act enacted by the General Assembly. Annual appropriated budgets are adopted at the departmental level and are applicable to the general, debt service and capital projects funds. All unencumbered annual appropriations lapse at fiscal year end unless otherwise specified by the Constitution or statute. The Constitution further authorizes the passage of additional Supplementary Appropriation Acts for specific purposes, provided sufficient unappropriated funds are available or additional revenue measures have been enacted. Federal funds received by the State are continually appropriated in the exact amounts and for the purposes authorized and directed by the awarding federal agency.

The budgetary basis of accounting required by state law differs materially from the basis used to report revenues and expenditures in accordance with generally accepted accounting principles (GAAP). In addition, the fund structure utilized to implement the annual budget differs extensively from the fund structure presented in these financial statements.

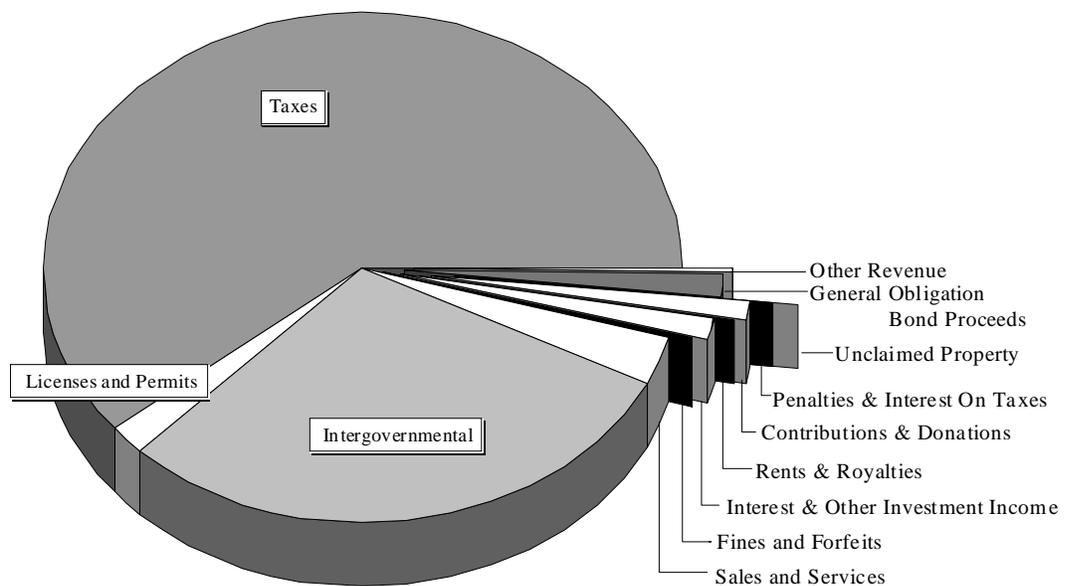
The State of Georgia Report of the State Auditor is issued annually by the undersigned prior to the issuance of this report. The sole purpose of the Report of the State Auditor is to provide the General Assembly with information concerning financial compliance with the Amended Appropriations Act for the fiscal year. In contrast to issuing financial statements in accordance with generally accepted accounting principles, the financial statements presented in the Report of the State Auditor are reported in conformity with statutory requirements.

General Governmental Functions

The following schedules present summaries of general fund, special revenue fund, capital projects fund and debt service fund revenues and expenditures. These revenues and expenditures are reported on the modified accrual basis of accounting. Revenues from governmental fund type sources for fiscal years 1998 and 1997 are compared in the following table:

<u>Revenues and Other Sources</u>	<u>FY 1998</u>		<u>FY 1997</u>		<u>Increase (Decrease) From FY 1997</u>	<u>Percent of Increase (Decrease)</u>
	<u>Amount</u>	<u>Percent of Total</u>	<u>Amount</u>	<u>Percent of Total</u>		
Taxes	\$ 11,439,170,422	61.0%	\$ 10,483,497,704	58.8%	\$ 955,672,718	9.1 %
Licenses and Permits	346,081,148	1.8%	351,181,927	2.0%	(5,100,779)	(1.5)%
Intergovernmental	5,617,029,811	29.9%	5,549,805,877	31.1%	67,223,934	1.2 %
Sales and Services	536,827,964	2.9%	513,909,314	2.9%	22,918,650	4.5 %
Fines and Forfeits	49,204,317	0.26%	50,426,165	0.3%	(1,221,848)	(2.4)%
Interest and Other Investment Income	275,999,300	1.5%	239,306,741	1.3%	36,692,559	15.3 %
Rents and Royalties	13,920,492	0.07%	9,992,943	0.06%	3,927,549	39.3 %
Contributions and Donations	192,209,388	1.0%	190,841,985	1.1%	1,367,403	0.7 %
Penalties and Interest on Taxes	9,485,653	0.05%	6,699,639	0.04%	2,786,014	41.6 %
Unclaimed Property	20,690,958	0.1%	20,118,021	0.1%	572,937	2.8 %
General Obligation Bond Proceeds	257,123,411	1.4%	373,248,075	2.1%	(116,124,664)	(31.1)%
Other Revenue	5,409,857	0.02%	32,522,511	0.2%	(27,112,654)	(83.4)%
	<u>\$18,763,152,721</u>	<u>100.0%</u>	<u>\$17,821,550,902</u>	<u>100.0%</u>	<u>\$941,601,819</u>	5.3 %

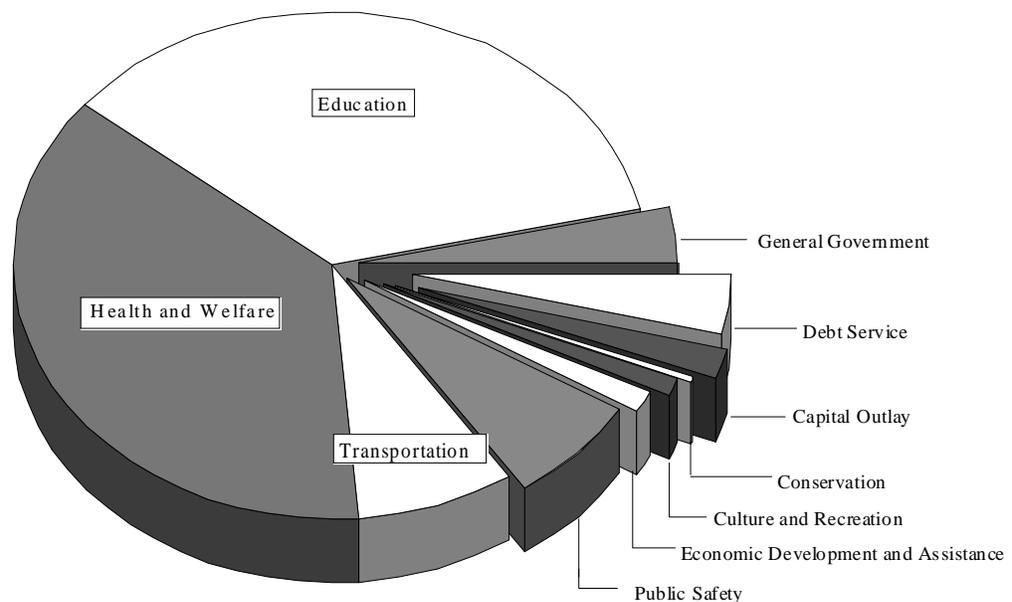
1998 Revenues and Other Sources



Expenditures by governmental fund type function for fiscal years 1998 and 1997 are compared in the following table:

<u>Expenditures by Function</u>	<u>FY 1998</u>		<u>FY 1997</u>		<u>Increase (Decrease) From FY 1997</u>	<u>Percent of Increase (Decrease)</u>
	<u>Amount</u>	<u>Percent of Total</u>	<u>Amount</u>	<u>Percent of Total</u>		
General Government	\$ 653,302,692	3.8%	\$ 637,247,287	3.8%	\$ 16,055,405	2.5 %
Education	6,155,220,908	35.5%	5,700,389,994	33.8%	454,830,914	8.0%
Health and Welfare	6,479,723,177	37.3%	6,796,847,561	40.3%	(317,124,384)	(4.7)%
Transportation	1,385,250,996	7.9%	1,113,788,591	6.6%	271,462,405	24.4 %
Public Safety	1,193,748,916	6.9%	1,124,542,047	6.7%	69,206,869	6.2 %
Economic Development and Assistance	264,913,965	1.53%	263,090,507	1.6%	1,823,458	0.7 %
Culture and Recreation	185,622,125	1.11%	170,667,100	1.0%	14,955,025	8.8 %
Conservation	45,865,385	0.26%	48,769,799	0.3%	(2,904,414)	(6.0)%
Capital Outlay	346,296,387	2.0%	373,677,146	2.2%	(27,380,759)	(7.3)%
Debt Service	<u>645,791,398</u>	<u>3.7%</u>	<u>629,588,332</u>	<u>3.7%</u>	<u>16,203,066</u>	2.6 %
	<u>\$17,355,735,949</u>	<u>100.0%</u>	<u>\$16,858,608,364</u>	<u>100.0%</u>	<u>\$497,127,585</u>	2.9 %

1998 Expenditures by Function



Proprietary Operations

The State maintains various proprietary funds which account for ongoing activities and organizations that are similar to those found in the private sector. Proprietary funds include such primary government activities as the Georgia Building Authority and the service centers of the Department of Administrative Services. Discretely presented component unit proprietary funds include, among others, the Georgia Ports Authority and the George L. Smith II Georgia World Congress Center Authority. Financial activities of the proprietary funds are presented in the combined and combining financial statements of the enterprise and internal service funds.

Pension Trust Funds

The State maintains sixteen pension plans, nine of which are included within the primary government. The major pension plans are the Employees' Retirement System of Georgia, which is included within the primary government, and the Teachers Retirement System of Georgia, which is included within these financial statements as a discretely presented component unit. Financial activities of the pension trust funds are presented in the combining financial statements of pension trust funds for the primary government (except for the Regents Retirement Plan, which is included in the college and university funds), and the combining financial statements of fiduciary fund types for the component units.

Debt Administration

At June 30, 1998, outstanding general obligation debt issues of the State of Georgia totaled \$4,505,775,000. Outstanding revenue bonds of certain blended and discretely presented component units totaled \$ 1,247,653,898, of which \$ 177,700,898 are guaranteed by the State of Georgia.

During fiscal year 1998, general obligation bonds in the amount of \$ 387,030,000 were retired. General obligation debt issued during fiscal year 1998 totaled \$ 256,875,000.

At June 30, 1998, the State of Georgia maintained the following investment service bond ratings:

Moody's Investors Service	Aaa
Standard & Poor's Corporation	AAA
Fitch's Investor's Service, Incorporated	AAA

Under the Constitution of the State of Georgia, the highest aggregate annual debt service for all outstanding general obligation and guaranteed revenue debt may not exceed 10 percent of the previous fiscal year's revenue collections.

Further detailed information on outstanding bonds is reflected in the Financial Section, Notes to the Financial Statements and Statistical Section of this report.

Cash Management

The State's investment policy is to maximize the protection of State funds on deposit while accruing an advantageous yield of interest by investing the funds in excess of those required for current operating expenses. Cash is managed in pooled funds to maximize interest earnings. Types of investments are dictated by legislation and are reviewed quarterly.

Risk Management

The State assumes substantially all risks associated with the following:

- Claims of covered employees for medical insurance and group life insurance benefits;
- Claims with respect to death or permanent disability of any law enforcement officer, fireman, or prison guard in the line of duty (limited to a five year disbursement totaling \$75,000 or an immediate lump sum settlement of \$65,221 per occurrence);
- Claims of covered employees for workers' compensation benefits;
- Claims of State employees for unemployment compensation benefits;
- Liability claims against employees of the University System of Georgia; and
- Liability claims in connection with abatement and removal of asbestos and other hazardous materials.

The State also purchases commercial insurance coverage and self-insures to cover risks associated with the following:

- State owned real and personal property;
- Liability claims actionable under the law which parties may file against the State, its agencies, officials, employees or appointees;
- Liability claims against State authorities arising from their operations; and
- Honesty and faithful performance bonds on employees.

Various risk control techniques are utilized to minimize accident-related losses. These techniques include safety inspections, assistance in establishing safety programs, training and certification of employees as American Automobile Association instructors, and maintenance of an extensive safety library.

OTHER INFORMATION

Independent Audit

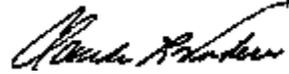
The financial statements of all organizations comprising the State reporting entity have been separately examined and reported on by either the State Auditor or independent certified public accountants. The

accompanying financial statements for the State of Georgia have been prepared from the results of those examinations. The State Auditor's opinion thereon appears at the beginning of the Financial Section of this report.

Compilation of Transmittal Letter

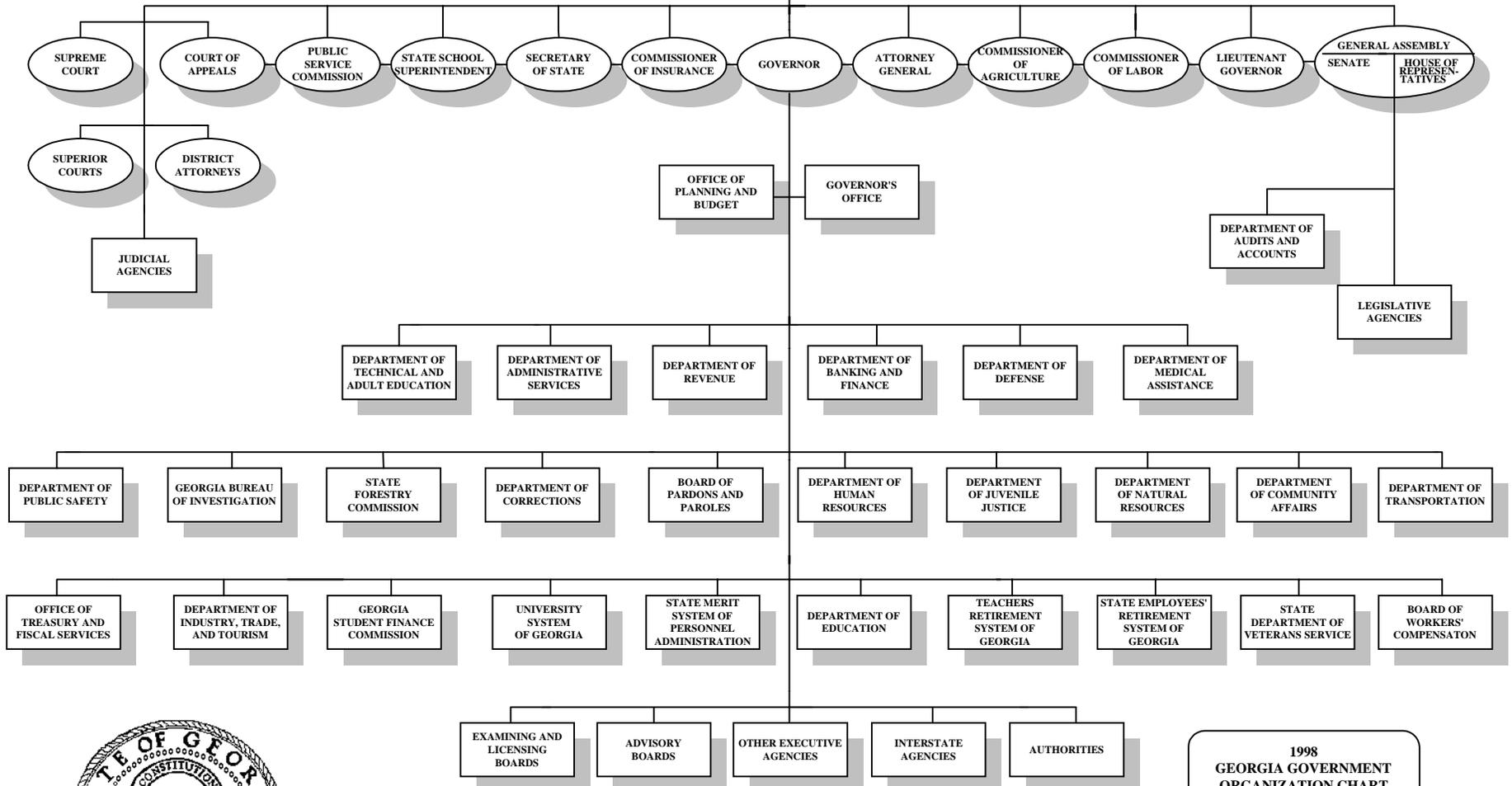
This transmittal letter has been compiled utilizing information contributed by various State management sources.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Claude L. Vickers". The signature is written in a cursive style with a prominent flourish at the end.

Claude L. Vickers
State Auditor

GEORGIA ELECTORATE



ix.



**1998
GEORGIA GOVERNMENT
ORGANIZATION CHART**

ELECTED
 APPOINTED

State of Georgia

Principal State Officials
June 30, 1998

Executive:

Zell Miller
Governor

Lewis A. Massey
Secretary of State

Thurbert E. Baker
Attorney General

Marti Fullerton
Commissioner of Labor

Linda C. Schrenko
State Superintendent of Schools

John W. Oxendine
Commissioner of Insurance

Thomas T. Irvin
Commissioner of Agriculture

Bobby Baker, Chairman
Dave Baker
Bob Durden
Stan Wise
Public Service Commission

Legislative:

Pierre Howard
Lieutenant Governor/President of the Senate

Thomas B. Murphy
Speaker of the House of Representatives

Judicial:

Robert Benham
Chief Justice of the Supreme Court

Financial Section



DEPARTMENT OF AUDITS AND ACCOUNTS

254 Washington Street, S.W., Suite 214

Atlanta, Georgia 30334-8400

CLAUDE L. VICKERS
STATE AUDITOR
(404) 656-2174

INDEPENDENT AUDITOR'S REPORT ON GENERAL PURPOSE FINANCIAL STATEMENTS

The Honorable Roy E. Barnes
Governor of Georgia
and
Members of the General Assembly
of the State of Georgia

We have audited the accompanying general purpose financial statements of the State of Georgia, as listed in the Table of Contents, as of and for the year ended June 30, 1998. These general purpose financial statements are the responsibility of the State's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit. We did not audit the financial statements of certain organizations which, combined, represent less than 1% of the assets and revenues of the general fund, 100% of the assets and revenues of the capital projects funds, 62% of the assets and 29% of the revenues of the internal service funds, 68% of the assets of the fiduciary funds and less than 1% of the expendable trust funds revenues and 100% of the pension trust funds revenues, and 7% of the assets and less than 1% of the liabilities of the general fixed assets and general long-term debt account groups, respectively. In addition, we did not audit certain discretely presented component units which represent less than 1% of the assets and revenues of the component unit governmental fund types, 83% of the assets and 95% of the revenues of the component unit proprietary fund types and 98% of the assets and 99% of the revenues of the component unit fiduciary fund types. The financial statements of these organizations and component units were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for those financial statements, is based solely upon the reports of the other auditors.

Except as discussed in the following paragraphs, we conducted our audit in accordance with generally accepted auditing standards and *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 general purpose financial statements are free of material misstatement. The financial statements of the Employees' Retirement System of Georgia, Georgia Lottery Corporation, Georgia Ports Authority, Georgia State Financing and Investment Commission, and Teachers' Retirement System of Georgia were not audited in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinion.

The State of Georgia's accounting system is decentralized in nature. The management of each organizational unit is responsible for maintaining accounting records pertinent to its operations and each retains complete responsibility and control over their operations, including revenue collections and disbursements. The State's principal accounting system, the Fiscal Accounting and Control System (FACS), is utilized by 66 state organizations. This accounting system allows for the accumulation of financial data, by state organization, on a basis of accounting prescribed or permitted by the budgetary statutes and regulations of the State of Georgia. Constitutional and statutory provisions of the State of Georgia do not provide for a position or organizational unit responsible for the preparation of statewide financial statements. It was necessary for staff of the Department of Audits and Accounts to consolidate financial information presented in individual organization financial statements and to prepare adjusting journal entries necessary for the production of the general purpose financial statements. We are therefore not independent with regard to the preparation of accounting entries required to convert the consolidated budgetary financial statements to general purpose financial statements prepared in accordance with generally accepted accounting principles.

As discussed in Note 1 to the general purpose financial statements, the State of Georgia did not maintain adequate systems to account for or to depreciate (when required) fixed assets in conformity with generally accepted accounting principles. We were unable to determine the effect of these limitations on the general purpose financial statements.

As discussed in Note 1 to the general purpose financial statements, the accounting systems of the State of Georgia did not facilitate recording encumbrances in conformity with generally accepted accounting principles. Contractual obligations for services performed and for goods which have not been delivered at the end of the fiscal year are recognized as expenditures and liabilities in the accompanying financial statements. The recognition of encumbrances as expenditures and liabilities is not consistent with generally accepted accounting principles. We were unable to determine the effect of these limitations on the general purpose financial statements.

As discussed in Note 1 to the general purpose financial statements, revenues for certain expenditure-driven programs were accrued based on the unexecuted portion of contracts for goods and services. These accruals primarily affected the Intergovernmental and Sales and Services revenue categories. We were unable to determine the effect of this departure from generally accepted accounting principles on the general purpose financial statements.

As discussed in Notes 9 and 10 to the general purpose financial statements, the State of Georgia did not maintain adequate systems to identify, classify, and report leases as operating or capital leases in conformity with generally accepted accounting principles. We were unable to determine the effect of these limitations on the general purpose financial statements.

As discussed in Note 1 to the general purpose financial statements, the State of Georgia maintained certain pension trust funds on essentially the cash basis of accounting. This basis of accounting is not in conformity with generally accepted accounting principles. We were unable to determine the effect of this departure from generally accepted accounting principles on the general purpose financial statements.

As discussed in Note 1 to the general purpose financial statements, the State's accounting system has limitations in identifying transactions between organizations whose financial activity is included within an individual fund. State accounting policies and procedures allow the recording of revenues, receivables, expenses and payables for such transactions. All such intrafund transactions have not been eliminated as required by generally accepted accounting principles. We were unable to determine the effect of these overstatements on the general purpose financial statements.

The State of Georgia made payments to providers of medical services in excess of amounts authorized to be paid in accordance with the State of Georgia approved *State Plan under Title XIX of the Social Security Act*. The State of Georgia currently maintains on-going efforts to identify and recover overpayments made to providers. The actual amount of these overpayments, however, cannot be presently determined, and no provision for the amount of understatement of receivables from providers that may result has been made in the general purpose financial statements.

The State of Georgia did not maintain adequate systems to effect the timely detection of either duplicate claim payments or claim overpayments of the Risk Management Trust Funds maintained at the Department of Administrative Services. The Department of Administrative Services also made claim payments without providing supporting documentation. We were unable to determine the accuracy and completeness of the transactions and balances that comprise these Risk Management Trust Funds, which are included in the Internal Service Fund.

Apparent misappropriations of State of Georgia Building Authority assets were discovered in the food service and parking operations. The possible outcome of these matters, which have been reported to appropriate State officials, is uncertain at this time. Accordingly, no provision has been made in the Internal Service Fund for the resolution of these matters.

In our opinion, based on our audit and the reports of other auditors, except for the effects of the matters discussed in the preceding paragraphs, the general purpose financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the State of Georgia as of June 30, 1998, and the results of its operations, the cash flows of its proprietary fund types and its nonexpendable trust funds, and the changes in fund balances of the State's colleges and universities, for the year then ended in conformity with generally accepted accounting principles.

As discussed in Note 4 to the general purpose financial statements, the State of Georgia implemented Statement No. 31 of the Governmental Accounting Standards Board, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, in fiscal year 1998.

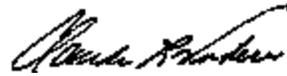
In accordance with *Government Auditing Standards*, we have also issued a report dated May 13, 1999 on our consideration of the State of Georgia's internal control over financial reporting and on our tests of its compliance with certain laws, regulations, contracts and grants. Those reports are included in the State of Georgia *Single Audit Report*.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The combining financial statements identified in the Table of Contents are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of the State of Georgia. Further, the section entitled "*Retirement Systems - Required Supplementary Schedules*" within Financial Section, Required Supplementary Information is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, except for the effects of the matters noted above, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

The section entitled “*Year 2000 Issues*” within Financial Section, Required Supplementary Information is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and do not express an opinion on it. In addition, we do not provide assurance that the State of Georgia is or will become year 2000 compliant, that the State of Georgia’s year 2000 remediation efforts will be successful in whole or in part, or that parties with which the State of Georgia does business are or will become year 2000 compliant.

The Introductory and Statistical Sections, identified in the Table of Contents, were not audited by us and, accordingly, we express no opinion on such information.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Claude L. Vickers", written in a cursive style.

Claude L. Vickers
State Auditor

May 13, 1999

———— General Purpose Financial Statements ————

State of Georgia

Combined Balance Sheet All Fund Types, Account Groups and Discretely Presented Component Units June 30, 1998

	Primary Government					
	Governmental Fund Types				Proprietary Fund Types	
	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Internal Service
Assets and Other Debits						
Assets:						
Cash and Cash Equivalents	\$ 2,712,193,919	\$ —	\$ 233,215,021	\$ —	\$ 4,149,166	\$ 7,283,687
Cash and Cash Equivalents in Nonexpendable Trust Funds	—	—	—	—	—	—
Investments	623,223,375	2,872,348	—	963,777,869	222,841,604	1,014,906,672
Receivables (Net of Allowances for Uncollectibles)						
Intergovernmental - Federal	2,022,180,113	—	—	—	—	—
Interest and Dividends	26,712,975	—	—	11,903,012	2,338,835	—
Notes and Loans	—	—	—	—	—	—
Taxes	1,035,860,281	—	—	—	—	—
Other	192,899,052	1,779,103	—	1,189,172	16,230,434	10,837,247
Due from Other Funds	—	—	—	—	—	18,191,794
Due from Primary Government	—	—	—	—	—	—
Due from Component Units	135,316	—	—	—	—	419,830
Interfund Receivables	—	—	—	3,300,425	—	—
Inventories	45,462,627	—	—	—	—	12,262,992
Prepaid Items	82,174,758	1,599	—	—	—	682,774
Restricted Assets						
Cash and Cash Equivalents	—	—	—	—	—	—
Investments	—	—	—	—	—	—
Receivables						
Interest and Dividends	—	—	—	—	—	—
Loans	—	—	—	—	—	—
Advances to Other Funds	6,925	—	—	—	—	—
Advances to Component Units	107,500	—	—	15,209,275	—	—
Deferred Compensation Plan Assets	—	—	—	—	—	—
Fixed Assets (Net, Where Applicable, of Accumulated Depreciation)	—	—	—	—	313,620	411,401,860
Deferred Charges	—	—	—	—	—	—
Other Assets	50,862,768	—	—	—	—	—
Other Debits:						
Amount Available in Debt Service Fund	—	—	—	—	—	—
Amount to be Provided for Retirement of General Long-Term Debt	—	—	—	—	—	—
Total Assets and Other Debits	\$ 6,791,819,609	\$ 4,653,050	\$ 233,215,021	\$ 995,379,753	\$ 245,873,659	\$ 1,475,986,856
Liabilities, Equity and Other Credits						
Liabilities:						
Cash Overdraft	\$ —	\$ 119,305	\$ —	\$ 22,611,627	\$ —	\$ —
Accounts Payable and Other Accruals	921,741,086	172,257	—	26,573,264	1,000,427	20,535,769
Compensated Absences Payable	—	—	—	—	236,200	7,964,738
Claims and Judgments Payable	—	—	—	—	—	357,293,702
Contracts Payable	1,570,048,158	—	—	15,363,494	255,655	18,910,273
Salaries/Withholdings Payable	616,236,408	—	—	—	—	40,481
Benefits Payable	399,851,894	—	—	—	159,758,318	—
Due to Other Funds	15,038,805	93,490	—	—	—	—
Due to Primary Government	—	—	—	—	—	—
Due to Component Units	2,204,421	—	—	—	—	143
Accrued Interest Payable	—	—	—	—	—	—
Undistributed Local Government Sales Tax	53,157,604	—	—	—	—	—
Deferred Revenue	102,123,002	1,800	—	86,456	14,513,809	73,701
Capital Leases/Installment Purchases Payable	—	—	—	—	—	10,579,816
Mortgage Loans under Repurchase Agreements	—	—	—	—	—	—
Funds Held for Others	38,992,479	—	—	—	—	—
Other Liabilities	486,838	—	—	18,588,773	—	—
Deposits and Overpayments	—	—	—	—	—	1,764,138
Advances from Other Funds	—	—	—	—	—	—
Advances from Primary Government	—	—	—	—	—	—
Long-Term Debt Payable (Net of Unamortized Discounts)	—	—	—	—	—	1,092,857
Total Liabilities	\$ 3,719,880,695	\$ 386,852	\$ 0	\$ 83,223,614	\$ 175,764,409	\$ 418,255,618

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

Fiduciary Fund Type		Account Groups		Totals - (Memorandum Only)	Component Units			Totals - (Memorandum Only)
Trust and Agency	College and University	General Fixed Assets	General Long-Term Debt	Primary Government	Governmental Fund Types	Proprietary Fund Types	Fiduciary Fund Types	Reporting Entity
\$ 1,797,015,993	\$ 429,544,828	\$ —	\$ —	\$ 5,183,402,614	\$ —	\$ 81,660,480	\$ 3,357,636	\$ 5,268,420,730
185,698	—	—	—	185,698	—	—	—	185,698
14,644,907,465	209,917,340	—	—	17,682,446,673	801,970	340,726,843	35,806,181,708	53,830,157,194
1,014,811	38,607,643	—	—	2,061,802,567	—	108,188,065	—	2,169,990,632
93,409,000	57,940	—	—	134,421,762	—	16,148,160	250,880,885	401,450,807
4,104,717	48,693,306	—	—	52,798,023	100,989	936,455,396	—	989,354,408
71,787,161	—	—	—	1,107,647,442	—	—	—	1,107,647,442
40,504,983	155,835,048	—	—	419,275,039	1,325,853	63,895,216	180,376,720	664,872,828
—	—	—	—	18,191,794	—	—	—	18,191,794
—	—	—	—	0	—	2,204,564	—	2,204,564
—	—	—	—	555,146	—	—	—	555,146
—	—	—	—	3,300,425	—	—	—	3,300,425
—	26,848,073	—	—	84,573,692	95,126	5,001,303	—	89,670,121
24,544	10,094,414	—	—	92,978,089	228,367	2,782,433	42,175	96,031,064
—	—	—	—	0	—	158,947,976	—	158,947,976
—	—	—	—	0	—	412,589,856	—	412,589,856
—	—	—	—	0	—	6,121,452	—	6,121,452
—	—	—	—	0	—	598,113,658	—	598,113,658
—	—	—	—	6,925	—	—	—	6,925
—	—	—	—	15,316,775	—	—	—	15,316,775
394,622,648	—	—	—	394,622,648	—	—	—	394,622,648
—	4,636,846,469	2,914,888,301	—	7,963,450,250	91,630,744	818,669,441	741,634	8,874,492,069
—	—	—	—	0	—	19,649,989	—	19,649,989
37,733	—	—	—	50,900,501	—	83,810,966	—	134,711,467
—	—	—	233,215,021	233,215,021	—	—	—	233,215,021
—	—	—	4,492,541,351	4,492,541,351	11,879,924	—	—	4,504,421,275
<u>\$ 17,047,614,753</u>	<u>\$ 5,556,445,061</u>	<u>\$ 2,914,888,301</u>	<u>\$ 4,725,756,372</u>	<u>\$ 39,991,632,435</u>	<u>\$ 106,062,973</u>	<u>\$ 3,654,965,798</u>	<u>\$ 36,241,580,758</u>	<u>\$ 79,994,241,964</u>
\$ —	\$ —	\$ —	\$ —	\$ 22,730,932	\$ 1,157,986	\$ —	\$ —	\$ 23,888,918
6,364,952	281,150,747	—	—	1,257,538,502	4,406,340	86,933,034	2,254,730	1,351,132,606
—	104,384,204	—	212,076,813	324,661,955	1,055,264	2,961,892	—	328,679,111
—	—	—	697,979	357,991,681	—	—	—	357,991,681
—	—	—	—	1,604,577,580	—	2,125,414	—	1,606,702,994
23,629	5,616,060	—	—	621,916,578	220,311	319,857	68,434	622,525,180
—	21,800,000	—	—	581,410,212	—	—	—	581,410,212
658,673	2,400,826	—	—	18,191,794	—	—	—	18,191,794
—	—	—	—	0	290,951	224,249	39,946	555,146
—	—	—	—	2,204,564	—	—	—	2,204,564
—	—	—	—	0	—	16,444,144	—	16,444,144
—	—	—	—	53,157,604	—	—	—	53,157,604
—	78,662,613	—	—	195,461,381	215,666	96,167,505	—	291,844,552
—	20,232,718	—	4,344,386	35,156,920	10,824,660	739,421	—	46,721,001
—	—	—	—	0	—	17,728,827	—	17,728,827
714,632,873	19,591,279	—	—	773,216,631	—	302,332,077	—	1,075,548,708
—	149,585	—	—	19,225,196	—	11,699,366	—	30,924,562
—	1,960,342	—	—	3,724,480	—	14,651,065	—	18,375,545
6,925	—	—	—	6,925	—	—	—	6,925
—	—	—	—	0	—	107,500	—	107,500
—	7,000	—	4,508,637,194	4,509,737,051	—	1,534,164,900	—	6,043,901,951
<u>\$ 721,687,052</u>	<u>\$ 535,955,374</u>	<u>\$ 0</u>	<u>\$ 4,725,756,372</u>	<u>\$ 10,380,909,986</u>	<u>\$ 18,171,178</u>	<u>\$ 2,086,599,251</u>	<u>\$ 2,363,110</u>	<u>\$ 12,488,043,525</u>

State of Georgia

Combined Balance Sheet All Fund Types, Account Groups and Discretely Presented Component Units (continued) June 30, 1998

	Primary Government					
	Governmental Fund Types				Proprietary Fund Types	
	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Internal Service
Equity and Other Credits:						
Other Credits:						
Investment in General Fixed Assets	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Equity:						
Net Investment in Plant	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Colleges and Universities	—	—	—	—	—	—
Contributed Capital	—	—	—	—	—	274,590,158
Retained Earnings						
Reserved	—	—	—	—	70,109,250	715,471,828
Unreserved	—	—	—	—	—	67,669,252
Fund Balances						
Reserved for Encumbrances	4,174,127	—	—	—	—	—
Reserved for Advances	114,425	—	—	—	—	—
Reserved for Inventories	44,268,275	—	—	—	—	—
Reserved for Debt Service	—	—	233,215,021	—	—	—
Reserved for Disaster Assistance	588,489	—	—	—	—	—
Reserved for Distance Learning and Telemedicine	17,936,760	—	—	—	—	—
Reserved for Pension Benefits	—	—	—	—	—	—
Reserved for Guaranteed Revenue Debt Common Reserve Fu	17,921,100	—	—	—	—	—
Reserved for Hazardous Waste Trust Fund	13,321,355	—	—	—	—	—
Reserved for Investment Trust Fund	—	—	—	—	—	—
Reserved for Lottery for Education	201,315,730	—	—	—	—	—
Reserved for Midyear Adjustment	117,181,823	—	—	—	—	—
Reserved for Motor Fuel Tax Funds	887,743,155	—	—	—	—	—
Reserved for Revenue Shortfall	351,545,470	—	—	—	—	—
Reserved for Underground Storage Trust Fund	42,498,465	—	—	—	—	—
Reserved for Year 2000 Project	125,338,806	—	—	—	—	—
Reserved for Other Specific Purposes	72,247,308	—	—	1,408,165	—	—
Unreserved, Designated						
Designated for Liability Trust Fund	10,256,598	—	—	—	—	—
Designated for Future Capital Outlay	—	—	—	907,629,259	—	—
Designated for Other Specific Purposes	112,000	—	—	—	—	—
Unreserved, Undesignated	1,165,375,028	4,266,198	—	3,118,715	—	—
Total Equity	<u>\$ 3,071,938,914</u>	<u>\$ 4,266,198</u>	<u>\$ 233,215,021</u>	<u>\$ 912,156,139</u>	<u>\$ 70,109,250</u>	<u>\$ 1,057,731,238</u>
Total Equity and Other Credits	<u>\$ 3,071,938,914</u>	<u>\$ 4,266,198</u>	<u>\$ 233,215,021</u>	<u>\$ 912,156,139</u>	<u>\$ 70,109,250</u>	<u>\$ 1,057,731,238</u>
Total Liabilities, Equity and Other Credits	<u>\$ 6,791,819,609</u>	<u>\$ 4,653,050</u>	<u>\$ 233,215,021</u>	<u>\$ 995,379,753</u>	<u>\$ 245,873,659</u>	<u>\$ 1,475,986,856</u>

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

Fiduciary Fund Type		Account Groups		Totals - (Memorandum Only)	Component Units			Totals - (Memorandum Only)
Trust and Agency	College and University	General Fixed Assets	General Long-Term Debt	Primary Government	Governmental Fund Types	Proprietary Fund Types	Fiduciary Fund Types	Reporting Entity
\$ —	\$ —	\$ 2,914,888,301	\$ —	\$ 2,914,888,301	\$ 91,630,744	\$ 321,635	\$ —	\$ 3,006,840,680
\$ —	\$ 4,616,613,751	\$ —	\$ —	\$ 4,616,613,751	\$ —	\$ —	\$ —	\$ 4,616,613,751
—	403,875,936	—	—	403,875,936	—	—	—	403,875,936
—	—	—	—	274,590,158	—	1,001,936,816	—	1,276,526,974
—	—	—	—	785,581,078	—	95,622,405	—	881,203,483
—	—	—	—	67,669,252	—	455,169,458	—	522,838,710
—	—	—	—	4,174,127	—	—	—	4,174,127
—	—	—	—	114,425	—	—	—	114,425
—	—	—	—	44,268,275	—	—	—	44,268,275
—	—	—	—	233,215,021	—	—	—	233,215,021
—	—	—	—	588,489	—	—	—	588,489
—	—	—	—	17,936,760	—	—	—	17,936,760
11,622,441,106	—	—	—	11,622,441,106	—	—	36,239,217,648	47,861,658,754
—	—	—	—	17,921,100	—	—	—	17,921,100
—	—	—	—	13,321,355	—	—	—	13,321,355
2,659,446,092	—	—	—	2,659,446,092	—	—	—	2,659,446,092
—	—	—	—	201,315,730	—	—	—	201,315,730
—	—	—	—	117,181,823	—	—	—	117,181,823
—	—	—	—	887,743,155	—	—	—	887,743,155
—	—	—	—	351,545,470	—	—	—	351,545,470
—	—	—	—	42,498,465	—	—	—	42,498,465
—	—	—	—	125,338,806	—	—	—	125,338,806
1,991,907,383	—	—	—	2,065,562,856	375,041	12,898,278	—	2,078,836,175
—	—	—	—	10,256,598	—	—	—	10,256,598
—	—	—	—	907,629,259	—	—	—	907,629,259
—	—	—	—	112,000	—	—	—	112,000
52,133,120	—	—	—	1,224,893,061	(4,113,990)	2,417,955	—	1,223,197,026
\$ 16,325,927,701	\$ 5,020,489,687	\$ 0	\$ 0	\$ 26,695,834,148	\$ (3,738,949)	\$ 1,568,044,912	\$ 36,239,217,648	\$ 64,499,357,759
\$ 16,325,927,701	\$ 5,020,489,687	\$ 2,914,888,301	\$ 0	\$ 29,610,722,449	\$ 87,891,795	\$ 1,568,366,547	\$ 36,239,217,648	\$ 67,506,198,439
\$ 17,047,614,753	\$ 5,556,445,061	\$ 2,914,888,301	\$ 4,725,756,372	\$ 39,991,632,435	\$ 106,062,973	\$ 3,654,965,798	\$ 36,241,580,758	\$ 79,994,241,964

State of Georgia

Combined Statement of Revenues, Expenditures
and Changes in Fund Balances
All Governmental Fund Types, Expendable Trust Funds and
Discretely Presented Component Units
For the Year Ended June 30, 1998

	Primary Government		
	Governmental Fund Types		
	General	Special Revenue	Debt Service
Revenues:			
Taxes	\$ 11,439,170,422	\$ —	\$ —
Licenses and Permits	346,081,148	—	—
Intergovernmental			
Federal	5,582,612,574	—	—
Other	34,417,237	—	—
Sales and Services	518,179,693	18,648,271	—
Fines and Forfeits	49,204,317	—	—
Interest and Other Investment Income	194,805,638	446,092	—
Rents and Royalties	13,873,680	—	—
Contributions and Donations	192,209,388	—	—
Penalties and Interest on Taxes	9,485,653	—	—
Unclaimed Property	20,690,958	—	—
Other	3,828,832	—	—
	\$ 18,404,559,540	\$ 19,094,363	\$ 0
Expenditures:			
Current:			
General Government	\$ 650,346,672	\$ 2,620,579	\$ —
Education	6,155,220,908	—	—
Health and Welfare	6,479,723,177	—	—
Transportation	1,385,250,996	—	—
Public Safety	1,193,748,916	—	—
Economic Development and Assistance	264,913,965	—	—
Culture and Recreation	185,622,125	—	—
Conservation	45,865,385	—	—
Capital Outlay	—	—	—
Debt Service:			
Principal	—	—	387,030,000
Interest	—	—	258,317,069
Other Debt Service Charges	—	—	—
	\$ 16,360,692,144	\$ 2,620,579	\$ 645,347,069
Total Expenditures			
	\$ 16,360,692,144	\$ 2,620,579	\$ 645,347,069
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ 2,043,867,396	\$ 16,473,784	\$ (645,347,069)

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

			Totals - (Memorandum Only)	Component Units	Totals - (Memorandum Only)
Capital Projects	Fiduciary Fund Type Expendable Trust		Primary Government	Governmental Fund Type	Reporting Entity
\$	—	\$ 372,536,413	\$ 11,811,706,835	\$	—
	—	—	346,081,148		—
	—	20,717,427	5,603,330,001		—
	—	—	34,417,237		—
	—	127,596	536,955,560	2,681,917	539,637,477
	—	—	49,204,317	—	49,204,317
80,747,570	126,070,142	—	402,069,442	135,849	402,205,291
46,812	—	—	13,920,492	163,972	14,084,464
—	33,888	—	192,243,276	10,162,233	202,405,509
—	—	—	9,485,653	—	9,485,653
—	—	—	20,690,958	—	20,690,958
1,581,025	80,738	—	5,490,595	—	5,490,595
<u>\$ 82,375,407</u>	<u>\$ 519,566,204</u>	<u>\$ 19,025,595,514</u>	<u>\$ 13,143,971</u>	<u>\$ 19,038,739,485</u>	
\$	335,441	\$	653,302,692	\$	—
	—	99,275	6,155,320,183		—
	—	64,702,740	6,544,425,917		—
	—	—	1,385,250,996		—
	—	—	1,193,748,916		—
	—	279,499,324	544,413,289		—
	—	102,521	185,724,646	36,267,248	221,991,894
	—	—	45,865,385	—	45,865,385
346,296,387	—	—	346,296,387	—	346,296,387
	46,812	—	387,076,812	—	387,076,812
	158,508	—	258,475,577	—	258,475,577
	239,009	—	239,009	—	239,009
<u>\$ 347,076,157</u>	<u>\$ 344,403,860</u>	<u>\$ 17,700,139,809</u>	<u>\$ 36,267,248</u>	<u>\$ 17,736,407,057</u>	
<u>\$ (264,700,750)</u>	<u>\$ 175,162,344</u>	<u>\$ 1,325,455,705</u>	<u>\$ (23,123,277)</u>	<u>\$ 1,302,332,428</u>	

(continued)

State of Georgia

Combined Statement of Revenues, Expenditures
and Changes in Fund Balances
All Governmental Fund Types, Expendable Trust Funds and
Discretely Presented Component Units (continued)
For the Year Ended June 30, 1998

	Primary Government		
	Governmental Fund Types		
	General	Special Revenue	Debt Service
Other Financing Sources (Uses):			
Operating Transfers In	\$ 87,322,527	\$ —	\$ 669,908,746
Operating Transfers from Primary Government	—	—	—
Operating Transfers from Component Units	555,451,008	—	—
Operating Transfers Out	(2,173,952,811)	(16,500,000)	—
Operating Transfers to Component Units	(65,663,706)	—	—
Proceeds of General Fixed Asset Dispositions	4,114,623	—	—
Capital Leases	131,085	—	—
General Obligation Bond Proceeds	—	—	—
 Total Other Financing Sources (Uses)	 \$ (1,592,597,274)	 \$ (16,500,000)	 \$ 669,908,746
 Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	 \$ 451,270,122	 \$ (26,216)	 \$ 24,561,677
 Fund Balances, July 1	 2,603,974,320	 4,292,414	 208,653,344
Adjustments (Net)	1,504,009	—	—
Residual Equity Transfers In	82,000	—	—
Residual Equity Transfers from Component Units	14,894,947	—	—
Residual Equity Transfers Out	—	—	—
Residual Equity Transfers to Component Units	(1,895,883)	—	—
Transfer of Equity to Component Units	—	—	—
Increase in Inventories	2,109,399	—	—
 Fund Balances, June 30	 \$ 3,071,938,914	 \$ 4,266,198	 \$ 233,215,021

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

<u>Capital Projects</u>	<u>Fiduciary Fund Type Expendable Trust</u>	<u>Totals - (Memorandum Only) Primary Government</u>	<u>Component Units Governmental Fund Type</u>	<u>Totals - (Memorandum Only) Reporting Entity</u>
\$ —	\$ 3,281,250	\$ 760,512,523	\$ —	\$ 760,512,523
—	—	0	18,915,057	18,915,057
4,414,614	—	559,865,622	—	559,865,622
(128,576,564)	—	(2,319,029,375)	—	(2,319,029,375)
—	—	(65,663,706)	—	(65,663,706)
—	—	4,114,623	—	4,114,623
—	—	131,085	—	131,085
<u>257,123,411</u>	<u>—</u>	<u>257,123,411</u>	<u>—</u>	<u>257,123,411</u>
<u>\$ 132,961,461</u>	<u>\$ 3,281,250</u>	<u>\$ (802,945,817)</u>	<u>\$ 18,915,057</u>	<u>\$ (784,030,760)</u>
\$ (131,739,289)	\$ 178,443,594	\$ 522,509,888	\$ (4,208,220)	\$ 518,301,668
1,041,854,815	1,865,582,103	5,724,356,996	469,271	5,724,826,267
21,658,031	(6,504)	23,155,536	—	23,155,536
—	—	82,000	—	82,000
18,509,700	—	33,404,647	—	33,404,647
(165,856)	—	(165,856)	—	(165,856)
(37,961,262)	—	(39,857,145)	—	(39,857,145)
—	(199,786)	(199,786)	—	(199,786)
<u>—</u>	<u>—</u>	<u>2,109,399</u>	<u>—</u>	<u>2,109,399</u>
<u>\$ 912,156,139</u>	<u>\$ 2,043,819,407</u>	<u>\$ 6,265,395,679</u>	<u>\$ (3,738,949)</u>	<u>\$ 6,261,656,730</u>

State of Georgia

Statement of Funds Available and Expenditures Compared to Budget Budget Fund For the Fiscal Year Ended June 30, 1998

	Original Appropriation	Final Budget	Actual	Variance Favorable (Unfavorable)
Funds Available				
Revenues:				
State Appropriation	\$ 11,262,036,635	\$ 11,976,541,772	\$ 11,971,597,333	\$ (4,944,439)
Lottery Proceeds	506,500,000	601,923,390	601,923,390	0
Federal Revenues	4,600,936,445	5,775,791,064	5,190,228,443	(585,562,621)
Other Revenues Retained	3,027,666,502	4,535,210,525	3,976,927,885	(558,282,640)
Total Revenues	\$ 19,397,139,582	\$ 22,889,466,751	\$ 21,740,677,051	\$ (1,148,789,700)
Carry-Over from Prior Year:				
Transfer from Fund Balance	—	1,938,643,415	1,463,059,924	(475,583,491)
Total Funds Available	\$ 19,397,139,582	\$ 24,828,110,166	\$ 23,203,736,975	\$ (1,624,373,191)
Expenditures				
Administrative Services, Department of	\$ 180,889,649	\$ 281,494,603	\$ 252,980,630	\$ 28,513,973
Agricultural Exposition Authority	5,590,902	6,288,967	6,289,058	(91)
Agriculture, Department of	49,508,646	52,754,577	51,901,339	853,238
Agrirama Development Authority	1,370,111	1,508,217	1,119,309	388,908
Audits and Accounts, Department of	20,156,774	21,257,896	21,203,333	54,563
Banking and Finance, Department of	9,523,070	9,523,070	9,036,117	486,953
Building Authority	37,782,538	46,765,710	45,277,549	1,488,161
Community Affairs, Department of	58,520,527	175,358,891	158,264,931	17,093,960
Corrections, Department of	723,076,907	751,140,269	738,323,139	12,817,130
Defense, Department of	17,617,939	24,445,636	23,198,244	1,247,392
Education, Department of	5,142,447,933	5,644,848,973	5,579,253,240	65,595,733
Employees' Retirement System -				
Administrative Expense Fund	4,382,732	5,111,144	4,891,392	219,752
Forestry Commission	39,489,852	42,426,505	41,998,968	427,537
General Assembly	27,168,900	29,574,114	23,011,250	6,562,864
General Obligation Debt Sinking Fund	390,520,369	596,125,028	596,125,028	0
Governor, Office of the	37,344,826	327,770,873	176,276,577	151,494,296
Guaranteed Revenue Debt Common Reserve Fund	0	0	0	0
Human Resources, Department of	2,384,380,940	2,651,336,637	2,500,132,722	151,203,915
Industry, Trade and Tourism, Department of	20,302,479	34,787,776	23,319,426	11,468,350
Insurance, Department of	17,206,008	18,120,900	16,996,941	1,123,959
Investigation, Georgia Bureau of	48,215,166	59,818,561	59,199,822	618,739
Judicial Branch	93,183,496	97,116,298	98,064,801	(948,503)
Juvenile Justice, Department of	172,924,813	202,399,674	194,026,433	8,373,241
Labor, Department of	152,143,392	221,790,319	157,203,316	64,587,003
Law, Department of	14,733,081	36,539,914	35,182,838	1,357,076
Medical Assistance, Department of	3,779,764,130	4,295,813,679	3,734,522,066	561,291,613
Natural Resources, Department of	133,165,383	223,052,166	217,888,741	5,163,425

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

State of Georgia

Statement of Funds Available and Expenditures Compared to Budget Budget Fund For the Fiscal Year Ended June 30, 1998

	Original Appropriation	Final Budget	Actual	Variance Favorable (Unfavorable)
Pardons and Paroles, State Board of	\$ 44,711,153	\$ 45,919,221	\$ 45,805,191	\$ 114,030
Personnel Board, State - Merit System of Personnel Administration	1,098,162,845	1,136,749,364	1,090,873,718	45,875,646
Public Safety, Department of	119,228,086	130,050,615	126,325,714	3,724,901
Public School Employees' Retirement System-Expense Fund	15,110,000	15,110,000	15,110,000	0
Public Service Commission	10,731,875	10,824,177	10,521,639	302,538
Public Telecommunications Commission	28,139,624	35,601,169	37,470,922	(1,869,753)
Regents of the University System of Georgia, Board of	2,669,910,681	3,680,889,805	3,428,712,864	252,176,941
Revenue, Department of	97,699,116	134,249,131	119,423,166	14,825,965
Secretary of State	32,132,511	34,055,774	32,235,514	1,820,260
Soil and Water Conservation Commission	2,495,590	2,591,864	2,560,723	31,141
Student Finance Commission	208,845,430	241,993,060	228,415,821	13,577,239
Teachers' Retirement System - Expense Fund	11,082,683	12,156,432	11,119,585	1,036,847
Technical and Adult Education, Department of	292,599,277	380,229,176	354,065,195	26,163,981
Transportation, Department of	1,165,727,067	3,070,405,340	1,445,291,600	1,625,113,740
Veterans Service, Department of	28,044,624	28,814,684	28,138,454	676,230
Workers' Compensation, State Board of	11,108,457	11,299,957	11,238,813	61,144
Total Expenditures	\$ 19,397,139,582	\$ 24,828,110,166	\$ 21,752,996,129	\$ 3,075,114,037
Excess of Funds Available over Expenditures			\$ 1,450,740,846	\$ 1,450,740,846

State of Georgia

Combined Statement of Revenues, Expenses and Changes in Fund Equity/Fund Balances All Proprietary Fund Types, Nonexpendable Trust Funds and Discretely Presented Component Units For the Fiscal Year Ended June 30, 1998

	Primary Government		
	Proprietary Fund Types		Fiduciary Fund Type
	Enterprise	Internal Service	Nonexpendable Trust
Operating Revenues:			
Contributions	\$ 1,039,788,654	\$ 116,076,367	\$ —
Insurance Recoveries	—	1,763,355	—
Interest and Other Investment Income	13,614,428	145,271,963	12,917
Intergovernmental	—	—	—
Rents and Royalties	—	31,614,994	—
Sales and Services	29,396	259,211,959	—
Taxes	—	—	—
Other	—	1,364,309	—
	\$ 1,053,432,478	\$ 555,302,947	\$ 12,917
Total Operating Revenues			
Operating Expenses:			
General and Administrative	\$ 224,492,609	\$ 157,027,387	\$ 4,066
Goods and Services	—	174,952,970	—
Interest	—	194,765	—
Benefits	863,085,931	15,178,000	—
Claims and Judgments	—	183,454,774	—
Prizes	—	—	—
Scholarships	—	—	2,320
Depreciation	—	1,309,224	—
Other	—	—	878
	\$ 1,087,578,540	\$ 532,117,120	\$ 7,264
Total Operating Expenses			
Operating Income (Loss)	\$ (34,146,062)	\$ 23,185,827	\$ 5,653
Nonoperating Revenues (Expenses):			
Contributions and Intergovernmental Revenue	\$ —	\$ —	\$ —
Interest and Other Investment Income	—	909,861	—
Gain on Sale of Loans	—	—	—
Hotel/Motel Tax (Net)	—	—	—
Interest Expense	—	(57,945)	—
Other Debt Service Charges	—	—	—
Other	(6,870)	(1,537,414)	—
	\$ (6,870)	\$ (685,498)	\$ 0
Total Nonoperating Revenues (Expenses)			
Net Income (Loss) Before Operating Transfers	\$ (34,152,932)	\$ 22,500,329	\$ 5,653

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

Totals - (Memorandum Only)	Component Units	Totals - (Memorandum Only)
Primary Government	Proprietary Fund Types	Reporting Entity
\$ 1,155,865,021	\$ 40,925	\$ 1,155,905,946
1,763,355	—	1,763,355
158,899,308	76,750,929	235,650,237
0	21,091,686	21,091,686
31,614,994	63,009,735	94,624,729
259,241,355	1,873,520,358	2,132,761,713
0	1,569,994	1,569,994
1,364,309	22,897,569	24,261,878
<u>\$ 1,608,748,342</u>	<u>\$ 2,058,881,196</u>	<u>\$ 3,667,629,538</u>
\$ 381,524,062	\$ 148,129,964	\$ 529,654,026
174,952,970	321,862,745	496,815,715
194,765	59,393,081	59,587,846
878,263,931	—	878,263,931
183,454,774	—	183,454,774
0	902,465,000	902,465,000
2,320	—	2,320
1,309,224	34,405,479	35,714,703
878	48,937,250	48,938,128
<u>\$ 1,619,702,924</u>	<u>\$ 1,515,193,519</u>	<u>\$ 3,134,896,443</u>
<u>\$ (10,954,582)</u>	<u>\$ 543,687,677</u>	<u>\$ 532,733,095</u>
\$ 0	\$ 571,059	\$ 571,059
909,861	63,976,913	64,886,774
0	883,484	883,484
0	17,282,333	17,282,333
(57,945)	(35,695,827)	(35,753,772)
0	(8,838,889)	(8,838,889)
(1,544,284)	(12,288,879)	(13,833,163)
<u>\$ (692,368)</u>	<u>\$ 25,890,194</u>	<u>\$ 25,197,826</u>
<u>\$ (11,646,950)</u>	<u>\$ 569,577,871</u>	<u>\$ 557,930,921</u>

(continued)

State of Georgia

Combined Statement of Revenues, Expenses and Changes in Fund Equity/Fund Balances All Proprietary Fund Types, Nonexpendable Trust Funds and Discretely Presented Component Units (continued) For the Fiscal Year Ended June 30, 1998

	Primary Government		
	Proprietary Fund Types		Fiduciary Fund Type
	Enterprise	Internal Service	Nonexpendable Trust
Operating Transfers:			
Transfers In	\$ —	\$ 54,197,836	\$ —
Transfers from Primary Government	—	—	—
Transfers Out	—	(17,427,367)	—
Transfers to Primary Government	—	—	—
Net Operating Transfers	\$ 0	\$ 36,770,469	\$ 0
Net Income (Loss)	\$ (34,152,932)	\$ 59,270,798	\$ 5,653
Deficiency of Revenues under Expenditures from Governmental Operations and Expendable Trust Funds	—	—	—
Fund Equity/Fund Balances, July 1	104,262,182	1,007,729,825	215,826
Adjustments (Net)	—	(10,336,230)	(383)
Contributed Capital	—	165,856	—
Contributed Capital from Primary Government	—	—	—
Contributed Capital from Federal Government	—	—	—
Contributed Capital from Other Sources	—	—	—
Transfer of Contributed Capital	—	(82,000)	—
Transfer of Contributed Capital to Primary Government	—	—	—
Transfer of Equity from Primary Government	—	—	—
Increase in Inventories	—	982,989	—
Fund Equity/Fund Balances, June 30	\$ 70,109,250	\$ 1,057,731,238	\$ 221,096

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

Totals - (Memorandum Only)	Component Units	Totals - (Memorandum Only)
Primary Government	Proprietary Fund Types	Reporting Entity
\$ 54,197,836	\$ —	\$ 54,197,836
0	62,019,706	62,019,706
(17,427,367)	—	(17,427,367)
0	(559,686,614)	(559,686,614)
<u>\$ 36,770,469</u>	<u>\$ (497,666,908)</u>	<u>\$ (460,896,439)</u>
\$ 25,123,519	\$ 71,910,963	\$ 97,034,482
0	(2,400,405)	(2,400,405)
1,112,207,833	1,453,154,306	2,565,362,139
(10,336,613)	(20,471,837)	(30,808,450)
165,856	—	165,856
0	39,857,145	39,857,145
0	35,688,800	35,688,800
0	4,957,024	4,957,024
(82,000)	—	(82,000)
0	(14,894,947)	(14,894,947)
0	199,786	199,786
982,989	44,077	1,027,066
<u>\$ 1,128,061,584</u>	<u>\$ 1,568,044,912</u>	<u>\$ 2,696,106,496</u>

State of Georgia

Combined Statement of Cash Flows All Proprietary Fund Types, Nonexpendable Trust Funds and Discretely Presented Component Units For the Fiscal Year Ended June 30, 1998

	Primary Government			Totals - (Memorandum Only)	Component Units	Totals - (Memorandum Only)			
	Proprietary Fund Types		Fiduciary Fund Type				Primary Government	Proprietary Fund Types	Reporting Entity
	Enterprise	Internal Service	Nonexpendable Trust						
Cash Flows from Operating Activities:									
Cash Received from Customers	\$ 29,396	\$ 308,349,050	\$ —	\$ 308,378,446	\$ 2,026,445,498	\$ 2,334,823,944			
Cash Received from Required Contributions	1,038,477,795	115,640,381	—	1,154,118,176	—	1,154,118,176			
Cash Received from Insurance Proceeds	—	1,763,355	—	1,763,355	—	1,763,355			
Principal Payments Received on Program Loans	—	—	—	0	123,192,291	123,192,291			
Interest Received on Program Loans	—	—	—	0	75,218,750	75,218,750			
Cash Paid to Vendors	(223,443,697)	(248,934,439)	(4,944)	(472,383,080)	(431,389,348)	(903,772,428)			
Cash Paid to Employees	(2,498,622)	(81,119,778)	—	(83,618,400)	(113,917,345)	(197,535,745)			
Cash Paid for Benefits	(851,524,392)	(15,178,000)	—	(866,702,392)	—	(866,702,392)			
Cash Paid for Claims and Judgments	—	(84,658,119)	—	(84,658,119)	—	(84,658,119)			
Cash Paid for Lottery Prizes	—	—	—	0	(864,420,000)	(864,420,000)			
Cash Paid for Scholarships	—	—	(2,320)	(2,320)	—	(2,320)			
Origination of Program Loans	—	—	—	0	(174,392,226)	(174,392,226)			
Governmental and Fiduciary Fund Type Activity (Net)	—	—	—	0	(17,303,499)	(17,303,499)			
Other Operating Items (Net)	—	—	—	0	166,120	166,120			
Net Cash Provided by (Used in) Operating Activities	\$ (38,959,520)	\$ (4,137,550)	\$ (7,264)	\$ (43,104,334)	\$ 623,600,241	\$ 580,495,907			
Cash Flows from Noncapital Financing Activities:									
Operating Transfers In	\$ —	\$ 54,197,836	\$ —	\$ 54,197,836	\$ —	\$ 54,197,836			
Operating Transfers from Primary Government	—	—	—	0	62,019,706	62,019,706			
Proceeds from Assignment of Program Loans Under Repurchase Agreements	—	—	—	0	10,711,222	10,711,222			
Issuance of Bonds/Loans/Notes	—	—	—	0	167,621,141	167,621,141			
Contributed Capital	—	—	—	0	24,723,485	24,723,485			
Hotel/Motel Tax (Net)	—	—	—	0	3,200,997	3,200,997			
Operating Transfers Out	—	(17,427,367)	—	(17,427,367)	—	(17,427,367)			
Operating Transfers to Primary Government	—	—	—	0	(555,617,071)	(555,617,071)			
Repayment of Advances	—	—	—	0	(53,750)	(53,750)			
Principal Paid on Bonds/Loans/Notes	—	—	—	0	(172,969,802)	(172,969,802)			
Interest Paid on Bonds/Loans/Notes	—	—	—	0	(51,560,281)	(51,560,281)			
Return of Contributed Capital	—	(82,000)	—	(82,000)	(14,894,947)	(14,976,947)			
Transfer of Equity from Primary Government	—	—	—	0	199,786	199,786			
Other Debt Service Payments	—	—	—	0	(2,182,005)	(2,182,005)			
Other Noncapital Items (Net)	—	866,532	—	866,532	(1,989,564)	(1,123,032)			
Net Cash Provided by (Used in) Noncapital Financing Activities	\$ 0	\$ 37,555,001	\$ 0	\$ 37,555,001	\$ (530,791,083)	\$ (493,236,082)			
Cash Flows from Capital and Related Financing Activities:									
Issuance of Bonds/Loans/Notes	\$ —	\$ —	\$ —	\$ 0	\$ 76,654,509	\$ 76,654,509			
Hotel/Motel Tax Received	—	—	—	0	13,781,971	13,781,971			
Contributed Capital	—	165,856	—	165,856	45,336,032	45,501,888			
Sale of Capital Assets	—	—	—	0	614,951	614,951			
Acquisition and Construction of Capital Assets	(89,828)	(14,345,953)	—	(14,435,781)	(60,165,419)	(74,601,200)			
Principal Paid on Bonds/Loans/Notes	—	(242,857)	—	(242,857)	(90,215,248)	(90,458,105)			
Interest Paid on Bonds/Loans/Notes	—	(57,945)	—	(57,945)	(32,338,417)	(32,396,362)			
Other Debt Service Payments	—	—	—	0	(7,809,710)	(7,809,710)			
Other Capital and Related Items (Net)	—	—	—	0	(334,710)	(334,710)			
Net Cash Used in Capital and Related Financing Activities	\$ (89,828)	\$ (14,480,899)	\$ 0	\$ (14,570,727)	\$ (54,476,041)	\$ (69,046,768)			
Cash Flows from Investing Activities:									
Purchase of Investments (Net)	\$ (47,863,480)	\$ (320,961,015)	\$ 161,724	\$ (368,662,771)	\$ (211,337,264)	\$ (580,000,035)			
Interest on Investments	14,078,045	37,008,604	12,136	51,098,785	44,271,915	95,370,700			
Other Investing Items (Net)	—	—	—	0	121,036	121,036			
Net Cash Provided by Investing Activities	\$ (33,785,435)	\$ (283,952,411)	\$ 173,860	\$ (317,563,986)	\$ (166,944,313)	\$ (484,508,299)			
Net Increase in Cash and Cash Equivalents	\$ (72,834,783)	\$ (265,015,859)	\$ 166,596	\$ (337,684,046)	\$ (128,611,196)	\$ (466,295,242)			
Cash and Cash Equivalents, July 1	76,983,949	272,299,546	19,102	349,302,597	369,219,652	718,522,249			
Cash and Cash Equivalents, June 30	\$ 4,149,166	\$ 7,283,687	\$ 185,698	\$ 11,618,551	\$ 240,608,456	\$ 252,227,007			

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

State of Georgia

Combined Statement of Cash Flows All Proprietary Fund Types, Nonexpendable Trust Funds and Discretely Presented Component Units For the Fiscal Year Ended June 30, 1998

	Primary Government			Totals - (Memorandum Only)	Component Units	Totals - (Memorandum Only)			
	Proprietary Fund Types		Fiduciary Fund Type				Primary Government	Proprietary Fund Types	Reporting Entity
	Enterprise	Internal Service	Nonexpendable Trust						
Operating Income (Loss)	\$ (34,146,062)	\$ 23,185,827	\$ 5,653	\$ (10,954,582)	\$ 543,687,677	\$ 532,733,095			
Adjustments to Reconcile Operating Income to Net Cash Provided by (Used in) Operating Activities:									
Depreciation/Amortization	\$ —	\$ 1,309,224	\$ —	\$ 1,309,224	\$ 36,318,512	\$ 37,627,736			
Interest and Other Investment Income	(13,614,428)	(145,271,963)	(12,917)	(158,899,308)	57,242,065	(101,657,243)			
Other	—	—	—	0	(38,043,891)	(38,043,891)			
Changes in Assets and Liabilities:									
Increase in Intergovernmental Receivables	—	—	—	0	(2,518,671)	(2,518,671)			
Increase in Interest and Dividends Receivable	—	—	—	0	(1,367,878)	(1,367,878)			
Increase in Notes and Loans Receivable	—	—	—	0	(51,180,079)	(51,180,079)			
Decrease (Increase) in Other Receivables	(2,707,381)	55,534	—	(2,651,847)	9,947,439	7,295,592			
Decrease in Due from Other Funds	—	13,832,580	—	13,832,580	—	13,832,580			
Increase in Due from Primary Government	—	—	—	0	(71)	(71)			
Increase in Due from Component Units	—	50,589	—	50,589	—	50,589			
Decrease in Inventories	—	(102,675)	—	(102,675)	476,213	373,538			
Decrease (Increase) in Prepaid Items	—	(22,928)	—	(22,928)	1,209,943	1,187,015			
Decrease in Other Assets	—	—	—	0	5,256,224	5,256,224			
Increase (Decrease) in Accounts Payable and Other Accruals	(1,349,172)	(3,180,875)	—	(4,530,047)	334,264	(4,195,783)			
Increase in Compensated Absences Payable	84,269	332,098	—	416,367	267,213	683,580			
Increase in Claims and Judgments Payable	—	98,796,655	—	98,796,655	—	98,796,655			
Increase (Decrease) in Contracts Payable	(184,807)	5,449,562	—	5,264,755	(347,551)	4,917,204			
Decrease in Salaries/Withholdings Payable	—	(79,794)	—	(79,794)	(218,934)	(298,728)			
Increase in Benefits Payable	11,561,539	—	—	11,561,539	—	11,561,539			
Increase in Due to Other Funds	—	319,350	—	319,350	—	319,350			
Increase in Due to Primary Government	—	—	—	0	45,454	45,454			
Increase in Due to Component Units	—	143	—	143	—	143			
Increase in Deferred Revenue	1,396,522	6,384	—	1,402,906	736,463	2,139,369			
Decrease in Funds Held for Others	—	—	—	0	(6,859)	(6,859)			
Decrease in Other Liabilities	—	—	—	0	(118,997)	(118,997)			
Increase (Decrease) in Deposits and Overpayments	—	1,182,739	—	1,182,739	(550,295)	632,444			
Increase in Grand Prizes Payable	—	—	—	0	62,432,000	62,432,000			
Total Adjustments	\$ (4,813,458)	\$ (27,323,377)	\$ (12,917)	\$ (32,149,752)	\$ 79,912,564	\$ 47,762,812			
Net Cash Provided by (Used in) Operating Activities	\$ (38,959,520)	\$ (4,137,550)	\$ (7,264)	\$ (43,104,334)	\$ 623,600,241	\$ 580,495,907			
Noncash Investing, Capital, and Financing Activities:									
Acquisition of Fixed Assets through Capital Leases	\$ —	\$ 10,520,820	\$ —	\$ 10,520,820	\$ —	\$ 10,520,820			
Disposal of Fixed Assets	(6,870)	(2,395,749)	—	(2,402,619)	(693,638)	(3,096,257)			
Donation of Fixed Assets	—	—	—	0	1,777,741	1,777,741			
Interest Earned on Grand Prize Investments and Grand Prizes Payable	—	—	—	0	20,839,000	20,839,000			
Purchase of Building on Account	—	—	—	0	46,403	46,403			
Refunding Bond Proceeds Deposited Directly into Escrow Account	—	—	—	0	90,526,229	90,526,229			
Write off of Fixed Assets	—	(10,336,230)	—	(10,336,230)	—	(10,336,230)			
	\$ (6,870)	\$ (12,731,979)	\$ 0	\$ (12,738,849)	\$ 112,495,735	\$ 99,756,886			

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

State of Georgia

Statements of Plan Net Assets Pension Trust Funds, Investment Trust Fund and Discretely Presented Component Units June 30, 1998

	Primary Government							
	Defined Contribution Plan	District Attorneys Retirement Fund	District Attorneys Retirement System	Employees' Retirement System	Legislative Retirement System	Superior Court Judges Retirement Fund	Superior Court Judges Retirement System	Trial Judges and Solicitors Retirement Fund
Assets								
Cash and Cash Equivalents	\$ 70,000	\$ 3,000	\$ 17,000	\$ —	\$ 82,854	\$ 60,000	\$ —	\$ 87,000
Investments	25,888,000	—	31,001,000	11,275,768,772	26,386,820	1,547,000	114,701,000	55,800,000
Receivables (Net of Allowances for Uncollectibles)								
Interest and Dividends	227,000	—	—	93,182,000	—	—	—	—
Other	982,000	—	47,000	5,467,799	326	1,000	187,000	251,000
Prepaid Items	—	—	—	15,906	—	—	—	—
Fixed Assets (Net, Where Applicable, of Accumulated Depreciation)	—	—	—	—	—	—	—	—
Total Assets	\$ 27,167,000	\$ 3,000	\$ 31,065,000	\$ 11,374,434,477	\$ 26,470,000	\$ 1,608,000	\$ 114,888,000	\$ 56,138,000
Liabilities								
Cash Overdraft	\$ —	\$ —	\$ —	\$ 2,152,641	\$ —	\$ —	\$ 153,000	\$ —
Accounts Payable and Other Accruals	2,000	3,000	6,000	6,232,428	13,000	36,000	45,000	7,000
Salaries/Withholdings Payable	—	—	—	23,629	—	—	—	—
Due to Other Funds	—	—	—	632,673	26,000	—	—	—
Due to Primary Government	—	—	—	—	—	—	—	—
Total Liabilities	\$ 2,000	\$ 3,000	\$ 6,000	\$ 9,041,371	\$ 39,000	\$ 36,000	\$ 198,000	\$ 7,000
Fund Balances Reserved for Pension Benefits and Investment Trust Fund	\$ 27,165,000	\$ 0	\$ 31,059,000	\$ 11,365,393,106	\$ 26,431,000	\$ 1,572,000	\$ 114,690,000	\$ 56,131,000

(Schedules of funding progress are presented on pages 91 and 93)

Component Units - Fiduciary Fund Types									
Investment Trust Fund	Total Primary Government	Firefighters' Pension Fund	Judges of the Probate Courts Retirement Fund	Peace Officers' Annuity and Benefit Fund	Public School Employees Retirement System	Sheriffs' Retirement Fund	Superior Court Clerks' Retirement Fund	Teachers Retirement System	Total Component Units
\$ —	\$ 319,854	\$ —	\$ 28,224	\$ 3,389,458	\$ —	\$ —	\$ 52,760	\$ —	\$ 3,470,442
2,834,115,490	14,365,208,082	308,339,127	35,543,811	242,328,596	702,149,000	38,813,522	34,421,652	34,444,586,000	35,806,181,708
—	93,409,000	2,313,832	325,490	2,017,814	—	291,749	—	245,932,000	250,880,885
—	6,936,125	—	—	—	6,000	—	—	180,370,720	180,376,720
—	15,906	—	—	—	—	—	—	42,175	42,175
—	0	267,407	606	433,794	—	20,620	19,207	—	741,634
<u>\$ 2,834,115,490</u>	<u>\$ 14,465,888,967</u>	<u>\$ 310,920,366</u>	<u>\$ 35,898,131</u>	<u>\$ 248,169,662</u>	<u>\$ 702,155,000</u>	<u>\$ 39,125,891</u>	<u>\$ 34,493,619</u>	<u>\$ 34,870,930,895</u>	<u>\$ 36,241,693,564</u>
\$ 174,669,398	\$ 176,975,039	\$ 394	\$ —	\$ —	\$ 38,000	\$ 9,130	\$ —	\$ 65,282	\$ 112,806
—	6,344,428	—	—	—	267,000	—	—	1,987,730	2,254,730
—	23,629	—	1,279	4,393	—	—	—	62,762	68,434
—	658,673	—	—	—	—	—	—	—	0
—	0	—	—	—	—	—	—	39,946	39,946
<u>\$ 174,669,398</u>	<u>\$ 184,001,769</u>	<u>\$ 394</u>	<u>\$ 1,279</u>	<u>\$ 4,393</u>	<u>\$ 305,000</u>	<u>\$ 9,130</u>	<u>\$ 0</u>	<u>\$ 2,155,720</u>	<u>\$ 2,475,916</u>
<u>\$ 2,659,446,092</u>	<u>\$ 14,281,887,198</u>	<u>\$ 310,919,972</u>	<u>\$ 35,896,852</u>	<u>\$ 248,165,269</u>	<u>\$ 701,850,000</u>	<u>\$ 39,116,761</u>	<u>\$ 34,493,619</u>	<u>\$ 34,868,775,175</u>	<u>\$ 36,239,217,648</u>

State of Georgia

Statements of Changes in Plan Net Assets Pension Trust Funds, Investment Trust Fund and Discretely Presented Component Units For the Fiscal Year Ended June 30, 1998

	Primary Government							Trial Judges and Solicitors Retirement Fund
	Defined Contribution Plan	District Attorneys Retirement Fund	District Attorneys Retirement System	Employees' Retirement System	Legislative Retirement System	Superior Court Judges Retirement Fund	Superior Court Judges Retirement System	
Additions:								
Contributions								
Employer and Employee	\$ 10,473,000	\$ 179,000	\$ 574,000	\$ 341,623,000	\$ 406,000	\$ 1,893,000	\$ 2,223,000	\$ 1,670,000
Fines and Forfeits								
Fines and Bond Forfeitures	—	—	—	—	—	—	—	—
Interest and Other Investment Income								
Dividends and Interest	1,153,904	—	978,750	366,261,980	743,676	50,112	3,732,300	1,835,178
Net Appreciation in Fair Value of Investments	2,159,680	—	4,668,750	1,747,350,100	3,547,420	239,040	17,803,500	8,754,010
Less: Investment Expense	(11,584)	—	(22,500)	(8,824,080)	(17,096)	(1,152)	(85,800)	(42,188)
Net Gain on Disposal of Investment Securities	—	—	—	—	—	—	—	—
Pool Participant Deposits	—	—	—	—	—	—	—	—
Sales and Services								
Civil Cases	—	—	—	—	—	—	—	—
Marriage License Fees	—	—	—	—	—	—	—	—
Real Estate Recording Fees	—	—	—	—	—	—	—	—
Taxes								
Insurance Companies	—	—	—	—	—	—	—	—
Other								
Miscellaneous	—	—	—	—	—	—	—	—
Total Additions	\$ 13,775,000	\$ 179,000	\$ 6,199,000	\$ 2,446,411,000	\$ 4,680,000	\$ 2,181,000	\$ 23,673,000	\$ 12,217,000
Deductions:								
General and Administrative Expenses	\$ 245,000	\$ —	\$ —	\$ 3,760,108	\$ —	\$ —	\$ —	\$ —
Benefits	—	179,000	380,000	357,434,000	977,000	1,877,000	2,437,000	591,000
Pool Participant Withdrawals	—	—	—	—	—	—	—	—
Refunds	7,939,000	—	23,000	10,221,000	18,000	—	253,000	11,000
Total Deductions	\$ 8,184,000	\$ 179,000	\$ 403,000	\$ 371,415,108	\$ 995,000	\$ 1,877,000	\$ 2,690,000	\$ 602,000
Net Increase Before Operating Transfers	\$ 5,591,000	\$ 0	\$ 5,796,000	\$ 2,074,995,892	\$ 3,685,000	\$ 304,000	\$ 20,983,000	\$ 11,615,000
Operating Transfers:								
Transfers from Primary Government	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Transfers to Primary Government	—	—	—	—	—	—	—	—
Net Operating Transfers	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Net Increase	\$ 5,591,000	\$ 0	\$ 5,796,000	\$ 2,074,995,892	\$ 3,685,000	\$ 304,000	\$ 20,983,000	\$ 11,615,000
Fund Balances Reserved for Pension Benefits, July 1	21,574,000	0	25,263,000	9,290,397,214	22,746,000	1,268,000	93,707,000	44,516,000
Adjustments								
Change in Accounting Principle	—	—	—	—	—	—	—	—
Fund Balances Reserved for Pension Benefits and Investment Trust Fund, June 30	\$ 27,165,000	\$ 0	\$ 31,059,000	\$ 11,365,393,106	\$ 26,431,000	\$ 1,572,000	\$ 114,690,000	\$ 56,131,000

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

Investment Trust Fund	Component Units - Fiduciary Fund Types								
	Total Primary Government	Firefighters' Pension Fund	Judges of the Probate Courts Retirement Fund	Peace Officers' Annuity and Benefit Fund	Public School Employees Retirement System	Sheriffs' Retirement Fund	Superior Court Clerks' Retirement Fund	Teachers Retirement System	Total Component Units
\$ —	\$ 359,041,000	\$ 1,446,610	\$ 191,961	\$ 1,118,559	\$ 16,274,000	\$ 99,897	\$ 82,682	\$ 1,012,696,008	\$ 1,031,909,717
—	0	—	442,596	12,591,469	—	2,074,867	608,956	—	15,717,888
136,169,868	510,925,768	13,302,641	1,839,103	11,658,921	23,099,022	1,527,419	2,104,104	1,104,247,000	1,157,778,210
—	1,784,522,500	—	—	—	110,184,990	—	—	5,483,218,000	5,593,402,990
(1,231,885)	(10,236,285)	—	—	—	(531,012)	—	—	(25,734,000)	(26,265,012)
—	0	32,756,216	3,363,763	14,511,655	—	5,439,715	—	—	56,071,349
3,805,624,218	3,805,624,218	—	—	—	—	—	—	—	0
—	0	—	—	—	—	—	290,579	—	290,579
—	0	—	128,195	—	—	—	—	—	128,195
—	0	—	—	—	—	—	1,244,726	—	1,244,726
—	0	11,476,882	—	—	—	—	—	—	11,476,882
—	0	139,729	8,232	125,736	—	—	—	—	273,697
<u>\$ 3,940,562,201</u>	<u>\$ 6,449,877,201</u>	<u>\$ 59,122,078</u>	<u>\$ 5,973,850</u>	<u>\$ 40,006,340</u>	<u>\$ 149,027,000</u>	<u>\$ 9,141,898</u>	<u>\$ 4,331,047</u>	<u>\$ 7,574,427,008</u>	<u>\$ 7,842,029,221</u>
\$ —	\$ 4,005,108	\$ 1,562,456	\$ 128,864	\$ 1,134,560	\$ 575,000	\$ 387,048	\$ 79,547	\$ 6,634,475	\$ 10,501,950
—	363,875,000	10,869,240	1,068,532	9,820,201	24,537,000	2,106,295	2,055,696	780,582,000	831,038,964
3,391,131,132	3,391,131,132	—	—	—	—	—	—	—	0
—	18,465,000	167,688	—	96,481	364,000	—	24,750	42,098,000	42,750,919
<u>\$ 3,391,131,132</u>	<u>\$ 3,777,476,240</u>	<u>\$ 12,599,384</u>	<u>\$ 1,197,396</u>	<u>\$ 11,051,242</u>	<u>\$ 25,476,000</u>	<u>\$ 2,493,343</u>	<u>\$ 2,159,993</u>	<u>\$ 829,314,475</u>	<u>\$ 884,291,833</u>
<u>\$ 549,431,069</u>	<u>\$ 2,672,400,961</u>	<u>\$ 46,522,694</u>	<u>\$ 4,776,454</u>	<u>\$ 28,955,098</u>	<u>\$ 123,551,000</u>	<u>\$ 6,648,555</u>	<u>\$ 2,171,054</u>	<u>\$ 6,745,112,533</u>	<u>\$ 6,957,737,388</u>
\$ —	\$ 0	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 3,644,000	\$ 3,644,000
—	0	—	—	—	—	—	—	(179,008)	(179,008)
—	0	—	—	—	—	—	—	3,464,992	3,464,992
<u>\$ 549,431,069</u>	<u>\$ 2,672,400,961</u>	<u>\$ 46,522,694</u>	<u>\$ 4,776,454</u>	<u>\$ 28,955,098</u>	<u>\$ 123,551,000</u>	<u>\$ 6,648,555</u>	<u>\$ 2,171,054</u>	<u>\$ 6,748,577,525</u>	<u>\$ 6,961,202,380</u>
0	9,499,471,214	264,397,278	31,120,398	219,210,171	578,299,000	32,468,206	32,322,565	28,120,197,650	29,278,015,268
<u>2,110,015,023</u>	<u>2,110,015,023</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>0</u>
<u>\$ 2,659,446,092</u>	<u>\$ 14,281,887,198</u>	<u>\$ 310,919,972</u>	<u>\$ 35,896,852</u>	<u>\$ 248,165,269</u>	<u>\$ 701,850,000</u>	<u>\$ 39,116,761</u>	<u>\$ 34,493,619</u>	<u>\$ 34,868,775,175</u>	<u>\$ 36,239,217,648</u>

State of Georgia

Combined Statement of Changes in Fund Balances College and University Funds For the Fiscal Year Ended June 30, 1998

	Current Funds		Loan Funds
	Unrestricted	Restricted	
Revenues and Other Additions:			
Unrestricted Revenues	\$ 1,133,372,899	\$ —	\$ —
Federal Grants and Contracts	—	648,291,341	136,277
State Grants and Contracts	—	247,659,991	—
Local Grants and Contracts	—	6,097,377	3,387
Private Gifts, Grants and Contracts	—	153,543,228	180,823
Investment Income			
Endowment	—	9,006,016	—
Other	—	77,125	828,883
Sales and Services	—	5,109,504	—
Net Gain/(Loss) on Investments	—	—	—
Interest on Loans Receivable	—	—	942,634
Expended for Plant Facilities			
Current Funds	—	—	—
Plant Funds			
Unexpended	—	—	—
Renewals and Replacements	—	—	—
Georgia State Financing and Investment Commission	—	—	—
Other Additions (Net)			
Insurance Recoveries	—	—	—
Other	2,762,120	146,784	—
Recovery of Prior Year's Cancelled Loans and Collection Costs	—	—	143,194
	\$ 1,136,135,019	\$ 1,069,931,366	\$ 2,235,198
Total Revenues and Other Additions			
Expenditures and Other Deductions:			
Education and General Expenditures	\$ 2,185,798,986	\$ 917,433,912	\$ —
Auxiliary Enterprises Expenditures	173,763,185	—	—
Hospital Expenditures	190,986,076	76,720,453	—
Indirect Cost Recoveries	—	58,432,729	—
Loans Assigned to Federal Government	—	—	61,417
Loan Cancellations and Write-offs	—	—	621,571
Administrative and Collection Costs	—	93,992	172,754
Expended for Plant Facilities			
Capitalized	—	—	—
Non-Capitalized	—	—	—
Other Deductions (Net)	—	—	176,139
Disposals/Deletions/Adjustments	—	—	—
	\$ 2,550,548,247	\$ 1,052,681,086	\$ 1,031,881
Total Expenditures and Other Deductions			

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

Endowment and Similar Funds	Plant Funds			Total (Memorandum Only)
	Unexpended	Renewals and Replacements	Investment in Plant	
\$ —	\$ —	\$ —	\$ —	\$ 1,133,372,899
—	7,599,657	—	—	656,027,275
—	10,457,258	—	—	258,117,249
—	—	—	—	6,100,764
1,044,029	9,727,268	—	17,164,125	181,659,473
21,836	—	—	—	9,027,852
—	15,241,544	606,894	—	16,754,446
—	—	—	—	5,109,504
13,398	—	—	—	13,398
—	—	—	—	942,634
—	—	—	182,464,434	182,464,434
—	—	—	156,404,105	156,404,105
—	—	—	9,956,482	9,956,482
—	—	—	120,647,308	120,647,308
—	4,399,556	—	—	4,399,556
14,838,207	2,082,959	56,009	—	19,886,079
—	—	—	—	143,194
<u>\$ 15,917,470</u>	<u>\$ 49,508,242</u>	<u>\$ 662,903</u>	<u>\$ 486,636,454</u>	<u>\$ 2,761,026,652</u>
\$ —	\$ —	\$ —	\$ —	\$ 3,103,232,898
—	—	—	—	173,763,185
—	—	—	—	267,706,529
—	—	—	—	58,432,729
—	—	—	—	61,417
—	—	—	—	621,571
—	58,360	—	—	325,106
—	156,404,105	9,956,481	—	166,360,586
—	13,459,410	3,197,137	—	16,656,547
—	—	—	—	176,139
—	—	—	93,612,906	93,612,906
<u>\$ 0</u>	<u>\$ 169,921,875</u>	<u>\$ 13,153,618</u>	<u>\$ 93,612,906</u>	<u>\$ 3,880,949,613</u>

(continued)

State of Georgia

Combined Statement of Changes in Fund Balances College and University Funds (continued) For the Fiscal Year Ended June 30, 1998

	Current Funds		Loan Funds
	Unrestricted	Restricted	
Transfers Between Funds, Net In (Out)			
Mandatory	\$ (1,500,000)	\$ (519,664)	\$ (62,151)
Nonmandatory	(36,373,817)	(1,255,670)	48,520
Total Transfers Between Funds	\$ (37,873,817)	\$ (1,775,334)	\$ (13,631)
Operating Transfers:			
Transfers In	\$ 1,450,720,478	\$ —	\$ —
Transfers Out	(3,340,352)	—	—
Transfers to Component Units	(18,915,057)	—	—
Total Operating Transfers	\$ 1,428,465,069	\$ 0	\$ 0
Net Increase (Decrease) in Fund Balances	\$ (23,821,976)	\$ 15,474,946	\$ 1,189,686
Fund Balances, July 1	123,914,009	55,262,001	59,452,142
Adjustments			
Change in Accounting Principle	256,446	1,738,172	289,846
Transfer of Equity	400,296	(400,296)	—
Fund Balances, June 30	\$ 100,748,775	\$ 72,074,823	\$ 60,931,674

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

Endowment and Similar Funds	Plant Funds			Total (Memorandum Only)
	Unexpended	Renewals and Replacements	Investment in Plant	
\$ 2,081,815 (490,706)	\$ — 24,840,455	\$ — 13,231,218	\$ — —	\$ 0 0
\$ 1,591,109	\$ 24,840,455	\$ 13,231,218	\$ 0	\$ 0
\$ — — —	\$ 72,796,332 1,155,038 —	\$ 414,887 — —	\$ — — —	\$ 1,523,931,697 (2,185,314) (18,915,057)
\$ 0	\$ 73,951,370	\$ 414,887	\$ 0	\$ 1,502,831,326
\$ 17,508,579	\$ (21,621,808)	\$ 1,155,390	\$ 393,023,548	\$ 382,908,365
81,739,275	38,673,908	32,989,759	4,223,590,203	4,615,621,297
19,713,172	(35,588)	(2,023)	—	21,960,025
—	—	—	—	0
\$ 118,961,026	\$ 17,016,512	\$ 34,143,126	\$ 4,616,613,751	\$ 5,020,489,687

State of Georgia

Combined Statement of Current Funds Revenues, Expenditures and Other Changes College and University Funds For the Fiscal Year Ended June 30, 1998

	Current Funds		Total (Memorandum Only)
	Unrestricted	Restricted	
Revenues:			
Tuition and Fees	\$ 535,016,387	\$ —	\$ 535,016,387
Federal Grants and Contracts	60,836,464	595,982,597	656,819,061
State Grants and Contracts	4,124,614	240,403,502	244,528,116
Local Grants and Contracts	352,199	5,645,646	5,997,845
Private Gifts, Grants and Contracts	7,148,232	144,147,533	151,295,765
Investment Income	106,734	3,185,219	3,291,953
Sales and Services of Educational Departments	53,289,656	4,018,332	57,307,988
Sales and Services of Auxiliary Enterprises	174,807,488	—	174,807,488
Sales and Services of Hospital	209,989,684	—	209,989,684
Other Sources	87,701,441	—	87,701,441
	<u>\$ 1,133,372,899</u>	<u>\$ 993,382,829</u>	<u>\$ 2,126,755,728</u>
Expenditures and Mandatory Transfers:			
Education and General			
Instruction	\$ 866,307,641	\$ 87,458,437	\$ 953,766,078
Research	222,730,421	239,017,794	461,748,215
Public Service	137,128,657	65,036,126	202,164,783
Academic Support	220,102,200	7,988,039	228,090,239
Student Services	114,009,303	4,109,712	118,119,015
Institutional Support	338,401,192	24,872,679	363,273,871
Plant Operations and Maintenance	207,012,615	1,368,136	208,380,751
Scholarships and Fellowships	80,106,957	487,582,989	567,689,946
Auxiliary Enterprises			
Student Housing	54,661,035	—	54,661,035
Faculty and Staff Housing	178,505	—	178,505
Food Services	35,185,199	—	35,185,199
Stores and Shops	16,226,677	—	16,226,677
Intercollegiate Athletics	28,466,207	—	28,466,207
Other Service Units	39,045,562	—	39,045,562
Hospital Expenditures			
Medical College of Georgia Hospital	190,986,076	—	190,986,076
Georgia Correctional Health Care	—	69,206,541	69,206,541
Georgia War Veterans Nursing Home	—	7,513,912	7,513,912
Mandatory Transfers, Net (In) Out	1,500,000	519,664	2,019,664
	<u>\$ 2,552,048,247</u>	<u>\$ 994,674,029</u>	<u>\$ 3,546,722,276</u>
Other Transfers and Additions (Deductions):			
Excess of Restricted Receipts over Transfers to Revenues	\$ —	\$ 17,969,024	\$ 17,969,024
Nonmandatory Transfers, Net In (Out)	(36,373,817)	(1,255,670)	(37,629,487)
Other Additions (Deductions), Net	2,762,120	52,792	2,814,912
Operating Transfers			
Transfers In	1,450,720,478	—	1,450,720,478
Transfers Out	(3,340,352)	—	(3,340,352)
Transfers to Component Units	(18,915,057)	—	(18,915,057)
	<u>\$ 1,394,853,372</u>	<u>\$ 16,766,146</u>	<u>\$ 1,411,619,518</u>
Total Other Transfers and Additions (Deductions)	<u>\$ 1,394,853,372</u>	<u>\$ 16,766,146</u>	<u>\$ 1,411,619,518</u>
Net Increase in Fund Balances	<u>\$ (23,821,976)</u>	<u>\$ 15,474,946</u>	<u>\$ (8,347,030)</u>

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

Notes to the Financial Statements
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Note 1. Summary of Significant Accounting Policies

With the exception of the departures from generally accepted accounting principles (GAAP) disclosed in the following paragraphs, the financial statements of the State of Georgia have been prepared in conformity with GAAP as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The financial statements of the College and University Funds have been prepared in conformity with GAAP as promulgated by the provisions of the American Institute of Certified Public Accountants' "Industry Audit Guide - Audits of Colleges and Universities."

The more significant of the State's accounting policies are described below:

A. Reporting Entity

In evaluating how to define the government for financial reporting purposes, management has considered both the organizations which compose the primary government and potential component units. The primary government consists of all the organizations that compose the legal entity of the State of Georgia. All agencies, departments, authorities, commissions, courts, councils, boards, universities, colleges, retirement funds, associations and other funds that are not legally separate are, for financial reporting purposes, considered part of the primary government. In addition, included within the primary government are organizations which are legally separate but so intertwined with the primary government that they are, in substance, part of the primary government.

The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards. This Section defines a component unit as a legally separate organization for which the primary government is financially accountable and other organizations for which the primary government is not accountable, but for which the nature and the significance of the relationship with the primary government are such that exclusion would cause the financial statements to be misleading or incomplete.

Financial accountability is the ability to appoint a voting majority of an organization's governing board and to impose will upon the organization or to have exist the potential for the organization to provide specific financial benefits or impose specific financial burdens on the primary government. In addition, organizations which are fiscally dependent upon the primary government were considered as potential component units.

As required by GAAP, these financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government's operations and therefore data from these units are combined with that of the primary government. The blended component units are as follows:

GeorgiaNet Authority (Special Revenue Fund) is an instrumentality of the State of Georgia and a public corporation. The authority is responsible for the centralized marketing of certain information maintained in electronic format to the public. Three of the five members of the Board are appointed by the Governor. Any funds in excess of those needed for the corporate purposes of the authority are required to be transferred to the General Fund.

Georgia Building Authority (Hospital) (Capital Projects Fund) is a body corporate and politic. The authority is responsible for the construction and management of hospitals, health care facilities, dormitories and housing accommodations for the use of patients, officers and employees under the control of any State agency. The Board consists of four State officials designated by statute and one member appointed by the Governor.

Georgia Building Authority (Markets) (Capital Projects Fund) is a body corporate and politic. The authority is responsible for the construction and management of farmers' markets. The Board consists of four State officials designated by statute and one member appointed by the Governor.

Georgia Building Authority (Penal) (Capital Projects Fund) is a body corporate and politic. The authority was created for the purpose of constructing and managing penal institutions, penitentiaries, prisons and prison institutes, detention and corrections institutions, rehabilitation facilities and county correctional institutions. The Board consists of four State officials designated by statute and one member appointed by the Governor.

Note 1. Summary of Significant Accounting Policies (continued)

Georgia Education Authority (University) (Capital Projects Fund) is a body corporate and politic. The authority is charged with the overall responsibility of the construction and management of housing accommodations, classrooms, laboratories, libraries, dormitories and instructional, administrative and recreational facilities for students, faculty, officers and employees of any institution under control of the Board of Regents. The Board consists of five State officials designated by statute and one member appointed by the Governor.

Georgia Building Authority (Internal Service Fund) is a body corporate and politic. The purpose of this authority is to construct and manage buildings and facilities intended for use as office space, public parks and public parking facilities, the executive mansion and laboratories. The Board consists of four State officials designated by statute and one member appointed by the Governor.

Georgia Correctional Industries Administration (Internal Service Fund) is a public corporation which utilizes inmates in the manufacturing of products for sale to State agencies and others. The Governor appoints one Board member from each congressional district in the State, as well as appointing five additional members from the State at large.

Employees' Retirement System of Georgia (Pension Trust Fund) is a single-employer, public employee retirement system established to provide benefits for employees of the State. The system is governed by a seven member Board of Trustees, three of which are State officials designated by statute, and one of which is appointed by the Governor. The system administers seven blended defined benefit pension plans: the Employees' Retirement System Fund, the **District Attorneys' Retirement Fund**, the **District Attorneys' Retirement System**, the **Legislative Retirement System**, the **Superior Court Judges Retirement Fund**, the **Superior Court Judges Retirement System**, and the **Trial Judges and Solicitors Retirement Fund**. The State provides a substantial amount of funding for these retirement systems in the form of employer contributions and administrative expenses.

Georgia Military College (College and University Funds) is a body corporate and politic. This institution is dedicated to providing a high-quality military education to the youth of the State. The Board consists of the mayor of the City of Milledgeville, and one trustee elected from each of the six municipal voting districts of the City of Milledgeville, as required by statute.

Discrete presentation entails reporting component unit financial data in columns separate from the financial data of the primary government. The discretely presented component units are as follows:

Georgia Education Authority (Schools) (Governmental Fund Type) is a body corporate and politic. The authority is responsible for the construction of buildings and facilities intended for use as school buildings, classrooms, laboratories, libraries and instructional, administrative and recreational facilities for students, faculty, officers and employees of any institution under control of a county or city board of education or governing body of any independent district or system. The Board consists of six State officials designated by statute and one member appointed by the Governor.

Georgia Public Telecommunications Commission (Governmental Fund Type) is a body corporate and politic. This commission is a public charitable organization created for the purpose of providing educational, instructional and public broadcasting services to citizens of Georgia. The budget of the commission must be approved by the State. The Board consists of three State officials designated by statute and six members appointed by the Governor.

Georgia Agricultural Exposition Authority (Proprietary Fund Type) is a body corporate and politic. This authority is responsible for provision of a facility for the agricultural community, for public events, exhibits and other activities and for promotion and staging of a statewide fair. The nine Board members are appointed by the Governor.

Georgia Agrirama Development Authority (Proprietary Fund Type) is a body corporate and politic. The purpose of this authority is to utilize all funds for the purpose of beautifying, improving, developing, maintaining, administering, managing and promoting an agricultural museum in or around Tifton, Georgia; this museum is designated as the State Museum of Agriculture. Of the fourteen members of the Board, four are State officials designated by statute and seven members are appointed by the Governor.

Georgia Development Authority (Proprietary Fund Type) is a body corporate and politic. The authority was created to assist agricultural and industrial interests by providing credit and servicing functions to better enable farmers and businessmen to obtain needed capital funds. The Board consists of three State officials designated by statute and four members appointed by the Governor.

Georgia Environmental Facilities Authority (Proprietary Fund Type) is a body corporate and politic. The authority

Notes to the Financial Statements
June 30, 1998

Note 1. Summary of Significant Accounting Policies (continued)

provides assistance to local governments in constructing, extending, rehabilitating, repairing, replacing and renewing environmental facilities by providing financial and technical assistance. The Board consists of three State officials designated by statute and eight members appointed by the Governor.

Georgia Higher Education Assistance Corporation (Proprietary Fund Type) is a public authority, body corporate and politic. The corporation was created to improve the higher educational opportunities of eligible students by guaranteeing educational loan credit to students and to parents of students. The corporation is governed by the Board of Commissioners of the Georgia Student Finance Commission. The Board consists of five State officials designated by statute and eleven members appointed by the Governor.

Georgia Highway Authority (Proprietary Fund Type) 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 Board consists of three State officials designated by statute.

Georgia Housing and Finance Authority (Proprietary Fund Type) is a body corporate and politic. The authority is responsible for facilitating housing and housing finance, and financing for health facilities and health care services throughout the State. The Board consists of two State officials designated by statute and ten members appointed by the Governor.

Georgia International and Maritime Trade Center Authority (Proprietary Fund Type) 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. The Board consists of twelve members, eight of whom are appointed by State officials.

Georgia Lottery Corporation (Proprietary Fund Type) is a public body, corporate and politic. The corporation 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. The corporation 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 the corporation.

Georgia Music Hall of Fame Authority (Proprietary Fund Type) is a body corporate and politic whose purpose is to construct, operate and maintain the Music Hall of Fame, as well as promoting music events at the facility and throughout the State. All nine members of the Board are appointed by the Governor.

Georgia Ports Authority (Proprietary Fund Type) 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 Board consists of nine members, all of which are appointed by the Governor.

Georgia Rail Passenger Authority (Proprietary Fund Type) is a body corporate and politic. This authority is responsible for construction, financing, operation and development of rail passenger service and other public transportation projects. The Board includes one member appointed by the Governor from each congressional district, as well as two appointed members from the State at large.

Georgia Seed Development Commission (Proprietary Fund Type) is a body corporate and politic and an instrumentality and public corporation of the State whose purpose is to purchase, process, and resell breeders' and foundation seeds. The commission consists of ten members who are accountable as trustees. Of the ten members serving on the Board, six members are State officials or are appointed by State officials.

Georgia Student Finance Authority (Governmental Fund Type) 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. The Board consists of fifteen members, four of whom are State officials and the remaining eleven are appointed by the Governor.

Geo. L. Smith II Georgia World Congress Center Authority (Proprietary Fund Type) is a body corporate and politic and an instrumentality and public corporation of the State. The authority is responsible for acquiring, constructing, equipping, maintaining and operating the World Congress Center to promote trade shows, conventions and political, musical, educational, entertainment, recreational, athletic or other events. The eleven members of the Board are appointed by the Governor.

Note 1. Summary of Significant Accounting Policies (continued)

Georgia Sports Hall of Fame Authority (Proprietary Fund Type) is a body corporate and politic. This authority was created to construct and maintain a facility to house the Georgia Sports Hall of Fame to honor those who have made outstanding and lasting contributions to sports and athletics, and to operate, advertise and promote the Sports Hall of Fame. The sixteen members of the Board are appointed by State officials. The issuance of bonds must be approved by the Georgia State Financing and Investment Commission.

Jekyll Island State Park Authority (Proprietary Fund Type) is a body corporate and politic and an instrumentality and public corporation of the State. The authority was created to operate and manage resort recreational facilities on Jekyll Island. The Board consists of one State official designated by statute and eight members appointed by the Governor.

Lake Lanier Islands Development Authority (Proprietary Fund Type) is a body corporate and politic and an instrumentality and public corporation of the State. The purpose of the authority is to manage, preserve and protect projects on Lake Lanier Islands. The Board consists of one State official designated by statute and eight members appointed by the Governor.

North Georgia Mountains Authority (Proprietary Fund Type) is a body corporate and politic and an instrumentality and public corporation of the State responsible for the construction and management of recreation, accommodation and tourist facilities and services. The nine members of the Board are appointed by the Governor.

Sapelo Island Heritage Authority (Proprietary Fund Type) is a body corporate and politic. The purpose of the authority is the preservation of the cultural and historic values of Hog Hammock Community located on Greater Sapelo Island. The three members serving on the Board are State officials. The State has assumed the obligation to provide financial support for real property acquisition.

State Tollway Authority (Proprietary Fund Type) is a body corporate and politic and an instrumentality and public corporation of the State. The authority was created to construct, operate and manage a system of roads, bridges and tunnels and facilities related thereto. The three Board members are State officials; therefore, the State can impose its will on the authority.

Stone Mountain Memorial Association (Proprietary Fund Type) is a body corporate and politic and an instrumentality and public corporation of the State. The authority is responsible for the preservation and protection of Stone Mountain as a Confederate memorial and public recreational area. The Board consists of one State official designated by statute and eight members appointed by the Governor.

Superior Court Clerks' Cooperative Authority (Proprietary Fund Type) is a body corporate and politic and an instrumentality and public corporation of the State created to provide a cooperative for the development, acquisition and distribution of record management systems, information, services, supplies and materials for superior court clerks of the State. Of the seven members of the Board, three are appointed by the Governor. The nature of this organization is such that it would be misleading to exclude it from the reporting entity.

Georgia Firefighters' Pension Fund (Fiduciary Fund Type) is a multiple-employer, defined benefit pension plan established for the purpose of paying retirement, death and disability benefits to the firemen of the State of Georgia. The Board of Trustees consists of two State officials designated by statute and three members appointed by the Governor. Benefit provisions and vesting requirements are established by State statute.

Judges of the Probate Courts Retirement Fund of Georgia (Fiduciary Fund Type) is a multiple-employer, defined benefit pension plan established for the purpose of paying retirement, death and disability benefits to the judges of the Probate Courts of the State of Georgia. The Board consists of one State official designated by statute and six members appointed by the Governor. Benefit provisions and vesting requirements are established by State statute.

Peace Officers' Annuity and Benefit Fund of Georgia (Fiduciary Fund Type) is a multiple-employer, defined benefit pension plan established for the purpose of paying retirement, death and disability benefits to the peace officers of the State of Georgia. The Board of Commissioners of the Annuity and Benefit Fund consists of two State officials designated by statute and four members appointed by the Governor. Benefit provisions and vesting requirements are established by State statute.

Public School Employees Retirement System (Fiduciary Fund Type) is a single-employer, defined benefit pension plan established for the purpose of providing retirement

Note 1. Summary of Significant Accounting Policies (continued)

allowances for public school employees who are not eligible for membership in the Teachers Retirement System of Georgia. This retirement fund is administered by the Employees' Retirement System Board of Trustees and two other Governor's appointees not on the Employees' Retirement System Board.

Sheriffs' Retirement Fund of Georgia (Fiduciary Fund Type) is a multiple-employer, defined benefit pension plan established for the purpose of paying retirement, death and disability benefits to the sheriffs of the State of Georgia. The Board consists of one State official designated by statute and five members appointed by the Governor. Benefit provisions and vesting requirements are established by State statute.

Superior Court Clerks' Retirement Fund of Georgia (Fiduciary Fund Type) is a multiple-employer, defined benefit pension plan established for the purpose of paying retirement, death and disability benefits to the Superior Court Clerks of the State of Georgia. The Board consists of one State official designated by statute and six members appointed by the Governor. Benefit provisions and vesting requirements are established by State statute.

Teachers Retirement System of Georgia (Fiduciary Fund Type) is a cost-sharing multiple-employer plan created by an act of the Georgia General Assembly to provide retirement, service, disability and survivors' benefits for qualifying teachers. The Board of Trustees is comprised of ten members, eight of which are State officials or are appointed by State officials. The State provides a substantial amount of funding to this retirement system in the form of employer contributions.

B. Fund Accounting

The State of Georgia uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, is a

financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

Primary Government - The financial statements of the primary government are divided into four fund categories (further divided by fund type) and two account groups, all of which are described below. The four fund categories include governmental, proprietary, fiduciary and college and university funds. The two account groups presented are the general fixed assets account group and the general long-term debt account group.

Governmental Fund Types are used to account for all or most of a state's general activities. Governmental fund types include:

General Fund - The General Fund is used to account for all financial transactions not required to be accounted for in another fund. These transactions relate to resources obtained and used for services traditionally provided by a state government.

Special Revenue Funds - Special Revenue Funds are used to account for specific revenues that are legally restricted to expenditures for specified purposes.

The primary government special revenue fund is the GeorgiaNet Authority. The GeorgiaNet Authority is responsible for centralized marketing, sales, leasing and licensing of certain public information.

Debt Service Funds - Debt Service Funds are used to account for the payment of principal and interest on general long-term debt.

The primary government debt service fund is the General Obligation Debt Sinking Fund, which is administered by the Office of Treasury and Fiscal Services. The Debt Sinking Fund is responsible for the accumulation of resources for the payment of principal and interest on general obligation bonds.

Capital Projects Funds - Capital Projects Funds are used to account for the acquisition or construction of capital facilities.

Proprietary Fund Types are used to account for activities similar to those found in the private sector, where cost recovery and the determination of net income is necessary or useful for sound financial administration.

Note 1. Summary of Significant Accounting Policies (continued)

Enterprise Funds - Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

The primary government enterprise fund is the State Employees' Health Benefit Plan, which is administered by the State Personnel Board, Merit System of Personnel Administration. The State Employees' Health Benefit Plan is a self-insured program of health benefits for the employees of units of government of the State of Georgia, units of county government and local education agencies located within the State of Georgia.

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

Fiduciary Fund Types are used to account for assets held on behalf of outside parties, including other governments, or on behalf of other funds within the State. These fund types include:

Expendable Trust Funds - Expendable Trust Funds are used to account for the activities of trusts in which both principal and income may be used for the purposes of the trust.

Nonexpendable Trust Funds - Nonexpendable Trust Funds are used to account for the activities of trusts when the government is under an obligation to maintain the trust principal.

Pension Trust Funds - Pension Trust Funds are used to account for State-administered retirement systems.

Investment Trust Fund - Investment Trust Funds are used to account for the external portion of a government-sponsored investment pool.

The primary government investment trust fund is Georgia Fund 1, which is administered by the Office of Treasury and Fiscal Services. Georgia Fund 1 was established to enable local governments to voluntarily invest any idle local moneys.

Agency Funds - Agency Funds are used to account for assets that the State holds on behalf of others as their agent.

College and University Funds are used to account for the operations of State colleges and universities in accordance with existing authoritative accounting and reporting principles applicable to government-operated colleges and universities. Accordingly, college and university funds are an aggregation of the following funds.

Current Funds - Current Funds are used to account for current operating expenditures and related resources and include (1) unrestricted funds over which the college or university retains full control in achieving the institutions' purposes, and (2) restricted funds which may be utilized only in accordance with externally-restricted purposes.

Loan Funds - Loan Funds are used to account for transactions of related resources obtained and used for loans to students.

Endowment and Similar Funds - Endowment and Similar Funds are used to account for resources held by the institutions that must be administered in accordance with trust agreements.

Plant Funds - Plant Funds are used to account for institutional property acquisition, renewal and replacement, debt retirement and investment.

Agency Funds - Agency Funds are used to account for amounts held in custody for students, university-related organizations and others. Agency Funds are also used to account for the external portion of college and university fund-sponsored investment pools.

The **General Fixed Assets Account Group** is used to account for all fixed assets acquired or constructed for use by the State, other than those accounted for in the proprietary, fiduciary, and college and university funds.

The **General Long-Term Debt Account Group** is used to account for general obligation bonds outstanding, accrued annual and compensatory leave, capital lease obligations and other long-term liabilities not otherwise recorded in proprietary, fiduciary, and college and university funds.

Note 1. Summary of Significant Accounting Policies (continued)

Discretely Presented Component Units - The financial statements of the component units, other than the component units which financial statements were blended with the financial statements of the primary government due to their relationship with the primary government, are presented in separate columns. The three columns presented reflect financial activity for the following fund types:

Governmental Fund Types are used to account for component unit general activities.

Proprietary Fund Types are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful for sound financial management.

Fiduciary Fund Types are used to account for assets held on behalf of outside parties, including other governments, or on behalf of other funds within the State.

The financial data presented in these columns are discretely presented with the balances and transactions for each component unit being aggregated within the component unit's predominant fund type.

C. Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds and expendable trust funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

All proprietary funds, nonexpendable trust funds, pension trust funds and investment trust funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

The modified accrual basis of accounting is used by all governmental fund types, expendable trust funds and agency funds. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., 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. Principal revenue sources which are susceptible to accrual include income taxes, sales and use taxes, federal grants and shared revenues. Revenues applicable to expenditure-driven programs, however, may be accrued based on the unexecuted portion of contracts for goods and services. Expenditures are recorded when the related fund liability is incurred, as required by GAAP, with the exception of year-end encumbrances which are recorded as expenditures rather than as a reservation of fund balance. Principal and interest on general long-term debt are recorded as fund liabilities when due or when amounts have been accumulated in the debt service fund for payments to be made early in the subsequent fiscal year.

The accrual basis of accounting, as required by GAAP, is utilized by proprietary fund types, nonexpendable trust funds, pension trust funds and investment trust funds with the exception of the following individual pension trust funds which are reported essentially on the cash basis:

Discretely Presented Component Units

Fiduciary Fund Types

- Firefighters' Pension Fund
- Judges of the Probate Courts Retirement Fund
- Peace Officers' Annuity and Benefit Fund of Georgia
- Sheriffs' Retirement Fund of Georgia
- Superior Court Clerks' Retirement Fund of Georgia

Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. Depreciation of fixed assets has not been reported for all funds included within the proprietary fund types as required by GAAP.

The College and University Funds are reported using the modified accrual basis of accounting (which is materially the same as the accrual basis of accounting applicable to colleges and universities), with the exception that contractual obligations for services which have not been performed and for goods which have not been delivered at the end of the fiscal year are recognized as expenditures and liabilities in the accompanying financial statements.

As permitted by generally accepted accounting principles for colleges and universities, no depreciation is provided for the physical properties.

Note 1. Summary of Significant Accounting Policies (continued)

D. Budgets

The annual budget of the State of Georgia 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 revenue and expenditures. 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 level. The appropriated budget covers most governmental funds included in the State reporting entity but excludes the special revenue fund, capital projects funds and certain debt service funds which are not subject to appropriation. The budget includes certain proprietary funds, the college and university funds, and the administrative costs of operating certain public employee retirement systems. 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. 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.

Because the budgetary basis differs from GAAP, budget and actual amounts in the accompanying Statement of Funds Available and Expenditures Compared to Budget - Budget Fund are presented on the budgetary basis. A reconciliation of the excess of funds available over expenditures on the budgetary basis at June 30, 1998, to the excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses/net income (loss)/net increase in plan net assets/net increase (decrease) in fund balances - current funds presented in conformity with GAAP is set forth in Note 3.

E. Deposits and Investments

Cash and Cash Equivalents

Cash and cash equivalents include currency on hand and demand deposits with banks and other financial institutions. Cash and cash equivalents also include short-term, highly liquid investments with maturity dates within three months

of the date acquired, with the exception of the college and university funds, which report all time deposits as cash.

Investments

Investments are defined as those financial instruments with terms in excess of three months from the date of purchase and certain other securities held for the production of revenue.

The investment policy of the State of Georgia is to maximize the protection of State funds on deposit while accruing an advantageous yield on those funds in excess of those required for current operating expenses (Official Code of Georgia Annotated [OCGA] 50-17-51). 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 Director of the Office of Treasury and Fiscal Services as revenues of the State of Georgia. 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 Director of the Office of Treasury and Fiscal Services for the purpose of pooled investment (OCGA 50-17-63). Such cash is managed in a pooled investment fund to maximize interest earnings. The pooled investment fund is also available on a voluntary basis to organizations outside of the State reporting entity.

Authorized pool investments are limited to the following (OCGA 36-83-4 and 36-83-8):

- 1) Obligations of the State of Georgia or of other states;
- 2) Obligations issued by the United States government;
- 3) Obligations fully insured or guaranteed by the United States government or a United States government agency;
- 4) Obligations of any corporation of the United States government;
- 5) Prime banker's acceptances;
- 6) Repurchase agreements; and
- 7) Obligations of other political subdivisions of the State.

Pooled cash and cash equivalents and investments are grouped into portfolios for investment purposes according to the operating needs of the State of Georgia and other pool contributors.

The Primary Liquidity Portfolio is a stable net asset value investment pool which follows Standard and Poor's criteria for AAAM rated money market funds. The pool is not registered with the Securities and Exchange Commission (SEC) as an investment company, but does operate in a

Note 1. Summary of Significant Accounting Policies (continued)

manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. The pool's primary objectives are safety of capital, investment income, liquidity and diversification while maintaining principal. Net asset value is calculated weekly to ensure stability. The pool distributes earnings (net of management fees) on a monthly basis and values participants' shares sold and redeemed at the pool's share price, \$1.00 per share.

The Extended Term Portfolio consist of repurchase agreements and certain U.S. Government Securities which include mortgage-backed securities such as collateralized mortgage obligations and adjustable rate mortgages. These mortgage-backed securities are reported as U.S. Government Securities in the disclosure of custodial credit risk (see Note 4). Investments in this portfolio are transacted by an external investment management firm under direction of an investment advisory agreement executed between the Office of Treasury and Fiscal Services and the investment management firm. The agreement directs the investment firm to utilize the Merrill Lynch 1-3 year Treasury Index in managing the average duration of the overall portfolio, excluding cash, to within plus or minus six months of the duration of the Index. As of June 30, 1998, the State had \$47,362,040 invested in U. S. agency mortgage- and asset-backed securities.

Other organizations of the State of Georgia reporting entity invest in a variety of financial activities. These investments may include brokered certificates of deposit, commercial paper, convertible bonds, corporate bonds, notes and obligations, foreign bonds, investment agreements, mortgages, municipal bonds, mutual funds, real estate, real estate mortgages and notes, real estate investment trust limited partnerships, repurchase agreements, short-term investments, stocks, and U. S. Treasury bonds, notes, and bills. Investments of other organizations are stated at fair value at June 30, 1998.

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, 1998, the Department held surety bonds in the amount of \$32,920,366, and cash bonds in the amount of \$11,416,189. These bonds are not recorded on the Combined Balance Sheet.

Securities are held pursuant to statutes which require licensed insurance companies to deposit securities with the Department of Insurance prior to issuance of a certificate of authority to transact insurance by the Commissioner of Insurance. These securities remain in the name of the licensed insurance company as long as the company has a pending claim in the State of Georgia 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 is allowed as long as the required levels of deposits are maintained. At June 30, 1998, securities in the amount of \$194,651,483 were held by the Department of Insurance. These securities are not recorded on the Combined Balance Sheet.

Construction contracts awarded by the Department of Transportation (Primary Government) and the State Tollway Authority (Discretely Presented Component Units) usually include provisions to withhold a percentage of the payments until the project reaches a specified state of completion. Georgia law requires that these funds be deposited in a state or national bank chartered within this State. The State controls only the release of these funds; the assets in the accounts are considered to be the property of the contractor. Therefore, no assets and liabilities for these escrow accounts have been included in these financial statements. At June 30, 1998, \$42,105,490 in escrow deposits were administered by the Department of Transportation and \$75,788 by the State Tollway Authority.

F. Receivables

Receivables in the State's governmental funds pertain primarily to Federal revenues and revenues applicable to charges for services. Receivables in all other funds have arisen in the ordinary course of business. Receivables are recorded when either the asset or revenue recognition criteria (See Note 1-C) have been met. Estimates of allowances for uncollectible receivables have not been made for the majority of receivables included within the financial statements.

Note 1. Summary of Significant Accounting Policies (continued)

G. Interfund Receivables

The short-term portion of balances arising in connection with interfund loans are recorded as interfund receivables.

H. Due To/From Other Funds

Equally offsetting asset and liability accounts are used to account for amounts owed to a particular fund by another fund for short term obligations on goods sold or services rendered.

I. Advances to Other Funds

Noncurrent portions of long-term interfund loans receivable are reported as advances and are offset equally by a fund balance reserve account which indicates that they do not constitute expendable available financial resources and therefore are not available for appropriation.

J. Inventories

Inventories of supplies and materials are determined by physical count and/or perpetual inventory records and are valued at cost, current purchase price, fair market value, lower of cost or market using the first-in/first-out (FIFO) method, moving average cost, standard cost, or weighted average cost, depending on the individual organization's preference. The costs of governmental fund-type 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.

Under the purchase method, a portion of the fund balance is reserved for inventories to indicate that it is not available for appropriation. Organizations under the consumption method normally reserve a portion of fund balance equal to the average monthly inventories on hand for the fiscal year.

USDA Donated Food Inventories are shown at a value established by the U. S. Department of Agriculture. Donated food inventories are equally offset by an amount to indicate that they do not constitute "available expendable resources" even though they are a component of net current

assets. The fund balance reserve is based on values established by the U. S. Department of Agriculture.

K. Prepaid Items

Payments made to vendors and local government organizations for services that will benefit periods beyond June 30, 1998, are recorded as prepaid items.

L. Restricted Assets

Certain proceeds of enterprise fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants.

M. Fixed Assets

General fixed assets of governmental fund types are reflected as expenditures in the funds used to acquire or construct them and the related assets are reported in the general fixed assets account group. Proprietary and trust fund fixed assets are capitalized in their respective funds, except for expendable trust fund fixed assets, which are reported in the general fixed assets account group. College and university funds report expenditures for fixed assets in the funds used to acquire or construct them and the related assets are reported within the plant funds.

Due to the lack of complete and accurate inventory records applicable to State-owned land and buildings and the lack of historical cost values for certain parcels of land and buildings, the general fixed assets account group does not represent a comprehensive valuation of the assets owned by the State of Georgia.

All purchased fixed assets are valued at cost or at estimated historical cost if historical cost is not practically determinable. Certain fixed assets acquired through capital leases in prior years have not been recorded on the financial statements at the net present value of the minimum lease payments as is required by GAAP. Donated fixed assets are valued at their estimated fair market value on the date received.

Costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Material improvements adding to the value of assets are capitalized. Interest costs during construction are not capitalized for construction or acquisition of assets

Note 1. Summary of Significant Accounting Policies (continued)

funded by governmental fund types and college and university funds. Interest costs during construction for proprietary fund types are not capitalized with the exception of construction projects funded through the Stone Mountain Memorial Association (discretely presented component unit).

With the exception of the college and university funds, public domain ("infrastructure") fixed assets consisting of such assets as roads, bridges, curbs, streets and sidewalks, drainage systems and lighting systems are not generally reported, as these assets are immovable and of value only to the State of Georgia.

Assets in the general fixed assets account group and the college and university funds are not depreciated. The majority of proprietary funds do not record depreciation on fixed assets as required by GAAP.

N. Compensated Absences

The State's liability for accumulated unpaid annual leave is reported in the accompanying general long-term debt account group for governmental fund types. These amounts are not shown as a liability in the funds but are recorded as expenditures when paid. In the proprietary fund types and the college and university funds this obligation is reported as a liability in the respective funds.

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 forty-five 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.

Employees earn ten hours of sick leave each month with a maximum accumulation of ninety 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 one hundred and twenty days or more of forfeited annual and sick leave are entitled to additional service credit in the Employees' Retirement System of Georgia. No liability is recorded for nonvesting accumulating rights to receive sick pay benefits.

O. Deferred Revenue

The State reports deferred revenue on the combined balance sheet. Deferred revenues arise when a potential revenue does not meet the "available" criterion for recognition in the current period. Deferred revenues also arise when resources are received by the State before it has a legal claim to them, as when grant monies are received prior to qualifying expenditures being incurred. In subsequent periods, when the revenue recognition criterion is met, or when the State has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

P. Mortgage Loans Under Repurchase Agreements

At June 30, 1998, mortgage loans totaling \$17,728,827 have been transferred and assigned to lenders under repurchase agreements by the Georgia Development Authority (Discretely Presented Component Units). The agreements give the lenders the option to have the Authority repurchase the mortgage loans for an amount equal to the then outstanding balance of principal and interest due during a specified period of time.

In addition, the Authority guarantees the principal and interest payment by the borrower to the lender within thirty (30) days of the due date. Any payment not received within thirty (30) days is considered advanced to the borrower and paid to the lender by the Authority. The Authority then charges the borrower interest on these advances for the period outstanding at a penalty rate agreed upon at the loan origination date. Fund balance in the amount of fifteen percent (15%) of the principal balances outstanding of mortgage loans under repurchase agreements is reserved.

Q. Long-Term Obligations

Long-term debt and other long-term obligations are recognized as a liability of a governmental fund when due, or when resources have been accumulated in the debt service fund for payment early in the subsequent fiscal year. Other long-term obligations, with the exception of the long-term portion of some capital leases, are reported in the general long-term debt account group.

Long-term debt expected to be financed from proprietary fund operations are accounted for in those funds.

Note 1. Summary of Significant Accounting Policies (continued)

R. Fund Equity

Contributed capital is recorded in proprietary funds that have received capital or contributions from developers, customers or other funds. Reserves represent those portions of fund equity not appropriable for expenditure or legally segregated for a specific future use. Designated fund balances represent tentative plans for future use of financial resources.

S. Bond Discounts/Premiums/Issuance Costs

In governmental fund types, bond discounts, premiums and issuance costs are recognized in the current period. Bond discounts, premiums and issuance costs for proprietary fund types are deferred and amortized over the term of the bonds using a method which approximates the effective interest method or the straight-line method. Bond premiums (discounts) are presented as increases (reductions) in the face amount of bonds payable whereas issuance costs are recorded as deferred charges.

T. Interfund Transactions

The State has the following types of interfund transactions:

Quasi-external transactions for services rendered by one fund to another are accounted for as revenues by the recipient fund and expenditures or expenses by the disbursing fund.

Reimbursements of expenditures/expenses initially made from a fund that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

Residual equity transfers are recorded for nonrecurring or nonroutine permanent transfers of equity.

Operating transfers are recorded for all other interfund transactions.

U. Intrafund Transactions

State accounting policies and procedures allow for the recording of revenues, receivables, expenses and liabilities for transactions between State organizations whose financial activity is included within a single fund. State accounting systems do not facilitate the identification of all such transactions. Adjustments have been made for material transactions and balances which have been identified during the preparation of the State's general purpose financial statements; however, all such intrafund transactions and balances were not identifiable and, accordingly, revenues, receivables, expenses and liabilities are overstated, primarily in the general and college and university funds.

V. Memorandum Only - Total Columns

Total columns on the general purpose financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations or cash flows in conformity with GAAP. Neither are such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

W. Fiscal Reporting Periods

The financial statements include financial activity for the Stone Mountain Memorial Association whose fiscal reporting period differs from that of the State of Georgia (July 1, 1997 through June 30, 1998). The applicable fiscal reporting period for the Stone Mountain Memorial Association is based on a fifty-two/fifty-three week period ending on the last Sunday of each calendar year. Financial activity is reported for the period December 30, 1996, through January 2, 1998.

State of Georgia

Notes to the Financial Statements June 30, 1998

Note 2. Other Accounting Disclosures

Change in Accounting Policy and Restatements

Atlanta and Savannah Technical Institutes have been added to the reporting entity as a part of the General Fund for the year ended June 30, 1998. The beginning fund balance for the general fund has been increased by \$1,504,009 due to the inclusion of these organizations.

In fiscal year 1998, the State implemented GASB Statement 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools." The statement establishes fair value standards for reporting certain investments and establishes financial statement reporting standards for external investment pools. These changes are reflected as adjustments to fund equity in the applicable funds.

A reconciliation of the equipment inventory records of the Department of Administrative Services revealed an unidentified difference between the computed balance based on current year purchases/deletions and the actual financial statement balance. The beginning fund equity of the internal service funds has been decreased by \$10,336,230 for this correction.

In prior years, the Ports Authority recorded contributions from the primary government to be used to construct certain facilities. The expenditure of these funds was charged to construction in progress. The Authority believes this investment is not recoverable and that the related cash receipts and expenditures should not have been recorded as contributions or as an asset of the Authority. The beginning fund equity of the discretely presented component units - proprietary fund types has been decreased by \$8,600,000, and construction in progress has been restated.

Fund balances/fund equity at July 1, 1997, have been adjusted as follows:

<u>Primary Government</u>	
General Fund	
Restatement of Beginning Fund Balance	
for the Inclusion of Atlanta and	
Savannah Technical Institutes	<u>\$ 1,504,009</u>
Capital Projects Funds	
Investments Reported at Fair Value	\$ 14,058,031
Correction of Errors	<u>7,600,000</u>
	<u>\$ 21,658,031</u>
Internal Service Funds	
Fixed Assets Correction	<u>\$ (10,336,230)</u>
Expendable Trust Funds	
Investments Reported at Fair Value	<u>\$ (6,504)</u>
Nonexpendable Trust Funds	
Investments Reported at Fair Value	<u>\$ (383)</u>
Investment Trust Fund	
External Pool Reporting	<u>\$2,110,015,023</u>
College and University Funds	
Investments Reported at Fair Value	<u>\$ 21,960,025</u>

<u>Discretely Presented Component Units</u>	
Proprietary Fund Types	
Investments Reported at Fair Value	\$ (4,573,552)
Contributed Capital Restatement	(8,600,000)
Correction of Errors	<u>(7,298,285)</u>
	<u>\$ (20,471,837)</u>

Note 3. Budgetary Accounting

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

The Governor, through the Office of Planning and Budget, 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 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 Constitution of the State of Georgia, Article III, Section IX, Paragraph 4, the General Assembly is prohibited from appropriating funds for any given fiscal year which, in the aggregate, exceeds the amount of unappropriated surplus funds expected to have accrued at the beginning of the subsequent fiscal year together with the total estimated amount of receipts from existing revenue sources, less refunds, anticipated to be collected in the subsequent fiscal year. The Constitution further authorizes the passage of additional Supplementary Appropriation Acts for specific purposes, provided sufficient unappropriated funds are available or additional revenue measures have been enacted. Federal funds received by the State are continually appropriated in the exact amounts and for the purposes authorized and directed by the awarding federal

agency. Internal transfers within a budget unit and between objects of functional or activity budget units are subject to the condition that no State funds shall be transferred for the purpose of initiating a new program area not currently having a State funds appropriation.

The Governor, through the Office of Planning and Budget, requires each budget unit, other than those of the legislative and judicial branches, to submit an annual operating budget based on the activities and functions set forth in the Appropriations Act. Budget units submit quarterly 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 the Office of Planning and Budget.

Budget units (i.e., agencies, commissions) 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 departmental level. Due to the complex nature of the State appropriated budget, a separate budgetary report entitled, "Report of the State Auditor of Georgia," is published each year. This report includes a listing of State organizations (appropriation units) which incurred expenditures in excess of amounts budgeted by object class.

The appropriated budget covers the majority of the governmental funds included within the State of Georgia reporting entity, but excludes the special revenue fund, debt service fund and capital projects funds, which are not subject to appropriation. The budget does include certain proprietary funds, the college and university funds, and the administrative costs of operating various public employee retirement systems. The accompanying Statement of Funds Available and Expenditures Compared to Budget - Budget Fund presents comparisons of the legally adopted budget with actual data prepared on the budgetary basis of accounting utilized by the State. Because the budgetary and GAAP presentations for actual data differ, a reconciliation of "Excess of Funds Available Over Expenditures - Budget Fund (Budgetary Method)" and "Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses/Net Income (Loss)/Net Increase in Plan Net Assets/Net Increase (Decrease) in Fund Balances - Current Funds - GAAP Fund Types" appears below.

State of Georgia

Notes to the Financial Statements June 30, 1998

Note 3. Budgetary Accounting (continued)

Budgetary Fund	Financial Statement Fund Types						
	Primary Government						
Budget	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Internal Service	
Excess of Funds Available Over Expenditures - Budget Fund Budgetary Method	\$ 1,450,740,846	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Entity and Perspective Differences:							
Reclassification of Budgetary Funds to GAAP Financial Statement Fund Types	(1,450,740,846)	1,381,141,302	-	-	-	80,102,715	27,055,475
Non-Budgeted Funds	-	578,997,585	(26,216)	24,561,677	(131,739,289)	-	45,703,375
Budgeted Non-Current Funds	-	-	-	-	-	-	-
Basis Differences:							
Net Accrued Revenues, Related Receivables and Deferred Revenues	-	(1,650,202,031)	-	-	-	(104,178,967)	(23,320,739)
Net Accrued Expenditures/Expenses and Related Liabilities	-	136,156,841	-	-	-	(10,076,680)	11,111,554
Timing Differences:							
Revenues	-	5,176,425	-	-	-	-	-
Expenditures/Expenses	-	-	-	-	-	-	(1,278,867)
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses/Net Income (Loss)/ Net Increase in Plan Net Assets/Net Increase (Decrease) in Fund Balances - Current Funds - GAAP Fund Types	\$ -	\$ 451,270,122	\$ (26,216)	\$ 24,561,677	\$ (131,739,289)	\$ (34,152,932)	\$ 59,270,798

State of Georgia
Notes to the Financial Statements
June 30, 1998

	Financial Statement Fund Types						
	Primary Government				Discretely Presented Component Units		
	Expendable Trust	Nonexpendable Trust	Pension/ Investment Trust	College and University	Governmental	Proprietary	Fiduciary
Excess of Funds Available Over Expenditures - Budget Fund Budgetary Method	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Entity and Perspective Differences:							
Reclassification of Budgetary Funds to GAAP Financial Statement Fund Types	-	-	200	(33,479,864)	(4,542,999)	283,008	181,009
Non-Budgeted Funds	178,443,594	5,653	2,672,400,961	(6,107,820)	(732,931)	69,898,531	6,961,199,855
Budgeted Non-Current Funds	-	-	-	22,979,866	-	-	-
Basis Differences:							
Net Accrued Revenues, Related Receivables and Deferred Revenues	-	-	(200)	9,208,371	(264,137)	(718,915)	(2,000)
Net Accrued Expenditures/Expenses and Related Liabilities	-	-	-	(3,817,904)	1,331,847	47,934	2,525
Timing Differences:							
Revenues	-	-	-	18,760	-	-	-
Expenditures/Expenses	-	-	-	2,851,561	-	-	(179,009)
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses/Net Income (Loss)/Net Increase in Plan Net Assets/Net Increase (Decrease) in Fund Balances - Current Funds - GAAP Fund Types	<u>\$ 178,443,594</u>	<u>\$ 5,653</u>	<u>\$ 2,672,400,961</u>	<u>\$ (8,347,030)</u>	<u>\$ (4,208,220)</u>	<u>\$ 69,510,558</u>	<u>\$ 6,961,202,380</u>

State of Georgia

Notes to the Financial Statements June 30, 1998

Note 4. Deposits and Investments

Deposits - Funds belonging to the State of Georgia cannot be placed in a depository paying interest longer than ten days without the depository providing a surety bond to the State. In lieu of a surety bond, the depository may pledge as collateral any one or more of the following securities as enumerated in OCGA 50-17-59:

- 1) Bonds, bills, notes, certificates of indebtedness or other direct obligations of the United States or of the State of Georgia.
- 2) Bonds, bills, notes, certificates of indebtedness or other obligations of the counties or municipalities of the State of Georgia.
- 3) Bonds of any public authority created by the laws of the State of Georgia, providing that the statute that created the authority authorized the use of the bonds for this purpose.
- 4) Industrial revenue bonds and bonds of development authorities created by the laws of the State of Georgia.
- 5) Bonds, bills, certificates of indebtedness, notes or other obligations of a subsidiary corporation of the United States government, which are fully guaranteed by the United States government both as to principal and interest and debt obligations issued 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 Association and the Federal National Mortgage Association.

- 6) Guarantee or insurance of accounts provided by the Federal Deposit Insurance Corporation.

As authorized in OCGA 50-17-53, the State Depository Board has adopted policies which allow agencies of the State of Georgia the option of exempting demand deposits from the collateral requirements.

Primary Government

At year end, the carrying amounts of the State's deposits were \$551,093,963, and the bank balances were \$1,119,194,950. The amounts of these bank balances are classified into three categories of credit risk: (1) cash that is insured (e.g., Federal depository insurance) or collateralized with securities held by the State or by its agent in the State's name, (2) cash collateralized with securities held by the pledging financial institution's trust department or agent in the State's name and (3) uncollateralized bank accounts. The State's deposits were classified as follows at June 30, 1998:

<u>Risk Category</u>	<u>Bank Balance</u>
1	\$ 328,827,903
2	298,713,481
3	<u>491,653,566</u>
	<u>\$ 1,119,194,950</u>

State of Georgia

Notes to the Financial Statements June 30, 1998

Note 4. Deposits and Investments (continued)

Significant Discretely Presented Component Units

At year end, the significant discretely presented component units' deposits were classified as follows:

	Risk Categories			Bank Balance	Funds Held by (for) Primary Government	Carrying Amount
	1	2	3			
<i>Governmental Fund Types</i>						
Georgia Education Authority (Schools)	\$ 61	\$ -	\$ -	\$ 61	\$ 601,120	\$ 61
Georgia Public Telecommunications Commission	\$ 282,704	\$ -	\$ 397,925	\$ 680,629	\$ 1,910	\$ (1,118,441)
<i>Proprietary Fund Types</i>						
Environmental Facilities Authority	\$ 4,736,763	\$ -	\$ -	\$ 4,736,763	\$ 205,683,639	\$ 10,973,156
Georgia Housing and Financing Authority	\$ 41,056,020	\$ -	\$ 115,935,723	\$ 156,991,743	\$ 9,085,952	\$ 159,455,286
Geo. L. Smith II Georgia World Congress Center Authority	\$ 179,018	\$ 2,355,182	\$ -	\$ 2,534,200	\$ 16,857	\$ 299,027
All Other Component Units	\$ 36,933,499	\$ 6,211,864	\$ 38,596,715	\$ 81,742,078	\$ 57,881,964	\$ 51,264,127
<i>Fiduciary Fund Types</i>						
Peace Officers' Annuity and Benefit Fund	\$ 100,000	\$ -	\$ 3,304,795	\$ 3,404,795	\$ 13,008,506	\$ 3,389,258
All Other Component Units	\$ 2,969,942	\$ 229,165	\$ -	\$ 3,199,107	\$ 713,027,501	\$ 385,162

Investments - Investments are stated at market value, and are summarized and classified as to risk in the following three categories: (1) insured or registered, or securities held by the State or its agent in the State's name, (2) uninsured or

unregistered, with securities held by the counterparty's trust department or agent in the State's name or (3) uninsured or unregistered, with securities held by the counterparty, or by its trust department or agent but not in the State's name.

State of Georgia

Notes to the Financial Statements
June 30, 1998

**Note 4. Deposits and Investments
(continued)**

Primary Government

The carrying amounts, risk categories and market value applicable to the State's investments are listed below:

<u>Type of Investment</u>	<u>Risk Categories</u>			<u>Carrying Amount</u>
	<u>1</u>	<u>2</u>	<u>3</u>	
Commercial Paper	\$ 1,708,951	\$ 354,827,597	\$ -	\$ 356,536,548
Municipal Bonds	8,385,100	-	-	8,385,100
Repurchase Agreements	2,785,068,420	13,642,636	-	2,798,711,056
Stocks	7,817,024,677	52,525,687	-	7,869,550,364
U.S. Government Securities and Corporate Obligations	<u>10,216,310,485</u>	<u>98,760,653</u>	<u>-</u>	<u>10,315,071,138</u>
	<u>\$ 20,828,497,633</u>	<u>\$ 519,756,573</u>	<u>\$ -</u>	\$ 21,348,254,206
<i>Unclassified</i>				
Mortgages				4,758,905
Mutual Funds				14,848,031
Other				6,255
Unemployment Compensation Funds Pooled with the U.S. Treasury				<u>1,914,400,343</u>
Total Investments				<u>\$ 23,282,267,740</u>

State of Georgia

Notes to the Financial Statements June 30, 1998

Note 4. Deposits and Investments (continued)

Significant Discretely Presented Component Units

The carrying amounts, risk categories and market value of the investments of the State's significant discretely presented component units are listed below:

		<u>Risk Categories</u>			
<u>Type of Investment</u>		<u>1</u>	<u>2</u>	<u>3</u>	<u>Carrying Amount</u>
<i>Governmental Fund Types</i>					
Georgia Public Telecommunications Commission	Stocks	\$ 159,334	\$ -	\$ -	\$ 159,334
<i>Proprietary Fund Types</i>					
Georgia Housing and Finance Authority	Commercial Paper	\$ 1,389,489	\$ -	\$ -	\$ 1,389,489
	Corporate Bonds	2,726,805	-	-	2,726,805
	U.S. Government Securities and Corporate Obligations	36,502,945	-	-	36,502,945
		<u>\$ 40,619,239</u>	<u>\$ -</u>	<u>\$ -</u>	\$ 40,619,239
<i>Unclassified</i>					
	Mortgages				42,656,601
					<u>\$ 83,275,840</u>
All Other Component Units	Commercial Paper	\$ 1,508,677	\$ -	\$ -	\$ 1,508,677
	Corporate Bonds	1,000,000	-	-	1,000,000
	Repurchase Agreements	50,278,585	-	-	50,278,585
	U.S. Government Securities and Corporate Obligations	255,951,326	4,068,349	103,053,000	363,072,675
		<u>\$ 308,738,588</u>	<u>\$ 4,068,349</u>	<u>\$ 103,053,000</u>	<u>\$ 415,859,937</u>

State of Georgia

Notes to the Financial Statements June 30, 1998

Note 4. Deposits and Investments (continued)

		<u>Risk Categories</u>			
<u>Type of Investment</u>		<u>1</u>	<u>2</u>	<u>3</u>	<u>Carrying Amount</u>
<i>Fiduciary Fund Types</i>					
Teachers Retirement System of Georgia	Repurchase Agreements	\$ 486,319,000	\$ -	\$ -	\$ 486,319,000
	Stocks	20,685,510,000	-	-	20,685,510,000
	U.S. Government Securities and Corporate Obligations	<u>13,268,987,000</u>	-	-	<u>13,268,987,000</u>
		<u>\$ 34,440,816,000</u>	<u>\$ -</u>	<u>\$ -</u>	\$ 34,440,816,000
	<i>Unclassified</i>				
	Real Estate				<u>3,770,000</u>
					<u>\$ 34,444,586,000</u>
All Other Component Units	Corporate Bonds	\$ 14,723,618	\$ -	\$ -	\$ 14,723,618
	Investment Accounts	163,450	-	-	163,450
	Notes	42,369,973	-	-	42,369,973
	Repurchase Agreements	525,000	-	-	525,000
	Stocks	267,349,346	-	-	267,349,346
	U.S. Government Securities and Corporate Obligations	<u>279,947,855</u>	-	-	<u>279,947,855</u>
		<u>\$ 605,078,242</u>	<u>\$ -</u>	<u>\$ -</u>	\$ 605,078,242
	<i>Unclassified</i>				
	Mutual Funds				28,846,747
	Real Estate				<u>1,217,703</u>
					<u>\$ 635,142,692</u>

Investments Lending Program - The State is presently involved in a securities lending program 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. 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 110% of the loaned securities value, depending on the type of collateral security.

Securities loaned totaled \$18,542,163,000 at June 30, 1998, and the collateral value was equal to 103.7%. The loaned securities are classified as category 1 investments in the component units - fiduciary fund types based on the custodial arrangements for the collateral securities. Loaned securities are included in the accompanying Combined Balance Sheet since the State maintains ownership. The related collateral securities are not recorded as assets on the Combined Balance Sheet, and a corresponding liability is not recorded, since the State does not pledge or trade the collateral securities.

State of Georgia

Notes to the Financial Statements June 30, 1998

Note 4. Deposits and Investments (continued)

Investment Pools - Separate reports on the State's external investment pools are not issued. Condensed financial statements, inclusive of external and internal participants for the fiscal year ended June 30, 1998, are as follows:

<u>State Investment Pool</u>	<u>State Investment Pool</u>
<u>Statement of Net Assets</u>	<u>Statement of Changes in Net Assets</u>
<u>June 30, 1998</u>	<u>For the Fiscal Year Ended June 30, 1998</u>
<p><u>Assets</u></p> <p>Investments \$ 4,281,356,647</p> <p><u>Liabilities</u></p> <p>Cash Overdraft <u>238,942,916</u></p> <p>Net Assets <u>\$ 4,042,413,731</u></p> <p><u>Distribution of Net Assets</u></p> <p>External Participant Account Balances \$ 2,659,446,092</p> <p>Internal Participant Account Balances <u>1,382,967,639</u></p> <p style="text-align: right;"><u>\$ 4,042,413,731</u></p>	<p><u>Additions</u></p> <p>Pool Participant Deposits \$ 9,937,242,067</p> <p>Investment Income 333,916,752</p> <p>Less: Investment Expense <u>(1,735,049)</u></p> <p>Total Additions \$10,269,423,770</p> <p><u>Deductions</u></p> <p>Pool Participant Withdrawals <u>9,557,355,504</u></p> <p>Net Increase \$ 712,068,266</p> <p><u>Net Assets</u></p> <p>July 1 <u>3,330,345,465</u></p> <p>June 30 <u>\$ 4,042,413,731</u></p>

State of Georgia
Notes to the Financial Statements
June 30, 1998

**Note 4. Deposits and Investments
(continued)**

<u>Regents Investment Pool</u>	<u>Regents Investment Pool</u>
<u>Statement of Net Assets</u>	<u>Statement of Changes in Net Assets</u>
<u>June 30, 1998</u>	<u>For the Fiscal Year Ended June 30, 1998</u>
<p><u>Assets</u></p> <p>Investments \$ 100,703,314</p> <p>Interest Receivable <u>427,114</u></p> <p>Total Assets \$ 101,130,428</p> <p><u>Liabilities</u></p> <p>Cash Overdraft <u>1,523,174</u></p> <p>Net Assets <u>\$ 99,607,254</u></p> <p><u>Distribution of Net Assets</u></p> <p>External Participant Account Balances \$ 6,528,363</p> <p>Internal Participant Account Balances <u>93,078,891</u></p> <p><u>\$ 99,607,254</u></p>	<p><u>Additions</u></p> <p>Investment Income</p> <p>Interest \$ 4,022,844</p> <p>Fair Value Increases 10,531,063</p> <p>Less: Investment Expense <u>(369,270)</u></p> <p>Total Additions \$ <u>14,184,637</u></p> <p><u>Deductions</u></p> <p>Pool Participant Withdrawals \$ 59,250,391</p> <p>Capital Transactions <u>(26,951,815)</u></p> <p>Total Deductions \$ <u>32,298,576</u></p> <p>Net Decrease \$ (18,113,939)</p> <p><u>Net Assets</u></p> <p>July 1 <u>117,721,193</u></p> <p>June 30 <u>\$ 99,607,254</u></p>

State of Georgia

Notes to the Financial Statements
June 30, 1998

Note 5. Receivables

Primary Government

Receivables by fund type as of June 30, 1998, consist of the following:

	<u>Gross Receivables</u>	<u>Allowance For Uncollectibles</u>	<u>Net Total Receivables</u>
Governmental Fund Types			
General	\$ 3,277,652,421	\$ -	\$ 3,277,652,421
Special Revenue	1,779,103	-	1,779,103
Capital Projects	13,092,184	-	13,092,184
Proprietary Fund Types			
Enterprise	20,749,365	(2,180,096)	18,569,269
Internal Service	10,837,247	-	10,837,247
Fiduciary Fund Types			
Expendable Trust	99,540,799	(15,438,484)	84,102,315
Pension Trust	100,345,125	-	100,345,125
Agency	26,373,232	-	26,373,232
College and University Funds	<u>302,345,438</u>	<u>(59,151,501)</u>	<u>243,193,937</u>
	<u>\$ 3,852,714,914</u>	<u>\$ (76,770,081)</u>	<u>\$3,775,944,833</u>

State of Georgia

Notes to the Financial Statements June 30, 1998

Note 5. Receivables (continued)

Significant Discretely Presented Component Units

Receivables of the significant discretely presented component units as of June 30, 1998, consist of the following:

	<u>Gross Receivables</u>	<u>Allowance For Uncollectibles</u>	<u>Allowance For Service Repayments</u>	<u>Deferred Loan Fees</u>	<u>Net Total Receivables</u>
Governmental Fund Types					
Georgia Public Telecommunications Commission	\$ 1,576,842	\$ (150,000)	\$ -	\$ -	\$ 1,426,842
Proprietary Fund Types					
Georgia Environmental Facilities Authority	554,071,211	-	-	-	554,071,211
Georgia Housing and Finance Authority	664,695,260	(265,063)	-	-	664,430,197
Georgia Student Finance Authority	398,394,189	(1,727,749)	(31,116,476)	-	365,549,964
All Other Component Units	149,429,109	(4,364,029)	-	(194,505)	144,870,575
Fiduciary Fund Types					
Teachers Retirement System Of Georgia	426,302,720	-	-	-	426,302,720
All Other Component Units	<u>4,954,885</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,954,885</u>
	<u>\$ 2,199,424,216</u>	<u>\$ (6,506,841)</u>	<u>\$ (31,116,476)</u>	<u>\$ (194,505)</u>	<u>\$ 2,161,606,394</u>

State of Georgia
Notes to the Financial Statements
June 30, 1998

Note 6. Fixed Assets

Primary Government

The following is a summary of changes in the general fixed assets account group during the fiscal year:

	<u>Balance July 1, 1997</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 1998</u>
Land and Buildings	\$ 1,856,103,612	\$ 133,562,109	\$ (1,698,794)	\$ 1,987,966,927
Improvements Other Than Buildings	389,573	59,059	-	448,632
Machinery and Equipment	850,747,262	129,035,657	(53,660,964)	926,121,955
Construction in Progress	-	350,787	-	350,787
Total General Fixed Assets	<u>\$ 2,707,240,447</u>	<u>\$ 263,007,612</u>	<u>\$ (55,359,758)</u>	<u>\$ 2,914,888,301</u>

The following is a summary of the proprietary fund types and college and university funds fixed assets at June 30, 1998:

	<u>Proprietary Fund Types</u>		
	<u>Enterprise Funds</u>	<u>Internal Service Funds</u>	<u>College and University Funds</u>
Land and Buildings	\$ -	\$ 242,027,505	\$ 2,692,992,145
Improvements Other Than Buildings	-	-	181,591,288
Machinery and Equipment	313,620	181,354,768	1,561,332,914
Less: Accumulated Depreciation	-	(11,980,413)	-
Construction in Progress	-	-	200,930,122
Net Fixed Assets	<u>\$ 313,620</u>	<u>\$ 411,401,860</u>	<u>\$ 4,636,846,469</u>

State of Georgia

Notes to the Financial Statements June 30, 1998

Note 6. Fixed Assets (continued)

Significant Discretely Presented Component Units

The following is a summary of the significant discretely presented component units' fixed assets at June 30, 1998:

	<u>Governmental Fund Types</u>		<u>Proprietary Fund Types</u>		
	<u>Georgia Public Telecommunications Commission</u>	<u>Georgia Ports Authority</u>	<u>Stone Mountain Memorial Association</u>	<u>Geo. L. Smith II Georgia World Congress Center Authority</u>	<u>All Other Component Units</u>
Land and Buildings	\$ 27,360,330	\$ 173,885,000	\$ 81,304,479	\$ 209,402,736	\$ 87,078,996
Improvements Other Than Buildings	-	200,806,000	18,980,870	-	2,710,490
Machinery and Equipment	64,270,414	117,111,000	28,009,630	11,729,405	29,963,747
Less: Accumulated Depreciation	-	(204,906,000)	(32,656,784)	(43,869,410)	(20,100,103)
Construction in Progress	-	63,114,000	287,578	70,791,475	25,026,332
Net Fixed Assets	<u>\$ 91,630,744</u>	<u>\$ 350,010,000</u>	<u>\$ 95,925,773</u>	<u>\$ 248,054,206</u>	<u>\$ 124,679,462</u>

	<u>Fiduciary Fund Types</u>		
	<u>Firefighters' Pension Fund</u>	<u>Peace Officers' Annuity and Benefit Fund</u>	<u>All Other Component Units</u>
Land and Buildings	\$ 135,197	\$ 310,296	\$ -
Machinery and Equipment	132,210	123,498	40,433
Net Fixed Assets	<u>\$ 267,407</u>	<u>\$ 433,794</u>	<u>\$ 40,433</u>

As noted in the Summary of Significant Accounting Policies (Note 1), the State does not maintain complete and accurate inventory records applicable to State-owned land and buildings, nor are there historical cost values for certain

parcels of land and buildings; therefore, the tables above do not represent a comprehensive valuation of the assets owned by the State of Georgia.

State of Georgia

Notes to the Financial Statements June 30, 1998

Note 7. Risk Management

A. Public Entity Risk Pool

The State Personnel Board, Merit System of Personnel Administration internally administers for the State of Georgia a program of health benefits for the employees of units of government of the State of Georgia, units of county government and local education agencies located within the State of Georgia. This plan is funded by participants covered in the plan, by employers' contributions paid by the various units of government participating in the plan, and appropriations by the General Assembly of Georgia. The State Personnel Board, Merit System of Personnel Administration has contracted with Blue Cross Blue Shield of Georgia to process claims in accordance with the State Employees' Health Benefit Plan as established by the State Personnel Board.

A reconciliation of total claims liabilities for fiscal years ended June 30, 1998, and 1997, is shown below:

	Fiscal Year Ended <u>June 30, 1998</u>	Fiscal Year Ended <u>June 30, 1997</u>
Unpaid Claims and Claim Adjustments July 1	\$148,196,779	\$159,373,817
Incurring Claims and Claims Adjustment Expenses - Provisions for Insured Events of the Current Year	863,085,931	820,471,532
Payments - Claims and Claim Adjustment Expenses Attributable to Insured Events of the Current Year and of Prior Years	<u>(851,524,392)</u>	<u>(831,648,570)</u>
Unpaid Claims and Claim Adjustments June 30	<u>\$159,758,318</u>	<u>\$148,196,779</u>

B. Board of Regents Employee Health Benefits Plan

The Board of Regents of the University System of Georgia maintains a program of health and dental benefits for its employees and retirees. This plan is funded jointly through premiums paid by participants covered under the plan and employer contributions paid by the Board of Regents and its organizational units. All units of the University System of Georgia share the risk of loss for claims of the plan.

The Board of Regents has contracted with Blue Cross Blue Shield to process all claims in accordance with medical coverage guidelines as established by the Board of Regents.

A reconciliation of total claims liabilities for fiscal years ended June 30, 1998, and 1997, is shown below:

	Fiscal Year Ended <u>June 30, 1998</u>	Fiscal Year Ended <u>June 30, 1997</u>
Unpaid Claims and Claim Adjustments July 1	\$ 20,900,000	\$ 19,600,000
Incurring Claims and Claims Adjustment Expenses - Provisions for Insured Events of the Current Year	140,916,616	138,407,492
Payments - Claims and Claim Adjustment Expenses Attributable to Insured Events of the Current Year and of Prior Years	<u>(140,016,616)</u>	<u>(137,107,492)</u>
Unpaid Claims and Claim Adjustments June 30	<u>\$ 21,800,000</u>	<u>\$ 20,900,000</u>

C. Other Risk Management

The Department of Administrative Services (DOAS) has the responsibility for the State of Georgia of making and carrying out decisions that will minimize the adverse effects of accidental losses that involve State government assets.

State of Georgia

Notes to the Financial Statements June 30, 1998

Note 7. Risk Management (continued)

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' 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 the State agencies by DOAS to provide claims servicing and claims payment.

A reconciliation of total claims liabilities for fiscal year ended June 30, 1998, is shown below:

	Fiscal Year Ended <u>June 30, 1998</u>	Fiscal Year Ended <u>June 30, 1997</u>
Unpaid Claims and Claim Adjustments July 1	\$ 258,497,047	\$ 239,893,133
Incurred Claims and Claims Adjustment Expenses - Provisions for Insured Events of the Current Year	183,454,774	123,841,662
Payments - Claims and Claim Adjustment Expenses Attributable to Insured Events of the Current Year and of Prior Years	<u>(84,658,119)</u>	<u>(105,237,748)</u>
Unpaid Claims and Claim Adjustments June 30	<u>\$ 357,293,702</u>	<u>\$ 258,497,047</u>

Note 8. Construction and Other Significant Commitments

Primary Government

The Georgia State Financing and Investment Commission has entered into agreements with various State departments and agencies for the expenditure of bond sale proceeds and cash supplements (provided by the department or agency involved) to acquire and construct capital projects. At June 30, 1998, the undisbursed balance remaining on these agreements approximates \$769,000,000.

Significant Discretely Presented Component Units

Proprietary Fund Types

At June 30, 1998, the Georgia Ports Authority had commitments for construction projects of approximately \$34,000,000.

Note 9. Operating Leases

A. Lessee

The State leases land, office facilities, office and computer equipment, and other assets. 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. Certain organizations within the State's reporting entity do not maintain adequate systems for recording lease commitments in accordance with GAAP.

Future minimum commitments for operating leases as of June 30, 1998, are listed below. Amounts are included for renewable leases for which the option to renew for the subsequent fiscal year has been exercised.

Primary Government

<u>Fiscal Year Ended June 30</u>	
1999	\$ 59,531,531
2000	10,632,192
2001	8,855,963
2002	8,367,523
2003	7,984,919
2004 and Subsequent	<u>39,155,571</u>
Total Minimum Commitments	<u>\$134,527,699</u>

Expenditures for rental of real property and equipment for the year ended June 30, 1998, totaled \$70,253,027.

State of Georgia

Notes to the Financial Statements June 30, 1998

Note 9. Operating Leases (continued)

Significant Discretely Presented Component Units

Proprietary Fund Types

<u>Georgia Lottery Corporation</u>	
<u>Fiscal Year Ended June 30</u>	
1999	\$ 1,961,000
2000	1,963,000
2001	1,963,000
2002	1,963,000
2003	1,963,000
2004 and Subsequent	<u>14,000</u>
	\$ 9,827,000
Less: Sublease Revenues	<u>(1,804,000)</u>
Total	<u>\$ 8,023,000</u>

Expenditures for rental of real property and equipment for the year ended June 30, 1998, totaled \$1,606,000.

<u>North Georgia Mountains Authority</u>	
<u>Fiscal Year Ended June 30</u>	
1999	\$ 1,429,219
2000	1,432,064
2001	1,434,982
2002	1,438,486
2003	1,448,954
2004 and Subsequent	<u>16,858,914</u>
Total Minimum Commitments	<u>\$ 24,042,619</u>

Expenditures for rental of real property and equipment for the year ended June 30, 1998, totaled \$1,426,635.

B. Lessor

The State leases certain of its facilities for use by others for terms varying from 1 to 65 years, with the majority of leases controlled by the State Properties Commission. These leases are accounted for as operating leases; revenues for services provided and for use of facilities are recorded when earned. Minimum future revenues and rentals to be received under operating leases as of June 30, 1998, are as follows:

Primary Government

<u>Fiscal Year Ended June 30</u>	
1999	\$ 8,193,263
2000	8,312,029
2001	8,427,780
2002	8,555,230
2003	8,685,546
2004 and Subsequent	<u>172,646,184</u>
Total	<u>\$ 214,820,032</u>

Revenues from rental of facilities for the year ended June 30, 1998, totaled \$8,071,765.

Significant Discretely Presented Component Units

Proprietary Fund Types

<u>Lake Lanier Islands Development Authority</u>	
<u>Fiscal Year Ended June 30</u>	
1999	\$ 3,100,000
2000	3,100,000
2001	3,100,000
2002	3,200,000
2003	3,200,000
2004 and Subsequent	<u>141,066,667</u>
Total	<u>\$ 156,766,667</u>

State of Georgia

Notes to the Financial Statements June 30, 1998

Note 9. Operating Leases (continued)

Revenues from rental of facilities for the year ended June 30, 1998, totaled \$2,850,000.

Note 10. Capital Leases and Installment Purchases

The State acquires certain property and equipment through multi-year installment purchases or capital leases with varying terms and options. The majority of these agreements contain fiscal funding clauses in accordance with OCGA 50-5-64 which prohibits the creation of a debt to the State of Georgia for the payment of any sums under such agreements beyond the fiscal year of execution if appropriated funds are not available. If renewal of such agreements is reasonably assured, however, capital leases requiring appropriation by the General Assembly are considered noncancellable for financial reporting purposes.

Capital leases for the proprietary funds and the college and university funds are reported as a long-term obligation in those funds along with the related assets. Capital leases for the governmental funds are reported in the general long-term debt account group and the related assets are reported in the general fixed assets account group.

As noted in the Summary of Significant Accounting Policies (Note 1), capital lease transactions have not been consistently recorded in conformity with GAAP. Fixed assets in prior years have not been recorded in the general fixed assets account group at the net present value of the minimum payments nor has the long-term liability applicable to capital leases been consistently recorded in the general long-term debt account group. Also, the State does not record expenditures and other financing sources in the governmental fund types when capitalized leases are entered into as required by GAAP. At June 30, 1998, future commitments under installment purchases and capital leases were as follows:

Primary Government

Fiscal Year Ended June 30

1999	\$ 14,153,483
2000	12,978,185
2001	9,012,456
2002	2,418,097
2003	140,830
2004 and Subsequent	<u>34,835</u>
Total Capital Lease and Installment Purchase Payments	\$ 38,737,886
Less: Interest	<u>(3,580,966)</u>
Present Value of Capital Lease and Installment Purchase Payments	<u>\$ 35,156,920</u>
Installment Purchases	\$ 2,485,830
Capital Leases	<u>32,671,090</u>
	<u>\$ 35,156,920</u>

Significant Discretely Presented Component Units

Governmental Fund Types

Georgia Public Telecommunications Commission

Fiscal Year Ended June 30

1999	\$ 2,087,411
2000	2,083,804
2001	2,083,804
2002	2,083,804
2003	2,083,804
2004 and Subsequent	<u>2,309,919</u>
Total Installment Purchase Payments	\$ 12,732,546
Less: Interest	<u>(1,907,886)</u>
Present Value of Installment Purchase Payments	<u>\$ 10,824,660</u>

State of Georgia

Notes to the Financial Statements June 30, 1998

Note 10. Capital Leases and Installment Purchases (continued)

Proprietary Fund Types

<u>Geo. L. Smith II</u>	
<u>Georgia World Congress Center Authority</u>	
<u>Fiscal Year Ended June 30</u>	
1999	\$ 312,464
2000	309,657
2001	154,827
2002	-
2003	-
2004 and Subsequent	<u>-</u>
Total Capital Lease and Installment Purchase Payments	\$ 776,948
Less: Interest	<u>(106,850)</u>
Present Value of Capital Leases and Installment Purchases	<u>\$ 670,098</u>
Installment Purchases	\$ 670,098
Capital Leases	<u>-</u>
	<u>\$ 670,098</u>

Note 11. Long-Term Debt

Primary Government

General Obligation Bonds. The State issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. 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 and pledge the full faith and credit of the State. General obligation bonds currently outstanding are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
General Government	2.00% - 9.00%	\$ 3,836,880,000
General Government - Refunding	2.40% - 6.75%	<u>668,895,000</u>
		<u>\$ 4,505,775,000</u>

State of Georgia

Notes to the Financial Statements June 30, 1998

Note 11. Long-Term Debt (continued)

Annual debt service requirements to maturity for general obligation bonds are as follows:

<u>Fiscal Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
1999	\$ 303,500,000	\$ 263,587,830	\$ 567,087,830
2000	305,920,000	244,851,877	550,771,877
2001	248,290,000	227,637,800	475,927,800
2002	256,455,000	212,068,870	468,523,870
2003	257,215,000	196,730,950	453,945,950
Thereafter	<u>3,134,395,000</u>	<u>994,420,584</u>	<u>4,128,815,584</u>
	<u>\$ 4,505,775,000</u>	<u>\$ 2,139,297,911</u>	<u>\$ 6,645,072,911</u>

General State Bonds. All General State Bonds of the State of Georgia are past due, but have not been presented for redemption. This obligation will be liquidated if and when the past due outstanding bonds and coupons are presented. Unredeemed General State Bonds at June 30, 1998, were \$15,505 with accumulated interest of \$11,475.

Revenue Bonds. Revenue bonds have been issued by the organizational units listed below. Income derived from acquired or constructed assets is pledged to fund the debt service requirements of these issues. The College and University fund is responsible for repayment of Georgia Military College bonds. Revenue bonds outstanding at June 30, 1998, are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
Georgia Military College - Library Building	3.00%	<u>\$ 7,000</u>

State of Georgia

Notes to the Financial Statements June 30, 1998

Note 11. Long-Term Debt (continued)

Revenue bond debt service requirements to maturity are as follows:

Georgia Military College			
Fiscal Year Ended June 30	Principal	Interest	Total
1999	\$ 7,000	\$ 210	\$ 7,210
2000	-	-	0
2001	-	-	0
2002	-	-	0
2003	-	-	0
Thereafter	-	-	0
	\$ 7,000	\$ 210	\$ 7,210

At June 30, 1998, \$110,675,000 of outstanding general obligation bonds (including prior years' refundings), and \$2,378,000 of outstanding Georgia Education Authority (University) revenue bonds (including prior years' defeasances) are considered defeased.

Changes in Long-Term Liabilities. During the year ended June 30, 1998, the following changes occurred in liabilities reported in the general long-term debt account group:

	Balance July 1	Additions	Reductions	Earned and Utilized (Net)	Balance June 30
Compensated Absences	\$ 203,717,363	\$ -	\$ -	\$ 8,359,450	\$ 212,076,813
Claims and Judgements	697,979	-	-	-	697,979
Capital Leases and Installment Purchases	5,319,332	1,128,801	(2,103,747)	-	4,344,386
General Obligation Debt	4,635,930,000	256,875,000	(387,030,000)	-	4,505,775,000
General State Bond Debt	15,505	-	-	-	15,505
Long-Term Notes	2,893,501	-	(46,812)	-	2,846,689
	\$ 4,848,573,680	\$ 258,003,801	\$ (389,180,559)	\$ 8,359,450	\$ 4,725,756,372

State of Georgia

Notes to the Financial Statements June 30, 1998

Note 11. Long-Term Debt (continued)

Long-term operating debt requirements to maturity are as follows:

Significant Discretely Presented Component Units

Governmental Fund Types

Defeased Debt. At June 30, 1998, \$735,000 of outstanding Georgia Education Authority (Schools) revenue bonds (including prior year's defeasances) are considered defeased.

Proprietary Fund Types

Long-Term Operating Debt. Long-term operating debt has been issued by the Georgia Student Finance Authority. This debt consists of a financing agreement with SunTrust Bank with an outstanding balance at June 30, 1998, of \$30,284,767.

Georgia Student Finance Authority			
Fiscal Year Ended June 30	Principal	Interest	Total
1999	\$ <u>30,284,767</u>	\$ -	\$ <u>30,284,767</u>

Interest varies based on market rates and therefore is not available for this schedule.

Purpose	Interest Rates	Amount
Georgia Student Finance Authority	Varies Based on Market Rates	\$ <u>30,284,767</u>

Revenue Bonds. Revenue bonds have been issued by the significant discretely presented component units listed below. Income derived from acquired or constructed assets is pledged to fund the debt service requirements of these issues. Significant discretely presented component unit revenue bonds outstanding, net of unamortized discounts, of \$779,660,753 and \$194,779,336 at the Georgia Housing and Finance Authority and the Geo. L. Smith II Georgia World Congress Center Authority, respectively, at June 30, 1998, are as follows:

State of Georgia

Notes to the Financial Statements June 30, 1998

Note 11. Long-Term Debt (continued)

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
Georgia Housing and Finance Authority - Financing the Purchase of Single Family Mortgage Loans for Eligible Persons and Families of Low and Moderate Income within the State of Georgia	2.95% - 9.50%	\$ 775,802,753
- Financing the Purchase of Hospital Equipment and Facilities by Eligible Hospitals	-	\$ 3,858,000
Geo. L. Smith II Georgia World Congress Center Authority - Construction of the Georgia Dome Stadium	6.850% - 7.875%	\$ 194,779,336

Revenue bond debt service requirements to maturity are as follows:

<u>Georgia Housing and Finance Authority</u>			
<u>Fiscal Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
1999	\$ 7,880,000	\$ 46,009,000	\$ 53,889,000
2000	9,950,000	45,389,000	55,339,000
2001	12,900,000	44,832,000	57,732,000
2002	15,515,000	44,106,000	59,621,000
2003	17,015,000	43,245,000	60,260,000
Thereafter	790,038,000	560,235,000	1,350,273,000
Unamortized Discount	(552,650)	552,650	-
Future Accretion of Capital Appreciation Bonds	<u>(76,942,597)</u>	<u>76,942,597</u>	<u>-</u>
	<u>\$ 775,802,753</u>	<u>\$ 861,311,247</u>	<u>\$ 1,637,114,000</u>

Various series of bonds issued under Resolution 1 and 3 include capital appreciation bonds which require no payments of principal or interest until maturity. Capital appreciation bonds accrete to their maturity values at effective yields ranging from 7.10% to 11.25%.

State of Georgia

Notes to the Financial Statements June 30, 1998

Note 11. Long-Term Debt (continued)

In addition to the above listed revenue bonds, the Georgia Housing and Finance Authority maintains revenue bonds originally issued by the Hospital Financing Authority. The balance at June 30, 1998, was \$3,858,000. The bonds bear interest at an adjustable daily rate with interest payable on

a monthly basis. The interest rate basis is subject to change, at the election of the Authority, to a weekly, monthly, semiannual, or fixed rate. The bond indenture limits the interest rate on the bonds to 20% per annum. The bonds are limited obligations of the Authority, repayable solely from revenues provided from loans and other specific property pledged under the bond debenture, and are not an obligation of the State of Georgia or any political subdivision thereof.

Geo. L. Smith II Georgia World Congress Center Authority

Fiscal Year Ended June 30	Principal	Interest	Total
1999	\$ 3,150,000	\$ 15,042,440	\$ 18,192,440
2000	3,485,000	14,813,449	18,298,449
2001	3,745,000	14,559,398	18,304,398
2002	4,025,000	14,281,550	18,306,550
2003	4,330,000	13,977,522	18,307,522
Thereafter	176,515,000	153,387,804	329,902,804
Unamortized Discount	(470,664)	470,664	-
	<u>\$ 194,779,336</u>	<u>\$ 226,532,827</u>	<u>\$ 421,312,163</u>

Defeased Debt. At June 30, 1998, \$1,380,000 of outstanding Georgia Highway Authority revenue bonds (including prior years' defeasances) are considered defeased.

Note 12. Interfund Balances

Interfund assets and liabilities at June 30, 1998, consist of the following:

Interfund Receivables:

Receivable Fund	Payable Fund	Interfund Receivable	Interfund Payable
Capital Projects Funds	Proprietary Fund Types - Discretely Presented Component Units	<u>\$ 3,300,425</u>	<u>\$ -</u>

Georgia State Financing and Investment Commission (Capital Projects Funds) interfund receivables from Stone Mountain Memorial Association (Proprietary Fund Types - Discretely Presented Component Units) do not reconcile due to the difference in fiscal reporting periods (See Note 1).

State of Georgia
Notes to the Financial Statements
June 30, 1998

**Note 12. Interfund Balances
(continued)**

Due From/To Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Due From</u>	<u>Due To</u>
General Fund	Proprietary Fund Types - Discretely Presented Component Units	\$ 135,316	\$ 135,316
Internal Service Funds	General Fund	15,038,805	15,038,805
Internal Service Funds	Special Revenue Fund	93,490	93,490
Internal Service Funds	College and University Funds	2,400,826	2,400,826
Internal Service Funds	Pension Trust Funds	658,673	658,673
Internal Service Funds	Governmental Fund Types - Discretely Presented Component Units	290,951	290,951
Internal Service Funds	Proprietary Fund Types - Discretely Presented Component Units	88,933	88,933
Internal Service Funds	Fiduciary Fund Types - Discretely Presented Component Units	39,946	39,946
Proprietary Fund Types - Discretely Presented Component Units	Internal Service Funds	143	143
Proprietary Fund Types - Discretely Presented Component Units	General Fund	<u>2,204,421</u>	<u>2,204,421</u>
Total		<u>\$ 20,951,504</u>	<u>\$ 20,951,504</u>

Advances From/To Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Advance To</u>	<u>Advance From</u>
General Fund	Agency Funds	\$ 6,925	\$ 6,925
General Fund	Proprietary Fund Types - Discretely Presented Component Units	107,500	107,500
Capital Projects Funds	Proprietary Fund Types - Discretely Presented Component Units	<u>15,209,275</u>	<u>-</u>
Total		<u>\$ 15,323,700</u>	<u>\$ 114,425</u>

Advances made from Georgia State Financing and Investment Commission (Capital Projects Funds) to Stone Mountain Memorial Association (Proprietary Fund Types - Discretely Presented Component Units) do not reconcile due to the difference in fiscal reporting periods (See Note 1).

State of Georgia
Notes to the Financial Statements
June 30, 1998

Note 13. Contributed Capital

During the year, contributed capital increased (decreased) by the following amounts:

Primary Government

<u>Source</u>	<u>Internal Service Funds</u>			<u>Total</u>
	<u>Department of Administrative Services</u>	<u>Georgia Building Authority (Regular)</u>	<u>Georgia Correctional Industries Administration</u>	
General Obligation Bond Proceeds/ Fixed Assets Contributed by Primary Government	\$ -	\$ 165,856	\$ -	\$ 165,856
General Obligation Bond Proceeds/ Capital Outlay Returned to Primary Government	-	-	(82,000)	(82,000)
Net Additions	\$ -	\$ 165,856	\$ (82,000)	\$ 83,856
Contributed Capital July 1, 1997	<u>53,384,666</u>	<u>219,893,688</u>	<u>1,227,948</u>	<u>274,506,302</u>
Contributed Capital June 30, 1998	<u>\$ 53,384,666</u>	<u>\$ 220,059,544</u>	<u>\$ 1,145,948</u>	<u>\$ 274,590,158</u>

Significant Discretely Presented Component Units

Proprietary Fund Types

<u>Source</u>	<u>Georgia Environmental Facilities Authority</u>	<u>Georgia Ports Authority</u>	<u>Geo. L. Smith Georgia World Congress Center Authority</u>	<u>All Other Component Units</u>
General Obligation Bond Proceeds/Capital Outlay Contributed by Primary Government	\$ 676,875	\$ 36,260,000	\$ -	\$ 2,920,270
Contributions from Federal Government	35,688,800	-	-	-
Contributions from Other Sources	-	-	4,953,860	3,164
Capital Contributions Written Off	-	(8,600,000)	-	-
General Obligation Bond Proceeds/Capital Outlay Returned to Primary Government	-	(11,080,000)	-	(3,814,947)
Net Additions	\$ 36,365,675	\$ 16,580,000	\$ 4,953,860	\$ (891,513)
Contributed Capital July 1, 1997	<u>490,479,608</u>	<u>233,116,794</u>	<u>58,750,000</u>	<u>162,582,392</u>
Contributed Capital June 30, 1998	<u>\$ 526,845,283</u>	<u>\$ 249,696,794</u>	<u>\$ 63,703,860</u>	<u>\$ 161,690,879</u>

State of Georgia

Notes to the Financial Statements June 30, 1998

Note 13. Contributed Capital (continued)

Contributed Capital / Residual Equity Transfers for the fiscal year ended June 30, 1998, are as follows:

<u>Receiving Fund</u>	<u>Contributing Fund</u>	<u>Received</u>	<u>Contributed</u>
General Fund	Internal Service Fund	\$ 82,000	\$ 82,000
General Fund	Proprietary Fund Types - Discretely Presented Component Units	14,894,947	14,894,947
Capital Projects Funds	Proprietary Fund Types - Discretely Presented Component Units	18,509,700	-
Internal Service Funds	Capital Projects Funds	165,856	165,856
Proprietary Fund Types - Discretely Presented Component Units	General Fund	1,895,883	1,895,883
Proprietary Fund Types - Discretely Presented Component Units	Capital Projects Funds	<u>37,961,262</u>	<u>37,961,262</u>
		\$ 73,509,648	\$ 54,999,948
Proprietary Fund Types - Discretely Presented Component Units	Other Sources	<u>40,645,824</u>	<u>-</u>
		<u>\$ 114,155,472</u>	<u>\$ 54,999,948</u>

Residual equity transfers received by Georgia State Financing and Investment commission (Capital Projects Funds) from Stone Mountain Memorial Association (Proprietary Fund Types - Discretely Presented Component Units) do not reconcile due to the difference in fiscal reporting periods (See Note 1).

Note 14. Contingencies

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. The State believes that such disallowances, if any, will be immaterial to its overall financial position.

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, the ultimate disposition of these proceedings would not have a material adverse effect on the financial condition of the State, with the following exceptions:

Primary Government

Two suits for refund have been filed against the State of Georgia by out-of-state producers of alcoholic beverages. The first suit seeks \$96,000,000 in refunds of alcohol import taxes, plus interest, imposed under OCGA Section 3-4-60. These claims constitute 99% of all such taxes paid during the three years preceding these claims. In addition, the claimants have filed a second suit for refund of an additional \$23,000,000, plus interest, for later time periods. The trial court has granted the State's motion for summary judgment, and 12 of the 23 claimants have appealed to the Georgia Supreme Court. The total principal amount of the claims for refund by the 12 plaintiffs who did appeal now appears to be approximately \$42,000,000. The total principal dollar amount of the claims for refund by the 11 plaintiffs who did not appeal, which claims appear to be

Note 14. Contingencies (continued)

conclusively resolved in favor of the State by virtue of the trial court's judgment, now appears to be approximately \$54,000,000.

A suit was filed March 13, 1998, by DeKalb County against the State of Georgia, the Department of Revenue, Zell Miller (in his official capacity as Governor), and T. Jerry Jackson (in his official capacity as Revenue Commissioner) (collectively, "the State") in connection with the State's collection and distribution of a special local option sales tax in effect in DeKalb County since July 1997. DeKalb's complaint, as amended, seeks an accounting, mandamus, injunctive relief, declaratory judgment, unjust enrichment, bailment, inverse condemnation, and a determination that OCGA Section 48-8-67 is unconstitutional. The complaint, as amended, seeks damages of \$27,700,000. Subsequently, DeKalb County has re-estimated its alleged damages as \$12,000,000. DeKalb County's action was dismissed by the trial court, and this dismissal was affirmed in part and reversed in part by the Georgia Supreme Court in an order dated February 22, 1999. The Supreme Court's decision remands to the trial court the accounting claim on the question of whether the Department of Revenue made reasonable efforts to identify county tax proceeds that have been determined by the Department to be unidentifiable to any county. The defendants may seek reconsideration of this issue before the case is remitted to the trial court.

A suit was filed against the Department of Administrative Services and the Department of Human Resources seeking damages of approximately \$8,500,000 under breach of contract and promissory estoppel theories. The case arises out of a notice of award in connection with the federally-funded WIC Infant Formula Rebate Program. The award was subsequently cancelled and rebidding ordered because of conflicting information that had created a contradiction in the initial bidding specifications. Discovery is ongoing in this matter. At present, the State intends to file a motion for summary judgment at the close of discovery.

A financial institution has filed suit for refund of sales taxes based upon alleged bad debts on installment sales contracts purchased from motor vehicle dealers. The suit seeks a refund of approximately \$300,000. The total amount of all similar pending administrative claims for refund (for the years 1991 - 1998) is approximately \$24,000,000. This case is in the discovery phase.

A contract claim has been made in the amount of \$6,600,000 against the Board of Regents of the University System of Georgia in connection with construction at the University of

Georgia Biocontainment Research Center. The claimant bases its claim upon the encountering of extensive subsurface rock, delays allegedly caused by the Board of Regents (as owner) and redesign overhead costs and time extensions. The total contract cost is approximately \$18,270,000. The Board of Regents believes the claim to be grossly overstated and anticipates resolving any legitimate portions of the claim for a substantially lesser sum than that claimed.

A contract claim has been made in the amount of \$9,850,000 against the Board of Regents of the University System of Georgia in connection with construction at the Children's Medical Center, Augusta, Georgia. The claimant bases the claim upon delays allegedly caused by the Board of Regents (as owner) and redesign overhead costs and time extensions. A subcontractor has filed suit for \$5,000,000 on its claim against the Construction Manager, which amount is a part of the Construction Manager's contract claim against the Board of Regents. The total contract cost is approximately \$44,000,000. The Board of Regents believes that the claim is grossly overstated and anticipates resolving any legitimate portions of the claim for a substantially lesser sum than that claimed.

Significant Discretely Presented Component Units

Proprietary Fund Types

The Federal Government, through the Guaranteed Student Loan Programs of the U.S. Department of Education, fully reinsured loans guaranteed through September 30, 1993, until the State's rate of annual losses (defaults) exceeded five percent (5%). In the event of future adverse loss experience, the State could be liable for up to (1) twenty percent (20%) of the outstanding balance of loans in repayment status at the beginning of each year which were disbursed prior to October 1, 1993, and (2) twenty-two percent (22%) of the outstanding balance of loans in repayment status at the beginning of each year which were disbursed on or after October 1, 1993.

In a civil action case filed August 26, 1996, the plaintiffs seek a court order declaring that two games sponsored by the Georgia Lottery Corporation, "Quick Cash" and "Cash Three," are unconstitutional and enjoining the lottery from further offering of these games. Plaintiffs seek the return of all monies played on these games during a specified period, approximately \$1,703,462,781. On an interlocutory appeal, the Georgia Court of Appeals ruled that the Lottery Corporation does not have sovereign immunity but ruled for the Corporation on the merits. The plaintiffs petitioned for

State of Georgia

Notes to the Financial Statements June 30, 1998

Note 14. Contingencies (continued)

a writ of certiorari to the Supreme Court of Georgia, and the Supreme Court denied the petition. The remittitur of the Court of Appeals has been returned to the trial court.

Note 15. Subsequent Events

Primary Government

General Obligation Bonds Issued

The State issued General Obligation Bonds in the amount of \$326,350,000 on July 1, 1998 (Series 1998A and 1998B); in the amount of \$220,645,000 on September 1, 1998 (Series 1998C); and in the amount of \$172,610,000 on October 1, 1998 (Series 1998D).

Proceeds from these bonds will be used for the purpose of financing various capital outlay projects.

Note 16. Deferred Compensation Plan

The State of Georgia offers its employees a deferred compensation plan in accordance with Internal Revenue Code Section 457. The plan, available to employees of the State of Georgia and county health departments, permits such employees to defer a portion of their salary until future years. This plan is administered by a third party. Participants choose the option or options in which they wish to participate. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are (until paid or made available to the employee or other beneficiary) solely the property or rights of the State of

Georgia subject only to the claims of the State's general creditors. Participants' rights under the plan are equal to those of a general creditor of the State of Georgia in an amount equal to the fair market value of the deferred account of each participant. In the equity funds, the market value may be either greater or less than the participants' contributions. It is the opinion of the Attorney General that the State has no liability for losses under the plan but does have the duty of due care that would be required of an ordinary prudent investor. It is unlikely that the State will use the assets of the plan to satisfy the claims of general creditors in the future.

Market values, which approximate cost, of investments at June 30, 1998, by plan type are as follows:

Guaranteed Investment Contracts	\$ 135,028,960
Index Trust 500 Portfolio	
The Vanguard Group of Investment Companies	67,760,617
Magellan Fund	
Fidelity Institutional Retirement Services Company	72,827,465
Over-The-Counter Portfolio	
Fidelity Institutional Retirement Services Company	27,162,014
Prime Portfolio	
The Vanguard Group of Investment Companies	3,444,203
United International Growth Fund	
Waddell and Reed Asset Management Company	9,320,620
Wellesley Income Fund	
The Vanguard Group of Investment Companies	29,525,508
Windsor II	
The Vanguard Group of Investment Companies	<u>49,553,261</u>
	<u>\$ 394,622,648</u>
Participants Accounts	\$ 388,104,810
Reserve for Administration of Plan	<u>6,517,838</u>
	<u>\$ 394,622,648</u>

Note 17. Retirement Systems

Primary Government

Georgia Defined Contribution Plan

Plan Description

Organization and Purpose

The Georgia Defined Contribution Plan (“GDCP”) is a single-employer, defined contribution plan established by the Georgia General Assembly in July 1993 for the purpose of providing retirement allowances for State employees who are not members of a public retirement or pension system. GDCP is administered by the Employees’ Retirement System (ERS) Board of Trustees.

Membership

As of June 30, 1998, participation in GDCP is as follows:

Active Plan Members	61,103
Terminated Employees Entitled to Benefits but not yet Receiving Benefits	<u>61,570</u>
	<u>122,673</u>

Benefits

A member may retire and elect to receive periodic payments after attainment of age sixty-five (65). The payments will be based upon mortality tables and interest assumptions to be adopted by the Board. If a member has less than \$3,500 credit to his/her account, the Board has the option of requiring a lump sum distribution to the member. Upon the death of a member, a lump sum distribution equaling the amount credited to his/her account will be paid to the member’s designated beneficiary.

Contributions

Members are required to contribute seven and one-half percent (7.5%) of their gross salary. There are no employer contributions. Earnings will be credited to each member’s account as adopted by the Board. Upon termination of employment, the amount of the member’s account is refundable upon request by the member.

District Attorneys’ Retirement Fund

Plan Description

Organization and Purpose

The District Attorneys’ Retirement Fund (“DARF”) is a single-employer, defined benefit pension plan established by the Georgia General Assembly in 1949 for the purpose of providing retirement benefits to the district attorneys of the State of Georgia. DARF is directed by its own Board of Trustees. The Boards of Trustees for ERS and DARF entered into a contract for ERS to administer the plan effective July 1, 1995.

Membership

As of June 30, 1998, DARF had twelve (12) retirees and beneficiaries currently receiving benefits.

Benefits

Persons appointed as district attorney emeritus shall receive an annual benefit of \$15,000 or one-half of the State salary received by such person as a district attorney for the calendar year immediately prior to the person’s retirement, whichever is greater.

Contributions and Vesting

Member contributions were five percent (5.0%) of their salary plus an additional two and one-half percent (2.5%) for the spousal coverage benefit if elected. The State paid member contributions of five percent (5.0%) of the member’s annual salary. Additional employer contributions are not actuarially determined but are provided on an as-needed basis to fund current benefits.

District Attorneys’ Retirement System

Plan Description

Organization and Purpose

The District Attorneys’ Retirement System (DARS) is a single-employer, defined benefit pension plan established by the Georgia General Assembly in 1978 for the purpose of providing retirement benefits to the district attorneys of the State of Georgia. DARS is directed by its own Board of Trustees. The Boards of Trustees for ERS and DARS entered into a contract for ERS to administer the plan effective July 1, 1995. Any person who on June 30, 1998, was an active, inactive or retired member or beneficiary of DARS shall be transferred to the newly created Georgia Judicial Retirement System in the same status effective July 1, 1998.

State of Georgia

Notes to the Financial Statements June 30, 1998

Note 17. Retirement Systems (continued)

Membership

As of June 30, 1998, participation in DARS is as follows:

Retirees and Beneficiaries Currently Receiving Benefits	9
Active Plan Members	54
Terminated Employees Entitled to Benefits but not yet Receiving Benefits	<u>8</u>
	<u>71</u>

Benefits

The normal retirement for DARS is age sixty (60) with ten (10) years of creditable service with a benefit of four percent (4.0%) of the member's average annual compensation for each year of creditable service. If service exceeds sixteen (16) years, the benefit is four percent (4.0%) for each year of creditable service plus one percent (1.0%) for each year served after sixteen (16), not to exceed twenty four (24) years (72%). "Average annual compensation" is the highest average of two (2) consecutive years of creditable service, except no increase during such period in excess of five percent (5.0%) may be used. Death, disability, and spousal benefits are also available. Early retirement benefits are not available.

Contributions and Vesting

Member contributions are seven and one-half percent (7.5%) of their salary plus an additional two and one-half percent (2.5%) for the spousal coverage benefit if elected. The State pays member contributions of four and three-fourths percent (4.75%) of the member's annual salary. Employer contributions are actuarially determined and approved and certified by the Board.

Members become vested after ten (10) years of creditable service. Upon termination of employment, member contributions with accumulated interest are refundable upon request by the member. However, if a member later holds office as a district attorney, the member shall be reinstated as if never before a member and may re-establish prior service by repaying the amount withdrawn, plus interest.

Employees' Retirement System of Georgia

Plan Description

Organization and Purpose

Employees' Retirement System of Georgia ("ERS") is a single-employer, defined benefit pension plan established by the Georgia General Assembly during the 1949 Legislative Session for the purpose of providing retirement allowances for employees of the State of Georgia and its political subdivisions. ERS is directed by a Board of Trustees and has the powers and privileges of a corporation.

On November 20, 1997, the Board created the Supplemental Retirement Benefit Plan ("SRBP") of ERS. SRBP was established as a qualified governmental excess benefit plan in accordance with Section 415 of the Internal Revenue Code ("IRC") as a portion of ERS. The purpose of the SRBP is to provide retirement benefits to employees covered by ERS whose benefits are otherwise limited by IRC Section 415. Beginning January 1, 1998, all members and retired former members in ERS are eligible to participate in the SRBP whenever their benefits under ERS exceed the IRC Section 415 imposed limitation on benefits.

Membership

As of June 30, 1998, participation in ERS is as follows:

Retirees and Beneficiaries Currently Receiving Benefits	22,011
Active Plan Members	71,161
Terminated Employees Entitled to Benefits but not yet Receiving Benefits	<u>64,176</u>
	<u>157,348</u>

As of June 30, 1998, one hundred sixty-four (164) members were eligible to participate in the SRBP of ERS.

Benefits

The benefit structure of ERS was significantly modified on July 1, 1982. 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 provision in effect prior to July 1, 1982. All other members are "new plan" members subject to the modified plan provisions.

State of Georgia

Notes to the Financial Statements June 30, 1998

Note 17. Retirement Systems (continued)

Under both the old and new plans, a member may retire and receive normal retirement benefits after completion of ten (10) years creditable service and attainment of age sixty (60). Additionally, there are certain provisions allowing for retirement after twenty-five (25) years of service regardless of age.

Retirement benefits paid to members are based upon the monthly average of the member's highest twenty-four (24) consecutive calendar quarters multiplied by the number of years of creditable service. Post-retirement cost - of - living adjustments are also made to members' benefits.

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 and Vesting

Member contributions under the old plan are four percent (4.0%) of annual compensation up to \$4,200 plus six percent (6.0%) of annual compensation in excess of \$4,200. Under the old plan, the State pays member contributions in excess of one and one-fourth percent (1.25%) of annual compensation. Under the old plan, these State contributions are included in the members' accounts for refund purposes. Member contributions under the new plan are one and one-fourth percent (1.25%) of annual compensation. The State is required to contribute at a specified percentage of active member payroll determined annually by actuarial valuation.

Under the SRBP, employer contributions of \$626,000 and retirement payments of \$480,000 are included in the Statement of Changes in Plan Net Assets for the year ended June 30, 1998. Cash of \$30,000 and employer receivable of \$116,000 are included in the Statement of Plan Net Assets for the year ended June 30, 1998.

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

The employer contributions are projected to liquidate the unfunded actuarial accrued liability within eight (8) years based upon the actuarial valuation at June 30, 1997.

Legislative Retirement System

Plan Description

Organization and Purpose

Legislative Retirement System ("LRS") is a single-employer, defined benefit plan established by the Georgia General Assembly in 1979 for the purpose of providing retirement allowances for all members of the Georgia General Assembly. LRS is administered by the ERS Board of Trustees.

Membership

As of June 30, 1998, participation in LRS is as follows:

Retirees and Beneficiaries	
Currently Receiving Benefits	178
Active Plan Members	206
Terminated Employees Entitled to Benefits but not yet Receiving Benefits	<u>362</u>
	<u>746</u>

Benefits

A member's normal retirement is after eight (8) years of creditable service and attainment of age sixty-five (65) or eight (8) years of membership service (4 legislative terms) and attainment of age sixty-two (62). A member may retire early and elect to receive a monthly retirement benefit after completion of eight (8) years of membership service and attainment of age sixty (60); however, the retirement benefit is reduced by five percent (5.0%) for each year the member is under age sixty-two (62).

Upon retirement, the member will receive a monthly service retirement allowance of \$28 multiplied by the number of years of creditable service reduced by age reduction factors, if applicable. Death, disability, and spousal benefits are also available through the plan.

Contributions and Vesting

Member contributions are eight and one-half percent (8.5%) of annual salary. The State pays member contributions in excess of four percent (4.0%) of annual compensation. Employer contributions are actuarially determined and approved and certified by the Board.

Members become vested after eight (8) years of creditable service. Upon termination of employment, member

**Note 17. Retirement Systems
(continued)**

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.

Based on the June 30, 1997, actuarial valuation of LRS (the latest actuarial valuation; present Board policy requires a biennial valuation), LRS does not have an unfunded accrued liability.

Superior Court Judges Retirement Fund

Plan Description

Organization and Purpose

The Superior Court Judges Retirement Fund (“SCJRF”) is a single-employer, defined benefit pension plan established by the Georgia General Assembly in 1945 for the purpose of providing retirement benefits to the superior court judges of the State of Georgia. SCJRF is directed by its own Board of Trustees. The Boards of Trustees for ERS and SCJRF entered into a contract for ERS to administer the Plan effective July 1, 1995.

Membership

As of June 30, 1998, participation in SCJRF is as follows:

Retirees and Beneficiaries Currently Receiving Benefits	33
Active Plan Members	3
Terminated Employees Entitled to Benefits but not yet Receiving Benefits	<u>3</u>
	<u>39</u>

Benefits

The normal retirement for SCJRF is age sixty-eight (68) with nineteen (19) years of creditable service with a benefit of two-thirds the salary paid to superior court judges. A member may also retire at age sixty-five (65) with a minimum of ten (10) years of creditable service with a benefit of one-half the salary paid to superior court judges. Death, disability, and spousal benefits are also available.

Contributions and Vesting

Member contributions are five percent (5.0%) of their salary plus an additional two and one half percent (2.5%) for the spousal coverage benefit if elected. The State pays member contributions of five percent (5.0%) of the member’s annual salary. Additional employer contributions are not actuarially determined but are provided on an as-needed basis to fund current benefits.

Superior Court Judges Retirement System

Plan Description

Organization and Purpose

The Superior Court Judges Retirement System (“SCJRS”) is a single-employer, defined benefit pension plan established by the Georgia General Assembly in 1976 for the purpose of providing retirement benefits to the superior court judges of the State of Georgia. SCJRS is directed by its own Board of Trustees. The Boards of Trustees for ERS and SCJRS entered into a contract for ERS to administer the plan effective July 1, 1995. Any person who on June 30, 1998, was an active, inactive or retired member or beneficiary of SCJRS shall be transferred to the newly created Georgia Judicial Retirement System in the same status effective July 1, 1998.

Membership

As of June 30, 1998, participation in SCJRS is as follows:

Retirees and Beneficiaries Currently Receiving Benefits	57
Active Plan Members	154
Terminated Employees Entitled to Benefits but not yet Receiving Benefits	<u>24</u>
	<u>235</u>

Benefits

The normal retirement for SCJRS is age sixty (60) with sixteen (16) years of creditable service with a benefit of two-thirds of the State salary paid to superior court judges at the time of the member’s retirement, plus one percent (1.0%) for each year of creditable service over sixteen (16) up to a maximum of twenty-four (24) years. Additionally, a member may retire with reduced benefits at age sixty (60) with a minimum of ten (10) years of creditable service. A member must retire at age seventy-five (75), or at the end of

**Note 17. Retirement Systems
(continued)**

the term in which the member becomes seventy-five (75), or forfeit all retirement and disability benefits. Death, disability, and spousal benefits are also available.

Contributions and Vesting

Member contributions are seven and one-half percent (7.5%) of their salary plus an additional two and one-half percent (2.5%) for the spousal coverage benefit or two and three-fourths percent (2.75%) for the spouse plus benefit if elected. The State pays member contributions of four and three-fourths percent (4.75%) of the member's annual salary. Employer contributions are actuarially determined and approved and certified by the Board.

Members become vested after ten (10) years of creditable service. Upon termination of employment, member contributions with accumulated interest are refundable upon request by the member. However, if a member later holds office as a superior court judge, the member shall be reinstated as if never before a member and may re-establish prior service by repaying the amount withdrawn, plus interest, within sixty (60) days of certification of such amount.

Trial Judges and Solicitors Retirement Fund

Plan Description

Organization and Purpose

Trial Judges and Solicitors Retirement Fund ("TJSRF") is a multiple-employer cost-sharing defined benefit plan established by the Georgia General Assembly in 1968 for the purpose of providing retirement allowances for trial judges and solicitors of certain courts of Georgia, and their survivors and other beneficiaries. TJSRF is administered by the ERS Board of Trustees and three other trustees not on the ERS Board. Any person who on June 30, 1998, was an active, inactive or retired member or beneficiary of TJSRF shall be transferred to the newly created Georgia Judicial Retirement System in the same status effective July 1, 1998.

Membership

As of June 30, 1998, participation in TJSRF is as follows:

Retirees and Beneficiaries	
Currently Receiving Benefits	36
Active Plan Members	174
Terminated Employees Entitled to Benefits but not yet Receiving Benefits	<u>121</u>
	<u>331</u>

Benefits

The normal retirement for TJSRF is age sixty (60) with sixteen (16) years of creditable service; however, a member may retire at age sixty (60) with a minimum of ten (10) years of creditable service. Additionally, a member must retire at age seventy (70) or forfeit all retirement and disability benefits. Members holding office on July 1, 1980, are exempt from this provision.

Retirement benefits paid to members are computed as four percent (4.0%) of the average annual compensation multiplied by the total years of creditable service not to exceed sixteen (16) years. The average annual compensation is the average salary of a member during the two (2) consecutive years of creditable service producing the highest such average but excluding any salary increases exceeding five percent (5.0%) over the previous year during the two-year period. Death, disability and spousal benefits are also available.

Contributions and Vesting

Members are required to contribute seven and one-half percent (7.5%) of their salary plus an additional two and one-half percent (2.5%) if spousal benefit is elected. Employer contributions are actuarially determined and approved and certified by the Board.

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

Based on the June 30, 1997, actuarial valuation (the latest actuarial valuation; present Board policy requires a biennial valuation), TJSRF does not have an unfunded accrued liability.

**Note 17. Retirement Systems
(continued)**

Regents Retirement Plan

Plan Description

Organization and Purpose

The Regents Retirement Plan, a single-employer defined contribution plan, is an optional retirement plan established and administered by the Board of Regents of the University System of Georgia (College and University Funds), under which it may purchase annuity contracts for the purpose of providing retirement and death benefits for eligible faculty and principal administrators.

Benefits

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.

Contributions and Vesting

Member contribution requirements are established by the Board of Trustees of the Teachers Retirement System. Employer contributions are established by statute and may be amended only by the General Assembly of the State of Georgia.

A) *Members' Contributions:*

Members' contributions are calculated as five percent (5.0%) of the earnable compensation.

B) *State of Georgia Contributions:*

Employer contributions are calculated as seven and three-fourths percent (7.75%) of the participating employee's earnable compensation.

Amounts attributable to all plan contributions are fully vested and non-forfeitable.

**Significant Discretely Presented Component
Units**

Georgia Ports Authority Retirement Plan

Plan Description

Organization and Purpose

The Georgia Ports Authority Retirement Plan ("Plan") is a single-employer defined benefit plan covering all full-time employees of the Georgia Ports Authority.

Benefits

The Plan provides pension benefits that are based on years of service and compensation earned during years of employment.

Contributions and Vesting

Members contribute one percent (1.0%) of their earnings each month for the first \$9,000 earned during the plan year and one and one-half percent (1.5%) after earnings reach \$9,000. The employer's contributions are two and one-fourth percent (2.25%) of the employee's first \$9,000 of annual earnings for the plan year plus three and one-fourth percent (3.25%) of the employee's annual earnings for the plan year in excess of \$9,000.

Members become vested after reaching age 55 or after completing five (5) or more years of service.

Teachers Retirement System of Georgia

Plan Description

Organization and Purpose

The Teachers Retirement System of Georgia ("TRS") is a cost-sharing multiple-employer 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 active and retired members and ex-officio State employees is ultimately responsible for the administration of TRS.

**Note 17. Retirement Systems
(continued)**

On October 25, 1996, the Board created the Supplemental Retirement Benefit Plan of the Georgia Teachers ("SRBP"). SRBP was established as a qualified governmental excess benefit plan in accordance with Section 415 of the Internal Revenue Code ("IRC") as a portion of TRS. The purpose of the SRBP is to provide retirement benefits to employees covered by TRS whose benefits are otherwise limited by IRC Section 415. Beginning July 1, 1997, all members and retired former members in TRS are eligible to participate in the SRBP whenever their benefits under TRS exceed the IRC Section 415 imposed limitation on benefits.

Membership

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.

As of June 30, 1998, participation in TRS is as follows:

Retirees and Beneficiaries	
Currently Receiving Benefits	41,420
Active Plan Members	180,417
Terminated Employees Entitled to	
Benefits but not yet Receiving Benefits	<u>27,518</u>
	<u>249,355</u>

As of June 30, 1998, seven (7) members were eligible to participate in the SRBP of TRS.

Benefits

A member is eligible for normal service retirement after thirty (30) years of creditable service, regardless of age, or after ten (10) years of service and attainment of age sixty (60). A member is eligible for early retirement after twenty-five (25) years of creditable service.

Normal retirement (pension) benefits paid to members are equal to two percent (2.0%) of the average of the member's two (2) highest paid consecutive years of service multiplied

by the number of years of creditable service up to forty (40) years. Early retirement benefits are reduced by the lesser of one-twelfth (1/12) of seven percent (7.0%) for each month the member is below age sixty (60), or by seven percent (7.0%) for each year or fraction thereof by which the member has less than thirty (30) years of service. It is also assumed that certain cost-of-living adjustments, based on the CPI, will be made in future years. Retirement benefits are payable monthly for life. Death, disability and spousal benefits are also available.

Contributions and Vesting

TRS is funded by member and employer contributions as adopted and amended by the Board of Trustees.

Under the SRBP, employer contributions of \$83,000 and retirement payments of \$82,000 were reflected in the Statement of Changes in Plan Net Assets for the year ended June 30, 1998.

Contributions required by the annual actuarial valuation are as follows:

Member	<u>5.00%</u>
Employer:	
Normal	7.75%
Unfunded Accrued Liability	3.91%
Expenses	<u>.15%</u>
	<u>11.81%</u>

Members become fully vested after ten (10) years of service. If a member terminates with less than ten (10) years of service, no vesting of employer contributions occurs, but the member's contributions may be refunded with interest.

The employer contributions to the unfunded accrued liability will liquidate the unfunded accrued liability over approximately eighteen (18) years on the assumption that the aggregate amount of unfunded accrued liability contribution will increase by three and one-half percent (3.5%) each year.

State of Georgia

Notes to the Financial Statements June 30, 1998

Note 18. Nonmonetary Transactions

Primary Government

The State of Georgia received donated goods for its use and for distribution to other qualifying organizations outside

the State reporting entity under the following programs:

<u>Program</u>	<u>Value of Inventory Received</u>	<u>Value of Inventory Reported at June 30, 1998</u>
Agriculture, U. S. Department of Food Distribution Program	\$ 27,544,161	\$ 154,808
Temporary Emergency Food Assistance Program	\$ 4,323,951	\$ 2,093,495
Health and Human Services, U.S. Department of Childhood Immunization Grant	\$ 149,853	\$ -
HIV Prevention Activities - Health Department Based	\$ 34,000	\$ -
Preventive Health and Health Services Block Grant	\$ 408,986	\$ -
Preventive Health Services - Sexually Transmitted Disease Control Grants	\$ 1,085,100	\$ -
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	\$ 145,112	\$ -

The value of donated commodities received and distributed is not reported as revenues and expenses on the combined statement of revenues, expenditures and changes in fund balances. Information is not available to determine the items used within the State and the items distributed to (or held for) other qualifying organizations outside the State reporting entity.

In addition, the Georgia Department of Administrative Services operates the Donation of Federal Surplus Personal Property program for the purpose of distributing surplus properties made available by the General Services Administration to eligible institutions, organizations and agencies. The value of surplus property received and distributed is not reported as revenues and expenses on the combined statement of revenues, expenditures and changes in fund balances, and the inventory on hand at June 30, 1998, is not reported on the combined balance

sheet. The changes in Federal surplus personal property inventory during the fiscal year ended June 30, 1998, were as follows:

Balance July 1, 1997	\$ 9,923,202
Additions	
Property Received	<u>12,878,908</u>
	\$ 22,802,110
Deductions	
Property Donated and Other Distributions	<u>13,043,580</u>
Balance June 30, 1998	<u>\$ 9,758,530</u>

Notes to the Financial Statements
June 30, 1998

**Note 18. Nonmonetary Transactions
(continued)**

The Federal government provides food stamps to low-income households. The amount of food stamps a household receives depends on the household's size and financial circumstances. The Georgia Department of Human Resources is responsible for determining eligibility for participation in the food stamp program within the State. During the year under review, the total value of food stamps distributed as approved by the Department was \$454,601,632.

**Significant Discretely Presented Component
Units**

Governmental Fund Types

Donated support of volunteer services and other sources totaling \$566,543 was provided to the Georgia Public Telecommunications Commission during the year ended June 30, 1998. The value of these services and other sources are not reported as revenue on the Combining Statement of Revenues, Expenditures and Changes in Fund Balances.

Note 19. Postemployment Benefits

In addition to the pension benefits described in Note 17, the State of Georgia provides postretirement health care benefits through the State Health Benefit Plan to retirees pursuant to Title 45, Chapter 18 of the OCGA. An individual eligible for these benefits must have been a full time employee at the time of retirement of either the State of Georgia or a county social service agency and must be receiving monthly retirement benefits from either the Employees' Retirement System of Georgia or a county employees' retirement system. The State Health Benefit Plan is a public entity risk pool funded by employee and employer contributions. Employees and retirees subject to the Plan contribute amounts determined by the State Personnel Board for various health insurance plans. The various agencies of the State contribute to the health insurance fund based upon amounts recommended by the State Personnel Board and set forth in the Appropriations Act. The State Health Benefit Plan is funded on a "pay-as-you-go" basis. Expenses of the Plan include provisions for incurred but not reported claims. As of June

30, 1998, there were 53,055 employees who had retired and were receiving postretirement health care benefits through the State Health Benefit Plan. For the fiscal year ended June 30, 1998, the State recognized expenditures of \$185,695,559, which was net of retiree contributions of \$46,382,185.

Pursuant to the general powers conferred by OCGA Section 20-3-31, the Board of Regents of the University System of Georgia (college and university funds) has established group health and life insurance programs for regular employees of the University System. It is the policy of the Board of Regents to permit employees of the University System eligible for retirement or that become permanently and totally disabled to continue as members of the group health and life insurance programs. Employees who are eligible for retirement or disability under the criteria established by the Teachers Retirement System and who have at least ten years of service with the University System are eligible for these postemployment health and life insurance benefits. The University System pays the employer portion for group insurance for affected individuals. For the fiscal year ended June 30, 1998, the University System recognized expenditures of \$18,526,266, which was net of participant contributions of \$4,960,723.

Note 20. Fund Deficits

The following organizations had deficit balances at June 30, 1998.

Primary Government

Internal Service Funds

Hazard and Insurance Reserve Fund - At June 30, 1998, the Fund had an unreserved retained earnings deficit of \$601,888.

Liability Self-Insurance Reserve Fund - At June 30, 1998, the Fund had an unreserved retained earnings deficit of \$5,894,056.

Unemployment Compensation Fund - At June 30, 1998, the Fund had an unreserved retained earnings deficit of \$1,509,313.

Workers' Compensation Fund - At June 30, 1998, the Fund had an unreserved retained earnings deficit of \$68,774,678.

Notes to the Financial Statements
June 30, 1998

**Note 20. Fund Deficits
(continued)**

**Significant Discretely Presented Component
Units**

Governmental Fund Types

Georgia Public Telecommunications Commission - At June 30, 1998, the Commission had an unreserved, undesignated fund balance deficit of \$4,340,130.

Proprietary Fund Types

Lake Lanier Islands Development Authority - At June 30, 1998, the Authority had an unreserved retained earnings deficit of \$19,196,141.

North Georgia Mountains Authority - At June 30, 1998, the Authority had an unreserved retained earnings deficit of \$1,570,931.

**Note 21. Major Discretely Presented
Component Unit Condensed Financial
Statements**

The condensed financial statements of the major discretely presented component units of the State of Georgia reporting entity are presented below. "Major" component units, for purposes of this presentation, have been determined by giving consideration to each component units' significance relative to the other component units and the nature and significance of its relationship to the primary government. Condensed financial statements for all nonmajor discretely presented component units are presented in the aggregate.

State of Georgia

Notes to the Financial Statements
June 30, 1998

Note 21. Major Discretely Presented Component Unit Condensed Financial Statements (continued)

	Governmental Fund Types		
	Georgia Education Authority (Schools)	Georgia Public Telecommunica- tions Commission	Total
ASSETS AND OTHER DEBITS			
Other Assets	\$ 568,842	\$ 5,219,408	\$ 5,788,250
Property, Plant and Equipment (Net)	—	73,906,597	73,906,597
Amount to be Provided for Retirement of General Long-Term Debt	—	6,069,631	6,069,631
Total Assets and Other Debits	<u>\$ 568,842</u>	<u>\$ 85,195,636</u>	<u>\$ 85,764,478</u>
LIABILITIES			
Due to Primary Government	\$ —	\$ 328,877	\$ 328,877
Other Liabilities	—	4,990,102	4,990,102
Bonds and Other Long-Term Liabilities	—	6,069,631	6,069,631
Total Liabilities	<u>\$ 0</u>	<u>\$ 11,388,610</u>	<u>\$ 11,388,610</u>
EQUITY AND OTHER CREDITS			
Investment in Fixed Assets	\$ —	\$ 73,906,597	\$ 73,906,597
Fund Balances			
Unreserved	568,842	(99,571)	469,271
Total Equity and Other Credits	<u>\$ 568,842</u>	<u>\$ 73,807,026</u>	<u>\$ 74,375,868</u>
Total Liabilities, Equity and Other Credits	<u>\$ 568,842</u>	<u>\$ 85,195,636</u>	<u>\$ 85,764,478</u>
REVENUES	<u>\$ 29,655</u>	<u>\$ 15,481,330</u>	<u>\$ 15,510,985</u>
EXPENDITURES	<u>\$ 0</u>	<u>\$ 33,033,963</u>	<u>\$ 33,033,963</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>\$ 29,655</u>	<u>\$ (17,552,633)</u>	<u>\$ (17,522,978)</u>
Operating Transfers from Primary Government	—	16,326,489	16,326,489
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES	<u>\$ 29,655</u>	<u>\$ (1,226,144)</u>	<u>\$ (1,196,489)</u>
FUND BALANCES, JULY 1	539,187	147,144	686,331
Adjustments			
Inclusion of Foundation for Public Broadcasting in Georgia, Inc.	—	979,429	979,429
FUND BALANCES, JUNE 30	<u>\$ 568,842</u>	<u>\$ (99,571)</u>	<u>\$ 469,271</u>

State of Georgia

Notes to the Financial Statements

June 30, 1998

Note 21. Major Discretely Presented Component Unit Condensed Financial Statements (continued)

	Proprietary Fund Types			
	Environmental Facilities Authority	Housing and Finance Authority	Lottery Corporation	Ports Authority
ASSETS				
Due from Primary Government	\$ 2,204,493	\$ —	\$ —	\$ —
Other Assets	776,993,205	134,284,294	41,505,930	51,531,298
Restricted Assets	—	801,473,270	309,380,000	1,240,269
Property, Plant and Equipment (Net)	321,635	5,840,980	2,994,000	350,010,000
Total Assets	<u>\$ 779,519,333</u>	<u>\$ 941,598,544</u>	<u>\$ 353,879,930</u>	<u>\$ 402,781,567</u>
LIABILITIES				
Due to Primary Government	\$ —	\$ 1,852	\$ 16,143	\$ 50,659
Other Liabilities	21,600,352	79,788,010	44,034,787	11,334,802
Bonds and Other Long-Term Liabilities	88,665,393	782,092,228	297,298,000	33,109,539
Total Liabilities	<u>\$ 110,265,745</u>	<u>\$ 861,882,090</u>	<u>\$ 341,348,930</u>	<u>\$ 44,495,000</u>
EQUITY AND OTHER CREDITS				
Investment in Fixed Assets	\$ 321,635	\$ —	\$ —	\$ —
Contributed Capital	526,845,283	—	—	249,696,794
Retained Earnings				
Reserved	2,925,051	28,726,437	12,531,000	—
Unreserved	126,065,307	48,770,096	—	108,589,773
Fund Balances				
Reserved	12,265,010	633,268	—	—
Unreserved	831,302	1,586,653	—	—
Total Equity and Other Credits	<u>\$ 669,253,588</u>	<u>\$ 79,716,454</u>	<u>\$ 12,531,000</u>	<u>\$ 358,286,567</u>
Total Liabilities, Equity and Other Credits	<u>\$ 779,519,333</u>	<u>\$ 941,598,544</u>	<u>\$ 353,879,930</u>	<u>\$ 402,781,567</u>
OPERATING REVENUES				
Sales and Services	\$ —	\$ 6,487,484	\$ 1,676,898,000	\$ 94,075,000
Operating Grants	—	—	—	—
Taxes	—	—	—	—
Other	19,364,313	47,972,705	—	—
Total Operating Revenues	<u>\$ 19,364,313</u>	<u>\$ 54,460,189</u>	<u>\$ 1,676,898,000</u>	<u>\$ 94,075,000</u>
OPERATING EXPENSES				
Depreciation	\$ —	\$ 534,847	\$ 1,393,000	\$ 16,494,000
Other	5,425,862	64,605,115	1,125,253,000	65,552,000
Total Operating Expenses	<u>\$ 5,425,862</u>	<u>\$ 65,139,962</u>	<u>\$ 1,126,646,000</u>	<u>\$ 82,046,000</u>
OPERATING INCOME (LOSS)	\$ 13,938,451	\$ (10,679,773)	\$ 550,252,000	\$ 12,029,000
Nonoperating Revenues/Expenses (Net)	8,308,325	20,580,929	20,220,000	(18,227,080)
Operating Transfers to/from Primary Government	4,624,073	—	(555,272,000)	—
NET INCOME (LOSS)	<u>\$ 26,870,849</u>	<u>\$ 9,901,156</u>	<u>\$ 15,200,000</u>	<u>\$ (6,198,080)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES FROM GOVERNMENTAL OPERATIONS AND EXPENDABLE TRUST FUNDS				
	(2,317,783)	(110,501)	—	—
FUND EQUITY, JULY 1				
Adjustments (Net)	615,311,497	71,582,858	287,000	347,904,647
Current Capital Contributions (Net)	(7,298,285)	(1,657,059)	(2,956,000)	(8,600,000)
Transfer of Equity from Primary Government	36,365,675	—	—	25,180,000
Increase (Decrease) in Inventories	—	—	—	—
FUND EQUITY, JUNE 30	<u>\$ 668,931,953</u>	<u>\$ 79,716,454</u>	<u>\$ 12,531,000</u>	<u>\$ 358,286,567</u>

State of Georgia

Notes to the Financial Statements

June 30, 1998

Student Finance Authority	Geo L. Smith II Georgia World Congress Center Authority	All Other Discretely Presented Proprietary Fund Types	Total
\$ —	\$ —	\$ 71	\$ 2,204,564
382,398,598	36,014,434	245,296,933	1,668,024,692
—	46,333,730	17,345,673	1,175,772,942
2,649,874	248,054,206	208,798,746	818,669,441
<u>\$ 385,048,472</u>	<u>\$ 330,402,370</u>	<u>\$ 471,441,423</u>	<u>\$ 3,664,671,639</u>
\$ 135,316	\$ 19,782	\$ 497	\$ 224,249
2,184,570	31,992,478	20,760,796	211,695,795
335,450,022	211,341,977	136,427,889	1,884,385,048
<u>\$ 337,769,908</u>	<u>\$ 243,354,237</u>	<u>\$ 157,189,182</u>	<u>\$ 2,096,305,092</u>
\$ —	\$ —	\$ —	\$ 321,635
—	63,703,860	161,690,879	1,001,936,816
27,604,818	124,634	23,710,465	95,622,405
19,673,746	23,219,639	128,850,897	455,169,458
—	—	—	12,898,278
—	—	—	2,417,955
<u>\$ 47,278,564</u>	<u>\$ 87,048,133</u>	<u>\$ 314,252,241</u>	<u>\$ 1,568,366,547</u>
<u>\$ 385,048,472</u>	<u>\$ 330,402,370</u>	<u>\$ 471,441,423</u>	<u>\$ 3,664,671,639</u>
\$ 2,240,224	\$ 18,395,317	\$ 75,424,333	\$ 1,873,520,358
—	—	21,091,686	21,091,686
—	—	1,569,994	1,569,994
5,852,868	34,122,987	55,386,285	162,699,158
<u>\$ 8,093,092</u>	<u>\$ 52,518,304</u>	<u>\$ 153,472,298</u>	<u>\$ 2,058,881,196</u>
\$ 321,456	\$ 8,758,583	\$ 6,903,593	\$ 34,405,479
45,669,148	45,593,493	128,689,422	1,480,788,040
<u>\$ 45,990,604</u>	<u>\$ 54,352,076</u>	<u>\$ 135,593,015</u>	<u>\$ 1,515,193,519</u>
\$ (37,897,512)	\$ (1,833,772)	\$ 17,879,283	\$ 543,687,677
865,001	1,372,978	(7,229,959)	25,890,194
47,956,323	(238,985)	5,263,681	(497,666,908)
<u>\$ 10,923,812</u>	<u>\$ (699,779)</u>	<u>\$ 15,913,005</u>	<u>\$ 71,910,963</u>
—	—	27,879	(2,400,405)
36,354,752	82,786,492	298,927,060	1,453,154,306
—	—	39,507	(20,471,837)
—	4,953,860	(891,513)	65,608,022
—	—	199,786	199,786
—	7,560	36,517	44,077
<u>\$ 47,278,564</u>	<u>\$ 87,048,133</u>	<u>\$ 314,252,241</u>	<u>\$ 1,568,044,912</u>

———— Required Supplementary Information ————

State of Georgia

Required Supplementary Information June 30, 1998

Retirement Systems - Required Supplementary Schedules

Primary Government

Schedule of Funding Progress

(Thousands of Dollars)

	<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Plan Assets (a)</u>	<u>Actuarial Accrued Liability ("AAL") - Entry Age (b)</u>	<u>Unfunded AAL/(Funding Excess) (b - a)</u>	<u>Funded Ratio (a/b)</u>	<u>Annual Covered Payroll (c)</u>	<u>Unfunded AAL/(Funding Excess) as a Percentage of Covered Payroll [(b - a)/c]</u>
DARS	6/30/96	\$ 19,277	\$ 12,669	\$ (6,608)	152.2%	\$ 3,737	(176.8)%
	6/30/97	21,816	14,068	(7,748)	155.1%	4,113	(188.4)%
ERS	6/30/96	\$ 6,140,080	\$ 7,243,105	\$ 1,103,025	84.8%	\$ 1,968,714	56.0 %
	6/30/97	7,432,306	8,159,345	727,039	91.1%	1,977,928	36.8 %
LRS (1)	6/30/95	\$ 13,137	\$ 13,860	\$ 723	94.8%	\$ 2,186	33.1 %
	6/30/97	18,197	18,086	(111)	100.6%	2,340	(4.7)%
SCJRS	6/30/96	\$ 72,642	\$ 50,753	\$ (21,889)	143.1%	\$ 13,294	(164.7)%
	6/30/97	81,921	56,132	(25,159)	144.8%	13,678	(183.9)%
TJSRF (1)	6/30/95	\$ 25,925	\$ 21,953	\$ (3,972)	118.1%	\$ 5,991	(66.3)%
	6/30/97	35,613	26,308	(9,305)	135.4%	7,305	(127.4)%

Information is shown only for the plans and years available in accordance with the parameters of GASB 25. Additional information will be added as data become available.

(1) Actuarial valuations are performed biennially

Schedule of Employer Contributions

(Thousands of Dollars)

	<u>Year Ended June 30</u>	<u>State Annual Required Contribution</u>	<u>Percentage Contributed</u>
DARS	1996	-	100.0%
	1997	-	100.0%
ERS	1996	\$ 271,342	100.0%
	1997	282,249	100.0%
LRS	1996	\$ 164	100.0%
	1997	159	100.0%
SCJRS	1996	-	100.0%
	1997	-	100.0%
TJSRF	1996	\$ 472	100.0%
	1997	809	100.0%

Information is shown only for the plans and years available in accordance with the parameters of GASB 25. Additional information will be added as data become available.

State of Georgia
 Required Supplementary Information
 June 30, 1998

Retirement Systems - Required Supplementary Schedules (continued)

Notes to Required Supplementary Schedules

Schedule of Funding Progress

The actuarial value of assets recognizes a portion of the difference between the market value of assets and the expected actuarial value of assets, based on the assumed valuation rate of return. The amount recognized each year is 20% of the difference between market value and expected actuarial value. The actuarial value of assets is limited to a range between 80% and 120% of market value.

Schedule of Employee Contributions

The required employer contributions and percent of those contributions actually made are presented in the schedule.

Actuarial Assumptions

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation is presented in the following table:

	DARS	ERS	LRS	SCJRS	TJSRF
Actuarial Valuation Date	June 30, 1997	June 30, 1997	June 30, 1997	June 30, 1997	June 30, 1997
Actuarial Cost Method	Entry Age Normal	Entry Age	Unit Credit	Entry Age Normal	Entry Age
Amortization Method	Level payment, closed	Level percentage of pay, open	Level dollar, open	Level payment, closed	Level percentage of pay, open
Remaining Amortization Period	26 years	8 years	40 years	26 years	26 years
Asset Valuation Method	Market-related value	5-year smoothed market	5-year smoothed market	Market-related value	5-year smoothed market
Actuarial Assumptions:					
Investment Rate of Return	7.5% (2)	7.0% (1)	7.0% (1)	7.5% (2)	7.0% (1)
Projected Salary Increases	5.5% (2)	5.20 - 9.0% (1)	n/a	5.5% (2)	5.5% (1)
Post-Retirement Cost-of-Living Adjustment	None	None	3% annually	None (3)	None

(1) Includes inflation rate of 3.50%

(2) Includes inflation rate of 3.00%

(3) Certain members retired from other systems who are due death benefits from this system are assumed to receive 5.50% cost-of-living adjustments.

State of Georgia

Required Supplementary Information June 30, 1998

Retirement Systems - Required Supplementary Schedules (continued)

Significant Discretely Presented Component Units

Schedule of Funding Progress

(Thousands of Dollars)

	<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Plan Assets (a)</u>	<u>Actuarial Accrued Liability ("AAL") - Entry Age (b)</u>	<u>Unfunded AAL/(Funding Excess) (b - a)</u>	<u>Funded Ratio (a/b)</u>	<u>Annual Covered Payroll (c)</u>	<u>Unfunded AAL/(Funding Excess) as a Percentage of Covered Payroll [(b - a)/c]</u>
TRS	6/30/95	\$ 16,335,944	\$ 19,771,740	\$ 3,435,796	82.6%	\$ 4,712,292	72.9%
	6/30/96	\$ 18,750,568	\$ 22,163,755	\$ 3,413,187	84.6%	\$ 5,086,924	67.1%
	6/30/97	\$ 22,496,125	\$ 24,895,047	\$ 2,398,922	90.4%	\$ 5,467,905	43.9%

Information is shown only for the plans and years available in accordance with the parameters of GASB 25. Additional information will be added as data become available.

Schedule of Employer Contributions

(Thousands of Dollars)

	<u>Year Ended June 30</u>	<u>State Annual Required Contribution</u>	<u>Percentage Contributed</u>
TRS	1991	\$ 452,522	100.0%
	1992	\$ 454,138	100.0%
	1993	\$ 485,121	100.0%
	1994	\$ 512,429	100.0%
	1995	\$ 556,522	100.0%
	1996	\$ 600,766	100.0%
	1997	\$ 652,928	100.0%

Information is shown only for the plans and years available in accordance with the parameters of GASB 25. Additional information will be added as data become available.

State of Georgia
Required Supplementary Information
June 30, 1998

Retirement Systems - Required Supplementary Schedules (continued)

Notes to Required Supplementary Schedules

Schedule of Funding Progress

The actuarial value of assets recognizes a portion of the difference between the market value of assets and the expected actuarial value of assets, based on the assumed valuation rate of return. The amount recognized each year is 20% of the difference between market value and expected actuarial value. The actuarial value of assets is limited to a range between 80% and 120% of market value.

Schedule of Employee Contributions

The required employer contributions and percent of those contributions actually made are presented in the schedule.

Actuarial Assumptions

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation is presented in the following table:

Actuarial Valuation Date	June 30, 1997
Actuarial Cost Method	Entry Age
Amortization Method	Level percentage of pay, open
Remaining Amortization Period	18 years
Asset Valuation Method	5-year smoothed market
Actuarial Assumptions:	
Investment Rate of Return	7.25%
Projected Salary Increases	3.50% - 6.25%
Inflation Rate	3.50%
Post-Retirement Cost-of-Living Adjustment	3% annually

Year 2000 Issues

On March 29, 1999, the Governmental Accounting Standards Board (GASB) issued Technical Bulletin 99-1, "*Disclosures about Year 2000 Issues-An Amendment of Technical Bulletin 98-1.*" The amendment provides that required year 2000 disclosures may be reported as required supplementary information. The State of Georgia has elected to present year 2000 disclosures as required supplementary information.

The year 2000 issue refers to the fact that many computer programs use only the last two digits to refer to a year. Therefore, both 1900 and 2000 would be referred to as "00." Computer programs have to be adjusted to recognize the difference between those two years or programs will fail or create errors. In addition, some programs may not be able to recognize the year 2000 as a leap year. Further, the year 2000 issue could affect electronic equipment - such as environmental systems, elevators, and vehicles - containing computer chips that have date recognition features.

The State has established a State of Georgia Year 2000 Project Office (Year 2000 Project Office) to coordinate remediation efforts. The mission of the Year 2000 Project Office is to provide policies, standards, state-level management, compliance reporting and project oversight for all year 2000 activities within and among state agencies and the University System of Georgia. The Year 2000 Project Office communicates agency readiness status and risks to the Governor on a monthly basis. The statewide effort began in 1996 with the development of a condition assessment, followed by a statewide assessment of mission critical projects and the establishment of the State of Georgia Year 2000 Project Office. This effort is receiving a high priority from the Governor and Georgia General Assembly.

The following stages have been identified as necessary to address the year 2000 issue:

Awareness Stage - Encompasses establishing a budget and project plan for dealing with the year 2000 issue.

Assessment Stage - When the organization begins the actual process of identifying all of its systems and individual components of the systems. An organization may decide to review all system components or, through a risk analysis, identify only mission-critical systems - systems and equipment critical to conducting operations.

Remediation Stage - When the organization actually makes changes to systems and equipment. This stage

deals primarily with the technical issues of converting existing systems, or switching to compliant systems. During this stage, decisions are made on how to address year 2000 system or equipment issues, and the required changes are made.

Validation/Testing Stage - When the organization validates and tests changes made during the conversion process. The development of test data and test scripts, the running of test scripts, and the review of test results are crucial for this stage of the conversion process to be successful. If the testing results show anomalies, the tested area needs to be corrected and retested.

The Year 2000 Project Office has completed an extensive impact assessment of major systems including identification of risk, program impact, and cost and conversion alternatives. Corresponding hardware upgrades and/or purchases have also been identified. The Year 2000 Project Office is currently tracking 366 projects which various State agencies have identified as critical to their operations. Of these projects, the State has currently identified 133 mission-critical systems. Reported items for these systems include software remediation, re-writing or replacement and corresponding hardware upgrades or purchases. The State of Georgia Year 2000 Project Office is currently not compiling Year 2000 readiness information for the State Judicial System, the University System of Georgia, the Georgia Lottery Corporation or the Georgia General Assembly. Process control devices, and general purpose agency infrastructure, if they are not a part of these reported information technology systems, are not included in the 133 mission-critical systems being tracked.

The Year 2000 Project Office defines technical testing as the point where a particular system has been fixed, replaced or remediated, systems and user acceptance testing has been satisfactorily completed, and the system is ready for deployment in the operating environment. As of March 26, 1999, the State of Georgia had completed technical testing (as defined in the preceding sentence) for 56% of its mission critical-systems.

Units of the University System of Georgia are responsible for assessment and remediation of systems unique to their operations. The majority of these institution-specific systems are in the remediation and validation/testing stages. The Board of Regents of the University System of Georgia supports the College and University Fund Accounting System, the Regents Budget Reporting System, the Property Inventory System, the Regents Payroll/Personnel System and the Banner Student Information System on behalf a majority of its member institutions. The Regents Budget Reporting System and the Property Inventory System are

Year 2000 Issues (contintued)

beyond the validation/testing stage and management considers them year 2000 ready. The remainder of these common systems are in the remediation and validation/testing stages.

The General Assembly appropriated \$152 million in Fiscal Year 1998 and an additional \$170 million in Fiscal Year 1999 for remediation efforts.. Anticipated Federal funding for year 2000 remediation efforts will boost total funding for year 2000 related activities to approximately \$369 million.

Because of the unprecedented nature of the year 2000 issue, its effects and the success of related remediation efforts will not be fully determinable until the year 2000 and thereafter. Management cannot assure that the State of Georgia is or will be year 2000 ready, that the State's remediation efforts will be successful in whole or in part, or that parties with whom the State does business will be year 2000 ready.

———— Combining Statements and Schedules ————

Primary Government
Capital Projects Funds

**Primary Government - Capital Projects Funds
For the Fiscal Year Ended June 30, 1998**

Capital Projects Funds account for the acquisition or construction of major governmental general fixed assets. The State's capital projects funds are described below:

Georgia Building Authority (Hospital) accounts for the acquisition, construction, repair, maintenance, improvement, operation and management of self-liquidating projects on property owned by the authority. These projects include hospitals, health care facilities, dormitories and housing accommodations for patients, officers and employees of institutions controlled by state agencies.

Georgia Building Authority (Markets) accounts for the construction and renovation of farmers markets and related facilities.

Georgia Building Authority (Penal) accounts for the acquisition, construction, repair, maintenance, improvement, operation and management of buildings, facilities, equipment and services for the State penal system.

Georgia Education Authority (University) accounts for the construction and improvement of buildings and facilities of institutions under the authority of the Board of Regents of the University System of Georgia.

Georgia State Financing and Investment Commission accounts for the construction of projects for state agencies financed through the issuance of public debt, including educational facilities for county and independent school systems.

State of Georgia

Primary Government - Capital Projects Funds Combining Balance Sheet June 30, 1998

	<u>Georgia Building Authority (Hospital)</u>	<u>Georgia Building Authority (Markets)</u>
Assets		
Investments	\$ 294,798	\$ 283,409
Receivables (Net of Allowances for Uncollectibles)		
Interest and Dividends	—	—
Other	—	—
Interfund Receivables	—	—
Advances to Component Units	—	—
	\$ 294,798	\$ 283,409
Total Assets	\$ 294,798	\$ 283,409
Liabilities and Fund Balances		
Liabilities:		
Cash Overdraft	\$ 15,562	\$ 14,787
Accounts Payable and Other Accruals	—	—
Contracts Payable	—	—
Deferred Revenue	—	—
Other Liabilities	—	—
	\$ 15,562	\$ 14,787
Total Liabilities	\$ 15,562	\$ 14,787
Fund Balances:		
Reserved for Other Specific Purposes	\$ —	\$ 30,763
Unreserved, Designated		
Designated for Future Capital Outlay	—	—
Unreserved, Undesignated	279,236	237,859
	\$ 279,236	\$ 268,622
Total Fund Balances	\$ 279,236	\$ 268,622
Total Liabilities and Fund Balances	\$ 294,798	\$ 283,409

Georgia Building Authority (Penal)	Georgia Education Authority (University)	Georgia State Financing and Investment Commission	Total
\$ 1,657,452	\$ 1,336,508	\$ 960,205,702	\$ 963,777,869
—	—	11,903,012	11,903,012
—	1,189,172	—	1,189,172
—	—	3,300,425	3,300,425
—	—	15,209,275	15,209,275
\$ 1,657,452	\$ 2,525,680	\$ 990,618,414	\$ 995,379,753
\$ 100,590	\$ 17,064	\$ 22,463,624	\$ 22,611,627
—	—	26,573,264	26,573,264
—	—	15,363,494	15,363,494
—	86,456	—	86,456
—	—	18,588,773	18,588,773
\$ 100,590	\$ 103,520	\$ 82,989,155	\$ 83,223,614
\$ 1,377,402	\$ —	\$ —	\$ 1,408,165
—	—	907,629,259	907,629,259
179,460	2,422,160	—	3,118,715
\$ 1,556,862	\$ 2,422,160	\$ 907,629,259	\$ 912,156,139
\$ 1,657,452	\$ 2,525,680	\$ 990,618,414	\$ 995,379,753

State of Georgia

Primary Government - Capital Projects Funds Combining Statement of Revenues, Expenditures and Changes in Fund Balances For the Fiscal Year Ended June 30, 1998

	<u>Georgia Building Authority (Hospital)</u>	<u>Georgia Building Authority (Markets)</u>	<u>Georgia Building Authority (Penal)</u>
Revenues:			
Interest and Other Investment Income	\$ 19,953	\$ 21,543	\$ 84,648
Rents and Royalties	—	—	—
Other	—	—	—
	<hr/>	<hr/>	<hr/>
Total Revenues	\$ 19,953	\$ 21,543	\$ 84,648
Expenditures:			
General Government	\$ 111,154	\$ 191,367	\$ 6,074
Capital Outlay	—	—	2,000
Debt Service			
Principal	—	—	—
Interest	—	—	—
Other Debt Service Charges	—	—	—
	<hr/>	<hr/>	<hr/>
Total Expenditures	\$ 111,154	\$ 191,367	\$ 8,074
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ (91,201)	\$ (169,824)	\$ 76,574
Other Financing Sources (Uses):			
Operating Transfers from Component Units	\$ —	\$ —	\$ —
Operating Transfers Out	—	—	—
General Obligation Bond Proceeds	—	—	—
	<hr/>	<hr/>	<hr/>
Total Other Financing Sources (Uses)	\$ 0	\$ 0	\$ 0
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	\$ (91,201)	\$ (169,824)	\$ 76,574
Fund Balances, July 1	370,437	438,446	1,480,288
Adjustments			
Change in Accounting Principle	—	—	—
Other	—	—	—
Residual Equity Transfers from Component Units	—	—	—
Residual Equity Transfers Out	—	—	—
Residual Equity Transfers to Component Units	—	—	—
	<hr/>	<hr/>	<hr/>
Fund Balances, June 30	\$ 279,236	\$ 268,622	\$ 1,556,862

<u>Georgia Education Authority (University)</u>	<u>Georgia State Financing and Investment Commission</u>	<u>Total</u>
\$ 183,363	\$ 80,438,063	\$ 80,747,570
46,812	—	46,812
<u>6,979</u>	<u>1,574,046</u>	<u>1,581,025</u>
\$ <u>237,154</u>	\$ <u>82,012,109</u>	\$ <u>82,375,407</u>
\$ 26,846	\$ —	\$ 335,441
—	346,294,387	346,296,387
46,812	—	46,812
158,508	—	158,508
<u>—</u>	<u>239,009</u>	<u>239,009</u>
\$ <u>232,166</u>	\$ <u>346,533,396</u>	\$ <u>347,076,157</u>
\$ <u>4,988</u>	\$ <u>(264,521,287)</u>	\$ <u>(264,700,750)</u>
\$ —	\$ 4,414,614	\$ 4,414,614
—	(128,576,564)	(128,576,564)
<u>—</u>	<u>257,123,411</u>	<u>257,123,411</u>
\$ <u>0</u>	\$ <u>132,961,461</u>	\$ <u>132,961,461</u>
\$ 4,988	\$ (131,559,826)	\$ (131,739,289)
2,417,172	1,037,148,472	1,041,854,815
—	14,058,031	14,058,031
—	7,600,000	7,600,000
—	18,509,700	18,509,700
—	(165,856)	(165,856)
<u>—</u>	<u>(37,961,262)</u>	<u>(37,961,262)</u>
\$ <u>2,422,160</u>	\$ <u>907,629,259</u>	\$ <u>912,156,139</u>

Primary Government
Internal Service Funds

**Primary Government - Internal Service Funds
For the Fiscal Year Ended June 30, 1998**

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

The **Department of Administrative Services** delivers a variety of supportive services to all state agencies and, upon request, to local governments in Georgia. Among the services provided are purchasing, surplus property, printing, telecommunications, motor pool and building space management.

The **Georgia Building Authority** is primarily responsible for constructing and maintaining State office buildings, maintaining the grounds within the State Capitol complex, maintaining the Governor's Mansion and operating parking facilities.

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

The **Merit System of Personnel Administration** provides a career service to the classified employees in the executive branch based on the principles of merit, equal opportunity and freedom from political influence.

The **Agency for Removal of Hazardous Materials** administers a program for the abatement and removal of asbestos and other hazardous materials from the premises of the State, state authorities, counties, municipal corporations, local and independent school systems, and other units and authorities of government.

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

The **Georgia State Indemnification Commission** is used to account for the accumulation of funds for the purpose of providing indemnification with respect to the death of any law enforcement officer, fireman or prison guard killed in the line of duty.

The **Hazard and Insurance Reserve Fund** is used to account for the assessment of premiums against various state agencies for the purpose of providing property, fire and extended coverage, automobile, aircraft and marina insurance.

The **Liability Self-Insurance Reserve Fund** is used to account for the accumulation of funds for the purpose of providing liability insurance coverage for employees of the State against personal liability for damages arising out of performance of their duties.

The **State Employees' Assurance Department** is used to account for the accumulation of funds for the purpose of providing survivors' benefits for eligible members of the Employees' Retirement System.

**Primary Government - Internal Service Funds
For the Fiscal Year Ended June 30, 1998**

The **Unemployment Compensation Fund** was created for the purpose of consolidating processing of unemployment compensation claims against state agencies and the payment of sums due to the Department of Labor.

The **Workers' Compensation Fund** was established to authorize insurance coverage for employees of the State and for the receipt of premiums as prescribed by the Workers' Compensation statutes of the State.

State of Georgia

Primary Government - Internal Service Funds Combining Balance Sheet June 30, 1998

	Administrative Services, Department of	Building Authority, Georgia	Correctional Industries Administration	Merit System of Personnel Administration
Assets				
Current Assets:				
Cash and Cash Equivalents	\$ 13,377,269	\$ —	\$ —	\$ 2,223,168
Receivables (Net of Allowances for Uncollectibles)				
Other				
Accounts	706,704	3,946,583	3,156,487	201,964
Miscellaneous	—	—	2,463	—
Due from Other Funds	18,039,383	—	—	60,229
Due from Component Units	419,830	—	—	—
Inventories	4,405,271	402,822	7,431,720	—
Prepaid Items	401,754	139,628	75,741	65,651
Long-Term Assets:				
Investments	1,880,064	10,791,659	6,837,614	—
Fixed Assets:				
Land and Buildings	12,021,743	221,366,831	8,638,931	—
Machinery and Equipment	154,727,903	11,230,646	13,184,028	1,108,109
Accumulated Depreciation	—	—	(11,980,413)	—
Total Assets	\$ 205,979,921	\$ 247,878,169	\$ 27,346,571	\$ 3,659,121
Liabilities and Fund Equity				
Liabilities				
Current Liabilities:				
Cash Overdraft	\$ —	\$ 661,091	\$ 177,717	\$ —
Accounts Payable and Other Accruals	16,645,483	1,654,878	966,831	632,419
Compensated Absences Payable	4,910,382	1,810,134	684,870	559,352
Claims and Judgments Payable	—	—	—	—
Contracts Payable	15,999,408	1,180,470	—	1,730,395
Salaries/Withholdings Payable	1,058	38,080	129	1,214
Due to Other Funds	—	17,552	21,874	—
Due to Component Units	143	—	—	—
Deferred Revenue	—	73,701	—	—
Long-Term Liabilities:				
Capital Leases/Installment Purchases Payable	10,507,655	—	38,808	33,353
Deposits and Overpayments	—	1,764,138	—	—
Long-Term Debt Payable (Net of Unamortized Discounts)				
Notes and Loans Payable	—	—	1,092,857	—
Total Liabilities	\$ 48,064,129	\$ 7,200,044	\$ 2,983,086	\$ 2,956,733
Fund Equity				
Contributed Capital				
State of Georgia	\$ 53,384,666	\$ 198,222,120	\$ 1,145,948	\$ —
Other	—	21,837,424	—	—
Total Contributed Capital	\$ 53,384,666	\$ 220,059,544	\$ 1,145,948	\$ 0
Retained Earnings				
Reserved	\$ 6,488,100	\$ —	\$ —	\$ 549
Unreserved	98,043,026	20,618,581	23,217,537	701,839
Total Retained Earnings	\$ 104,531,126	\$ 20,618,581	\$ 23,217,537	\$ 702,388
Total Fund Equity	\$ 157,915,792	\$ 240,678,125	\$ 24,363,485	\$ 702,388
Total Liabilities and Fund Equity	\$ 205,979,921	\$ 247,878,169	\$ 27,346,571	\$ 3,659,121

Removal of Hazardous Materials, Agency for	Risk Management	Total Before Eliminations	Eliminations	Total
\$ 332,376	\$ —	\$ 15,932,813	\$ —	\$ 15,932,813
304,353	—	8,316,091	—	8,316,091
9,688	2,509,005	2,521,156	—	2,521,156
—	1,042,660	19,142,272	(950,478)	18,191,794
—	—	419,830	—	419,830
23,179	—	12,262,992	—	12,262,992
—	—	682,774	—	682,774
—	995,397,335	1,014,906,672	—	1,014,906,672
—	—	242,027,505	—	242,027,505
1,104,082	—	181,354,768	—	181,354,768
—	—	(11,980,413)	—	(11,980,413)
<u>\$ 1,773,678</u>	<u>\$ 998,949,000</u>	<u>\$ 1,485,586,460</u>	<u>\$ (950,478)</u>	<u>\$ 1,484,635,982</u>
\$ —	\$ 7,810,318	\$ 8,649,126	\$ —	\$ 8,649,126
636,158	—	20,535,769	—	20,535,769
—	—	7,964,738	—	7,964,738
—	357,293,702	357,293,702	—	357,293,702
—	—	18,910,273	—	18,910,273
—	—	40,481	—	40,481
—	911,052	950,478	(950,478)	0
—	—	143	—	143
—	—	73,701	—	73,701
—	—	10,579,816	—	10,579,816
—	—	1,764,138	—	1,764,138
—	—	1,092,857	—	1,092,857
<u>\$ 636,158</u>	<u>\$ 366,015,072</u>	<u>\$ 427,855,222</u>	<u>\$ (950,478)</u>	<u>\$ 426,904,744</u>
\$ —	\$ —	\$ 252,752,734	\$ —	\$ 252,752,734
—	—	21,837,424	—	21,837,424
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 274,590,158</u>	<u>\$ 0</u>	<u>\$ 274,590,158</u>
\$ 23,179	\$ 708,960,000	\$ 715,471,828	\$ —	\$ 715,471,828
1,114,341	(76,026,072)	67,669,252	—	67,669,252
<u>\$ 1,137,520</u>	<u>\$ 632,933,928</u>	<u>\$ 783,141,080</u>	<u>\$ 0</u>	<u>\$ 783,141,080</u>
<u>\$ 1,137,520</u>	<u>\$ 632,933,928</u>	<u>\$ 1,057,731,238</u>	<u>\$ 0</u>	<u>\$ 1,057,731,238</u>
<u>\$ 1,773,678</u>	<u>\$ 998,949,000</u>	<u>\$ 1,485,586,460</u>	<u>\$ (950,478)</u>	<u>\$ 1,484,635,982</u>

State of Georgia

Primary Government - Internal Service Funds Risk Management Combining Balance Sheet June 30, 1998

	Georgia State Indemnification Commission	Hazard and Insurance Reserve Fund	Liability Self-Insurance Reserve Fund	State Employees' Assurance Department	Unemployment Compensation Fund
Assets					
Current Assets:					
Receivables (Net of Allowances for Uncollectibles)					
Other					
Miscellaneous	\$ —	\$ 117,419	\$ 851,712	\$ —	\$ 15,686
Due from Other Funds	—	—	442,598	600,000	62
Long-Term Assets:					
Investments	891,453	16,217,961	191,661,182	708,360,000	1,487,965
Total Assets	\$ 891,453	\$ 16,335,380	\$ 192,955,492	\$ 708,960,000	\$ 1,503,713
Liabilities and Equity					
Liabilities					
Current Liabilities:					
Cash Overdraft	\$ 24,257	\$ 441,292	\$ 5,215,122	\$ —	\$ 40,487
Claims and Judgments Payable	113,333	16,221,404	193,634,426	—	2,972,539
Due to Other Funds	—	274,572	—	—	—
Total Liabilities	\$ 137,590	\$ 16,937,268	\$ 198,849,548	\$ 0	\$ 3,013,026
Equity					
Retained Earnings					
Reserved	\$ —	\$ —	\$ —	\$ 708,960,000	\$ —
Unreserved	753,863	(601,888)	(5,894,056)	—	(1,509,313)
Total Equity	\$ 753,863	\$ (601,888)	\$ (5,894,056)	\$ 708,960,000	\$ (1,509,313)
Total Liabilities and Equity	\$ 891,453	\$ 16,335,380	\$ 192,955,492	\$ 708,960,000	\$ 1,503,713

<u>Workers'</u> <u>Compensation</u> <u>Fund</u>	<u>Total</u>
\$ 1,524,188	\$ 2,509,005
—	1,042,660
76,778,774	995,397,335
\$ 78,302,962	\$ 998,949,000

\$ 2,089,160	\$ 7,810,318
144,352,000	357,293,702
636,480	911,052
\$ 147,077,640	\$ 366,015,072

\$ —	\$ 708,960,000
(68,774,678)	(76,026,072)
\$ (68,774,678)	\$ 632,933,928
\$ 78,302,962	\$ 998,949,000

State of Georgia

Primary Government - Internal Service Funds Combining Statement of Revenues, Expenses and Changes in Fund Equity For the Fiscal Year Ended June 30, 1998

	<u>Administrative Services, Department of</u>	<u>Building Authority, Georgia</u>	<u>Correctional Industries Administration</u>	<u>Merit System of Personnel Administration</u>
Operating Revenues:				
Contributions	\$ —	\$ —	\$ —	\$ —
Insurance Recoveries	—	—	—	—
Interest and Other Investment Income	—	—	—	—
Rents and Royalties	—	31,614,994	—	—
Sales and Services	199,289,789	17,372,731	27,364,273	13,265,891
Other	1,364,309	—	—	—
Total Operating Revenues	\$ 200,654,098	\$ 48,987,725	\$ 27,364,273	\$ 13,265,891
Operating Expenses:				
General and Administrative	\$ 96,729,496	\$ 27,108,319	\$ 9,997,677	\$ 13,168,305
Goods and Services	130,338,622	17,222,704	15,149,046	—
Interest	194,765	—	—	—
Benefits	—	—	—	—
Claims and Judgments	—	—	—	—
Depreciation	—	—	1,309,224	—
Total Operating Expenses	\$ 227,262,883	\$ 44,331,023	\$ 26,455,947	\$ 13,168,305
Operating Income (Loss)	\$ (26,608,785)	\$ 4,656,702	\$ 908,326	\$ 97,586
Nonoperating Revenues (Expenses):				
Interest and Other Investment Income	\$ 209,740	\$ 307,078	\$ 393,043	\$ —
Interest Expense	—	—	(57,945)	—
Other	(2,405,788)	567,171	327,953	(26,750)
Total Nonoperating Revenues (Expenses)	\$ (2,196,048)	\$ 874,249	\$ 663,051	\$ (26,750)
Net Income (Loss) Before Operating Transfers	\$ (28,804,833)	\$ 5,530,951	\$ 1,571,377	\$ 70,836
Operating Transfers:				
Transfers In	\$ 53,897,836	\$ —	\$ —	\$ 300,000
Transfers Out	(17,226,464)	—	—	(200,903)
Net Operating Transfers	\$ 36,671,372	\$ 0	\$ 0	\$ 99,097
Net Income (Loss)	\$ 7,866,539	\$ 5,530,951	\$ 1,571,377	\$ 169,933
Fund Equity, July 1	159,402,494	234,981,318	22,874,108	532,455
Adjustments				
Other	(10,336,230)	—	—	—
Contributed Capital	—	165,856	—	—
Transfer of Contributed Capital	—	—	(82,000)	—
Increase in Inventories	982,989	—	—	—
Fund Equity, June 30	\$ 157,915,792	\$ 240,678,125	\$ 24,363,485	\$ 702,388

Removal of Hazardous Materials, Agency for	Risk Management	Total Before Eliminations	Eliminations	Total
\$ —	\$ 116,167,640	\$ 116,167,640	\$ (91,273)	\$ 116,076,367
—	1,763,355	1,763,355	—	1,763,355
—	145,271,963	145,271,963	—	145,271,963
—	—	31,614,994	—	31,614,994
1,919,275	—	259,211,959	—	259,211,959
—	—	1,364,309	—	1,364,309
<u>\$ 1,919,275</u>	<u>\$ 263,202,958</u>	<u>\$ 555,394,220</u>	<u>\$ (91,273)</u>	<u>\$ 555,302,947</u>
\$ 454,408	\$ 9,660,455	\$ 157,118,660	\$ (91,273)	\$ 157,027,387
1,461,964	10,780,634	174,952,970	—	174,952,970
—	—	194,765	—	194,765
—	15,178,000	15,178,000	—	15,178,000
—	183,454,774	183,454,774	—	183,454,774
—	—	1,309,224	—	1,309,224
<u>\$ 1,916,372</u>	<u>\$ 219,073,863</u>	<u>\$ 532,208,393</u>	<u>\$ (91,273)</u>	<u>\$ 532,117,120</u>
<u>\$ 2,903</u>	<u>\$ 44,129,095</u>	<u>\$ 23,185,827</u>	<u>\$ 0</u>	<u>\$ 23,185,827</u>
\$ —	\$ —	\$ 909,861	\$ —	\$ 909,861
—	—	(57,945)	—	(57,945)
—	—	(1,537,414)	—	(1,537,414)
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (685,498)</u>	<u>\$ 0</u>	<u>\$ (685,498)</u>
<u>\$ 2,903</u>	<u>\$ 44,129,095</u>	<u>\$ 22,500,329</u>	<u>\$ 0</u>	<u>\$ 22,500,329</u>
\$ —	\$ —	\$ 54,197,836	\$ —	\$ 54,197,836
—	—	(17,427,367)	—	(17,427,367)
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 36,770,469</u>	<u>\$ 0</u>	<u>\$ 36,770,469</u>
\$ 2,903	\$ 44,129,095	\$ 59,270,798	\$ 0	\$ 59,270,798
1,134,617	588,804,833	1,007,729,825	—	1,007,729,825
—	—	(10,336,230)	—	(10,336,230)
—	—	165,856	—	165,856
—	—	(82,000)	—	(82,000)
—	—	982,989	—	982,989
<u>\$ 1,137,520</u>	<u>\$ 632,933,928</u>	<u>\$ 1,057,731,238</u>	<u>\$ 0</u>	<u>\$ 1,057,731,238</u>

State of Georgia

Primary Government - Internal Service Funds Risk Management Combining Statement of Revenues, Expenses and Changes in Equity For the Fiscal Year Ended June 30, 1998

	<u>Georgia State Indemnification Commission</u>	<u>Hazard and Insurance Reserve Fund</u>	<u>Liability Self-Insurance Reserve Fund</u>	<u>State Employees' Assurance Department</u>
Operating Revenues:				
Contributions	\$ 700,000	\$ 14,452,316	\$ 35,006,061	\$ 11,162,000
Insurance Recoveries	—	1,763,355	—	—
Interest and Other Investment Income	73,642	751,715	9,149,483	131,534,000
 Total Operating Revenues	 \$ <u>773,642</u>	 \$ <u>16,967,386</u>	 \$ <u>44,155,544</u>	 \$ <u>142,696,000</u>
Operating Expenses:				
General and Administrative	\$ —	\$ 612,479	\$ 3,408,862	\$ 147,000
Goods and Services	—	3,055,025	4,155,213	—
Benefits	—	—	—	15,178,000
Claims and Judgments	1,024,644	2,969,496	123,255,086	—
 Total Operating Expenses	 \$ <u>1,024,644</u>	 \$ <u>6,637,000</u>	 \$ <u>130,819,161</u>	 \$ <u>15,325,000</u>
 Net Income (Loss)	 \$ (251,002)	 \$ 10,330,386	 \$ (86,663,617)	 \$ 127,371,000
 Equity, July 1	 <u>1,004,865</u>	 <u>(10,932,274)</u>	 <u>80,769,561</u>	 <u>581,589,000</u>
 Equity, June 30	 <u>\$ 753,863</u>	 <u>\$ (601,888)</u>	 <u>\$ (5,894,056)</u>	 <u>\$ 708,960,000</u>

Unemployment Compensation Fund	Workers' Compensation Fund	Total
\$ 2,757,483	\$ 52,089,780	\$ 116,167,640
—	—	1,763,355
<u>155,507</u>	<u>3,607,616</u>	<u>145,271,963</u>
<u>\$ 2,912,990</u>	<u>\$ 55,697,396</u>	<u>\$ 263,202,958</u>
\$ 529,421	\$ 4,962,693	\$ 9,660,455
—	3,570,396	10,780,634
—	—	15,178,000
<u>3,076,297</u>	<u>53,129,251</u>	<u>183,454,774</u>
<u>\$ 3,605,718</u>	<u>\$ 61,662,340</u>	<u>\$ 219,073,863</u>
\$ (692,728)	\$ (5,964,944)	\$ 44,129,095
<u>(816,585)</u>	<u>(62,809,734)</u>	<u>588,804,833</u>
<u>\$ (1,509,313)</u>	<u>\$ (68,774,678)</u>	<u>\$ 632,933,928</u>

State of Georgia

Primary Government - Internal Service Funds Combining Statement of Cash Flows For the Fiscal Year Ended June 30, 1998

	<u>Administrative Services, Department of</u>	<u>Building Authority, Georgia</u>
Cash Flows from Operating Activities:		
Cash Received from Customers	\$ 217,086,341	\$ 48,433,451
Cash Received from Required Contributions	—	—
Cash Received from Insurance Proceeds	—	—
Cash Paid to Vendors	(176,864,679)	(24,423,172)
Cash Paid to Employees	(47,906,257)	(19,962,450)
Cash Paid for Benefits	—	—
Cash Paid for Claims and Judgments	—	—
	<u>—</u>	<u>—</u>
Net Cash Provided by (Used in) Operating Activities	\$ <u>(7,684,595)</u>	\$ <u>4,047,829</u>
Cash Flows from Noncapital Financing Activities:		
Operating Transfers In	\$ 53,897,836	\$ —
Operating Transfers Out	(17,226,464)	—
Return of Contributed Capital	—	—
Other Noncapital Items (Net)	(3,810,139)	1,228,262
	<u>(3,810,139)</u>	<u>1,228,262</u>
Net Cash Provided by Noncapital Financing Activities	\$ <u>32,861,233</u>	\$ <u>1,228,262</u>
Cash Flows from Capital and Related Financing Activities:		
Contributed Capital	\$ —	\$ 165,856
Acquisition and Construction of Capital Assets	(10,587,843)	(2,228,216)
Principal Paid on Note	—	—
Interest Paid on Note	—	—
	<u>—</u>	<u>—</u>
Net Cash Used in Capital and Related Financing Activities	\$ <u>(10,587,843)</u>	\$ <u>(2,062,360)</u>
Cash Flows from Investing Activities:		
Purchase of Investments (Net)	\$ (1,421,266)	\$ (8,834,408)
Interest on Investments	209,740	307,078
	<u>209,740</u>	<u>307,078</u>
Net Cash Used in Investing Activities	\$ <u>(1,211,526)</u>	\$ <u>(8,527,330)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	\$ 13,377,269	\$ (5,313,599)
Cash and Cash Equivalents, July 1	<u>0</u>	<u>5,313,599</u>
Cash and Cash Equivalents, June 30	<u>\$ 13,377,269</u>	<u>\$ 0</u>

<u>Correctional Industries Administration</u>	<u>Merit System of Personnel Administration</u>	<u>Removal of Hazardous Materials, Agency for</u>	<u>Risk Management</u>	<u>Total</u>
\$ 27,726,515	\$ 13,136,449	\$ 1,966,294	\$ —	\$ 308,349,050
—	—	—	115,640,381	115,640,381
—	—	—	1,763,355	1,763,355
(18,457,461)	(6,977,890)	(1,889,639)	(20,321,598)	(248,934,439)
(7,022,301)	(6,228,770)	—	—	(81,119,778)
—	—	—	(15,178,000)	(15,178,000)
—	—	—	(84,658,119)	(84,658,119)
<u>\$ 2,246,753</u>	<u>\$ (70,211)</u>	<u>\$ 76,655</u>	<u>\$ (2,753,981)</u>	<u>\$ (4,137,550)</u>
\$ —	\$ 300,000	\$ —	\$ —	\$ 54,197,836
—	(200,903)	—	—	(17,427,367)
(82,000)	—	—	—	(82,000)
<u>460,367</u>	<u>—</u>	<u>—</u>	<u>7,810,318</u>	<u>5,688,808</u>
<u>\$ 378,367</u>	<u>\$ 99,097</u>	<u>\$ 0</u>	<u>\$ 7,810,318</u>	<u>\$ 42,377,277</u>
\$ —	\$ —	\$ —	\$ —	\$ 165,856
(1,377,759)	(150,155)	(1,980)	—	(14,345,953)
(242,857)	—	—	—	(242,857)
<u>(57,945)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(57,945)</u>
<u>\$ (1,678,561)</u>	<u>\$ (150,155)</u>	<u>\$ (1,980)</u>	<u>\$ 0</u>	<u>\$ (14,480,899)</u>
\$ (5,406,226)	\$ —	\$ —	\$ (305,299,115)	\$ (320,961,015)
<u>393,043</u>	<u>—</u>	<u>—</u>	<u>36,098,743</u>	<u>37,008,604</u>
<u>\$ (5,013,183)</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (269,200,372)</u>	<u>\$ (283,952,411)</u>
\$ (4,066,624)	\$ (121,269)	\$ 74,675	\$ (264,144,035)	\$ (260,193,583)
<u>4,066,624</u>	<u>2,344,437</u>	<u>257,701</u>	<u>264,144,035</u>	<u>276,126,396</u>
<u>\$ 0</u>	<u>\$ 2,223,168</u>	<u>\$ 332,376</u>	<u>\$ 0</u>	<u>\$ 15,932,813</u>

(continued)

State of Georgia

Primary Government - Internal Service Funds Combining Statement of Cash Flows (continued) For the Fiscal Year Ended June 30, 1998

	<u>Administrative Services, Department of</u>	<u>Building Authority, Georgia</u>
Operating Income (Loss)	\$ (26,608,785)	\$ 4,656,702
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used In) Operating Activities:		
Depreciation	\$ —	\$ —
Interest and Other Investment Income	—	—
Changes in Assets and Liabilities:		
Decrease (Increase) in Other Receivables	2,111,285	(1,749,557)
Decrease (Increase) in Due from Other Funds	14,270,226	—
Decrease in Due from Component Units	50,589	—
Decrease (Increase) in Inventories	—	69,933
Decrease (Increase) in Prepaid Items	(23,213)	(826)
Increase (Decrease) in Accounts Payable and Other Accruals	(2,827,844)	(249,154)
Increase (Decrease) in Compensated Absences Payable	251,170	93,905
Increase in Claims and Judgments Payable	—	—
Increase in Contracts Payable	5,147,388	10,750
Increase (Decrease) in Salaries/Withholdings Payable	(55,554)	25,422
Increase (Decrease) in Due to Other Funds	—	(4,629)
Increase in Due to Component Units	143	—
Increase (Decrease) in Deferred Revenue	—	12,544
Increase in Deposits and Overpayments	—	1,182,739
Total Adjustments	<u>\$ 18,924,190</u>	<u>\$ (608,873)</u>
Net Cash Provided by (Used in) Operating Activities	<u>\$ (7,684,595)</u>	<u>\$ 4,047,829</u>
Noncash Investing, Capital, and Financing Activities:		
Disposal of Fixed Assets	\$ (2,422,499)	\$ —
Acquisition of Fixed Assets through Capital Leases	10,520,820	—
Write off of Fixed Assets	<u>(10,336,230)</u>	<u>—</u>
	<u>\$ (2,237,909)</u>	<u>\$ 0</u>

<u>Correctional Industries Administration</u>	<u>Merit System of Personnel Administration</u>	<u>Removal of Hazardous Materials, Agency for</u>	<u>Risk Management</u>	<u>Total</u>
\$ 908,326	\$ 97,586	\$ 2,903	\$ 44,129,095	\$ 23,185,827
\$ 1,309,224	\$ —	\$ —	\$ —	\$ 1,309,224
—	—	—	(145,271,963)	(145,271,963)
367,488	(129,442)	47,019	(591,259)	55,534
—	(60,229)	1,243	(378,660)	13,832,580
—	—	—	—	50,589
(172,919)	—	311	—	(102,675)
3,111	(2,000)	—	—	(22,928)
(239,926)	110,870	25,179	—	(3,180,875)
55,722	(68,699)	—	—	332,098
—	—	—	98,796,655	98,796,655
—	291,424	—	—	5,449,562
13	(49,675)	—	—	(79,794)
21,874	(260,046)	—	562,151	319,350
—	—	—	—	143
(6,160)	—	—	—	6,384
—	—	—	—	1,182,739
\$ 1,338,427	\$ (167,797)	\$ 73,752	\$ (46,883,076)	\$ (27,323,377)
\$ 2,246,753	\$ (70,211)	\$ 76,655	\$ (2,753,981)	\$ (4,137,550)
\$ —	\$ (26,750)	\$ —	\$ —	\$ (2,449,249)
—	—	—	—	10,520,820
—	—	—	—	(10,336,230)
\$ 0	\$ (26,750)	\$ 0	\$ 0	\$ (2,264,659)

State of Georgia

Primary Government - Internal Service Funds Risk Management Combining Statement of Cash Flows For the Fiscal Year Ended June 30, 1998

	Georgia State Indemnification Commission	Hazard and Insurance Reserve Fund	Liability Self-Insurance Reserve Fund	State Employees' Assurance Department
Cash Flows from Operating Activities:				
Cash Received from Required Contributions	\$ 700,000	\$ 14,436,314	\$ 34,638,497	\$ 11,226,000
Cash Received from Insurance Proceeds	—	1,763,355	—	—
Cash Paid to Vendors	—	(3,413,401)	(8,125,746)	(147,000)
Cash Paid for Benefits	—	—	—	(15,178,000)
Cash Paid for Claims and Judgments	(933,811)	(6,156,735)	(28,067,112)	—
Net Cash Provided by (Used in) Operating Activities	\$ (233,811)	\$ 6,629,533	\$ (1,554,361)	\$ (4,099,000)
Cash Flows from Noncapital Financing Activities:				
Other Noncapital Items (Net)	\$ 24,257	\$ 441,292	\$ 5,215,122	\$ —
Cash Flows from Investing Activities:				
Purchase of Investments (Net)	\$ (891,453)	\$ (16,217,961)	\$ (191,661,182)	\$ (18,261,780)
Interest on Investments	73,642	751,715	9,149,483	22,360,780
Net Cash Provided by (Used in) Investing Activities	\$ (817,811)	\$ (15,466,246)	\$ (182,511,699)	\$ 4,099,000
Net Decrease in Cash and Cash Equivalents	\$ (1,027,365)	\$ (8,395,421)	\$ (178,850,938)	\$ 0
Cash and Cash Equivalents, July 1	1,027,365	8,395,421	178,850,938	0
Cash and Cash Equivalents, June 30	\$ 0	\$ 0	\$ 0	\$ 0
Operating Income (Loss)	\$ (251,002)	\$ 10,330,386	\$ (86,663,617)	\$ 127,371,000
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:				
Interest and Other Investment Income	\$ (73,642)	\$ (751,715)	\$ (9,149,483)	\$ (131,534,000)
Changes in Assets and Liabilities:				
Increase in Other Receivables	—	(16,002)	(367,564)	—
Decrease (Increase) in Due from Other Funds	—	—	(442,598)	64,000
Increase (Decrease) in Claims and Judgments Payable	90,833	(3,187,239)	95,187,974	—
Increase (Decrease) in Due to Other Funds	—	254,103	(119,073)	—
Total Adjustments	\$ 17,191	\$ (3,700,853)	\$ 85,109,256	\$ (131,470,000)
Net Cash Provided by (Used in) Operating Activities	\$ (233,811)	\$ 6,629,533	\$ (1,554,361)	\$ (4,099,000)

Unemployment Compensation Fund	Workers' Compensation Fund	Total
\$ 2,741,797	\$ 51,897,773	\$ 115,640,381
—	—	1,763,355
(534,864)	(8,100,587)	(20,321,598)
—	—	(15,178,000)
<u>(2,668,210)</u>	<u>(46,832,251)</u>	<u>(84,658,119)</u>
\$ <u>(461,277)</u>	\$ <u>(3,035,065)</u>	\$ <u>(2,753,981)</u>
\$ <u>40,487</u>	\$ <u>2,089,160</u>	\$ <u>7,810,318</u>
\$ (1,487,965)	\$ (76,778,774)	\$ (305,299,115)
<u>155,507</u>	<u>3,607,616</u>	<u>36,098,743</u>
\$ <u>(1,332,458)</u>	\$ <u>(73,171,158)</u>	\$ <u>(269,200,372)</u>
\$ (1,753,248)	\$ (74,117,063)	\$ (264,144,035)
<u>1,753,248</u>	<u>74,117,063</u>	<u>264,144,035</u>
\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>
\$ <u>(692,728)</u>	\$ <u>(5,964,944)</u>	\$ <u>44,129,095</u>
\$ (155,507)	\$ (3,607,616)	\$ (145,271,963)
(15,686)	(192,007)	(591,259)
(62)	—	(378,660)
408,087	6,297,000	98,796,655
<u>(5,381)</u>	<u>432,502</u>	<u>562,151</u>
\$ <u>231,451</u>	\$ <u>2,929,879</u>	\$ <u>(46,883,076)</u>
\$ <u>(461,277)</u>	\$ <u>(3,035,065)</u>	\$ <u>(2,753,981)</u>

Primary Government
Trust and Agency Funds

State of Georgia

Primary Government - Trust and Agency Funds Combining Balance Sheet June 30, 1998

	Expendable Trust	Nonexpendable Trust	Pension Trust	Investment Trust	Agency	Total
Assets						
Cash and Cash Equivalents	\$ 1,909,739,632	\$ 185,698	\$ —	\$ —	\$ 63,931,546	\$ 1,973,856,876
Investments	49,989,346	35,398	11,531,092,592	2,834,115,490	229,674,639	14,644,907,465
Receivables (Net of Allowances for Uncollectibles)						
Intergovernmental - Federal	270,823	—	—	—	743,988	1,014,811
Interest and Dividends	—	—	93,409,000	—	—	93,409,000
Notes and Loans	4,104,717	—	—	—	—	4,104,717
Taxes	71,787,161	—	—	—	—	71,787,161
Other	7,939,614	—	6,936,125	—	25,629,244	40,504,983
Prepaid Items	8,638	—	15,906	—	—	24,544
Other Assets	—	—	—	—	37,733	37,733
Deferred Compensation Plan Assets	—	—	—	—	394,622,648	394,622,648
Total Assets	\$ 2,043,839,931	\$ 221,096	\$ 11,631,453,623	\$ 2,834,115,490	\$ 714,639,798	\$ 17,224,269,938
Liabilities and Fund Balances						
Liabilities:						
Cash Overdraft	\$ —	\$ —	\$ 1,985,787	\$ 174,669,398	\$ —	\$ 176,655,185
Accounts Payable and Other Accruals	20,524	—	6,344,428	—	—	6,364,952
Salaries/Withholdings Payable	—	—	23,629	—	—	23,629
Due to Other Funds	—	—	658,673	—	—	658,673
Funds Held for Others	—	—	—	—	714,632,873	714,632,873
Advances from Other Funds	—	—	—	—	6,925	6,925
Total Liabilities	\$ 20,524	\$ 0	\$ 9,012,517	\$ 174,669,398	\$ 714,639,798	\$ 898,342,237
Fund Balances:						
Reserved for Pension Benefits	\$ —	\$ —	\$ 11,622,441,106	\$ —	\$ —	\$ 11,622,441,106
Reserved for Investment Trust Fund	—	—	—	2,659,446,092	—	2,659,446,092
Reserved for Other Specific Purposes	1,991,758,883	148,500	—	—	—	1,991,907,383
Unreserved, Undesignated	52,060,524	72,596	—	—	—	52,133,120
Total Fund Balances	\$ 2,043,819,407	\$ 221,096	\$ 11,622,441,106	\$ 2,659,446,092	\$ 0	\$ 16,325,927,701
Total Liabilities and Fund Balances	\$ 2,043,839,931	\$ 221,096	\$ 11,631,453,623	\$ 2,834,115,490	\$ 714,639,798	\$ 17,224,269,938

**Primary Government - Expendable Trust Funds
For the Fiscal Year Ended June 30, 1998**

Expendable Trust Funds are used to account for assets held by the government in a trustee capacity in which both the principal and revenues earned on that principal may be expended for purposes designated by the trust agreement. The State's expendable trust funds are described below:

The **Auctioneers Recovery Fund** provides for actual or compensatory damages in instances where a person is aggrieved by an act, representation, transaction, or conduct of a person licensed under OCGA 43-6 (duly licensed auctioneer, apprentice auctioneer, or auction company) who is in violation of state law. Also, the fund is used to help underwrite the cost of developing courses, conducting seminars, conducting research projects on matters affecting auctioneers, publishing and distributing educational materials, or other education and research programs for the benefit of licensees and the public.

The **Housing Trust Fund for the Homeless** provides financial assistance to sponsors of housing programs and activities which are designed to enhance home ownership opportunities of low income Georgia households.

The **Keds Corporation Settlement Fund** is responsible for the direct delivery of services to women between fifteen and forty-four years of age with specific priority being given to job training in non-traditional employment fields.

The **Real Estate Recovery Fund** provides for actual or compensatory damages in instances where a person is aggrieved by an act, representation, transaction, or conduct of a duly licensed broker, associate broker or salesperson who is in violation of state law. Also, the fund is used to help underwrite the cost of developing courses, conducting seminars, conducting research projects on matters affecting real estate brokerage, publishing and distributing educational materials, or other education and research programs for the benefit of licensees and the public.

The **Sports Hall of Fame Board** is responsible for the establishment and maintenance of a hall of fame to honor those who have made outstanding contributions to sports and athletics in Georgia or elsewhere.

The **Subsequent Injury Trust Fund** is a special workers' compensation fund designed to encourage employers to hire workers with pre-existing impairments by insuring against the aggravating impact such impairment could have if the worker were subsequently injured on the job.

The **Unemployment Compensation Contributions and Benefits Fund** accounts for the collection of employers' unemployment insurance tax and the payment of unemployment insurance benefits.

State of Georgia

Primary Government - Expendable Trust Funds Combining Balance Sheet June 30, 1998

	<u>Auctioneers Recovery Fund</u>	<u>Housing Trust Fund for the Homeless</u>	<u>Keds Corporation Settlement Fund</u>
Assets			
Cash and Cash Equivalents	\$ 248,944	\$ —	\$ 64,999
Investments	—	12,925,423	—
Receivables (Net of Allowances for Uncollectibles)			
Intergovernmental - Federal	—	—	—
Notes and Loans	—	4,104,717	—
Taxes	—	—	—
Other	—	17,315	—
Prepaid Items	—	—	—
	<u>—</u>	<u>—</u>	<u>—</u>
 Total Assets	 <u>\$ 248,944</u>	 <u>\$ 17,047,455</u>	 <u>\$ 64,999</u>
 Liabilities and Fund Balances			
Liabilities:			
Cash Overdraft	\$ —	\$ 721,624	\$ —
Accounts Payable and Other Accruals	—	—	—
	<u>—</u>	<u>—</u>	<u>—</u>
Total Liabilities	<u>\$ 0</u>	<u>\$ 721,624</u>	<u>\$ 0</u>
 Fund Balances:			
Reserved for Other Specific Purposes	\$ —	\$ —	\$ —
Unreserved, Undesignated	248,944	16,325,831	64,999
	<u>248,944</u>	<u>16,325,831</u>	<u>64,999</u>
Total Fund Balances	<u>\$ 248,944</u>	<u>\$ 16,325,831</u>	<u>\$ 64,999</u>
 Total Liabilities and Fund Balances	 <u>\$ 248,944</u>	 <u>\$ 17,047,455</u>	 <u>\$ 64,999</u>

<u>Real Estate Recovery Fund</u>	<u>Sports Hall of Fame Board</u>	<u>Subsequent Injury Trust Fund</u>	<u>Unemployment Compensation Contributions and Benefits Fund</u>	<u>Total</u>
\$ —	\$ —	\$ —	\$ 1,911,796,903	\$ 1,912,110,846
1,601,194	—	35,462,729	—	49,989,346
—	—	—	270,823	270,823
—	—	—	—	4,104,717
—	—	—	71,787,161	71,787,161
—	—	—	7,922,299	7,939,614
—	—	8,638	—	8,638
<u>\$ 1,601,194</u>	<u>\$ 0</u>	<u>\$ 35,471,367</u>	<u>\$ 1,991,777,186</u>	<u>\$ 2,046,211,145</u>
\$ 59,007	\$ —	\$ 1,590,583	\$ —	\$ 2,371,214
—	—	2,221	18,303	20,524
<u>\$ 59,007</u>	<u>\$ 0</u>	<u>\$ 1,592,804</u>	<u>\$ 18,303</u>	<u>\$ 2,391,738</u>
\$ —	\$ —	\$ —	\$ 1,991,758,883	\$ 1,991,758,883
1,542,187	—	33,878,563	—	52,060,524
<u>\$ 1,542,187</u>	<u>\$ 0</u>	<u>\$ 33,878,563</u>	<u>\$ 1,991,758,883</u>	<u>\$ 2,043,819,407</u>
<u>\$ 1,601,194</u>	<u>\$ 0</u>	<u>\$ 35,471,367</u>	<u>\$ 1,991,777,186</u>	<u>\$ 2,046,211,145</u>

State of Georgia

Primary Government - Expendable Trust Funds Combining Statement of Revenues, Expenditures and Changes in Fund Balances For the Fiscal Year Ended June 30, 1998

	<u>Auctioneers Recovery Fund</u>	<u>Housing Trust Fund for the Homeless</u>	<u>Keds Corporation Settlement Fund</u>
Revenues:			
Taxes	\$ —	\$ —	\$ —
Intergovernmental			
Federal	—	—	—
Sales and Services	17,550	—	—
Interest and Other Investment Income	—	764,001	—
Contributions and Donations	—	—	—
Other	—	—	—
	<hr/>	<hr/>	<hr/>
Total Revenues	\$ 17,550	\$ 764,001	\$ 0
Expenditures:			
Education	\$ —	\$ —	\$ —
Health and Welfare	—	—	—
Economic Development and Assistance	—	3,321,836	1,546
Culture and Recreation	—	—	—
	<hr/>	<hr/>	<hr/>
Total Expenditures	\$ 0	\$ 3,321,836	\$ 1,546
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ 17,550	\$ (2,557,835)	\$ (1,546)
Other Financing Sources:			
Operating Transfers In	—	3,281,250	—
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures	\$ 17,550	\$ 723,415	\$ (1,546)
Fund Balances, July 1	231,394	15,608,920	66,545
Adjustments			
Change in Accounting Principle	—	(6,504)	—
Transfer of Equity	—	—	—
	<hr/>	<hr/>	<hr/>
Fund Balances, June 30	\$ 248,944	\$ 16,325,831	\$ 64,999

<u>Real Estate Recovery Fund</u>	<u>Sports Hall of Fame Board</u>	<u>Subsequent Injury Trust Fund</u>	<u>Unemployment Compensation Contributions and Benefits Fund</u>	<u>Total</u>
\$ —	\$ —	\$ 85,081,284	\$ 287,455,129	\$ 372,536,413
—	—	—	20,717,427	20,717,427
105,193	1,385	3,468	—	127,596
81,188	9,344	3,177,700	122,037,909	126,070,142
—	33,888	—	—	33,888
—	57,351	—	23,387	80,738
<u>\$ 186,381</u>	<u>\$ 101,968</u>	<u>\$ 88,262,452</u>	<u>\$ 430,233,852</u>	<u>\$ 519,566,204</u>
\$ 99,275	\$ —	\$ —	\$ —	\$ 99,275
—	—	64,702,740	—	64,702,740
—	—	—	276,175,942	279,499,324
—	102,521	—	—	102,521
<u>\$ 99,275</u>	<u>\$ 102,521</u>	<u>\$ 64,702,740</u>	<u>\$ 276,175,942</u>	<u>\$ 344,403,860</u>
\$ 87,106	\$ (553)	\$ 23,559,712	\$ 154,057,910	\$ 175,162,344
—	—	—	—	3,281,250
\$ 87,106	\$ (553)	\$ 23,559,712	\$ 154,057,910	\$ 178,443,594
1,455,081	200,339	10,318,851	1,837,700,973	1,865,582,103
—	—	—	—	(6,504)
—	(199,786)	—	—	(199,786)
<u>\$ 1,542,187</u>	<u>\$ 0</u>	<u>\$ 33,878,563</u>	<u>\$ 1,991,758,883</u>	<u>\$ 2,043,819,407</u>

**Primary Government - Nonexpendable Trust Funds
For the Fiscal Year Ended June 30, 1998**

Nonexpendable Trust Funds are used to account for assets held by the government in a trustee capacity in which the principal of the trust must be preserved intact. The State's nonexpendable trust funds are described below:

The **Pupils= Trust Fund - Georgia Academy for the Blind** is used to account for principal trust amounts received and related interest income. The interest portion of the trust may be used for student activities at Georgia Academy for the Blind.

The **Lenora M. Sarling Scholarship Fund** is used to account for principal trust amounts received and related interest income. The interest portion of the trust may be used for scholarships at North Georgia Technical Institute.

The **Carl Patrick Chair** is used to account for principal trust amounts received and related interest income. The interest portion of the trust may be used to supplement salaries of engineers on staff at Columbus Technical Institute.

State of Georgia

Primary Government - Nonexpendable Trust Funds Combining Balance Sheet June 30, 1998

	Pupils' Trust Fund - Georgia Academy for the Blind	Lenora M. Sarling Scholarship Fund	Carl Patrick Chair	Total
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Assets				
Cash and Cash Equivalents	\$ 13,500	\$ 592	\$ 171,606	\$ 185,698
Investments	<u>—</u>	<u>35,398</u>	<u>—</u>	<u>35,398</u>
 Total Assets	 <u>\$ 13,500</u>	 <u>\$ 35,990</u>	 <u>\$ 171,606</u>	 <u>\$ 221,096</u>
 Fund Balances				
Reserved for Other Specific Purposes	\$ 13,500	\$ 35,000	\$ 100,000	\$ 148,500
Unreserved, Undesignated	<u>—</u>	<u>990</u>	<u>71,606</u>	<u>72,596</u>
 Total Fund Balances	 <u>\$ 13,500</u>	 <u>\$ 35,990</u>	 <u>\$ 171,606</u>	 <u>\$ 221,096</u>

State of Georgia

Primary Government - Nonexpendable Trust Funds Combining Statement of Revenues, Expenses and Changes in Fund Balances For the Fiscal Year Ended June 30, 1998

	<u>Pupils' Trust Fund - Georgia Academy for the Blind</u>	<u>Lenora M. Sarling Scholarship Fund</u>	<u>Carl Patrick Chair</u>	<u>Total</u>
Operating Revenues:				
Interest and Other Investment Income	\$ 878	\$ 2,668	\$ 9,371	\$ 12,917
Operating Expenses:				
General and Administrative	\$ —	\$ —	\$ 4,066	\$ 4,066
Scholarships	—	2,320	—	2,320
Other	878	—	—	878
Total Operating Expenses	\$ 878	\$ 2,320	\$ 4,066	\$ 7,264
Net Income	\$ 0	\$ 348	\$ 5,305	\$ 5,653
Fund Balances, July 1	13,500	36,025	166,301	215,826
Adjustments				
Change in Accounting Principle	—	(383)	—	(383)
Fund Balances, June 30	<u>\$ 13,500</u>	<u>\$ 35,990</u>	<u>\$ 171,606</u>	<u>\$ 221,096</u>

State of Georgia

Primary Government - Nonexpendable Trust Funds Combining Statement of Cash Flows For the Fiscal Year Ended June 30, 1998

	<u>Pupils' Trust Fund - Georgia Academy for the Blind</u>	<u>Lenora M. Sarling Scholarship Fund</u>	<u>Carl Patrick Chair</u>	<u>Total</u>
Cash Flows from Operating Activities:				
Cash Paid to Vendors	\$ (878)	\$ —	\$ (4,066)	\$ (4,944)
Cash Paid for Scholarships	<u>—</u>	<u>(2,320)</u>	<u>—</u>	<u>(2,320)</u>
Net Cash Used in Operating Activities	<u>\$ (878)</u>	<u>\$ (2,320)</u>	<u>\$ (4,066)</u>	<u>\$ (7,264)</u>
Cash Flows from Investing Activities:				
Purchase of Investments (Net)	\$ —	\$ —	\$ 161,724	\$ 161,724
Interest on Investments	<u>878</u>	<u>1,887</u>	<u>9,371</u>	<u>12,136</u>
Net Cash Provided by Investing Activities	<u>\$ 878</u>	<u>\$ 1,887</u>	<u>\$ 171,095</u>	<u>\$ 173,860</u>
Net Increase in Cash and Cash Equivalents	\$ 0	\$ (433)	\$ 167,029	\$ 166,596
Cash and Cash Equivalents, July 1	<u>13,500</u>	<u>1,025</u>	<u>4,577</u>	<u>19,102</u>
Cash and Cash Equivalents, June 30	<u>\$ 13,500</u>	<u>\$ 592</u>	<u>\$ 171,606</u>	<u>\$ 185,698</u>
Operating Income	\$ 0	\$ 348	\$ 5,305	\$ 5,653
Adjustments to Reconcile Operating Income to Net Cash Used in Operating Activities:				
Interest and Other Investment Income	<u>(878)</u>	<u>(2,668)</u>	<u>(9,371)</u>	<u>(12,917)</u>
Net Cash Used in Operating Activities	<u>\$ (878)</u>	<u>\$ (2,320)</u>	<u>\$ (4,066)</u>	<u>\$ (7,264)</u>

**Primary Government - Pension Trust Funds
For the Fiscal Year Ended June 30, 1998**

Pension Trust Funds account for activities of the public employee retirement systems. The State's pension trust funds are described below:

The **Defined Contribution Plan** is used to account for the accumulation of resources for the purpose of providing retirement allowances for State employees who are not members of a public retirement or pension system.

The **District Attorneys Retirement Fund** (old plan) is used to account for the accumulation of resources for the purpose of paying retirement benefits to the district attorneys of the State of Georgia.

The **District Attorneys Retirement System** (new plan) is used to account for the accumulation of resources for the purpose of paying retirement benefits to the district attorneys of the State of Georgia.

The **Employees' Retirement System** is used to account for the accumulation of resources for the purpose of providing retirement allowances for qualified employees of the State of Georgia and its political subdivisions.

The **Legislative Retirement System** is used to account for the accumulation of resources for the purpose of providing retirement allowances for all members of the General Assembly.

The **Superior Court Judges Retirement Fund** (old plan) is used to account for the accumulation of resources for the purpose of paying retirement benefits to the Superior Court Judges of the State of Georgia.

The **Superior Court Judges Retirement System** (new plan) is used to account for the accumulation of resources for the purpose of paying retirement benefits to the Superior Court Judges of the State of Georgia.

The **Trial Judges and Solicitors Retirement Fund** is used to account for the accumulation of resources for the purpose of providing retirement allowances for trial judges and solicitors of certain courts of Georgia, and their survivors and other beneficiaries.

State of Georgia

Primary Government - Pension Trust Funds Combining Statement of Plan Net Assets June 30, 1998

	Defined Contribution Plan	District Attorneys Retirement Fund	District Attorneys Retirement System	Employees' Retirement System	Legislative Retirement System
Assets					
Cash and Cash Equivalents	\$ 70,000	\$ 3,000	\$ 17,000	\$ —	\$ 82,854
Investments	25,888,000	—	31,001,000	11,275,768,772	26,386,820
Receivables (Net of Allowances for Uncollectibles)					
Interest and Dividends	227,000	—	—	93,182,000	—
Other					
Miscellaneous	982,000	—	47,000	5,467,799	326
Prepaid Items	—	—	—	15,906	—
	\$ 27,167,000	\$ 3,000	\$ 31,065,000	\$ 11,374,434,477	\$ 26,470,000
Liabilities					
Cash Overdraft	\$ —	\$ —	\$ —	\$ 2,152,641	\$ —
Accounts Payable and Other Accruals	2,000	3,000	6,000	6,232,428	13,000
Salaries/Withholdings Payable	—	—	—	23,629	—
Due to Other Funds	—	—	—	632,673	26,000
	\$ 2,000	\$ 3,000	\$ 6,000	\$ 9,041,371	\$ 39,000
Fund Balances Reserved for Pension Benefits	\$ 27,165,000	\$ 0	\$ 31,059,000	\$ 11,365,393,106	\$ 26,431,000

Superior Court Judges Retirement Fund	Superior Court Judges Retirement System	Trial Judges and Solicitors Retirement Fund	Total
\$ 60,000	\$ —	\$ 87,000	\$ 319,854
1,547,000	114,701,000	55,800,000	11,531,092,592
—	—	—	93,409,000
1,000	187,000	251,000	6,936,125
—	—	—	15,906
<u>\$ 1,608,000</u>	<u>\$ 114,888,000</u>	<u>\$ 56,138,000</u>	<u>\$ 11,631,773,477</u>
\$ —	\$ 153,000	\$ —	\$ 2,305,641
36,000	45,000	7,000	6,344,428
—	—	—	23,629
—	—	—	658,673
<u>\$ 36,000</u>	<u>\$ 198,000</u>	<u>\$ 7,000</u>	<u>\$ 9,332,371</u>
<u>\$ 1,572,000</u>	<u>\$ 114,690,000</u>	<u>\$ 56,131,000</u>	<u>\$ 11,622,441,106</u>

**Primary Government - Agency Funds
For the Fiscal Year Ended June 30, 1998**

Agency Funds report those assets for which the State acts solely in a custodial capacity. The State's major agency funds are described below:

Agriculture, Department of

The **Agricultural Commodity Commissions** account for assessments levied on producers and handlers of various commodities. These funds are disbursed upon approval and request of the commodity commissions to promote the production, marketing, sale, utilization, processing, research and improvement of agricultural products in Georgia.

Corrections, Department of

Detainees' Accounts are held for the detainees of statewide probation offices, correctional institutions, diversion centers, detention centers, transitional centers and boot camps for the purpose of paying court ordered fines, fees and restitutions and for operating recreational activities for detainees.

Human Resources, Department of

The **Child Support Recovery Program** accounts for the collection of court ordered child support or child support amounts due as determined in conformity with the Social Security Act. Amounts collected are distributed and deposited in conformity with state law and the standards prescribed in the Social Security Act.

Non-Centralized Agency Funds account for donations, vending machine proceeds, client funds and fund raising projects at hospitals, development centers, group homes and other Department of Human Resources sites around the State.

Insurance, Department of

Receiverships are held to pay claims and expenses against out-of-state defunct insurance companies.

Medical Assistance, Department of

The **Medicaid Special Holding Account** consists of refunds and recoveries made on specific claims for which disposition has not yet been determined.

Merit System of Personnel Administration, State Personnel Board

The **Deferred Compensation Program** accounts for participant earnings deferred in accordance with Internal Revenue Code Section 457.

**Primary Government - Agency Funds
For the Fiscal Year Ended June 30, 1998**

Merit System of Personnel Administration, State Personnel Board

The **Flexible Benefits Program** accounts for participant payroll deductions for benefits and spending accounts; disbursements are made to insurance companies for premiums and to participants for spending account reimbursements.

Public Service Commission

The **Universal Access Fund** was established to assure the provision of reasonably priced access to basic local exchange services throughout Georgia. All telecommunications companies providing telecommunications services within Georgia contribute to this fund. Distributions are made to providers of basic local exchange services upon application and demonstration that the reasonable costs to provide such service exceed the maximum fixed price permitted.

Revenue, Department of

The **Real Estate Transfer Tax** fund is used to collect real estate transfer taxes on behalf of county governments and to remit the taxes back to the counties.

Treasury and Fiscal Services, Office of

The **Local Government Investment Pool** was established to enable local governments to voluntarily invest any idle local moneys. The sources of this fund are local government investment deposits and their share of the investment earnings of the fund; deductions occur as withdrawals are requested by local governments.

Local Option Sales Tax Collections accounts for the collection and disbursement of local option sales taxes on behalf of county and municipal governments.

Special Purpose Tax Collections accounts for the collection and disbursement of special purpose sales taxes on behalf of county and municipal governments.

State of Georgia

Primary Government - Agency Funds Combining Statement of Changes in Assets and Liabilities For the Fiscal Year Ended June 30, 1998

	Balance July 1, 1997	Additions	Deletions	Balance June 30, 1998
Agriculture, Department of				
Agricultural Commodity Commissions				
Assets				
Cash and Cash Equivalents	\$ 2,567,817	\$ 5,655,144	\$ 7,687,614	\$ 535,347
Investments	1,821,788	3,519,267	771,788	4,569,267
Total Assets	\$ 4,389,605	\$ 9,174,411	\$ 8,459,402	\$ 5,104,614
Liabilities				
Funds Held for Others	\$ 4,389,605	\$ 5,273,356	\$ 4,558,347	\$ 5,104,614
 Corrections, Department of				
Detainees' Accounts				
Assets				
Cash and Cash Equivalents	\$ 26,512,433	\$ 110,470,688	\$ 108,556,925	\$ 28,426,196
Liabilities				
Funds Held for Others	\$ 26,512,433	\$ 110,470,688	\$ 108,556,925	\$ 28,426,196
 Human Resources, Department of				
Child Support Recovery Program				
Assets				
Cash and Cash Equivalents	\$ 6,744,606	\$ 311,704,694	\$ 315,215,102	\$ 3,234,198
Liabilities				
Funds Held for Others	\$ 6,744,606	\$ 311,704,694	\$ 315,215,102	\$ 3,234,198
 Non-Centralized Agency Funds				
Assets				
Cash and Cash Equivalents	\$ 4,689,313	\$ 17,005,047	\$ 17,402,186	\$ 4,292,174
Investments	3,305,945	844,846	465,815	3,684,976
Receivables				
Other	48,694	133,159	181,853	0
Total Assets	\$ 8,043,952	\$ 17,983,052	\$ 18,049,854	\$ 7,977,150
Liabilities				
Funds Held for Others	\$ 8,043,952	\$ 17,325,861	\$ 17,392,663	\$ 7,977,150

(continued)

State of Georgia

Primary Government - Agency Funds Combining Statement of Changes in Assets and Liabilities (continued) For the Fiscal Year Ended June 30, 1998

	Balance July 1, 1997	Additions	Deletions	Balance June 30, 1998
Insurance, Department of				
Receiverships				
Assets				
Cash and Cash Equivalents	\$ 1,369,521	\$ 27,838	\$ 12	\$ 1,397,347
Liabilities				
Funds Held for Others	\$ 1,369,521	\$ 27,838	\$ 12	\$ 1,397,347
 Medical Assistance, Department of				
Medicaid Special Holding Account				
Assets				
Cash and Cash Equivalents	\$ 6,371,492	\$ 899,590,460	\$ 890,519,078	\$ 15,442,874
Receivables				
Other	24,564,277	—	1,998,978	22,565,299
Total Assets	\$ 30,935,769	\$ 899,590,460	\$ 892,518,056	\$ 38,008,173
Liabilities				
Funds Held for Others	\$ 30,935,769	\$ 899,590,460	\$ 892,518,056	\$ 38,008,173
 Merit System of Personnel Administration, State Personnel Board				
Deferred Compensation Program				
Assets				
Cash and Cash Equivalents	\$ 1,880,482	\$ —	\$ 1,986,929	\$ (106,447)
Receivables				
Other	101,475	—	101,475	0
Deferred Compensation Plan Assets	314,206,807	129,885,792	49,469,951	394,622,648
Total Assets	\$ 316,188,764	\$ 129,885,792	\$ 51,558,355	\$ 394,516,201
Liabilities				
Funds Held for Others	\$ 316,188,764	\$ 129,885,792	\$ 51,558,355	\$ 394,516,201
 Flexible Benefits Program				
Assets				
Cash and Cash Equivalents	\$ 8,901,974	\$ 46,456,734	\$ 51,815,357	\$ 3,543,351
Investments	0	7,904,214	—	7,904,214
Receivables				
Other	108,703	260,801	231,520	137,984
Total Assets	\$ 9,010,677	\$ 54,621,749	\$ 52,046,877	\$ 11,585,549
Liabilities				
Funds Held for Others	\$ 9,010,677	\$ 2,574,872	\$ —	\$ 11,585,549

State of Georgia

Primary Government - Agency Funds Combining Statement of Changes in Assets and Liabilities (continued) For the Fiscal Year Ended June 30, 1998

	Balance July 1, 1997	Additions	Deletions	Balance June 30, 1998
Public Service Commission				
Universal Access Fund				
Assets				
Cash and Cash Equivalents	\$ 6,743,356	\$ 14,627,273	\$ 21,245,930	\$ 124,699
Investments	1,298,321	1,319,613	1,298,321	1,319,613
Total Assets	\$ 8,041,677	\$ 15,946,886	\$ 22,544,251	\$ 1,444,312
Liabilities				
Funds Held for Others	\$ 8,041,677	\$ 13,328,952	\$ 19,926,317	\$ 1,444,312
 Revenue, Department of				
Real Estate Transfer Tax				
Assets				
Cash and Cash Equivalents	\$ 3,480,841	\$ 43,074,804	\$ 44,365,178	\$ 2,190,467
Investments	1,210,392	12,266,962	1,210,392	12,266,962
Total Assets	\$ 4,691,233	\$ 55,341,766	\$ 45,575,570	\$ 14,457,429
Liabilities				
Funds Held for Others	\$ 4,691,233	\$ 41,864,412	\$ 32,098,216	\$ 14,457,429
 Treasury and Fiscal Services, Office of				
Education Local Option Sales Tax Collections				
Assets				
Cash and Cash Equivalents	\$ 0	\$ 586,968,184	\$ 590,287,937	\$ (3,319,753)
Investments	0	53,864,985	—	53,864,985
Total Assets	\$ 0	\$ 640,833,169	\$ 590,287,937	\$ 50,545,232
Liabilities				
Funds Held for Others	\$ 0	\$ 586,968,184	\$ 536,422,952	\$ 50,545,232
 Homestead Option Sales Tax Collections				
Assets				
Cash and Cash Equivalents	\$ 0	\$ 60,452,454	\$ 60,760,009	\$ (307,555)
Investments	0	4,990,263	—	4,990,263
Total Assets	\$ 0	\$ 65,442,717	\$ 60,760,009	\$ 4,682,708
Liabilities				
Funds Held for Others	\$ 0	\$ 60,452,454	\$ 55,769,746	\$ 4,682,708

(continued)

State of Georgia

Primary Government - Agency Funds Combining Statement of Changes in Assets and Liabilities (continued) For the Fiscal Year Ended June 30, 1998

	Balance July 1, 1997	Additions	Deletions	Balance June 30, 1998
Treasury and Fiscal Services, Office of				
Local Government Investment Pool				
Assets				
Cash and Cash Equivalents	\$ 1,530,083,996	\$ —	\$ 1,530,083,996	\$ 0
Investments	579,931,027	—	579,931,027	0
Total Assets	\$ 2,110,015,023	\$ 0	\$ 2,110,015,023	\$ 0
Liabilities				
Funds Held for Others	\$ 2,110,015,023	\$ —	\$ 2,110,015,023	\$ 0
Local Option Sales Tax Collections				
Assets				
Cash and Cash Equivalents	\$ 39,081,102	\$ 777,543,437	\$ 819,903,668	\$ (3,279,129)
Investments	14,812,483	53,205,830	14,812,483	53,205,830
Total Assets	\$ 53,893,585	\$ 830,749,267	\$ 834,716,151	\$ 49,926,701
Liabilities				
Funds Held for Others	\$ 53,893,585	\$ 762,730,954	\$ 766,697,838	\$ 49,926,701
Special Purpose Tax Collections				
Assets				
Cash and Cash Equivalents	\$ 33,231,484	\$ 672,272,743	\$ 708,299,705	\$ (2,795,478)
Investments	12,595,367	45,358,311	12,595,367	45,358,311
Total Assets	\$ 45,826,851	\$ 717,631,054	\$ 720,895,072	\$ 42,562,833
Liabilities				
Funds Held for Others	\$ 45,826,851	\$ 659,677,376	\$ 662,941,394	\$ 42,562,833
Various Agencies and Departments				
Other Agency Funds				
Assets				
Cash and Cash Equivalents	\$ 18,864,733	\$ 436,420,226	\$ 440,731,704	\$ 14,553,255
Investments	9,368,301	43,798,707	10,656,790	42,510,218
Receivables				
Intergovernmental - Federal	528,640	757,868	542,520	743,988
Other	2,513,234	11,945,763	11,533,036	2,925,961
Other Assets	139,913	2,800	104,980	37,733
Total Assets	\$ 31,414,821	\$ 492,925,364	\$ 463,569,030	\$ 60,771,155
Liabilities				
Funds Held for Others	\$ 31,407,896	\$ 458,724,488	\$ 429,368,154	\$ 60,764,230
Advances from Other Funds	6,925	—	—	6,925
Total Liabilities	\$ 31,414,821	\$ 458,724,488	\$ 429,368,154	\$ 60,771,155

Primary Government
College and University Funds

**Primary Government - College and University Funds
For the Fiscal Year Ended June 30, 1998**

Current Funds account for resources that the Institutions may use for any purpose in carrying out their primary objectives.

Unrestricted Current Funds account for economic resources that are fully controlled by the Institutions and are used in the performance of their primary functions.

Restricted Current Funds account for externally restricted funds which may be utilized only in accordance with the purposes established by their source.

Loan Funds account for resources which have been made available for financial loans to students.

Endowment and Similar Funds account for assets that are subject to restrictions of gift instruments.

Plant Funds account for transactions involving physical properties of the Institutions.

Unexpended Plant Funds account for financial resources utilized to acquire or to construct physical properties.

Renewals and Replacements Funds account for resources set aside for the renewal and replacement of physical properties.

Investment in Plant Funds disclose amounts representing the book value of all physical properties owned.

Agency Funds account for resources held by Institutions as custodians or fiscal agents for individual students, faculty, staff members and organizations.

State of Georgia

Primary Government - College and University Funds Combining Balance Sheet June 30, 1998

	Current Funds		Loan Funds	Endowment and Similar Funds
	Unrestricted	Restricted		
Assets				
Cash and Cash Equivalents	\$ 186,509,233	\$ 18,642,912	\$ 10,838,968	\$ 66,156,765
Investments	135,681,398	14,894,711	45,677	52,775,542
Receivables (Net of Allowances for Uncollectibles)				
Intergovernmental - Federal	997,458	34,485,678	27,421	—
Interest and Dividends	—	—	57,940	—
Notes and Loans	—	—	48,682,699	10,607
Other	103,496,053	35,211,990	26,461	40,946
Due from Other Funds	7,706,580	—	1,264,536	6,384
Inventories	26,848,073	—	—	—
Prepaid Items	6,945,666	474,664	—	—
Fixed Assets				
Land	—	—	—	—
Buildings	—	—	—	—
Improvements Other Than Buildings	—	—	—	—
Equipment	—	—	—	—
Construction in Progress	—	—	—	—
Total Assets	\$ 468,184,461	\$ 103,709,955	\$ 60,943,702	\$ 118,990,244
Liabilities and Fund Equity				
Liabilities:				
Accounts Payable and Other Accruals	\$ 154,120,708	\$ 661,916	\$ —	\$ —
Compensated Absences Payable	88,835,673	15,526,289	—	—
Salaries/Withholdings Payable	5,616,060	—	—	—
Benefits Payable	21,800,000	—	—	—
Due to Other Funds	16,291,992	15,446,927	12,028	29,218
Deferred Revenue	78,662,613	—	—	—
Capital Leases Payable	—	—	—	—
Funds Held for Others	—	—	—	—
Other Liabilities	148,298	—	—	—
Deposits and Overpayments	1,960,342	—	—	—
Long-Term Debt Payable	—	—	—	—
Revenue Bonds Payable	—	—	—	—
Total Liabilities	\$ 367,435,686	\$ 31,635,132	\$ 12,028	\$ 29,218
Fund Equity:				
U. S. Government Grants Refundable	\$ —	\$ —	\$ 47,793,530	\$ —
Institutional Loans - Restricted	—	—	13,120,618	—
Institutional Loans - Unrestricted	—	—	17,526	—
Endowment	—	—	—	100,356,768
Term Endowment	—	—	—	3,012,354
Quasi-Endowment - Unrestricted	—	—	—	8,082,933
Quasi-Endowment - Restricted	—	—	—	7,508,971
Net Investment in Plant	—	—	—	—
Restricted	—	72,074,823	—	—
Unrestricted	100,748,775	—	—	—
Total Fund Equity	\$ 100,748,775	\$ 72,074,823	\$ 60,931,674	\$ 118,961,026
Total Liabilities and Fund Equity	\$ 468,184,461	\$ 103,709,955	\$ 60,943,702	\$ 118,990,244

Unexpended	Plant Funds		Agency Funds	Total Before Eliminations	Eliminations	Total (Memorandum Only)
	Renewals and Replacements	Investment in Plant				
\$ 76,741,093	\$ 30,754,678	\$ —	\$ 39,901,179	\$ 429,544,828	\$ —	\$ 429,544,828
5,496,009	1,020,410	—	3,593	209,917,340	—	209,917,340
2,681,192	—	—	415,894	38,607,643	—	38,607,643
—	—	—	—	57,940	—	57,940
—	—	—	—	48,693,306	—	48,693,306
15,692,300	184,272	—	1,183,026	155,835,048	—	155,835,048
5,834,972	9,940,491	—	7,277,607	32,030,570	(32,030,570)	0
—	—	—	—	26,848,073	—	26,848,073
2,604,584	—	—	69,500	10,094,414	—	10,094,414
—	—	94,233,195	—	94,233,195	—	94,233,195
—	—	2,598,758,950	—	2,598,758,950	—	2,598,758,950
—	—	181,591,288	—	181,591,288	—	181,591,288
—	—	1,561,332,914	—	1,561,332,914	—	1,561,332,914
—	—	200,930,122	—	200,930,122	—	200,930,122
<u>\$ 109,050,150</u>	<u>\$ 41,899,851</u>	<u>\$ 4,636,846,469</u>	<u>\$ 48,850,799</u>	<u>\$ 5,588,475,631</u>	<u>\$ (32,030,570)</u>	<u>\$ 5,556,445,061</u>
\$ 90,998,400	\$ 7,438,340	\$ —	\$ 27,931,383	\$ 281,150,747	\$ —	\$ 281,150,747
22,242	—	—	—	104,384,204	—	104,384,204
—	—	—	—	5,616,060	—	5,616,060
—	—	—	—	21,800,000	—	21,800,000
1,004,709	318,385	—	1,328,137	34,431,396	(32,030,570)	2,400,826
—	—	—	—	78,662,613	—	78,662,613
—	—	20,232,718	—	20,232,718	—	20,232,718
—	—	—	19,591,279	19,591,279	—	19,591,279
1,287	—	—	—	149,585	—	149,585
—	—	—	—	1,960,342	—	1,960,342
7,000	—	—	—	7,000	—	7,000
<u>\$ 92,033,638</u>	<u>\$ 7,756,725</u>	<u>\$ 20,232,718</u>	<u>\$ 48,850,799</u>	<u>\$ 567,985,944</u>	<u>\$ (32,030,570)</u>	<u>\$ 535,955,374</u>
\$ —	\$ —	\$ —	\$ —	\$ 47,793,530	\$ —	\$ 47,793,530
—	—	—	—	13,120,618	—	13,120,618
—	—	—	—	17,526	—	17,526
—	—	—	—	100,356,768	—	100,356,768
—	—	—	—	3,012,354	—	3,012,354
—	—	—	—	8,082,933	—	8,082,933
—	—	—	—	7,508,971	—	7,508,971
—	—	4,616,613,751	—	4,616,613,751	—	4,616,613,751
491,081	—	—	—	72,565,904	—	72,565,904
16,525,431	34,143,126	—	—	151,417,332	—	151,417,332
<u>\$ 17,016,512</u>	<u>\$ 34,143,126</u>	<u>\$ 4,616,613,751</u>	<u>\$ 0</u>	<u>\$ 5,020,489,687</u>	<u>\$ 0</u>	<u>\$ 5,020,489,687</u>
<u>\$ 109,050,150</u>	<u>\$ 41,899,851</u>	<u>\$ 4,636,846,469</u>	<u>\$ 48,850,799</u>	<u>\$ 5,588,475,631</u>	<u>\$ (32,030,570)</u>	<u>\$ 5,556,445,061</u>

———— Primary Government —————
General Fixed Assets Account Group

Primary Government - General Fixed Assets Account Group
For the Fiscal Year Ended June 30, 1998

The **General Fixed Assets Account Group** is used to account for fixed assets acquired or constructed for use by the State for general governmental purposes. These include all Primary Government fixed assets, except those accounted for in the Proprietary, Nonexpendable Trust, Pension Trust, and College and University funds.

State of Georgia

Schedule of General Fixed Assets By Function June 30, 1998

Function	Land and Buildings	Improvements Other Than Buildings	Construction In Progress	Equipment	Total
General Government	\$ 339,656,745	\$ —	\$ —	\$ 55,978,786	\$ 395,635,531
Education	282,537,505	—	—	189,906,049	472,443,554
Health and Welfare	161,851,036	—	—	152,895,071	314,746,107
Transportation	—	—	—	189,024,826	189,024,826
Public Safety	758,622,446	—	—	169,015,443	927,637,889
Economic Development and Assistance	77,558,558	—	—	36,315,287	113,873,845
Culture and Recreation	178,361,570	448,632	350,787	68,093,451	247,254,440
Conservation	6,349,029	—	—	64,893,042	71,242,071
Capital Outlay	183,030,038	—	—	—	183,030,038
Total General Fixed Assets	<u>\$ 1,987,966,927</u>	<u>\$ 448,632</u>	<u>\$ 350,787</u>	<u>\$ 926,121,955</u>	<u>\$ 2,914,888,301</u>

State of Georgia

Schedule of Changes in General Fixed Assets By Function For the Fiscal Year Ended June 30, 1998

Function	General Fixed Assets July 1, 1997	Additions	Deletions	Retroactive Restatement of Prior Year Balance	General Fixed Assets June 30, 1998
General Government	\$ 380,882,170	\$ 19,670,238	\$ 4,916,877	\$ —	\$ 395,635,531
Education	405,221,601	76,189,633	9,239,895	272,215	472,443,554
Health and Welfare	288,098,414	41,741,409	15,093,716	—	314,746,107
Transportation	177,442,654	17,309,691	5,727,519	—	189,024,826
Public Safety	863,522,993	77,989,457	13,874,561	—	927,637,889
Economic Development and Assistance	109,070,344	5,328,786	525,285	—	113,873,845
Culture and Recreation	229,976,065	20,654,015	3,375,640	—	247,254,440
Conservation	68,541,188	3,623,737	922,854	—	71,242,071
Capital Outlay	184,485,018	228,431	1,683,411	—	183,030,038
	<u>\$ 2,707,240,447</u>	<u>\$ 262,735,397</u>	<u>\$ 55,359,758</u>	<u>\$ 272,215</u>	<u>\$ 2,914,888,301</u>

Component U nits
Governmental F und T ypes

State of Georgia

Component Units - Governmental Fund Types For the Fiscal Year Ended June 30, 1998

Georgia Education Authority (Schools) is responsible for construction and financing of buildings and facilities for the State board and local boards of education.

Georgia Public Telecommunications Commission is responsible for providing public telecommunications services statewide to meet the needs of the public in Georgia.

State of Georgia

Component Units - Governmental Fund Types Combining Balance Sheet June 30, 1998

	Georgia Education Authority (Schools)	Georgia Public Tele- communications Commission	Total
Assets and Other Debits			
Assets:			
Investments	\$ 640,601	\$ 161,369	\$ 801,970
Receivables (Net of Allowances for Uncollectibles)			
Notes and Loans	—	100,989	100,989
Other	—	1,325,853	1,325,853
Inventories	—	95,126	95,126
Prepaid Items	—	228,367	228,367
Fixed Assets			
Land and Buildings	—	27,360,330	27,360,330
Equipment	—	64,270,414	64,270,414
Other Debits:			
Amounts to be Provided for Retirement of General Long-Term Debt	—	11,879,924	11,879,924
	—	11,879,924	11,879,924
 Total Assets and Other Debits	 \$ 640,601	 \$ 105,422,372	 \$ 106,062,973
 Liabilities, Fund Balances and Other Credits			
Liabilities:			
Cash Overdraft	\$ 39,420	\$ 1,118,566	\$ 1,157,986
Accounts Payable and Other Accruals	—	4,406,340	4,406,340
Compensated Absences Payable	—	1,055,264	1,055,264
Salaries/Withholdings Payable	—	220,311	220,311
Due to Primary Government	—	290,951	290,951
Deferred Revenue	—	215,666	215,666
Capital Leases/Installment Purchases Payable	—	10,824,660	10,824,660
	—	10,824,660	10,824,660
Total Liabilities	\$ 39,420	\$ 18,131,758	\$ 18,171,178
 Fund Balances and Other Credits:			
Other Credits:			
Investment in Fixed Assets	\$ —	\$ 91,630,744	\$ 91,630,744
 Fund Balances:			
Reserved for Other Specific Purposes	\$ —	\$ 375,041	\$ 375,041
Unreserved, Undesignated	601,181	(4,715,171)	(4,113,990)
	601,181	(4,340,130)	(3,738,949)
Total Fund Balances	\$ 601,181	\$ (4,340,130)	\$ (3,738,949)
 Total Fund Balances and Other Credits	 \$ 601,181	 \$ 87,290,614	 \$ 87,891,795
 Total Liabilities, Fund Balances and Other Credits	 \$ 640,601	 \$ 105,422,372	 \$ 106,062,973

State of Georgia

Component Units - Governmental Fund Types Combining Statement of Revenues, Expenditures and Changes in Fund Balances For the Fiscal Year Ended June 30, 1998

	<u>Georgia Education Authority (Schools)</u>	<u>Georgia Public Tele- communications Commission</u>	<u>Total</u>
Revenues:			
Sales and Services	\$ —	\$ 2,681,917	\$ 2,681,917
Interest and Other Investment Income	32,339	103,510	135,849
Rents and Royalties	—	163,972	163,972
Contributions and Donations	—	10,162,233	10,162,233
Total Revenues	<u>\$ 32,339</u>	<u>\$ 13,111,632</u>	<u>\$ 13,143,971</u>
Expenditures:			
Culture and Recreation	<u>\$ 0</u>	<u>\$ 36,267,248</u>	<u>\$ 36,267,248</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ 32,339</u>	<u>\$ (23,155,616)</u>	<u>\$ (23,123,277)</u>
Other Financing Sources:			
Operating Transfers from Primary Government	<u>\$ 0</u>	<u>\$ 18,915,057</u>	<u>\$ 18,915,057</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures	<u>\$ 32,339</u>	<u>\$ (4,240,559)</u>	<u>\$ (4,208,220)</u>
Fund Balances, July 1	<u>568,842</u>	<u>(99,571)</u>	<u>469,271</u>
Fund Balances, June 30	<u>\$ 601,181</u>	<u>\$ (4,340,130)</u>	<u>\$ (3,738,949)</u>

Component Units
Proprietary Fund Types

**Component Units - Proprietary Fund Types
For the Fiscal Year Ended June 30, 1998**

Proprietary Funds are used to account for business-type activities. The State's major proprietary funds are described below:

The **Development Authority** assists agricultural and industrial interests in starting and expanding their operations by providing credit and servicing functions necessary to enable farmers and businessmen to obtain capital funds.

The **Environmental Facilities Authority** provides funding to eligible municipalities, counties and water and sewer authorities in the State for construction and expansion of public water and sewer facilities.

The **Housing and Finance Authority** assists in providing housing for low and moderate income families and persons unable to find adequate dwellings through the purchase or origination of mortgage loans. The authority also provides financing for the acquisition and construction of hospital facilities and equipment.

The **Jekyll Island State Park Authority** is responsible for developing and maintaining Jekyll Island and the adjacent marshes and marsh islands along the Atlantic coast in Glynn County, Georgia.

The **Lake Lanier Islands Development Authority** is responsible for the development, operation and maintenance of the islands in Lake Lanier for recreational purposes.

The **Lottery Corporation** is responsible for the provision of lotteries on behalf of the State.

The **Ports Authority** operates deepwater and inland barge terminals offering loading and off-loading facilities, storage warehouses and cargo transfer facilities. The authority also develops industrial sites on and adjacent to each port facility and makes these sites available to private industry.

The **Stone Mountain Memorial Association** operates Stone Mountain and the surrounding area as a Confederate memorial and a public recreation area.

The **Student Finance Authority** provides educational scholarships, grants and loan assistance to help Georgia residents obtain a higher education or other postsecondary training.

The **Tollway Authority** provides financing for the construction of toll highways and bridges in the State.

The **World Congress Center Authority** operates the World Congress Center, a comprehensive international trade and convention meeting facility providing exhibit space to handle large numbers of trade displays, and the Georgia Dome. The authority promotes trade shows, conventions, tourism and sporting events within the State.

The **Other Entities** column is an accumulation of the proprietary funds that are not individually material to the total assets presented on the proprietary fund type balance sheet. The State's other proprietary funds are described below:

The **Agricultural Exposition Authority** operates a facility at Perry, Georgia, where the agricultural community can exhibit and promote products and livestock, and where other public events may be held.

**Component Units - Proprietary Fund Types
For the Fiscal Year Ended June 30, 1998**

The **Agrirama Development Authority** operates and maintains an agricultural museum and restoration complex at Tifton, Georgia.

The **Higher Education Assistance Corporation** is responsible for the implementation of a guaranteed educational loan program within the State.

The **Highway Authority** administers a program for financing State roads and highways.

The **Georgia International and Maritime Trade Center Authority** was created to develop and promote the growth of the State's import and export markets through its ports and other transportation modes.

The **Music Hall of Fame Authority** was created to construct, operate and manage a facility to house the Georgia Music Hall of Fame.

The **North Georgia Mountains Authority** was created to acquire, build, equip, maintain, operate and promote recreation, accommodations and tourist facilities and services in the North Georgia Mountains area.

The **Rail Passenger Authority** was created for the purpose of construction, financing, operation and development of rail passenger service and other public transportation projects within and without the State of Georgia.

The **Sapelo Island Heritage Authority** was created to preserve the cultural and historic values of the Hog Hammock community on Greater Sapelo Island in McIntosh County, Georgia.

The **Seed Development Commission** receives and serves as an agent for breeders' seeds and other parent material. The commission also purchases, processes and resells breeders' and foundation seeds.

The **Sports Hall of Fame Authority** was created to construct and maintain a facility to house the Georgia Sports Hall of Fame to honor those, living or deceased, who by achievement or service have made outstanding and lasting contributions to sports and athletics in this State or elsewhere.

The **Superior Court Clerks' Cooperative Authority** was 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.

State of Georgia

Component Units - Proprietary Fund Types Combining Balance Sheet June 30, 1998

	Development Authority	Environmental Facilities Authority	Housing and Finance Authority	Jekyll Island State Park Authority	Lake Lanier Islands Development Authority
Assets					
Current Assets:					
Cash and Cash Equivalents	\$ 37,047	\$ —	\$ 13,408,834	\$ 5,290	\$ 1,527,112
Receivables (Net of Allowances for Uncollectibles)					
Intergovernmental - Federal	—	103,020,611	—	—	—
Interest and Dividends	2,237,676	4,527,397	405,437	—	—
Other					
Accounts	—	20,646	—	1,020,521	112,463
Miscellaneous	—	—	—	—	—
Due from Primary Government	—	2,204,493	—	—	—
Inventories	—	—	—	200,998	—
Prepaid Items	—	8,404	—	87,560	1,153
Long-Term Assets:					
Investments	565,285	219,192,706	41,170,084	3,631,038	3,300,000
Receivables					
Notes and Loans	75,315,920	446,502,557	59,789,650	—	—
Restricted Assets					
Cash and Cash Equivalents	—	—	145,449,696	—	—
Investments	—	—	51,788,464	—	—
Receivables					
Interest and Dividends	—	—	6,121,452	—	—
Loans	—	—	598,113,658	—	—
Deferred Charges	—	3,620,884	12,901,365	—	—
Fixed Assets:					
Land and Buildings	—	—	6,488,422	30,648,410	—
Improvements Other Than Buildings	—	—	—	—	—
Machinery and Equipment	—	321,635	1,400,665	3,485,571	13,456
Accumulated Depreciation	—	—	(2,048,107)	—	—
Construction in Progress	—	—	—	—	—
Other Assets	—	100,000	6,608,924	—	4,578
Total Assets	\$ 78,155,928	\$ 779,519,333	\$ 941,598,544	\$ 39,079,388	\$ 4,958,762
Liabilities and Fund Equity					
Liabilities					
Current Liabilities:					
Cash Overdraft	\$ —	\$ 2,535,911	\$ —	\$ —	\$ —
Accounts Payable and Other Accruals	1,094,297	4,307,417	18,785,550	359,247	30,672
Compensated Absences Payable	—	—	—	413,716	17,946
Contracts Payable	—	—	—	—	—
Salaries/Withholdings Payable	—	—	—	257,455	—
Due to Primary Government	—	—	1,852	—	—
Accrued Interest Payable	—	2,367,697	3,913,540	—	—
Deferred Revenue	500,000	12,389,327	57,088,920	318,828	—
Long-Term Liabilities:					
Capital Leases/Installment Purchases Payable	—	—	—	—	—
Mortgage Loans under Repurchase Agreements	17,728,827	—	—	—	—
Funds Held for Others	—	—	—	931	4,578
Other Liabilities	—	—	2,000,000	—	—
Deposits and Overpayments	—	—	—	—	—
Advances from Primary Government	—	—	—	107,500	—
Long-Term Debt Payable					
(Net of Unamortized Discounts)					
Grand Prizes Payable	—	—	—	—	—
Notes and Loans Payable	32,134,000	—	431,475	—	—
Revenue Bonds Payable	—	88,665,393	779,660,753	—	—
Total Liabilities	\$ 51,457,124	\$ 110,265,745	\$ 861,882,090	\$ 1,457,677	\$ 53,196

Lottery Corporation	Ports Authority	Stone Mountain Memorial Association	Student Finance Authority	Tollway Authority	World Congress Center Authority	Other Entities	Total
\$ —	\$ 11,349,610	\$ 9,386,794	\$ 3,161,859	\$ 9,053,397	\$ 15,574,259	\$ 27,862,119	\$ 91,366,321
—	—	—	206,463	—	—	4,960,991	108,188,065
—	—	—	8,879,367	57,496	—	40,787	16,148,160
38,560,207	13,019,000	1,403,006	1,616,865	88,404	6,699,066	1,021,861	63,562,039
—	216,000	—	—	—	100,000	17,177	333,177
—	—	15	—	—	—	56	2,204,564
—	2,746,000	1,498,819	—	—	243,242	312,244	5,001,303
1,886,000	165,000	444,540	—	1,888	159,633	28,255	2,782,433
1,059,723	7,530,688	—	13,686,775	14,485,136	10,110,494	25,994,914	340,726,843
—	—	—	354,847,269	—	—	—	936,455,396
347,000	(81,486)	—	—	3,414,025	9,818,741	—	158,947,976
309,033,000	1,321,755	—	—	13,931,648	36,514,989	—	412,589,856
—	—	—	—	—	—	—	6,121,452
—	—	—	—	—	—	—	598,113,658
—	—	—	—	—	3,127,740	—	19,649,989
1,962,000	173,885,000	81,304,479	4,067,835	4,950,883	209,402,736	38,961,446	551,671,211
—	200,806,000	18,980,870	—	2,710,490	—	—	222,497,360
11,847,000	117,111,000	28,009,630	993,181	4,085,722	11,729,405	7,816,517	186,813,782
(10,815,000)	(204,906,000)	(32,656,784)	(2,411,142)	(4,798,058)	(43,869,410)	(27,796)	(301,532,297)
—	63,114,000	287,578	—	1,095,712	70,791,475	23,930,620	159,219,385
—	16,505,000	235,872	—	60,118,446	—	238,146	83,810,966
<u>\$ 353,879,930</u>	<u>\$ 402,781,567</u>	<u>\$ 108,894,819</u>	<u>\$ 385,048,472</u>	<u>\$ 109,195,189</u>	<u>\$ 330,402,370</u>	<u>\$ 131,157,337</u>	<u>\$ 3,664,671,639</u>

\$ 7,169,930	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 9,705,841
36,864,857	8,839,099	4,408,677	325,955	648,723	4,057,516	7,211,024	86,933,034
—	1,081,539	—	—	—	1,196,131	252,560	2,961,892
—	1,442,000	—	—	164,687	—	518,727	2,125,414
—	46,703	—	—	—	—	15,699	319,857
16,143	50,659	—	135,316	—	19,782	497	224,249
—	—	952,697	—	1,634,055	7,575,164	991	16,444,144
—	1,007,000	—	1,858,615	2,059,616	20,359,798	585,401	96,167,505
—	—	—	—	—	670,098	69,323	739,421
—	—	—	—	—	—	—	17,728,827
—	—	—	302,270,278	—	6,203	50,087	302,332,077
449,000	6,183,000	—	2,894,977	—	172,389	—	11,699,366
—	—	—	—	133,245	14,517,820	—	14,651,065
—	—	—	—	—	—	—	107,500
296,849,000	—	—	—	—	—	—	296,849,000
—	8,445,000	—	30,284,767	—	—	—	71,295,242
—	17,400,000	—	—	85,375,176	194,779,336	140,000	1,166,020,658
<u>\$ 341,348,930</u>	<u>\$ 44,495,000</u>	<u>\$ 5,361,374</u>	<u>\$ 337,769,908</u>	<u>\$ 90,015,502</u>	<u>\$ 243,354,237</u>	<u>\$ 8,844,309</u>	<u>\$ 2,096,305,092</u>

(continued)

State of Georgia

Component Units - Proprietary Fund Types Combining Balance Sheet (continued) June 30, 1998

	Development Authority	Environmental Facilities Authority	Housing and Finance Authority	Jekyll Island State Park Authority	Lake Lanier Islands Development Authority
Fund Equity and Other Credits:					
Other Credits					
Investment in General Fixed Assets	\$ —	\$ 321,635	\$ —	\$ —	\$ —
Fund Equity					
Contributed Capital					
State of Georgia	\$ —	\$ 208,140,508	\$ —	\$ 12,969,775	\$ 21,822,261
Federal Government	—	318,704,775	—	—	—
Other	—	—	—	—	—
Total Contributed Capital	\$ 0	\$ 526,845,283	\$ 0	\$ 12,969,775	\$ 21,822,261
Retained Earnings					
Reserved	\$ 2,668,771	\$ 2,925,051	\$ 28,726,437	\$ —	\$ 2,279,446
Unreserved	24,030,033	126,065,307	48,770,096	24,651,936	(19,196,141)
Total Retained Earnings	\$ 26,698,804	\$ 128,990,358	\$ 77,496,533	\$ 24,651,936	\$ (16,916,695)
Fund Balances					
Reserved for Other Specific Purposes	\$ —	\$ 12,265,010	\$ 633,268	\$ —	\$ —
Unreserved	—	831,302	1,586,653	—	—
Total Fund Balances	\$ 0	\$ 13,096,312	\$ 2,219,921	\$ 0	\$ 0
Total Fund Equity	\$ 26,698,804	\$ 668,931,953	\$ 79,716,454	\$ 37,621,711	\$ 4,905,566
Total Fund Equity and Other Credits	\$ 26,698,804	\$ 669,253,588	\$ 79,716,454	\$ 37,621,711	\$ 4,905,566
Total Liabilities, Fund Equity and Other Credits	\$ 78,155,928	\$ 779,519,333	\$ 941,598,544	\$ 39,079,388	\$ 4,958,762

<u>Lottery Corporation</u>	<u>Ports Authority</u>	<u>Stone Mountain Memorial Association</u>	<u>Student Finance Authority</u>	<u>Tollway Authority</u>	<u>World Congress Center Authority</u>	<u>Other Entities</u>	<u>Total</u>
\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 321,635
\$ —	\$ 239,727,849	\$ 43,536,341	\$ —	\$ —	\$ —	\$ 67,194,277	\$ 593,391,011
—	9,676,882	—	—	—	—	—	328,381,657
—	292,063	15,126,652	—	—	63,703,860	1,041,573	80,164,148
\$ 0	\$ 249,696,794	\$ 58,662,993	\$ 0	\$ 0	\$ 63,703,860	\$ 68,235,850	\$ 1,001,936,816
\$ 12,531,000	\$ —	\$ —	\$ 27,604,818	\$ —	\$ 124,634	\$ 18,762,248	\$ 95,622,405
—	108,589,773	44,870,452	19,673,746	19,179,687	23,219,639	35,314,930	455,169,458
\$ 12,531,000	\$ 108,589,773	\$ 44,870,452	\$ 47,278,564	\$ 19,179,687	\$ 23,344,273	\$ 54,077,178	\$ 550,791,863
\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 12,898,278
—	—	—	—	—	—	—	2,417,955
\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 15,316,233
\$ 12,531,000	\$ 358,286,567	\$ 103,533,445	\$ 47,278,564	\$ 19,179,687	\$ 87,048,133	\$ 122,313,028	\$ 1,568,044,912
\$ 12,531,000	\$ 358,286,567	\$ 103,533,445	\$ 47,278,564	\$ 19,179,687	\$ 87,048,133	\$ 122,313,028	\$ 1,568,366,547
\$ 353,879,930	\$ 402,781,567	\$ 108,894,819	\$ 385,048,472	\$ 109,195,189	\$ 330,402,370	\$ 131,157,337	\$ 3,664,671,639

State of Georgia

Component Units - Proprietary Fund Types Combining Statement of Revenues, Expenses and Changes in Fund Equity For the Fiscal Year Ended June 30, 1998

	Development Authority	Environmental Facilities Authority	Housing and Finance Authority	Jekyll Island State Park Authority	Lake Lanier Islands Development Authority
Operating Revenues:					
Contributions	\$ —	\$ —	\$ —	\$ —	\$ —
Interest and Other Investment Income	4,745,401	19,364,313	47,007,238	—	—
Intergovernmental	—	—	—	—	—
Rents and Royalties	—	—	692,247	4,293,653	2,878,053
Sales and Services	—	—	6,487,484	9,713,858	35,497
Taxes	—	—	—	1,182,394	387,600
Other	18,808	—	273,220	20,388	12,827
Total Operating Revenues	\$ 4,764,209	\$ 19,364,313	\$ 54,460,189	\$ 15,210,293	\$ 3,313,977
Operating Expenses:					
General and Administrative	\$ 644,058	\$ 776,864	\$ 9,645,279	\$ 13,211,742	\$ 657,468
Goods and Services	—	—	2,274,519	1,181,557	—
Interest	2,151,016	4,648,998	52,593,067	—	—
Prizes	—	—	—	—	—
Depreciation	—	—	534,847	—	—
Other	(20,587)	—	92,250	—	—
Total Operating Expenses	\$ 2,774,487	\$ 5,425,862	\$ 65,139,962	\$ 14,393,299	\$ 657,468
Operating Income (Loss)	\$ 1,989,722	\$ 13,938,451	\$ (10,679,773)	\$ 816,994	\$ 2,656,509
Nonoperating Revenues (Expenses):					
Contributions and Intergovernmental Revenue	\$ —	\$ —	\$ —	\$ 88,459	\$ —
Interest and Other Investment Income	217,516	9,906,864	21,594,772	261,461	356,934
Gain on Sale of Loans	—	—	—	—	—
Hotel/Motel Tax (Net)	—	—	—	—	—
Interest Expense	—	—	—	(388,478)	(1,478,334)
Other Debt Service Charges	—	(190)	(1,013,843)	(149)	—
Other	—	(1,598,349)	—	(7,167)	—
Total Nonoperating Revenues (Expenses)	\$ 217,516	\$ 8,308,325	\$ 20,580,929	\$ (45,874)	\$ (1,121,400)
Net Income (Loss) Before Operating Transfers	\$ 2,207,238	\$ 22,246,776	\$ 9,901,156	\$ 771,120	\$ 1,535,109
Operating Transfers:					
Transfers from Primary Government	\$ —	\$ 4,624,073	\$ —	\$ —	\$ —
Transfers to Primary Government	—	—	—	—	(4,175,629)
Net Operating Transfers	\$ 0	\$ 4,624,073	\$ 0	\$ 0	\$ (4,175,629)
Net Income (Loss)	\$ 2,207,238	\$ 26,870,849	\$ 9,901,156	\$ 771,120	\$ (2,640,520)
Excess (Deficiency) of Revenues Over (Under) Expenditures from Governmental Operations and Expendable Trust Funds					
	—	(2,317,783)	(110,501)	—	—
Fund Equity, July 1	24,491,566	615,311,497	71,582,858	37,301,198	8,731,684
Adjustments					
Change in Accounting Principle	—	—	(1,657,059)	—	—
Other	—	(7,298,285)	—	—	—
Contributed Capital from Primary Government	—	676,875	—	—	—
Contributed Capital from Federal Government	—	35,688,800	—	—	—
Contributed Capital from Other Sources	—	—	—	—	—
Transfer of Contributed Capital to Primary Government	—	—	—	(450,607)	(1,185,598)
Transfer of Equity from Primary Government	—	—	—	—	—
Increase (Decrease) in Inventories	—	—	—	—	—
Fund Equity, June 30	\$ 26,698,804	\$ 668,931,953	\$ 79,716,454	\$ 37,621,711	\$ 4,905,566

Lottery Corporation	Ports Authority	Stone Mountain Memorial Association	Student Finance Authority	Tollway Authority	World Congress Center Authority	Other Entities	Total
\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 40,925	\$ 40,925
—	—	—	5,633,977	—	—	—	76,750,929
—	—	—	—	—	—	21,091,686	21,091,686
—	—	19,578,152	—	56,490	34,122,987	1,388,153	63,009,735
1,676,898,000	94,075,000	25,781,123	2,240,224	21,234,951	18,395,317	18,658,904	1,873,520,358
—	—	—	—	—	—	—	1,569,994
—	—	1,353,929	218,891	—	—	20,999,506	22,897,569
<u>\$ 1,676,898,000</u>	<u>\$ 94,075,000</u>	<u>\$ 46,713,204</u>	<u>\$ 8,093,092</u>	<u>\$ 21,291,441</u>	<u>\$ 52,518,304</u>	<u>\$ 62,179,174</u>	<u>\$ 2,058,881,196</u>
\$ 18,581,000	\$ 19,808,000	\$ 33,103,738	\$ 4,605,835	\$ 2,973,868	\$ 20,707,718	\$ 23,414,394	\$ 148,129,964
202,748,000	45,744,000	7,196,530	31,388,524	3,180,009	24,885,775	3,263,831	321,862,745
—	—	—	—	—	—	—	59,393,081
902,465,000	—	—	—	—	—	—	902,465,000
1,393,000	16,494,000	5,984,705	321,456	908,587	8,758,583	10,301	34,405,479
1,459,000	—	—	9,674,789	2,613,082	—	35,118,716	48,937,250
<u>\$ 1,126,646,000</u>	<u>\$ 82,046,000</u>	<u>\$ 46,284,973</u>	<u>\$ 45,990,604</u>	<u>\$ 9,675,546</u>	<u>\$ 54,352,076</u>	<u>\$ 61,807,242</u>	<u>\$ 1,515,193,519</u>
<u>\$ 550,252,000</u>	<u>\$ 12,029,000</u>	<u>\$ 428,231</u>	<u>\$ (37,897,512)</u>	<u>\$ 11,615,895</u>	<u>\$ (1,833,772)</u>	<u>\$ 371,932</u>	<u>\$ 543,687,677</u>
\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 482,600	\$ 571,059
20,099,000	1,907,920	498,967	1,409,112	2,084,511	3,412,530	2,227,326	63,976,913
—	81,000	—	802,484	—	—	—	883,484
—	—	—	—	—	17,282,333	—	17,282,333
—	(9,288,000)	(2,132,791)	(1,731,740)	(4,575,059)	(15,209,386)	(892,039)	(35,695,827)
—	—	—	—	(3,519,570)	(4,304,636)	(501)	(8,838,889)
121,000	(10,928,000)	(173,244)	385,145	(283,004)	192,137	2,603	(12,288,879)
<u>\$ 20,220,000</u>	<u>\$ (18,227,080)</u>	<u>\$ (1,807,068)</u>	<u>\$ 865,001</u>	<u>\$ (6,293,122)</u>	<u>\$ 1,372,978</u>	<u>\$ 1,819,989</u>	<u>\$ 25,890,194</u>
<u>\$ 570,472,000</u>	<u>\$ (6,198,080)</u>	<u>\$ (1,378,837)</u>	<u>\$ (37,032,511)</u>	<u>\$ 5,322,773</u>	<u>\$ (460,794)</u>	<u>\$ 2,191,921</u>	<u>\$ 569,577,871</u>
\$ —	\$ —	\$ —	\$ 47,956,323	\$ —	\$ —	\$ 9,439,310	\$ 62,019,706
(555,272,000)	—	—	—	—	(238,985)	—	(559,686,614)
<u>\$ (555,272,000)</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 47,956,323</u>	<u>\$ 0</u>	<u>\$ (238,985)</u>	<u>\$ 9,439,310</u>	<u>\$ (497,666,908)</u>
\$ 15,200,000	\$ (6,198,080)	\$ (1,378,837)	\$ 10,923,812	\$ 5,322,773	\$ (699,779)	\$ 11,631,231	\$ 71,910,963
—	—	—	—	—	—	27,879	(2,400,405)
287,000	347,904,647	106,547,376	36,354,752	13,856,914	82,786,492	107,998,322	1,453,154,306
(2,956,000)	—	—	—	—	—	39,507	(4,573,552)
—	(8,600,000)	—	—	—	—	—	(15,898,285)
—	36,260,000	—	—	—	—	2,920,270	39,857,145
—	—	—	—	—	—	—	35,688,800
—	—	—	—	—	4,953,860	3,164	4,957,024
—	(11,080,000)	(1,635,094)	—	—	—	(543,648)	(14,894,947)
—	—	—	—	—	—	199,786	199,786
—	—	—	—	—	7,560	36,517	44,077
<u>\$ 12,531,000</u>	<u>\$ 358,286,567</u>	<u>\$ 103,533,445</u>	<u>\$ 47,278,564</u>	<u>\$ 19,179,687</u>	<u>\$ 87,048,133</u>	<u>\$ 122,313,028</u>	<u>\$ 1,568,044,912</u>

State of Georgia

Component Units - Proprietary Fund Types Combining Statement of Cash Flows For the Fiscal Year Ended June 30, 1998

	Development Authority	Environmental Facilities Authority	Housing and Finance Authority	Jekyll Island State Park Authority	Lake Lanier Islands Development Authority
Cash Flows from Operating Activities:					
Cash Received from Customers	\$ —	\$ —	\$ 7,193,756	\$ 15,427,719	\$ 7,176,742
Principal Payments Received on Program Loans	16,762,648	29,065,192	77,364,451	—	—
Interest Received on Program Loans	4,895,511	19,147,854	46,307,189	—	—
Cash Paid to Vendors	(2,546,087)	(669,470)	(5,209,057)	(7,421,980)	191,834
Cash Paid to Employees	(445,500)	(653,848)	(5,386,812)	(6,927,783)	(153,347)
Cash Paid for Lottery Prizes	—	—	—	—	—
Origination of Program Loans	(15,732,050)	(58,863,718)	(94,185,835)	—	—
Governmental and Fiduciary Fund Type Activity (Net)	—	(20,725,106)	2,585,824	(491)	—
Other Operating Items (Net)	—	—	—	—	—
Net Cash Provided by (Used in) Operating Activities	\$ 2,934,522	\$ (32,699,096)	\$ 28,669,516	\$ 1,077,465	\$ 7,215,229
Cash Flows from Noncapital Financing Activities:					
Operating Transfers from Primary Government	\$ —	\$ 4,624,073	\$ —	\$ —	\$ —
Proceeds from Assignment of Program Loans Under Repurchase Agreements	10,711,222	—	—	—	—
Issuance of Bonds/Loans/Notes	29,434,000	—	135,147,884	—	—
Contributed Capital	—	24,723,485	—	—	—
Hotel/Motel Tax (Net)	—	—	—	—	—
Operating Transfers to Primary Government	—	—	—	—	—
Repayment of Advances	—	—	—	(53,750)	—
Principal Paid on Bonds/Loans/Notes	(47,562,819)	—	(117,879,715)	—	—
Interest Paid on Bonds/Loans/Notes	—	—	(49,731,484)	—	—
Return of Contributed Capital	—	—	—	(450,607)	(1,185,598)
Transfer of Equity from Primary Government	—	—	—	—	—
Other Debt Service Payments	—	—	(2,182,005)	—	—
Other Noncapital Items (Net)	—	937,562	—	90,836	(2,775,629)
Net Cash Provided by (Used in) Noncapital Financing Activities	\$ (7,417,597)	\$ 30,285,120	\$ (34,645,320)	\$ (413,521)	\$ (3,961,227)
Cash Flows from Capital and Related Financing Activities:					
Issuance of Bonds/Loans/Notes	\$ —	\$ 76,654,509	\$ —	\$ —	\$ —
Hotel/Motel Tax Received	—	—	—	—	—
Contributed Capital	—	—	—	—	—
Sale of Capital Assets	—	—	—	—	—
Acquisition and Construction of Capital Assets	—	—	(387,184)	(449,423)	(4,065)
Principal Paid on Bonds/Loans/Notes	—	(80,124,248)	—	(130,000)	—
Interest Paid on Bonds/Loans/Notes	—	(5,052,715)	—	(388,478)	(1,478,334)
Other Debt Service Payments	—	(190)	—	(149)	—
Other Capital and Related Items (Net)	—	—	—	—	—
Net Cash Provided by (Used in) Capital and Related Financing Activities	\$ 0	\$ (8,522,644)	\$ (387,184)	\$ (968,050)	\$ (1,482,399)
Cash Flows from Investing Activities:					
Purchase of Investments (Net)	\$ (404,966)	\$ (149,626,689)	\$ 16,277,846	\$ (2,744,945)	\$ (3,244,656)
Interest on Investments	217,516	9,906,864	16,679,397	261,461	301,590
Other Investing Items (Net)	—	—	—	—	—
Net Cash Provided by (Used in) Investing Activities	\$ (187,450)	\$ (139,719,825)	\$ 32,957,243	\$ (2,483,484)	\$ (2,943,066)
Net Increase (Decrease) in Cash and Cash Equivalents	\$ (4,670,525)	\$ (150,656,445)	\$ 26,594,255	\$ (2,787,590)	\$ (1,171,463)
Cash and Cash Equivalents, July 1	4,707,572	150,656,445	132,264,275	2,792,880	2,698,575
Cash and Cash Equivalents, June 30	\$ 37,047	\$ 0	\$ 158,858,530	\$ 5,290	\$ 1,527,112

Lottery Corporation	Ports Authority	Stone Mountain Memorial Association	Student Finance Authority	Tollway Authority	World Congress Center Authority	Other Entities	Total
\$ 1,683,230,793	\$ 95,168,000	\$ 47,231,438	\$ 1,843,281	\$ 21,588,602	\$ 88,355,310	\$ 59,229,857	\$ 2,026,445,498
—	—	—	—	—	—	—	123,192,291
—	—	—	4,868,196	—	—	—	75,218,750
(204,844,000)	(23,523,443)	(18,317,056)	(45,652,795)	(6,679,909)	(64,909,091)	(51,808,294)	(431,389,348)
(13,819,000)	(41,967,557)	(19,897,060)	—	—	(20,062,329)	(4,604,109)	(113,917,345)
(864,420,000)	—	—	—	—	—	—	(864,420,000)
—	—	—	(5,610,623)	—	—	—	(174,392,226)
—	—	—	814,262	—	(8,562)	30,574	(17,303,499)
—	—	—	—	—	166,120	—	166,120
<u>\$ 600,147,793</u>	<u>\$ 29,677,000</u>	<u>\$ 9,017,322</u>	<u>\$ (43,737,679)</u>	<u>\$ 14,908,693</u>	<u>\$ 3,541,448</u>	<u>\$ 2,848,028</u>	<u>\$ 623,600,241</u>
\$ —	\$ —	\$ —	\$ 47,956,323	\$ —	\$ —	\$ 9,439,310	\$ 62,019,706
—	—	—	—	—	—	—	10,711,222
—	—	—	3,039,257	—	—	—	167,621,141
—	—	—	—	—	—	—	24,723,485
—	—	—	—	—	3,200,997	—	3,200,997
(555,272,000)	—	—	—	—	(345,071)	—	(555,617,071)
—	—	—	—	—	—	—	(53,750)
—	—	—	(7,527,268)	—	—	—	(172,969,802)
—	—	—	(1,828,797)	—	—	—	(51,560,281)
—	(11,080,000)	(1,635,094)	—	—	—	(543,648)	(14,894,947)
—	—	—	—	—	—	199,786	199,786
—	—	—	—	—	—	—	(2,182,005)
<u>(11,296,289)</u>	<u>1,072,000</u>	<u>—</u>	<u>385,145</u>	<u>—</u>	<u>362,027</u>	<u>414,406</u>	<u>(10,809,942)</u>
<u>\$ (566,568,289)</u>	<u>\$ (10,008,000)</u>	<u>\$ (1,635,094)</u>	<u>\$ 42,024,660</u>	<u>\$ 0</u>	<u>\$ 3,217,953</u>	<u>\$ 9,509,854</u>	<u>\$ (539,611,461)</u>
\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 76,654,509
—	—	—	—	—	13,781,971	—	13,781,971
—	36,260,000	—	—	—	7,853,860	1,222,172	45,336,032
—	608,000	6,951	—	—	—	—	614,951
(1,042,000)	(43,940,000)	(1,940,815)	(48,319)	(1,164,016)	(9,870,382)	(1,319,215)	(60,165,419)
—	(3,696,000)	—	—	(3,720,000)	(2,500,000)	(45,000)	(90,215,248)
—	(1,358,000)	(2,176,869)	—	(5,758,467)	(15,234,704)	(890,850)	(32,338,417)
—	—	—	—	(3,181,012)	(4,627,858)	(501)	(7,809,710)
—	—	—	—	—	(334,710)	—	(334,710)
<u>(1,042,000)</u>	<u>(12,126,000)</u>	<u>(4,110,733)</u>	<u>(48,319)</u>	<u>(13,823,495)</u>	<u>(10,931,823)</u>	<u>(1,033,394)</u>	<u>(54,476,041)</u>
\$ (37,437,504)	\$ (6,422,158)	\$ —	\$ (12,412,844)	\$ (2,251,250)	\$ 5,659,320	\$ (18,729,418)	\$ (211,337,264)
4,960,000	1,988,000	381,848	1,445,232	1,928,230	3,976,809	2,224,968	44,271,915
—	—	121,036	—	—	—	—	121,036
<u>(32,477,504)</u>	<u>(4,434,158)</u>	<u>502,884</u>	<u>(10,967,612)</u>	<u>(323,020)</u>	<u>9,636,129</u>	<u>(16,504,450)</u>	<u>(166,944,313)</u>
\$ 60,000	\$ 3,108,842	\$ 3,774,379	\$ (12,728,950)	\$ 762,178	\$ 5,463,707	\$ (5,179,962)	\$ (137,431,574)
287,000	8,159,282	5,612,415	15,890,809	11,705,244	19,929,293	33,042,081	387,745,871
<u>\$ 347,000</u>	<u>\$ 11,268,124</u>	<u>\$ 9,386,794</u>	<u>\$ 3,161,859</u>	<u>\$ 12,467,422</u>	<u>\$ 25,393,000</u>	<u>\$ 27,862,119</u>	<u>\$ 250,314,297</u>

(continued)

State of Georgia

Component Units - Proprietary Fund Types Combining Statement of Cash Flows (continued) For the Fiscal Year Ended June 30, 1998

	Development Authority	Environmental Facilities Authority	Housing and Finance Authority	Jekyll Island State Park Authority	Lake Lanier Islands Development Authority
Operating Income (Loss)	\$ 1,989,722	\$ 13,938,451	\$ (10,679,773)	\$ 816,994	\$ 2,656,509
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:					
Depreciation/Amortization	\$ —	\$ —	\$ (165,202)	\$ —	\$ —
Interest and Other Investment Income	—	4,648,998	52,593,067	—	—
Other	—	(20,725,106)	2,678,074	—	—
Changes in Assets and Liabilities:					
Decrease (Increase) in Intergovernmental Receivables	—	—	—	—	—
Decrease (Increase) in Interest and Dividends Receivable	131,302	(766,001)	—	—	—
Decrease (Increase) in Notes and Loans Receivable	1,030,598	(29,778,670)	(16,821,384)	—	—
Decrease (Increase) in Other Receivables	—	—	—	279,360	6,352,530
Increase in Due from Primary Government	—	—	—	—	—
Decrease (Increase) in Inventories	—	—	—	(34,042)	—
Decrease (Increase) in Prepaid Items	—	—	—	(40,680)	28,381
Decrease (Increase) in Other Assets	—	(19,856)	(259,195)	—	501
Increase (Decrease) in Accounts Payable and Other Accruals	(217,100)	(546,454)	1,339,044	(31,042)	(1,820,248)
Increase (Decrease) in Compensated Absences Payable	—	—	—	23,246	(1,943)
Increase (Decrease) in Contracts Payable	—	—	—	—	—
Increase (Decrease) in Salaries/Withholdings Payable	—	—	—	126,449	—
Increase (Decrease) in Due to Primary Government	—	—	(15,115)	(395)	—
Increase (Decrease) in Deferred Revenue	—	549,542	—	(61,934)	—
Increase (Decrease) in Funds Held for Others	—	—	—	(491)	(501)
Increase (Decrease) in Other Liabilities	—	—	—	—	—
Increase (Decrease) in Deposits and Overpayments	—	—	—	—	—
Increase in Grand Prizes Payable	—	—	—	—	—
Total Adjustments	\$ 944,800	\$ (46,637,547)	\$ 39,349,289	\$ 260,471	\$ 4,558,720
Net Cash Provided by (Used in) Operating Activities	\$ 2,934,522	\$ (32,699,096)	\$ 28,669,516	\$ 1,077,465	\$ 7,215,229
Noncash Investing, Capital, and Financing Activities:					
Disposal of Fixed Assets	\$ —	\$ —	\$ —	\$ (23,544)	\$ —
Donation of Fixed Assets	—	—	—	14,000	—
Interest Earned on Grand Prize Investments and Grand Prizes Payable	—	—	—	—	—
Purchase of Building on Account	—	—	—	—	—
Refunding Bond Proceeds Deposited Directly into Escrow Account	—	—	—	—	—
	\$ 0	\$ 0	\$ 0	\$ (9,544)	\$ 0

Lottery Corporation	Ports Authority	Stone Mountain Memorial Association	Student Finance Authority	Tollway Authority	World Congress Center Authority	Other Entities	Total
\$ 550,252,000	\$ 12,029,000	\$ 428,231	\$ (37,897,512)	\$ 11,615,895	\$ (1,833,772)	\$ 371,932	\$ 543,687,677
\$ 1,393,000	\$ 16,494,000	\$ 5,984,705	\$ 321,456	\$ 3,521,669	\$ 8,758,583	\$ 10,301	\$ 36,318,512
(20,839,000)	—	—	814,262	—	—	27,879	(38,043,891)
—	—	—	160,154	—	—	(2,678,825)	(2,518,671)
—	—	—	(765,781)	—	—	32,602	(1,367,878)
—	—	—	(5,610,623)	—	—	—	(51,180,079)
6,332,793	(423,000)	518,234	(936,667)	3,136	(1,766,184)	(412,763)	9,947,439
—	—	(15)	—	—	—	(56)	(71)
—	(288,000)	793,598	—	—	12,558	(7,901)	476,213
486,000	469,000	211,956	—	123	60,202	(5,039)	1,209,943
4,244,000	1,292,000	—	—	—	—	(1,226)	5,256,224
(4,047,580)	636,348	1,080,613	(12,191)	(431,945)	(736,421)	5,121,240	334,264
—	64,948	—	—	—	124,544	56,418	267,213
—	(468,000)	—	—	(94,210)	—	214,659	(347,551)
—	(355,227)	—	—	—	(79)	9,923	(218,934)
(13,420)	1,931	—	67,776	—	9,383	(4,706)	45,454
—	224,000	—	320,833	271,240	(678,113)	110,895	736,463
—	—	—	—	—	(8,562)	2,695	(6,859)
(92,000)	—	—	(199,386)	—	172,389	—	(118,997)
—	—	—	—	22,785	(573,080)	—	(550,295)
62,432,000	—	—	—	—	—	—	62,432,000
\$ 49,895,793	\$ 17,648,000	\$ 8,589,091	\$ (5,840,167)	\$ 3,292,798	\$ 5,375,220	\$ 2,476,096	\$ 79,912,564
\$ 600,147,793	\$ 29,677,000	\$ 9,017,322	\$ (43,737,679)	\$ 14,908,693	\$ 3,541,448	\$ 2,848,028	\$ 623,600,241
\$ (61,000)	\$ —	\$ —	\$ —	\$ (536,218)	\$ —	\$ (72,876)	\$ (693,638)
—	—	—	—	—	—	1,763,741	1,777,741
20,839,000	—	—	—	46,403	—	—	20,839,000
—	—	—	—	90,526,229	—	—	90,526,229
\$ 20,778,000	\$ 0	\$ 0	\$ 0	\$ 90,036,414	\$ 0	\$ 1,690,865	\$ 112,495,735

Component Units

Fiduciary Fund Types

**Component Units - Fiduciary Fund Types
For the Fiscal Year Ended June 30, 1998**

The **Firefighter's Pension Fund** is used to account for the accumulation of resources for the purpose of paying retirement benefits to the firemen of the State of Georgia.

The **Judges of the Probate Courts Retirement Fund** is used to account for the accumulation of resources for the purpose of paying retirement benefits to the judges of the Probate Courts of the State of Georgia.

The **Peace Officers' Annuity and Benefit Fund** is used to account for the accumulation of resources for the purpose of paying retirement benefits to the peace officers of the State of Georgia.

The **Public School Employees Retirement System** is used to account for the accumulation of resources for the purpose of providing retirement allowances for public school employees who are not eligible for membership in the Teachers Retirement System.

The **Sheriffs' Retirement Fund** is used to account for the accumulation of resources for the purpose of paying retirement benefits to the sheriffs of the State of Georgia.

The **Superior Court Clerks' Retirement Fund** is used to account for the accumulation of resources for the purpose of paying retirement benefits to the Superior Court Clerks of the State of Georgia.

The **Teachers Retirement System** is used to account for the accumulation of resources for the purpose of providing retirement allowances and other benefits for teachers and administrative personnel employed in the public schools and the University System of Georgia.

State of Georgia

Component Units - Fiduciary Fund Types Combining Statement of Plan Net Assets June 30, 1998

	<u>Firefighters' Pension Fund</u>	<u>Judges of the Probate Courts Retirement Fund</u>	<u>Peace Officers' Annuity and Benefit Fund</u>
Assets			
Cash and Cash Equivalents	\$ —	\$ 28,224	\$ 3,389,458
Investments	308,339,127	35,543,811	242,328,596
Receivables (Net of Allowances for Uncollectibles)			
Interest and Dividends	2,313,832	325,490	2,017,814
Other			
Miscellaneous	—	—	—
Prepaid Items	—	—	—
Fixed Assets			
Land and Buildings	135,197	—	310,296
Equipment	132,210	606	123,498
Total Assets	<u>\$ 310,920,366</u>	<u>\$ 35,898,131</u>	<u>\$ 248,169,662</u>
Liabilities			
Cash Overdraft	\$ 394	\$ —	\$ —
Accounts Payable and Other Accruals	—	—	—
Salaries/Withholdings Payable	—	1,279	4,393
Due to Primary Government	—	—	—
Total Liabilities	<u>\$ 394</u>	<u>\$ 1,279</u>	<u>\$ 4,393</u>
Fund Balances Reserved for Pension Benefits	<u><u>\$ 310,919,972</u></u>	<u><u>\$ 35,896,852</u></u>	<u><u>\$ 248,165,269</u></u>

Public School Employees Retirement System	Sheriffs' Retirement Fund	Superior Court Clerks' Retirement Fund	Teachers Retirement System	Total
\$ —	\$ —	\$ 52,760	\$ —	\$ 3,470,442
702,149,000	38,813,522	34,421,652	34,444,586,000	35,806,181,708
—	291,749	—	245,932,000	250,880,885
6,000	—	—	180,370,720	180,376,720
—	—	—	42,175	42,175
—	—	—	—	445,493
—	20,620	19,207	—	296,141
<u>\$ 702,155,000</u>	<u>\$ 39,125,891</u>	<u>\$ 34,493,619</u>	<u>\$ 34,870,930,895</u>	<u>\$ 36,241,693,564</u>
\$ 38,000	\$ 9,130	\$ —	\$ 65,282	\$ 112,806
267,000	—	—	1,987,730	2,254,730
—	—	—	62,762	68,434
—	—	—	39,946	39,946
<u>\$ 305,000</u>	<u>\$ 9,130</u>	<u>\$ 0</u>	<u>\$ 2,155,720</u>	<u>\$ 2,475,916</u>
<u>\$ 701,850,000</u>	<u>\$ 39,116,761</u>	<u>\$ 34,493,619</u>	<u>\$ 34,868,775,175</u>	<u>\$ 36,239,217,648</u>

Statistical Section

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State of Georgia

General Governmental Expenditures by Function (1) For the Last Eight Fiscal Years (2) Table 1

	<u>1998</u>	<u>1997</u>	<u>1996</u>	<u>1995</u>
Expenditures by Function				
General Government	\$ 653,302,692	\$ 637,247,287	\$ 471,240,748	\$ 539,762,518
Education (4)	6,155,220,908	5,700,389,994	4,998,994,142	4,625,591,699
Health and Welfare	6,479,723,177	6,796,847,561	6,558,077,298	5,693,088,331
Transportation	1,385,250,996	1,113,788,591	1,287,172,005	1,401,010,780
Public Safety	1,193,748,916	1,124,542,047	1,104,443,315	1,030,957,652
Economic Development and Assistance	264,913,965	263,090,507	294,112,317	190,029,084
Culture and Recreation	185,622,125	170,667,100	169,961,642	156,234,675
Conservation	45,865,385	48,769,799	46,557,857	45,875,856
Capital Outlay	346,296,387	373,677,146	391,876,879	493,326,267
Debt Service	645,791,398	629,588,332	571,524,445	537,800,975
Intergovernmental	<u>(3)</u>	<u>(3)</u>	<u>(3)</u>	<u>(3)</u>
 Total General Governmental Expenditures	 <u>\$ 17,355,735,949</u>	 <u>\$ 16,858,608,364</u>	 <u>\$ 15,893,960,648</u>	 <u>\$ 14,713,677,837</u>

(1) General Governmental Functions include general, special revenue, capital projects and debt service funds.

(2) The state did not prepare financial statements in conformity with generally accepted accounting principles until the fiscal year ended June 30, 1991. Comparable data for earlier years is not available.

(3) The "Intergovernmental" expenditure category was eliminated in 1993. Such expenditures are categorized by "Current" expenditure function.

(4) In fiscal year 1995, the state began recording a liability and related expenditures for teachers' summer salaries.

<u>1994</u>	<u>1993</u>	<u>1992</u>	<u>1991</u>
\$ 409,630,033	\$ 380,920,519	\$ 297,671,885	\$ 307,358,275
4,168,677,500	3,738,241,752	3,356,647,585	3,429,066,240
5,257,989,665	4,684,027,431	4,159,170,527	3,589,402,101
975,771,056	1,088,108,187	898,101,022	1,056,209,827
891,894,168	798,451,763	702,543,743	706,878,373
175,159,029	184,179,867	186,742,307	173,618,821
121,413,898	116,370,238	103,007,704	97,930,563
45,299,326	42,923,710	40,267,999	43,968,291
325,340,789	347,403,119	249,777,992	242,582,555
427,689,905	451,136,869	409,267,811	417,490,455
<u>(3)</u>	<u>(3)</u>	<u>325,890,492</u>	<u>330,633,230</u>
<u>\$ 12,798,865,369</u>	<u>\$ 11,831,763,455</u>	<u>\$ 10,729,089,067</u>	<u>\$ 10,395,138,731</u>

State of Georgia

General Governmental Revenues by Source (1) For the Last Eight Fiscal Years (2) Table 2

	<u>1998</u>	<u>1997</u>	<u>1996</u>	<u>1995</u>
Revenues by Source				
Taxes (4)	\$ 11,439,170,422	\$ 10,483,497,704	\$ 9,891,126,837	\$ 9,068,979,799
Licenses and Permits	346,081,148	351,181,927	343,118,630	335,061,015
Intergovernmental	5,617,029,811	5,549,805,877	5,457,487,877	4,837,628,972
Sales and Services	536,827,964	513,909,314	363,320,801	339,380,452
Fines and Forfeits	49,204,317	50,426,165	32,022,270	34,043,976
Interest and Other Investment Income	275,999,300	239,306,741	242,059,488	184,686,971
Rents and Royalties	13,920,492	9,992,943	17,600,277	17,733,647
Contributions and Donations	192,209,388	190,841,985	169,020,652	170,464,588
Penalties and Interest on Taxes	9,485,653	6,699,639	9,082,163	8,282,630
Unclaimed Property	20,690,958	20,118,021	25,809,698	19,815,272
General Obligation Bond Proceeds	257,123,411	373,248,075	960,650,338	727,775,339
Other Revenue (3)	<u>5,409,857</u>	<u>32,522,511</u>	<u>6,781,951</u>	<u>24,833,072</u>
Total General Governmental Revenues	<u>\$ 18,763,152,721</u>	<u>\$ 17,821,550,902</u>	<u>\$ 17,518,080,982</u>	<u>\$ 15,768,685,733</u>

(1) General Governmental Revenues include general, special revenue, capital projects and debt service funds and proceeds from the issuance of General Obligation bonds.

(2) The state did not prepare financial statements in conformity with generally accepted accounting principles until the fiscal year ended June 30, 1991. Comparable data for earlier years is not available.

(3) The increase in Other Revenue in Fiscal Year 1994 is primarily due to the recognition of revenue in the General Fund for Distance Learning and Telemedicine funds; these funds were reflected previously in Agency Funds as the Universal Service Fund.

(4) In fiscal year 1995, the state began accounting for certain tax revenues on the modified accrual basis.

<u>1994</u>	<u>1993</u>	<u>1992</u>	<u>1991</u>
\$ 8,337,801,318	\$ 7,761,536,952	\$ 7,014,576,028	\$ 6,913,824,337
323,679,549	273,530,522	156,555,971	142,682,174
4,163,447,196	4,024,383,231	3,481,785,992	3,059,490,557
304,600,443	273,321,290	284,191,405	254,698,693
32,570,070	27,968,839	26,684,051	23,819,450
131,238,703	122,575,976	113,224,780	138,668,503
9,285,637	22,275,341	25,757,175	18,912,013
149,621,154	103,743,601	95,966,335	39,881,852
16,110,883	18,888,188	17,936,355	19,715,782
19,935,473	34,611,896	11,798,133	10,972,108
977,957,328	356,333,042	667,655,288	612,441,613
121,670,497	6,437,851	9,936,790	19,964,620
<u>\$ 14,587,918,251</u>	<u>\$ 13,025,606,729</u>	<u>\$ 11,906,068,303</u>	<u>\$ 11,255,071,702</u>

State of Georgia

State Tax Revenues by Source - All Governmental Fund Types For the Last Ten Fiscal Years Table 3

	<u>1998</u>	<u>1997</u>	<u>1996</u>	<u>1995</u>
Source:				
Income	\$ 6,133,784,892	\$ 5,488,547,143	\$ 4,964,393,724	\$ 4,498,902,508
General Sales	4,238,397,531	4,062,494,318	3,954,442,920	3,651,583,790
Selective Sales				
Motor Fuel	405,269,766	387,418,653	391,550,566	379,119,386
Alcoholic Beverages	126,825,895	124,667,603	121,702,379	114,681,538
Cigars/Cigarettes	80,051,470	76,391,777	91,248,012	86,176,720
Insurance Premium	212,839,904	204,744,512	196,508,650	187,190,136
Estate	84,808,642	60,295,856	66,538,071	73,607,282
Property	36,021,442	35,630,751	33,091,530	31,106,689
Corporation Net Worth	108,615,750	24,185,794	21,511,434	25,338,172
Other	12,555,130	19,121,297	50,139,551	21,273,578
Total Tax Revenues - All Governmental Fund Types	\$ <u>11,439,170,422</u>	\$ <u>10,483,497,704</u>	\$ <u>9,891,126,837</u>	\$ <u>9,068,979,799</u>

(1)

(1) In Fiscal Year 1995, the state began accounting for certain tax revenues on the modified accrual basis.

Sources: Fiscal Years 1989-1990 - Annual Audit Reports: Georgia Departments of Revenue and Insurance
Fiscal Years 1991-1998 - Georgia Comprehensive Annual Financial Report

Note: Governmental Fund Types are described in the Notes to the Financial Statements.

<u>1994</u>	<u>1993</u>	<u>1992</u>	<u>1991</u>	<u>1990</u>	<u>1989</u>
\$ 4,102,592,850	\$ 3,850,571,615	\$ 3,452,551,939	\$ 3,355,808,517	\$ 3,342,947,428	\$ 3,250,782,776
3,361,513,613	3,072,269,685	2,777,595,357	2,754,539,969	2,724,130,258	2,100,042,193
365,243,573	345,758,031	332,156,403	324,407,536	327,180,367	325,994,676
110,633,761	111,976,311	113,642,855	114,245,028	116,471,315	115,617,591
83,186,371	84,714,936	84,102,100	84,893,427	86,370,739	88,293,658
162,867,502	196,175,858	161,691,146	184,369,909	164,258,642	152,694,717
87,808,192	39,103,941	37,583,865	41,261,832	27,616,177	37,325,922
29,969,838	28,039,074	25,866,148	24,341,012	23,313,141	21,361,081
18,830,421	18,428,111	18,062,835	17,951,998	18,338,297	17,171,335
15,155,197	14,499,390	11,323,380	12,005,109	6,380,430	9,290,520
<u>\$ 8,337,801,318</u>	<u>\$ 7,761,536,952</u>	<u>\$ 7,014,576,028</u>	<u>\$ 6,913,824,337</u>	<u>\$ 6,837,006,794</u>	<u>\$ 6,118,574,469</u>

State of Georgia

Principal Nongovernmental Employers

June 30, 1998

Table 4

Company	Number of Employees
Wal-Mart Stores, Incorporated	29,920
Delta Air Lines, Incorporated *	27,552
Bell South Corporation *	21,651
Promina Health System *	18,000
Shaw Industries, Incorporated *	17,350
Publix Supermarkets, Incorporated	15,377
The Southern Company/Georgia Power Company *	13,603
Columbia Healthcare Corporation	12,000
Mohawk Industries *	11,750
Emory System of Health Care*	10,800
AT&T Company	10,550
K-Mart Corporation	10,500
The Kroger Company	10,500
Lockheed Martin Corporation	10,100
CVS/Pharmacy	10,000
Winn Dixie Stores, Incorporated	10,000
Georgia-Pacific Corporation *	9,600
United Parcel Service *	9,500
Beaulieu of America	9,000
Dayton Hudson/Target Stores	8,600
Cox Enterprises*	7,720
Lucent Technologies	7,300
IBM Inc.	7,200
NationsBank	7,000
Springs Industries	6,310
SunTrust Banks, Incorporated	6,118
Home Depot, Incorporated *	6,091
Marriott Corporation	5,700
General Motors Corporation	5,641
Morris Communications	5,600
Queen Carpet Corporation	5,500
Federated Department Stores	5,340
National Service Industries, Incorporated *	5,306
Southwire Company	5,300
RTM Restaurant Group	5,250
Sears, Roebuck and Company	5,200
Coca-Cola Company*	5,150
J.C. Penney Company	5,100
Wachovia Corporation	5,100
Gold Kist Corporation	5,000

* Indicates Georgia Headquarters

Source: Georgia Department of Industry, Trade and Tourism, January, 1999.

State of Georgia

Computation of Legal Debt Margin

June 30, 1998

Table 5

Treasury Receipts - Fiscal Year Ended June 30, 1997 (1) \$ 11,905,829,999

Legal Debt Margin:

Highest Annual Commitments Permitted Under Constitutional Limitation (10% of above) \$ 1,190,583,000

Highest Total Annual Commitments in any Fiscal Year (Highest FY 1999) \$ 580,531,875

As a Percentage of FY 1997 State Treasury Receipts 4.88%

As a Percentage of FY 1998 State Treasury Receipts 4.65%

(1) Includes Indigent Care Trust Fund Receipts and Lottery Proceeds

Source: Georgia State Financing and Investment Commission

Ratio of Annual Debt Service Expenditures For General Obligation Debt to Total General Governmental Expenditures (1) For the Last Eight Fiscal Years (2)

Table 6

Fiscal Year	General Bonded Debt			General Governmental Expenditures (1)	Ratio of Debt Service to General Governmental Expenditures
	Principal	Interest and Other Fiscal Charges	Total Debt Service		
1998	\$ 387,030,000	\$ 258,317,069	\$ 645,347,069	\$ 17,355,735,949	3.72%
1997	392,165,000	236,835,498	629,000,498	16,858,608,364	3.73%
1996	352,300,000	218,523,118	570,823,118	15,893,960,648	3.59%
1995	350,385,000	186,826,275	537,211,275	14,713,677,837	3.65%
1994	246,840,000	179,738,306	426,578,306	12,798,865,369	3.33%
1993	258,548,346	191,022,895	449,571,241	11,831,763,455	3.80%
1992	243,921,646	164,291,856	408,213,502	10,729,089,067	3.80%
1991	274,980,000	135,960,182	410,940,182	10,395,138,731	3.95%

(1) See Table 1, Total General Governmental Expenditures

(2) The state did not prepare financial statements in conformity with generally accepted accounting principles until the fiscal year ended June 30, 1991. Comparable data for earlier years is not available.

Source: Georgia Comprehensive Annual Financial Report

State of Georgia

Demographic Statistics For the Last Ten Calendar Years Table 7

Calendar Year	Population	Per Capita Personal Income	Public School Enrollment	Unemployment Rate
1998	7,642,207	25,020	1,401,291	4.20%
1997	7,486,242	24,061	1,346,761	4.50%
1996	7,353,225	22,709	1,311,126	4.60%
1995	7,102,000	21,278	1,271,903	4.90%
1994	7,055,000	20,251	1,233,362	5.20%
1993	6,917,000	19,278	1,205,357	5.80%
1992	6,773,000	18,549	1,174,437	6.90%
1991	6,623,000	17,364	1,148,256	5.00%
1990	6,478,000	17,045	1,126,352	5.40%
1989	6,436,000	16,223	1,174,118	5.50%

Source: Population - U. S. Department of Commerce, Bureau of the Census
 Per Capita Income - U. S. Department of Commerce, Bureau of Economic Analysis
 Public School Enrollment - Georgia Department of Education
 Note: Calculation Method for Public School Enrollment Changed in 1990
 Unemployment Rate - Georgia Department of Labor

Schedule of Bank Deposits For the Last Ten Years (Dollars in Thousands) Table 8

Fiscal Year	Commercial Banks	Savings and Loan Associations	Total Deposits
1998	\$ 77,505,212	\$ 4,191,658	\$ 81,696,870
1997	42,235,312	4,798,940	47,034,252
1996	91,933,990	4,640,878	96,574,868
1995	66,895,898	5,107,013	72,002,911
1994	62,065,439	5,285,489	67,350,928
1993	60,063,284	5,180,763	65,244,047
1992	55,066,858	10,659,544	65,726,402
1991	52,295,306	13,140,105	65,435,411
1990	49,912,986	13,406,430	63,319,416
1989	46,175,163	14,402,867	60,578,030

Source: Federal Reserve Bank of Atlanta

State of Georgia

Miscellaneous Statistics

June 30, 1998

Table 9

Date Entered Union	January 2, 1788
Form of Government	Legislative-Executive-Judicial
Miles of State Highway	17,954
Land Area	59,441 Square Miles

State Police Protection:

Number of Stations	48
Number of State Troopers	881

State Colleges and Universities:

Number of Separate Institutions	34
Number of Educators	9,426
Number of Students	205,389

Recreation:

Number of State Parks	48
Number of Historic Sites	15
Area of State Parks and Historic Sites	71,150 acres

Sources: Facts About the States, 1989 - Kane, Anzovin, Podell
Georgia Descriptions in Data, 1988 - Georgia Office of Planning and Budget
State and Metropolitan Area Data Book, 1991 - U. S. Department of Commerce
Georgia Department of Transportation
Georgia Department of Public Safety
Board of Regents of the University System of Georgia
Georgia Department of Natural Resources