NEW ISSUE
(BOOK-ENTRY ONLY)

RATINGS:
Moody's: Aaa
Standard & Poor's: AAA
Fitch: AAA
See "RATINGS" herein.

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

$172,715,000
State of Georgia
General Obligation Bonds 2013H

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

This Official Statement has been prepared by the Georgia State Financing and Investment Commission (the "Commission") for and on behalf of the State of Georgia (the "State") to provide information on the above-captioned bonds (the "Bonds"). The summary information on this cover is for convenience only. To make an informed decision regarding the Bonds, a prospective investor should read this Official Statement in its entirety.

Security	The Bonds constitute general obligations of the State to which its full faith, credit and taxing powers are pledged.
Redemption	Certain of the Bonds are not subject to optional redemption prior to their maturity and certain of the Bonds are subject to redemption prior to their maturities, as further described herein.
Purpose	The Bonds are being issued to provide funds for various capital outlay projects of the State, to retire certain outstanding general obligation bonds of the State coming due within ninety days of the issuance of the Bonds, and to pay all or a portion of the costs of the issuance of the Bonds, as further described herein.
Interest Payment Dates	Semiannual, each June 1 and December 1, commencing June 1, 2014, as described herein.
Denomination	$5,000 and integral multiples thereof.
Registration	Full book-entry only and registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York.
Closing/Delivery Date	On or about December 5, 2013.

The Bonds are being offered when, as and if issued by the State and accepted by the Underwriters, subject to prior sale or withdrawal or modification of the offer without notice, validation by the Superior Court of Fulton County, Georgia and approval as to legality by King & Spalding LLP, Atlanta, Georgia, Bond Counsel. Certain legal matters will be passed upon for the State by its Disclosure Counsel, Kutak Rock LLP, Atlanta, Georgia. Public Resources Advisory Group is serving as Financial Advisor to the State.

The date of this Official Statement is November 13, 2013.

$172,715,000
State of Georgia
General Obligation Bonds 2013H Maturity Schedule

Maturing December 1,	Principal Amount	Interest Rate	Price or Yield	CUSIP (a)
2014	$9,755,000	5.000%	0.170%	373384 M60
2015	10,240,000	5.000	0.340	373384 M78
2016	10,755,000	5.000	0.510	373384 M86
2017	11,295,000	5.000	0.790	373384 M94
2018	11,855,000	5.000	1.170	373384 N28
2019	5,505,000	5.000	1.530	373384 N36
2020	5,780,000	5.000	1.910	373384 N44
2021	6,070,000	5.000	2.230	373384 N51
2022	6,375,000	5.000	2.430	373384 N69
2023	6,695,000	5.000	2.620	373384 N77
2024	7,025,000	4.000	2.780*	373384 N85
2025	7,380,000	4.000	2.980*	373384 N93
2026	7,750,000	4.000	3.180*	373384 P26
2027	8,135,000	4.000	3.380*	373384 P34
2028	8,540,000	4.000	3.520*	373384 P42
2029	8,970,000	4.000	3.690*	373384 P59
2030	9,415,000	4.000	3.800*	373384 P67
2031	9,890,000	4.000	3.890*	373384 P75
2032	10,385,000	4.000	3.980*	373384 P83
2033	10,900,000	4.000	4.040	373384 P91

*Priced to December 1, 2023 optional redemption date

(a) CUSIP numbers have been assigned by an organization not affiliated with the State and are included for the convenience of the holders of the Bonds. Neither the State nor the Commission is responsible for the selection or uses of these CUSIP numbers, nor is any representation made as to their accuracy on the Bonds, or as indicated above.

STATE OF GEORGIA

Governor
NATHAN DEAL

Lieutenant Governor
CASEY CAGLE

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

Members
NATHAN DEAL - Governor, Chair
CASEY CAGLE - President of the Senate, Vice-Chair
DAVID RALSTON - Speaker of the House of Representatives
SAMUEL S. OLENS - Attorney General
GARY W. BLACK - Commissioner of Agriculture
STEVEN McCOY - State Treasurer
GREG S. GRIFFIN - State Auditor, Secretary and Treasurer

Financing and Investment Division
DIANA POPE - Director

Construction Division
STEVE STANCIL - Director and
Executive Secretary to the Commission

State Law Department
SAMUEL S. OLENS - Attorney General

Bond Counsel
KING & SPALDING LLP
Atlanta, Georgia

Disclosure Counsel
KUTAK ROCK LLP
Atlanta, Georgia

Financial Advisor
PUBLIC RESOURCES ADVISORY GROUP
New York, New York

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No dealer, broker, salesperson or other person has been authorized by the Commission or the State to give any information or to make any representations, other than as contained in this Official Statement in connection with the issuance of the Bonds described herein and, if given or made, such information or representations must not be relied upon as having been authorized by the Commission or the State. This Official Statement does not constitute a contract between the Commission or the State and any one or more owners of the Bonds, nor does this Official Statement constitute an offer to sell the Bonds or a solicitation of an offer to buy, nor shall there be any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale. The information set forth herein has been furnished by the Commission or the State and by other sources which are believed to be reliable. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implications that there has been no change in the affairs of the State or any other parties described herein since the date hereof.

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

TABLE OF CONTENTS

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SUMMARY STATEMENT

(Subject in all respects to more complete information herein this Official Statement.)

Issuer:	The State of Georgia ("State") acting by and through the Georgia State Financing and Investment Commission.
Offering:	$172,715,000 State of Georgia General Obligation Bonds 2013H (the "Bonds").
Maturity:	The Bonds mature on each December 1, from December 1, 2014 to December 1, 2033 inclusive. See "DESCRIPTION OF THE BONDS – Redemption Provisions" herein.
Interest:	Interest on the Bonds is payable semiannually on June 1 and December 1 of each year, commencing June 1, 2014, until final payment.
Dated Date:	Date of Initial Delivery.
Delivery Date:	On or about December 5, 2013.
Purpose:	The Bonds are being issued to provide funds for various capital outlay projects of the State, to retire certain outstanding general obligation bonds of the State coming due within ninety days of the issuance of the Bonds, and to pay all or a portion of the costs of the issuance of the Bonds. See "PURPOSE OF BONDS" herein for details.
Security:	General obligations of the State to which its full faith, credit and taxing power are pledged.
Book-Entry Bonds:	Bonds will be issued in fully registered form without interest coupons in denominations of $5,000 and integral multiples thereof. Bonds will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York.
Redemption:	See "DESCRIPTION OF THE BONDS – Redemption Provisions" herein.
Bond Counsel:	King & Spalding LLP, Atlanta, Georgia.
Disclosure Counsel:	Kutak Rock LLP, Atlanta, Georgia.
Financial Advisor:	Public Resources Advisory Group, New York, New York.
Registrar/ Paying Agent:	The Bank of New York Mellon Trust Company, N.A.
Bond Ratings:	Credit ratings are as shown on the front cover of this Official Statement and as more completely described in "RATINGS" herein.

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$172,715,000
State of Georgia
General Obligation Bonds 2013H

INTRODUCTION

The purpose of this Official Statement, which includes the cover page and Appendices hereto, is to provide certain information concerning the State of Georgia (the "State") and the above referenced $172,715,000 State of Georgia Obligation Bonds 2013H (the "Bonds").

The Bonds are being issued by the Georgia State Financing and Investment Commission (the "Commission"), acting for and on behalf of the State, pursuant to the Constitution and laws of the State of Georgia and a resolution adopted by the Commission on November 13, 2013 (the "Resolution"). The Bonds will constitute a debt of the State for which the full faith, credit and taxing power of the State are pledged to the payment of the Bonds and the interest thereon. See "SECURITY FOR THE BONDS" herein. The proceeds from the sale of the Bonds will be used to finance various capital outlay projects as described under "PURPOSE OF THE BONDS" herein. The State currently expects to use the original issue premium, if any, generated from the sale of the Bonds to fund all or a portion of various capital projects of the State, including the projects funded by the Bonds, to retire certain outstanding general obligation bonds of the State coming due within 90 days of the issuance of the Bonds, and to pay all or a portion of the costs of issuance of the Bonds. See "USE OF PREMIUM ON THE BONDS" herein.

The Bonds are authorized to be issued pursuant to powers granted to the Commission in Article VII, Section IV of the Constitution of the State of Georgia (the "State Constitution") and the Georgia State Financing and Investment Commission Act (Ga. Laws 1973, p. 750, et seq., as amended, codified at Official Code of Georgia Annotated ("O.C.G.A.") § 50-17-20, et seq., referred to herein as the "Commission Act"). See "SECURITY FOR THE BONDS," "THE COMMISSION" and "APPENDIX A - DEBT AND REVENUE INFORMATION – DEBT INFORMATION - Appropriations and Debt Limitations" herein.

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

The Bonds are offered when, as, and if issued, subject to validation by the Superior Court of Fulton County, Georgia, and the approving legal opinion of King & Spalding LLP, Atlanta, Georgia, Bond Counsel. Certain legal matters will be passed on for the State by its Disclosure Counsel, Kutak Rock LLP, Atlanta, Georgia. See "LEGAL MATTERS" herein.

It is expected that the Bonds will be available for delivery in New York, New York, on or about December 5, 2013, in book-entry form only, with actual bond certificates immobilized in the custody of The Depository Trust Company ("DTC"), New York, New York, a registered securities depository, or its agent.

This Official Statement speaks only as of its date and is subject to change. This Introduction and the Summary Statement presented above represent a brief description of the matters contained herein, and a full review should be made of the entire Official Statement, as well as the appendices hereto and any documents described or summarized herein. Requests for additional information with respect to this Official Statement (including the appendices attached hereto) or a copy of the Resolution may be directed to Diana Pope, Director, Financing and Investment Division, Georgia State Financing and Investment Commission, 270 Washington Street, S.W., Suite 2140, Atlanta, Georgia 30334, telephone number (404) 463-5700.

DESCRIPTION OF THE BONDS

General

The Bonds will be dated the date of delivery.

Interest on the Bonds is payable semiannually on June 1 and December 1 of each year (each an "Interest Payment Date"), commencing June 1, 2014, until final payment.

The Bonds will bear interest from the Interest Payment Date next preceding their date of authentication to which interest has been paid at the rates per annum set forth on the inside cover page of this Official Statement (computed on the basis of a 360-day year comprised of twelve 30-day months). Payment of the principal of and interest on the Bonds will be made by the designated corporate trust office of The Bank of New York Mellon Trust Company, N.A., as Bond Registrar and Paying Agent, directly to Cede & Co., as nominee for DTC, as registered owner of the Bonds, and subsequently will be disbursed to DTC Participants and thereafter to beneficial owners thereof (the "Beneficial Owners") of the Bonds as described below. When not in book-entry form, interest on the Bonds is payable by check or draft mailed by first-class mail on the Interest Payment Date to the owners thereof as shown on the books and records of the Bond Registrar on the 15th day of the calendar month next preceding the Interest Payment Date. When not in book-entry form, principal of the Bonds is payable upon surrender thereof at the designated corporate trust office of the Paying Agent.

Redemption Provisions

Optional Redemption of the Bonds

The Bonds maturing on or before December 1, 2023 are not subject to optional redemption prior to their maturity. The Bonds maturing on or after December 1, 2024 will be subject to redemption at the option of the Commission, on behalf of the State, on and after December 1, 2023, and prior to their stated maturity, in whole or in part at any time, at a redemption price equal to the principal amount thereof to be redeemed, plus accrued and unpaid interest thereon to the date fixed for redemption.

Redemption Notices - Selection of Bonds to be Redeemed

Upon receipt of notice from the State of its election to redeem the Bonds, the Paying Agent is to give notice of such redemption by mail to the holders of such Bonds to be redeemed not less than 30 days or more than 60 days prior to the date set for redemption. Failure by a particular holder to receive notice, or any defect in the notice to such holder, will not affect the redemption of any other Bond. The particular maturities of the Bonds to be redeemed will be determined by the Commission, on behalf of the State, in its sole discretion.

If the Bonds are registered in book-entry only form and so long as DTC or a successor securities depository is the sole registered owner of the Bonds, if less than all of the Bonds of a maturity are called for redemption prior to maturity, the particular Bonds of such maturity, or portions thereof to be redeemed shall be selected for redemption on a pro rata pass-through distribution of principal basis among the registered owners of such maturity, in accordance with DTC procedures, provided that, so long as the Bonds are held in book-entry form, the selection for redemption of such Bonds shall be made in accordance with the operational arrangements of DTC then in effect, and, if the DTC operational arrangements do not allow for redemption on a pro rata pass-through distribution of principal basis, the Bonds will be selected for redemption, in accordance with DTC procedures then in effect.

It is the Commission's intent that redemption allocations for the Bonds made by DTC be made on a pro rata pass-through distribution of principal basis as described above. However, the Commission cannot provide any assurance that DTC, DTC's direct and indirect participants or any other intermediary will allocate the redemption of the Bonds on such basis. If the DTC operational arrangements do not allow for the redemption of the Bonds on a pro rata pass-through distribution of principal basis as discussed above, then the Bonds will be selected for redemption, in accordance with DTC procedures then in effect. If the Bonds are not registered in book-entry only form, any redemption of less than all of a series and maturity of the Bonds shall be allocated among the registered owners of such Bonds on a pro-rata basis. See "DESCRIPTION OF THE BONDS - Book-Entry System" herein.

Registration, Exchange and Transfer

The Bonds will be issued only as fully registered bonds without coupons in denominations of $5,000 and integral multiples thereof. The Commission and the Bond Registrar and Paying Agent may deem and treat the registered owner of a Bond as the absolute owner of such Bond for purposes of receiving payment of or on account of principal and interest payable thereon, and for other purposes; the Commission and the Bond Registrar and Paying Agent will not be affected by any notice to the contrary.

The Bonds will be issued in book-entry form registered in the name of Cede & Co., the nominee of DTC. Beneficial Owners of the Bonds will not receive physical delivery of bond certificates. While in book-entry form, registration of exchanges and transfers of beneficial ownership interests in the Bonds will be effected in accordance with DTC practices and procedures described below.

When not in book-entry form, ownership of any Bond is transferable upon surrender thereof to the Bond Registrar, together with an instrument of transfer assignment duly executed by the registered owner or its duly authorized agent, in such form as shall be satisfactory to the Bond Registrar. Upon any such transfer of ownership, the Bond Registrar will cause to be authenticated and delivered a new Bond or Bonds registered in the name of the transferee in an authorized denomination in the same aggregate principal amount and interest rate as the Bonds surrendered for such transfer. The Bonds may be exchanged for a like principal amount of Bonds of the same interest rate of other authorized denominations. For every exchange or registration of transfer, the Bond Registrar may charge an amount sufficient to reimburse it for any tax or other governmental charge required to be paid with respect to such exchange or registration of transfer, but no other charge may be made to the owner for any exchange or registration of transfer of the Bonds.

Book-Entry System

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

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity in the aggregate principal amount of such maturity, and will be deposited with DTC. Purchasers may own beneficial interests in the Bonds in the United States through DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

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

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

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

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

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

Principal and interest payments on the Bonds will be made to Cede & Co. or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Paying Agent, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent, or the Commission, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

THE ABOVE INFORMATION CONCERNING DTC AND DTC'S BOOK-ENTRY SYSTEM HAS BEEN OBTAINED FROM SOURCES THAT THE COMMISSION AND THE STATE BELIEVE TO BE RELIABLE, BUT NEITHER THE COMMISSION NOR THE STATE TAKE ANY RESPONSIBILITY FOR THE ACCURACY THEREOF. NEITHER THE COMMISSION, THE STATE, NOR THE PAYING AGENT WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DTC PARTICIPANTS, BENEFICIAL OWNERS OR OTHER NOMINEES OF SUCH BENEFICIAL OWNERS FOR (i) SENDING TRANSACTION STATEMENTS; (ii) MAINTAINING, SUPERVISING OR REVIEWING, OR THE ACCURACY OF, ANY RECORDS MAINTAINED BY DTC OR ANY DTC PARTICIPANT OR OTHER NOMINEES OF SUCH BENEFICIAL OWNERS; (iii) PAYMENT OR THE TIMELINESS OF PAYMENT BY DTC TO ANY DTC PARTICIPANT, OR BY ANY DTC PARTICIPANT OR OTHER NOMINEES OF BENEFICIAL OWNERS TO ANY BENEFICIAL

OWNER, OF ANY AMOUNT DUE IN RESPECT OF THE PRINCIPAL OF AND INTEREST ON THE BONDS; (iv) DELIVERY OR TIMELY DELIVERY BY DTC TO ANY DTC PARTICIPANT, OR BY ANY DTC PARTICIPANT OR OTHER NOMINEES OF BENEFICIAL OWNERS TO ANY BENEFICIAL OWNER, OF ANY NOTICE OR OTHER COMMUNICATION WHICH IS REQUIRED OR PERMITTED UNDER THE TERMS OF THE RESOLUTION TO BE GIVEN TO BONDHOLDERS OR OWNERS OF THE BONDS; OR (v) ANY ACTION TAKEN BY DTC OR ITS NOMINEE AS THE REGISTERED OWNER OF THE BONDS.

So long as Cede & Co., as nominee for DTC, is the registered owner of the Bonds, reference herein to the registered owners of the Bonds (other than under the heading "LEGAL AND TAX STATUS - Tax Consequences of Owning the Bonds" herein) shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners of the Bonds.

SECURITY FOR THE BONDS

The Bonds are direct and general obligations of the State. The Bonds are issued by the Commission pursuant to powers granted to the Commission in Article VII, Section IV of the State Constitution and the Commission Act. Article VII, Section IV, Paragraph VI of the State Constitution provides:

> The full faith, credit, and taxing power of the state are hereby pledged to the payment of all public debt incurred under this article and all such debt and the interest on the debt shall be exempt from taxation. Such debt may be validated by judicial proceedings in the manner provided by law. Such validation shall be incontestable and conclusive.

Article VII, Section IV, Paragraph III(a)(1) of the State Constitution provides:

> General obligation debt may not be incurred until legislation is enacted stating the purposes, in general or specific terms, for which such issue of debt is to be incurred, specifying the maximum principal amount of such issue and appropriating an amount at least sufficient to pay the highest annual debt service requirements for such issue. All such appropriations for debt service purposes shall not lapse for any reason and shall continue in effect until the debt for which such appropriation was authorized shall have been incurred, but the General Assembly may repeal any such appropriation at any time prior to the incurring of such debt. The General Assembly shall raise by taxation and appropriate each fiscal year, in addition to the sum necessary to make all payments required under contracts entitled to the protection of the second paragraph of Paragraph I(a), Section VI, Article IX of the Constitution of 1976, such amounts as are necessary to pay debt service requirements in such fiscal year on all general obligation debt.

Article VII, Section IV, Paragraph III(a)(2)(A) of the State Constitution provides:

> The General Assembly shall appropriate to a special trust fund to be designated "State of Georgia General Obligation Debt Sinking Fund" such amounts as are necessary to pay annual debt service requirements on all general obligation debt. The sinking fund shall be used solely for the retirement of general obligation debt payable from the fund. If for any reason the monies in the sinking fund are insufficient to make, when due, all payments required with respect to such general obligation debt, the first revenues thereafter received in the general fund of the state shall be set aside by the appropriate state fiscal officer to the extent necessary to cure the deficiency and shall be deposited by the fiscal officer into the sinking fund. The appropriate state fiscal officer may be required to set aside and apply such revenues at the suit of any holder of any general obligation debt incurred under this section.

Article VII, Section IV, Paragraph V of the State Constitution provides, in relevant part:

> The state may incur general obligation debt or guaranteed revenue debt to fund or refund any such debt or to fund or refund any obligations issued upon the security of contracts to which the provisions of the second paragraph of Paragraph I(a), Section VI, Article IX of the Constitution of 1976 are applicable. The issuance of any such debt for the purposes of said funding or refunding shall be subject to the 10 percent limitation in Paragraph II(b) of this section to the same extent as debt incurred under Paragraph I of this section; provided, however, in making such computation the annual debt service requirements and annual contract payments remaining on the debt or obligations being funded or refunded shall not be taken into account. The issuance of such debt may be accomplished by resolution of the Georgia State Financing and Investment Commission without any action on the part of the General Assembly and any appropriation made or required to be made with respect to the debt or obligation being funded or refunded shall immediately attach and inure to the benefit of the obligations to be issued in connection with such funding or refunding.

In compliance with the above provisions of the State Constitution, the General Assembly has appropriated to the State of Georgia General Obligation Debt Sinking Fund (the "Sinking Fund") amounts sufficient to pay the highest annual debt service requirements on all outstanding general obligation debt. There are no contracts currently outstanding which are entitled to the protection of the second paragraph of Paragraph I(a), Section VI, Article IX of the Constitution of 1976. See "APPENDIX A – DEBT AND REVENUE INFORMATION – DEBT INFORMATION" and "APPENDIX C – BASIC FINANCIAL STATEMENTS FOR FISCAL YEAR ENDED JUNE 30, 2012."

PURPOSE OF THE BONDS

The State Constitution provides that the State may incur two types of debt: (i) general obligation debt and (ii) guaranteed revenue debt. General obligation debt may be incurred to: acquire, construct, develop, extend, enlarge, or improve land, waters, property, highways, buildings, structures, equipment, or facilities of the State, its agencies, departments, institutions and certain State authorities; to provide educational facilities for county and independent school systems and to provide public library facilities for county and independent school systems, counties, municipalities, and boards of trustees of public libraries or boards of trustees of public library systems; and to make loans to counties, municipal corporations, political subdivisions, local authorities and other local government entities for water or sewerage facilities or systems or for regional or multijurisdictional solid waste recycling or solid waste facilities or systems. Guaranteed revenue debt may be incurred by guaranteeing the payment of certain revenue obligations issued by an instrumentality of the State as set forth in the State Constitution to finance certain specified public projects. Upon payment of bonds due through December 1, 2013, the State will have general obligation debt outstanding in an aggregate principal amount of $8,775,190,000 and guaranteed revenue debt outstanding in an aggregate principal amount of $359,995,000. See "APPENDIX A – DEBT AND REVENUE INFORMATION – DEBT INFORMATION."

The proceeds of the Bonds are expected to be used for the purposes described below. A more detailed description of the purposes may be obtained from the legislative authorizations for the Bonds, as required by the State Constitution, in appropriations enacted as follows: (i) the General Appropriations Act for State Fiscal Year 2009-2010 (Ga. L. 2009, Volume One, Book Two Appendix, commencing at p.1 of 330, Act No. 345, 2009 Regular Session, H.B. 119) signed by the Governor on May 11, 2009, as amended by the Supplementary General Appropriations Act for State Fiscal Year 2009-2010 (Ga. L. 2010, Volume One, Book Two Appendix, commencing at p.1 of 242, Act No. 352, 2010 Regular Session, H.B. 947) signed by the Governor on May 6, 2010; (ii) the General Appropriations Act for State Fiscal Year 2010-2011 (Ga. L. 2010, Volume One, Book Two Appendix, commencing at p. 1 of 164, Act No.

684, 2010 Regular Session, H.B. 948) signed by the Governor on June 4, 2010, as amended by the Supplementary General Appropriations Act for State Fiscal Year 2010-2011 (Ga. L. 2011, Volume One, Book Two Appendix, commencing at p. 1 of 147, Act No. 2, 2011 Regular Session, H.B. 77) signed by the Governor on March 9, 2011; (iii) the General Appropriations Act for State Fiscal Year 2012-2013 (Ga. L. 2012, Volume One Appendix, commencing at p. 1 of 175, Act No. 775, 2012 Regular Session, H.B. 742) signed by the Governor on May 7, 2012, as amended by the Supplementary General Appropriations Act for State Fiscal Year 2012-2013 (Ga. L. 2013, commencing at p. 1 of 131, Act No. 11, 2013 Regular Session, H.B. 105) signed by the Governor on March 27, 2013 ("H.B. 105"); and (iv) the General Appropriations Act for State Fiscal year 2013-2014 (Ga. L. 2013, Volume One Appendix, commencing at p. 1 of 239, Act No. 309, 2013 Regular Session, H.B. 106) signed by the Governor on May 7, 2013 ("H.B. 106").

Amount	**Purpose**
$ 760,000	To finance projects and facilities for the Georgia Vocational Rehabilitation Agency
280,000	To finance projects and facilities for the Department of Public Safety (Georgia Public Safety Training Center)
500,000	To finance projects and facilities for the Department of Defense
17,360,000	To finance educational facilities and equipment for county and independent school systems through the State Board of Education (Department of Education)
1,935,000	To finance projects and facilities for the Department of Education
54,010,000	To finance projects and facilities for the Technical College System of Georgia
1,000,000	To finance projects and facilities for the State Forestry Commission
44,370,000	To finance projects and facilities for the Board of Regents of the University System of Georgia
1,600,000	To finance public library facilities through the Board of Regents of the University System of Georgia by grant to the governing board of the Houston County Public Library
900,000	To finance public library facilities through the Board of Regents of the University System of Georgia by grant to the governing board of the Mountain Regional Library System
50,000,000	To finance projects and facilities for the Georgia Ports Authority
$172,715,000	Total

The Commission Act provides that the Commission shall be responsible for the proper application of the proceeds of the Bonds to the purposes for which they are incurred and that the proceeds received from the sale of the Bonds shall be held in trust by the Commission and disbursed promptly by the Commission in accordance with the original purpose set forth in the authorization of the General Assembly and in accordance with rules and regulations established by the Commission.

USE OF PREMIUM ON THE BONDS

The State currently expects to use the original issue premium, if any, generated from the sale of the Bonds to fund all or a portion of various capital projects of the State, including the projects funded by the Bonds, to retire certain outstanding general obligation bonds of the State coming due within 90 days of the issuance of the Bonds, and to pay all or a portion of the costs of issuance of the Bonds.

AUTHORIZED INDEBTEDNESS

During the 2013 General Session, the General Assembly adopted H.B. 106, the General Appropriations Act for the State's Fiscal Year beginning July 1, 2013 and ending June 30, 2014 ("FY 2014"), and the Governor approved the authorization of an aggregate principal amount of $850,000,000 of new general obligation debt, the proceeds of which are to be used for various planned capital projects of the State, its departments and agencies; the General Assembly also provided for the repeal of an aggregate principal amount of $36,435,000 of previously authorized but unissued general obligation debt pursuant to H.B. 105 and H.B. 106. Prior to the issuance of the Bonds, as described herein, the State had a total of $623,220,000 of authorized unissued general obligation debt from the FY 2014 and prior years' authorizations. See "APPENDIX A – DEBT AND REVENUE INFORMATION – DEBT INFORMATION – Authorized Indebtedness."

THE COMMISSION

The Commission is an agency and instrumentality of the State, and its members are the Governor, the President of the Senate, the Speaker of the House of Representatives, the State Auditor, the Attorney General, the State Treasurer, and the Commissioner of Agriculture.

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

The Commission has two statutory divisions, a Financing and Investment Division and a Construction Division, each administered by a Director who reports directly to the Commission. The Financing and Investment Division performs all services relating to the issuance of public debt, the investment and accounting of all proceeds derived from the incurring of general obligation debt or such other amounts as may be appropriated to the Commission for capital outlay purposes, the management of other State debt, and all financial advisory matters pertaining thereto. The Construction Division is responsible for all construction and construction related matters resulting from the issuance of public debt or from any such other amounts as may be appropriated to the Commission for capital outlay purposes, except that in the case of bond proceeds for public road and bridge construction or reconstruction, the Commission contracts with the Department of Transportation or the Georgia Highway Authority for the supervision of and contracting for designing, planning, building, rebuilding, constructing, improving, operating, owning, maintaining, leasing and managing of public roads and bridges for which general obligation debt has been authorized. In all other cases when the Commission contracts with a State department, authority or agency for the acquisition or construction of projects, the projects are acquired and constructed under policies, standards and operating procedures established by the Commission. The Construction Division also is responsible for performing such construction-related services for State agencies and instrumentalities as may be assigned to the Commission by Executive Order of the Governor.

See "APPENDIX A – DEBT AND REVENUE INFORMATION" for information regarding, among other things, the State's appropriations and debt limitations, State revenues, authorized indebtedness, outstanding debt, State Treasury receipts, assessed valuation and debt ratios, and analysis of general fund receipts and revenues. See "APPENDIX C – BASIC FINANCIAL STATEMENTS FOR FISCAL YEAR ENDED JUNE 30, 2012" for information regarding, among other things, the budgetary processes, the accounting policies, the retirement systems, and the financial position of the State. See "APPENDIX D – STATISTICAL INFORMATION" for certain information regarding the economy and population of the State.

INVESTMENT OF STATE FUNDS

All funds within the State Treasury (which include proceeds of general obligation debt administered by the Commission) are invested in accordance with Georgia law and the investment policy established by the State Depository Board (the "Investment Policy"). The Investment Policy has four objectives and each portfolio is managed in a manner that is intended to: (1) preserve principal; (2) ensure adequate liquidity; (3) obtain a market rate of return taking cash flow requirements into consideration; and (4) diversify the portfolio. The Investment Policy also sets forth various credit constraints and limitations, as discussed more fully below.

Investment of General Obligation Debt Proceeds. The Commission Act provides that investments of proceeds of general obligation debt shall be limited to (i) general obligations of the United States or of subsidiary corporations of the United States government fully guaranteed by such government; (ii) obligations issued by the Federal Land Bank, Federal Home Loan Bank, Federal Intermediate Credit Bank, Bank for Cooperatives, Federal Farm Credit Banks regulated by the Farm Credit Administration, Federal Home Loan Mortgage Corporation, Federal National Mortgage Association; (iii) tax exempt obligations issued by any state, county, municipal corporation, district, or political subdivision, or civil division or public instrumentality of any such government or unit of such government; (iv) prime bankers' acceptances; (v) units of any unit investment trusts the assets of which are exclusively invested in obligations of the type described above; or (vi) shares of any mutual fund the investments of which are limited to securities of the type described in clauses (i), (ii), (iii), and (iv) above and distributions from which are treated for federal income tax purposes in the same manner as the interest on such obligations, provided that at the time of investment such obligations or the obligations held by any such unit investment trust or the obligations held or to be acquired by any such mutual fund are limited to obligations which are rated within one of the top two rating categories of any nationally recognized rating service or any rating service recognized by the State Commissioner of Banking and Finance, and no others, or to securities lending transactions involving securities of the type described in this paragraph. Pursuant to Article VII, Section IV, Paragraph VII of the State Constitution, the Commission is responsible for the investment of the proceeds of general obligation debt and, as provided by law, including the Commission Act, is required to use the income earned on such proceeds to pay operating expenses of the Commission or to purchase and retire State debt. See "APPENDIX A – DEBT AND REVENUE INFORMATION – DEBT INFORMATION - Market Transactions to Retire Debt."

Investment of Sinking Fund Monies. Article VII, Section IV, Paragraph III(c) of the State Constitution and the Commission Act provide that (i) funds in the Sinking Fund be as fully invested as is practicable, consistent with the requirements to make current principal and interest payments and (ii) any Sinking Fund investments shall be restricted to obligations constituting direct and general obligations of the United States government or obligations unconditionally guaranteed as to the payment of principal and interest by the United States government, maturing no longer than 12 months from date of purchase.

Investment of State General Funds. Under Georgia law the State may invest its general fund monies in: (i) bankers' acceptances; (ii) commercial paper; (iii) bonds, bills, certificates of indebtedness, notes, or other obligations of the United States and its subsidiary corporations and instrumentalities or entities sanctioned or authorized by the United States government including, but not limited to, obligations or securities issued or guaranteed by Banks for Cooperatives regulated by the Farm Credit Administration, the Commodity Credit Corporation, Farm Credit Banks regulated by the Farm Credit Administration, Federal Assets Financing Trusts, the Federal Financing Bank, Federal Home Loan Banks, the Federal Home Loan Mortgage Corporation, the Federal National Mortgage Association, the Financial Assistance Corporation chartered by the Farm Credit Administration, the Government National Mortgage Association, the Import-Export Bank, Production Credit Associations regulated by the Farm Credit Administration, the Resolution Trust Corporation, and the Tennessee Valley Authority; (iv) obligations of corporations organized under the laws of Georgia or any other state but only if the corporation has a market capitalization equivalent of at least $100 million; provided, however, that such obligation shall be listed as investment grade by a nationally recognized rating agency; (v) bonds, notes, warrants, and other securities not in default which are the direct obligations of the government of any foreign country which the International Monetary Fund lists as an industrialized country and for which the full faith and credit of such government has been pledged for the payment of principal and interest, provided that such securities are listed as investment grade by a nationally recognized rating agency; or (vi) obligations issued, assumed, or guaranteed by the International Bank for Reconstruction and Development or the International Financial Corporation, provided that such securities are listed as investment grade by a nationally recognized rating agency and are fully negotiable and transferable. The Depository Board may also permit the lending of any securities of the type identified in this paragraph.

Georgia law also provides that the State may invest in the securities described above by selling and purchasing such obligations under agreements to resell or repurchase the obligations at a date certain in the future at a specific price which reflects a premium over the purchase or selling price equivalent to a stated rate of interest ("Repurchase Agreements").

Because of the credit constraints and limitations contained in the Investment Policy established by the State Depository Board, the State currently is authorized to invest the monies on deposit in its general fund in: direct obligations of the United States Treasury; obligations unconditionally guaranteed by agencies of the United States government; obligations of subsidiary corporations and instrumentalities or entities sanctioned or authorized by the United States government; and other permitted investments subject to certain criteria established by statute and the State Depository Board which include, among other things, credit and diversification requirements. Such other permitted investments include: repurchase agreements, certificates of deposit, commercial paper, negotiated investment deposit agreements, prime bankers' acceptances, obligations of the State or state agencies, obligations of other political subdivisions of the State, obligations of corporations, obligations issued by the government of any foreign country, obligations issued by the International Bank for Reconstruction and Development or the International Financial Corporation, and other such limitations as determined by the State Treasurer to be necessary for the preservation of principal, liquidity, or marketability of any of the portfolios.

Other State Treasury Investments. The Office of the State Treasury ("OST") manages the Local Government Investment Pools (comprised of "Georgia Fund 1" and the "Georgia Extended Asset Pool"). The local government monies invested in Georgia Fund 1 are commingled with State operating funds and State agencies' funds in the Georgia Fund 1 portfolio. Georgia Fund 1 maintains Standard & Poor's ratings of AAAf for fund credit quality and S1+ for fund volatility. The Georgia Extended Asset Pool consists of deposits of the State, State agencies, and local governments. The Georgia Extended Asset Pool maintains Standard & Poor's ratings of AA+f for fund credit quality and S1 for fund volatility. The OST also manages investment portfolios for the Commission, the Georgia Department of Transportation, the Georgia Lottery for Education Account, the Department of Administration Services' Risk Management Fund, the Guaranteed Revenue Debt Common Reserve Fund, and the Revenue Shortfall Reserve Fund.

LEGAL AND TAX STATUS

Legality for Investments

The Commission Act provides that the Bonds are securities in which all public officers and bodies of the State and all municipalities and all municipal subdivisions, all insurance companies and associations and other persons carrying on an insurance business, all banks, bankers, trust companies, saving banks and savings associations, including savings and loan associations, building and loan associations, investment companies and other persons carrying on a banking business, all administrators, guardians, executors, trustees and other fiduciaries and all other persons whatsoever who are authorized to invest in bonds or other obligations of the State may properly and legally invest funds, including capital, in their control or belonging to them. The Commission Act further provides that the Bonds are securities which may be deposited with and shall be received by all public officers and bodies of the State and all municipalities and municipal subdivisions for any purpose for which the deposit of the Bonds or other obligations of the State may be authorized.

Tax Consequences of Owning the Bonds

Federal Tax Exemption. In the opinion of King & Spalding LLP, Atlanta, Georgia, Bond Counsel, under existing law, interest on the Bonds is excludable from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, such interest is taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on certain corporations.

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

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

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

Interest on tax-exempt obligations such as the Bonds is subject to information reporting to the Internal Revenue Service ("IRS") in a manner similar to interest on taxable obligations. In addition, interest on the Bonds may be subject to backup withholding if the payee fails to provide identifying information (such as the payee's taxpayer identification number) in the manner required by the IRS, or if the payee has been identified by the IRS as being subject to backup withholding.

Premium. An amount equal to the excess of the purchase price of a Bond over its stated redemption price at maturity constitutes premium on such Bond. A purchaser of a Bond must amortize any premium over such Bond's term (or to an earlier call date if required) using constant yield principles, based on the purchaser's yield to maturity (or to an earlier call date if required). As premium is amortized, the purchaser's basis in such Bond is reduced by a corresponding amount, resulting in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes upon a sale or disposition of such Bond prior to its maturity. Even though the purchaser's basis is reduced, no federal income tax deduction is allowed. Purchasers of any Bond at a premium, whether at the time of initial issuance or subsequent thereto, should consult their own tax advisors with respect to the determination and treatment of premium for federal income tax purposes and with respect to state and local tax consequences of owning such Bonds.

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

Changes in Federal Tax Law

From time to time, there are legislative proposals in Congress that, if enacted, could cause interest on the Bonds to be subject, directly or indirectly, to federal income taxation, adversely affect the market value of the Bonds or otherwise prevent owners of the Bonds from realizing the full current benefit of the tax status of such interest. It cannot be predicted whether or in what form any such proposal might be enacted or whether if enacted, such legislation would apply to bonds issued prior to enactment. Purchasers of the Bonds should consult their tax advisors regarding the effect of any such legislation. The opinions expressed by Bond Counsel are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the Bonds, and Bond Counsel has expressed no opinion with respect to any proposed legislation or as to the tax treatment of interest the Bonds, or as to the consequences of owning or receiving interest on the Bonds, as of any future date. Bond Counsel has not agreed to notify the State or the owners of the Bonds as to any event subsequent to the issuance of the Bonds that might affect the tax treatment of interest on the Bonds, the market value of the Bonds or the consequences of owning or receiving interest on the Bonds.

VALIDATION

As required by and in accordance with the procedure of the Commission Act, prior to delivery, the Bonds must and will be validated by order of the Superior Court of Fulton County prior to their issuance.

RATINGS

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

SALE AT COMPETITIVE BIDDING - UNDERWRITING

The Bonds were awarded pursuant to electronic competitive bidding on November 13, 2013 and Commission action on November 13, 2013. The Bonds were awarded to Bank of America Merrill Lynch ("BAML") at an aggregate discount of $195,167.95 from the initial public offering prices derived from the yields and price set forth on the inside cover page of this Official Statement. BAML has supplied the information as to the initial yields on the Bonds as set forth on the inside cover of this Official Statement. All other information as to the nature and terms and any reoffering of the Bonds should be obtained from BAML and not from the State.

LEGAL MATTERS

Legal matters incident to the validity of the Bonds are subject to the approving opinion of King & Spalding LLP, Atlanta, Georgia, Bond Counsel. Bond Counsel has not been engaged to express any opinion with respect to the accuracy, completeness or sufficiency of any offering documents used in connection with the offering or sale of the Bonds. A copy of the proposed text of the opinion of Bond Counsel for the Bonds is set forth in APPENDIX F. A signed copy of such opinion for the Bonds dated and speaking only as of the date of original delivery of the Bonds will be available at the time of original delivery of the Bonds. See "LEGAL AND TAX STATUS" herein. Certain legal matters will be passed on for the State by its Disclosure Counsel, Kutak Rock LLP, Atlanta, Georgia.

ABSENCE OF CERTAIN LITIGATION

The Commission and the State, like other similar entities, are each subject to a variety of suits and proceedings arising in the ordinary conduct of its affairs. The Commission, after reviewing the current status of all pending and threatened litigation with its counsel, the Department of Law of the State, believes that, while the outcome of litigation cannot be predicted, the final settlement of all lawsuits that have been filed and of any actions or claims pending or threatened against the Commission or its officials in such capacity are adequately covered by insurance or self-insurance reserves maintained by the Commission or will not have a material adverse effect upon the financial position or results of operations of the Commission. The Commission, on behalf of the State, after reviewing the current status of all pending and threatened litigation with the State's counsel, the Department of Law of the State, believes that, while the outcome of litigation cannot be predicted, the final settlement of all lawsuits that have been filed and of any actions or claims pending or threatened against the State or its officials in such capacity are adequately covered by insurance or self-insurance reserves maintained by the State or will not have a material adverse effect upon the financial position or results of operations of the State. See "APPENDIX A – DEBT AND REVENUE INFORMATION – SIGNIFICANT CONTINGENT LIABILITIES" and "APPENDIX C - BASIC FINANCIAL STATEMENTS FOR FISCAL YEAR ENDED JUNE 30, 2012 – Notes to the Financial Statements – Note 16 : Litigation, Contingencies and Commitments."

There is no controversy or litigation pending, or to the knowledge of the Commission threatened, seeking to restrain or enjoin the issuance, sale, execution or delivery of the Bonds or the pledge by the State of the full faith, credit and taxing power of the State to the payment of the Bonds, or the organization or powers of the Commission, including the power to issue general obligation debt on behalf of the State and to pledge the full faith, credit and taxing power of the State to the payment thereof. The State is a party to certain litigation from time to time, which the Commission believes will not have a material adverse effect upon the ability of the Commission, on behalf of the State, to issue, sell, execute and deliver the Bonds and pledge the full faith, credit and taxing power of the State to the payment thereof.

CERTIFICATION AS TO OFFICIAL STATEMENT

At the time of payment for and delivery of the Bonds, the Chairman and Secretary of the Commission will furnish a certificate to the effect that, to the best of their knowledge, the Final Official Statement does not, as of the Date of Delivery of the Bonds, contain any untrue statement of a material fact or omit to state a material fact which should be included therein for the purpose for which the Final Official Statement is to be used or which is necessary in order to make the statements contained therein, in light of the circumstances in which they were made, not misleading.

FINANCIAL STATEMENTS

The Basic Financial Statements of the State as of and for the Fiscal Year ended June 30, 2012, included as APPENDIX C, have been prepared by the State Accounting Office and audited by the Department of Audits and Accounts. According to the Independent Auditor's Report, the financial statements of each major fund, aggregated remaining funds, aggregated discretely presented component units, business-type activities, and governmental activities are fairly presented in conformity with accounting principles generally accepted in the United States of America. The Summary of Selected Financial Information for the Fiscal Year ended June 30, 2013, included herein as APPENDIX B, has been prepared by the State Accounting Office without audit.

CONTINUING DISCLOSURE

The State has covenanted for the benefit of the owners of the Bonds to provide certain financial information and operating data relating to the State by not later than twelve (12) months after the end of each fiscal year, commencing with the fiscal year ended June 30, 2013 (the "Annual Report"), and to provide notice of the occurrence of certain events (the "Listed Events"). The Annual Report and any notices of Listed Events will be filed by the State with the centralized information repository developed and operated by the Municipal Securities Rulemaking Board (the "MSRB") through the Electronic Municipal Market Access System in an electronic format as prescribed by the MSRB and with any similar repositories established by the State (if any). The specific nature of the information to be contained in the Annual Report and a description of the Listed Events is provided in "APPENDIX E – CONTINUING DISCLOSURE AGREEMENT." These covenants have been made in order to assist the Underwriters in complying with Rule 15c2-12. The State has never failed to comply in all material respects with any previous undertakings with regard to Rule 15c2-12 to provide annual reports or notices of Listed Events as required under Rule 15c2-12.

FORWARD LOOKING STATEMENTS

Any statements made in this Official Statement, including in the Appendices, involving estimates or matters of opinion, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates or matters of opinion will be realized.

The statements contained in this Official Statement, including in the Appendices, that are not purely historical, are forward looking statements. Readers should not place undue reliance on forward looking statements. All forward looking statements included in this Official Statement are based on information available on the date hereof and the State does not assume any obligation to update any such forward looking statements. It is important to note that the actual results could differ materially from those in such forward looking statements. The forward looking statements herein are necessarily based on various assumptions and estimates and are inherently subject to various risks and uncertainties, including risks and uncertainties relating to the possible invalidity of the underlying assumptions and estimates and possible changes or developments in social, economic, business, industry, market, legal and regulatory circumstances and conditions and actions taken or omitted to be taken by third parties, including customers, suppliers, business partners and competitors, and legislative, judicial and other governmental authorities and officials. Assumptions related to the foregoing involve judgments with respect to, among other things, future economic, competitive, and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and many of which are beyond the control of the State. Any of such assumptions could be inaccurate and, therefore, there can be no assurance that the forward looking statements included in this Official Statement, including in the appendices, would prove to be accurate.

MISCELLANEOUS

The references herein to the Bonds and the Resolution are brief outlines of certain provisions thereof. Such outlines do not purport to be complete. For full and complete statements of such provisions, reference is made to the Bonds and the Resolution. A copy of the Resolution is on file in the offices of the Commission and following the delivery of the Bonds will be on file at the designated corporate trust office of the Paying Agent.

The agreement of the Commission with the holders of the Bonds is fully set forth in the Bonds and the Resolution, and neither any advertisement of the Bonds nor this Official Statement is to be construed as constituting an agreement by the Commission with the purchasers of the Bonds.

The attached Appendices are integral parts of this Official Statement and should be read together with all of the foregoing statements. All estimates and other statements in this Official Statement, including the Appendices attached hereto, involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact.

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The execution and distribution of this Official Statement has been approved in connection with the public offering of the Bonds.

/s/ ***Greg S. Griffin***

Greg S. Griffin
Secretary and Treasurer
Georgia State Financing and Investment Commission

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APPENDIX A

DEBT AND REVENUE INFORMATION

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APPENDIX A

TABLE OF CONTENTS

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This APPENDIX A to the Official Statement sets forth certain information with respect to the constitutional and statutory limitations with respect to indebtedness incurred by the State and its various institutions, departments and agencies and certain selected budgetary and financial data.

DEBT INFORMATION

Appropriations and Debt Limitations

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

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

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

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

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

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

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

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

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

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

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

Article VII, Section IV, Paragraph I (b) of the State Constitution provides that the State may incur: "Public debt to supply a temporary deficit in the state treasury in any fiscal year created by a delay in collecting the taxes of that year. Such debt shall not exceed, in the aggregate, 5 percent of the total revenue receipts, less refunds, of the state treasury in the fiscal year immediately preceding the year in which such debt is incurred. The debt incurred shall be repaid on or before the last day of the fiscal year in which it is incurred out of taxes levied for that fiscal year. No such debt may be incurred in any fiscal year under the provisions of this subparagraph (b) if there is then outstanding unpaid debt from any previous fiscal year which was incurred to supply a temporary deficit in the state treasury." Pursuant to O.C.G.A. § 50-17-24(b)(2), the amount of aggregate borrowing under this constitutional authorization currently is statutorily restricted to "1 percent of the total revenue receipts, less refunds, of the state treasury in the fiscal year immediately preceding the year in which such debt is incurred." No such debt has been incurred under this provision since its inception.

See "SECURITY FOR THE BONDS" and "APPENDIX C – STATE OF GEORGIA BASIC FINANCIAL STATEMENTS FOR FISCAL YEAR ENDED JUNE 30, 2012" herein.

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Authorized Indebtedness

The following table sets forth by purpose the aggregate net principal amount of general obligation debt and guaranteed revenue debt authorized by the General Assembly of the State to be issued during the fiscal years ended June 30, 1975, through June 30, 2014. The amounts of such general obligation debt and guaranteed revenue debt actually issued (including the Bonds) and the remaining amounts authorized but unissued as of the date of issuance of the Bonds have been aggregated for presentation in the third and fourth columns of this table and labeled "Total State Obligations Issued" and "Unissued Authorized Indebtedness."

	Debt Authorized			
Purpose	**General Obligation**	**Guaranteed Revenue**	**Total State Obligations Issued (Including the Bonds)**	**Unissued Authorized Indebtedness**
Transportation	$ 4,361,695,000	$755,245,000	$ 4,984,940,000	$132,000,000
School Construction	5,710,725,000		5,457,920,000	252,805,000
University Facilities	5,010,023,000		4,992,193,000	17,830,000
World Congress Center	662,165,000		662,165,000	
Human Resources Facilities	352,150,000		347,150,000	5,000,000
Port Facilities	828,815,000		828,815,000	
Correctional Facilities	937,675,000		937,675,000	
Public Safety Facilities	102,115,000		102,115,000	280,000
Bureau of Investigation	94,670,000		94,670,000	
Department of Revenue	65,375,000		60,375,000	5,000,000
Department of Labor	53,810,000		53,810,000	
Department of Natural Resources	667,450,000		667,450,000	
Technical College System	1,560,482,000		1,526,537,000	33,945,000
Environmental Facilities Authority	720,100,000	97,470,000	817,570,000	
Dept. of Administrative Services	59,605,000		59,605,000	
Department of Agriculture	79,630,000		79,630,000	
Building Authority	543,490,000		543,490,000	
Stone Mountain Memorial Assn.	48,400,000		48,400,000	
Department of Veterans Services	16,055,000		16,055,000	
Jekyll Island State Park Authority	90,190,000		90,190,000	
Secretary of State	55,050,000		55,050,000	
Department of Defense	36,765,000		36,765,000	
Department of Community Affairs	63,550,000		63,550,000	
Economic Development	165,065,000		165,065,000	
Soil and Water Conservation Comm.	20,840,000		17,840,000	3,000,000
Juvenile Justice Facilities	306,830,000		306,725,000	105,000
Forestry Commission	49,025,000		49,025,000	
Agricultural Exposition Facilities	23,445,000		23,445,000	
Other	110,370,000		109,550,000	820,000
Subtotal	22,795,560,000	852,715,000	23,197,770,000	450,505,000
Net Effect of Refunding Bonds				
General Obligation Bonds	43,590,000		43,590,000	
Guaranteed Revenue Bonds		-20,310,000	-20,310,000	
Subtotal	43,590,000	-20,310,000	23,280,000	
Grand Total	$22,839,150,000	$832,405,000	$23,221,050,000	$450,505,000

Source: Georgia State Financing and Investment Commission

Outstanding Debt

The following table sets forth the projected outstanding principal amount of indebtedness of the State. Subsequent to the issuance of the Bonds, there will be $450,505,000 of unissued authorized general obligation debt remaining to be issued. There is no unissued authorized guaranteed revenue debt to be issued.

	General Obligation	**Guaranteed Revenue**	**Total Outstanding**
Total bonds outstanding as of June 30, 2013	$8,653,160,000	$374,415,000	$9,027,575,000
Plus the 2103D Bonds, 2013E Bonds and 2013F Bonds	684,955,000		684,955,000
Less bonds scheduled to be retired through December 1, 2013	-562,925,000	-14,420,000	-577,345,000
Plus the Bonds	172,715,000		172,715,000
Projected total bonds outstanding upon issuance of the Bonds	$8,947,905,000	$359,995,000	$9,307,900,000

Source: Georgia State Financing and Investment Commission

In November 2010, Georgia voters approved an amendment to the State Constitution which provided that "The General Assembly may by general law authorize state governmental entities to incur debt for the purpose of entering into multiyear contracts for governmental energy efficiency or conservation improvement projects in which payments are guaranteed over the term of the contract by vendors based on the realization of specified savings or revenue gains attributable solely to the improvements…" (Ga. L. 2010, Volume One, Book One, p. 1264, 2010 Regular Session, S.R. 1231). Consequent to the ratification of said amendment to the State Constitution, S.B. 194, passed by the General Assembly during its 2010 session, and signed by the Governor on June 4, 2010, became effective January 1, 2011 (Ga. L. 2010, Volume One, Book One, commencing at p. 1091, Act No. 669, 2010 Regular Session, S.B. 194). S.B. 194 amended Title 50 of the Official Code of Georgia Annotated by adding Chapter 37, which is codified as O.C.G.A. § 50-37-1 through O.C.G.A. § 50-37-8 (the "Guaranteed Energy Savings Performance Act ("GESP Act")). The GESP Act, among other things, authorizes State governmental units to enter into such guaranteed energy savings performance contracts ("EPC" or "EPCs") for terms not to exceed twenty years. O.C.G.A. § 50-37-7(3) authorizes the Commission to establish a total multiyear guaranteed energy savings performance contract value and provided that any EPC entered into by a state entity that was not in compliance with the total contract value set by the Commission shall be void and of no effect. At its December 12, 2012 meeting, the Commission adopted a fiscal guidelines policy for EPCs, and approved a total EPC contract value authority for the remainder of FY 2013 through FY 2014 in the amount of $4,500,000. The currently authorized total EPC contract value authority was utilized by the Georgia Department of Corrections for various energy conservation measures at the Phillips State Prison. The Commission may, at its discretion, expand the total EPC contract authority pursuant to the GESP Act upon the request of the Georgia Environmental Finance Authority at any future meeting of the Commission. Such EPCs are not subject to the 10% debt limit described under "DEBT INFORMATION - Appropriations and Debt Limitations" herein.

The State periodically acquires certain property and equipment through multiyear lease, purchase, or lease purchase contracts that are considered for accounting purposes to be capital lease or installment purchase obligations. The State also periodically leases land, office facilities, office and computer equipment, and other assets pursuant to leases that are considered for accounting purposes to be operating leases. For information regarding outstanding capital and operating leases entered into by the State, reference is made to Note 9 to the State's basic financial statements as of and for the Fiscal Year ended June 30, 2012, included herein as APPENDIX C.

In November 2012, Georgia voters approved an amendment to the State Constitution to authorize the General Assembly to allow certain State agencies to enter into multiyear rental agreements, without obligating present funds for the full amount of obligation the State may bear under the full term of such agreements. Consequent to the ratification of said amendment to the State Constitution, S.B. 37, passed by the General Assembly during its 2012 session, became effective January 1, 2013 (Ga. L. 2012, Volume One, Book Two, commencing at p. 989, Act No. 717, 2012 Regular Session, S.B. 37). As amended by S.B. 37, O.C.G.A. § 50-16-41(c) authorizes the State Properties Commission (the "SPC") to enter into multiyear lease agreements for administrative space on behalf of state agencies for terms not to exceed twenty years. O.C.G.A. § 50-16-41(l) authorizes the Commission to establish fiscal policies regarding multiyear lease and rental agreements and, each year, the Commission may establish a total multiyear contract value authority. The Commission adopted such fiscal policies at its December 12, 2012 meeting. O.C.G.A. § 50-16-41(l)(2) provides that no multiyear lease or rental agreement shall be entered into until the Commission has established the fiscal policies and total multiyear contract value authority for the current and future fiscal years. The SPC requested, and the Commission approved, total contract value authority of $55 million for the fiscal year ended June 30, 2013 ("FY 2013") and $125 million for FY 2014. In addition, the Commission has approved $20 million of total contract value authority for the Board of Regents of the University System of Georgia (the "Board of Regents") for FY 2014. Such multiyear lease agreements are not subject to the 10% debt limit described under "DEBT INFORMATION - Appropriations and Debt Limitations" herein.

Effective with the fiscal year ending June 30, 2013, the financial statements of the State will reflect the implementation of GASB Statement 61 ("GASB 61"). GASB 61 modifies certain requirements for inclusion of component units in the financial reporting entity. For organizations that previously were required to be included as component units, a financial benefit or burden relationship also would need to be present between the primary government and that organization for it to be included in the reporting entity as a component unit. GASB 61 also amends the criteria for blending components units within the primary government. The Statement adds additional criteria beyond "substantively the same governing body" criteria. Management and the component unit now need to have a financial benefit or burden relationship or management has operational responsibility for the activities of the component unit. Finally, new criteria also are added to require blending if debt outstanding of the component unit is expected to be repaid entirely or almost entirely with resources of the primary government. The result of GASB 61 may require discretely presented component units to be blended into the primary government which would result in the activity of those component units now being represented as activity of the primary government. At this point in time it is not possible to forecast the impact, if any, of GASB 61 upon the financial statements of the State. Any such blended debt, however, would not be subject to the 10% debt limit described under "DEBT INFORMATION – Appropriations and Debt Limitations" herein, nor could it be construed as general obligation debt or guaranteed revenue debt of the State.

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Outstanding Debt Service

Principal and interest debt service payments are made in various months throughout the year; amounts shown in the following Outstanding Debt Service Schedule are the maximum aggregate scheduled sinking fund payments by fiscal year for all issued and outstanding debt, excluding the Bonds.

Outstanding Debt Service Schedule

Fiscal Year Ending June 30	General Obligation Bonds		Guaranteed Revenue Bonds		Total Principal	Total Interest	Total Debt Service
	Principal	Interest	Principal	Interest			
2014	$704,505,000	$405,159,550	$25,780,000	$18,376,370	$730,285,000	$423,535,920	$1,153,820,920
2015	749,495,000	383,969,860	21,525,000	17,283,430	771,020,000	401,253,290	1,172,273,290
2016	689,615,000	347,909,660	38,045,000	15,956,135	727,660,000	363,865,795	1,091,525,795
2017	664,990,000	316,075,851	39,965,000	14,033,755	704,955,000	330,109,606	1,035,064,606
2018	654,615,000	284,213,100	41,980,000	12,014,125	696,595,000	296,227,225	992,822,225
2019	608,340,000	254,531,294	44,105,000	9,892,500	652,445,000	264,423,794	916,868,794
2020	589,830,000	226,879,813	46,335,000	7,663,500	636,165,000	234,543,313	870,708,313
2021	577,760,000	199,399,329	48,675,000	5,321,750	626,435,000	204,721,079	831,156,079
2022	523,170,000	173,169,595	21,545,000	2,861,625	544,715,000	176,031,220	720,746,220
2023	502,435,000	149,695,485	22,650,000	1,756,750	525,085,000	151,452,235	676,537,235
2024	469,690,000	127,783,664	23,810,000	595,250	493,500,000	128,378,914	621,878,914
2025	436,670,000	107,245,198			436,670,000	107,245,198	543,915,198
2026	417,550,000	86,279,283			417,550,000	86,279,283	503,829,283
2027	427,040,000	67,249,071			427,040,000	67,249,071	494,289,071
2028	343,710,000	50,220,462			343,710,000	50,220,462	393,930,462
2029	305,065,000	35,836,191			305,065,000	35,836,191	340,901,191
2030	217,025,000	22,825,084			217,025,000	22,825,084	239,850,084
2031	172,275,000	14,394,783			172,275,000	14,394,783	186,669,783
2032	144,510,000	7,801,697			144,510,000	7,801,697	152,311,697
2033	98,170,000	3,097,970			98,170,000	3,097,970	101,267,970
Total	$9,296,460,000	$3,263,736,938	$374,415,000	$105,755,190	$9,670,875,000	$3,369,492,128	$13,040,367,128

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

Rate of Debt Retirement

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

Principal Amount Due	Amount	% of Total
In 5 Years (60 Months)	$3,680,955,000	40.1%
In 10 Years (120 Months)	6,441,405,000	70.1

Source: Georgia State Financing and Investment Commission

Market Transactions to Retire Debt

From time to time the State uses earnings on invested general obligation bond proceeds to purchase outstanding general obligation bonds in secondary market transactions with dealers; bonds so purchased are then cancelled and are no longer outstanding. Beginning with the fiscal year ended June 30, 2010 ("FY 2010"), the very low interest rates available on the invested general obligation bond proceeds has resulted in significantly fewer funds available for this program than in preceding years; this condition is expected to continue for an indeterminate period of time into the future. The schedule below summarizes these transactions for the years indicated.

Fiscal Year Ended June 30	Par Value	Purchase Price (a)	Purchase Price as % of Par Value
2009	$87,855,000	$90,761,688	103.31%
2010	39,335,000	35,033,668	89.06
2011	0	0	--
2012	0	0	--
2013	1,740,000	1,953,419	112.27
2014 (b)	55,000	56,035	101.88

(a) Excluding Accrued Interest
(b) Through November 5, 2013
Source: Georgia State Financing and Investment Commission

Debt Statistics

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

STATE TREASURY RECEIPTS

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

Fiscal Year Ended June 30	Treasury Receipts	% Change From Prior Year
2009	$17,832,362,806	(9.9)%
2010	16,251,240,187	(8.9)
2011	17,546,374,291	8.0
2012	18,316,792,805	4.4
2013	19,539,688,110	6.7

Source: State Accounting Office

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LEGAL DEBT MARGIN

The amounts permissible under the State's constitutional debt limitation are set forth below:

• Highest annual commitments permitted under constitutional limitation – 10% of State Treasury Receipts for FY 2013	$1,953,968,811
• Highest current outstanding debt service in any year (highest for fiscal year to end June 30, 2015 ("FY 2015"))	$1,172,273,290
• Appropriated debt service for the Bonds	$18,953,243
• Total highest current outstanding debt service and appropriated debt service for the Bonds	$1,191,226,533
• As a percent of FY 2013 State Treasury Receipts	6.10%
• Total additional debt service appropriations for all remaining currently authorized but unissued bonds, after issuance of the Bonds	$41,974,415
• Total highest annual commitments in any fiscal year, current outstanding debt service and debt service appropriations for all currently authorized but unissued bonds	$1,233,200,948
• As a percent of FY 2013 State Treasury Receipts	6.31%
• Projected State Treasury Receipts for FY 2014	$19,910,915,066
• As a percent of FY 2014 Projected State Treasury Receipts	6.19%

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

ASSESSED VALUATION
(Real Estate and Personal Property)

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

Year	Assessed Valuation	Estimated Actual Value	Assessed as a % of EAV
2008	$388,987,844,387	$1,029,613,140,252	37.8%
2009	386,203,598,988	1,005,738,539,030	38.4
2010	365,054,957,708	935,558,579,466	39.0
2011	350,260,546,889	875,651,367,224	40.0
2012(a)	341,928,704,669	864,329,384,907	39.6

(a) Preliminary
Source: State of Georgia Department of Audits and Accounts, Sales Ratio Division

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

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

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DEBT RATIOS

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

Project Total State Debt Outstanding Upon Issuance of the Bonds (see "Outstanding Debt" herein)	$9,307,900,000
2012 Population Estimate (a)	9,919,945
2012 Total Personal Income Estimate ($000) (b)	$371,487,864
Debt per Capita	$938
Debt to Personal Income	2.51%
Debt to Estimated Actual Value	1.08%
Debt to Assessed Valuation	2.72%

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

REVENUE INFORMATION

Fiscal Policy

Under Georgia law, the Governor is the State's Chief Executive and also is the ex officio Director of the Budget. He is assisted in financial management by his Chief Financial Officer, who concurrently is serving as the Director, Office of Planning and Budget. The State Constitution assigns responsibility for revenue estimates to the Governor. The Governor is aided in this determination by revenue projections developed by the State Economist. The State Economist utilizes various sources of information and other forecasts of key U.S. and Georgia economic data when developing his forecasts. The State Economist's forecasts then are compared to publicly available forecasts such as those produced by the Georgia State University Economic Forecasting Center, and to consensus forecasts of the U.S. economy.

Budgetary Controls and Cash Flow Management

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

Before money can be disbursed pursuant to an appropriation, it must be allotted (administratively allocated and approved for expenditure). Allotments are provided to State agencies and other budget units by issuance of warrants by the Governor's Office of Planning and Budget ("OPB"). A warrant is the approval of funding of the appropriated amount to a budget unit such that the budget unit has the funding available to expend in accordance with an appropriation. The OST funds warrants against the allotments as allotment draw requests are presented to it by the various State budget units and monitors approved, but undrawn allotment balances. Undrawn allotment balances include funding for expenditures associated with contracts resulting in some carry-forwards from the previous fiscal year. Allotments tend to be paid out gradually; however, there is a risk that a sudden increase in requests by budget units for previously allotted funds could strain the State's cash resources. OPB has the authority to withhold undrawn allotments prior to such allotments being funded by the OST, if necessary, to manage state expenditures to available revenues or to maintain liquidity as was the case in the fiscal year ended June 30, 2009 ("FY 2009") and FY 2010. During the course of a fiscal year, if it appears that revenues have fallen below the amounts originally anticipated, OPB can take steps to reduce State expenditures by requiring budget units to reserve appropriations or, through coordination with State agencies and other budget units, can delay approval of allotments and rescind prior allotments. OPB also may rescind previously approved but undrawn allotments should the funds no longer be needed for the purpose as originally budgeted as was the case in the fiscal year ended June 30, 2011 ("FY 2011") through FY 2013. In addition, the Governor can reduce the revenue estimate for the fiscal year and recommend that the legislature amend the FY 2014 budget to reflect lowered revenue estimates. The next regular session of the legislature is scheduled to begin in January 2014.

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

Revenue Shortfall Reserve

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

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

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

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

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

(e) As of the end of each fiscal year, an amount shall be released from the Revenue Shortfall Reserve to the general fund to cover any deficit by which total expenditures and contractual obligations of state funds authorized by appropriation exceed net revenue and other amounts in state funds made available for appropriation.

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

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

GEORGIA NET REVENUES AND REVENUE SHORTFALL RESERVE ($ in millions)

		Revenue Shortfall Reserve (a)		
Fiscal Year End June 30	Georgia Net Revenues	Total Reserves	1% Education (K-12) (b)	Net
2009 (c)	$16,767	$530	$168	$362
2010	15,216	268	152	116
2011	16,559	494	166	328
2012	17,270	551	173	378
2013	18,296	682	183	499

(a) The amount by which the total Revenue Shortfall Reserve exceeds 4% of the net revenue of the preceding fiscal year may be released by the Governor for appropriation by the General Assembly. For the fiscal years shown above, the Revenue Shortfall Reserve did not exceed 4% of the net revenue of the preceding fiscal year.

(b) Up to 1% of the net revenue collections of the preceding fiscal year may be used for funding increased educational (K-12) needs. Such amounts for the fiscal years ending FY 2009, FY 2010, FY 2011 and FY 2012 were appropriated in FY 2010, FY 2011, FY 2012 and FY 2013, respectively, for this purpose (see the table entitled, "GEORGIA REVENUES" herein).

(c) The June 30, 2008 Revenue Shortfall Reserve was reduced $348,658,969 to provide for the shortfall of actual FY 2009 revenues as compared to FY 2009 appropriations; also, $258,597,684 of the June 30, 2008 Revenue Shortfall Reserve was released for the FY 2010 appropriation.

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

RECONCILIATION OF REVENUE SHORTFALL RESERVE
FY 2013 AND FY 2014 USES

FY 2012 Revenue Shortfall Reserve Balance as of June 30, 2012 (a)	$380,123,094
Plus Excess of FY 2013 Total Funds Available Over FY 2013 Appropriations	301,919,522
Plus Audited Agency Lapse of Surplus Funds	TBD
Less Reserved for 1% Mid-year Adjustment for K-12 Education for Appropriation in Amended FY 2014 Budget	(182,958,586)
Preliminary Revenue Shortfall Reserve Balance as of June 30, 2013	$499,084,030

TBD: To Be Determined
Source: State Accounting Office

(a) For purposes of this reconciliation, an adjustment of $2,151,654 for the reversal of FY 2012 surplus occurring subsequent to the preliminary Revenue Shortfall Reserve is reflected in FY 2013 activity. The Net Revenue Shortfall Reserve of $378 million for FY 2012 shown in the table entitled GEORGIA NET REVENUES AND REVENUE SHORTFALL RESERVE above, reflects the net effect of such adjustment.

Fiscal Performance

FY 2013 Results. FY 2013 General Fund revenues grew by 5.9% over FY 2012 General Fund revenues. Revenues from total taxes grew by 5.7% compared to FY 2012 and revenue from interest, fees and sales grew by 9.4% compared to FY 2012. This was the third consecutive year of General Fund and tax revenue growth. The Amended FY 2013 budget estimated revenue growth of 4.1% compared to FY 2012 revenues. Total tax revenues were estimated to grow 4.0% compared to FY 2012. Thus, actual revenues exceed budget levels by a substantial margin.

Individual income tax revenues grew by 7.7% in FY 2013 compared to FY 2012 revenues. Withholding revenues grew by 4.1%. Revenues from other individual payment types, including payments with returns, estimated payments and non-resident payments grew by 19.8% in FY 2013 compared to FY 2012. This high growth likely is associated with individual taxpayers shifting income and capital gains into tax year 2012 from tax years 2013 and beyond in order to avoid higher federal income tax rates that were anticipated to take effect in tax year 2013. This likely shifted revenue from future fiscal years into FY 2013.

Corporate income tax revenues grew by 35.0% in FY 2013 compared to FY 2012. Total corporate payments grew by 7.9% and corporate refunds paid decreased by 42.0% in FY 2013 compared to FY 2012. Corporate refunds had increased sharply in the prior two fiscal years, but returned to levels more in line with prior historical trends in FY 2013.

Sales tax revenues declined by 0.5% in FY 2013 compared to FY 2012. Two significant changes to Georgia's sales tax base were implemented during FY 2013. First, a partial exemption from sales tax for energy used in manufacturing and an expansion of the existing exemption for energy used in agriculture became effective on January 1, 2013. Second, the sales tax on automobile sales was eliminated on March 1, 2013 and replaced with the title ad valorem tax.

Revenue Shortfall Reserve. For FY 2013, the excess of total funds available over current year appropriations and other deductions totaled $301.9 million. This brought the preliminary Revenue Shortfall Reserve balance as of June 30, 2013 to $682.0 million. It is anticipated that 1% of the prior year's net revenue collections will be appropriated from the Revenue Shortfall Reserve to fund increased K – 12 education needs as part of the amended FY 2014 budget. This amount equals $183.0 million. This would bring the net Revenue Shortfall Reserve balance to $499.1 million prior to the addition of year-end agency lapse.

Changes to Georgia's Tax Code. During its 2013 session, the General Assembly passed several bills that amended Georgia's tax code and that were signed into law by the Governor. These bills primarily affect the tax code in two areas. First, provisions of the recently implemented title ad valorem tax were modified to better align the tax with the business needs of the automobile sales and leasing industry. Second, Georgia's tax code was modified to reflect selected recent changes to the federal tax code. These modifications are designed to bring Georgia's tax code into a significant level of consistency with the federal code. In addition, several changes were made to existing tax credits and sales tax exemptions. In total, these legislative actions are expected to reduce revenues by $108.0 million in FY 2014 and by $72.3 million in FY 2015. As reflected in the FY 2014 budget estimates (see the table under REVENUE INFORMATION – GEORGIA REVENUES (AMENDED FY 2013 BUDGET AND ADOPTED FY 2014 BUDGET)), the legislature took actions so that the Hospital Provider Fee, originally implemented in FY 2011 and which provided revenues in excess of $215 million in each of FY 2011 and FY 2012, did not sunset at the end of FY 2013 as originally scheduled and will continue to be collected in FY 2014 through the fiscal year to end June 30, 2017 ("FY 2017").

FY 2014 Budget. The FY 2014 budget anticipates General Fund revenue growth of 4.6% over the Amended FY 2013 General Fund revenue estimate and total tax revenue growth of 4.8% over the Amended FY 2013 budget revenue estimate.

Compared to FY 2013 revenue collections, the FY 2014 budget estimate anticipates General Fund revenue growth of 2.7%, total tax revenue growth of 3.1%, and Department of Revenue reported tax revenue growth of 3.1%. The FY 2014 budget revenue estimate includes $31 million in revenue from fees collected by Department of Revenue that in prior years had been retained for Department of Revenue operations, but will be transferred to the State Treasury beginning in FY 2014.

An estimated 3% reduction to the budget from state agencies was incorporated in building the FY 2014 budget. Medicaid, PeachCare and K-12 were among the few programs that received additional funding. $212.2 million was provided for increased Medicaid and PeachCare expenses. As noted, the Hospital Provider Fee was extended through FY 2017 to maintain hospital reimbursement rates and to continue support for the general Medicaid Program. K-12 funding was increased $146.6 million for enrollment growth and teacher training and experience, and equalization grant funding to supplement educational funding for low wealth school systems. Full funding to meet the annual required contributions ("ARC" or "ARCs") for pension systems also is included. Economic investments were expanded with authorized bond project funding to continue harbor deepening and for water supply projects.

FY 2014 Year to Date Results. Total General Fund revenue collections for the first quarter of FY 2014 are running ahead of budgeted growth (5.5% actual compared to 2.7% budgeted). The Department of Revenue reported tax revenues have grown by 5.8% for the first quarter of FY 2014 compared to FY 2013.

Individual income tax is up 4.9% for the first quarter of FY 2014 compared to FY 2013. Withholding revenues have grown 3.5% and revenues from all other individual income tax payments have grown 11.2% for the first quarter of FY 2014 compared to FY 2013.

Corporate income tax revenues are up 16.0% for the first quarter of FY 2014 compared to FY 2013. Revenues from all corporate payments are up 3.2% and refunds paid have decreased by 49.9% for the first quarter of FY 2014 compared to FY 2013.

Sales tax revenues have decreased by 7.9% for the first quarter of FY 2014 compared to FY 2013. Year over year collections still are negatively impacted by the tax base changes implemented in FY 2013. In addition, sales tax refunds paid are up 82.6%.

Motor Vehicle Tag, Title and Fees revenues are up 268.8%. This category includes the title ad valorem tax that was implemented concurrent with the elimination of the sales tax on automobiles.

Current Economic Indicators. The economic recovery in the U.S. has been in place since mid-2009. Since the recovery began, the U.S. has experienced several cycles where gross domestic product ("GDP") growth accelerated followed by a slowdown in growth only to re-strengthen again. Annualized GDP growth slowed to just 0.1% in the fourth quarter of 2012, but picked up to 1.1% in the first quarter of 2013 and 2.5% in the second quarter of 2013. Much of this quarter to quarter volatility is due to swings in inventory investment. Abstracting from this volatility, national economic growth is modest, in the range of 1.5% to 2.0% per quarter. Private economic activity has been expanding more quickly, but the government sector has tended to weaken overall economic growth. Other economic indicators are consistent with moderate growth.

Employment continues to expand in the U.S., but growth is trending weaker. Net job additions averaged just over 200,000 per month in the first quarter of 2013. This weakened to less than 185,000 in the second quarter of 2013 and declined further to about 143,000 as of September 2013. The U.S. unemployment rate has declined to 7.2% as of September 2013 from 7.8% in September 2012. In addition, total employment is still far short of its peak level prior to the start of the recession.

The Institute of Supply Management ("ISM") Indices for Manufacturing and for Services remain above 50, the dividing line between expansion and contraction. As of October 2013, the ISM index for manufacturing equals 56.4, while the ISM index for services is at 55.4. These indices are consistent with moderate economic growth and indicate no substantial deviation from recent growth levels.

Employment in Georgia is growing at a moderate pace which is slightly ahead of the U.S. growth in employment. As of August 2013, total non-farm employment increased by 91,600 jobs or 2.3% over August 2012. This compares to 1.7% for U.S. non-farm employment as of August 2013 over August 2012. U.S. employment grew at this same rate in September 2013. Georgia's employment growth has been well-diversified across industry sectors. Professional and business services, leisure and hospitality, education and health, and construction have had the strongest growth over the last 3 months. Manufacturing employment has been flat and government employment is still declining on a year over year basis.

Georgia's unemployment rate declined to 8.7% in August 2013 from 9.0% in August 2012. The improvement in the unemployment rate is due to a combination of a lower number of unemployed, an increase in the number of employed and a decrease in the labor force. The Purchasing Managers Index for manufacturing in Georgia in September 2013 is just below the neutral level of 50 at 48.6. This is below the ISM index for the US and suggests the Georgia manufacturing sector is not expanding.

Quarter over quarter personal income growth in Georgia has been erratic, but generally growing over the prior period in recent quarters. The one exception was the first quarter of 2013. Personal income increased substantially in the fourth quarter of 2012, however, as taxpayers shifted income from 2013 into 2012 in order to avoid higher federal income tax rates expected in 2013.

The housing sector in Georgia is in recovery. Housing permits issued have been trending up since early 2010 and are running more than 65% above year ago levels as of July 2013, measured on a three month moving average basis. Permits are up for both single family and multi-family units. Atlanta metro area home prices as measured by the S&P Case Shiller repeat purchase index have increased on a sustained basis. Prices have increased on a month over month basis for sixteen consecutive months. Atlanta area prices have increased by 18.1% as of August 2013 compared to August 2012, while the composite index for 20 metro areas across the county is up only 12.8% for the same period. Foreclosure rates and mortgage delinquency rates in Georgia remain high and above the U.S. averages but are trending down.

Amended FY 2014 Budget. Initial planning for the Amended FY 2014 budget used a planning range of 3.5% to 4.0% growth for tax revenues and 3.2% to 3.7% for General Fund growth compared to FY 2013 results. These estimates include the impact of FY 2013 legislative changes, the added fees to be transmitted from the Department of Revenue to the General Fund, and the replacement of the car sales tax with the title ad valorem tax. The economic scenario underlying these estimates was for continued recovery at a modest pace in the U.S. and Georgia economies with acceleration in the second half of FY 2014 and into FY 2015. The recent federal shutdown and the concerns regarding a potential U.S. debt default likely caused some damage to national economic growth. In addition, the fact that the federal fiscal situation requires further action by Congress prior to the end of calendar year 2013 adds additional uncertainty to the economic outlook.

Budget instructions issued to state agencies in July for both the Amended FY 2014 budget and FY 2015 budget required agencies to submit flat budgets with no changes to funding levels outside of anticipated growth in education and Medicaid expenses. While Georgia has shown strong fiscal performance at the end of FY 2013 and positive fiscal year-to-date revenues, given the fiscal uncertainty at the national level, the State remains cautious in its approach to the current and next year budgets. The expected growth in the General Fund revenues will allow Georgia to meet anticipated funding needs for growth in the current fiscal year without implementing additional broad based budget reductions to State agencies. The Amended FY 2014 budget recommendations will provide additional funding for K-12 enrollment growth, anticipated Medicaid expenses, as well as allow for strategic investments in Georgia's Regional Economic Business Assistance (REBA) and OneGeorgia Authority grant programs which enable local communities to attract new and growing businesses to the State.

FY 2015 Budget. Planning estimates for the FY 2015 budget put tax revenue growth in the range of 4.0% to 4.5% and General Fund revenue growth in the range of 3.75% to 4.25% compared to AFY 2014 planning estimates. Federal fiscal policy uncertainty makes the confidence interval around these estimates quite wide.

As in the Amended FY 2014 budget, anticipated new growth in revenues primarily will be used to meet expected growth needs without requiring any additional reductions to agency budgets. It is projected that the State's Medicaid and PeachCare programs may require up to $72 million for implementation of the Affordable Care Act in FY 2015, including the projected costs of the "woodwork effect" (i.e., people signing up for coverage who previously had none) and the federal premium tax. The FY 2015 budget recommendations also will include additional funding to meet enrollment growth needs in both K-12 and postsecondary education systems, to provide additional community based services to mental health and developmentally disabled consumers as part of the State's Department of Justice Settlement Agreement, to continue to fully fund the pension ARCs, and to make capital infrastructure investments in the Savannah port's harbor deepening project and water supply needs across the State.

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GEORGIA REVENUES
ACTUAL FY 2009 – FY 2013

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

GENERAL FUNDS	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
Net Taxes: Department of Revenue					
Income Tax – Individual	$7,814,552,113	$7,016,412,171	$7,658,782,326	$8,142,370,500	$8,772,227,404
Income Tax – Corporate	694,718,310	684,700,740	670,409,796	590,676,110	797,255,429
Sales and Use Tax – General	5,306,490,689	4,864,691,463	5,080,776,730	5,303,524,233	5,277,211,183
Motor Fuel	884,091,188	854,359,788	932,702,991	1,019,300,802	1,000,625,732
Tobacco Taxes	230,271,910	227,180,405	228,858,070	227,146,091	211,618,073
Alcoholic Beverages Tax	169,668,539	169,019,330	161,803,418	175,050,571	180,785,957
Estate Tax	82,990	0	0	27,923	(15,351,947)
Property Tax	83,106,994	86,228,331	76,704,325	68,951,095	53,491,655
Net Taxes: Other Organizations					
Insurance Premium Tax	314,338,992	274,367,273	360,669,593	309,192,735	329,236,920
Motor Vehicle License Tax	283,405,915	282,515,540	298,868,209	308,342,308	457,490,366
Motor Title Ad Valorem Tax					
Total Net Taxes	15,780,727,640	14,459,475,041	15,469,575,458	16,144,582,369	17,064,590,773
Interest, Fees and Sales -					
Department of Revenue	158,916,288	132,282,145	224,083,020	244,372,037	288,781,506
Office of State Treasurer - Interest on Deposits	89,157,960	8,157,741	-70,422	6,913,651	3,644,434
Behavioral Health		5,856,093	5,634,937	4,571,175	3,616,363
Driver Services	64,176,624	40,600,978	57,487,315	58,417,440	57,757,270
Natural Resources	47,001,999	49,221,174	44,969,509	45,053,302	42,518,506
Secretary of State	66,794,531	68,244,049	81,479,049	85,174,697	79,616,756
Labor	30,332,589	28,354,875	29,077,607	29,896,747	25,518,209
Public Health					11,196,064
Human Services	33,609,407	8,955,806	7,942.374	7,850,965	5,569,741
Banking and Finance	20,728,179	21,428,925	20,158,138	21,362,614	21,500,505
Corrections	15,689,864	13,435,899	15,013,036	15,289,299	14,440,421
Workers' Compensation	18,904,664	18,930,132	21,078,738	20,314,485	20,967,938
Public Service Commission	3,031,268	1,499,311	1,123,038	1,219,515	1,185,784
Nursing Home Provider Fees	122,623,032	126,449,238	128,771,295	132,393,274	176,864,128
Care Management Organization Fees	143,957,013	42,232,458	297,276	718,946	
Hospital Provider Payments			215,079,822	225,259,561	232,080,023
Driver Services Super Speeder Fine		2,046,905	14,161,809	18,391,393	18,593,040
Indigent Defense Fees	43,987,641	44,598,499	42,426,463	41,720,648	41,221,700
Peace Officers' and Prosecutors' Training Funds	25,604,603	26,555,179	25,547,136	25,276,638	22,542,417
All Other Departments	101,418,502	117,466,338	154,811,930	141,196,718	163,653,012
Total Interest, Fees & Sales	985,934,164	756,315,745	1,089,072,069	1,125,393,105	1,231,267,815
Total General Funds (Georgia Net Revenues)	16,766,661,804	15,215,790,786	16,558,647,527	17,269,975,474	18,295,858,588
Lottery Funds	884,642,058	886,375,726	847,049,832	903,224,565	929,142,038
Tobacco Settlement Funds	177,370,078	146,673,654	138,450,703	141,139,300	212,792,063
Guaranteed Revenue Debt Common Reserve Fund Interest Earnings	1,719,873	333,632	265,380	119,758	133,736
National Mortgage Settlement					99,365,105
Brain and Spinal Injury Trust Fund	1,968,993	2,066,389	1,960,848	2,333,708	2,396,580
Total State Treasury Receipts	17,832,362,806	16,251,240,187	17,546,374,291	18,316,792,805	19,539,688,110
Other	2,808	4,236	1,803	4,243	2,948
Total Georgia Revenues	17,832,365,614	16,251,244,423	17,546,376,094	18,316,797,048	19,539,691,058
Payments from State Organizations	25,911,999	98,959,391	93,273,955	65,134,019	39,866,426
GEFA Loan Sale			288,000,000		
Mid-Year Adjustment–Education Reserve	187,278,126	167,666,618	152,157,908	165,586,475	172,699,755
Appropriation of Revenue Shortfall Reserve (a)	548,658,969	258,597,684			
Early Returns of Current Year Surplus					5,439,229
TOTAL FUNDS AVAILABLE FOR APPROPRIATION	$18,594,214,708	$16,776,468,116	$18,079,807,957	$18,547,517,542	$19,757,696,468

(a) FY 2009, $200,000,000 was the budgeted amount, with the balance being due to the shortfall of Receipts to Appropriations; FY 2010 was the budgeted amount.
Note: Amounts may not add precisely due to rounding.
Source: State Accounting Office

GEORGIA REVENUES
AMENDED FY 2013 BUDGET AND ADOPTED FY 2014 BUDGET

The following table sets forth projected budget-based State revenues available for appropriation for the adopted Amended FY 2013 Budget and the adopted FY 2014 Budget.

GENERAL FUNDS	**Amended FY 2013**	**Adopted FY 2014**
Net Taxes: Department of Revenue		
Income Tax – Individual	$ 8,485,664,017	$ 8,895,846,000
Income Tax – Corporate	706,325,000	775,314,000
Sales and Use Tax – General	5,225,951,123	5,094,297,000
Motor Fuel	979,423,000	972,027,000
Tobacco Taxes	228,054,675	232,268,000
Alcoholic Beverages Tax	179,251,785	181,044,303
Estate Tax	0	0
Property Tax	50,540,240	31,395,827
Net Taxes: Other Organizations		
Insurance Premium Tax	348,919,500	356,919,500
Motor Vehicle License Tax	315,742,523	325,214,799
Motor Vehicle Title Fee	264,000,000	733,000,000
Total Net Taxes	16,783,871,863	17,597,326,429
Interest, Fees and Sales -		
Department of Revenue	259,259,478	296,111,734
Office of State Treasurer – Interest on Deposits	2,288,594	2,288,594
Behavioral Health	4,114,057	3,908,354
Driver Services	58,000,000	58,000,000
Natural Resources	45,000,000	45,000,000
Secretary of State	80,000,000	80,000,000
Labor	25,000,000	25,000,000
Public Health	13,600,408	12,465,000
Human Services	7,500,000	7,500,000
Banking and Finance	18,907,800	18,500,000
Corrections	15,387,296	15,290,298
Workers' Compensation	21,137,844	21,779,007
Public Service Commission	1,200,000	1,100,000
Nursing Home Provider Payment	167,756,401	167,756,401
Hospital Provider Fees	234,968,478	241,674,441
Driver Services Super Speeder Fines	18,400,000	18,400,000
Indigent Defense Fees	41,000,000	41,000,000
Peace Officers' and Prosecutors' Training Funds	24,000,000	24,000,000
All Other Departments	158,491,412	121,248,332
Total Interest, Fees & Sales	$1,196,011,768	$1,201,022,161
Total General Funds (Georgia Net Revenues)	$17,979,883,631	$18,798,348,590
Lottery Funds	866,365,210	910,819,213
Tobacco Settlement Funds	153,352,778	199,758,761
Guaranteed Revenue Debt Common Reserve Fund Interest Earnings	0	0
National Mortgage Settlement	99,365,105	0
Brain and Spinal Injury Trust Fund	2,396,580	1,988,502
Total State Treasury Receipts	**$19,101,363,304**	**$19,910,915,066**
Other	0	0
Subtotal	19,101,363,304	19,910,915,066
Payments from State Organizations	51,154,614	9,346,415
Mid-Year Adjustment—Education Reserve	172,699,755	0
TOTAL FUNDS AVAILABLE FOR APPROPRIATION	$19,325,217,673	$19,920,261,481

Source: State Office of Planning and Budget

FIVE-YEAR HISTORY

The following table sets forth, by category, the budget-based revenues available for appropriation for the period FY 2009 through FY 2013.

	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
Alcoholic Beverages Tax	$169,668,539	$169,019,330	$161,803,418	$175,050,571	$180,785,957
Estate Tax	82,990	0	0	27,923	(15,351,947)
Income Tax – Corporate	694,718,310	684,700,740	670,409,796	590,676,110	797,255,429
Income Tax – Individual	7,814,552,113	7,016,412,171	7,658,782,326	8,142,370,500	8,772,227,404
Insurance Premium Tax and Fees	314,338,992	274,367,273	360,669,593	309,192,735	329,236,920
Excise and Motor Carrier Mileage Tax	461,265,508	469,117,616	452,197,063	446,655,687	453,438,505
Prepaid Motor Fuel Sales Tax	422,825,680	385,242,172	480,505,928	572,645,116	547,187,226
Motor Vehicle License Tax	283,405,915	282,515,540	298,868,209	308,342,308	457,490,366
Property Tax – General and Intangible	83,106,994	86,228,331	76,704,325	68,951,095	53,491,655
Sales and Use Tax – General	5,306,490,689	4,864,691,463	5,080,776,730	5,303,524,233	5,277,211,183
Tobacco Products Tax	230,271,910	227,180,405	228,858,070	227,146,091	211,618,073
Total Taxes	15,780,727,640	14,459,475,041	15,469,575,458	16,144,582,369	17,064,590,773
Total Interest, Regulatory Fees, and Sales	985,934,164	756,315,745	1,089,072,069	1,125,393,105	1,231,267,815
Total Other Revenues Retained (a)	1,065,703,810	1,035,453,637	987,728,567	1,046,821,574	1,243,832,470
Total Revenues	$17,832,365,614	$16,251,244,423	$17,546,376,094	$18,316,797,048	$19,539,691,058

(a) Other Revenues Retained includes Lottery Funds, Tobacco Settlement Funds, Guaranteed Revenue Debt Common Reserve Fund Interest Earnings, Brain and Spinal Injury Trust Fund, National Mortgage Settlement (FY 2013 only) and Other amounts.

Note: Amounts may not add precisely due to rounding.

Source: FY 2009 – 2012 Budgetary Compliance Report; FY 2013, State Accounting Office

CHANGES IN GEORGIA REVENUE – FY 2012 TO FY 2013

The following table sets forth, by category, the changes in budget-based revenue available for appropriation for FY 2013 as compared to FY 2012.

	FY 2012	FY 2013	$ Change	% Change
Alcoholic Beverages Tax	$175,050,571	$180,785,957	$5,735,385	3.3%
Estate Tax	27,923	(15,351,947)	(15,379,870)	(55,709.1)
Income Tax – Corporate	590,676,110	797,255,429	206,579,319	35.0
Income Tax – Individual	8,142,370,500	8,772,227,404	629,856,904	7.7
Insurance Premium Tax and Fees	309,192,735	329,236,920	20,044,185	6.5
Excise and Motor Carrier Mileage Tax	446,655,687	453,438,505	6,782,818	1.5
Prepaid Motor Fuel Sales Tax	572,645,116	547,187,226	(25,457,889)	(4.4)
Motor Vehicle License Tax	308,342,308	457,490,366	149,148,059	48.4
Property Tax – General and Intangible	68,951,095	53,491,655	(15,459,439)	(22.4)
Sales and Use Tax – General	5,303,524,233	5,277,211,183	(26,313,050)	(0.5)
Tobacco Products Tax	227,146,091	211,618,073	(15,528,017)	(6.8)
Total Taxes	16,144,582,369	17,064,590,773	920,008,404	5.7
Total Interest, Regulatory Fees, and Sales	1,125,393,105	1,231,267,815	105,874,710	9.4
Total Other Revenues Retained	1,046,821,574	1,243,832,470	197,010,896	18.8
Total Revenues	$18,316,797,048	$19,539,691,058	1,222,894,011	6.7

Source: State Accounting Office

SUMMARY OF APPROPRIATION ALLOTMENTS

The following table summarizes the appropriation allotment amounts to various areas of State government for the five fiscal years FY 2009 through FY 2013.

	FY 2009	**FY 2010**	**FY 2011**	**FY 2012**	**FY 2013**
Education	$10,605,610,728	$9,635,314,679	$10,372,130,365	$9,985,262,716	$10,337,921,348
Public Health and Welfare	3,282,068,892	3,331,751,012	3,506,185,744	4,132,143,031	4,561,952,241
Transportation	868,068,713	696,481,476	682,500,519	755,702,058	866,764,685
Judicial, Penal and Corrections	1,515,701,609	1,416,224,093	1,440,130,535	1,583,762,746	1,630,095,700
Natural Resources	180,749,634	159,829,852	146,441,378	149,564,635	162,022,641
General Obligation Debt Sinking Fund	935,990,354	1,040,947,805	1,182,283,016	931,171,587	950,274,605
General Government	1,183,624,303	726,324,308	721,991,027	806,046,413	814,804,214
Total Allotments	$18,571,814,233	$17,006,873,225	$18,051,662,584	$18,343,653,186	$19,323,835,434

Source: State Office of Planning and Budget

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GEORGIA DEPARTMENT OF REVENUE – UNAUDITED STATE REVENUES

The following table ($ in thousands) sets forth unaudited net revenue collections of the State in certain categories for the first three months (July 1 through September 30) of FY 2013 and FY 2014.

GENERAL FUND	FY 2013	FY 2014	Change	% Change
Tax Revenues:				
Income Tax – Individual	$ 2,234,168	$ 2,343,479	$ 109,310	4.9%
Sales and Use Tax – General:				
Sales and Use Tax – Gross	2,555,117	2,425,854	(129,263)	-5.1%
Local Sales Tax Distribution	(1,170,426)	(1,133,652)	36,774	3.1%
Sales Tax Refunds/Adjustments	(17,957)	(32,793)	(14,836)	-82.6%
Net Sales and Use Tax – General	1,366,734	1,259,409	(107,325)	-7.9%
Motor Fuel Taxes:				
Prepaid Motor Fuel Sales Tax	136,966	147,420	10,454	7.6%
Motor Fuel Excise Tax	106,469	115,000	8,531	8.0%
Total Motor Fuel Taxes	243,434	262,420	18,986	7.8%
Income Tax – Corporate	180,239	209,044	28,805	16.0%
Tobacco Taxes	44,950	56,935	11,985	26.7%
Alcohol Beverages Tax	41,600	44,881	3,281	7.9%
Estate Tax				
Property Tax	4,313	2,712	(1,601)	-37.1%
Motor Vehicle – Tag, Title & Fees	73,041	268,904	195,862	268.2%
Total Tax Revenues	4,188,480	4,447,784	259,303	6.2%
Other Fees and Taxes (b)	41,787	29,835	(11,952)	-28.6%
Total Taxes and Other Fees	**$ 4,230,268**	**$ 4,477,619**	**$ 247,351**	**5.8%**

(a) An adjustment is made each month to reclassify Auto Sales Tax collected from Motor Vehicle to Other Fees and Taxes until the Sales Tax is subsequently deposited and reclassified as General Sales and Use Tax in the next month.
(b) Other Fees and Taxes include taxes and fees that have been deposited in the bank, but the returns have not been processed. The undistributed amounts are then reclassified (as returns are processed) to the proper respective accounts. Other Fees also includes Unclaimed Property collections.
Note: Amounts may not add precisely due to rounding.
Source: State of Georgia Department of Revenue

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MONTHLY CASH INVESTMENTS

The following table ($ in millions) sets forth the month ending cash investments of State fund balances in the State Treasury for FY 2009 through the first three months of FY 2014.

Month	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
July	$2,453	$1,779	$1,661	$2,050	$2,370	$2,766
August	2,387	1,753	2,037	2,218	2,505	2,771
September	2,526	2,006	2,188	2,437	2,748	3,200
October	1,883	1,613	1,676	2,046	2,300	
November	1,591	1,809	1,686	1,912	2,217	
December	1,757	1,902	1,876	2,092	2,451	
January	2,064	2,165	2,255	2,413	2,817	
February	1,473	1,482	1,800	1,979	2,243	
March	1,239	1,201	1,630	1,866	2,206	
April	1,480	1,329	1,945	2,234	2,722	
May	1,429	1,367	1,917	2,175	2,669	
June	1,766	1,786	2,412	2,594	2,909	

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

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

Retirement Systems

Introduction. The State administers various retirement plans under two major retirement systems: the Employees' Retirement System of Georgia ("ERS"), which administers multiple retirement plans for various employer entities of the State, and the Teachers Retirement System of Georgia ("TRS"), which administers a retirement plan for teachers in State public schools, the University System of Georgia and certain other employees in legislatively designated educational agencies. The ERS and TRS are referred to herein, collectively, as the "Systems." The ERS retirement plan for State employees in the executive branch is the most significant of the defined benefit pension plans operated by ERS. Statistical information included herein regarding ERS is limited to the plan for State employees in the executive branch. As of June 30, 2012, TRS and the ERS retirement plan for State employees in the executive branch comprise approximately 96.5% of the net assets of the State's 14 defined benefit pension plans. For additional information on these two retirement plans, including details regarding benefit eligibility, benefit formula and employee contributions rates, see Note 10, "Retirement Systems," on pages 92-97 in APPENDIX C hereto. The retirement plans are subject to the provisions of Title 47 of Official Code of Georgia in general and Chapter 2 (ERS) and Chapter 3 (TRS) thereof, in particular. The retirement plans administered by the Systems are the subject of annual actuarial valuations. In the opinion of the actuary for the Systems, as of June 30, 2012, each of ERS and TRS are operating on an actuarially sound basis and in conformity with minimum funding standards of Georgia law.

According to the most recent actuarial valuation of ERS, as of June 30, 2012, the funded ratio (actuarial value of assets / actuarial accrued liability) was equal to 73.1% (as compared to 76.0% as of June 30, 2011) and the unfunded actuarial accrued liability ("UAAL") as a percentage of covered payroll was equal to 187.1% (as compared to 160.4% as of June 30, 2011). According to the most recent actuarial valuation of TRS, as of June 30, 2012, the funded ratio was equal to 82.3% (as compared to 84.0% as of June 30, 2011) and the UAAL as a percentage of covered payroll was equal to 120.4% (as compared to 104.5% as of June 30, 2011). The year-over-year reduction in funded ratio for ERS and TRS is principally attributable to actual investment earnings being less than the assumed investment earnings over the asset smoothing period. Each of ERS and TRS received 100% of its respective Annual Required Contribution ("ARC") for FY 2012 and FY 2013. For FY 2014, both the ERS and the TRS ARC payments are budgeted at 100%. ARC payments are funded from a variety of sources, including State general fund appropriations, as well as federal, local and other sources.

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

Statutory Requirements Regarding Benefit Changes with Fiscal Impacts. Pursuant to O.C.G.A § 47-20-34, any retirement bill having a fiscal impact may only be introduced in the first term of the regular biennial session of the General Assembly. If a majority of the standing retirement committee in the House or the Senate wishes to consider the bill further and votes in favor of an actuarial investigation of the bill, an actuarial investigation shall be required. O.C.G.A. § 47-20-34 also requires that any such retirement bill may be passed during the second year of the regular biennial session. Pursuant to O.C.G.A. § 47-20-50, any retirement bill having a fiscal impact which is enacted by the General Assembly and which is approved by the Governor or which otherwise becomes law shall become effective on the first day of July immediately following the regular session during which it was enacted, but only if the enacted bill is concurrently funded. If an enacted bill, including one approved by the Governor, is not certified by the State Auditor to be concurrently funded, then such bill may not become effective as law and shall be null, void, and of no force and effect and shall stand repealed in its entirety on the first day of July immediately following its enactment.

System Membership and Beneficiary Information. ERS was created in 1949 by an act of the General Assembly to provide benefits for employees of the State and is managed by a seven-member Board of Trustees (the “ERS Board”) comprised of the State Auditor (ex-officio), the State Treasurer (ex-officio), the Commissioner of the Department of Administrative Services (ex-officio), one appointee of the Governor and three appointees of the ERS Board. TRS was created in 1943 by an act of the General Assembly to provide benefits for qualifying teachers and is managed by a ten-member Board of Trustees (the “TRS Board”) comprised of the State Auditor (ex-officio), the State Treasurer (ex-officio), five appointees of the Governor, two appointees of the TRS Board and one appointee of the Board of Regents. The ERS and TRS plans are cost-sharing multiple employer defined benefit plans. The ERS plan for State employees consists of 716 employers. TRS consists of 401 employers. Membership in the plans as of June 30, 2013 is shown below.

	ERS	TRS
Retirees and beneficiaries currently receiving benefits	44,546	101,139
Terminated employees entitled to benefits, but not yet receiving benefits, vested	5,366	9,085
Terminated employees, non-vested	73,600	84,396
Active plan members	61,554	208,616
Total	185,066	403,236

Sources: ERS and TRS Audited Financial Statements

According to the ERS audited financial statements as of June 30, 2013, ERS receipts (consisting of member and employer contributions and net investment earnings for the year) totaled $1,893,796,000 (compared to $542,377,000 for the year ended June 30, 2012) and ERS disbursements (consisting of benefit payments, member refunds and administrative expenses for the year) totaled $1,289,480,000 (compared to $1,236,556,000 for the year ended June 30, 2012). According to the TRS audited financial statements as of June 30, 2013, TRS receipts (consisting of member and employer contributions, net investment earnings and unrealized appreciation for the year) totaled $8,759,563,000 (compared to $2,774,636,000 for the year ended June 30, 2012) and TRS disbursements (consisting of benefit payments, member refunds and administrative expenses for the year) totaled $3,651,875,000 (compared to $3,371,663,000 for the year ended June 30, 2012).

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

Obligations and Funded Status. For financial reporting purposes, the State presents the funded status for each of the retirement plans “as a whole” using a smoothing method to calculate each retirement plan’s actuarial value of assets (“AVA”). Under this method, changes in the market value of assets (“MVA”) are recognized over a period of years. Prior to the State fiscal year ended June 30, 2006 (“FY 2006”) actuarial valuation report, the State used a 5-year smoothing period. Commencing with the FY 2006 actuarial valuation report, the State has used a 7-year smoothing period. The funded status of ERS and TRS for the ten most recent actuarial valuation dates is presented in the following table. The actuarial valuations for TRS shown below for FY 2009 through FY 2012 reflect the TRS Board action on July 27, 2011 to use a 7-year smoothing method within a corridor of between 75% and 125% of the MVA around the AVA. The retirement plans are the subject of five-year experience studies by actuarial firms and various assumptions and methods have been revised to reflect the results of such studies. The most recent experience study was completed for the five-year period ending June 30, 2009. For a more detailed explanation, see “Actuarial Methods and Assumptions” below.

HISTORICAL FUNDING PROGRESS
ACTUARIAL VALUE (SMOOTHED)
($ in thousands)

Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL) – Entry Age	Unfunded AAL (UAAL)	Funded Ratio (AVA/AAL)	Annual Covered Payroll	UAAL as % of Annual Covered Payroll
ERS						
6/30/2012	$12,260,595	$16,777,922	$4,517,327	73.1%	$2,414,884	187.1%
6/30/2011	12,667,557	16,656,905	3,989,348	76.0	2,486,780	160.4
6/30/2010	13,046,193	16,295,352	3,249,159	80.1	2,571,042	126.4
6/30/2009	13,613,606	15,878,022	2,264,416	85.7	2,674,155	84.7
6/30/2008	14,017,346	15,680,857	1,663,511	89.4	2,809,199	59.2
6/30/2007	13,843,689	14,885,179	1,041,490	93.0	2,680,972	38.8
6/30/2006	13,461,132	14,242,845	781,713	94.5	2,630,167	29.7
6/30/2005	13,134,472	13,512,773	378,301	97.2	2,514,430	15.0
6/30/2004	12,797,389	13,106,648	309,259	97.6	2,445,619	12.6
6/30/2003	12,428,736	12,370,563	(58,173)	100.5	2,489,490	(2.3)
TRS						
6/30/2012	$56,262,332	$68,348,678	$12,086,346	82.3%	$10,036,023	120.4%
6/30/2011	55,427,716	65,978,640	10,550,924	84.0	10,099,278	104.5
6/30/2010	54,529,416	63,592,037	9,062,621	85.7	10,437,703	86.8
6/30/2009	53,438,604	59,450,116	6,011,512	89.9	10,641,543	56.5
6/30/2008	54,354,284	59,133,777	4,779,493	91.9	10,197,584	46.9
6/30/2007	52,099,171	54,996,570	2,897,399	94.7	9,482,003	30.5
6/30/2006	49,263,027	51,059,681	1,796,654	96.5	8,785,985	20.4
6/30/2005	46,836,895	47,811,214	974,319	98.0	8,252,598	11.8
6/30/2004	44,617,956	44,230,031	(387,925)	100.9	8,083,118	(4.8)
6/30/2003	42,372,661	41,905,676	(466,985)	101.1	8,261,961	(5.7)

Sources: ERS and TRS actuarial reports.

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

HISTORICAL FUNDING PROGRESS
MARKET VALUE
($ in thousands)

Valuation Date	Market Value of Assets (MVA)	Actuarial Accrued Liability (AAL) – Entry Age	Unfunded AAL (UAAL) (MVA – AAL)	Funded Ratio (MVA / AAL)	Annual Covered Payroll	UAAL as % of Annual Covered Payroll
ERS						
6/30/2012	$11,537,408	$16,777,922	$5,240,514	68.8%	$2,414,884	217.0%
6/30/2011	12,233,380	16,656,905	4,423,525	73.4	2,486,780	177.9
6/30/2010	10,872,348	16,295,352	5,423,004	66.7	2,571,042	210.9
6/30/2009	10,550,357	15,878,022	5,327,665	66.4	2,674,155	199.2
6/30/2008	13,080,653	15,680,857	2,600,204	83.4	2,809,199	92.6
6/30/2007	14,272,114	14,885,179	613,065	95.9	2,680,972	22.9
6/30/2006	13,033,861	14,242,845	1,208,984	91.5	2,630,167	46.0
6/30/2005	12,825,126	13,512,773	687,647	94.9	2,514,430	27.3
6/30/2004	12,396,352	13,106,648	710,296	94.6	2,445,619	29.0
6/30/2003	11,697,607	12,370,563	672,956	94.6	2,489,490	27.0
TRS						
6/30/2012	$53,487,149	$68,348,678	$14,861,529	78.3%	$10,036,023	148.1%
6/30/2011	54,084,176	65,978,640	11,894,464	82.0	10,099,278	117.8
6/30/2010	45,925,549	63,592,037	17,666,488	72.2	10,437,703	169.3
6/30/2009	42,478,583	59,450,116	16,971,533	71.5	10,641,543	159.5
6/30/2008	50,063,600	59,133,777	9,070,177	84.7	10,197,584	88.9
6/30/2007	53,133,101	54,996,570	1,863,469	96.6	9,482,003	19.7
6/30/2006	47,246,347	51,059,681	3,813,334	92.5	8,785,985	43.4
6/30/2005	45,278,680	47,811,214	2,532,534	94.7	8,252,598	30.7
6/30/2004	42,588,078	44,230,031	1,641,953	96.3	8,083,118	20.3
6/30/2003	39,218,540	41,905,676	2,687,136	93.6	8,261,961	32.5

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

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

FUNDING PROGRESS COMPARISON
($ in thousands)

Valuation Date	Actuarial Value of Assets (AVA)	Market Value of Assets (MVA)	% of AVA to MVA	Funded Ratio (AVA)	Funded Ratio (MVA)
ERS					
6/30/2012	$12,260,595	$11,537,408	106.3%	73.1%	68.8%
6/30/2011	12,667,557	12,233,380	103.5	76.0	73.4
6/30/2010	13,046,193	10,872,348	120.0	80.1	66.7
6/30/2009	13,613,606	10,550,357	129.0	85.7	66.4
6/30/2008	14,017,346	13,080,653	107.2	89.4	83.4
6/30/2007	13,843,689	14,272,114	97.0	93.0	95.9
6/30/2006	13,461,132	13,033,861	103.3	94.5	91.5
6/30/2005	13,134,472	12,825,126	102.4	97.2	94.9
6/30/2004	12,797,389	12,396,352	103.2	97.6	94.6
6/30/2003	12,428,736	11,697,607	106.3	100.5	94.6
TRS					
6/30/2012	$56,262,332	$53,487,149	105.2%	82.3%	78.3%
6/30/2011	55,427,716	54,084,176	102.5	84.0	82.0
6/30/2010	54,529,416	45,925,549	118.7	85.7	72.2
6/30/2009	53,438,604	42,478,583	125.8	89.9	71.5
6/30/2008	54,354,284	50,063,600	108.6	91.9	84.7
6/30/2007	52,099,171	53,133,101	98.1	94.7	96.6
6/30/2006	49,263,027	47,246,347	104.3	96.5	92.5
6/30/2005	46,836,895	45,278,680	103.4	98.0	94.7
6/30/2004	44,617,956	42,588,078	104.8	100.9	96.3
6/30/2003	42,372,661	39,218,540	108.0	101.1	93.6

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

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

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

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

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

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

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

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

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

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

Asset Allocation. Permissible investments of the Systems are set forth in the Public Retirement Systems Investment Authority Law (O.C.G.A. § 47-20-80 through O.C.G.A. § 47-20-86). In accordance with O.C.G.A. § 47-20-84, the investment assets of the Systems are prohibited from being allocated more than 75% to equity securities (effective July 1, 2011). The cost of investments is computed using the original cost of equity securities and the amortized cost of bonds, which means that premiums and discounts are recognized totally over the life of the bonds.

The ERS and TRS Boards maintain investment policies which incorporate statutory requirements. A "General Statement of Investment Policy" was amended by the ERS and TRS Boards with an effective date of July 1, 2011. Amendments to the policy were based on the need to align the policy with statutory requirements. Accordingly, current policy is to maintain equity exposure on a cost basis between 55% and 75% and fixed income between 25% and 45%.

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

The following table presents the annualized rates of return (net of fees) of ERS and TRS through FY 2013.

HISTORICAL RATES OF RETURN

	ERS	TRS
1 year	13.33%	13.28%
3 years	12.00	11.96
5 years	6.30	6.27
10 years	6.56	6.55
20 years	7.80	7.86

Source: Division of Investment Services, ERS and TRS.

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

HISTORICAL RATES OF RETURN

	ERS		TRS	
	Assumed	Actual	Assumed	Actual
FY 2013	7.50%	13.33%	7.50%	13.28%
FY 2012	7.50	2.19	7.50	2.16
FY 2011	7.50	21.29	7.50	21.30
FY 2010	7.50	10.99	7.50	11.16
FY 2009	7.50	-12.97	7.50	-13.06
FY 2008	7.50	-3.50	7.50	-3.38
FY 2007	7.50	14.72	7.50	14.61
FY 2006	7.50	6.17	7.50	6.05
FY 2005	7.50	7.77	7.50	7.87
FY 2004	7.50	9.80	7.50	9.86

Source: Division of Investment Services, ERS and TRS.

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

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

For purposes of estimating the budgetary impact of any legislatively proposed benefit changes and other TRS costs, the State Auditor estimates the percentage of State general fund appropriations to be applied to the ARC. For FY 2013, State general fund appropriations were estimated to comprise approximately 57.5% of the ARC payments for TRS. State general fund appropriations in FY 2013 for the ARC payments for ERS and TRS were approximately $252 million and $679 million, respectively, and comprised, together, approximately 5.09% of total State general fund appropriations.

For FY 2014, State general fund appropriations also are estimated to comprise approximately 57.5% of the ARC payments for TRS. State general fund appropriations in FY 2014 for the ARC payments for ERS and TRS are estimated to be approximately $297 million and $747 million, respectively, and are estimated to comprise, together, approximately 5.5% of total State general fund appropriations.

The following table indicates, on a fiscal year basis, the ARC for ERS and TRS, the portion of the ARC funded by organizations in the State reporting entity, any amount unfunded, and the portion of the ARC funded by organizations in the State reporting entity as a percentage of total State general fund appropriations. Employer offsets are not included in the amounts provided below and are not available. An employer offset exists under the ERS plan for employees who maintain membership with ERS based upon employment that started prior to July 1, 1982 (old plan members). The old plan offset as of June 30, 2013 is 4.75% of covered compensation paid by the employer on behalf of employees.

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ANNUAL EMPLOYER CONTRIBUTION STATUS
($ in thousands)

ERS Fiscal Year	ARC	Amount Unfunded	State Portion of ARC[b]	State Portion Amount Unfunded	State Portion as a % of State General Fund Appropriations
2013	$358,992		$306,738		1.68%
2012	274,034	-	238,738	-	1.37
2011	261,132	-	222,401	-	1.33
2010	263,064	-	236,656	-	1.51
2009[a]	282,103	897	258,307	897	1.45
2008	286,256	-	263,293	-	1.35
2007	270,141	-	246,649	-	1.36
2006	258,482	-	NA	-	NA
2005	243,074	-	NA	-	NA
2004	245,388	-	NA	-	NA

[a] 2009 was restated to reflect a contribution shortfall of $897,000 by one employer group–Locally Elected Tax Commissioners. Combined with an additional shortfall of $5,262,000 for the same employer group in years prior to the fiscal year ended June 30, 2001 ("FY 2001"), the total deficit of $6,159,000 is expected to be repaid over ten years. Repayment of the deficit commenced in October 2011 and ERS is receiving a payment of $51,329 per month from the Department of Revenue.
[b] Amounts reflect the portion of the ARC funded by organizations within the State reporting entity and consist of State, federal and other monies. The amount for FY 2013 is an estimate.
NA: Not Available
Sources: ERS and TRS audited financial statements, ERS and TRS actuarial reports, the State of Georgia CAFR and the Governor's Budget in Brief.

TRS Fiscal Year	ARC	Amount Unfunded	State Portion of ARC[a]	State Portion Amount Unfunded	State Portion as a % of State General Fund Appropriations
2013	$1,180,469	-	$194,804	-	1.06%
2012	1,082,224	-	175,588	-	1.01
2011	1,089,912	-	170,893	-	1.02
2010	1,057,416	-	161,184	-	1.03
2009	1,026,287	-	147,863	-	0.83
2008	986,759	-	142,523	-	0.73
2007	927,371	-	134,510	-	0.74
2006	855,626	-	128,265	-	0.76
2005	815,693	-	123,865	-	0.79
2004	782,301	-	123,832	-	0.81
				-	

[a] Amounts reflect the portion of the ARC funded by organizations within the State reporting entity and consist of State, federal and other monies. The amount for FY 2013 is an estimate. Certain amounts funded by other entities, however, are derived from State appropriations. As of July 2011, the State Auditor estimated that State appropriations comprise approximately 57.5% of the ARC for TRS (or approximately $679 million in FY 2013 and approximately $747 million in FY 2014).
Sources: ERS and TRS audited financial statements, ERS and TRS actuarial reports, the State of Georgia CAFR and the Governor's Budget in Brief.

Contribution Rate Structure. Employer contribution rates for ERS and TRS for FY 2013, FY 2014, and FY 2015 are as shown in the following table. The employer contribution rate structures of ERS and TRS are established by their respective Boards of Trustees under statutory guidelines, including requirements for the minimum annual contributions necessary to ensure the actuarial soundness of ERS and TRS (see O.C.G.A. § 47-20-10). Unless the employee elects otherwise, an employee who currently maintains membership with ERS based upon State employment that started prior to July 1, 1982, is an "old plan" member subject to the plan provisions in effect prior to July 1, 1982. Members hired on or after July 1, 1982 but prior to January 1, 2009 are "new plan" members subject to the modified plan provisions. Effective January 1, 2009, newly hired State employees, as well as rehired State employees who did not maintain eligibility for the "old" or "new" plan, are members of the Georgia State Employees' Pension and Savings Plan "GSEPS". ERS members hired prior to January 1, 2009 also have the option to irrevocably change their membership to the GSEPS plan. Employer offsets are the portion of the employees' required contribution to the pension system that the employer makes on the employees' behalf. An employer offset exists under the ERS plan for old plan members.

	ERS			**TRS**
Expressed as a % of Covered Compensation	**Old Plan**	**New Plan**	**GSEPS**	
For FY 2013				
Normal Cost	6.32%			
Less Employer Offset	-4.75			
Employer Normal Cost	1.57	6.32%	2.96%	6.36%
UAAL	8.58	8.58	8.58	5.05
Total Rate	10.15%	14.90%	11.54%	11.41%
For FY 2014				
Normal Cost	6.26%			
Less Employer Offset	-4.75			
Employer Normal Cost	1.51	6.26%	2.98%	6.24%
UAAL	12.20	12.20	12.20	6.04
Total Rate	13.71%	18.46%	15.18%	12.28%
For FY 2015				
Normal Cost	6.14%			
Less Employer Offset	-4.75			
Employer Normal Cost	1.39	6.14%	3.05%	6.14%
UAAL	15.82	15.82	15.82	7.01
Total Rate	17.21%	21.96%	18.87%	13.15%

Sources: ERS and TRS actuarial reports.

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Employee contribution rates for ERS and TRS for FY 2013, FY 2014, and FY 2015 are as shown in the following table. Employee contribution rates for ERS are fixed by statute. The TRS Board may establish employee rates between 5.00% and 6.00%.

	ERS			TRS
Employee Contributions Expressed as a % of Salary	**Old Plan**	**New Plan**	**GSEPS**	
For FY 2013				
Pension contribution	6.00%	1.25%	1.25%	6.00%
Group Term Life Insurance contribution	0.50%	0.25%	Not Covered	Not Covered
Employer Off-set	5.00%			
Total percent of pay contributed	1.50%	1.50%	1.25%	6.00%
For FY 2014				
Pension contribution	6.00%	1.25%	1.25%	6.00%
Group Term Life Insurance contribution	0.50%	0.25%	Not Covered	Not Covered
Employer Off-set	5.00%			
Total percent of pay contributed	1.50%	1.50%	1.25%	6.00%
For FY 2015				
Pension contribution	6.00%	1.25%	1.25%	6.00%
Group Term Life Insurance contribution	0.50%	0.25%	Not Covered	Not Covered
Employer Off-set	5.00%			
Total percent of pay contributed	1.50%	1.50%	1.25%	6.00%

Sources: ERS and TRS actuarial reports.

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The following tables indicate, for the applicable fiscal and valuation years, commencing with FY 2014 and the valuation year ending June 30, 2011, the projected ARC for ERS and TRS based on the estimated normal costs of benefits and the payments made to amortize the estimated UAAL. Also shown are the actual funded ratios for valuation years 2011 and 2012, the estimated prospective funded ratios for valuation years 2013 through 2016, the portion of the projected ARC funded by State general fund appropriations, and the portion of the projected ARC funded by State general fund appropriations as a percentage of total State general fund appropriations. Other than the last two columns, the information in the following tables regarding ERS and TRS was prepared by their enrolled actuary. The information in the last two columns of the following tables was derived by the Governor's Office of Planning and Budget from revenue estimates of the State Economist and using the assumptions noted. The following tables are based on the ERS and TRS actuarial valuations as of June 30, 2012 and utilize the same assumptions as the June 30, 2012 actuarial valuations other than the actual investment returns for FY 2013 were used (13.33% rate of return for ERS and 13.28% rate of return for TRS).

PROJECTED ANNUAL EMPLOYER CONTRIBUTION STATUS
($ in thousands)

ERS

Valuation Year	Fiscal Year	Employer Rate	Annual Payroll	ARC Payment	AVA	AAL	UAAL	Funded Ratio	State Portion of ARC[c]	State Portion of ARC as % of General Fund Appropriations[d]
2011	2014	18.46% [a] / 15.18% [b]	$2,433,995	$423,486	$12,667,557	$16,656,905	$3,989,348	76.0%	$297,499	1.58%
2012	2015	21.96 [a] / 18.87 [b]	2,462,066	512,079	12,260,595	16,777,922	4,517,327	73.1	359,735	1.84
2013	2016	23.32 [a] / 20.31 [b]	2,490,354	549,426	11,998,589	16,875,076	4,876,487	71.1	385,972	1.89
2014	2017	24.34 [a] / 21.39 [b]	2,515,481	577,995	11,706,232	16,957,154	5,250,922	69.0	406,041	1.92
2015	2018	24.35 [a] / 21.44 [b]	2,533,963	580,428	11,691,615	17,010,355	5,318,740	68.7	407,751	1.85
2016	2019	22.94 [a] / 20.04 [b]	2,546,982	544,778	12,077,919	17,041,432	4,963,513	70.9	382,707	1.68

[a] Old Plan and New Plan.

[b] GSEPS.

[c] Amounts reflect the portion of the projected ARC, 70.25%, estimated to be comprised of State general fund appropriations. This portion of the projected ARC for FY 2014 – 2019 is based upon the percent of payroll paid through general fund appropriations during FY 2013 for entities included in the State enterprise accounting system and the historical ratios at which entities outside the State enterprise accounting system have been funded payroll adjustments.

[d] State general fund appropriations for FY 2014 – 2019 are based on the most recent revenue estimates of the State Economist.

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TRS

Valuation Year	Fiscal Year	Employer Rate	Annual Payroll	ARC Payment	AVA	AAL	UAAL	Funded Ratio	State Portion of ARC[a]	State Portion of ARC as % of General Fund Appropriations[b]
2011	2014	12.28%	$10,577,315	$1,298,894	$55,427,716	$65,978,640	$10,550,924	84.0%	$746,864	3.97%
2012	2015	13.15	10,880,036	1,430,725	56,262,332	68,348,678	12,086,346	82.3	822,667	4.20
2013	2016	14.51	11,201,327	1,626,618	57,699,436	72,331,930	14,632,494	79.8	935,306	4.59
2014	2017	14.62	11,538,941	1,686,993	58,994,799	74,439,389	15,444,590	79.3	970,021	4.58
2015	2018	16.76	11,889,765	1,992,725	61,282,672	80,726,252	19,443,580	75.9	1,145,817	5.21
2016	2019	19.68	12,258,825	2,412,537	65,263,490	90,330,243	25,066,753	72.3	1,387,209	6.07

[a] Amounts reflect the portion of the projected ARC estimated to be comprised of State general fund appropriations using the State Auditor's July 2011 estimate of 57.5%.

[b] State general fund appropriations for FY 2014 – 2019 are based on the most recent revenue estimates of the State Economist.

Actuarial Methods and Assumptions. A number of significant assumptions are used to determine projected pension obligations and related costs. The amount of benefit to be paid depends on a number of future events incorporated into the pension benefit formula, including estimates of the average life of employees/survivors and average years of service rendered and is measured based on assumptions concerning future interest rates and future employee compensation levels. In addition, actuarial valuations include assumptions regarding the long-term rate of return on plan assets. Should actual experience differ from actuarial assumptions, the projected pension obligations and related pension costs would be affected in future years. Refer to Note 10, "Retirement Systems," on pages 92-97 in APPENDIX C hereto for additional detail regarding significant actuarial assumptions.

Georgia law requires that at least once every five years an experience study be performed on TRS and ERS. An experience study is the investigation into the mortality, service and compensation experience of the members and beneficiaries by comparing the actual experience with the assumed experience during the five year period. The actuarial firm preparing the experience study will recommend changes to the assumptions and methods if there are any significant differences. The purpose of the experience study is to assess the reasonableness of the actuarial assumptions and methods used by the Systems. TRS' most recent experience study is for the five year period ended June 30, 2009. ERS' most recent experience study is for the five year period ended June 30, 2009.

On July 21, 2010, the TRS Board adopted a smoothed valuation interest rate methodology which has been used since the June 30, 2009 actuarial valuation to calculate the ARC. The method utilizes a 30-year time horizon and determines the interest rate needed over a defined 23-year look-forward period, so that the ultimate investment rate of return (discount rate assumed to be 7.5%) is earned over such 30-year period, based on the actual rates of return for a 7-year look-back period.

TRS adopted the smoothed valuation interest rate methodology based on its view that it allows for better alignment of employee and employer contribution rates with changes in the economy. With this method, TRS increases contribution rates during periods of rising revenues and investment returns, while maintaining current contribution rates during periods of declining revenues and investment returns. With the smoothed valuation interest rate method, the required contributions are counter-cyclical, allowing employees and employers to contribute at lower rates during bad economic times and at higher rates when funding is more readily available.

On July 27, 2011, the TRS Board of Trustees adopted a refinement of its smoothed valuation interest rate methodology to include a corridor around the long-term investment rate of return, effectively reducing the potential volatility of the actuarial valuation results reflected in the financial statements.

This approach has been used since the June 30, 2010 actuarial valuation and was retroactively applied to the June 30, 2009 actuarial valuation. The corridor around the long-term investment rate of return (i.e., the average investment rate of return over the 40-year period beginning on the valuation date) is determined such that the long-term investment rate of return is between the 40th and 50th percentile of expected returns over a 40-year period based on TRS market assumptions and asset allocations, which as of the June 30, 2012 actuarial valuation is between 7.25% and 7.84%. The methodology to determine the AVA also includes a corridor between 75% and 125% of the MVA around the AVA.

The TRS actuarial report prepared by the TRS enrolled actuary dated May 1, 2013 indicates that, as of June 30, 2012, TRS has an UAAL in the amount of $12.086 billion and was used to set the ARC for FY 2015. Significant actuarial assumptions used in the TRS actuarial report as of June 30, 2012 include: (a) an ultimate investment rate of return of 7.50%, (b) projected salary increases of 3.75% - 7.00%, (c) an annual inflation rate of 3.00%, (d) anticipated annual cost-of-living adjustments of 3.00% and (e) amortization of the UAAL over a period of 30 years. The smoothed interest rate during the 23-year look forward period initially was determined to be equal to 8.28%. The combination of the 8.28% smoothed interest rate for the first 23 years and the ultimate investment rate of return of 7.50% for the remaining 17 years of the 40-year calculation period resulted in a calculated long-term investment rate outside the 7.25% - 7.84% corridor described above. In order to achieve a maximum long-term rate of return of 7.84% over the 40-year period, the smoothed interest rate for the first 23-year look forward period is limited to 8.09%. The TRS actuarial report indicates that, in the opinion of the actuary, TRS is operating on an actuarially sound basis, and in conformity with the minimum funding standards of Georgia law. The TRS Board presently anticipates approving the enrolled actuary's actuarial report for TRS as of June 30, 2013 in the second quarter of calendar year 2014.

The TRS audited financial statements shows a net position restricted for pensions as of June 30, 2013 of approximately $58.6 billion, an increase of 9.5% from the June 30, 2012 net position restricted for pensions of approximately $53.5 billion. As of September 30, 2013, ERS had a net position restricted for pensions of approximately $61.0 billion (unaudited).

Following the actuarial valuation as of June 30, 2009, ERS determined that an employer group within ERS had not contributed the full ARC. Pursuant to O.C.G.A. § 47-2-292, "[t]he offices of the tax commissioners, tax collectors, and tax receivers of the counties of this State are declared to be adjuncts of the Department of Revenue" and these officials and their employees are eligible for membership in the ERS. Currently there are approximately 1,500 active and retired members who are so eligible. Related to the required employer contributions for such members of ERS, O.C.G.A. § 47-2-292 provides that "[t]he state revenue commissioner is authorized and directed to pay from the funds appropriated for the operation of the Department of Revenue, the employer contributions required by this chapter, upon receipt of an invoice from the retirement system." Pursuant to a review by ERS, it was determined that the Department of Revenue owed ERS employer contributions of approximately $6.2 million for FY 1997 – FY 2009. On March 31, 2011, ERS received $11,022,124 from the Department of Revenue to fully fund the pension liability related to local tax officials' retirement benefits for FY 2010 and FY 2011. ERS's FY 2010 actuarial report reflects a contribution shortfall of approximately $6.2 million for past due amounts from FY1997 through FY2009 for local tax commissioners. The State expects to fund this obligation over a ten year period through higher contribution rate assessments to the Department of Revenue in the amount of $615,943 each year. The higher contribution rate assessments began to be paid effective October 1, 2011 in monthly installments of $51,329.

The ERS actuarial report prepared by the enrolled actuary dated April 18, 2013 indicates that, as of June 30, 2012, ERS has an UAAL in the amount of $4.517 billion and was used to set the ARC for FY 2015. Significant actuarial assumptions used in the ERS actuarial report as of June 30, 2012 include: (a) an investment rate of return of 7.50%, (b) projected salary increases of 2.73% - 9.25%, (c) an annual inflation rate of 3.00%, (d) no cost-of-living adjustments and (e) amortization of the UAAL over a period of 30 years. The ERS actuarial report indicates that, in the opinion of the actuary, ERS is operating on an actuarially sound basis and in conformity with the minimum funding standards of Georgia law. The ERS Board presently anticipates approving the enrolled actuary's actuarial report for ERS as of June 30, 2013 in the second quarter of calendar year 2014.

The ERS audited financial statements shows a net position restricted for pensions as of June 30, 2013 of approximately $12.2 billion, an increase of 5.2% from the June 30, 2012 net position restricted for pensions of approximately $11.6 billion. As of September 30, 2013, ERS had a net position restricted for pensions of approximately $12.6 billion (unaudited).

On June 25, 2012, the Governmental Accounting Standards Board ("GASB") approved GASB Statement Nos. 67 and 68, which will impact the accounting and financial reporting for defined benefit pension plans and for state and local governments that participate in such plans. Statement No. 67 supersedes existing guidance for the financial reports of pension plans by, among other things, requiring additional disclosure in the notes to financial statements and in required supplementary information; it also provides guidance regarding the calculation of the net pension liability (NPL) as the difference between the total pension liability (the present value of projected benefit payments to employees based on their past service, using new parameters) and the net plan position (consisting mostly of investments reflected at fair value). Statement No. 68 revises and establishes new financial reporting requirements for most state and local governments that provide their employees with pension benefits by, among other things, requiring governments to recognize long-term obligations for pension benefits as a liability. Major changes include: (1) the inclusion of the NPL on the government employer's balance sheet (unfunded liabilities are currently typically included as notes to the government's financial statements) rather than the portion of the annual required contribution that has not been funded; (2) separation of expenses from funding: reported annual pension expense will no longer be connected to the funding of the plan and could be significantly different from the actuarially determined contributions, and could be more volatile; (3) use of a single blended discount rate reflecting a long-term expected rate of return on plan assets to the extent that assets are projected to be available to pay benefits and a municipal borrowing rate to the extent a funding shortfall is projected; and (4) immediate recognition of certain benefit plan changes, which generally would increase pension expense; and shorter amortization periods than currently used to recognize the effects on the total pension liability for changes in assumptions and differences in assumptions and actual experience. In addition, the new standard requires cost-sharing employers to record a liability and expense equal to their proportionate share of the collective NPL and expense for the cost-sharing plan. Currently an employer in a cost-sharing plan reports a liability only if it fails to make its full contractually required contribution to the plan. GASB Statement No. 67 will be effective for fiscal years beginning after June 15, 2013 and GASB Statement No. 68 will be effective for fiscal years beginning after June 15, 2014. While the State is still in the process of the determining the impact of these GASB statements, it is expected that the implementation of such Statements will have a material effect on the financial position of the State as reflected in its entity-wide financial statements.

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Other Post-Employment Benefit Plans

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

GASB has issued two pronouncements which have impacted the State's accounting and financial reporting for post-employment benefits such as retiree health care benefits, commonly known as Other Post-Employment Benefits ("OPEB"): GASB Statement 43 and GASB Statement 45 (collectively the "GASB Statements").

Briefly, under the GASB Statements, the State must report in its financial statements "costs" associated with future participation of retirees in OPEB. Beginning with the fiscal year ended June 30, 2007 ("FY 2007"), the State implemented financial reporting requirements for OPEB plans under GASB Statement 43. Beginning with the fiscal year ended June 30, 2008 ("FY 2008"), the State implemented accounting and financial reporting requirements for employers under GASB Statement 45. In fiscal year 2012, GASB Statement No. 57, OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans, became effective. As Georgia does not have agent multiple-employer plans, this Statement is not applicable.

The State provides the following significant OPEB plans:

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

Financial statements (including the notes thereto and other supplementary information as presented in the "State of Georgia Comprehensive Annual Financial Report for the fiscal year ended June 30, 2012" attached hereto as APPENDIX C) report accrued OPEB costs and funding progress and other information required by the GASB Statements. The OPEB disclosures rely on information produced by the plans and their independent accountants and actuaries. Actuarial assessments are "forward-looking" valuation estimates that reflect the judgment of the fiduciaries of the plans. Actuarial assessments are based upon a variety of assumptions. Should actual experience differ from actuarial assumptions, the projected OPEB obligations and related OPEB costs would be affected in future years.

The State OPEB Fund and School OPEB Fund are cost-sharing multiple employer defined benefit post-employment healthcare plans. The State Employees' Assurance Department ("SEAD") plans, SEAD-OPEB and SEAD-Active, are cost-sharing multiple employer defined benefit post-employment plans for the provision of life insurance benefits. The BOR Retiree Plan is a single-employer, defined-benefit, post-employment healthcare plan. Membership in the plans as of June 30, 2013 follows:

	State OPEB Fund	School OPEB Fund	SEAD-OPEB	SEAD-Active	BOR Retiree Plan
Retirees and beneficiaries	33,701	71,953	39,636	-	21,601
Terminated employees entitled to benefits			922		-
Active plan members	49,693	175,115	43,127	43,127	37,798
Total	83,394	247,068	83,685	43,127	59,369

Sources: Audited financial statements of the plans as of June 30, 2013 for the BOR Retiree Plan and the SEAD term life insurance plans, and actuarial valuations as of June 30, 2012 for the Georgia State Employees Post-Employment Health Benefit Fund and Georgia School Personnel Post-Employment Health Benefit Fund.

In accounting terms, SHBP, which is described below, primarily operates on a "pay-as-you-go" basis. This is also true for the separate group health plan administered for active employees and retirees by the Board of Regents, under its general power to govern, control and manage the University System of Georgia. Each fiscal year the General Assembly in the general appropriations act determines the maximum amount of the State's contributions, and the Board of Community Health and the Board of Regents, respectively, reacting to input from various entities, determine plan benefits, terms and conditions, contributions required from all employers offering coverage under the respective plans, and the subscription (premium) rate for participants.

Under the pay-as-you-go funding approach, funds had not previously been set aside to pay future health care costs of retirees. However, in 2005, the General Assembly in response to the GASB Statements provided by law for a trust fund for retiree health benefits for the SHBP, in which employer contributions for current and future retiree health costs may be accumulated and invested when available and which has facilitated the separate financial reporting of OPEB. The trust fund was known as the Georgia Retiree Health Benefit Fund. In 2007 the General Assembly enacted similar legislation for the Board of Regents, authorized pursuant OCGA § 47-21-21.

In 2009, the General Assembly revisited the Georgia Retiree Health Benefit Fund and enacted legislation that, effective August 31, 2009, bifurcated the Georgia Retiree Health Benefit Fund into two new and distinct funds: the Georgia School Personnel Post-employment Health Benefit Fund (the "School OPEB Fund") and the Georgia State Employees Post-employment Health Benefit Fund (the "State OPEB Fund"). The purpose of this change was to assure employers responsible for planning and funding future retiree health costs that their contributions will be dedicated to their respective retiree populations. Funds in the Georgia Retiree Health Benefit Fund were segregated by contributions and related earnings attributed to State employees or school personnel (public school teachers and public school employees) and then transferred to the State OPEB Fund or the School OPEB Fund, respectively, as described below. The statute that created the Georgia Retiree Health Benefit Fund was repealed effective September 1, 2010.

Total contributions above pay-as-you-go, including a FY 2008 appropriation of $100 million in State funds, and earmarked for long-term investment in the Georgia Retiree Health Benefit Fund between July 1, 2007 and June 30, 2009 equaled $194,624,418. Employer contributions to the SHBP were reduced from September 2009 through November 2009 in response to the State's budget constraints. In order to ensure adequate funding for pay-as-you-go or "current" retiree expenditures in FY 2010, the Board of Community Health directed on August 13, 2009 that the assets deposited in long-term investments in these funds be liquidated and made available to help pay retiree pay-as-you-go expenditures in FY 2010. The investments were liquidated on August 31, 2009 and resulted in

$136,932,084 being made available in the State OPEB Fund for FY 2010 State and contract group retiree expenses and $33,806,175 in the School OPEB Fund for FY 2010 retired school personnel expenses. The State currently does not anticipate an appropriation of State funds beyond estimated pay-as-you-go costs for OPEB in FY 2014.

Employer contributions to the State OPEB Fund currently are funded as a percent of state agency payroll. Employer contributions are funded through a mix of State appropriations, federal revenue, fee income and other income streams available to State agencies. For FY 2014, the budgeted employer share of pay-as-you-go contributions to the State OPEB Fund is approximately $201 million. Approximately $141 million, or 70.4% of the employer contributions, is budgeted from State appropriations.

Employer contributions to the School OPEB Fund currently are funded from State appropriations to local school districts (also known as Local Education Agencies or LEAs), State appropriations to other educational entities, and from local school district direct contributions. For FY 2014, the budgeted employer share of pay-as-you-go contributions to the School OPEB Fund is approximately $438 million. Approximately $261 million, or 60% of the employer contributions, is budgeted from State appropriations.

The Group Term Life Insurance ("GTLI") benefit is administered by the SEAD Board. The GTLI benefit provides coverage to both active and retired members of ERS, the Legislative Retirement System and certain Judicial Retirement System members. As of today, no new members can be added to the GTLI plan per legislation passed in 2008 and 2009.

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

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

A valuation analysis is conducted each year to determine if employer contributions will be necessary. For fiscal year 2013, the SEAD-OPEB annual required contribution was 0.27% of payroll based on the actuarial valuation as of June 30, 2010. The ERS Board voted and approved that the contribution in the amount of $5.0 million would be paid from existing assets of the Survivors Benefit Fund (described further below) instead of requiring payment by the employers. There were no required contributions for the SEAD-Active for FY 2013. There are no required contributions for either GTLI plan for FY 2014.

The Board of Community Health has received the enrolled actuary's Retiree Medical Actuarial Valuation Report for June 30, 2012. The June 30, 2012 actuarial valuation considers changes in plan options and premium pricing made by the SHBP for the 2013 calendar plan year, including: movement from assessing a spousal surcharge for members covering a spouse with access to other coverage to an increase in premiums for all members covering spouses that reduces the employer subsidy of spousal coverage; increases in deductibles and out of pocket maximums; increases in HMO Standard plan co-payments for primary care, specialty care, and urgent care visits; elimination of the Humana Medicare Advantage PPO Premium Plan; an increase in the co-insurance for the United Healthcare Medicare Advantage PPO Premium Plan; and Health Reimbursement Account (HRA) incentive fund contributions of $240 for members and spouses enrolled in Wellness Plans who complete the 2013 Wellness Promise requirements.

For the State OPEB Fund, the June 30, 2012 UAAL is valued actuarially at $3,867,926,833. The ARC for FY 2015 is $275,680,773. The UAAL on the June 30, 2011 actuarial valuation was $4,311,635,522. It was expected to increase $14,200,000 due to interest and normal cost accruals, offset by employer contributions. Plan changes together with favorable claims experience reduced the UAAL by $362,400,000; however, this reduction was offset by a loss due to the deficiency in the contribution toward the ARC of $142,700,000. In addition, a data audit was performed which analyzed participation in and eligibility for post-employment benefits under the SHBP. For the June 30, 2012 valuation and data audit, both active and retiree census data from the Department of Community Health was used in conjunction with pension data provided by the retirement systems to determine eligibilities and participation election patterns. The data audit resulted in a gain of $116,100,000. A gain of $122,100,000 due to actual experience differing from experience assumptions further reduced the UAAL. With all factors considered the net decrease to the UAAL is $443,708,689.

For the School OPEB Fund, the June 30, 2012 UAAL is valued actuarially at $10,869,939,923. The ARC for FY 2015 is $873,277,873. The UAAL on the June 30, 2011 actuarial valuation was $11,143,125,071. It was expected to increase $80,700,000 due to interest and normal cost accruals, offset by employer contributions. Plan changes together with favorable claims experience reduced the UAAL by $978,100,000. This reduction was offset by a loss due to the deficiency in the contribution toward the ARC of $575,000,000. The data audit resulted in an increase in the UAAL of $310,300,000. A gain of $261,100,000 due to actual experience differing from experience assumptions also reduced the UAAL. With all factors considered, the net reduction to the UAAL is $273,185,148.

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

Pursuant to 2012 valuations, the FY 2015 ARC for the GTLI programs is $0. The employer also pays 0.22% of the 0.45% and 0.03% of the 0.05% of member contributions for ERS old plan members for the SEAD – OPEB and SEAD – Active, respectively. The SEAD – OPEB UAAL was actuarially valued at ($129,472,482) and ($113,666,744) as of the FY 2011 and FY 2012 valuations, respectively. The SEAD – Active UAAL was actuarially valued at ($144,637,555) and ($144,073,334) as of the FY 2011 and FY 2012 valuations, respectively.

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

The BOR Retiree Plan is a single-employer, defined benefit, healthcare plan administered by the Board of Regents for the purpose of accumulating funds necessary to meet employer costs of retiree post-employment health insurance benefits. The Board of Regents actuarial report prepared by its enrolled actuary dated August 29, 2013, indicates that as of July 1, 2012, the BOR Retiree Plan has an UAAL in the amount of $3,758,804,252. The ARC for FY 2013 was $362,426,199. For FY 2013, the

Board of Regents contributed $83,414,616 to the BOR Retiree Plan for current premiums or claims. Plan members receiving benefits contributed $30,135,574 for current premiums or claims.

The July 1, 2012 valuation utilized certain changes in actuarial assumptions and methods and expected claims costs were updated to reflect actual claims experience. Also, all active employees were included in the valuation; in the previous year, only active employees who were currently in the medical plan were included; accordingly, the participation assumption was lowered from 90% to 80%, based on change in the data collection method.

The following table shows the components of the Board of Regents' annual OPEB cost for FY 2013, the amount actually contributed to the BOR Retiree Plan, and changes in the Board of Regents' net OPEB obligation to the BOR Retiree Plan ($ in millions).

	June 30, 2013
Annual required contribution	$362.4
Interest on net OPEB obligation	57.5
Adjustment to annual required contribution	(52.1)
Annual OPEB cost (expense)	367.8
Less: Contributions made	(83.4)
Increase in net OPEB obligation	284.4
Net OPEB obligation – beginning of year (restated)	1,278.2
Net OPEB obligation – end of year	$1,562.6

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

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The funded status of the OPEB plans for each actuarial valuation date since implementation of GASB Statement 43 and GASB Statement 45 is presented in the following table ($ in thousands).

OPEB PLANS
HISTORICAL FUNDING PROGRESS
MARKET VALUE
($ in thousands)

OPEB Plan / Valuation Date	Actuarial Value of Assets equals Market Value (a)	Actuarial Accrued Liability (AAL) Projected Unit Credit (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
State Plan						
6/30/2012[a]	$0	$3,867,927	$3,867,927	0.0%	$2,408,000	160.6%
6/30/2011	0	4,311,636	4,311,636	0.0	2,542,891	169.6
6/30/2010[b]	186	4,478,594	4,478,408	0.0	2,626,081	170.5
6/30/2009	136,932	4,520,953	4,384,021	3.0	2,730,018	160.6
6/30/2008	141,362	4,672,799	4,531,437	3.0	2,864,040	158.2
School Plan[c]						
6/30/2012[a]	0	10,869,930	10,869,930	0.0	9,678,000	112.3
6/30/2011	0	11,143,125	11,143,125	0.0	11,127,288	100.1
6/30/2010[b]	58	11,250,400	11,250,342	0.0	11,446,504	98.3
6/30/2009	33,806	11,900,505	11,866,699	0.3	11,628,960	102.0
6/30/2008	34,900	11,952,050	11,917,150	0.3	11,172,154	106.7
SEAD-OPEB						
6/30/2012	818,284	704,617	(113,667)	116.1	1,962,800	(5.8)
6/30/2011	807,893	678,420	(129,472)	119.1	2,166,982	(6.0)
6/30/2010	680,449	691,001	10,552	98.5	2,401,974	0.4
6/30/2009	628,199	733,671	105,472	85.6	2,653,527	4.0
6/30/2008	737,114	699,884	(37,230)	105.3	2,850,850	(1.3)
SEAD-Active						
6/30/2012	183,390	39,317	(144,073)	466.4	1,962,800	(7.3)
6/30/2011	184,783	40,145	(144,638)	460.3	2,166,982	(6.7)
6/30/2010	156,132	40,523	(115,609)	385.3	2,401,974	(4.8)
6/30/2009	144,161	61,351	(82,810)	235.0	2,653,527	(3.1)
6/30/2008	172,595	62,171	(110,424)	277.6	2,850,850	(3.9)
BOR Retiree Plan						
7/1/2012	166	3,758,970	3,758,804	0.0	2,466,314	152.4
7/1/2011	123	3,494,501	3,494,378	0.0	2,526,212	138.3
7/1/2010	123	3,384,100	3,383,977	0.0	2,432,367	139.1
7/1/2009	10,566	3,129,508	3,118,942	0.3	2,399,532	130.0
7/1/2008	290	3,258,200	3,257,910	0.0	2,372,385	137.3

[a] Reflects changes based on data audit.
[b] Reflects assumption changes based on experience study of 5-year period ending June 30, 2009.
[c] The salary amount shown is total salaries and is not the salary amount upon which regular employer contributions to the SHBP are based. Since individual PSERS salary is not available, it assumes annual salary for PSERS members of $27,000 for 2012, $26,192 for 2011, $25,244 for 2010, $24,332 for 2009, and $24,332 for 2008.

Source: Plan actuarial reports and underlying actuarial data

The following table indicates, on a fiscal year basis, the ARC, the contractually required contribution ("CRC"), the percentage of ARC contributed and any unfunded CRC. Total CRC from all employers participating in the OPEB plans are provided below, with the portion of the CRC contributed by organizations in the State reporting entity provided separately. The BOR Retiree Plan is a single-employer plan. Therefore, all employer contributions to the Regents Plan are the responsibility of the State. Employer contributions to the SEAD-OPEB plan are not required in FY 2014 and FY 2015.

The State currently covers its share of retiree healthcare costs on a pay-as-you-go basis using employer contributions. These contribution rates are set annually by the Board of Community Health in accordance with the annual Appropriations Act.

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ANNUAL EMPLOYER CONTRIBUTION STATUS
($ in thousands)

OPEB Plan / Fiscal Year	ARC	CRC	Percentage of ARC Contributed	CRC Amount Unfunded	State Portion CRC	State Portion Amount Unfunded
State Plan						
2013[d]	$338,819	$181,504	53.6%	-	$169,992	-
2012	317,100	181,899	57.4	-	159,827	-
2011	327,053	168,384	51.5	-	147,749	-
2010[a]	347,772	22,209	6.4	-	19,516	-
2009	387,790	170,790	44.0	-	150,756	-
School Plan						
2013[d]	$982,120	$362,527	36.9%	-	$1,947	
2012	1,054,708	380,859	36.1	-	1,949	-
2011	1,050,851	339,221	32.3	-	1,682	-
2010	1,080,042	308,539	28.6	-	1,535	-
2009	1,290,050	303,348	23.5	-	1,571	-
SEAD-OPEB and SEAD-Active						
2013[e]	-	-	-	-	-	-
2012[b]	-	-	-	-	-	-
2011	-	-	-	-	-	-
2010	-	-	-	-	-	-
2009	-	-	-	-	-	-
BOR Retiree Plan						
2013[d]	$362,426	$83,414	23.0%	-	$83,414	-
2012	345,298	88,836	25.7	-	88,836	-
2011	411,516	80,262	19.5	-	80,262	-
2010	381,700	69,900	18.3	-	69,900	-
2009[c]	349,500	89,200	25.5	-	89,200	-

[a] FY 2010 employer contributions to the State Plan are significantly reduced from prior years because current year claims were paid from existing plan assets.
[b] The SEAD-OPEB had FY 2012 ARC of $12.7 million paid on behalf of employers from existing assets of the Survivors Benefit Fund. Of that amount, $11.1 million was paid on behalf of organizations in the State reporting entity for FY 2012. There were no required employer contributions for FY 2012 for SEAD-Active.
[c] FY 2008 and FY 2009 for the BOR Retiree Plan were restated to correct the methodology for determining the split between retiree and active employee claims expense.
[d.] Unaudited estimate
[e] The SEAD-OPEB had FY 2013 ARC of $5.0 million paid on behalf of employers from existing assets of the Survivors Benefit Fund. Of that amount, $4.5 million was paid on behalf of organizations in the State reporting entity for FY 2013 (unaudited). There were no required employer contributions for FY 2013 for SEAD-Active.
Sources: Plan annual reports and actuarial reports and the State of Georgia CAFR

For additional information on the health benefit plans and OPEB, see "Statement of Fiduciary Net Assets Fiduciary Funds June 30, 2012" on pages 34-35 and Note 11, "Postemployment Benefits," on pages 98-103 in APPENDIX C hereto.

Employee Health Benefit Plans

State Health Benefit Plan. The SHBP is comprised of three health insurance plans: (1) a plan primarily for State employees (O.C.G.A. § 45-18-2), (the "State Employees' Plan"), (2) a plan for teachers (O.C.G.A. § 20-2-881) (the "Teachers' Plan"), and (3) a plan for non-certificated public school employees (O.C.G.A. § 20-2-911) (the "Public School Employees' Plan"). All three plans operate on a plan year that is coincident with the calendar year. The State Employees' Plan is supported by the fund described in O.C.G.A. § 45-18-12, which holds contributions from State departments and agencies and other entities authorized by law to contract with DCH for inclusion, as well as contributions from their employees and retirees. Starting September 1, 2009, retirees' contributions and the portion of employer contributions to the State Employees' Plan allocated by DCH for the payment of retiree benefits are deposited in the Georgia State Employees' Post-employment Health Benefit Fund. For FY 2014, the budgeted share of the employer contributions to the State Employee's Plan from State appropriations is estimated to be approximately 70.4%.

The Teachers' Plan is supported by the fund described in O.C.G.A. § 20-2-891, which holds contributions from the Department of Education, local school systems, libraries and regional educational service agencies ("RESAs"), as well as contributions from their employees and retirees. The Public School Employees' Plan is supported by the fund described in O.C.G.A. § 20-2-918, which holds contributions from the Department of Education, local school systems, libraries and RESAs, as well as contributions from their employees and retirees. Starting September 1, 2009, retirees' contributions and the portion of employer contributions to the Teachers' Plan and the Public School Employees' Plan allocated by DCH for the payment of retiree benefits under those plans are deposited in the Georgia School Personnel Post-employment Health Benefit Fund. For FY 2014, the budgeted share of the employer contributions to the Teacher's Plan and the Public School Employees' Plan from State appropriations is approximately 60%.

The DCH conducted a procurement of vendor services for the SHBP and effective January 1, 2014, there will be statewide Third Party Administrator who will also provide medical management services (Blue Cross Blue Shield), a separate Pharmacy Benefit Manager (Express Scripts, Inc.) and a separate Wellness vendor (Healthways). Savings as a result of this procurement are projected at $163 million in FY 2015.

The SHBP has also redesigned its plan offerings by eliminating the HMO and High Deductible Health Plan options and, instead, will offer three Health Reimbursement Account (HRA) plans that are actuarially equivalent to plans offered on the Health Insurance Marketplace. This simplifies comparisons members may make between the Marketplace and SHBP as well as assures that SHBP meets the requirements under the Affordable Health Care Act. All three plan options are consumer driven plans with high deductibles that are offset by HRA contributions. As a contribution of the wellness strategy, members may earn extra HRA dollars by completing wellness actions; the use of HRAs provides the mechanism for payment of the wellness incentives.

In addition to procurement of services and plan changes, revenue enhancements were approved by the DCH board in June 2013. The Non-Certificated Public School Employee Per Member Per Month (PMPM) Employee Contribution Rate (ERC) was increased from $446.20 to $596.20 effective July, 2013. The Teachers Plan ECR was increased to $945.00 PMPM for each non-library employee enrolled in the Teachers Plan, and to $843 PMPM for each library employee enrolled in the Teachers Plan. The State ECR was increased from an annual rate of 29.781% to 30.781%. Taken together, these revenue enhancements are projected to increase revenue to the plan by $160 million in FY 2014. DCH will continue to move toward parity in contribution rates to the health plan and will adjust rates for FY 2015 accordingly.

Requirements of the Affordable Care Act and associated fees are projected to increase costs to the SHBP by $41 million in FY 2014 and $121 million in FY 2015. Included in these costs is the requirement to cover 100% of coverage for certain women's health services. Also included is the Comparative Effectiveness Research ("CER") fee, which finances the Patient-Centered Outcomes Research Institute ("PCORI") Trust Fund. The CER or PCORI fee is assessed at $1 per covered life per year in year one (FY 2014 for the SHBP), $2 per covered life per year in year two, and increases in year three based on a formula that includes increases in the projected per capita amount of National Health Expenditures provided by the U.S. Department of Health and Human Services.

DCH is projecting that the individual mandate will add $23 million of costs to the SHBP in FY 2014 and $49 million in FY 2015 if 15 percent of the members who now waive SHBP coverage elect SHBP coverage in 2014 and 2015. This cost does not include any offset in new member premiums. The requirement that all medical and pharmacy co-pays start counting toward the out-of-pocket maximum is projected to cost the SHBP an additional $26 million in Fiscal Year 2015. Finally, the Transitional Reinsurance Fee of $63 per covered life per year is projected to cost the SHBP over $28 million in Fiscal Year 2015.

Board of Regents Health Benefit Plan. The University System of Georgia offers its employees and retirees access to three different self-insured healthcare plan options. For the University System of Georgia's Plan Year 2013, the following health care options were available: Blue Choice HMO plan, (Blue Cross Blue Shield) HAS Open Access POS plan, and the (Blue Cross Blue Shield) Open Access POS plan. The University System of Georgia institutions and participating employees pay premiums to either of the self-insured healthcare plan options to access benefits coverage. All units of the University System of Georgia share the risk of loss for claims associated with these plans. The reserves for these plans are considered to be a self-sustaining risk fund. The Board of Regents has contracted with Blue Cross Blue Shield of Georgia, a wholly owned subsidiary of WellPoint, to serve as the claims administrator for the self-insured healthcare plan products. In addition to the self-insured healthcare plan products offered to the employees of the University System of Georgia, a fully insured HMO healthcare plan option also is offered to System employees through Kaiser. The prescription drug plan is administered through Medco Health Solutions. Pharmacy drug claims are processed in accordance with guidelines established for the Board of Regents' Prescription Drug Benefit Program. Generally, claims are submitted by participating pharmacies directly to Medco Health Solutions for verification, processing and payment. Medco Health Solutions maintains an eligibility file based on information furnished by Blue Cross – Blue Shield on behalf of the various organizational units of the University System of Georgia.

The self-funded plan reserve fund had the following cash basis activity for FY 2012: premiums collected of $471,913,502; claims and expenses paid of $450,723,271; Medicare Part D subsidies collected of $6,591,173; prescription rebates of $15,092,129; and other income of $1,162,706 resulting in a fund surplus for FY 2013 of $44,036,239. As of June 30, 2012, the self-funded plans had IBNR claims of $26,269,302 for active employees and $9,714,307 for retirees. As of June 30, 2013, the self-funded plans had IBNR claims of $32,737,154 for active employees and $9,326,592 for retirees, and held investment assets of $9.8 million in the self-funded reserve fund.

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

SIGNIFICANT CONTINGENT LIABILITIES

Western Surety Company

Western Surety Company and Continental Casualty Company v. the State of Georgia, Department of Transportation, Heard County Superior Court Civil Case No. 08-v-106, filed on March 18, 2008. The plaintiffs, Western Surety Company and Continental Casualty Company (collectively, "Western Surety") were the sureties for Bruce Albea Company ("BAC") on a Georgia Department of Transportation ("GDOT") project. On June 29, 2007, BAC delivered a notice to GDOT advising that it was voluntarily abandoning the project. GDOT directed Western Surety to take over the work in accordance with the construction contract and Western Surety subsequently hired a completion contractor. Western Surety filed this action against GDOT on March 18, 2008 alleging three breach of contract causes of action, two related to price escalations of asphalt both prior to and subsequent to the original completion date, and the third alleging the failure to pay an outstanding contract balance in excess of $500,000 for work performed by the completion contractor. Western Surety also alleges a claim under the Prompt Payment Act. Western Surety's initial estimate of damages was approximately $9,000,000. The parties went to mediation in March 2010, but failed to reach a settlement. On March 9, 2010, GDOT filed a motion for partial summary judgment on the majority of the issues. The hearing on the motion was held on March 28, 2011; however, based on arguments made by Western Surety during the summary judgment hearing it now appears that the damages sought by Western Surety have been reduced to $4,500,000. The Court granted GDOT's motion for summary judgment on January 25, 2013. Western Surety filed an appeal with the Georgia Court of Appeals on February 19, 2013 and the case is docketed as Western Surety Company et al. v. the State of Georgia, Department of Transportation, Ga. Court of Appeals Case No. A13A2157. Both parties filed briefs in September 2013, and the Court of Appeals is expected to render a decision by March 2014.

Phoenix Development v. Board of Regents

Phoenix Development and Land Investment, LLC v. Board of Regents, Athens-Clarke County Superior Court, Civil Case No. SU11CV0977, filed on June 30, 2011. The plaintiff, Phoenix Development and Land Investment ("Phoenix") purchased real property adjacent to property owned by the Board of Regents, upon which the Board of Regents inadvertently had placed part of an inert landfill across the adjoining property line prior to Phoenix's purchase. Phoenix filed an ante litem notice and subsequent lawsuit against the Board of Regents, claiming trespass, nuisance and inverse condemnation, seeking damages in the amount of $16,000,000. In between the submission of the ante litem notice and the filing of the lawsuit, Phoenix filed for Chapter 11 bankruptcy protection in the United States Bankruptcy Court, Middle District of Georgia. In order to properly close the landfill in accordance with Georgia Environmental Protection Division regulations, the Board of Regents must have record title to the entire landfill plus a 100-foot buffer zone, therefore the Board of Regents filed a counterclaim for quiet title in the disputed property. The Board of Regent's position is that it already owns a property interest in the land being disputed by virtue of the "inadvertent taking," and the subsequent expiration of the applicable limitations period(s). The Board of Regents will assert its property interests in the Superior Court litigation, and believes that any potential recovery by Phoenix is limited to the reduction in the market value of the property. The Board of Regents later amended its counterclaim to assert that Phoenix has no rights to certain easements alleged to have been created between Phoenix's predecessor in title and the Board of Regents, including access to the Phoenix tract via BOR's unpaved road. Phoenix filed a Second Amended Complaint asserting rights to such easements and alleging a fraud claim against the Board of Regents. SCBT Bank, which holds a security interest in the Phoenix tract, subsequently foreclosed on, and purchased, the entire Phoenix tract. SCBT Bank also filed a motion to convert the Phoenix bankruptcy from a Chapter 11 to a Chapter 7 which, if granted, will place a bankruptcy trustee in charge of Phoenix's litigation claims. The Special Master appointed to hear the Quiet Title proceedings has issued a report finding that title to the disputed property lies with Phoenix. The Board of Regents intends to file a motion to reject and/or modify such finding. SCBT Bank has filed a motion to intervene in the Superior Court litigation and has requested a stay of same in order to allow SCBT Bank to review pleadings and participate in an upcoming Superior Court motions hearing. No trial date is set.

Tibbles v. Teachers Retirement System of Georgia

Tibbles v. Teachers Retirement System of Georgia, et al., Fulton County Superior Court Civil Case No. 2012-CV-223341, October 31, 2012. This is a proposed class action filed by a retired teacher who alleges that TRS has underpaid her monthly retirement benefit as well as those of the members of the purported class. The TRS statutes provide a formula by which a retiree's monthly benefit is determined based on a combination of the retiree's highest average two years of salary and the number of years of employee service. The plaintiff claims that TRS's administrative rule by which it calculates the highest average two-year salaries violates the corresponding statutory provision in that the administrative rule under-includes salary paid within two-year periods. On December 5, 2012, the Defendants filed their Answer denying all of the plaintiff's claims. The outcome of the case most likely will depend simply on whether the Court agrees with the plaintiff's or the defendant's interpretation of the statutes. The Court has approved the parties' joint request to litigate first the question of whether there is any liability to Plaintiff Tibbles. If the Court rules that there is liability, then the parties will litigate the issue of whether a class should be certified. Discovery activities in this first liability phase will conclude shortly, and the parties are expected to file cross-motions for summary judgment in December 2013. At this time, the State cannot estimate the amount of potential damages in the event of a successful class action; however, the State will vigorously contest these claims.

Georgia Power Co. v. Douglas J. MacGinnitie

Georgia Power Company, et al. v. Douglas J. MacGinnitie, Commissioner, Georgia Department of Revenue, Ga. Tax Tribunal Docket No. 1403540, July 26, 2013. Georgia Power seeks a refund of sales and use taxes allegedly paid on purchases of certain tangible personal property, consisting of machinery, equipment and related repair parts, which Georgia Power asserts to be "necessary and integral" to the production of electricity within the meaning of manufacturing-related sales and use tax exemptions. The total sales and use tax refund claimed by Georgia Power is in excess of $18,000,000. The Commissioner's position is that, although certain tangible personal property purchased for the purpose of generating electricity may qualify for a manufacturing sales tax exemption, the machinery and equipment comprising the transmission and distribution system for the electricity generated by Georgia Power (including but not limited to power lines, poles, and transformers) is not part of the manufacturing process, and therefore the tangible personal property items purchased for the transmission and distribution system do not qualify for the sales tax exemption. The parties are currently in the discovery phase of litigation.

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SIGNIFICANT MATTERS

Interstate Water Disputes Among Georgia, Alabama and Florida

Background.

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

ACF River Basin Litigation.

Several cases involving the federal reservoirs in the ACF River Basin were consolidated by the Judicial Panel on Multidistrict Litigation (the "JPML") and assigned to U.S. District Judge Paul Magnuson in the M.D. Fla. District Court (the "ACF River Basin Litigation"). The ACF River Basin Litigation was docketed as <u>*MDL-1824 In Re Tri-State Water Rights Litigation*</u>, M.D. Fla., Case No. 3:07-MD-1. The main components of the ACF River Basin Litigation were: (1) several cases involving the authority of the Corps to operate Lake Lanier for water supply (this portion of the ACF River Basin Litigation is referred to as "Phase 1"), and (2) cases dealing with the quantity of water that the Corps must release from the federal reservoirs in the ACF River Basin to support the habitats of certain endangered and threatened species in the Apalachicola River in Florida pursuant to the Endangered Species Act (the "ESA") (this portion of the ACF River Basin Litigation is referred to as "Phase 2").

Phase 1. Phase 1 of the ACF River Basin Litigation involved primarily interpretation of two statutes that govern the Corps' authority to operate Buford Dam and Lake Lanier: the River and Harbor Act of 1946 (the "1946 RHA") and the Water Supply Act of 1958 (the "WSA"). The 1946 RHA is the statute that authorized the construction of Buford Dam and Lake Lanier. The WSA allows the Corps to include storage in any reservoir project nationwide for municipal water supply, subject to certain restrictions.

On July 17, 2009, Judge Magnuson reached a decision in Phase 1 of the ACF River Basin Litigation (the "Phase 1 District Court Order"). In the Phase 1 District Court Order, Judge Magnuson held, among other things, that: (1) water supply was not an authorized purpose of the Buford Dam/Lake Lanier project under the 1946 RHA; and (2) the Corps' operations to meet current (and therefore also future) water supply demands exceeded the supplemental authority that the WSA provides. The State of Georgia, other parties aligned with it, and the Corps appealed the Phase 1 District Court Order to the Eleventh Circuit. The appeals were docketed as <u>*In Re: MDL-1824 Tri-State Water Rights Litigation*</u>, United States Court of Appeals for the Eleventh Circuit Case Nos. 09-14657-G, 09-14810-G, and 09-14811-G.

On June 28, 2011, the Eleventh Circuit issued a decision (the "Eleventh Circuit Decision") reversing the Phase 1 District Court Order. The Eleventh Circuit Decision held, among other things, that

(1) water supply is an authorized purpose of Lake Lanier under the 1946 RHA; (2) water supply is not subordinate to hydropower or other purposes under the 1946 RHA; (3) Congress contemplated in the 1946 RHA that water supply may have to be increased over time, at the expense of hydropower, as the metropolitan Atlanta area grows; (4) the 1946 RHA authorizes the Corps to reallocate storage from hydropower to water supply; (5) the WSA supplies supplemental authority, in addition to the authority under the 1946 RHA, for the Corps to reallocate storage to water supply; and (6) the M.D. Fla. District Court lacked jurisdiction to hear the Alabama/Florida Parties' Phase 1 claims because they were not challenges to any final agency action. The Eleventh Circuit remanded the case to the M.D. Fla. District Court with instructions for the M.D. Fla. District Court to remand the State of Georgia's water supply request to the Corps for the Corps to decide the extent to which it can reallocate storage to meet Georgia's present and future water supply needs in light of the Eleventh Circuit's holdings regarding interpretation of the 1946 RHA and the WSA. The Alabama/Florida Parties petitioned the Eleventh Circuit for rehearing. The Eleventh Circuit denied that petition. The Alabama/Florida Parties filed a petition for certiorari to the U.S. Supreme Court. The U.S. Supreme Court denied the petition for certiorari. The Eleventh Circuit Decision therefore stands. On June 26, 2012, the Corps determined that it possesses the legal authority to grant Georgia's water supply request in its entirety. The Corps having complied with the instructions of the Eleventh Circuit Decision, the Eleventh Circuit remanded any remaining jurisdiction over Phase 1 to the M.D. Fla. District Court with instructions to remand to the Corps. The M.D. Fla. District Court has yet to issue a remand order, but the Corps is in the process of determining whether and how it will grant Georgia's water request in whole or in part.

Phase 2. In Phase 2 of the ACF River Basin Litigation, the State of Florida and other parties aligned with it (the "Florida Parties") claimed that the Corps' operating plan for the federal reservoirs in the ACF River Basin would place certain endangered and threatened species in jeopardy and result in adverse modification of the critical habitats of those species in violation of the ESA. An analysis by the United States Fish and Wildlife Service (the "FWS") found that the Corps' operating plan would not violate the ESA. On July 21, 2010, Judge Magnuson entered summary judgment in favor of the Corps and the FWS and against the Florida Parties as to all claims in Phase 2 of the ACF River Basin Litigation (the "Phase 2 District Court Order"). The Florida Parties appealed the Phase 2 District Court Order to the Eleventh Circuit, but subsequently moved to stay the appeal. The Florida Parties then made a filing with the Eleventh Circuit stating that they believed the Phase 2 appeals were moot because the Corps had issued a new operating plan that replaces the prior one, and the FWS had made a new determination on the basis of that new operating plan. The Phase 2 appeals were docketed as *State of Florida v. U.S. Army Corps of Engineers*, United States Court of Appeals for the Eleventh Circuit Case Nos. 10-14403 & 10-14511. The Eleventh Circuit issued an Order on November 6, 2012 dismissing the appeals as moot and remanding the case to the M.D. Fla. District Court to determine whether to vacate the order below. On January 25, 2013, the M.D. Fla. District Court vacated its order. Therefore, no claims in Phase 2 remain pending.

On October 1, 2013, the State of Florida filed a motion for leave to file a complaint in the U.S. Supreme Court against the State of Georgia, seeking an apportionment of the waters of the ACF River Basin. The Supreme Court has original and exclusive jurisdiction over suits directly between states. The suit challenges Georgia's use of the waters of the ACF Basin for municipal and industrial use and for agriculture. The State of Georgia intends to vigorously defend the suit.

ACT River Basin Litigation.

In addition to the ACF River Basin Litigation, the State of Alabama and parties aligned with it (the "Alabama Parties") asserted claims in the N.D. Al. District Court concerning the Corps' reservoir operations in the ACT River Basin and a permit that the Corps issued for the construction of the Hickory Log Creek Reservoir (the "ACT River Basin Litigation"). The ACT River Basin Litigation included claims by the Alabama Parties that the Corps had exceeded its authority under the WSA through its operation of Lake Allatoona; that the Corps had acted illegally in allowing the Cobb-Marietta Water Authority ("CCMWA"), which supplies potable water to several large municipal water systems in the northwestern metropolitan Atlanta region, to allegedly withdraw more water than is allowed under CCMWA's storage contract with the Corps; and that the Corps violated the National Environmental Policy Act and other statutes when it issued the permit to the City of Canton and CCMWA for the Hickory Log Creek Reservoir. The ACT River Basin Litigation was docketed as *Alabama, et al. v. U.S. Army Corps of Engineers, et al.*, N.D. Al. District Court Case No. 1:90-CV-01331. The ACT River Basin Litigation was stayed for nearly twenty years. The Corps, and the State of Georgia and parties aligned with it, filed a motion to dismiss most of the claims in the ACT River Basin Litigation (including all of those challenging operation of Lake Allatoona for water supply) for lack of subject matter jurisdiction on the basis of the Eleventh Circuit Decision in Phase 1 of the ACF River Basin Litigation. On July 2, 2012, the N.D. Al. District Court granted the motions to dismiss. By stipulation on October 22, 2012, the Alabama Parties dismissed all remaining claims in the ACT River Basin Litigation that were not addressed in the July 2, 2012 dismissal order. The Alabama Parties did not appeal the July 2, 2012 dismissal order to the Eleventh Circuit. The State of Georgia has submitted a request to the Corps for it to accommodate water supply needs from Lake Allatoona beyond those that can be met under existing storage contracts. Georgia has determined that, depending on how the Corps accounts for storage usage, local governments that now withdraw water from Lake Allatoona may need additional storage to accommodate current levels of withdrawal, as well as future demands. The Corps has stated that it is reviewing that request and has yet to make a determination whether it will grant the request.

Borrowing for Funding of State Unemployment Benefits

The Federal Unemployment Trust Fund ("UTF") was established by the Federal Unemployment Tax Act ("FUTA") and is managed by the United States Treasury (the "U.S. Treasury"). One purpose of the UTF is to provide federal financing to states under Title XII of the Social Security Act through the Federal Unemployment Account ("FUA"). FUA provides loans to state unemployment programs to ensure a continued flow of unemployment benefits during times of economic downturn. Under O.C.G.A. § 34-8-87, the Commissioner of Labor is authorized to borrow such funds from the U.S. Treasury if and when the State Unemployment Compensation Fund is depleted, and all borrowed funds must be used only for the purpose of paying unemployment benefits to eligible persons. Title XII provides that the FUA loans may be repaid at any time and may be paid from unemployment taxes or other state funds. Currently twenty-two states, including Georgia, are utilizing this program.

Loans from FUA that are not repaid by the end of the federal fiscal year (September 30) in which they were obtained are subject to interest; however, Title XII provides that any interest payable on the loans cannot be paid with unemployment insurance taxes or administrative grant funding, thus other state funds must be used to pay interest costs. The applicable FUA interest rate is determined on an annual basis. The current FUA loans have an interest rate of 2.5765%. Georgia has paid all FUA interest payments which have become due, most recently on September 27, 2013. The next interest payment will be due on September 30, 2014.

All new FUA borrowings must be repaid by November 10 of the second year of the loan; if the total borrowed amount is not repaid by that date, the federal unemployment tax on the state's employers is effectively increased (by credit reduction) and the additional taxes are applied as payments against the loans. In the first year of any such increase, each employer must pay an additional $21.00 per year per employee in federal unemployment taxes and such additional amount will increase each year (by additional credit reductions) until the borrowing is repaid. FUA credit reductions have resulted in payments which have reduced the State's outstanding Title XII advance balance to $296,329,684.02 as of

November 4, 2013, approximately $425 million less than the highest amount of such balance following the recent economic recession.

During its 2012 legislative session, the Georgia General Assembly passed legislation (Ga. L. 2012, Volume One, Book Two, p. 950, *et seq.*, Act No. 710, H.B. 347, referred to herein as "H.B. 347") making changes to the State employment security system to enable the outstanding balance of FUA borrowings to be repaid more quickly and to begin rebuilding the State Unemployment Compensation Fund. H.B. 347 increased the taxable wage base (from $8,500) to $9,500 commencing January 1, 2013 and for future years. O.C.G.A. § 34-8-49(b)(1)(E). H.B. 347 provides that in the event the state-wide reserve ratio (computed as of June 30 of each year by dividing the balance in the State Unemployment Compensation Fund, including accrued interest, by the total covered wages paid in the State during the previous calendar year) is less than 1.25% and either there is an outstanding FUA loan balance or the State Unemployment Compensation Fund balance is less than $1 billion, a mandatory surcharge shall be imposed upon employers. O.C.G.A. § 34-8-156(d)(4)(B). H B 347 also reduced the maximum number of weeks that benefits can be paid from 26 to a range of 14 – 20 weeks based upon a designated unemployment rate, which will reduce future benefit costs. O.C.G.A. § 34-8-193(d).

Immigration Legislation

During its 2011 session, the Georgia General Assembly passed the Illegal Immigration Reform and Enforcement Act of 2011 (Ga. L. 2011, Volume One, Book One, p. 794, *et seq.*, Act No. 252, H.B. 87, signed by the Governor on May 13, 2011 and effective July 1, 2011, referred to herein as "H.B. 87"). The provisions of H.B. 87 include, but are not limited to, provisions addressing criminal laws regarding: identity fraud, transporting and harboring persons that are present in the United States illegally, requiring governmental bodies to obtain affidavits from contractors entering into contracts with governmental bodies involving activities defined as physical performance of services within the State regarding their participation in a specifically defined work authorization program, requiring private employers having more than ten employees to register with and utilize a specifically defined federal work authorization program, and requiring governmental bodies to obtain affidavits from certain persons regarding their participation in the specifically defined work authorization program before issuance or renewal of a business license, occupational tax certificate or other document required to operate a business.

On June 2, 2011, the Georgia Latino Alliance for Human Rights and a number of other plaintiffs filed suit in the N.D. Ga. District Court against the Governor and a number of other State officials as well as one local official seeking a declaratory judgment and injunctive relief regarding the constitutionality of H.B. 87. *Ga. Latino Alliance for Human Rights v. Deal*, Civil Case No. 1:11-CV-1804. On June 27, 2011, the N.D. Ga. District Court enjoined the enforcement of two sections of H.B.87. Specifically, the N.D. Ga. District Court prohibited enforcement of Section 7 which criminalizes behavior for those who facilitate illegal immigration by knowingly and intentionally harboring, enticing or transporting and illegal aliens within the State. The N.D. Ga. District Court also enjoined the enforcement of Section 8 which authorizes Georgia law enforcement officers to reasonably investigate immigration status where they have probable cause to believe a crime has been committed. (*Ga. Latino Alliance for Human Rights v. Deal*, 793 F.Supp. 2d 1317, 2011 U.S. Dist. LEXIS 69600).

The State appealed the grant of the injunction to the Eleventh Circuit on July 8, 2011 and the N.D. Ga. District Court case was stayed pending resolution of the appeal (*Georgia Latino Alliance v. Governor of Georgia*, United States Court of Appeals for the Eleventh Circuit, Case No. 11-13044). Oral argument on the appeal was conducted before the Eleventh Circuit on March 1, 2012. Subsequent to the decision of the U.S. Supreme Court in *Arizona v. United States*, where the question presented was whether the federal immigration laws preclude certain provisions of Arizona's immigration laws (*Arizona* *v. United States*, 132 S. Ct. 2492, 2012 U.S. Lexis 4872, issued June 25, 2012), the Eleventh Circuit issued an opinion in *Georgia Latino Alliance v. Governor of Georgia* on August 20, 2012. The Eleventh Circuit ruled that portions of H.B. 87 are unconstitutional and upheld the N.D. Ga. District Court injunction prohibiting enforcement of Section 7, but reversed the N.D. Ga. District Court injunction of enforcement of Section 8. The Eleventh Circuit remanded certain issues to the N.D. Ga. District Court for further proceedings. (*Georgia Latino Alliance v. Governor of Georgia*, 691 F.3d 1250, 2012 U.S. App. LEXIS 17514). The State filed a petition with the Eleventh Circuit for rehearing en banc, which was denied. Upon remand, the N.D. Ga. District Court entered a permanent injunction of enforcement of Section 7, and dismissed the remaining claims, holding that the Plaintiffs could not show that Section 8 was invalid on its face. The District Court case was dismissed on July 24, 2013. The Plaintiffs filed a motion for reconsideration with the District Court, which was denied on September 26, 2013. The Plaintiffs had 30 days to appeal this decision and to file any motion for attorneys' fees. The Plaintiffs did not appeal such decision nor file such motion and thus the District Court case is concluded.

INSURANCE

The type and amounts of insurance that are carried by the various departments of the State and the State's agencies and authorities are specified through contracts between the Department of Administrative Services and each such department, agency or authority entered into pursuant to the provisions of O.C.G.A. Title 50, Chapter 5 and other sections of the Official Code of Georgia Annotated. See "APPENDIX C – STATE OF GEORGIA – Basic Financial Statements For Fiscal Year Ended June 30, 2012" "Notes to the Financial Statements – Note 12: Risk Management" herein.

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APPENDIX B

SELECTED SUMMARY FINANCIAL INFORMATION
FOR FISCAL YEAR ENDED
JUNE 30, 2013
(Unaudited)

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State of Georgia

Selected Summary Financial Information

Fiscal Year Ended June 30, 2013

"Thunder Clouds over Atlanta", Photograph by John Mason, Mableton, Georgia

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

STATE OF GEORGIA
SELECTED SUMMARY FINANCIAL INFORMATION
GENERAL FUND (STATUTORY BASIS)

- TABLE OF CONTENTS -

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State Accounting Office of Georgia

Fiscal Leadership for Georgia

Nathan Deal
Governor

Thomas Alan Skelton, CPA
State Accounting Officer

September 9, 2013

The Honorable Nathan Deal, Governor of Georgia
Teresa MacCartney, Executive Director of OPB

It is my privilege to present the *Summary of Selected Financial Information* for the fiscal year ended June 30, 2013. The objective of this report is to present information about taxes, fees, assessments, and other revenues collected under Constitutional and statutory authority and remitted to the Office of the State Treasurer (OST) during the fiscal year. The report also provides the legislative appropriation of such funds as set forth in the Amended Appropriations Act of 2012 – 2013. Finally, the report provides balances remaining at fiscal year end including a preliminary calculation of the revenue shortfall reserve.

This report does not provide a comprehensive analysis of the State's general operating revenue, but discloses only those amounts remitted to OST. Federal funds and departmental collections retained for use by the various departments and agencies of the State are not presented in this report.

Information in this report is presented on a basis of accounting (statutory basis), which is substantially the same as the cash receipts and disbursements basis of accounting, with the following exceptions, for which (net) funds available or appropriations have been reported even though cash has not been received/disbursed:

(1) Amounts due from the Georgia Lottery Corporation,
(2) Amounts due to the various State organizational units for
    (a) Operational costs of the fiscal year and
    (b) Undistributed sales tax collections (for local governments).

This basis of accounting is a comprehensive basis of accounting other than generally accepted accounting principles.

The information contained in this report should not be construed to present the financial position or results of operations of the State of Georgia as a whole. Such information will be presented in the *State of Georgia Comprehensive Annual Financial Report*, which will be issued in December 2013.

Respectfully submitted,

Alan Skelton
State Accounting Officer

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DEPARTMENT OF AUDITS AND ACCOUNTS
270 Washington Street, S.W., Suite 1-156
Atlanta, Georgia 30334-8400

Greg S. Griffin
STATE AUDITOR
(404) 656-2180

September 9, 2013

Mr. Alan Skelton, State Accounting Officer
State Accounting Office
200 Piedmont Avenue
1604 West Tower
Atlanta, Georgia 30334

Independent Accountant's Report on Applying Agreed-Upon Procedures

Dear Mr. Skelton:

We have performed the procedures enumerated below, which were agreed to by the State Accounting Office on the behalf of management of the State of Georgia, solely to assist you in assessing the accuracy of the current year information as presented in the State of Georgia's 2013 *Selected Summary Financial Information.* This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Procedure:

1. Examine the fiscal year 2012 adjustments included in the amounts reported in the Office of the State Treasurer's (OST's) financial statements and trace each amount to the appropriate documentation to ensure they have been correctly applied.

Findings:

No exceptions were found as a result of applying the procedure.

Procedure:

2. Verify that the "cut-off" for "in-transit" remittances for the Department of Revenue (DOR) is consistent with that for the prior fiscal year.

Findings:

No exceptions were found as a result of applying the procedure.

Procedure:

3. Select the top five remitting departments (other than DOR) and confirm amounts included on OST's financial statements with the remitting department (either by TeamWorks query or inquiry of department personnel) to ensure that amounts reported are not different by more than $1,000,000 for each department tested.

Findings:

No exceptions were found as a result of applying the procedure.

Procedure:

4. Confirm remittances by DOR to OST for the following tax types. Determine if there are variances greater than $1,000,000 for any of the following selected tax types:

   a. Corporate Income Tax
   b. Individual Income Tax
   c. General Sales and Use Tax
   d. Selective Sales Tax – Motor Fuel Excise and Carrier Mileage Tax
   e. Selective Sales Tax – Tobacco Products
   f. Motor Vehicle License Tax

Findings:

No exceptions were found as a result of applying the procedure.

Procedure:

5. Verify the amounts recorded as Motor Fuel Tax receipts on DOR's accounting records and the calculation of interest earned on Motor Fuel Taxes prepared by OST, use this verification to recalculate the appropriation available for roads and bridges and compare it to the amount reported for Total Motor Fuel Funds Available for Appropriation.

Findings:

No exceptions were found as a result of applying the procedure.

Procedure:

6. Review the following distributions applicable to the fiscal year ended June 30, 2013 made during July 2013 by DOR (and any adjustments made thereto by SAO) to ensure that they have been accurately reported:

   a. Education Local Option Sales Tax
   b. Local Option Sales Tax
   c. MARTA Sales Tax
   d. Special Purpose Local Option Sales Tax

Findings:

No exceptions were found as a result of applying the procedure.

Procedure:

7. Review the documentation supporting DOR's calculation of the Undistributed Sales Tax liability and determine if the related revenue collections have been appropriately adjusted.

Findings:

No exceptions were found as a result of applying the procedure.

Procedure:

8. Recalculate each of the following fund balance reserves in accordance with the applicable statutes and constitutional provisions to determine if amounts reported have been appropriately calculated:

    a. Lottery Reserves
    b. Revenue Shortfall Reserve
    c. Tobacco Settlement Reserve
    d. Guaranteed Revenue Debt Common Reserve

Findings:

No exceptions were found as a result of applying the procedure.

We were not engaged to, and did not conduct an examination, the object of which would be the expression of an opinion on the current year information as presented in the State of Georgia's 2013 *Selected Summary Financial Information*. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the State Accounting Office and the management of the State of Georgia and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully,

Greg S. Griffin

Greg S. Griffin
State Auditor

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CURRENT YEAR INFORMATION

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STATE OF GEORGIA
SELECTED SUMMARY FINANCIAL INFORMATION
GENERAL FUND (STATUTORY BASIS)
FUNDS AVAILABLE, APPROPRIATION AND CHANGES IN FUND BALANCES
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

FUNDS AVAILABLE	
State Treasury Receipts	
Net Revenue Collections	
Income Tax - Corporate	$ 797,255,429.45
Income Tax - Individual	8,772,227,404.01
General Sales Tax	5,277,211,183.44
Motor Fuel - Excise and Motor Carrier Mileage Tax	453,438,505.28
Motor Fuel - Sales Tax	547,187,226.45
Alcoholic Beverages Tax	180,785,956.59
Tobacco Products Tax	211,618,073.42
Insurance Premium Tax	329,236,920.09
Estate Tax	(15,351,947.00)
Motor Vehicle License Tax	457,490,366.11
Property Tax	53,491,655.31
Interest and Other Investment Income - State General Funds (Net of Bank Charges)	(1,835,561.62)
Interest and Other Investment Income - Motor Fuel Tax Funds (Net of Bank Charges)	5,479,995.65
Departmental Regulatory Fees and Sales	1,227,623,381.29
Total Net Revenue Collections	18,295,858,588.47
Other Funds Collected by OST	
Federal Revenue	
Federal Energy Regulatory Commission - Payments in lieu of Taxes - Power Sales	1,626.12
Treasury, U. S. Department of - Reimbursement for Cash Management and Improvement Act	1,322.00
Other Revenues Retained	
Brain and Spinal Injury Trust Fund	2,396,580.00
Georgia Lottery Corporation - Lottery Proceeds	927,478,000.00
Georgia Lottery Corporation - Interest Earned	1,664,037.63
National Mortgage Settlement Agreement	99,365,105.00
Tobacco Settlements Received	212,724,840.25
Tobacco Settlement Funds - Interest Earned	67,222.95
Guaranteed Revenue Debt Common Reserve Fund - Interest Earned	133,735.80
Total Other Funds Collected by OST	1,243,832,469.75
Total State Treasury Receipts	19,539,691,058.22
Agency Surplus Returned	93,156,723.62
Funds Available from Beginning Fund Balance (see below)	
Revenue Shortfall Reserve Mid-Year Adjustment for Education (K-12)	172,699,755.00
Lottery for Education	220,767,612.23
Tobacco Settlement Funds	27,474,203.13
Total Funds Available from Beginning Fund Balance	420,941,570.36
TOTAL FUNDS AVAILABLE	20,053,789,352.20
APPROPRIATION	
Legislative Appropriation to Spending Units for Fiscal Year Ended June 30	19,331,436,945.00
Less: Current Year Funds Lapsed	(7,601,511.00)
NET APPROPRIATION	19,323,835,434.00
EXCESS OF FUNDS AVAILABLE OVER NET APPROPRIATION	729,953,918.20
Beginning Fund Balance - July 1, 2012	
Reserved for:	
Revenue Shortfall Reserve (Preliminary)	522,814,496.99
Lottery for Education	643,820,612.23
Tobacco Settlement Funds	27,474,203.13
Guaranteed Revenue Debt Common Reserve Fund	54,003,250.00
Total Beginning Fund Balance - July 1, 2012	1,248,112,562.35
Less: Amounts Appropriated as Funds Available	(420,941,570.36)
Beginning Fund Balance - July 1, 2012, Not Appropriated	827,170,991.99
ENDING FUND BALANCE - JUNE 30, 2013	$ 1,557,124,910.19
ANALYSIS OF ENDING FUND BALANCE	
Reserved for:	
Revenue Shortfall Reserve (Preliminary)	$ 682,042,615.55
Lottery for Education (Preliminary)	734,007,132.57
Tobacco Settlement Funds (Preliminary)	87,071,912.07
Guaranteed Revenue Debt Common Reserve Fund	54,003,250.00
Total Reserved Fund Balance	1,557,124,910.19
Unreserved, Undesignated (Surplus)	-
TOTAL ENDING FUND BALANCE - JUNE 30, 2013	$ 1,557,124,910.19

STATE OF GEORGIA
SELECTED SUMMARY FINANCIAL INFORMATION
GENERAL FUND (STATUTORY BASIS)
CALCULATION OF FUND BALANCES BY CATEGORY OF STATE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	TOTAL	STATE GENERAL AND MOTOR FUEL FUNDS
FUNDS AVAILABLE		
State Treasury Receipts		
Net Revenue Collections	$ 18,295,858,588.47	$ 18,295,858,588.47
Other Funds Collected by OST		
Federal Revenue	2,948.12	2,948.12
Other Revenues Retained		
Brain and Spinal Injury Trust Fund	2,396,580.00	2,396,580.00
National Mortgage Settlement	99,365,105.00	99,365,105.00
Lottery for Education Receipts and Interest	929,142,037.63	-
Tobacco Settlement Fund Receipts and Interest	212,792,063.20	-
Guaranteed Revenue Debt Common Reserve Fund - Interest Earned	133,735.80	
Total Other Funds Collected by OST	1,243,832,469.75	101,764,633.12
Total State Treasury Receipts	19,539,691,058.22	18,397,623,221.59
Agency Surplus Returned		
Surplus Collected from FY 2012		
State General and Motor Fuel Funds	30,008,351.53	30,008,351.53
Lottery for Education	19,835,947.26	-
Tobacco Settlement Funds	158,423.74	-
Early Remittance of FY 2013 Surplus		
Guaranteed Revenue Debt Common Reserve Fund	-	133,735.80
Georgia Building Authority	2,152,668.00	2,152,668.00
Georgia Department of Administrative Services	2,050,000.00	2,050,000.00
Georgia Ports Authority	20,044,094.00	20,044,094.00
Georgia Technology Authority	10,315,917.00	10,315,917.00
State Board of Workers' Compensation	5,303,747.00	5,303,747.00
Other	3,287,575.09	3,275,042.64
Total Agency Surplus Returned	93,156,723.62	73,283,555.97
Funds Available from Beginning Fund Balance (see below)		
Revenue Shortfall Reserve Mid-Year Adjustment for Education (K-12)	172,699,755.00	172,699,755.00
Lottery for Education	220,767,612.23	-
Tobacco Settlement Funds	27,474,203.13	-
Total Funds Available from Beginning Fund Balance	420,941,570.36	172,699,755.00
TOTAL FUNDS AVAILABLE	20,053,789,352.20	18,643,606,532.56
APPROPRIATION		
FY 2013 Legislative Appropriation to Spending Units		
House Bill 742 (Original Appropriation)		
State General and Motor Fuel Funds	18,291,588,987.00	18,291,588,987.00
Lottery for Education	904,439,791.00	-
Tobacco Funds	145,640,765.00	-
House Bill 105 (Amended Appropriation)		
State General and Motor Fuel Funds	13,910,698.00	13,910,698.00
Lottery for Education	(38,074,581.00)	-
Tobacco Settlement Funds	7,712,013.00	-
Budget Adjustments		
Hospital Provider Payment	(2,888,455.00)	(2,888,455.00)
Nursing Home Provider Fees	9,107,727.00	9,107,727.00
Net Appropriation Prior to Lapse	19,331,436,945.00	18,311,718,957.00
Less: Current Year Funds Lapsed	(7,601,511.00)	(40,298.00)
NET APPROPRIATION	19,323,835,434.00	18,311,678,659.00
EXCESS OF FUNDS AVAILABLE OVER NET APPROPRIATION	729,953,918.20	331,927,873.56
Beginning Fund Balance - July 1, 2012		
Reserved for:		
Revenue Shortfall Reserve (Preliminary)	522,814,496.99	522,814,496.99
Lottery for Education (Preliminary)	643,820,612.23	-
Tobacco Settlement Funds (Preliminary)	27,474,203.13	-
Guaranteed Revenue Debt Common Reserve Fund	54,003,250.00	-
Total Beginning Fund Balance - July 1, 2012	1,248,112,562.35	522,814,496.99
Less: Amounts Appropriated as Funds Available	(420,941,570.36)	(172,699,755.00)
Beginning Fund Balance - July 1, 2012, Not Appropriated	827,170,991.99	350,114,741.99
ENDING FUND BALANCE - JUNE 30, 2013	$ 1,557,124,910.19	$ 682,042,615.55

LOTTERY FUNDS	TOBACCO SETTLEMENT FUNDS	GUARANTEED REVENUE DEBT COMMON RESERVE FUND
$ -	$ -	$ -
-	-	-
-	-	-
-	-	-
929,142,037.63	-	-
-	212,792,063.20	-
		133,735.80
929,142,037.63	212,792,063.20	133,735.80
929,142,037.63	212,792,063.20	133,735.80
-	-	-
19,835,947.26	-	-
-	158,423.74	-
-	-	(133,735.80)
12,532.45		-
19,848,479.71	158,423.74	(133,735.80)
-	-	-
220,767,612.23	-	-
-	27,474,203.13	-
220,767,612.23	27,474,203.13	-
1,169,758,129.57	240,424,690.07	-
-	-	-
904,439,791.00	-	-
-	145,640,765.00	-
-	-	-
(38,074,581.00)	-	-
-	7,712,013.00	
-	-	-
-	-	-
866,365,210.00	153,352,778.00	-
(7,561,213.00)	-	-
858,803,997.00	153,352,778.00	-
310,954,132.57	87,071,912.07	-
-	-	-
643,820,612.23	-	-
-	27,474,203.13	-
-	-	54,003,250.00
643,820,612.23	27,474,203.13	54,003,250.00
(220,767,612.23)	(27,474,203.13)	-
423,053,000.00	-	54,003,250.00
$ 734,007,132.57	$ 87,071,912.07	$ 54,003,250.00

STATE OF GEORGIA
SELECTED SUMMARY FINANCIAL INFORMATION
GENERAL FUND (STATUTORY BASIS)
NET REVENUE COLLECTIONS BY COLLECTING UNIT
FOR THE YEAR ENDED JUNE 30, 2013

COLLECTING UNIT (See also "Detail of Net Revenue Collections by Collecting Unit")

Agriculture, Department of	$ 19,073,982.51
Audits and Accounts, Department of	4,441,635.95
Banking and Finance, Department of	21,500,505.38
Behavioral Health and Developmental Disabilities, Department of	3,616,362.51
Community Health, Department of	418,644,062.95
Corrections, Department of	14,440,420.50
Driver Services, Department of	76,350,310.07
Early Care and Learning, Department of	821,806.07
General Assembly of Georgia	108,859.97
Governor, Office of the	715,364.24
Human Services, Department of	5,569,741.02
Insurance, Office of the Commissioner of	397,823,515.32
Investigation, Georgia Bureau of	1,073,169.64
Judicial Branch	
Appeals, Court of	456,421.40
Supreme Court	231,210.10
Labor, Department of	25,518,208.90
Natural Resources, Department of	42,518,505.63
Properties Commission, State	9,886,843.98
Public Health, Department of	11,196,063.56
Public Safety, Department of	7,749,612.23
Public Service Commission	1,185,784.12
Revenue, Department of	17,024,135,359.10
Secretary of State	79,616,756.37
Student Finance Commission, Georgia	1,517,194.53
Superior Court Clerks' Cooperative Authority	98,262,844.21
Transportation, Department of	94,407.00
Treasurer, Office of the State	8,341,703.64
Workers' Compensation, State Board of	20,967,937.57
Total Net Revenue Collections	$ 18,295,858,588.47

STATE OF GEORGIA
SELECTED SUMMARY FINANCIAL INFORMATION
GENERAL FUND (STATUTORY BASIS)
ANALYSIS OF REVENUE SHORTFALL RESERVE
(PRELIMINARY)
JUNE 30, 2013

Beginning Fund Balances - July 1, 2012		
Reserved for Revenue Shortfall Reserve (Preliminary)		$ 522,814,496.99
FY 2012 Agency Surplus Returned		30,008,351.53
Total Beginning Revenue Shortfall Reserve - July 1, 2012		552,822,848.52
FY 2013 Appropriation of Mid-Year Adjustment for Education		(172,699,755.00)
Adjusted FY 2012 Revenue Shortfall Reserve		380,123,093.52
Excess of Total Funds Available Over Current Year Appropriation/Other Deductions (see below)		301,919,522.03
Ending Revenue Shortfall Reserve (Preliminary) - June 30, 2013		$ 682,042,615.55
Net Change in Revenue Shortfall Reserve from Current Year Activity		
Current Year Receipts		
Net Revenue Collections	$ 18,295,858,588.47	
Other Funds Collected by OST	101,764,633.12	
FY 2013 Agency Surplus Returned (Early Remittance)	43,275,204.44	
Total Current Year Receipts	18,440,898,426.03	
Current Year Appropriation/Other Deductions		
FY 2013 Appropriations (does not include appropriation for Mid-Year Adjustment itemized above)	18,132,799,930.00	
Budget Adjustments (net)	6,219,272.00	
Funds Lapsed	(40,298.00)	
Total Current Year Appropriation/Other Deductions	18,138,978,904.00	
Excess of Total Funds Available Over Current Year Appropriation/Other Deductions	$ 301,919,522.03	

Statutory Limits/Availability

Maximum Reserve - 15% of Net Revenue Collections	$ 2,744,378,788.00
1% of Net Revenue Collections (Maximum amount of reserve available for appropriation to fund increased K-12 needs)	$ 182,958,586.00
4% of Net Revenue Collections (Governor may release reserve funds in excess of this amount for appropriation)	$ 731,834,344.00
Current Year Reserve as a Percentage of Net Revenue Collections	3.73%

This reserve is calculated as provided for in OCGA 45-12-93(a), which states, in part, that "the amount of all surplus in state funds existing as of the end of each fiscal year shall be reserved and added to the Revenue Shortfall Reserve. Funds in the Revenue Shortfall Reserve shall carry forward from fiscal year to fiscal year, without reverting to the general fund at the end of a fiscal year." Up to one percent (1%) of the preceding fiscal year's net revenue collections may be appropriated from the reserve for funding increased K-12 needs and the Governor may release reserve funds in excess of four percent (4%) of net revenue collections for appropriation. The reserve cannot exceed fifteen percent (15%) of the previous fiscal year's net revenue for any given fiscal year.

The reserve included in this report is labeled "Preliminary," as it does not include the lapsing of current year surplus from appropriated agencies. Final close-out and audit of agency surplus will be completed subsequent to the release of this report.

STATE OF GEORGIA
SELECTED SUMMARY FINANCIAL INFORMATION
GENERAL FUND (STATUTORY BASIS)
ANALYSIS OF MOTOR FUEL FUNDS AVAILABLE FOR APPROPRIATION
JUNE 30, 2013

Amount Derived from Motor Fuel Taxes	
FY 2013 Motor Fuel Tax Collections	
Per Accounting Records of the Department of Revenue	
Motor Fuel Collections	$ 462,638,397.94
Motor Carrier Mileage Tax	7,266,174.73
Total Motor Fuel and Motor Carrier Mileage Tax Receipts	469,904,572.67
Refunds	(14,846,807.82)
Collection Costs	(5,085,459.00)
Net Motor Fuel and Motor Carrier Mileage Tax Receipts	449,972,305.85
3% Sales Tax on Motor Fuel	547,187,226.45
Total FY 2013 Motor Fuel Tax Collections per Department of Revenue	997,159,532.30
Interest Earned on Motor Fuel Tax Funds (Per Accounting Records of OST)	5,479,995.65
Total FY 2013 Motor Fuel Collections	1,002,639,527.95
Motor Fuel Tax Funds on Deposit in the Guaranteed Revenue Debt Common Reserve Fund in Excess of Amount Required	133,735.80
Total Amount Derived from Motor Fuel Taxes	1,002,773,263.75
FY 2014 Original Appropriation (House Bill 106) - Motor Fuel Funds	
to Georgia Department of Transportation	828,958,782.00
to State of Georgia General Obligation Debt Sinking Fund	146,938,326.00
Total FY 2014 Original Appropriation (House Bill 106) - Motor Fuel Funds	975,897,108.00
Total Motor Fuel Funds Available for FY 2014 Appropriation (See Below)	$ 26,876,155.75

The Constitution of the State of Georgia and the Official Code of Georgia provide that the amount of motor fuel-related collections in one fiscal year defines the amount to be appropriated in the subsequent fiscal year. The difference in the actual fiscal year 2013 motor fuel collections (including motor fuel funds on deposit in the Guaranteed Revenue Debt Common Reserve Fund at June 30, 2013), and the motor fuel appropriations in the 2014 Original Appropriations Act must be appropriated as motor fuel funds during fiscal year 2014. (see Article III, Section IX, Paragraph VI of the Constitution of the State of Georgia and OCGA 50-17-23(b)(3)).

STATE OF GEORGIA
SELECTED SUMMARY FINANCIAL INFORMATION
GENERAL FUND (STATUTORY BASIS)
ANALYSIS OF RESERVE FOR LOTTERY FOR EDUCATION
JUNE 30, 2013

Beginning Reserve for Lottery for Education - July 1, 2012	$ 643,820,612.23
Less: Amounts Appropriated as Funds Available	(220,767,612.23)
Beginning Reserve for Lottery for Education - July 1, 2012, Not Appropriated	423,053,000.00
Additions	
Lottery Proceeds Collected	927,478,000.00
Interest Earned	1,664,037.63
Early Remittance of FY 2013 Surplus	12,532.45
FY 2012 Agency Lottery Surplus Returned	19,835,947.26
Funds Available from Beginning Fund Balance	220,767,612.23
Total Additions	1,169,758,129.57
Deductions	
FY 2013 Appropriations	866,365,210.00
Funds Lapsed	(7,561,213.00)
	858,803,997.00
Ending Reserve For Lottery for Education - June 30, 2013	$ 734,007,132.57
Analysis of Reserve	
Restricted	
Shortfall Reserve (50% of prior year proceeds)	$ 450,664,000.00
Unrestricted	283,343,132.57
Ending Reserve For Lottery for Education - June 30, 2013	$ 734,007,132.57

This reserve is calculated as provided for in OCGA 50-27-13. OCGA 50-27-13(b)(3) requires that "A shortfall reserve be maintained within the Lottery for Education account in an amount equal to at least 50 percent of the net proceeds deposited into such account for the preceding fiscal year. If the net proceeds paid into the Lottery for Education Account in any year are not sufficient to meet the amount appropriated for education purposes, the shortfall reserve may be drawn upon to meet the deficiency. In the event the shortfall reserve is drawn upon and falls below 50 percent of net proceeds deposited into such account for the preceding fiscal year, the shortfall reserve shall be replenished to the level required in this paragraph in the next fiscal year and the lottery-funded programs shall be reviewed and adjusted accordingly."

STATE OF GEORGIA
SELECTED SUMMARY FINANCIAL INFORMATION
GENERAL FUND (STATUTORY BASIS)
ANALYSIS OF RESERVE FOR TOBACCO SETTLEMENT FUNDS
JUNE 30, 2013

Beginning Reserve for Tobacco Settlement Funds - July 1, 2012	$ 27,474,203.13
Additions	
Tobacco Settlements Received	212,724,840.25
Interest Earned	67,222.95
FY 2012 Agency Tobacco Surplus Returned	158,423.74
Total Additions	212,950,486.94
Deductions	
FY 2013 Appropriations	153,352,778.00
Ending Reserve For Tobacco Settlement Funds - June 30, 2013	$ 87,071,912.07

This reserve represents funds available as provided by the State of Georgia's share of the National Association of Attorneys General's Master Tobacco Settlement Agreement. Although no specific legal requirement for this reserve exists, the State's budget writers have chosen to establish a separate appropriations fund for the disbursement of these funds. Accounting for these funds within a reserve facilitates identification of the unexpended funds available for future appropriation.

STATE OF GEORGIA
SELECTED SUMMARY FINANCIAL INFORMATION
GENERAL FUND (STATUTORY BASIS)
ANALYSIS OF RESERVE FOR GUARANTEED REVENUE DEBT COMMON RESERVE FUND
JUNE 30, 2013

GUARANTEED REVENUE DEBT BOND ISSUE	AVAILABLE BALANCE JULY 1, 2012 **BEGINNING RESERVE - JULY 1, 2012**	INTEREST EARNED	AVAILABLE BALANCE JUNE 30, 2013	HIGHEST ANNUAL DEBT SERVICE REQUIREMENT **ENDING RESERVE - JUNE 30, 2013**	EXCESS BALANCE JUNE 30, 2013
State Road and Tollway Authority					
Series 2001/Series 2011A Refunding	$ 29,596,500.00	$ 73,293.95	$ 29,669,793.95	$ 29,596,500.00	$ 73,293.95
Series 2003/Series 2011B Refunding	24,406,750.00	60,441.85	24,467,191.85	24,406,750.00	60,441.85
Total Guaranteed Revenue Debt Bond Issues	$ 54,003,250.00	$ 133,735.80	$ 54,136,985.80	$ 54,003,250.00	$ 133,735.80

This reserve is calculated as provided for in OCGA 50-17-23(b)(3) which states, in part, "The amount to the credit of the common reserve fund shall at all times be at least equal to the aggregate highest annual debt service requirements on all outstanding guaranteed revenue obligations entitled to the benefit of such fund".

STATE OF GEORGIA
SELECTED SUMMARY FINANCIAL INFORMATION
GENERAL FUND (STATUTORY BASIS)
DETAIL OF NET REVENUE COLLECTIONS BY COLLECTING UNIT
FOR THE YEAR ENDED JUNE 30, 2013

COLLECTING UNIT			
Agriculture, Department of			
Animal Industry Fees		$ 19,302.00	
Animal Protection Fees		691,605.50	
Consumer Protection Fees		4,605,054.35	
Entomology and Pesticides Permits		3,243,559.00	
Feed Division Fees		473,831.05	
GATE Program		625,000.00	
Miscellaneous Receipts		207,573.90	
Plant Industry Fees		1,801,480.09	
Regional Farmers Market Fees		7,015,565.12	
Small Farmers Market Fees		278,659.00	
Weights and Measures Warehouse Fees		112,352.50	$ 19,073,982.51
Audits and Accounts, Department of			
For Federal Audit Fees			
Undistributed		2,291,949.05	
For Nursing Home Audit Fees			
Community Health, Department of		2,149,686.90	4,441,635.95
Banking and Finance, Department of			
Fees			21,500,505.38
Behavioral Health and Developmental Disabilities, Department of			
Patient Accounts			3,616,362.51
Community Health, Department of			
Home Health Care License		3,993,722.80	
Hospital Provider Payment		232,080,023.00	
Medical License Fees		5,532,622.53	
Miscellaneous Fees		173,566.62	
Nursing Home Provider Fees		176,864,128.00	418,644,062.95
Corrections, Department of			
Confiscated Contraband Receipts		20,012.91	
Parole Fees		1,294,510.93	
Probation Supervision Fees		8,645,901.91	
Room and Board Assessments		4,445,566.46	
Supervision Transfer Fees		34,428.29	14,440,420.50
Driver Services, Department of			
A.D.A.D. Permits		22,560.00	
Driver's License Fees		57,734,710.07	
House Bill 160 - Excessive Speeder Fees		18,593,040.00	76,350,310.07
Early Care and Learning, Department of			
Child Care Learning Center Fees		713,633.51	
Civil Penalties		108,172.56	821,806.07
General Assembly of Georgia			
Legislative Earned Fees		90,849.89	
Legislative Service Fees		11,905.20	
Miscellaneous		6,104.88	108,859.97
Governor, Office of the			
Office of Consumer Affairs			
Buying Service Fees		350.00	
Fines		308,867.34	
Motor Vehicle Arbitration Fees		160,846.64	
Professional Standards Commission			
Teachers Certification Fees		245,300.26	715,364.24
Human Services, Department of			
Child Support Recovery Program		5,564,716.02	
Civil Penalties - Child Care		5,025.00	5,569,741.02
Insurance, Office of the Commissioner of			
Business Licenses and Permits		45,104,448.54	
Fraud Account		3,934,403.80	
Non Business Licenses and Permits		4,249,008.95	
Penalty and Interest		10,683,471.14	
Safety Engineering Fees		4,615,262.80	
State Premium Tax	$ 325,600,752.10		
Insurance Company Regulation	456,626,275.36		
Refund of Local Premium Tax	(452,990,107.37)	329,236,920.09	397,823,515.32
Investigation, Georgia Bureau of			
Bingo License Fees		15,200.00	
Fingerprint License Applications		664,103.75	
GCIC Records Check Fees		385,161.00	
State Forfeiture Property		2,269.00	
Miscellaneous Receipts		6,435.89	1,073,169.64

STATE OF GEORGIA
SELECTED SUMMARY FINANCIAL INFORMATION
GENERAL FUND (STATUTORY BASIS)
DETAIL OF NET REVENUE COLLECTIONS BY COLLECTING UNIT
FOR THE YEAR ENDED JUNE 30, 2013

Judicial Branch:		
Appeals, Court of		
Admission to Practice	$ 23,030.00	
Certified Records Furnished	280.00	
Court Cost and Fees	433,111.40	$ 456,421.40
Supreme Court		
Admission to Practice	24,536.49	
Certified Copies Furnished	14,442.61	
Cost in Cases Docketed	176,420.00	
Excess Convenience Fees	15,811.00	231,210.10
Labor, Department of		
Administrative Assessments	21,512,307.51	
Penalty and Interest Collections	4,005,901.39	25,518,208.90
Natural Resources, Department of		
Alligator Farm Permit	250.00	
Alligator Hunting License	59,247.25	
Asbestos License Fees	360,493.34	
Boat Registration	3,079,264.53	
Car Wash Certification Fees	850.00	
Cast Net Licenses - Resident	20,250.00	
Catch Out Pond	1,888.00	
Charter Boat Fishing Licenses	2,000.00	
Coastal Marshland Shore Protection	8,400.00	
Commercial Boat Licenses	51,734.50	
Commercial Fox Preserve	2,700.00	
Commercial Quail Breeders License	2,430.00	
Crabbing License - Resident	25,752.00	
Crabbing License - Non Resident	454.00	
Dog Hunting License	35,656.75	
Fines - Environmental Protection Division	1,353,970.95	
Fines - Game and Fish Division	7,500.00	
Fur Dealers License Agent	10.00	
Fur Dealers License - Resident	590.00	
Fur Dealers License - Non Resident	5.00	
Fur Trappers License - Resident	34,680.00	
Fur Trappers License - Non Resident	7,080.00	
Game Holding Permit	215.00	
Hazardous Waste Superfund	852,674.86	
Historic Preservation Application Fees	4,830.00	
Hunting and Fishing Licenses	19,118,538.57	
Land Disturbance Fees	1,162,125.25	
Lifetime License- Non Resident	6,003.00	
Lifetime License- Senior Discount	118,758.00	
Lifetime License- Veterans	48,096.00	
Lifetime Sportsman License Type A - Adult	276,282.00	
Lifetime Sportsman License Type I - Infant	180,305.00	
Lifetime Sportsman License Type Y - Youth	228,317.00	
Marina Pier Licenses	400.00	
Miscellaneous	1,600.00	
Residential Operating Commercial Shooting Preserve	58,200.00	
Residential Operating Private Shooting Preserve	5,475.00	
Salt Water Bait Dealers License - Resident	675.00	
Salt Water Fishing Guide - Resident	2,875.00	
Salt Water Fishing Guide - Nonresident	750.00	
Salt Water Fishing Guide - Customer Resident	15,150.00	
Salt Water Fishing Guide - Customer Nonresident	5,600.00	
Salt Water Fishing Guide - Unlimited Customer Resident	800.00	
Scientific Collectors Permit	11,300.00	
Scrap Tire	6,022,685.11	
Soft Shell Crab Dealer	40.00	
Solid Waste Fees	8,551,808.54	
State Federal Falconry Permit	2,040.00	
Surface Water Permit Fees	54,750.00	
Tax Credit Donation	5,000.00	
Taxidermist License - Resident	18,600.00	
Taxidermist License - Non-Resident	795.00	
Title III Hazardous Substance Fee	600,343.98	
Water Well License Renewal	71,505.00	
Wild Animal Exhibit Permit	5,606.00	
Wild Animal Dealer License	31,156.00	42,518,505.63
Properties Commission, State		
Rental and Sale of Property		9,886,843.98

STATE OF GEORGIA
SELECTED SUMMARY FINANCIAL INFORMATION
GENERAL FUND (STATUTORY BASIS)
DETAIL OF NET REVENUE COLLECTIONS BY COLLECTING UNIT
FOR THE YEAR ENDED JUNE 30, 2013

Public Health, Department of				
Central Laboratory Fees			$ 7,191,767.65	
Tanning Fees			193,926.00	
Vital Record Fees			3,185,661.76	
Paramedic Certification Fees			624,708.15	$ 11,196,063.56
Public Safety, Department of				
Other Fees			254,771.78	
Overweight Citations			7,493,287.73	
State Forfeiture of Property			1,552.72	7,749,612.23
Public Service Commission				
Civil Penalties - Transportation			100.00	
Civil Penalties - Utilities			784,473.12	
Integrated Resource Planning Cost			401,211.00	1,185,784.12
Revenue, Department of				
Taxes:				
Alcoholic Beverage and Liquor	$ 59,311,884.24			
Refunds	(4,415.00)	$ 59,307,469.24		
Estate				
Refunds		(15,351,947.00)		
Income - Corporation	984,640,237.50			
Refunds	(187,384,808.05)	797,255,429.45		
Income - Individuals	10,931,824,116.75			
Refunds	(2,159,596,712.74)	8,772,227,404.01		
Malt Beverage		85,626,328.78		
Motor Fuel				
Excise and Motor Carrier Mileage Tax	468,274,512.70			
Refunds	(14,836,007.42)	453,438,505.28		
Prepaid State Tax (Second Motor Fuel Tax)		547,187,226.45		
Motor Vehicle	508,937,791.32			
Refunds	(51,447,425.21)	457,490,366.11		
Property	54,367,105.76			
Refunds	(875,450.45)	53,491,655.31		
Sales and Use - Regular	5,371,066,570.32			
Refunds	(93,855,386.88)	5,277,211,183.44		
Tobacco Products	211,649,413.71			
Refunds	(31,340.29)	211,618,073.42		
Wine		35,852,158.57	16,735,353,853.06	
Administrative				
Costs of Collections				
Real Estate Transfer Tax	208,915.68			
Sales Tax				
Education Local Option	16,072,158.57			
Homestead Option	1,215,526.39			
Local Option	13,614,888.40			
MARTA	3,440,669.46			
Special Purpose	11,909,558.43	46,461,716.93		
Coin Operated Amusement Fees		3,401,666.72		
Delinquent Tax Collection Fees		(21,909,254.82)		
Interest		62,697,078.22		
Penalties		71,899,000.18		
Identification of Prior Period Receipts		(4,514,357.56)		
Public Service Corporation Assessments		1,050,008.01		
Unclaimed Property		129,695,648.36	288,781,506.04	17,024,135,359.10
Secretary of State				
Boxing Commission			63,191.20	
Corporations			39,243,268.90	
Elections			91,357.36	
GA Laws			6,833.93	
Professional Examinations			25,173,512.30	
Qualifying Fees			291,784.54	
Real Estate			3,315,713.18	
Securities			10,795,293.46	
State Ethics			635,801.50	79,616,756.37
Student Finance Commission, Georgia				
Georgia Non-Public Post-Secondary Education Commission				
Application and Renewal Fees			1,488,956.54	
Sale of Publications			28,237.99	1,517,194.53

STATE OF GEORGIA
SELECTED SUMMARY FINANCIAL INFORMATION
GENERAL FUND (STATUTORY BASIS)
DETAIL OF NET REVENUE COLLECTIONS BY COLLECTING UNIT
FOR THE YEAR ENDED JUNE 30, 2013

Superior Court Clerks' Cooperative Authority			
Drivers' Education and Training		$ 10,061,393.72	
Indigent Defense Fund		41,221,699.63	
Interest Income		22,783.94	
Judicial Operations Fee		21,622,836.77	
Peace Officers and Prosecutors Training Fund		22,542,417.24	
Senate Bill 218 Collections		1,529,624.81	
Sexual Offender Annual Registration		0.12	
State Children's Trust Fund		1,262,087.98	$ 98,262,844.21
Transportation, Department of			
Unpermitted Red Light Camera			94,407.00
Treasurer, Office of the State			
Anonymous Campaign Contributions		20.00	
Dividends on Stock		3,173.94	
911 Fees		449,204.17	
Interest Earned (Net of Bank Charges)			
State General Funds	$ (1,835,561.62)		
Motor Fuel Tax Funds	5,479,995.65	3,644,434.03	
Legal Settlement		4,244,871.50	8,341,703.64
Workers' Compensation, State Board of			
Assessments		20,360,309.78	
No Dependent Death Cases		120,000.00	
Penalty Fines		487,627.79	20,967,937.57
Total Net Revenue Collections			$ 18,295,858,588.47

STATE OF GEORGIA
SELECTED SUMMARY FINANCIAL INFORMATION
GENERAL FUND (STATUTORY BASIS)
LEGISLATIVE APPROPRIATION AND ALLOTMENTS TO SPENDING UNITS
FOR THE YEAR ENDED JUNE 30, 2013

	Appropriation for Fiscal Year 2013		
	Legislative Appropriation	Budget Adjustments	Funds Lapsed
Legislative Branch			
General Assembly of Georgia			
Georgia Senate	$ 10,193,044.00	$ -	$ -
Georgia House of Representatives	18,241,875.00	-	-
Georgia General Assembly Joint Offices	9,786,474.00	-	-
Audits and Accounts, Department of	29,646,142.00	-	-
Judicial Branch			
Appeals, Court of	14,118,377.00	-	-
Judicial Council	12,190,454.00	-	-
Juvenile Courts	6,758,162.00	-	-
Prosecuting Attorneys	60,147,639.00	-	-
Superior Courts	61,093,909.00	-	-
Supreme Court	9,068,224.00	-	-
Executive Branch			
Accounting Office, State	3,720,804.00	-	-
Administrative Services, Department of	4,107,574.00	-	-
Agriculture, Department of	39,548,784.00	-	-
Banking and Finance, Department of	10,995,899.00	-	-
Behavioral Health and Developmental Disabilities, Department of	908,423,920.00	-	-
Community Affairs, Department of	38,618,687.00	-	-
Community Health, Department of	2,941,001,434.00	6,219,272.00	-
Corrections, Department of	1,121,180,577.00	-	-
Defense, Department of	8,793,964.00	-	-
Driver Services, Department of	60,912,802.00	-	-
Early Care and Learning, Department of	353,028,330.00	-	(4,102,595.00)
Economic Development, Department of	39,309,444.00	-	-
Education, Department of	7,326,807,956.00	-	-
Employees' Retirement System	26,532,022.00	-	-
Forestry Commission, Georgia	29,987,021.00	-	-
Governor, Office of the	34,497,122.00	-	-
Human Services, Department of	492,036,646.00	-	-
Insurance, Office of the Commissioner of	18,964,945.00	-	-
Investigation, Georgia Bureau of	79,333,826.00	-	-
Juvenile Justice, Department of	292,465,916.00	-	-
Labor, Department of	30,499,142.00	-	-
Law, Department of	18,777,783.00	-	-
Natural Resources, Department of	89,928,002.00	-	-
Pardons and Paroles, State Board of	53,072,442.00	-	-
Public Defender Standards Council, Georgia	42,308,355.00	-	-
Public Health, Department of	215,256,808.00	-	-
Public Safety, Department of	111,889,674.00	-	-
Public Service Commission	7,673,049.00	-	-
Regents, University System of Georgia	1,747,463,827.00	-	-
Revenue, Department of	139,115,390.00	-	-
Secretary of State	31,174,353.00	-	-
Soil and Water Conservation Commission	2,558,834.00	-	-
Student Finance Commission, Georgia	600,016,359.00	-	(3,458,618.00)
Teachers' Retirement System	590,000.00	-	(40,298.00)
Technical College System of Georgia	317,616,387.00	-	-
Transportation, Department of	863,213,211.00	-	-
Veterans Service, Department of	19,833,627.00	-	-
Workers' Compensation, State Board of	22,443,852.00	-	-
General Obligation Debt Sinking Fund	950,274,605.00	-	-
Other			
Georgia Building Authority	-	-	-
Georgia Ports Authority	-	-	-
Georgia Technology Authority	-	-	-
Total	$ 19,325,217,673.00	$ 6,219,272.00	$ (7,601,511.00)

	Allotments				
Net Appropriation	Balance Due Spending Unit July 1, 2012	Cash Allotments Drawn	Funds Returned by Spending Unit	Surplus Lapsed	Balance June 30, 2013
$ 10,193,044.00	$ 1,115,716.49	$ 9,437,003.89	$ -	$ (728,157.21)	$ 1,143,599.39
18,241,875.00	2,593,232.96	16,336,720.49	-	(1,608,790.80)	2,889,596.67
9,786,474.00	1,985,736.53	8,946,144.47	-	(814,854.84)	2,011,211.22
29,646,142.00	-	29,646,142.00	291,837.55	(291,837.55)	-
14,118,377.00	114,248.39	13,903,069.87	-	(3,741.17)	325,814.35
12,190,454.00	1,522,169.09	12,628,206.62	-	(14,460.35)	1,069,956.12
6,758,162.00	-	6,690,400.40	-	(67,761.60)	-
60,147,639.00	241,131.00	60,387,159.86	-	(1,610.14)	-
61,093,909.00	1,502,193.83	60,812,678.15	-	(2,556.41)	1,780,868.27
9,068,224.00	244,647.79	8,898,844.56	-	(125.91)	413,901.32
3,720,804.00	-	3,720,804.00	7,702.85	(7,702.85)	-
4,107,574.00	-	4,107,574.00	4,277,933.96	(4,277,933.96)	-
39,548,784.00	-	39,111,778.28	-	(70,382.25)	366,623.47
10,995,899.00	-	10,995,899.00	41,578.30	(41,578.30)	-
908,423,920.00	29,302,765.17	864,017,430.81	-	(3,197,303.53)	70,511,950.83
38,618,687.00	880,379.39	39,468,999.67	-	(25,112.95)	4,953.77
2,947,220,706.00	81,942,711.88	2,896,431,152.50	-	(777,338.18)	131,954,927.20
1,121,180,577.00	70,326,998.56	1,115,232,235.11	-	(7,794,874.11)	68,480,466.34
8,793,964.00	343,033.52	8,670,488.57	-	(211,655.08)	254,853.87
60,912,802.00	2,671,575.34	62,126,036.28	-	(13,983.24)	1,444,357.82
348,925,735.00	5,166,845.13	348,893,553.10	12,532.45	(4,601,356.42)	610,203.06
39,309,444.00	2,114,593.22	39,282,729.99	-	(7,473.48)	2,133,833.75
7,326,807,956.00	37,535,656.40	7,327,135,284.70	-	(3,775,373.68)	33,432,954.02
26,532,022.00	-	26,532,022.00	-	-	-
29,987,021.00	544,369.70	29,698,838.18	-	(3,293.42)	829,259.10
34,497,122.00	15,145,175.52	34,377,718.09	-	(531,231.81)	14,733,347.62
492,036,646.00	3,721,231.78	484,704,335.17	-	(135,522.47)	10,918,020.14
18,964,945.00	777,796.00	19,382,267.25	-	(278,472.62)	82,001.13
79,333,826.00	2,795,585.78	77,295,248.70	-	(49,130.91)	4,785,032.17
292,465,916.00	28,615,699.22	286,827,382.83	-	(2,570,196.40)	31,684,035.99
30,499,142.00	-	29,898,517.00	8,672.19	(8,672.19)	600,625.00
18,777,783.00	-	18,742,824.02	338,497.61	(338,497.61)	34,958.98
89,928,002.00	2,478,624.51	88,970,171.36	-	(1,558,162.62)	1,878,292.53
53,072,442.00	-	53,072,442.00	22,330.35	(22,330.35)	-
42,308,355.00	-	42,308,355.00	215,670.59	(215,670.59)	-
215,256,808.00	2,429,103.10	217,275,479.20	-	(410,431.90)	-
111,889,674.00	3,679,491.73	114,459,347.46	-	(489,437.66)	620,380.61
7,673,049.00	89,670.34	7,533,538.99	-	(36,691.96)	192,488.39
1,747,463,827.00	-	1,744,486,042.62	-	(2,977,784.38)	-
139,115,390.00	11,905,790.82	140,051,855.56	-	(642,107.40)	10,327,217.86
31,174,353.00	2,807,064.10	31,867,749.30	-	(674,862.42)	1,438,805.38
2,558,834.00	762,465.92	3,144,036.44	-	-	177,263.48
596,557,741.00	15,879,469.13	562,511,050.65	-	(15,256,470.22)	34,669,689.26
549,702.00	-	549,702.00	13,046.00	(13,046.00)	-
317,616,387.00	2,929,423.24	318,681,304.02	-	(309,053.06)	1,555,453.16
863,213,211.00	91,676,480.07	653,732,622.81	-	(388,531.82)	300,768,536.44
19,833,627.00	-	19,833,362.82	-	(264.18)	-
22,443,852.00	939,437.65	22,317,545.61	5,303,747.00	(5,398,218.62)	971,272.42
950,274,605.00	122,744,819.29	978,150,705.88		-	94,868,718.41
-	-	-	2,152,668.00	(2,152,668.00)	-
-	-	-	20,044,094.00	(20,044,094.00)	-
-	-	-	10,315,917.00	(10,315,917.00)	-
$ 19,323,835,434.00	$ 549,525,332.59	$ 18,993,284,801.28	$ 43,046,227.85	$ (93,156,723.62)	$ 829,965,469.54

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APPENDIX C

BASIC FINANCIAL STATEMENTS
FOR FISCAL YEAR ENDED
JUNE 30, 2012

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Comprehensive Annual Financial Report
Fiscal Year Ended June 30, 2012

Prepared by: State Accounting Office

"Autumn in North Georgia"
Artist: Ruth Money, Gainesville, Georgia

Georgia

State of Georgia

Comprehensive Annual Financial Report
For the fiscal year ended June 30, 2012

Prepared by:
State Accounting Office

STATE OF GEORGIA

CONSTITUTION

WISDOM JUSTICE MODERATION

1776

Table of Contents
For the Fiscal Year Ended June 30, 2012

INTRODUCTORY SECTION

FINANCIAL SECTION


STATE OF GEORGIA
CONSTITUTION
WISDOM
JUSTICE
MODERATION
1776

Table of Contents
For the Fiscal Year Ended June 30, 2012

STATISTICAL SECTION


STATE OF GEORGIA
CONSTITUTION
WISDOM
JUSTICE
MODERATION
1776

INTRODUCTORY SECTION

" Mountain Lake"
Artist: Libby Matthews, Lakemont, Georgia

State Accounting Office of Georgia
Fiscal Leadership for Georgia

Nathan Deal
Governor

Thomas Alan Skelton, CPA
State Accounting Officer

December 28, 2012

The Honorable Nathan Deal, Governor of Georgia

The Honorable Members of the General Assembly

Citizens of the State of Georgia

It is my privilege to present the Comprehensive Annual Financial Report (CAFR) on the operations of the State of Georgia (the State) for the fiscal year ended June 30, 2012, in accordance with the Official Code of Georgia Annotated (OCGA), Section 50-5b-3(7). The objective of this report is to provide a clear picture of our government as a single comprehensive reporting entity.

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

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

Internal Control

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

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www.sao.georgia.gov

Independent Audit

The financial statements of the organizations comprising the State reporting entity have been separately examined and reported on by either the State Auditor or independent certified public accountants. The State Auditor performed an examination of the accompanying financial statements for the State and has issued an unqualified opinion on the State's basic financial statements included in this report. The State Auditor's opinion is included in the Financial Section of this report.

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

Management's Discussion and Analysis

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

PROFILE OF THE STATE OF GEORGIA

The State, founded on February 12, 1733, was the last of the original 13 colonies and became the fourth state by ratifying the U.S. Constitution on January 2, 1788. The State is an economic hub of the southeast. Atlanta, the state capital, is the major economic and population center of the state with major regional economic and population centers in Augusta, Savannah, and Macon. The State's economic base is diverse with major port facilities on the coast, agricultural resources throughout the state, manufacturing and service industries, and is a major transportation hub with one of the busiest airports in the nation. The State is the ninth largest state with an estimated population of 9.8 million people.

Reporting Entity

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

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

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

Budgetary Control

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

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

The statutory basis of accounting required by state law differs materially from the basis used to report revenues and expenditures in accordance with GAAP. Detailed information on the statutory basis of accounting and the results of operations on that basis for fiscal year 2012 can be found in the Budgetary Compliance Report (BCR) separately issued on November 28, 2012.

Budget Stabilization

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

Fiscal Year Budget Overview

The State's FY 2012 tax revenue collections were 4.3% over FY 2011 tax revenues. Of the major tax sources, personal income tax collections were the largest component of overall tax growth at 6.3%. Motor fuel taxes also posted strong growth at 9.3%. RSR increased by $222.3 million and has a current balance of $520.7 million prior to audited agency lapse of $30.0 million and prior to the appropriation of the 1% mid-year adjustment for K-12 in the AFY 2013 budget.

ECONOMIC FACTORS AND OUTLOOK

Introduction

According to the State's Fiscal Economist, the national and Georgia economies continued to feel the effects of the Great Recession in fiscal year 2012. The Great Recession, so-called due to the fact that it was the most severe economic downturn since the Great Depression, began in December 2007 and ended in June 2009. Since then, the pace of economic recovery has been relatively weak. A variety of factors have weighed on economic growth for the overall U.S. economy.

While a moderate economic recovery is expected to continue, fallout from the European debt crisis, scheduled tax changes, large federal spending cuts, and a fragile housing market could further reduce economic growth across the globe and might derail the recovery in the U.S.

Georgia Ecomony

Many factors indicate that the State's ecomony is recovering from the Great Recession. Some of these include:

- The State's unemployment rate equals 8.7% as of October 2012, which is higher than the U.S. rate of 7.9% but continues to decline. The State added 67,600 net new jobs over the last twelve months and year over year growth in employment in the State equals 1.47% on a three month moving average basis, which is in line with the growth rate of the U.S. labor market.
- Weekly initial uneployment claims are running between 10,000 and 11,000. Initial claims are well-below year ago levels but the downward trend in initial claims has stalled.
- Personal income growth in the U.S. and in the State has been positive on a quarter over quarter basis for the last eleven quarters. However, while positive, personal income growth has been relatively weak in 2012.
- Home prices have also shown improvement but still trail the 20 metro area composite. The State's housing market also contains high mortgage delinquency and foreclosures rates. However, it appears private equity firms have begun to buy up Atlanta area properties as investment vehicles. This seems to be providing a boost to prices and new construction.

Additional information on the economic outlook for the State including detailed information on employment, personal income, and housing markets can be found in the State's MD&A can be found immediately following the independent auditor's report

ACKNOWLEDGEMENTS

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

Respectfully submitted,

Thomas Alan Skelton
State Accounting Officer

State of Georgia

Organizational Chart
June 30, 2012

Citizens of Georgia

JUDICIAL

- Supreme Court
- Court of Appeals
- Superior Courts
- District Attorneys
- Judicial Agencies

EXECUTIVE

Constitutional Officers

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

Governor

- Office of Planning and Budget
- Governor's Office

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

LEGISLATIVE

General Assembly
- Senate
- House of Representatives

- Legislative Agencies
- Department of Audits and Accounts

STATE OF GEORGIA

CONSTITUTION

WISDOM JUSTICE MODERATION

1776

Principal State Officials
June 30, 2012

Executive:

Nathan Deal	*Governor*
Brian P. Kemp	*Secretary of State*
Sam Olens	*Attorney General*
Mark Butler	*Commissioner of Labor*
Dr. John D. Barge	*State Superintendent of Schools*
Ralph T. Hudgens	*Commissioner of Insurance*
Gary W. Black	*Commissioner of Agriculture*
Tim Echols (Chairman)	*Public Service Commissioner*
Chuck Eaton	*Public Service Commissioner*
Stan Wise	*Public Service Commissioner*
H. Doug Everett	*Public Service Commissioner*
Lauren "Bubba" McDonald, Jr.	*Public Service Commissioner*

Legislative:

Casey Cagle	*Lieutenant Governor/President of the Senate*
David Ralston	*Speaker of the House of Representatives*

Judicial:

Carol W. Hunstein	*Chief Justice of the Supreme Court*


STATE OF GEORGIA
CONSTITUTION
WISDOM
JUSTICE
MODERATION
1776

ACKNOWLEDGEMENTS

The Georgia Comprehensive Annual Financial Report (CAFR) for the fiscal year ending June 30, 2012 was prepared by:

STATE ACCOUNTING OFFICE

Kris Martins, Director, Financial Reporting

STATEWIDE ACCOUNTING AND REPORTING

Janet M. Arsenault	Jorge Pinto
Bobbie R. Davis	Michael Rodgers
Zeina Diallo	Jennifer Sanders
Eddy A. Hicks	Troy Senter
Sharon Hill	Melesse Siratu
Regina Jones	Ellen K. Tate
Dan Lawson	Drew Townsend
Christina R. Palmer	Dina Williams

SPECIAL APPRECIATION

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

STATE OF GEORGIA

CONSTITUTION

WISDOM JUSTICE MODERATION

1776

FINANCIAL SECTION

" At Loganberry Farm”
Artist: Ann Alexander, Gainsville, GA

DEPARTMENT OF AUDITS AND ACCOUNTS

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

Greg S. Griffin
STATE AUDITOR
(404) 656-2180

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Georgia as of and for the year ended June 30, 2012, which collectively comprise the State's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the State of Georgia's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of certain organizations. These organizations reflect the following percentages of total assets and revenues or additions of the indicated opinion units:

Opinion Unit	Percent of Opinion Unit's Total Assets	Percent of Opinion Unit's Total Revenues/Additions
Governmental Activities	15%	25%
Business-type Activities	4%	18%
Aggregate Discretely Presented Component Units	95%	95%
Governmental Fund – General Fund	20%	21%
Governmental Fund – General Obligation Bond Projects Fund	99%	99%
Proprietary Fund/Enterprise Fund – State Health Benefit Plan	100%	100%
Aggregate Remaining Fund Information	89%	30%

The financial statements of these organizations and component units were audited by other auditors whose reports thereon have been furnished to us, and our opinions, insofar as they relate to the amounts included for those financial statements, are based on the reports of the other auditors.

Except as disclosed in the following paragraph, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the Armstrong Atlantic State University Educational Properties Foundation, Incorporated, Georgia College & State University Foundation, Incorporated, Georgia Lottery Corporation, Georgia Southern University Housing Foundation, Incorporated, Georgia State University Foundation, Incorporated, Georgia Tech Athletic Association, Georgia Tech Foundation, Incorporated, Kennesaw State University Foundation, Incorporated, MCG Health, Incorporated, MCG Health System, Incorporated, Medical College of Georgia Foundation, Incorporated, Medical College of Georgia Physicians Practice Group Foundation, North Georgia College & State University Real Estate Foundation, Incorporated, University of Georgia Athletic Association, Incorporated, University of Georgia Foundation, University System of Georgia Foundation, Incorporated, and VSU Auxiliary Services Real Estate Foundation, Incorporated were audited in accordance with auditing standards generally accepted in the United States of America but were not audited in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the State's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinions. Georgia statutes, in addition to audit responsibilities, entrust other responsibilities to the Department of Audits and Accounts. Those responsibilities included service by the State Auditor on the governing boards of various agencies, authorities, commissions, and component units of the State of Georgia. The Department of Audits and Accounts elected to not provide audit services for the organizational units of the State of Georgia associated with these boards. The Department of Audits and Accounts has also elected to not provide audit services for the Department of Community Health (DCH) due to a contractual obligation with DCH to conduct certain non-audit services.

In accordance with section 50-6-1(c) of the Official Code of Georgia Annotated, Greg S. Griffin was appointed State Auditor on July 1, 2012. During the year under review, Mr. Griffin served as the State Accounting Officer. As the State Accounting Officer, Mr. Griffin was responsible for the State's accounting and financial reporting practices and managing the enterprise accounting and payroll systems.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Georgia, as of June 30, 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 28, 2012 on our consideration of the State of Georgia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 7 through 20 and Schedule of Funding Progress for Other

Postemployment Benefits, Budgetary Comparison Schedule, Budget to GAAP Reconciliation, and Notes to Required Supplementary Information on pages 132 through 133 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State of Georgia's basic financial statements. The Introductory Section, Combining Fund Statements, and Statistical Section are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The Combining Fund Statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, based on our audit, the procedures performed as described previously, and the report of the other auditors, the Combining Fund Statements are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The Introductory Section and the Statistical Section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion or provide any assurance on them.

Respectfully submitted,

Greg S. Griffin

Greg S. Griffin
State Auditor

December 28, 2012


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MANAGEMENT'S DISCUSSION AND ANALYSIS


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INTRODUCTION

Management of the State provides this MD&A of the State's CAFR for readers of the State's financial statements. This narrative overview and analysis of the financial activities of the State is for the fiscal year ended June 30, 2012. It should be read in conjunction with the letter of transmittal, located in the Introductory Section of this report, and the State's financial statements, including the notes to the financial statements, which are an integral part of the statements that follow this narrative.

FINANCIAL HIGHLIGHTS

Government-wide

- Total assets of the State exceeded liabilities by $20.3 billion (reported as "net assets"). The State's total net assets increased $111.5 million or 0.6% over the prior year. Net assets of governmental activities increased by $62.3 million or 0.4%, while the net assets of business-type activities increased by $49.2 million or 0.9%.

- During the fiscal year, the State's total revenues for governmental activities of $34.8 billion were $2.6 billion more than total expenses (excluding transfers) of $32.2 billion. General revenues, primarily attributable to various taxes and operating grants and contributions, totaled $16.1 billion and $14.8 billion respectively.

Fund Level

- The governmental funds reported combined ending fund balances of $4.7 billion, a decrease of $103.9 million or 2.2% in comparison with the prior year. Of this total fund balance, $82.6 million or 1.8% represents nonspendable fund balance, $4.0 billion or 84.2% represents restricted fund balance, $7.7 million or 0.2% represents committed fund balance, $316.8 million or 6.7% represents assigned fund balance and $334.7 million or 7.1% represents unassigned fund balance.

- The General Fund ended the fiscal year with a total fund balance of $3.7 billion, of which $334.7 million was classified as unassigned fund balance. Total tax revenues in the General Fund were $713.2 million or 4.7% higher than the prior year, as the economy continued to show signs of improving.

- The enterprise funds reported net assets of $5.4 billion, an increase of $49.2 million or 0.9% compared to the prior year.

Long-term Debt

The State's long-term bonded debt decreased $54.5 million or 0.5% during the fiscal year which represents the net difference between new issuances, payments and refunding of outstanding debt. General obligation bonds for the primary government increased by $115.3 million or 1.3% while revenue bonds for the primary government decreased $179.2 million or 8.2%. The State issued new bonded debt during the year in the amount of $1.5 billion for the primary government and $623.2 million for component units.

OVERVIEW OF THE FINANCIAL STATEMENTS

This report includes the State's Basic Financial Statements, Required Supplementary Information, and Supplementary Information. The Basic Financial Statements consist of three components: government-wide financial statements, fund financial statements, and notes to the financial statements.

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

The Statement of Net Assets and Statement of Activities beginning on page 23 together comprise the government-wide financial statements. These statements provide a broad overview of the State's financial activities as a whole with a long-term focus and are prepared using the full-accrual basis of accounting, similar to private-sector businesses. This means all revenues and expenses associated with the fiscal year are recognized regardless of when cash is spent or received, and all assets and liabilities, including capital assets and long-term debt, are reported at the entity level.

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

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

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

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

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

The fund financial statements beginning on page 26 provide detailed information about individual major funds, not the State as whole. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The State, like other state and local governments, uses funds to ensure and demonstrate compliance with finance-related and legal requirements. All of the State funds are divided into three types, each of which use a different accounting approach and should be interpreted differently.

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

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

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

Reconciliation between Government-wide and Fund Statements

This report also includes two schedules on pages 27 and 29 that reconcile and explain the differences between the amounts reported for the governmental activities on the government–wide statements (full-accrual accounting, long-term focus) with amounts reported on the governmental fund statements (modified accrual accounting, short-term focus). The following represents some of the reporting differences between the two statements:

- Capital outlays result in capital assets on the government-wide statements, but are reported as expenditures in the governmental fund financial statements.
- Capital assets and long-term debt are included on the government-wide statements, but are not reported on the governmental fund statements.
- Bond proceeds are recorded as long-term debt on the government-wide statements, but provide current financial resources on the fund governmental fund statements.

Notes to the Financial Statements

The notes beginning on page 42 provide additional information that is essential to a complete understanding of the financial statements. The notes are applicable to both the government-wide financial statements and the fund financial statements.

Required Supplementary Information

In addition to this MD&A, which is required supplementary information, the Basic Financial Statements are followed by a section of other required supplementary information that further explains and supports the information in the financial statements. This section of the report includes: (1) the State's funding progress for other postemployment benefits and (2) a budgetary comparison schedule of the General Fund (Budget Fund), including reconciliations of revenues and expenditures on the statutory and GAAP basis for the fiscal year.

Supplementary Information

Supplementary information includes combining financial statements for the State's nonmajor governmental funds, nonmajor enterprise funds, internal service funds, fiduciary funds and nonmajor component units. The total columns of these combining financial statements carry forward to the applicable fund financial statements.

FINANCIAL ANALYSIS OF THE STATE AS A WHOLE

Net Assets

The State's total net assets increased $111.5 million or 0.6% in fiscal year 2012. In comparison, net assets in the prior year increased $366.0 million or 1.8%. The change in net assets is comprised of the following:

- Invested in Capital Assets - Total investment in capital assets net of related debt increased $780.3 million or 4.1% during the current year as the State's investment in highways and buildings exceeded deprecation and the net additional debt incurred to finance the capital-related projects.

- Restricted Net Assets – Total restricted net assets decreased $95.3 million or 2.1 % over the prior year.

    - Restricted net assets of governmental activities decreased $62.9 million or 1.6%.
    - Restricted net assets of business-type activities decreased $32.5 million or 6.6%, primarily due to decreases of $31.4 million or 6.8% in the Higher Education Fund related to decreased enrollments and $1.1 million or 3.9% at the State Road and Tollway Authority for transportation improvements.

- Unrestricted Net Assets – The remaining negative balance of $3.7 billion is unrestricted net assets, which increased by $573.4 million or 18.1% over the prior year. Total unrestricted net assets in governmental activities of ($2.5 billion) decreased from the prior year by $349.7 million or 16.6% primarily due to increased investments in capital assets of $474.9 million. Total unrestricted net assets in business-type activities of ($1.3 billion) decreased $223.7 million or 20.9% primarily due to a corresponding increase in investment in capital assets of $305.4 million.

(Table on next page)

Table 1 - Net Assets

As of June 30, 2012 and 2011 (in thousands)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2012	2011	2012	2011	2012	2011
Current and Other						
Non-captial Assets	$ 9,159,740	$ 8,397,840	$ 2,781,320	$ 2,718,203	$ 11,941,060	$ 11,116,043
Net Capital Assets	21,190,989	21,058,409	9,706,909	9,116,104	30,897,898	30,174,513
Total Assets	30,350,729	29,456,249	12,488,229	11,834,307	42,838,958	41,290,556
Non-current Liabilities	11,177,932	11,201,294	6,004,034	5,467,003	17,181,966	16,668,297
Current Liabilities	4,305,506	3,449,994	1,062,624	994,946	5,368,130	4,444,940
Total Liabilities	15,483,438	14,651,288	7,066,658	6,461,949	22,550,096	21,113,237
Net Assets						
Invested in Capital Assets,						
Net of Related Debt	13,355,209	12,880,313	6,257,436	5,952,035	19,612,645	18,832,348
Restricted	3,968,493	4,031,347	457,265	489,736	4,425,758	4,521,083
Unrestricted	(2,456,411)	(2,106,699)	(1,293,130)	(1,069,413)	(3,749,541)	(3,176,112)
Total Net Assets	$ 14,867,291	$ 14,804,961	$ 5,421,571	$ 5,372,358	$ 20,288,862	$ 20,177,319

The largest component of the State's net assets, $19.6 billion or 96.7%, reflects investments in capital assets (e.g., land, buildings, machinery and equipment, infrastructure) less any related debt to finance those assets. The State uses capital assets to provide services to citizens; consequently, these resources are not available for future spending. Resources needed to repay capital-related debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the State's net assets represents restricted net assets. Restricted net assets of $4.4 billion comprise 21.8% of total net assets and are subject to constitutional, legal, or external restrictions on how they may be used. The remaining balance of ($3.7 billion) is unrestricted net assets.

Changes in Net Assets

The State received 35.5% of its revenues from state taxes and 51.5% of its revenues from grants and contributions, primarily from federal sources. In the prior year, state taxes accounted for 34.7% and grants and contributions were 52.6% of total revenues. Charges for goods and services such as licenses, permits, liquor sales, park and court fees was 12.9% as compared to 12.4% in the prior fiscal year. Expenses for the State during fiscal year 2012 were $44.8 billion. As a result of the excess revenues over expenses, the total net assets of the State increased $278.9 million, net of transfers.

The following schedule was derived from the Government-wide Statement of Activities and summarizes the State's total revenues, expenses and changes in net assets for fiscal year 2012.

Table 2 - Changes in Net Assets
For the Years Ended June 30, 2012 and 2011 (in thousands)

	Governmental Activities		Business-Type Activities		Total Primary Government		Total Percentage Change
	2012	2011	2012	2011	2012	2011	2011 to 2012
Revenues:							
Program Revenues:							
Charges for Services	$ 2,828,751	$ 2,770,216	$ 2,961,426	$ 2,683,080	$ 5,790,177	$ 5,453,296	6.2%
Operating Grants/Contributions	14,764,360	14,029,675	7,245,740	7,557,366	22,010,100	21,587,041	2.0%
Capital Grants/Contributions	1,142,924	1,473,052	36,157	106,217	1,179,081	1,579,269	-25.3%
General Revenues:							
Taxes	15,974,706	15,261,481	-	-	15,974,706	15,261,481	4.7%
Unrestricted Investment Income	6,183	(3,066)	-	-	6,183	(3,066)	-301.7%
Unclaimed Property	83,215	98,098	-	-	83,215	98,098	-15.2%
Other	12,909	30,285	-	-	12,909	30,285	-57.4%
Total Revenues	34,813,048	33,659,741	10,243,323	10,346,663	45,056,371	44,006,404	2.4%
Expenses:							
General Government	1,326,657	1,222,954	-	-	1,326,657	1,222,954	8.5%
Education	10,100,155	10,002,351	-	-	10,100,155	10,002,351	1.0%
Health and Welfare	15,657,704	14,745,268	-	-	15,657,704	14,745,268	6.2%
Transportation	1,519,707	1,517,213	-	-	1,519,707	1,517,213	0.2%
Public Safety	1,912,814	1,974,964	-	-	1,912,814	1,974,964	-3.1%
Economic Development and Assistance	783,308	843,912	-	-	783,308	843,912	-7.2%
Culture and Recreation	233,043	233,608	-	-	233,043	233,608	-0.2%
Conservation	50,334	59,159	-	-	50,334	59,159	-14.9%
Interest and Other Charges on Long-term Debt	638,775	462,602	-	-	638,775	462,602	38.1%
Higher Education Fund	-	-	7,916,281	7,622,542	7,916,281	7,622,542	3.9%
State Health Benefit Fund	-	-	2,362,677	2,224,280	2,362,677	2,224,280	6.2%
Unemployment Compensation	-	-	2,240,295	2,954,208	2,240,295	2,954,208	-24.2%
Nonmajor Enterprise Funds	-	-	35,735	26,613	35,735	26,613	34.3%
Total Expenses	32,222,497	31,062,031	12,554,988	12,827,643	44,777,485	43,889,674	2.0%
Increase (Decrease) in Net Assets Before Transfers And Special Items	2,590,551	2,597,710	(2,311,665)	(2,480,980)	278,886	116,730	
Transfers and Special Items	(2,346,986)	(2,244,118)	2,346,986	2,532,118	-	288,000	
Change in Net Assets	243,565	353,592	35,321	51,138	278,886	404,730	
Net Assets, July 1 - Restated	14,623,726	14,451,369	5,386,250	5,321,220	20,009,976	19,772,589	
Net Assets, June 30	$ 14,867,291	$ 14,804,961	$ 5,421,571	$ 5,372,358	$ 20,288,862	$ 20,177,319	0.6%

Governmental Activities

The State's total governmental revenues from all sources increased $1.2 billion or 3.4%. Operating grants and contributions increased $734.7 million or 5.2% and an increase in tax revenues of $713.2 million or 4.7% with an offsetting decrease in capital contributions and grants of $330.1 million or 22.4%.

The following table shows to what extent the State's governmental activities relied on state taxes and other general revenues to cover all their costs. For fiscal year 2012 taxes and other general revenues covered 41.9% of expenses. The remaining $18.7 billion or 58.1% of the total expenses were covered by charges for services and grants.

Table 3 – Net Program Revenue
For the Years Ended June 30, 2012 and 2011 (in thousands)

	Program Expenses	Less Program Revenues	Net Program (Expense) / Revenue		Program Revenues as a Percentage of Program Expenses	
	2012	2012	2012	2011	2012	2011
Functions/Programs						
Primary Government						
Governmental Activities:						
General Government	$ 1,326,657	$ 2,278,628	$ 951,971	$ 1,021,710	171.8%	183.5%
Education	10,100,155	2,115,757	(7,984,398)	(8,430,760)	20.9%	15.7%
Health and Welfare	15,657,704	11,827,700	(3,830,004)	(3,407,159)	75.5%	76.9%
Transportation	1,519,707	1,218,095	(301,612)	115,015	80.2%	107.6%
Public Safety	1,912,814	354,236	(1,558,578)	(1,517,896)	18.5%	23.1%
Economic Development and Assistance	783,308	704,785	(78,523)	(69,564)	90.0%	91.8%
Culture and Recreation	233,043	213,401	(19,642)	(20,833)	91.6%	91.1%
Conservation	50,334	23,433	(26,901)	(16,999)	46.6%	71.3%
Interest and Other Charges on Long-Term Debt	638,775	-	(638,775)	(462,602)	0.0%	0.0%
Total Governmental Activities	$ 32,222,497	$ 18,736,035	$(13,486,462)	$(12,789,088)	58.1%	58.8%

Business-Type Activities

Net assets of business-type activities increased by $49.2 million or 0.9% during the fiscal year. Operating revenues from the State's business-type activities decreased $103.3 million or 1.0% from the prior year. This was primarily due to a decrease in revenue from the Unemployment Compensation Fund offset by an increase in revenue in the Higher Education Fund. Total operating expenses for the State's business-type activities decreased $272.6 million or 2.1%. This decrease is attributable to lower expenses in the Unemployment Compensation Fund offset by increased expenses in the Higher Education Fund and the State Health Benefit Plan.

In fiscal year 2012, business-type activities expenses were funded 81.6% on $10.2 billion from program revenues compared to 80.7% on $10.3 billion in the prior year. The remaining expenses were covered from revenues transferred in from governmental activities to the Higher Education Fund.

FINANCIAL ANALYSIS OF THE STATE'S GOVERNMENTAL FUNDS

Fund Balances

At June 30, 2012, the State's governmental funds reported combined ending fund balance of $4.7 billion. Of this amount, $82.6 million or 1.8% is nonspendable, either due to its form or legal constraints, and $4.0 billion or 84.3% is restricted for specific programs by constitutional provisions, external constraints, or contractual obligations. Net assets that are restricted by the Constitution principally include motor fuel taxes that can be used only to build roads and bridges and lottery funds held for education purposes. Restrictions by external parties include general obligation bonds that can only be used for authorized capital projects. Additionally, $7.7 million or 0.2% of total fund balance has been committed to specific purposes. Committed amounts cannot be used for any other purpose unless approved by the General Assembly and Governor. An additional $316.8 million or 6.7% of total fund balance has been assigned to specific purposes, as expressed by the intent of State management. The remaining $334.7 million or 7.1% of fund balance is unassigned.

General Fund

The General Fund is the chief operating fund of the State. At the end of the current fiscal year, the General Fund reflected a total fund balance of $3.7 billion. The net change in fund balance during the fiscal year was $5.8 million or 0.2% compared to $18.6 million or 0.5% net change in the prior year. The General Fund ended the year with an unrestricted, unassigned fund balance of $334.7 million.

Major revenue, expenditure and other sources/uses contributing to the change in fund balance are as follows:

Revenues

Revenues of the General Fund totaled $34.6 billion in the fiscal year, an increase of $1.2 billion or 3.6% from the prior year. Factors contributing to this change included the following:

- Taxes increased $713.2 million or 4.7% from the prior year.
- Federal Revenues increased by $577.2 million or 3.9% from the prior year.
- Other Revenues decreased by $102.4 million or 17.6% from the prior year

Expenditures

Expenditures of the General Fund totaled $31.4 billion in the fiscal year, an increase of $1.0 billion or 3.5% from the prior year. Factors contributing to this change included the following:

- Education expenditures increased $117.3 million or 1.2% from the prior year.
- Health and Welfare expenditures increased $947.3 million or 6.4% from the prior year.

Capital Project Fund - General Obligation Bond Projects Fund

Fund balance in the General Obligation Bond Projects Fund decreased by $117.8 million or 11.5% from the prior year. This was primarily the result of capital expenditures and transfers exceeding general revenues, debt issuances, and transfers in.

The State issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities and equipment. In prior fiscal years, the State reported the activity for capital projects funded with General Obligation bond proceeds differently for projects managed by state agencies and those managed by the Georgia State Financing and Investment Commission (GSFIC).

FINANCIAL ANALYSIS OF THE STATE'S PROPRIETARY FUNDS

Higher Education

The net assets of the Higher Education Fund increased $92.4 million or 1.6% compared to the prior year. Operating revenues of the Fund increased $399.1 million or 9.9% due primarily to increases in net student tuition and fees revenue of $150.9 million, federal grants and contracts of $68.7 million, local, private and other grants and contracts of $55.3 million, and sales and services of $64.5 million. These increases are attributable to increased enrollments and increases of $59.6 million in other revenues. In addition, tuition and fees revenue increased due to an increase in tuition rates approved by the Board of Regents of the University System of Georgia to address funding gaps due to the loss of Federal Stabilization Funds reported as nonoperating revenue and transfers in from the General Fund. Nonoperating revenue (net of expenses) increased $10.8 million or 1.2%, which is attributable to increases in nonoperating Federal grants of approximately $47.7 million offset by decreases in nonoperating expenses of $23.9 million. In addition, the Higher Education Fund received $2.0 billion in transfers in from the General Fund, a decrease of $103.2 million or 4.9% compared to the prior year.

Fiscal year 2012 operating expenses increased $269.0 million or 3.6% compared to the prior year. The increase is due primarily to increases in personal services, services and supplies, and depreciation of $94.4 million, $176.2 million, and $31.0 million, respectively.

Unemployment Compensation

The State's average unemployment rate for the fiscal year 2012 remained relatively unchanged from the prior year. Unemployment tax revenue paid into the fund increased by $73.7 million or 10.0% as a result of continuing high unemployment and higher employer contribution rates. However, revenues from grants and contributions decreased $469.0 million or 17.0% due to lower Federal revenues. Benefit payments decreased $713.9 million or 24.2% this year compared to last fiscal year, due in part to a small improvement in the economy and fewer claims paid. Employer taxes and other revenues exceeded benefit payments resulting in an increase of net assets of $45.2 million or 15.3%.

In order to pay benefits, the Unemployment Compensation Fund continued to borrow funds from the Federal government under provisions of the Social Security Act. The outstanding balance of the advances at June 30, 2012 was $745.3 million, which increased $17.3 million or 2.4% from the prior year. During fiscal year 2012, the State borrowed $92.2 million from the U.S. Treasury and made net repayments of $74.9 million. Subsequent to year end, the State made a payment of $92.2 million on September 10, 2012 resulting in outstanding balance of $650.6 million.

State Health Benefit Plan

The net assets of the SHBP decreased $89.1 million or 48.6% from the prior year which increased the negative unrestricted fund balance to ($272.5) million. Contributions to the fund decreased $1.4 million or 0.1%. At the same time, benefit payments increased $135.8 million or 6.4% in comparison to the prior year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The State's capital assets increased a net $723.4 million or 2.4% during the year. The change consisted of a net decrease in infrastructure of $228.5 million and net increases in land of $146.5 million, buildings and improvements of $453.1 million; machinery, and equipment of $170.8 million; with a corresponding decrease of construction in progress decreased $163.1 million.

Additional information on the State's capital assets can be found in Note 7 on page 76 of the notes to the financial statements of this report.

(Table on next page)

Table 4 - Capital Assets, Net of Accumulated Depreciation

As of June 30, 2012 and 2011 (in thousands)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2012	2011	2012	2011	2012	2011
Buildings/Building Improvements	$ 2,073,789	$ 2,009,157	$ 5,971,263	$ 5,582,807	$ 8,045,052	$ 7,591,964
Improvements Not Buildings	52,220	40,114	231,220	218,400	283,440	258,514
Infrastructure	10,971,630	11,220,991	197,198	176,311	11,168,828	11,397,302
Intangibles Other than Software	92,501	91,554	-	-	92,501	91,554
Land	3,219,473	3,084,525	374,472	362,875	3,593,945	3,447,400
Library Collections	-	-	175,461	179,038	175,461	179,038
Machinery and Equipment	192,793	204,001	2,480,777	2,298,748	2,673,570	2,502,749
Software	75,523	78,720	6,287	7,531	81,810	86,251
Works of Art and Collections	1,326	1,334	47,635	47,167	48,961	48,501
Construction in Progress	4,511,734	4,328,013	222,596	243,227	4,734,330	4,571,240
Total	**$ 21,190,989**	**$ 21,058,409**	**$ 9,706,909**	**$ 9,116,104**	**$ 30,897,898**	**$ 30,174,513**

Debt Administration

The Constitution authorizes issuing general obligation debt only as approved by the Legislature and prohibits the issuance of general obligation bonds for operating purposes. The Constitution requires the State to maintain a reserve sufficient to pay annual debt service requirements on all general obligation debt. If for any reason the reserve balance is insufficient to make, when due, all debt service payments, the first revenues received thereafter in the General Fund will be set aside for such use. The Constitution also stipulates that no debt may be incurred when the highest aggregate annual debt service requirements for any year for outstanding general obligation debt and guaranteed revenue debt, including proposed debt, exceed 10% of the total revenue receipts, less refunds of the state treasury, in the fiscal year immediately preceding the year in which any such debt is to be incurred. At June 30, 2012, the State was $444.4 million below the annual debt service limit established by the Constitution.

Table 5 - Net Outstanding Bond Debt

As of June 30, 2012 and 2011 (in thousands)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2012	2011	2012	2011	2012	2011
General Obligation Bonds	$ 8,889,868	$ 8,774,586	$ -	$ -	$ 8,889,868	$ 8,774,586
GARVEE Revenue Bonds	1,236,119	1,371,885	-	-	1,236,119	1,371,885
Revenue Bonds	442,626	476,684	319,248	328,597	761,874	805,281
	$ 10,568,613	$ 10,623,155	$ 319,248	$ 328,597	$ 10,887,861	$ 10,951,752

At the end of the fiscal year, the State had total bonded debt outstanding of $10.6 billion. Of this amount $9.3 billion (not including deferred charges, premiums, and discounts) or 88.3% is secured by the full faith and credit of the government (general obligation bonds and guaranteed revenue bonds), and $1.2 billion or 11.7% in State Road and Tollway Authority GARVEE debt secured by Federal Highway funds and state motor fuel funds.

Total general obligation bonds and revenue bonds payable net of premiums, discounts and deferred amounts on refunding increased $115.3 million or 1.3% and decreased $179.2 million or 8.2% respectively. During the fiscal year, the State issued $1.5 billion of general obligation bonds. Of the general obligation bonds issued, $429.6 million was issued for higher education facilities, $408.9 million was used for K-12 school facilities, $48.3 million for water and sewer loans to local governments, $36.7 million for projects and facilities of the Georgia Ports Authority, $253.1 million to refund existing general obligation bonds, and $346.5 million for various state agency facilities.

The State maintains a triple-A bond rating on its general obligation debt from all three national rating agencies. These ratings, the highest available, help the State achieve the lowest possible interest rates. Note 8, beginning on page 80, contains additional information about the State's outstanding debt.

BUDGETARY HIGHLIGHTS

Fiscal Performance

Fiscal conditions improved for the State during fiscal year 2012 as net revenue collections were $17.3 billion or 4.3% greater than fiscal year 2011. Net Revenue Collections deposited with the Office of the State Treasurer during fiscal year 2012 were $7.5 million more than the initial revenue estimate. Of the major tax sources, personal income tax collections were the largest component of overall tax growth at 6.3%. Motor fuel taxes also posted strong growth at 9.3%. More specifically:

	FY 2011 Actual	FY 2012 Estimated (Budget)	FY 2012 Actual	% Change to FY 2011	Current FY 2013 Estimated (Budget)	% Change to FY 2012 Actual
Tax Revenues						
Personal Income Tax	$ 7,658,782,326	$ 8,118,895,000	$ 8,142,370,500	6.31%	$ 8,604,798,000	5.68%
Corporate Income Tax	670,409,796	626,628,554	590,676,110	-11.89%	735,023,441	24.44%
Sales and Use Tax	5,080,776,730	5,297,872,000	5,303,524,233	4.38%	5,560,652,700	4.85%
Motor Fuel Tax	932,702,991	966,692,000	1,019,300,803	9.28%	967,307,000	-5.10%
Tobacco Tax	228,858,070	233,435,200	227,146,091	-0.75%	232,268,000	2.25%
Alcoholic Beverages Tax	161,803,418	160,499,735	175,050,571	8.19%	160,425,500	-8.35%
Property Tax	76,704,325	71,335,000	68,951,095	-10.11%	51,482,500	-25.33%
Insurance Premium Tax	360,669,593	368,489,700	309,192,735	-14.27%	378,919,500	22.55%
Motor Vehicle Tax	298,868,209	305,328,600	308,342,308	3.17%	312,421,900	1.32%
Estate Tax	-	-	27,923	100.00%	-	-100.00%
Total Tax Revenues	15,469,575,458	16,149,175,789	16,144,582,369	4.36%	17,003,298,541	5.32%
Fees and Sales	1,089,072,069	1,113,228,739	1,125,393,105	3.34%	1,157,349,261	2.84%
Total General Fund Revenue	$ 16,558,647,527	$ 17,262,404,528	$ 17,269,975,474	4.30%	$ 18,160,647,802	5.16%

Revenue Shortfall Reserve (RSR)

The State maintains the RSR which provides for the sound management of excess revenue collections in any given fiscal year. By statute, all surplus state funds existing at the end of each fiscal year shall be reserved and added to the RSR. Funds in the RSR carry forward from fiscal year to fiscal year without reverting to the revenue collections fund within the General Fund at the end of a fiscal year. Each fiscal year, the General Assembly may appropriate from the RSR an amount up to 1% of the net revenue collections of the preceding fiscal year for funding increased K-12 education needs. Also, the Governor may release for appropriation by the General Assembly a stated amount of reserve funds in the RSR that are in excess of 4% of the net revenue collections of the preceding fiscal year. The RSR cannot exceed 15% of the previous fiscal year's net revenue collections.

As the State continues to address the effects of one of the worst economic downturns in recent history, the ending balance in the RSR is a critical tool in helping to address budget shortfalls. After reaching a peak in fiscal year 2007 at $1.7 billion (9.2% of net revenue collections) the State's RSR balance declined to $268.2 million (1.8%

of net revenue collections) in fiscal year 2010. The RSR increased by $222.3 million and has a current balance of $520.7 million prior to audited agency lapse (approximately $30 million). The increase to the RSR was accomplished due to revenue collections exceeding revenue estimates ($7.5 million), reduction of agency allotment balances, and return of unexpended and unobligated funds by agencies. By statute, 1% of fiscal year 2012 net revenue collections ($172.2 million) is available from the RSR for the mid-year K-12 education appropriation adjustment in the Amended fiscal year 2013 budget. However, this amount had not been appropriated as of the date of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

Budget Highlights

The FY 2013 budget is balanced to a revenue estimate assuming tax revenue growth of 5.3% over actual FY 2012 results. The amended FY 2013 and FY 2014 revenue estimate and budget recommendations will be released in January 2013 and in anticipation of a reduction in the revenue estimate, agencies submitted 3% reduction plans for AFY 2013 and FY 2014 in September 2012. The AFY 2013 budget recommendations will reflect increased funding requirements for Medicaid and a more moderate revenue growth estimate. The FY 2014 budget recommendations will reflect modest growth in education spending, full funding of the pension Annual Required Contribution, funding for Medicaid growth, and continued strategic investments in areas such as reservoirs and harbor deepening. The Governor's requested reductions exclude formula growth for K-12 in both years and required a 5% reduction plan for Medicaid and PeachCare in FY 2014.

Overall National Economic Perspective

The U.S. economy has been in recovery for twelve consecutive quarters of positive GDP growth. Over that time span, growth has picked up only to slow down several times. After a slowdown in growth in spring and early summer, recent data has indicated some strengthening of growth. The Institute of Supply Management index for manufacturing has moved back up above the 50 barrier after falling below that breakeven point for several months. However, manufacturing still faces pressure from slower global growth. In addition:

- Labor market growth has accelerated slightly in the U.S. but is not strong enough to quickly bring down unemployment.
- Retail sales growth has picked up in recent months with auto sales particularly strong but it is expected to be constrained by modest income growth.
- Housing appears to be in recovery with starts, sales and prices up and inventory for sale declining.

While a moderate economic recovery is expected to continue, there are several key risk factors:

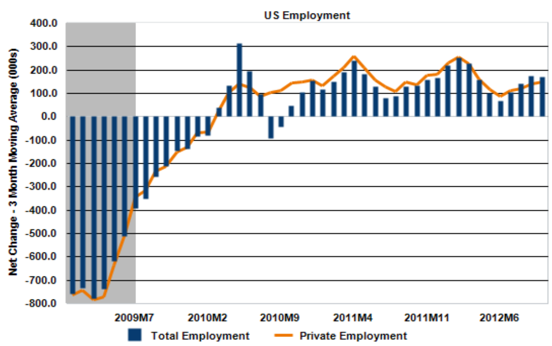
- Fallout from the European debt crisis could impair the functioning of international financial markets. This could further reduce economic growth across the globe and might derail the recovery in the U.S.
- Scheduled tax increases and large federal government spending cuts are expected to slow growth or lead to recession, if implemented as currently scheduled.
- Housing appears to be gaining traction nationally, but mortgage delinquency and foreclosure rates remain elevated.

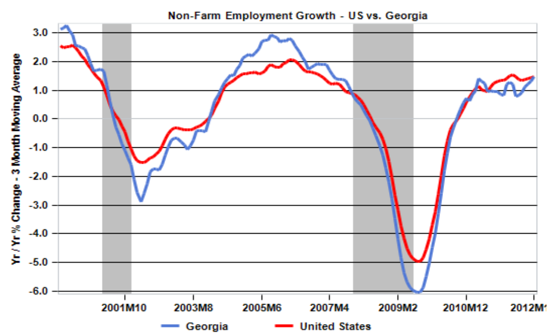
Georgia Economy

Employment

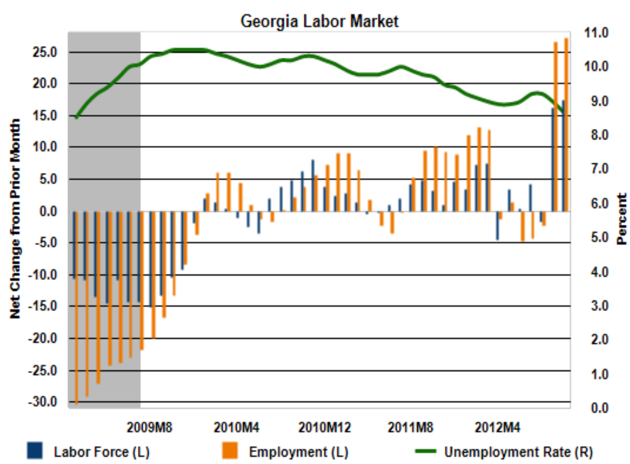
The U.S. labor market lost momentum during the spring of 2012 but job growth has regained some momentum in recent months. Net job growth is averaging about 170,000 jobs per month as of October; well down from the recent peak of just over 250,000 new jobs in February but a solid pick-up from 67,000 jobs added in June. The U.S. unemployment rate is 7.9% as of October 2012.

The State added 67,600 net new jobs over the last twelve months as of October. Year over year growth in employment in the State equals 1.5% on a three month moving average basis as of October. This is in line with the growth rate of the U.S. labor market.



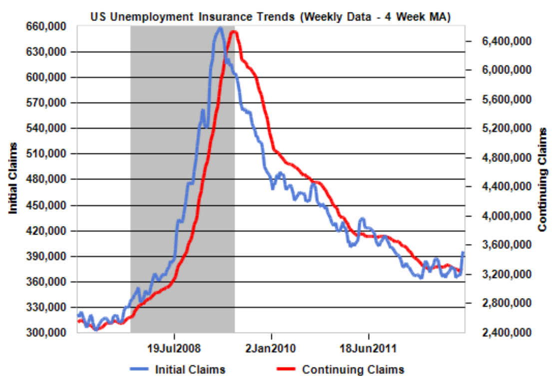


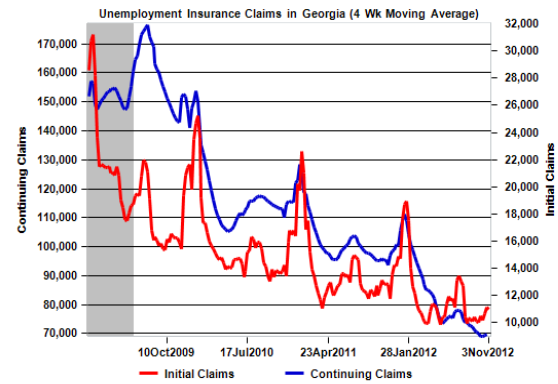
The State's unemployment rate equals 8.7% as of October 2012. This is higher than the U.S. rate of 7.9%. Since October 2011, the State's unemployment rate has dropped by 1.0%. The State work force has expanded by 1.2%, household employment has increased by 2.3%, while the number of unemployed in the labor force has dropped by 8.6%.



Unemployment

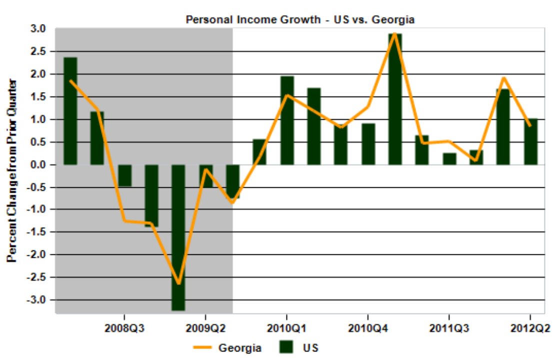
Initial unemployment insurance claims are still elevated in the U.S. and in the State compared to levels prior to the recession, but are running below year ago levels. U.S. initial claims have been running near 370,000 per week on average recently and have had trouble breaking below the 350,000 per week level. In the State, weekly initial claims are running between 10,000 and 11,000. Initial claims are well-below year ago levels but the downward trend in initial claims has stalled. *(Table on next page)*

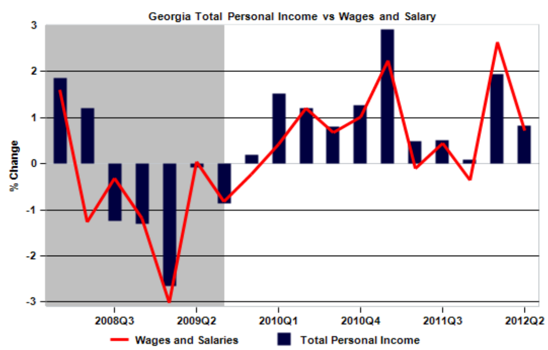




Personal Income

Personal income growth in the U.S. and in the State has been positive on a quarter over quarter basis for the last eleven quarters. However, while positive, personal income growth has been relatively weak in 2012.





Housing Market

The State's residential building permits fell about 90% from peak to trough and have remained near that trough for about three years. Permits issued have begun to show sustained growth on a year over year basis. Home prices have also shown improvement. Atlanta area prices have risen on a month over month basis in each of the last four months. Atlanta's price growth has exceeded that of the composite index for 20 metro areas in each month over that period. However, on a year over year basis, Atlanta metro prices are still down 6.1% as of August. In contrast, the 20 metro area composite price index is up 2.0% as of August. The State's housing recovery is continuing but fragile which can be seen in still high mortgage delinquency and foreclosures rates. However, it appears private equity firms have begun to buy up Atlanta area properties as investment vehicles thereby providing a boost to prices and new construction.

REQUESTS FOR INFORMATION

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

BASIC FINANCIAL STATEMENTS

Statement of Net Assets
June 30, 2012
(dollars in thousands)

	Governmental Activities	Business-type Activities	Total	Component Units
Assets				
Cash and Cash Equivalents	$ 2,888,458	$ 1,425,202	$ 4,313,660	$ 1,100,512
Investments	2,287,767	276,650	2,564,417	3,073,289
Receivables (Net)	3,537,759	927,757	4,465,516	5,312,602
Due from Primary Government	-	-	-	6,369
Due from Component Units	23,924	144,910	168,834	-
Internal Balances	231,332	(231,332)	-	-
Inventories	54,606	34,244	88,850	25,933
Prepaid Items	35,083	45,969	81,052	23,235
Other Assets	38,630	14,682	53,312	310,031
Deferred Capital Outflow	-	-	-	11,725
Restricted Assets				
Cash and Cash Equivalents	49,266	52,889	102,155	377,185
Investments	12,915	90,349	103,264	428,477
Receivables (Net)	-	-	-	767,220
Capital Assets				
Nondepreciable	7,825,034	638,251	8,463,285	583,023
Depreciable (Net of Accumulated Depreciation)	13,365,955	9,068,658	22,434,613	1,674,270
Total Assets	30,350,729	12,488,229	42,838,958	13,693,871
Liabilities				
Accounts Payable and Accrued Liabilities	2,269,743	253,049	2,522,792	317,192
Due to Primary Government	-	-	-	168,832
Due to Component Units	974	5,395	6,369	-
Benefits Payable	971,898	249,179	1,221,077	-
Accrued Interest Payable	155,453	692	156,145	5,892
Contracts Payable	76,597	25,213	101,810	18,562
Funds Held for Others	110,252	59,216	169,468	4,150
Unearned Revenue	118,745	408,493	527,238	1,058,945
Claims and Judgments Payable	522,041	-	522,041	9,004
Other Liabilities	79,803	61,387	141,190	218,598
Noncurrent Liabilities:				
Due within one year	1,066,721	202,916	1,269,637	180,099
Due in more than one year	10,111,211	5,801,118	15,912,329	4,957,298
Total Liabilities	15,483,438	7,066,658	22,550,096	6,938,572
Net Assets				
Invested in Capital Assets, Net of Related Debt	13,355,209	6,257,436	19,612,645	1,289,698
Restricted for:				
Bond Covenants/Debt Service	-	-	-	14,886
Capital Projects	839,301	12,232	851,533	71,913
Guaranteed Revenue Debt Common Reserve Fund	54,003	-	54,003	-
Loan and Grant Programs	-	-	-	1,296,575
Lottery for Education	667,190	-	667,190	-
Motor Fuel Tax Funds	1,809,211	-	1,809,211	-
Permanent Trusts:				
Nonexpendable	14	149,666	149,680	1,138,606
Expendable	-	269,093	269,093	980,611
Other Purposes	598,774	26,274	625,048	24,481
Unrestricted	(2,456,411)	(1,293,130)	(3,749,541)	1,938,529
Total Net Assets	$ 14,867,291	$ 5,421,571	$ 20,288,862	$ 6,755,299

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

Statement of Activities
For the Fiscal Year Ended June 30, 2012
(dollars in thousands)

		Program Revenues		
	Expenses	Sales and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Functions/Programs				
Primary Government				
Governmental Activities:				
General Government	$ 1,326,657	$ 1,912,183	$ 360,098	$ 6,347
Education	10,100,155	10,129	2,105,628	-
Health and Welfare	15,657,704	489,289	11,334,319	4,092
Transportation	1,519,707	22,139	81,368	1,114,588
Public Safety	1,912,814	162,970	173,945	17,321
Economic Development and Assistance	783,308	89,779	615,006	-
Culture and Recreation	233,043	132,533	80,868	-
Conservation	50,334	9,729	13,128	576
Interest and Other Charges on Long-Term Debt	638,775	-	-	-
Total Governmental Activities	32,222,497	2,828,751	14,764,360	1,142,924
Business-type Activities:				
Higher Education Fund	7,916,281	2,922,710	2,683,169	26,897
State Health Benefit Plan	2,362,677	-	2,273,547	-
Unemployment Compensation Fund	2,240,295	-	2,288,968	-
Nonmajor Enterprise	35,735	38,716	56	9,260
Total Business-type Activities	12,554,988	2,961,426	7,245,740	36,157
Total Primary Government	$ 44,777,485	$ 5,790,177	$ 22,010,100	$ 1,179,081
Component Units				
Georgia Environmental Finance Authority	$ 134,121	$ 50,443	$ 208,006	$ -
Georgia Housing and Finance Authority	152,771	19,133	136,951	-
Georgia Lottery Corporation	3,564,486	3,564,315	24,052	-
Georgia Tech Foundation, Incorporated	132,500	14,157	55,937	-
Nonmajor Component Units	2,436,635	1,382,987	996,902	61,655
Total Component Units	$ 6,420,513	$ 5,031,035	$ 1,421,848	$ 61,655

General Revenues:
Taxes
Personal Income Taxes
General Sales Taxes
Other Taxes
Unrestricted Investment Income
Unclaimed Property
Other
Payments from the State of Georgia
Contributions to Permanent Endowments
Transfers
Total General Revenues, Contributions to Permanent Endowments and Transfers
Change in Net Assets
Net Assets - Beginning - Restated (Note 3)
Net Assets - Ending

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

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			
Governmental Activities	Business-Type Activities	Total	Component Units
$ 951,971		$ 951,971	
(7,984,398)		(7,984,398)	
(3,830,004)		(3,830,004)	
(301,612)		(301,612)	
(1,558,578)		(1,558,578)	
(78,523)		(78,523)	
(19,642)		(19,642)	
(26,901)		(26,901)	
(638,775)		(638,775)	
(13,486,462)		(13,486,462)	
	$ (2,283,505)	(2,283,505)	
	(89,130)	(89,130)	
	48,673	48,673	
	12,297	12,297	
	(2,311,665)	(2,311,665)	
(13,486,462)	(2,311,665)	(15,798,127)	
			$ 124,328
			3,313
			23,881
			(62,406)
			4,909
			94,025
8,196,187	-	8,196,187	-
5,141,871	-	5,141,871	-
2,636,648	-	2,636,648	26,974
6,183	-	6,183	-
83,215	-	83,215	-
12,909	-	12,909	-
-	-	-	49,853
-	-	-	44,021
(2,346,986)	2,346,986	-	-
13,730,027	2,346,986	16,077,013	120,848
243,565	35,321	278,886	214,873
14,623,726	5,386,250	20,009,976	6,540,426
$ 14,867,291	$ 5,421,571	$ 20,288,862	$ 6,755,299

Balance Sheet
Governmental Funds
June 30, 2012
(dollars in thousands)

	General Fund	General Obligation Bond Projects Fund	Nonmajor Funds	Total
Assets				
Cash and Cash Equivalents	$ 2,800,136	$ 11,915	$ 35,617	$ 2,847,668
Investments	1,208,845	972,970	14,408	2,196,223
Receivables, Net	3,477,201	99	26	3,477,326
Due from Other Funds	388	-	1,756	2,144
Due from Component Units	23,880	-	-	23,880
Inventories	42,602	-	-	42,602
Restricted Assets				
Cash and Cash Equivalents	-	-	21,141	21,141
Advances to Primary Government	-	-	8,363	8,363
Other Assets	43,055	-	21	43,076
Total Assets	$ 7,596,107	$ 984,984	$ 81,332	$ 8,662,423
Liabilities and Fund Balances				
Liabilities:				
Accounts Payable and Other Accruals	$ 2,181,508	$ 44,302	$ 138	$ 2,225,948
Due to Other Funds	363,974	-	-	363,974
Due to Component Units	974	-	-	974
Benefits Payable	971,898	-	-	971,898
Contracts Payable	62,892	13,705	-	76,597
Undistributed Local Government Sales Tax	3,500	-	-	3,500
Funds Held for Others	108,904	-	-	108,904
Deferred Revenue	117,782	826	-	118,608
Other Liabilities	64,865	16,905	33	81,803
Total Liabilities	3,876,297	75,738	171	3,952,206
Fund Balances:				
Nonspendable	74,206	-	8,398	82,604
Restricted	3,004,697	903,386	60,396	3,968,479
Unrestricted				
Committed	7,695	-	-	7,695
Assigned	298,557	5,860	12,367	316,784
Unassigned	334,655	-	-	334,655
Total Fund Balances	3,719,810	909,246	81,161	4,710,217
Total Liabilities and Fund Balances	$ 7,596,107	$ 984,984	$ 81,332	$ 8,662,423

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

Reconciliation of Fund Balances
To the Statement of Net Assets
June 30, 2012
(dollars in thousands)

Total Fund Balances - Governmental Funds (from previous page)		$ 4,710,217
Amounts reported for governmental activities in the Statement of Net Assets are different because:		
Capital Assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. These assets consist of:		
Land	$ 3,197,990	
Buildings and Building Improvements	3,186,785	
Improvements Other Than Buildings	92,108	
Equipment	821,404	
Infrastructure	23,939,751	
Construction in Progress	4,511,733	
Works of Art	86	
Intangibles	92,501	
Software	192,148	
Accumulated Depreciation	(15,162,123)	20,872,383
Bond issuance costs are reported as expenditures in the funds. However, issuance costs are deferred and amortized over the life of the bonds and are included in governmental activities in the Statement of Net Assets.		28,655
Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Assets.		521,345
Certain long-term liabilities and related accrued interest are not due and payable in the current period and, therefore, are not reported in the funds.		
General Obligation Bonds	(8,584,945)	
Premiums	(521,379)	
Deferred Amount on Refunding	228,941	
Accrued Interest Payable	(144,909)	
Revenue Bonds	(1,580,240)	
Premiums	(110,991)	
Accrued Interest Payable	(10,542)	
Capital Leases	(201,044)	
Compensated Absences	(316,747)	
Long-Term Notes	(14,600)	
Arbitrage Rebate	(8,853)	(11,265,309)
Total Net Assets - Governmental Activities		$ 14,867,291

Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2012
(dollars in thousands)

	General Fund	General Obligation Bond Projects Fund	Nonmajor Funds	Total
Revenues:				
Taxes	$ 15,974,706	$ -	$ -	$ 15,974,706
Licenses and Permits	593,541	-	-	593,541
Intergovernmental - Federal	15,275,508	19,023	-	15,294,531
Intergovernmental - Other	478,339	27,635	-	505,974
Sales and Services	440,700	-	251	440,951
Fines and Forfeits	450,457	-	-	450,457
Interest and Other Investment Income	10,516	7,926	138	18,580
Unclaimed Property	83,215	-	-	83,215
Lottery Proceeds	901,329	-	-	901,329
Nursing Home Provider Fees	132,393	-	-	132,393
Hospital Provider Payments	225,260	-	-	225,260
Other	71,528	-	1,129	72,657
Total Revenues	34,637,492	54,584	1,518	34,693,594
Expenditures:				
Current:				
General Government	915,706	4,807	-	920,513
Education	10,099,224	-	-	10,099,224
Health and Welfare	15,668,820	-	-	15,668,820
Transportation	1,658,437	-	6,375	1,664,812
Public Safety	1,921,717	-	-	1,921,717
Economic Development and Assistance	781,094	-	961	782,055
Culture and Recreation	258,311	-	161	258,472
Conservation	54,694	-	-	54,694
Capital Outlay	-	674,905	-	674,905
Debt Service				
Principal	-	-	803,600	803,600
Interest	10	-	475,198	475,208
Other Debt Service Expenditures	-	19,563	78,805	98,368
Intergovernmental	-	239,879	-	239,879
Total Expenditures	31,358,013	939,154	1,365,100	33,662,267
Excess (Deficiency) of Revenues Over (Under) Expenditures	3,279,479	(884,570)	(1,363,582)	1,031,327
Other Financing Sources (Uses):				
Debt Issuance - General Obligation Bonds	-	803,615	-	803,615
Debt Issuance - Refunding Bonds	-	-	719,465	719,465
Debt Issuance - General Obligation Bonds - Premium	-	78,781	-	78,781
Debt Issuance - Refunding Bonds - Premium	-	-	86,523	86,523
Payment to Refunded Bond Escrow Agent	-	-	(805,945)	(805,945)
Capital Leases	11,179	-	-	11,179
Transfers In	32,131	10,354	1,371,608	1,414,093
Transfers Out	(3,317,010)	(92,593)	-	(3,409,603)
Net Other Financing Sources (Uses)	(3,273,700)	800,157	1,371,651	(1,101,892)
Net Change in Fund Balances	5,779	(84,413)	8,069	(70,565)
Fund Balances, July 1 (Restated - Note 3)	3,714,031	993,659	73,092	4,780,782
Fund Balances, June 30	$ 3,719,810	$ 909,246	$ 81,161	$ 4,710,217

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

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances-Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2012
(dollars in thousands)

Net Change in Fund Balances - Governmental Funds (from previous page)		$	(70,565)
Amounts reported for governmental activities in the Statement of Activities are different because:			
Capital outlays are reported as expenditures in governmental funds. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.			
Capital outlay (net of losses), net of transfers to Business-Type Activities, Component Units and outside organizations.	$ 1,287,014		
Depreciation expense	(1,057,966)		229,048
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.			5,089
Bond proceeds (net of issuance costs and payments to refunding escrow) provide current financial resources to governmental funds; however, issuing debt increases long-term liabilities in the Statement of Net Assets.			(782,545)
Some capital additions were financed through capital leases. In governmental funds, a capital lease arrangement is considered a source of financing, but in the Statement of Net Assets, the lease obligation is reported as a liability.			(11,178)
Repayment of long-term debt is reported as an expenditure in governmental funds, but the repayment reduces the long-term liabilities in the Statement of Net Assets. Payments were made on the following long-term liabilities:			
General Obligation Bonds	748,745		
Revenue Bonds	151,730		
Notes	-		
Capital Leases	24,168		924,643
Internal service funds are used by management to charge the costs of certain activities to individual funds. The incorporation of the external activities of these funds, and the elimination of profit/loss generated by primary government customers results in net revenue (expense) for Governmental Activities.			11,967
Some items reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds. This adjustment combines the net changes in the following balances:			
Compensated Absences	(1,677)		
Accrued Interest on Bonds Payable	9,869		
Arbitrage Rebate	8,835		
Amortization of Deferred Amount on Refunding	50,036		
Amortization of Bond Premiums	33,787		
Allocation of Deferred Bond Issuance Costs	(163,744)		(62,894)
Change in Net Assets - Governmental Activities		$	243,565

Statement of Net Assets
Proprietary Funds
June 30, 2012
(dollars in thousands)

	Business-type Activities - Enterprise Funds					Governmental Activities - Internal Service Funds
	Higher Education Fund	State Health Benefit Plan	Unemployment Compensation Fund	Nonmajor Funds	Total	
Assets						
Current Assets:						
Cash and Cash Equivalents	$ 1,039,658	$ 12,807	$ 364,016	$ 8,021	$ 1,424,502	$ 69,616
Investments	194,108	5,131	-	931	200,170	34,615
Accounts Receivable (Net)	341,858	69,773	177,811	2,767	592,209	59,244
Due from Other Funds	-	-	-	76	76	453,258
Due from Component Units	140,001	-	-	-	140,001	42
Notes Receivable	450	-	-	3,935	4,385	-
Other Assets	80,843	-	-	75	80,918	15,526
Restricted Assets						
Cash and Cash Equivalents	-	-	-	42,718	42,718	4,331
Investments	-	-	-	18,762	18,762	1,306
Noncurrent Assets:						
Investments	76,480	-	-	-	76,480	69,845
Notes Receivable	45,781	-	-	285,375	331,156	-
Due from Component Units	4,909	-	-	-	4,909	-
Other Noncurrent Assets	-	-	-	13,614	13,614	-
Restricted Assets						
Cash and Cash Equivalents	5,839	-	-	-	5,839	-
Investments	70,281	-	-	-	70,281	-
Non-Depreciable Capital Assets	628,160	-	-	10,091	638,251	22,723
Depreciable Capital Assets, net	9,049,621	-	-	19,037	9,068,658	295,884
Total Assets	11,677,989	87,711	541,827	405,402	12,712,929	1,026,390
Liabilities						
Current Liabilities:						
Accounts Payable and Other Accruals	195,600	3,465	4,201	2,467	205,733	38,328
Due to Other Funds	88,102	41,226	-	1,970	131,298	1,134
Due to Component Units	5,395	-	-	-	5,395	-
Benefits Payable	26,750	203,403	19,026	-	249,179	-
Grants Payable	6,367	-	-	-	6,367	-
Unearned Revenue	260,552	111,779	22,882	-	395,213	137
Claims and Judgments Payable	-	-	-	-	-	522,041
Compensated Absences Payable - Current	129,548	153	-	103	129,804	3,522
Revenue Bonds Payable	-	-	-	9,895	9,895	-
Other Current Liabilities	204,603	-	-	4,098	208,701	5,438
Current Liabilities Payable from Restricted Assets	-	-	-	67	67	4,531
Noncurrent Liabilities:						
Compensated Absences Payable	89,118	176	-	103	89,397	3,529
Advances from Primary Government	-	-	-	8,363	8,363	57,113
Capital Leases/Installment Purchases Payable	3,373,105	-	-	-	3,373,105	-
Revenue Bonds Payable	-	-	-	309,353	309,353	-
Other Postemployment Benefit Obligation	1,278,146	-	-	-	1,278,146	-
Other Noncurrent Liabilities	15,340	-	745,303	-	760,643	-
Total Liabilities	5,672,626	360,202	791,412	336,419	7,160,659	635,773
Net Assets						
Invested in Capital Assets, Net of Related Debt	6,229,977	-	-	27,459	6,257,436	257,539
Restricted for:						
Capital Projects	12,232	-	-	-	12,232	-
Other	-	-	-	26,274	26,274	-
Permanent Trusts:						
Nonexpendable	149,666	-	-	-	149,666	-
Expendable	269,093	-	-	-	269,093	-
Unrestricted	(655,605)	(272,491)	(249,585)	15,250	(1,162,431)	133,078
Total Net Assets	$ 6,005,363	$ (272,491)	$ (249,585)	$ 68,983	5,552,270	$ 390,617
Adjustment to reflect the consolidation of Internal Service Fund activities related to Enterprise Funds.					(130,699)	
Net Assets of Business-type Activities					$ 5,421,571	

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

Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
For the Fiscal Year Ended June 30, 2012
(dollars in thousands)

	Business-type Activities - Enterprise Funds					Governmental Activities - Internal Service Funds
	Higher Education Fund	State Health Benefit Plan	Unemployment Compensation Fund	Nonmajor Funds	Total	
Operating Revenues:						
Operating Grants and Contributions/Premiums	$ 1,504,616	$ 2,273,416	$ 2,288,968	$ -	$ 6,067,000	$ 209,735
Rents and Royalties	5,940	-	-	53	5,993	50,954
Sales and Services	984,927	-	-	38,663	1,023,590	324,535
Tuition and Fees	2,395,042	-	-	-	2,395,042	-
Less: Scholarship Allowances	(612,076)	-	-	-	(612,076)	-
Other	148,876	-	-	-	148,876	10,965
Total Operating Revenues	4,427,325	2,273,416	2,288,968	38,716	9,028,425	596,189
Operating Expenses:						
Personal Services	4,630,839	5,486	-	2,695	4,639,020	57,332
Services and Supplies	2,045,479	112,893	-	8,944	2,167,316	328,489
Scholarships and Fellowships	555,056	-	-	-	555,056	-
Benefits	-	2,244,298	2,240,295	-	4,484,593	-
Claims and Judgments	-	-	-	-	-	178,886
Interest Expense	-	-	-	15,757	15,757	-
Depreciation	451,085	-	-	4,213	455,298	25,270
Amortization	-	-	-	2,055	2,055	-
Total Operating Expenses	7,682,459	2,362,677	2,240,295	33,664	12,319,095	589,977
Operating Income (Loss)	(3,255,134)	(89,261)	48,673	5,052	(3,290,670)	6,212
Nonoperating Revenues (Expenses):						
Grants and Contributions	1,155,787	-	-	-	1,155,787	-
Interest and Other Investment Income	22,767	131	-	49	22,947	2,496
Interest Expense	(178,318)	-	-	(934)	(179,252)	-
Other	(56,489)	-	-	(2,303)	(58,792)	1,035
Total Nonoperating Revenues (Expenses)	943,747	131	-	(3,188)	940,690	3,531
Income (Loss) Before Contributions, Special Items and Transfers	(2,311,387)	(89,130)	48,673	1,864	(2,349,980)	9,743
Capital Contributions	373,681	-	-	9,260	382,941	11,198
Transfers:						
Transfers In	2,019,835	-	-	-	2,019,835	15,770
Transfers Out	(3,653)	-	(3,482)	(13,428)	(20,563)	(21,685)
Net Transfers	2,016,182	-	(3,482)	(13,428)	1,999,272	(5,915)
Change in Net Assets	78,476	(89,130)	45,191	(2,304)	32,233	15,026
Net Assets, July 1 (Restated - Note 3)	5,926,887	(183,361)	(294,776)	71,287		375,591
Net Assets, June 30	$ 6,005,363	$ (272,491)	$ (249,585)	$ 68,983		$ 390,617
Adjustment to reflect the consolidation of Internal Service Fund activities related to Enterprise Funds.					3,087	
					$ 35,320	

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

Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2012
(dollars in thousands)

	Business-type Activities - Enterprise Funds					Governmental Activities -
	Higher Education Fund	State Health Benefit Plan	Unemployment Compensation Fund	Nonmajor Enterprise Fund	Total	Internal Service Funds
Cash Flows from Operating Activities:						
Cash Received from Customers	$ 963,148	$ -	$ -	$ 17,328	$ 980,476	$ 389,551
Cash Received from Grants and Required Contributions/Premiums	1,515,428	2,325,549	2,293,477	15,762	6,150,216	136,684
Cash Received from Tuition and Fees	1,758,694	-	-	-	1,758,694	-
Cash Paid to Vendors	(2,948,490)	(111,198)	-	(18,404)	(3,078,092)	(320,749)
Cash Paid to Employees	(3,410,772)	(5,468)	-	(2,664)	(3,418,904)	(57,601)
Cash Paid for Benefits	-	(2,241,032)	(2,238,542)	-	(4,479,574)	-
Cash Paid for Claims and Judgments	-	-	-	-	-	(128,039)
Cash Paid for Scholarships, Fellowships and Loans	(568,266)	-	-	-	(568,266)	-
Other Operating Items (Net)	161,637	-	-	(3,762)	157,875	(661)
Net Cash Provided by (Used in) Operating Activities	(2,528,621)	(32,149)	54,935	8,260	(2,497,575)	19,185
Cash Flows from Noncapital Financing Activities:						
Proceeds from Debt	-	-	17,303	-	17,303	-
Transfers from Other Funds	2,019,834	-	-	-	2,019,834	4,318
Transfers to Other Funds	(3,653)	-	(3,482)	-	(7,135)	(10,373)
Other Noncapital Items (Net)	1,113,041	-	-	(7,167)	1,105,874	1,524
Net Cash Provided by (Used in) Noncapital Financing Activities	3,129,222	-	13,821	(7,167)	3,135,876	(4,531)
Cash Flows from Capital and Related Financing Activities:						
Capital Contributions	-	-	-	6,958	6,958	2,273
Capital grants and gifts received	185,113	-	-	-	185,113	-
Proceeds from Sale of Capital Assets	1,910	-	-	-	1,910	4
Acquisition and Construction of Capital Assets	(530,661)	-	-	(14,555)	(545,216)	(8,237)
Principal Paid on Capital Debt	(57,008)	-	-	(5,820)	(62,828)	-
Interest Paid on Capital Debt	(174,395)	-	-	(947)	(175,342)	-
Net Cash Used in Capital and Related Financing Activities	(575,041)	-	-	(14,364)	(589,405)	(5,960)
Cash Flows from Investing Activities:						
Sale (Purchase) of Investments (Net)	(23,479)	15,662	-	(5,344)	(13,161)	114
Interest and Dividends Received	76,836	131	-	49	77,016	3,856
Net Cash Provided by (Used in) Investing Activities	53,357	15,793	-	(5,295)	63,855	3,970
Net Increase (Decrease) in Cash and Cash Equivalents	78,917	(16,356)	68,756	(18,566)	112,751	12,664
Cash and Cash Equivalents, July 1	966,580	29,163	295,260	69,305	1,360,308	61,283
Cash and Cash Equivalents, June 30	$ 1,045,497	$ 12,807	$ 364,016	$ 50,739	$ 1,473,059	$ 73,947

(continued)

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

Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2012
(dollars in thousands)

	Business-type Activities - Enterprise Funds					Governmental
	Higher Education Fund	State Health Benefit Plan	Unemployment Compensation Fund	Nonmajor Enterprise Fund	Total	Activities - Internal Service Funds
Reconciliation of operating income to net cash provided (used) by operating activities						
Operating Income (Loss)	$ (3,255,134)	$ (89,261)	$ 48,673	$ 5,052	$ (3,290,670)	$ 6,212
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:						
Depreciation/Amortization Expense	451,085	-	-	6,268	457,353	25,271
Changes in Assets and Liabilities:						
Accounts Receivable	2,267	(29,019)	2,294	(2,107)	(26,565)	(14,170)
Due From Other Funds	-	-	-	-	-	(47,082)
Due from Component Units	-	-	-	-	-	21
Other Assets	8,371	-	-	188	8,560	86
Notes Receivable	(209)	-	-	-	(209)	-
Accounts Payable and Other Accruals	6,224	1,696	1,079	2,159	11,157	8,507
Due to Other Funds	682	28,569	-	-	29,251	(13,096)
Benefits Payable	-	3,267	1,754	-	5,021	-
Unearned Revenue	(8,801)	52,582	1,135	(3,437)	41,479	4,465
Claims and Judgments Payable	-	-	-	-	-	50,847
Compensated Absences Payable	3,209	17	-	31	3,257	(300)
Other Postemployment Benefit Obligation	260,748	-	-	-	260,748	-
Other Liabilities	2,937	-	-	106	3,043	(1,576)
Net Cash Provided by (Used) in Operating Activities	$ (2,528,621)	$ (32,149)	$ 54,935	$ 8,260	$ (2,497,575)	$ 19,185
Noncash Investing, Capital, and Financing Activities:						
Gift of Capital Assets Reducing Proceeds of Capital Grants and Gifts	$ 194,384	$ -	$ -	$ -	$ 194,384	$ -
Gifts other than Capital Assets Reducing Proceeds of Grants and Gifts for Other than Capital Assets	1,757	-	-	-	1,757	-
Donation of Capital Assets	-	-	-	-	-	8,955
Change in Accrued Interest Payable Affecting Interest Paid	3,152	-	-	-	3,152	-
Fixed Assets Acquired by Incurring Capital Lease Obligations	318,927	-	-	-	318,927	-
Change in Fair Value of Investments	3,957	-	-	-	3,957	(1,360)
Special Item - Equipment-Capital Asset Transfer	14,991	-	-	-	14,991	-
Other	2,049	-	-	-	2,049	-
Total Noncash Investing, Capital and Financing Activites	$ 539,217	$ -	$ -	$ -	$ 539,217	$ 7,595

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

Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2012
(dollars in thousands)

	Pension and Other Employee Benefits Trust	Investment Trust	Private Purpose Trust	Agency	Total
Assets					
Cash and Cash Equivalents	$ 502,730	$ 4,131,715	$ 7,034	$ 143,033	$ 4,784,512
Receivables					
Interest and Dividends	231,979	42	-	-	232,021
Due from Brokers for Securities Sold	44,798	-	-	-	44,798
Other	173,811	-	-	2,279	176,090
Due from Other Funds	43,896	-	-	-	43,896
Investments, at Fair Value					
Certificates of Deposit	-	-	-	2,350	2,350
Pooled Investments	13,708,731	1,904,823	2,377	14,688	15,630,619
Mutual Funds	1,456,522	-	-	3,503	1,460,025
Repurchase Agreements	400,000	-	-	-	400,000
Municipal, U. S. and Foreign Government Obligations	9,582,041	-	-	44,924	9,626,965
Corporate Bonds/Notes/Debentures	5,979,198	-	-	-	5,979,198
Stocks	37,543,029	-	-	-	37,543,029
Asset-Backed Securities	8,059	-	-	-	8,059
Mortgage Investments	77,766	-	-	-	77,766
Real Estate Investment Trusts	31,120	-	-	-	31,120
Capital Assets					
Land	2,071	-	-	-	2,071
Buildings	7,695	-	826	-	8,521
Software	29,325	-	-	-	29,325
Machinery and Equipment	5,215	-	103	-	5,318
Accumulated Depreciation	(34,212)	-	(507)	-	(34,719)
Other Assets	827	-	-	34,647	35,474
Total Assets	69,794,601	6,036,580	9,833	245,424	76,086,438
Liabilities					
Accounts Payable and Other Accruals	44,814	-	-	2,246	47,060
Due to Other Funds	2,968	-	-	-	2,968
Due to Brokers for Securities Purchased	108,245	-	-	-	108,245
Salaries/Withholdings Payable	1	-	-	-	1
Benefits Payable	51,484	-	-	-	51,484
Funds Held for Others	-	-	-	243,159	243,159
Unearned Revenue	11,372	-	-	-	11,372
Compensated Absences Payable	61	-	239	-	300
Other Liabilities	14	-	587	19	620
Total Liabilities	218,959	-	826	245,424	465,209
Net Assets					
Held in Trust for:					
Pension Benefits	68,573,802	-	-	-	68,573,802
Other Postemployment Benefits	818,450	-	-	-	818,450
Other Employee Benefits	183,390	-	-	-	183,390
Pool Participants	-	6,036,580	-	-	6,036,580
Other Purposes	-	-	9,007	-	9,007
Total Net Assets	$ 69,575,642	$ 6,036,580	$ 9,007	$ -	$ 75,621,229

Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the Fiscal Year Ended June 30, 2012
(dollars in thousands)

	Pension and Other Employee Benefits Trust	Investment Trust	Private Purpose Trust	Total
Additions:				
Contributions/Assessments				
Employer	$ 2,031,469	$ -	$ -	$ 2,031,469
Plan Members/Participants	883,011	-	100,216	983,227
Other Contributions				
Fines and Bond Forfeitures	20,171	-	-	20,171
Insurance Company Premium Taxes	27,073	-	-	27,073
Insurance Premiums	6,303	-	-	6,303
Other Fees	4,774	-	-	4,774
Interest and Other Investment Income				
Dividends and Interest	1,620,304	10,293	54	1,630,651
Net Appreciation (Depreciation) in				
Investments Reported at Fair Value	(188,264)	48	-	(188,216)
Less: Investment Expense	(39,259)	(2,605)	-	(41,864)
Pool Participant Deposits	-	7,827,632	-	7,827,632
Other				
Transfers from Other Funds	2,153	-	-	2,153
Miscellaneous	14,110	-	-	14,110
Total Additions	4,381,845	7,835,368	100,270	12,317,483
Deductions:				
General and Administrative Expenses	80,628	-	2,745	83,373
Benefits	5,529,461	-	99,912	5,629,373
Pool Participant Withdrawals	-	6,918,391	-	6,918,391
Refunds	94,244	-	-	94,244
Total Deductions	5,704,333	6,918,391	102,657	12,725,381
Change in Net Assets Held in Trust for:				
Pension and Other Employee Benefits	(1,322,488)			(1,322,488)
Pool Participants		916,977		916,977
Other Purposes			(2,387)	(2,387)
Net Assets, July 1	70,898,130	5,119,603	11,394	76,029,127
Net Assets, June 30	$ 69,575,642	$ 6,036,580	$ 9,007	$ 75,621,229

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

Statement of Net Assets
Component Units
June 30, 2012
(dollars in thousands)

	Georgia Environmental Finance Authority	Georgia Housing and Finance Authority	Georgia Lottery Corporation	Georgia Tech Foundation, Incorporated	Nonmajor Component Units	Total
Assets						
Current Assets:						
Cash and Cash Equivalents	$ 349,682	$ 77,509	$ 4,820	$ 2,369	$ 666,132	$ 1,100,512
Investments	132,474	20,719	-	-	240,592	393,785
Receivables						
Accounts (Net)	2,923	-	143,596	52,220	347,265	546,004
Taxes	-	-	-	-	492	492
Interest and Dividends	7,060	556	-	-	1,975	9,591
Notes and Loans (Net)	-	-	-	955	321,739	322,694
Due from Primary Government	-	-	-	-	6,369	6,369
Due from Component Units	-	-	-	-	9,861	9,861
Intergovernmental Receivables	4,691	-	-	-	11,219	15,910
Other Current Assets	3,596	31,112	3,226	-	114,516	152,450
Noncurrent Assets:						
Investments	-	136,500	-	1,285,086	1,257,918	2,679,504
Receivables (Net)						
Notes and Loans	1,528,133	632,502	-	-	2,340	2,162,975
Other	-	-	-	219,482	2,035,454	2,254,936
Due from Component Units	-	-	-	-	89,964	89,964
Restricted Assets						
Cash and Cash Equivalents	-	180,516	6,692	8,339	181,638	377,185
Investments	-	120,976	290,913	-	16,588	428,477
Receivables (Net)						
Notes and Loans	-	757,044	-	-	-	757,044
Interest and Dividends	-	10,127	-	-	-	10,127
Other	-	-	-	-	49	49
Deferred Charges	-	14,651	-	-	-	14,651
Non-depreciable capital assets	-	800	-	3,395	578,828	583,023
Depreciable capital assets, net	35	2,734	4,113	33,282	1,634,106	1,674,270
Deferred Capital Outflow	-	-	-	-	11,725	11,725
Other Noncurrent Assets	-	-	-	26,519	165,579	192,098
Total Assets	2,028,594	1,985,746	453,360	1,631,647	7,694,349	13,793,696

(continued)

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

Statement of Net Assets
Component Units
June 30, 2012
(dollars in thousands)

.	Georgia Environmental Finance Authority	Georgia Housing and Finance Authority	Georgia Lottery Corporation	Georgia Tech Foundation, Incorporated	Nonmajor Component Units	Total
Liabilities						
Current Liabilities:						
Accounts Payable and Other Accruals	6,990	24,570	128,416	7,578	155,851	323,405
Due to Primary Government	-	2	21,940	-	141,981	163,923
Due to Component Units	-	-	-	9,769	94	9,863
Funds Held for Others	-	-	-	-	4,150	4,150
Unearned Revenue	29,594	2,252	-	40,637	131,331	203,814
Notes and Loans Payable	-	-	-	18,718	16,365	35,083
Revenue/Mortgage Bonds Payable	10,765	24,375	-	8,895	59,193	103,228
Other Current Liabilities	126	107,688	10,869	2,418	67,925	189,026
Current Liabilities Payable from Restricted Assets:						
Accrued Interest Payable	-	-	-	-	1,702	1,702
Revenue Bonds Payable	-	-	-	-	7,410	7,410
Other	-	-	6,675	-	9,864	16,539
Noncurrent Liabilities:						
Unearned Revenue	-	641,566	-	35,394	178,171	855,131
Notes and Loans Payable	-	-	-	9,251	440,340	449,591
Revenue/Mortgage Bonds Payable	177,356	1,000,025	-	262,062	2,556,986	3,996,429
Grand Prizes Payable	-	-	240,167	-	-	240,167
Due to Component Units	-	-	-	89,962	-	89,962
Due to Primary Government	-	-	-	-	4,909	4,909
Derivative Instrument Payable	-	-	-	-	64,065	64,065
Other Noncurrent Liabilities	378	-	3,808	17,490	258,324	280,000
Total Liabilities	225,209	1,800,478	411,875	502,174	4,098,661	7,038,397
Net Assets						
Invested in Capital Assets, Net of Related Debt	35	3,534	4,113	(32,475)	1,314,491	1,289,698
Restricted for:						
Bond Covenants/Debt Service	-	-	-	-	14,886	14,886
Capital Projects	-	-	-	9,679	62,234	71,913
Permanent Trusts						
Expendable	-	-	-	558,639	421,972	980,611
Nonexpendable	-	-	-	498,635	639,971	1,138,606
Loan and Grant Programs	1,296,575	-	-	-	-	1,296,575
Other Purposes	-	-	-	-	24,481	24,481
Unrestricted	506,775	181,734	37,372	94,995	1,117,653	1,938,529
Total Net Assets	$ 1,803,385	$ 185,268	$ 41,485	$ 1,129,473	$ 3,595,688	$ 6,755,299

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


STATE OF GEORGIA
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Statement of Activities
Component Units
For the Fiscal Year Ended June 30, 2012
(dollars in thousands)

	Georgia Environmental Finance Authority	Georgia Housing and Finance Authority	Georgia Lottery Corporation	Georgia Tech Foundation, Incorporated	Nonmajor Component Units	Total
Expenses	$ 134,121	$ 152,771	$ 3,564,486	$ 132,500	$ 2,436,635	$ 6,420,513
Program Revenues:						
Sales and Charges for Services	50,443	19,133	3,564,315	14,157	1,382,987	5,031,035
Operating Grants and Contributions	208,006	136,951	24,052	55,937	996,902	1,421,848
Capital Grants and Contributions	-	-	-	-	61,655	61,655
Total Program Revenues	258,449	156,084	3,588,367	70,094	2,441,544	6,514,538
Net Revenue	124,328	3,313	23,881	(62,406)	4,909	94,025
General Revenues:						
Taxes	-	-	-	-	26,974	26,974
Payments from the State of Georgia	-	-	-	-	49,853	49,853
Contributions to Permanent Endowments	-	-	-	20,928	23,093	44,021
Total General Revenues	-	-	-	20,928	99,920	120,848
Change in Net Assets	124,328	3,313	23,881	(41,478)	104,829	214,873
Net Assets, July 1 - Restated (Note 3)	1,679,057	181,955	17,604	1,170,951	3,490,859	6,540,426
Net Assets, June 30	$ 1,803,385	$ 185,268	$ 41,485	$ 1,129,473	$ 3,595,688	$ 6,755,299

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

STATE OF GEORGIA

CONSTITUTION

WISDOM JUSTICE MODERATION

1776

Notes to the Financial Statements
Index

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

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

B. Financial Reporting Entity

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

Financial accountability is the ability of the State to appoint a voting majority of an organization's governing board and to impose its will upon the organization or when there exists the potential for the organization to provide specific financial benefits or impose specific financial burdens on the primary government. When the State does not appoint a voting majority of an organization's governing body, GASB standards require inclusion in the financial reporting entity if an organization is fiscally dependent upon the State, its resources are held for the direct benefit of the State or can be accessed by the State, or the relationship is such that it would be misleading to exclude it.

Blended Component Units

Blended component units provide services entirely or almost entirely to the primary government. As such, although they are legally separate entities, they are, in substance, part of the government's operations. GASB standards require this type of component unit to be reported as part of the primary government and blended into the appropriate funds. The State has only one component unit that is blended into a major fund, the Higher Education Fund, an enterprise fund. The description for this component unit follows:

Georgia Military College was created as a public authority, a body corporate and politic, and is an instrumentality of the State and a public corporation. Georgia Military College is dedicated to providing a high-quality military education to the youth of the State. The Board of Trustees consists of the mayor of the City of Milledgeville and six additional members, one of which is elected from each of the six municipal voting districts of the City, as required by statute. The government, control, and management of Georgia Military College are vested in the Board of Trustees. Georgia Military College receives any designated funds appropriated by the General Assembly through the Board of Regents of the University System of Georgia.

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

Special Revenue Funds
Georgia Economic Development Foundation, Inc.
Georgia Natural Resources Foundation
Georgia Tourism Foundation
State Road and Tollway Authority

Debt Service Funds
State Road and Tollway Authority

Enterprise Funds
Georgia Higher Education Facilities Authority
State Road and Tollway Authority

Internal Service Funds
Georgia Aviation Authority
Georgia Building Authority
Georgia Correctional Industries Administration
Georgia Technology Authority
State Road and Tollway Authority

Discretely Presented Component Units

Discrete presentation entails reporting component unit financial data in a separate column and/or rows in each of the government-wide statements to emphasize that these component units are legally separate from the State. The State's major discretely presented component units are described below:

Georgia Environmental Finance Authority (GEFA) is a body corporate and politic. GEFA provides funding to eligible municipalities, counties, water and sewer authorities in the State for construction and expansion of public water, sewer, and solid waste facilities. GEFA is governed by a board of directors consisting of three officials designated by statute and eight members appointed by the Governor.

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

Georgia Lottery Corporation (GLC) is a public body, corporate and politic. GLC operates lottery games to provide continuing entertainment to the public and maximize revenues, the net proceeds of which are utilized to support improvements and enhancements for educational purposes. GLC is governed by a board of directors composed of seven members, all of which are appointed by the Governor. The State is legally entitled to residual resources of GLC.

Georgia Tech Foundation, Incorporated is a nonprofit organization established to promote, in various ways, the cause of higher education in the State, to raise and receive funds for the support and enhancement of the Georgia Institute of Technology, and to aid the Georgia Institute of Technology in its development as a leading educational institution.

The State's nonmajor discretely presented component units, as described in the Nonmajor Component Units portion of the Supplementary Information – Combining and Individual Fund Statements category of the Financial Section, are as follows:

Authorities and Similar Organizations

Geo. L. Smith II Georgia World Congress Center Authority
Georgia Agricultural Exposition Authority
Georgia Development Authority
Georgia Foundation for Public Education
Georgia Higher Education Assistance Corporation
Georgia Highway Authority
Georgia International and Maritime Trade Center Authority
Georgia Medical Center Authority
Georgia Music Hall of Fame Authority
Georgia Ports Authority
Georgia Public Telecommunications Commission
Georgia Rail Passenger Authority
Georgia Regional Transportation Authority
Georgia Seed Development Commission
Georgia Sports Hall of Fame Authority
Georgia Student Finance Authority
Jekyll Island State Park Authority
Lake Lanier Islands Development Authority
North Georgia Mountains Authority
Oconee River Greenway Authority
OneGeorgia Authority
Regional Educational Service Agencies
Sapelo Island Heritage Authority
Southwest Georgia Railroad Excursion Authority
Stone Mountain Memorial Association
Superior Court Clerks' Cooperative Authority

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Higher Education Foundations and Similar Organizations

Armstrong Atlantic State University Educational Properties Foundation, Incorporated
Georgia College & State University Foundation, Incorporated
Georgia Southern University Housing Foundation, Incorporated
Georgia State University Foundation, Incorporated
Georgia State University Research Foundation, Incorporated
Georgia Tech Athletic Association
Georgia Tech Facilities, Incorporated
Georgia Tech Research Corporation
Kennesaw State University Foundation, Incorporated
Medical College of Georgia Foundation, Incorporated
MCG Health, Incorporated
MCG Health System, Incorporated
Medical College of Georgia Physicians Practice Group Foundation
North Georgia College & State University Real Estate Foundation, Incorporated
University of Georgia Athletic Association, Incorporated
University of Georgia Foundation
University of Georgia Research Foundation, Incorporated
University System of Georgia Foundation, Incorporated
VSU Auxiliary Services Real Estate Foundation, Incorporated

Fiduciary Component Units

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

The State's significant component units issue separate audited financial statements. The financial statements for fiduciary component units and authorities and similar organizations can be obtained from their respective administrative offices or from the Georgia Department of Audits and Accounts. The financial statements for the higher education foundations and similar organizations can be obtained from their respective administrative offices or from Board of Regents.

C. Government-wide and Fund Financial Statements

Government-wide Financial Statements

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

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

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

Fund Financial Statements

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

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

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the State generally considers taxes and other revenues to be available if the revenues are collected within 30 days after fiscal year-end. An exception to this policy is federal grant revenues, which generally are considered to be available if collection is expected within 12 months after year-end. All deferred revenue reported represents revenue that is unearned, rather than unavailable. Capital purchases are recorded as expenditures and neither capital assets nor long-term liabilities, such as long-term debt, are reflected on the balance sheet.

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

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

The State's proprietary funds and discretely presented component units, other than certain higher education foundations and similar organizations, follow all GASB pronouncements, and all FASB pronouncements issued on or before November 30, 1989, except those that conflict with a GASB pronouncement. Certain higher education foundations and similar organizations report under FASB standards; including FASB Codification Topic 958, *Not-for-Profit Entities*. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. The FASB reports were reclassified to GASB presentation in these financial statements.

GAAP requires that revenues and expenses relating

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

The State reports the following major funds:

Major Governmental Funds

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

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

Major Enterprise Funds

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

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

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

Additionally, the State reports the following fund types:

Governmental Funds

Special Revenue Funds - Account for specific revenue sources that are legally restricted to expenditures for specific purposes. The State's special revenue funds represent the blended component units that conduct general governmental functions.

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

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

Proprietary Funds

Enterprise Funds - Account for those activities for which fees are charged to external users for goods or services. These funds are also used when the activity is financed with debt that is secured by a pledge of the net revenues from fees. SRTA's Proprietary Funds and the Georgia Higher Education Facilities Authority are the State's nonmajor enterprise funds.

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

Fiduciary Funds

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

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

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

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

E. Assets, Liabilities, and Net Assets/Fund Balances

Cash and Cash Equivalents

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

Investments

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

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

The Georgia Fund 1 or Primary Liquidity Portfolio'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. Investments are directed toward short-term instruments.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Units of the University System of Georgia and their affiliated organizations may participate in the Regents Investment Pool. The fair value of the investments is determined daily. The pool does not issue shares. Each participant is allocated a pro rata share of each investment at fair value along with a pro rata share of the interest it earns. The Regents Investment Pool maintains an assortment of funds which invest in diverse holdings with varying investment objectives.

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

Receivables

Receivables in the State's governmental funds pertain primarily to federal grants and to revenues related to charges for services. Receivables in all other funds have arisen in the ordinary course of business. Receivables are recorded, net of an allowance for uncollectible accounts, when either the asset or revenue recognition criteria (See Note 1-D) have been met. Receivables from the federal government are reasonably assured; an allowance for uncollectible accounts is not typically established for federal receivables.

Inventories and Prepaid Items

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

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

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

Restricted Assets

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

Capital Assets

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

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

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

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

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives is not capitalized. The State holds certain assets such as works of art, historical documents, and artifacts that have not been capitalized or depreciated because either they are held for financial gain or they are protected and preserved for exhibition, education, or research and are considered to have inexhaustible useful lives.

Major outlays for construction of bridges and roadways in the State highway system are capitalized as projects are constructed. All other major construction projects are capitalized when projects are completed. Interest incurred during construction is not capitalized in governmental funds. Interest incurred during the construction of proprietary fund assets is included in the capitalized value of the asset.

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

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

Compensated Absences

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

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

Long-term Obligations

Long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities column or business-type activities column on the government-wide Statement of Net Assets and on the proprietary fund Statement of Net Assets in the fund financial statements. Bond discounts, premiums and issuance costs are deferred and amortized over the life of the bonds using a method that approximates the effective interest method or the straight-line method. Bonds payable are reported net of the unamortized bond premium or discount and, when applicable, the deferred amount on refunding. Bond issuance costs are reported as deferred charges (assets) and amortized over the term of the related debt.

In the fund financial statements, governmental funds recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

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

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

Net Assets

Net assets are reported as invested in capital assets, net of related debt, restricted or unrestricted. “Invested in capital assets, net of related debt” consists of capital assets, net of accumulated amortization/depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

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

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often are designated, indicating they are not available for general operations. Such designations have internally imposed constraints on resources, but can be removed or modified.

When both restricted and unrestricted net assets are available for use, it is the State’s policy to allow each organization to determine spending order in a manner consistent with the Georgia Constitution and applicable State law which maximizes the benefit to the customer and/or the efficiency of the program.

Fund Balances

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

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

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

Committed – Fund balances are reported as committed when they can be used only for specific purposes pursuant to constraints imposed by formal actions of both the Governor and the General Assembly. Only the Governor and the General Assembly may modify or rescind the commitment by taking the same type of action it employed to previously commit the amounts (e.g., legislation).

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

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

As with net assets, when both restricted and unrestricted fund balances are available for use, it is the State's policy to allow each organization to determine spending order in a manner consistent with the Georgia Constitution and applicable State law which maximizes the benefit to the customer and/or the efficiency of the program. Within unrestricted fund balance, the State's policy is that committed amounts generally should be reduced first, followed by assigned amounts and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

Interfund Activity and Balances

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

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

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

NOTE 2 - CHANGES IN FINANCIAL ACCOUNTING AND REPORTING

A. Financial Reporting Entity

Primary Government

The Department of Public Health (DPH) was created effective July 1, 2011, to move activities related to preventing disease, injury and disability; promoting health and well-being; and preparing for and responding to disasters from a health perspective from Department of Community Health to a separate agency. DPH is included in the general fund of the State.

Certain activities previously reported in the State Road and Tollway Authority (SRTA) nonmajor enterprise fund are now reported in the SRTA Customer Service Center internal service fund. This change had no impact on beginning net assets of the nonmajor enterprise fund.

Component Units

Effective July 1, 2011, the Arch Foundation for the University of Georgia, Inc. (Arch) merged with and into the University of Georgia Foundation (Foundation), a higher education foundation. The addition of this foundation resulted in an increase in the beginning net assets of the nonmajor discretely presented component units of the State of $126.9 million.

In fiscal year 2012, it was determined that the North Georgia College & State University Real Estate Foundation, Inc. and Subsidiaries (the Real Estate Foundation), a higher education foundation, met the requirements for inclusion in the financial reporting entity. This foundation is included in the nonmajor discretely presented component units of the State. The addition of this foundation resulted in an increase in the beginning net assets of the component units of $0.08 million.

B. Change in Accounting Method

Net assets of the Board of Regents (Higher Education Fund) increased as a result of a change in method of accounting for summer school revenues and expenses to more accurately reflect periodic results of operations between fiscal years. The effects of the change resulted in a net increase of beginning net assets of $36.4 million.

C. Adoption of New Accounting Principles

In fiscal year 2012, the State implemented GASB Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. The objective of this Statement is to address issues related to the use of the alternative measurement method and the frequency and timing of measurements by employers that participate in agent multiple-employer OPEB plans (that is, agent employers). The Statement was implemented without effect because the State does not have agent employers or agent multiple-employer pension plans.

Also in fiscal year 2012, the State implemented GASB Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions – an amendment of GASB Statement No. 53*. The objective of this Statement is to clarify whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty's credit support provider. This Statement sets forth criteria that establish when an effective hedging relationship continues and how hedge accounting should continue to be applied. This Statement was also implemented without effect.

In fiscal year 2013, the State will implement the following GASB Statements:

No. 60 *Accounting and Financial Reporting for Service Concession Arrangements*

No. 61 *The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34*

No. 62 *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*

No. 63 *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*

The objective of Statement No. 60 is to improve financial reporting by addressing issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. An SCA is an arrangement between a transferor (a government) and an operator (governmental or nongovernmental entity) in which (1) the transferor conveys to an operator the right and related obligation to provide services through the use of infrastructure or another public asset in exchange for significant consideration and (2) the operator collects and is compensated by fees from third parties. The Statement establishes recognition, measurement, and disclosure requirements for SCAs for both transferors and governmental operators.

The objective of Statement No. 61 is to improve financial reporting for a governmental financial reporting entity by modifying certain requirements for inclusion of component units in the financial reporting entity. For organizations that previously were required to be included as component units by meeting the fiscal dependency criterion, a financial benefit or burden relationship also would need to be present between the primary government and that organization for it to be included in the reporting entity as a component unit. For organizations that should be included because the State determines that it would be misleading to exclude them, this Statement clarifies the manner in which the determination should be made and the types of relationships that generally should be considered in making the determination. The Statement also amends certain blending provisions for reporting component units as if they were part of the primary government and clarifies the reporting of equity interests in legally separate organizations.

The objective of Statement No. 62 is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements:

1. FASB Statements and Interpretations
2. Accounting Principles Board Opinions
3. Accounting Research Bulletins of the American Institute of Certified Public Accountants' (AICPA) Committee on Accounting Procedure.

Statement No. 62 also supersedes Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, thereby eliminating the election for enterprise funds and business-type activities to apply post-November 30, 1989 FASB Statements and Interpretations that do not conflict with or contradict GASB pronouncements.

The objective of Statement No. 63 is to improve financial reporting by standardizing the presentation of deferred outflows of resources and deferred inflows of resources and their effects on net position. Deferred outflows of resources and deferred inflows of resources are defined as a consumption of net assets by the government that is applicable to a future reporting period and an acquisition of net assets by the government that is applicable to a future reporting period, respectively. Previous financial reporting standards do not include guidance for reporting these financial statement elements, which are distinct from assets and liabilities. Net position is defined as the residual of all other elements presented in a statement of financial position. This Statement amends the net asset reporting requirements in Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis – for State and Local Governments*, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets.

As of the date of this report, the State has not determined the financial impact of implementing Statements No. 60 through No. 63.

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

D. Correction of Prior Year Errors

During the fiscal year, it was determined that certain leases previously reported as operating leases were incorrectly classified in the Georgia Building Authority (internal service fund) and within the governmental activities. Correction of these classifications resulted in an increase in beginning capital assets, net of accumulated depreciation, of $42.5 million and an increase in capital lease liabilities of $61.9 million, in governmental activities.

During the fiscal year, it was determined that certain capital leases liabilities within governmental activities in the fiscal year 2011 were overstated by $9.4 million.

During the fiscal year, it was determined that capital assets, net of accumulated depreciation, were overstated within the governmental activities in fiscal year 2011 by $137.9 million resulting in an overstatement of net assets, as reported. The beginning net assets of the governmental activities were decreased to reflect correction of the net capital assets.

During the fiscal year, it was determined that expenses were understated within governmental activities in fiscal year 2011 by $33.3 million resulting in an overstatement of net assets, as reported. The beginning net assets of the governmental activities were decreased to reflect correction of expenses.

During the fiscal year, it was determined that net assets were overstated within various institutions of the Board of Regents (Higher Education Fund) in fiscal year 2011 by $22.5 million resulting in an overstatement of net assets, as reported. The beginning net assets of the Higher Education Fund were decreased primarily to reflect a correction of capital assets, net of accumulated depreciation, of $11.2 million and capital lease payable of $10.7 million.

During the fiscal year, it was determined that capital assets, net accumulated of depreciation, were overstated within component units in fiscal year 2011 by $8.3 million resulting in an overstatement of net assets, as reported. The beginning net assets of the component units were decreased to reflect correction of the net capital assets. In addition, there were other adjustments to beginning net assets totaling $1.4 million.

NOTE 3 - FUND EQUITY RECLASSIFICATIONS AND RESTATEMENTS

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

	6/30/2011 As Previously Reported	Adjustments	6/30/2011 (Restated)
Governmental Funds and Activities			
Major Funds:			
General Fund	$ 3,714,031	$ -	$ 3,714,031
General Obligation Bond Projects Fund	1,027,022	(33,363)	993,659
Nonmajor Funds:			
Special Revenue Funds	73,078	(19,529)	53,549
Debt Service Fund	-	19,529	19,529
Permanent Fund	14	-	14
Total Governmental Funds	4,814,145	(33,363)	4,780,782
Government-wide Adjustments			
Capital Assets, net of depreciation	20,774,581	-	-
Adjustment to Assets under Capital Lease	-	(137,876)	20,636,705
Other Noncurrent Assets and Liabilities	(118,591)		(118,591)
Long-Term Liabilities	(11,193,943)	-	
Adjustment to Capital Lease Liability	-	9,395	(11,184,548)
Inclusion of Internal Service Funds in Governmental Activities	528,769	(19,391)	509,378
Total Governmental Funds and Activities	**$ 14,804,961**	**$ (181,235)**	**$ 14,623,726**
Proprietary Funds and Business-type Activities			
Major Funds:			
Higher Education Fund	$ 5,912,995		
Correction of Prior Year Errors (various)		$ 13,892	$ 5,926,887
State Employees' Health Benefit Plan	(183,361)	-	(183,361)
Unemployment Compensation Fund	(294,776)	-	(294,776)
Nonmajor Funds:			
Enterprise Fund	71,287	-	71,287
Internal Service Funds	394,982	(19,391)	375,591
Internal Service Funds Look-Back Adjustments			
Removal of Internal Service Funds Relating to Governmental Activities	(528,769)	19,391	(509,378)
Total Proprietary Funds and Business-type Activities	**$ 5,372,358**	**$ 13,892**	**$ 5,386,250**
Fiduciary Funds			
Pension and Other Employee Benefit Trust Funds	$ 70,898,130	$ -	$ 70,898,130
Investment Trust Funds	5,119,603	-	5,119,603
Private Purpose Trust Funds	11,394	-	11,394
Total Fiduciary Funds	**$ 76,029,127**	**$ -**	**$ 76,029,127**
Discretely Presented Component Units			
Additions to Reporting Entity	$ 6,420,414	$ 120,012	$ 6,540,426
Total Discretely Presented Component Units	**$ 6,420,414**	**$ 120,012**	**$ 6,540,426**

NOTE 4 - NET ASSETS/FUND BALANCES

A. Restricted Net Assets

Restricted net assets at June 30, 2012, are as follows (dollars in thousands):

	Governmental Activities	Business-Type Activities	Total Primary Government
Capital Projects	$ 839,301	$ 12,232	$ 851,533
Guaranteed Revenue Debt Common Reserve Fund	54,003	-	54,003
Lottery for Education	667,190	-	667,190
Motor Fuel Tax Funds	1,809,211	-	1,809,211
Permanent Trusts	14	418,759	418,773
Other Purposes	598,774	26,274	625,048
Total Restricted Net Assets	**$ 3,968,493**	**$ 457,265**	**$ 4,425,758**

The restricted net assets of the governmental activities include $139.7 million of net assets restricted by enabling legislation.

B. Fund Balances

The specific purposes of the governmental funds fund balances, classified as other than unassigned, at June 30, 2012 are as follows (dollars in thousands):

	General Fund	General Obligation Bond Projects Fund	Nonmajor Governmental Funds	Total
Nonspendable Fund Balance				
Not in Spendable Form	$ 74,206	$ -	$ 8,384	$ 82,590
Legally Required to be Maintained Intact	-	-	14	14
Total Nonspendable Fund Balance	$ 74,206	$ -	$ 8,398	$ 82,604
Restricted Fund Balance				
Capital Projects	$ -	$ 839,301	$ -	$ 839,301
Guaranteed Revenue Debt Common Reserve Fund	54,003	-	-	54,003
Lottery For Education	667,190	-	-	667,190
Roads and Bridges (Motor Fuel Tax Funds)	1,769,836	-	39,375	1,809,211
Unissued Debt/Debt Service	106,288	-	21,021	127,309
Other				
General Government	76,496	64,085	-	140,581
Education	5,682	-	-	5,682
Health and Welfare	131,066	-	-	131,066
Transportation	48,207	-	-	48,207
Public Safety	70,010	-	-	70,010
Economic Development and Assistance	23,262	-	-	23,262
Culture and Recreation	52,657	-	-	52,657
Total Restricted Fund Balance	$ 3,004,697	$ 903,386	$ 60,396	$ 3,968,479
Committed Fund Balance				
General Government	$ 4,510	$ -	$ -	$ 4,510
Health and Welfare	344	-	-	344
Public Safety	1,314	-	-	1,314
Economic Development and Assistance	1,527	-	-	1,527
Total Committed Fund Balance	$ 7,695	$ -	$ -	$ 7,695
Assigned Fund Balance				
General Government	$ 76,146	$ 5,860	$ -	$ 82,006
Education	39,010	-	-	39,010
Health and Welfare	82,100	-	-	82,100
Transportation	11,003	-	11,712	22,715
Public Safety	76,119	-	-	76,119
Economic Development and Assistance	3,086	-	302	3,388
Culture and Recreation	10,077	-	353	10,430
Conservation	1,016	-	-	1,016
Total Assigned Fund Balance	$ 298,557	$ 5,860	$ 12,367	$ 316,784

C. Deficit Net Assets

The following funds reported total net asset deficits at June 30, 2012:

The SHBP (enterprise fund) ended the year with a deficit net assets balance of $272.5 million. The deficit was created in the current and prior fiscal years as the result of benefits paid to plan participants in excess of employee and employer contributions.

The Unemployment Compensation Fund (enterprise fund) ended the year with a deficit net assets balance of $249.6 million. The deficit was the result of benefits paid to claimants in excess of employer contribution in prior fiscal years.

The State Indemnification Risk Management Fund at the Department of Administrative Services (internal service fund) ended the year with a deficit net assets balance of $0.7 million. This deficit was created in the current year as the result of benefits paid to claimants in excess of employer contributions in the current and prior years.

Charges by the Department of Administrative Services internal service fund have failed to recover the full cost of services provided. Therefore, the unadjusted deficit at June 30, 2011, of $0.3 million for this fund was charged back to the contributing funds. Expenditures of $0.2 million are reported in the General Fund relating to this charge back.

The Governmental Activities of the State ended the year with an Unassigned Net Assets deficit of $2.5 billion. A portion of this deficit results from the State incurring debt for the purposes of capital acquisition and construction on behalf of county and independent school systems and State schools. Since the incurrence of this debt does not result in capital assets of the State, the debt is not reflected in the net asset category, invested in capital assets, net of related debt, but rather in the unrestricted net assets category. As of June 30, 2012 outstanding general obligation bonds applicable to these projects was $2.2 billion.

NOTE 5 - DEPOSITS AND INVESTMENTS

Cash and investments as of June 30, 2012 are classified in the accompanying financial statements as follows:

	Primary Government and Fiduciary Funds	Component Units	Total
Cash and Cash Equivalents	$ 4,313,660	$ 1,100,512	$ 5,414,172
Investments	2,564,417	3,073,289	5,637,706
Restricted Assets			
Cash and Cash Equivalents	102,155	377,185	479,340
Investments	103,263	428,477	531,740
Fiduciary Funds			
Cash and Cash Equivalents	4,784,512	-	4,784,512
Investments	70,759,132	-	70,759,132
Total Cash and Investments	**$ 82,627,139**	**$4,979,463**	**$87,606,602**

Cash and investments as of June 30, 2012 consist of the following:

	Primary Government and Fiduciary Funds	Component Units	Total
Cash on Hand	$ 3,128	$ 90	$ 3,218
Deposits with Financial Institutions (Note 5A)	5,246,491	1,040,466	6,286,957
Investments (Note 5B)	78,040,188	3,276,239	81,316,427
Assets Held at the Board of Regents on Behalf of Other Organizations	(26,627)	26,627	-
Assets Held at the Office of the State Treasurer on Behalf of Other Organizations	(636,041)	636,041	-
Total Cash and Investments	**$82,627,139**	**$4,979,463**	**$87,606,602**

A. Deposits

Deposits include bank accounts and short-term investments, especially certificates of deposit. Funds belonging to the State 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 U.S. Government or of the State.
2) Bonds, bills, notes, certificates of indebtedness or other obligations of the counties or municipalities of the State.

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

The State Treasurer may also accept letters of credit issued by a Federal Home Loan Bank or the guarantee or insurance of accounts of the Federal Deposit Insurance Corporation (FDIC) (to the extent authorized by federal law governing the FDIC) to secure state funds on deposit in state depositories. In addition, upon approval of the State Treasurer, a combination of the methods above may be utilized by a depository to secure deposits.

The State Depository Board (Board) is authorized in OCGA 50-17-53 to allow agencies of the State the option of exempting demand deposits from the collateral requirements. However, the Board currently is not approving waiver requests and is requiring all state demand and time deposits be collateralized in an amount equal to and not less than 110% of any deposits not insured. In addition, the Board instituted a requirement to limit total State deposits at any State depository to not exceed 100% of the depository's equity capital. The Board may temporarily increase the total state deposit limit at any state depository to 125% of equity capital to allow for fluctuation in demand deposit balances.

Custodial Credit Risk – Deposits

The custodial credit risk for deposits is the risk that, in the event of a bank failure, the State's deposits may not be recovered. At June 30, 2012, bank balances of the primary government and its component unit's deposits totaled $6.3 billion. Of these deposits, $514.0 million were exposed to custodial credit risk as follows (in thousands):

	Primary Government	Component Units	Total
Uninsured and uncollaterized	$ 1,670	$ 245,138	$ 246,808
Uninsured and collateralized with securities held by the pledging financial institutions	-	8,604	8,604
Uninsured and collateralized with securities held by the pledging institutions's trust departments or agents, but not in the State's name	130,820	127,734	258,554
Total deposits exposed to custodial credit risk	**$132,490**	**$381,476**	**$513,966**

The carrying amounts of deposits of certain higher education foundations which utilize FASB standards were $212.9 million. These deposits are not included in the balances reflected above.

NOTE 5 - DEPOSITS AND INVESTMENTS (continued)

B. Investments

Primary Government

The investment policy of the State 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 (OCGA 50-17-51).

Authorized pool investments are limited to the following in accordance with State statutes:

1) Obligations of the State or of other states
2) Obligations issued by the U.S. government
3) Obligations fully insured or guaranteed by the U.S. government or a U.S. government agency
4) Obligations of any corporation of the U.S. government
5) Prime banker acceptances
6) Repurchase agreements
7) Obligations of other political subdivisions of the State
8) Commercial paper issued by domestic corporations

Authorized investments are subject to certain restrictions.

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

Pension and Other Employee Benefit Trust Funds

In accordance with OCGA, Public Retirement Systems may invest in the following:

1) U.S. or Canadian corporations or their obligations with limits as to the corporations' size and credit rating.
2) Repurchase and reverse repurchase agreements for direct obligations of the U.S. government and for obligations unconditionally guaranteed by agencies.
3) FDIC insured cash assets or deposits.
4) Bonds, notes, warrants, loans or other debt issued or guaranteed by the U.S. government.
5) Taxable bonds, notes, warrants or other securities issued and guaranteed by any state, the District of Columbia, Canada or any province in Canada.
6) Bonds, debentures or other securities issued or insured or guaranteed by an agency, authority, unit, or corporate body created by the U.S. government.
7) Investment grade collateralized mortgage obligations.
8) Obligations issued, assumed or guaranteed by the International Bank for Reconstruction and Development or the International Financial Corporation.
9) Bonds, debentures, notes and other evidence of indebtedness issued, assumed, or guaranteed by any solvent institution existing under the laws of the U.S. or of Canada, or any state or province thereof, which are not in default and are secured to a certain level.
10) Secured and unsecured obligations issued by any solvent institution existing under the laws of the U.S. or of Canada, or any state or province thereof, bearing interest at a fixed rate, with mandatory principal and interest due at a specified time with additional limits.
11) Equipment trust obligations or interests in transportation equipment, wholly or in part within the U.S., and the right to receive determinated portions or related income.
12) Loans that are secured by pledge or securities eligible for investment.
13) Purchase money mortgages or like securities received upon the sale or exchange of real property acquired.
14) Secured mortgages or mortgage participation, pass-through, conventional pass-through, trust certificate, or other similar securities with restrictions.
15) Land and buildings on such land used or acquired for use as a fund's office for the convenient transaction of its own business with restrictions.
16) Real property and equipment acquired under various circumstances.

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

In accordance with OCGA 47-7-127, the Georgia Firefighters' Pension Fund is authorized to invest in alternative investments such as Venture Capital Investments, Warrants, Options, Convertible Securities, Receivables, Debt and Equity Derivative Instruments, etc. The amount invested in alternative investments may not in the aggregate exceed five percent of the Firefighters' Pension Fund assets at any time.

Component Units

Component units follow applicable investing criteria as previously described for the primary government. Certain higher education foundations utilize FASB standards. Balances for those component units as of June 30, 2012, are available as follows (in thousands):

	Fair Value
Cash Held by Investment Organization	$ 52,445
Certificates of Deposit	3,058
Commodity Fund	14,123
Corporate Bonds	218,593
Diversifying Strategies	49,501
Equity Securities	860,006
Government and Agency Securities	38,814
Fixed Income	1,016
Investment Pools	567,174
Hedge Funds	285,366
Joint Ventures/Partnerships	2,623
Money Market Accounts	87,246
Mutual Funds	32,769
Natural Resources	85,134
Real Estate	115,618
Split-interest Investments	14,050
Venture Capital	6,447
Total Investments	**$ 2,433,983**

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

NOTE 5 - DEPOSITS AND INVESTMENTS (continued)

Interest Rate Risk

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

Primary Government

The State manages interest rate risk by attempting to match investments with expected cash requirements. Certificates of deposit may not have a term exceeding five years. The State Treasurer may establish duration or maturity limitations for other investments. The table below provides information about the primary government's exposure to interest rate risk (in thousands):

	Total Fair Value	Maturity Period: Less than 3 Months	4 - 12 Months	1 - 5 Years	6 - 10 Years	More than 10 Years
Asset-Backed Securities	$ 8,241	$ -	$ 1,050	$ 7,191	$ -	$ -
Commercial Paper	400,376	400,376	-	-	-	-
Corporate Debt						
Domestic	63,492	15	4,644	40,982	12,481	5,370
International Government						
Obligations	5,000	-	-	5,000	-	-
Money Market Mutual Funds	3,503	3,503	-	-	-	-
Mortgage-Backed Securities						
Commercial	9,714	-	1,385	3,909	-	4,420
Municipal Bonds	1,151	-	37	213	519	382
Mutual Funds - Debt*	18,197	957	4	4,706	12,507	23
Repurchase Agreements	3,504,922	3,504,922	-	-	-	-
U. S. Agency Obligations	4,648,623	1,562,037	1,379,869	1,314,975	86,749	304,993
U. S. Treasury Obligations	84,833	54,374	9,821	16,100	4,400	138
Total Debt Securities	**8,748,052**	**$ 5,526,184**	**$ 1,396,810**	**$ 1,393,076**	**$ 116,656**	**$ 315,326**
Equity Securities - Domestic	136,259					
Equity Securities - International	3,057					
Funds on Deposit with U. S. Treasury for Unemployment Compensation	369,004					
Mutual Funds - Equity	40,590					
Real Estate	5,709					
Real Estate Investment Trust	7,287					
Total Investments	**$ 9,309,958**					

*Maturity Period is weighted average maturity.

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

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

	Total Fair Value	Effective Duration (Years)
Corporate and Other Bonds	$ 6,942,078	4.8
International Obligations:		
Government	716,980	3.3
Corporate	396,000	3.0
Repurchase Agreements	415,000	0.0
U. S. Agency Obligations	13,182	1.2
U. S. Treasury Obligations	11,092,091	5.2
Total Debt Securities	19,575,331	
Common Stock	46,790,322	
Mutual Funds - Equity	995,115	
Total Investments	**$ 67,360,768**	

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

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

	Total Fair Value	Maturity Period				
		Less than 3 Months	4 - 12 Months	1 - 5 Years	6 - 10 Years	More than 10 Years
Asset-Backed Securities						
Domestic	$ 11,495	$ -	$ 24	$ 5,137	$ 1,864	$ 4,470
International	785	-	-	-	785	-
Corporate Debt						
Domestic	152,289	235	14,977	53,403	50,287	33,387
International	10,872	-	36	4,036	5,180	1,620
Mortgage-Backed Securities						
Commercial	77,767	-	35	405	11,816	65,511
Municipal Bonds	3,279	-	974	869	1,170	266
Mutual Funds - Debt*	30,546	-	-	10,402	20,144	-
U. S. Agency Obligations	108,289	-	586	10,152	6,308	91,243
U. S. Treasury Obligations	42,559	-	-	21,219	6,740	14,600
Total Debt Securities	**$ 437,881**	**$ 235**	**$ 16,632**	**$105,623**	**$104,294**	**$211,097**
Equity Securities						
Domestic	331,449					
International	30,102					
Mutual Funds - Equity	538,910					
Real Estate Investment Trust	31,120					
Total Investments	**$ 1,369,462**					

*Maturity period is weighted average maturity.

NOTE 5 - DEPOSITS AND INVESTMENTS (continued)

Component Units

The component units follow the applicable investing criteria as previously described for the primary government.

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

	Total Fair Value	Maturity Period: Less than 3 Months	4 - 12 Months	1 - 5 Years	6 - 10 Years	More than 10 Years
Asset-Backed Securities	$ 17,397	$ -	$ -	$ 8,276	$ 1,830	$ 7,291
Corporate Debt						
Domestic	60,660	682	8,085	43,726	6,548	1,619
International	9,887	-	823	7,283	1,781	-
Investment Agreements	37,078	-	-	-	2,808	34,270
Money Market Mutual Funds	53,763	46,864	6,899	-	-	-
Mortgage-Backed Securities						
Commercial	176,716	-	8,433	2,889	8,276	157,118
Municipal Bonds	10,902	-	-	6,351	1,945	2,606
Mutual Fund - Debt*	906	-	-	906	-	-
U. S. Agency Obligations	88,972	4,040	4,570	36,505	18,560	25,297
U. S. Treasury Obligations	317,123	17,597	28,212	131,902	68,589	70,823
Total Debt Securities	**773,404**	**$ 69,183**	**$ 57,022**	**$ 237,838**	**$ 110,337**	**$ 299,024**
Equity Securities						
Domestic	32,847					
International	13,728					
Real Estate Investment Trust	409					
Mutual Funds - Equity	21,868					
Total Investments	**$ 842,256**					

* Maturity Period is weighted average maturity.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations to the holder of the investment.

Primary Government

The State's investment policies include the following investing restrictions to manage credit risk:

1) Repurchase agreements and reverse repurchase agreements may be transacted only with authorized dealers and banks of a certain size with other restrictions requiring approval of the State Treasurer.
2) Commercial paper issued by domestic corporations may carry ratings no lower than P-1 by Moody's Investors Service and A-1 by Standard & Poor's Corporation.
3) Prime bankers acceptances must carry the highest rating assigned to such investments by a nationally recognized rating agency.
4) Obligations issued by this State or its agencies or other political subdivisions of this State, if meeting statutory requirements, may be approved for investment by the State Treasurer.
5) Obligations of domestic corporations must be rated investment grade or higher by a nationally recognized rating agency.
6) Direct obligations of the government of any foreign country and obligations issued, assumed or guaranteed by the International Bank for Reconstruction and Development or the International Financial Corporation must be rated A or higher by a nationally recognized rating agency.
7) Such other limitations as determined by the State Treasurer necessary for the preservation of principal, liquidity, or marketability of any of the State's portfolios.

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

	Total Fair Value	AAA	AA	A	BAA	BBB	B	Not Rated
Asset-Backed Securities	$ 8,241	$ 8,241	$ -	$ -	$ -	$ -	$ -	$ -
Commercial Paper	400,376	-	-	400,376	-	-	-	-
Corporate Debt								
Domestic	63,492	3,477	9,387	38,568	4,080	7,495	-	485
International Government								
Obligations	5,000	-	-	5,000	-	-	-	-
Money Market Mutual Funds	3,503	3,503	-	-	-	-	-	-
Mortgage-Backed Securities								
Commercial	9,714	9,714	-	-	-	-	-	-
Municipal Bonds	1,151	1,139	5	-	-	5	-	2
Mutual Funds - Debt	18,197	548	43	9,180	-	230	3,702	4,494
Repurchase Agreements	3,475,437	-	-	3,290,437	-	-	-	185,000
U. S. Agency Obligations	4,604,001	11,857	4,181,767	31,981	-	-	-	378,396
Total Credit Risk - Investments	**8,589,112**	**$ 38,479**	**$ 4,191,202**	**$ 3,775,542**	**$ 4,080**	**$ 7,730**	**$ 3,702**	**$ 568,377**
U. S. Treasury Obligations	84,833							
U. S. Agency Obligations								
Explicitly Guaranteed	44,622							
Repurchase Agreements Backed								
by U. S. Treasury Obligations	29,485							
Total Debt Securities	**$ 8,748,052**							

Pension and Other Employee Benefit Trust Funds

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

		Asset-Backed Securities		Corporate Debt		International	Mortgage-		Mutual		
	Total Fair Value	Domestic	Inter-national	Domestic	Inter-national	Government Obligations	Backed Securities	Municipal Bonds	Funds - Debt	Repurchase Agreements	U. S. Agency Obligations
AAA	$ 1,176,433	$ 9,396	$ 785	$ 816,331	$ 20	$ 315,200	$ 12,408	$ 277	$ -	$ -	$ 22,016
AA	5,210,223	792	-	4,326,807	397,357	401,780	2,257	266	-	-	80,964
A	2,303,275	249	-	1,871,750	3,097	-	10,463	2,716	-	415,000	-
BAA	19,091	-	-	13,494	657	-	4,920	20	-	-	-
BA	4,261	-	-	-	-	-	4,261	-	-	-	-
BBB	85,106	1,058	-	62,458	5,682	-	15,543	-	365	-	-
BB	3,301	-	-	1,632	59	-	1,610	-	-	-	-
B	8,218	-	-	-	-	-	8,218	-	-	-	-
CAA	5,094	-	-	-	-	-	5,094	-	-	-	-
CA	1,541	-	-	-	-	-	1,541	-	-	-	-
CCC	2,901	-	-	-	-	-	2,901	-	-	-	-
CC	1,421	-	-	-	-	-	1,421	-	-	-	-
C	1,532	-	-	-	-	-	1,532	-	-	-	-
D	830	-	-	-	-	-	830	-	-	-	-
Unrated	46,035	-	-	1,895	-	-	4,768	-	30,181	-	9,191
Total Credit Risk - Investments	**8,869,262**	**$ 11,495**	**$ 785**	**$ 7,094,367**	**$ 406,872**	**$ 716,980**	**$ 77,767**	**$ 3,279**	**$ 30,546**	**$ 415,000**	**$ 112,171**
U. S. Treasury Obligations	11,134,650										
U. S. Agency Obligations Explicitly Guaranteed	9,300										
Total Debt Securities	**$20,013,212**										

NOTE 5 - DEPOSITS AND INVESTMENTS (continued)

Component Units

The component units follow the applicable investing criteria as previously described for the primary government.

The exposure of the component units' debt securities to credit risk is indicated below (in thousands):

	Total Fair Value	Asset-Backed Securities Domestic	Corporate Debt Domestic	Corporate Debt International	Investment Agreements	Money Market Mutual Funds	Mortgage-Backed Securities - Commercial	Municipal Bonds	Mutual Funds - Debt	U. S. Agency Obligations
AAA	$ 89,449	$ 12,642	$ 4,769	$ 5,601	$ 27,625	$ 7,816	$ 23,448	$ 2,609	$ 559	$ 4,380
AA	246,669	3,754	10,510	514	8,593	-	144,640	8,293	32	70,333
A	37,767	885	31,997	2,363	860	-	91	-	82	1,489
BAA	6,905	-	6,905	-	-	-	-	-	-	-
BA	230	-	-	-	-	-	-	-	230	-
BBB	7,101	58	5,880	1,163	-	-	-	-	-	-
BB	588	58	284	246	-	-	-	-	-	-
B	89	-	-	-	-	-	89	-	-	-
C	3	-	-	-	-	-	3	-	-	-
Unrated	55,098	-	315	-	-	45,947	8,445	-	3	388
Total Credit Risk - Investments	**443,899**	**$ 17,397**	**$ 60,660**	**$ 9,887**	**$ 37,078**	**$ 53,763**	**$ 176,716**	**$ 10,902**	**$ 906**	**$ 76,590**
U. S. Treasury Obligations	317,123									
U. S. Agency Obligations Explicitly Guaranteed	12,382									
Total Debt Securities	**$ 773,404**									

Custodial Credit Risk – Investments

Custodial credit risk is the risk that, in the event of a bank failure, the State's investments that are in the possession of a bank may not be recovered.

Primary Government

The State's investment policies include the following restrictions to manage custodial credit risk for investments:

1) Repurchase agreements must be collateralized by obligations of the U.S. and its subsidiary corporations and instrumentalities or entities sanctioned or authorized by the U.S. government having a market value of at least 102% of the investment. Collateral must be held by a third party custodian approved by the State Treasurer and marked-to-market daily.
2) All certificates of deposit (CD's) must be secured by collateral permitted by statute. Surety bonds acceptable as security for CD's shall require approval by the State Depository Board with such credit constraints or limitations it determines. Pledged securities shall be marked-to-market at least monthly with depositories required to initially pledge to the Office of the State Treasurer, and thereafter maintain upon notification of any shortfall, collateral having a market value equal to 110% of CD's.

At June 30, 2012, $49.0 million of the primary government's investments were uninsured, unregistered and held by the counterparty or the counterparty's trust department, but not in the State's name.

Pension and Other Employee Benefit Trust Funds

The custodial credit risk of pension and other employee benefit trust funds is managed by restricting investments to those authorized by the Public Retirement System Investment Authority Law described above. At June 30, 2012, $717.7 million of the pension and other employee benefit trust funds' investments were uninsured, unregistered and held by the counterparty or the counterparty's trust department, but not in the State's name.

Component Units

The component units follow the applicable investing criteria as previously described for the primary government. At June 30, 2012, $72.5 million of the component units' investments were uninsured, unregistered and held by the counterparty or the counterparty's trust department, but not in the State's name.

Concentration of Credit Risk

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

Primary Government

The State does not have a formally adopted policy for managing concentration of credit risk. At June 30, 2012, approximately 83.2% of the primary government's total investments were investments in securities of U.S. agencies not explicitly guaranteed by the U.S. government.

Pension and Other Employee Benefit Trust Funds

The concentration of credit risk policy of pension and other employee benefit trust funds limits investments to no more than 5% of total net assets in any one corporation. At June 30, 2012, no more than 5% of the pension and other employee benefit trust fund's total investments were investments in any single issuer.

Component Units

The component units follow the applicable investing criteria described above for the primary government. At June 30, 2012, 9.1% of the component units' total investments were investments in securities of U.S. Agencies not explicitly guaranteed by the U.S. government.

C. Investment in Direct Financing Lease

On November 1, 2008, the Georgia Higher Education Facilities Authority entered into a lease with the lessee being the USG Real Estate Foundation I, Inc., LLC, for several projects located on campuses across the State with the Board of Regents of the University System of Georgia for $99.9 million.

On July 23, 2009, the Authority entered into a loan agreement with the USG Real Estate Foundation II, LLC, for several projects located on campuses across the State with the Board of Regents of the University System of Georgia for $100.9 million.

On August 12, 2010, the Authority entered into a loan agreement with the USG Real Estate Foundation III, LLC, for several projects located on campuses across the State of Georgia with the Board of Regents of the University System of Georgia for $94.2 million.

As of June 30, 2012, the estimated annual payments to be received under these lease agreements are shown below (in thousands):

	Principal	Interest	Total
2013	$ 3,935	$ 15,017	$ 18,952
2014	4,215	14,876	19,091
2015	4,535	14,708	19,243
2016	4,875	14,508	19,383
2017	5,245	14,295	19,540
2018-2022	32,380	67,800	100,180
2023-2027	44,435	58,743	103,178
2028-2032	58,000	45,877	103,877
2033-2037	76,430	28,068	104,498
2038-2041	55,260	6,362	61,622
Total Investment	**$ 289,310**	**$ 280,254**	**$ 569,564**

D. Investments Lending Program

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

NOTE 5 - DEPOSITS AND INVESTMENTS (continued)

Primary Government

In the primary government's securities lending agreement, securities are transferred to an independent broker in exchange for collateral in the form of cash and/or securities issued by the U.S. Treasury or its agencies. The collateral value must be equal to at least 100% to 102% of the loaned securities value, depending on the type of collateral security.

Securities loaned totaled $33.3 million at June 30, 2012, and the collateral value was equal to 102%. The loaned securities are in the accompanying note disclosures based on the custodial arrangements for the collateral securities. Loaned securities are included in the accompanying Statement of Net Assets because the State maintains ownership. The related collateral securities are not recorded as assets on the Statement of Net Assets, and a corresponding liability is not recorded, since the State does not pledge or trade the collateral securities.

Pension and Other Employee Benefit Trust Funds

In the pension and other employee benefit trust funds securities lending agreements, the brokerage firms pledge collateral securities consisting of U.S. Government and agency securities, mortgage-backed securities issued by a U.S. Government agency, and U.S. corporate bonds. The collateral value must be equal to at least 102% to 115% of the loaned securities value, depending on the type of collateral security.

Securities loaned totaled $19.5 billion at June 30, 2012, and the collateral value was equal to 104.2%. The loaned securities are in the accompanying note disclosures based on the custodial arrangements for the collateral securities. Loaned securities are included in the accompanying Statement of Net Assets because the State maintains ownership. The related collateral securities are not recorded as assets on the Statement of Fiduciary Net Assets, and a corresponding liability is not recorded, since the State does not pledge or trade the collateral securities.

E. Other Investments

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

The Commissioner of the Department of Agriculture is directed by statute to require dealers in certain agricultural products and livestock to make and deliver to the Department a surety or cash bond to secure the faithful accounting for and payment to producers of the proceeds of agricultural products or livestock handled or sold by the dealer. Cash bonds are required to designate the Department as trustee of the funds and may take the form of certificates of deposit, letters of credit, money orders or cashiers' checks. At June 30, 2012, the Department held surety bonds in the amount of $37.3 million, and cash bonds in the amount of $14.9 million. These bonds are not recorded on the Balance Sheet.

Securities are held by the Commissioner of Insurance pursuant to statutes that require licensed insurance companies to deposit securities prior to issuance of a certificate of authority to transact insurance. These securities remain in the name of the licensed insurance company as long as the company has a pending claim in the State or until a proper order of a court of competent jurisdiction has been issued to the receiver, conservator, rehabilitator, or liquidator of the insurer or to any other properly designated official or officials who succeed to the management and control of the insurer's assets. The purchase and redemption of such securities are allowed as long as the required levels of deposits are maintained. At June 30, 2012, securities valued at $234.5 million were held by the Department of Insurance. These securities are not recorded on the Balance Sheet.

Statutes require that surety bonds be provided for State public works contracts. The Department of Transportation holds surety bonds in the amount of $12.0 billion for construction performance to ensure proper completion and complete performance of

construction contracts, and $13.0 billion for construction payment to ensure that payments are made by the general contractor to all subcontractors. These bonds are not recorded on the Balance Sheet.
The GSFIC State Construction Manual policies require that surety bonds be provided for payment and performance of all State projects of $100,000 or more. The Department of Corrections holds surety bonds in the amount of $2.9 million for construction performance to ensure proper completion and complete performance of construction contracts. These bonds are not recorded on the Balance Sheet.

For any organization that elects to assume the liability for unemployment compensation payments in lieu of making contributions to the Unemployment Compensation Fund, the Commissioner of the Department of Labor (Department) is authorized by statute to require such organization to execute and file with the Commissioner a cash deposit or surety bond. Cash deposits are held on behalf of such organizations in the Department's name, and are reported as agency funds. At June 30, 2012, the Department held surety bonds in the amount of $55.7 million. These bonds are not recorded on the Statement of Net Assets.

F. 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, 2012, and related risk disclosures for investments are as follows:

Georgia Fund 1

The Primary Liquidity portfolio is a stable net asset value investment pool that 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 manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940.

Georgia Fund 1
Statement of Net Assets
June 30, 2012
(dollars in thousands)

Assets	
Cash and Cash Equivalents	$5,841,337
Investments	2,682,414
Net Assets	**$8,523,751**
Distribution of Net Assets	
External Participant Account Balances	$5,889,836
Internal Participant Account Balances	2,633,915
Total Net Assets	**$8,523,751**

Georgia Fund 1
Statement of Changes in Net Assets
For the Fiscal Year Ended June 30, 2012
(dollars in thousands)

Additions	
Pool Participant Deposits	$30,352,424
Investment Income	
Interest	14,217
Less: Investment Expense	(3,924)
Total Additions	**30,362,717**
Deductions	
Pool Participant Withdrawals	29,766,534
Net Increase	**596,183**
Net Assets	
July 1, 2011	7,927,568
June 30, 2012	**$ 8,523,751**

NOTE 5 - DEPOSITS AND INVESTMENTS (continued)

Deposits

Because the State does not maintain separate bank accounts for Georgia Fund 1, separate custodial credit risk disclosures for the Fund's deposits cannot be presented. The carrying amount of the Fund's deposits as of June 30, 2012, was $2.9 billion. This amount is included in the deposit disclosures of the Primary Government.

Investments

Georgia Fund 1 follows applicable investing criteria and investment risk management policies as previously described for the primary government. In addition, fund managers restrict investments of the Fund in order to maintain the Standard and Poor's AAAm rating.

Interest Rate Risk

The Fund's investments and exposure to interest rate risk are presented below (in thousands):

	Total Fair Value	Maturity Period: Less than 3 Months	Maturity Period: 4 - 12 Months	Range of Yields
Commercial Paper	$ 400,376	$ 400,376	$ -	.200% - .200%
Repurchase Agreements	2,530,437	2,530,437		.150% - .200%
U. S. Agency Obligations	2,682,402	1,463,000	1,219,402	.050% - .330%
Total Investments	**$ 5,613,215**	**$ 4,393,813**	**$ 1,219,402**	

Credit Risk

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

	Total Fair Value	Credit Rating: AA	Credit Rating: A
Commercial Paper	$ 400,376	$ -	$ 400,376
Repurchase Agreements	2,530,437	-	2,530,437
U. S. Agency Obligations	2,682,402	2,682,402	-
	$ 5,613,215	**$ 2,682,402**	**$ 2,930,813**

Concentration of Credit Risk

At June 30, 2012, more than 5% of the Fund's total investments were investments in securities of U.S. agencies not explicitly guaranteed by the U.S. government. These investments represented 92.9% of total investments.

Georgia Extended Asset Pool

The Extended Term Portfolio is a variable net asset value investment pool that follows Standard and Poor's criteria for AAAf money market rated funds. The pool is not registered with the SEC as an investment company.

Georgia Extended Asset Pool
Statement of Net Assets
June 30, 2012
(dollars in thousands)

Assets	
Cash and Cash Equivalents	$ 143,821
Investments	45,961
Net Assets	**$ 189,782**
Distribution of Net Assets	
External Participant Account Bala	$ 125,891
Internal Participant Account Balan	63,891
Total Net Assets	**$ 189,782**

Georgia Extended Asset Pool
Statement of Changes in Net Assets
For the Fiscal Year Ended June 30, 2012
(dollars in thousands)

Additions	
Pool Participant Deposits	$ 55,800
Investment Income	
Interest	1,179
Fair Value Decrease	(221)
Less: Investment Expense	(78)
Total Additions	**56,680**
Deductions	
Pool Participant Withdrawals	58,389
Net Increase	**(1,709)**
Net Assets	
July 1, 2011	191,491
June 30, 2012	**$189,782**

Deposits

Because the State does not maintain separate bank accounts for Georgia Extended Asset Pool (GEAP), separate custodial credit risk disclosures for GEAP's deposits cannot be presented. The carrying amount of GEAP's deposits as of June 30, 2012, was $143.8 million. This amount is included in the deposit disclosures of the Primary Government.

Investments

GEAP follows applicable investing criteria and investment risk management policies as previously described for the primary government. In addition, the fund managers restrict investments of GEAP in order to maintain the Standard and Poor's AAAf rating.

Interest Rate Risk

GEAP's investments and exposure to interest rate risk are presented below (in thousands):

	Total Fair Value	Maturity Period: 4 - 12 Months	Maturity Period: 1 - 5 Years	Range of Yields
U. S. Agency Obligations	$ 45,961	$ 14,550	$ 31,411	.400% - 3.25%

NOTE 5 - DEPOSITS AND INVESTMENTS (continued)

Credit Risk

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

	Total Fair Value	Credit Rating AA
U. S. Agency Obligations	$ 45,961	$ 45,961

Concentration of Credit Risk

At June 30, 2012, all of GEAP's investments were investments in securities of U.S. agencies not explicitly guaranteed by the U.S. government.

Regents Investment Pool

The Regents Investment Pool is not registered with the SEC as an investment company.

Regents Investment Pool
Statement of Net Assets
June 30, 2012
(dollars in thousands)

Assets		
Investments	$	456,112
Interest Receivable		905
Net Assets	**$**	**457,017**
Distribution of Net Assets		
External Participant Account Balances	$	20,853
Internal Participant Account Balances		436,164
Total Net Assets	**$**	**457,017**

Regents Investment Pool
Statement of Changes in Net Assets
For the Fiscal Year Ended June 30, 2012
(dollars in thousands)

Additions		
Pool Participant Deposits	$	155,024
Investment Income		8,585
Interest		
Fair Value Increase		(270)
Less: Investment Expense		(748)
Total Additions		**162,591**
Deductions		
Pool Participant Withdrawals		(37,547)
Net Increase		125,044
Net Assets		
July 1, 2011		331,973
June 30, 2012	**$**	**457,017**

Deposits

Because the State does not maintain separate bank accounts for Regents Investment Pool, separate custodial credit risk disclosures for Regents Investment Pool's deposits cannot be presented. The carrying amount of Regents Investment Pool's deposits as of June 30, 2012, was $905 thousand. This amount is included in the deposit disclosures of the Primary Government.

Investments

The Regents Investment Pool policy guidelines indicate that all investments must be consistent with donor intent, Board of Regents policy and applicable federal and state law. The individual funds of the Pool provide various restrictions on the types of investments allowed.

Interest Rate Risk

The Regents Investment Pool's funds policy guidelines restrict average maturities of their holdings. The Regents Investment Pool's investments and exposure to interest rate risk are presented in the following table (in thousands):

	Total Fair Value	Maturity Period: Less than 1 Year	1 - 5 Years	6 - 10 Years	More Than 10 Years
Money Market Mutual Funds	$ 3,053	$ 3,053	$ -	$ -	$ -
Mutual Fund - Debt	43,814	407	19,016	24,390	-
Repurchase Agreements	26,158	26,158	-	-	-
U. S. Agency Obligations	283,596	5,302	25,339	56,724	196,230
U. S. Treasury Obligations	7,874	-	3,035	4,840	-
Total Debt Securities	**364,495**	**$ 34,921**	**$ 47,390**	**$ 85,953**	**$ 196,230**
Equity Securities					
Domestic	74,703				
Mutual Funds - Equity	13,111				
Real Estate Investment Fund	3,803				
Total Investments	**$ 456,112**				

Credit Risk

The Regents Investment Pool's funds policy guidelines require that holdings, except for those of the Diversified Fund must be eligible investments under OCGA 50-17-63. Portfolios of debt security funds also must meet the eligible investment criteria under the same code section. The Diversified Fund is permitted to invest in noninvestment grade debt issues up to a limit of 15% of the entire fund. The exposure of the Fund's debt securities to credit risk is indicated below (in thousands):

	Total Fair Value	AAA	AA	A	BBB	B	Not Rated
Corporate Debt - Domestic	$ 28,818	$ -	$ 3,681	$ 18,042	$ 7,095	$ -	$ -
Money Market Mutual Funds	3,053	3,044	-	-	-	-	9
Mutual Funds - Debt	14,996	-	-	7,360	-	3,683	3,953
U. S. Agency Obligations	256,557	-	-	-	-	-	256,557
Total Credit Risk - Investments	**303,424**	**$ 3,044**	**$ 3,681**	**$ 25,402**	**$ 7,095**	**$ 3,683**	**$260,519**
U. S. Treasury Obligations	7,874						
U. S. Agency Obligations Explicitly Guaranteed	27,039						
Repurchase Agreements Backed by U. S. Treasury Obligatic	26,158						
Total Debt Securities	**$ 364,495**						

NOTE 5 - DEPOSITS AND INVESTMENTS (continued)

Custodial Credit Risk – Investments

The Regents Investment Pool's policy for managing custodial credit risk is to 1) appoint a federally regulated banking institution as custodian, 2) require that all securities transactions be settled on a delivery vs. payment basis through an approved depository institution such as the Depository Trust Company or the Federal Reserve, and 3) require that repurchase agreements be collateralized by U.S. Treasury securities at 102% of the market value of the investment at all times. At June 30, 2012, $328.9 million of the Regents Investment Pool's holdings were uninsured and held by the custodian bank or a depository institution in the State's name.

Concentration of Credit Risk

The Regents Investment Pool's policy for managing concentration of credit risk is to diversify to the extent that any single issuer (other than U.S. government obligations) shall be limited to 5 percent of the market value in a particular Pool Fund. At June 30, 2012 more than 5% of the Regents Investment Pool's total investments were investments in securities of U.S. agencies not explicitly guaranteed by the U.S. government. These investments represented 55.5% of total investments.

NOTE 6 - RECEIVABLES

Receivables at June 30, 2012, consisted of the following (in thousands):

	Taxes	Notes and Loans	Other	Inter-governmental Receivables	Gross Receivables	Allowance for Uncollectibles	Total Receivables (Net)
Governmental Activities							
General Fund	$ 1,639,598	$ 966	$ 350,346	$ 1,654,226	$ 3,645,136	$ (167,935)	$ 3,477,201
General Obigation Bond Projects	-	-	95	4	99	-	99
Nonmajor Governmental Funds	-	-	26	-	26	-	26
Total - Governmental Funds	1,639,598	966	350,467	1,654,230	3,645,261	(167,935)	3,477,326
Government-wide adjustments:							
General Fund	-	-	12,766	(11,585)	1,181	-	1,181
Internal Service Funds	-	-	59,030	980	60,010	(758)	59,252
Total - Governmental Activities	**$ 1,639,598**	**$ 966**	**$ 422,263**	**$ 1,643,625**	**$ 3,706,452**	**$ (168,693)**	**$ 3,537,759**

	Taxes	Notes and Loans	Other	Inter-governmental Receivables	Gross Receivables	Allowance for Uncollectibles	Total Receivables (Net)
Business-type Activities							
Higher Education Fund	$ -	$ 46,231	$ 249,078	$ 113,754	$ 409,063	$ (20,974)	$ 388,089
State Health Benefit Plan	-	-	73,630	-	73,630	(3,857)	69,773
Unemployment Compensation Fund	-	-	190,020	3,100	193,120	(15,309)	177,811
State Road and Tollway Authority	-	-	2,141	-	2,141	-	2,141
Georgia Higher Education Facilities Authority	-	289,310	626	-	289,936	-	289,936
Internal Service Funds	-	-	7	-	7	-	7
Total - Business-type Activities	**$ -**	**$ 335,541**	**$ 515,502**	**$ 116,854**	**$ 967,897**	**$ (40,140)**	**$ 927,757**
Component Units							
Unrestricted:							
Georgia Environmental Finance Authority	$ -	$ 1,528,133	$ 9,983	$ 4,691	$ 1,542,807	$ -	$ 1,542,807
Georgia Housing and Finance Authority	-	636,943	556	-	637,499	(4,441)	633,058
Georgia Lottery Corporation	-	-	146,343	-	146,343	(2,747)	143,596
Georgia Tech Foundation, Incorporated	-	955	271,702	-	272,657	-	272,657
Nonmajor Component Units	492	352,342	2,386,434	11,219	2,750,487	(30,003)	2,720,484
Total - Unrestricted	492	2,518,373	2,815,018	15,910	5,349,793	(37,191)	5,312,602
Restricted:							
Georgia Housing and Finance Authority	-	763,544	10,127	-	773,671	(6,500)	767,171
Nonmajor Component Units	-	-	49		49		49
Total - Restricted	-	763,544	10,176	-	773,720	(6,500)	767,220
Total - Component Units	**$ 492**	**$ 3,281,917**	**$ 2,825,194**	**$ 15,910**	**$ 6,123,513**	**$ (43,691)**	**$ 6,079,822**

NOTE 7 - CAPITAL ASSETS

Primary Government

Capital Asset activity for the fiscal year-ended June 30, 2012, was as follows (in thousands):

	Balance 7/1/2011 (Restated - Note 3)	Increases	Decreases	Balance 6/30/2012
Governmental Activities				
Capital Assets Not Being Depreciated:				
Land	$ 3,082,659	$ 137,513	$ (699)	$ 3,219,473
Works of Art and Collections	1,334	11	(19)	1,326
Intangibles - Other Than Software	91,554	947	-	92,501
Construction in Progress	4,209,241	1,898,740	(1,596,247)	4,511,734
Total Capital Assets, Not Being Depreciated	7,384,788	2,037,211	(1,596,965)	7,825,034
Capital Assets Being Depreciated:				
Infrastructure	23,298,452	641,299	-	23,939,751
Buildings	3,592,893	125,842	(23,087)	3,695,648
Improvements Other Than Buildings	89,237	9,878	-	99,115
Machinery and Equipment	871,523	92,625	(42,563)	921,585
Software	220,318	26,910	-	247,228
Total Capital Assets Being Depreciated	28,072,423	896,554	(65,650)	28,903,327
Less Accumulated Depreciation For:				
Infrastructure	12,077,460	890,661	-	12,968,121
Buildings	1,534,271	106,524	(18,936)	1,621,859
Improvements Other Than Buildings	44,681	2,165	49	46,895
Machinery and Equipment	696,114	54,295	(21,617)	728,792
Software	141,596	29,591	518	171,705
Total Accumulated Depreciation	14,494,122	1,083,236	(39,986)	15,537,372
Total Capital Assets, Being Depreciated, Net	13,578,301	(186,682)	(25,664)	13,365,955
Governmental Activities Capital Assets, Net	**$ 20,963,089**	**$ 1,850,529**	**$ (1,622,629)**	**$ 21,190,989**

	Balance 7/1/2011 (Restated - Note 3)	Increases	Decreases	Balance 6/30/2012
Business-type Activities				
Capital Assets Not Being Depreciated:				
Land	$ 362,875	$ 12,076	$ (479)	$ 374,472
Works of Art and Collections	40,612	597	(25)	41,184
Construction in Progress	240,888	213,089	(231,382)	222,595
Total Capital Assets, Not Being Depreciated	644,375	225,762	(231,886)	638,251
Capital Assets Being Depreciated:				
Infrastructure	258,694	29,687	-	288,381
Buildings	7,740,376	602,297	(10,808)	8,331,865
Improvements Other Than Buildings	367,219	53,382	(29,263)	391,338
Machinery and Equipment	3,582,421	397,383	(115,629)	3,864,175
Software	16,688	4,835	-	21,523
Library Collections	774,360	30,575	(3,984)	800,951
Works of Art and Collections	7,284	35	(7)	7,312
Total Capital Assets Being Depreciated	12,747,042	1,118,194	(159,691)	13,705,545
Less Accumulated Depreciation For:				
Infrastructure	82,655	8,542	(15)	91,182
Buildings	2,165,324	202,564	(7,286)	2,360,602
Improvements Other Than Buildings	148,954	11,546	(383)	160,117
Machinery and Equipment	1,284,592	196,665	(97,856)	1,383,401
Software	9,157	1,244	4,835	15,236
Library Collections	595,086	34,598	(4,195)	625,489
Works of Art and Collections	728	139	(7)	860
Total Accumulated Depreciation	4,286,496	455,298	(104,907)	4,636,887
Total Capital Assets, Being Depreciated, Net	8,460,546	662,896	(54,784)	9,068,658
Business-type Activities, Capital Assets, Net	**$ 9,104,921**	**$ 888,658**	**$ (286,670)**	**$ 9,706,909**

Governmental Activities	
General Government	$ 13,229
Education	1,954
Health and Welfare	42,470
Transportation	899,562
Public Safety	64,074
Economic Development	22,919
Culture and Recreation	8,655
Conservation	5,103
Internal Service Funds	
(Depreciation on capital assets held by the State's internal service funds are charged to the various functions based on their usage of assets)	25,270
Depreciation Expense - Governmental Activities	**$ 1,083,236**

Business-type Activities	
Higher Education Fund	$ 451,085
State Road and Tollway Authority	4,213
Depreciation Expense - Business-type Activities	**$ 455,298**

NOTE 7 - CAPITAL ASSETS (continued)

	Balance 7/1/2011 (Restated *)	Increases	Decreases	Balance 6/30/2012
Component Units				
Capital Assets Not Being Depreciated:				
Land	$ 322,743	$ 1,747	$ -	$ 324,490
Works of Art and Collections	1,947	(13)	-	1,934
Intangibles - Other Than Software	753	-	-	753
Construction in Progress	126,935	163,957	(99,533)	191,359
Total Capital Assets, Not Being Depreciated	452,378	165,691	(99,533)	518,536
Capital Assets Being Depreciated:				
Infrastructure	261,873	31,335	(4,682)	288,526
Buildings	1,019,711	62,839	(2,405)	1,080,145
Improvements Other Than Buildings	462,872	51,679	(21,664)	492,887
Machinery and Equipment	838,962	98,629	(61,030)	876,561
Software	5,915	2,083	(65)	7,933
Works of Art and Collections	71	-	-	71
Total Capital Assets Being Depreciated	2,589,404	246,565	(89,846)	2,746,123
Less Accumulated Depreciation For:				
Infrastructure	91,603	8,934	15,125	115,662
Buildings	426,862	30,925	39	457,826
Improvements Other Than Buildings	197,618	21,128	(17,494)	201,252
Machinery and Equipment	454,855	90,278	(52,487)	492,646
Software	2,304	916	(65)	3,155
Works of Art and Collections	9	2	-	11
Total Accumulated Depreciation	1,173,251	152,183	(54,882)	1,270,552
Component Units Capital Assets, Net (GASB Presentation)	**$ 1,868,531**	**$ 260,073**	**$ (134,497)**	**$ 1,994,107**

Certain higher education foundations and other similar organizations utilize FASB standards; therefore, only the June 30, 2012, balances are available as follows:

Capital Assets Not Being Depreciated:	
Land	$ 26,873
Construction in Progress	37,614
Total Capital Assets, Not Being Depreciated	64,487
Capital Assets Being Depreciated	
Buildings	240,711
Improvements Other Than Buildings	(1,484)
Machinery and Equipment	30,672
Software	30
Total Capital Assets Being Depreciated	269,929
Less: Accumulated Depreciation	71,230
Capital Assets, Net (FASB presentation)	263,186
Total Capital Assets, Net - All Component Units	**$ 2,257,293**

NOTE 8 - LONG-TERM LIABILITIES

A. Changes in Long-term Liabilities

Primary Government

Changes in long-term liabilities for the fiscal year-ended June 30, 2012, are as follows (in thousands):

	Balance July 1, 2011 (Restated - Note 3)	Additions	Reductions	Balance June 30, 2012	Amounts Due Within One Year
Governmental Activities					
General Obligation Bonds Payable	$ 8,551,145	$ 1,523,080	$ (1,489,280)	$ 8,584,945	$ 733,845
Revenue Bonds Payable	432,620	-	(29,170)	403,450	29,035
GARVEE Bonds Payable	1,299,350	-	(122,560)	1,176,790	128,930
Less deferred amounts:					
On Refunding	(182,232)	(65,408)	18,699	(228,941)	-
Net Unamortized Premiums	522,272	165,305	(55,208)	632,369	-
Total Bonds Payable	10,623,155	1,622,977	(1,677,519)	10,568,613	891,810
Notes and Loans Payable	19,600	-	(5,000)	14,600	10,600
Capital Lease Obligations	275,981	13,506	(27,376)	262,111	27,394
Compensated Absences Payable	322,421	136,686	(135,352)	323,755	133,141
Arbitrage	12,689	245	(4,081)	8,853	3,776
Total Governmental Activities	**$ 11,253,846**	**$ 1,773,414**	**$ (1,849,328)**	**$ 11,177,932**	**$ 1,066,721**
Business-type Activities					
Revenue Bonds Payable	$ 330,035	$ -	$ (9,420)	$ 320,615	$ 9,895
Less deferred amounts:					
Net Unamortized Premiums (Discounts)	(1,438)	-	71	(1,367)	-
Total Bonds Payable	328,597	-	(9,349)	319,248	9,895
Notes and Loans Payable	734,190	92,194	(75,085)	751,299	203
Capital Lease Obligations	3,180,529	313,310	(57,739)	3,436,099	62,994
Compensated Absences Payable	215,968	154,336	(151,062)	219,242	129,824
Other Postemployment Benefit Obligation	1,017,399	260,747	-	1,278,146	-
U.S. DOE Settlement	62	-	(62)	-	-
Total Business-type Activities	**$ 5,476,745**	**$ 820,587**	**$ (293,297)**	**$ 6,004,034**	**$ 202,916**

Internal service funds predominantly serve the governmental funds. Accordingly, long-term liabilities for these funds are included as part of the above total for governmental activities. Accordingly, the following long-term liabilities of internal service funds were included in the above balance as of June 30, 2012: capital leases of $61.1 million and compensated absences of $7.1 million. Of these amounts, $4.0 million and $3.6 million, respectively, are due within one year. Also, for the governmental activities, capital leases and compensated absences are generally liquidated by the general fund.

Component Units

Changes in long-term liabilities for the fiscal year-ended June 30, 2012, are as follows (in thousands):

	Balance July 1, 2011 (Restated - Note 3)	Additions	Reductions	Balance June 30, 2012	Amounts Due Within One Year
Component Units					
Revenue Bonds Payable	$ 3,073,939	$ 369,575	$ (390,249)	$ 3,053,265	$ 86,263
Mortgage Bonds Payable	943,205	253,610	(174,160)	1,022,655	24,375
Net Unamortized Premiums	9,626	25,743	(4,222)	31,147	-
Total Bonds Payable	4,026,770	648,928	(568,631)	4,107,067	110,638
Notes and Loans Payable	443,293	75,002	(31,866)	486,429	35,081
Net Unamortized Premiums	(1,935)	591	(411)	(1,755)	-
Capital Lease Obligations	7,606	558	(1,560)	6,604	1,008
Compensated Absences Payable	26,023	9,036	(8,699)	26,360	19,550
Grand Prizes Payable	271,366	14,898	(35,490)	250,774	10,607
Other Liabilities	216,372	97,888	(52,342)	261,918	3,215
Total Component Units	**$ 4,989,495**	**$ 846,901**	**$ (698,999)**	**$ 5,137,397**	**$ 180,099**

B. Bonds and Notes Payable

At June 30, 2012, bonds and notes payable currently outstanding are as follows (in thousands):

	Interest Rates	Maturing Through Year	Original Issue Amount	Outstanding Amount
Governmental Activities				
General Obligation Bonds				
General Government	.75% - 6.75%	2031	$ 15,722,295	$ 6,045,555
General Government - Refunding	3.00% - 9.0%	2026		2,539,390
Revenue Bonds				
Transportation Projects	2.250% - 5.37%	2024	631,905	403,450
GARVEE Bonds	2.50% - 5.00%	2021	1,650,000	1,176,790
Notes and Loans Payable	0%	2014	32,614	14,600
Business-Type Activities				
Revenue Bonds				
Georgia 400 Extension and GHEFA	2.55% - 6.25%	2041	$ 334,915	$ 320,615
Notes and Loans Payable	4.31%	2015	827,194	751,299
Component Units				
Revenue Bonds				
University System of Georgia Foundations	.02% - 6.66%	2043	$ 2,996,740	$ 2,725,651
Other Revenue Bonds	.19% - 5.28%	2036	479,500	327,614
Mortgage bonds				
Georgia Housing and Financing Authority	.3% - 6.0%	2043	1,599,595	1,022,655
Notes and Loans Payable				
University System of Georgia Foundations	.56% - 6.25%	2041	488,212	427,643
Other Notes and Loans Payable	.64% - 6.6%	2026	106,141	58,786

NOTE 8 - LONG-TERM LIABILITIES (continued)

C. General Obligation Bonds

Primary Government

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

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

Bonds Authorized but Unissued

Authorized but unissued general obligation bonds as of June 30, 2012, are as follows (in thousands):

Purpose	Authorized Unissued Debt
Education	$ 168,695
Transportation	146,305
Ports Authority	103,350
Community Affairs	25,000
Board of Regents	22,800
Environmental Finance Authority	20,750
Other	49,185
Total	**$ 536,085**

Defeasance and Refunding of General Obligation Bonds

On July 14, 2011, the State issued $439.9 billion in General Obligation Refunding Bonds Series 2011E and 2011F with interest rates ranging from 3.00% to 5.00%. The proceeds were used to advance refund $454.4 billion of General Obligation Bonds Series 2001B through 2004B which had interest rates ranging from 2.00% to 5.25% and Series 2006H which had variable interest rates. The reacquisition price exceeded the net carrying amount of the old debt by $48.2 billion. This amount is being netted against the new debt and amortized over the remaining life of the refunding debt. The State advance refunded the Series 2001B through 2004B bonds with the Series 2011E bonds to obtain an economic gain of $18.8 billion and advance refunded the Series 2006H bonds with the Series 2011F bonds to gain market rate stability as the Series 2006H bonds had variable interest rates and the Series 2011F bonds have fixed interest rates. The net proceeds were deposited in an irrevocable trust with an escrow agent to provide funds for the future debt service payment on the refunded bonds.

Also, on July 14, 2011, the State issued $127.3 billion in General Obligation Refunding bonds Series 2011G to advance refund and immediately retire $127.3 billion of Series 2006 H General Obligation Bonds. The State advance refunded the Series 2006H bonds with the Series 2011G bonds to gain market rate stability as the Series 2006 H bonds had variable interest rates and the Series 2011F bonds have less volatile floating interest rates.

On November 22, 2011, the State issued $152.3 billion in General Obligation Refunding Bonds Series 2011J with in interest rates ranging from 4.00% to 5.00%. The proceeds were used to advance refund $158.8 billion of General Obligation Bonds Series 2003D through 2004D which had interest rates ranging from 2.00% to 5.00%. The reacquisition price exceeded the net carrying amount of the old debt by $17.2 billion. This amount is being netted against the new debt and amortized over the remaining life of the refunding debt. The State advance refunded the Series 2003D through 2004D bonds with the Series 2011J bonds to obtain an economic gain of $11.2 billion. The net proceeds were deposited in an irrevocable trust with an escrow agent to provide funds for the future debt service payment on the refunded bonds.

As of June 30, 2012, the State had total outstanding refunded bonds held in escrow of $1.2 billion.

Early Retirement of Debt

There was no early retirement of debt during fiscal year 2012.

D. Revenue Bonds

Governmental Activities

State Road and Tollway Authority (SRTA) has issued Guaranteed Revenue Bonds for the purpose of financing certain road and bridge projects in the State. The guaranteed revenue bonds are secured by the amount of net proceeds of the motor fuel tax provided for in a joint resolution of the State Transportation Board and SRTA. Further, the State has guaranteed the full payment of the bonds and the interest.

SRTA has issued Federal Highway Grant Anticipation Revenue Bonds and Federal Highway Reimbursement Bonds (GARVEEs). These bond proceeds will be used for the purpose of providing funds for an approved land public transportation project.

Business-type Activities

SRTA has issued toll revenue bonds for the purpose of financing a portion of the costs of acquiring, constructing and maintaining the Georgia 400 Extension. The toll revenues to be generated from the usage of the Georgia 400 Extension secure these bonds. As of June 30, 2012, the outstanding principal balance for these Toll Revenue Bonds was $31.3 million.

Georgia Higher Education Facilities Authority (GHEFA) has issued revenue bonds for the purpose of acquiring, constructing and equipping several projects on college campuses throughout the State. The bonds are secured solely by the related security deed and related assignment of contract documents. The bond proceeds were loaned to the University System of Georgia Foundation, Inc. (component unit) and are expected to be repaid with repayments of the proceeds from the Foundation. The Foundation's obligation to GHEFA is included in notes and loans payable in the Foundation's financial statements. See the Notes and Loans Payable section of this note. As of June 30, 2012, the outstanding principal for these revenue bonds is $289.3 million.

Component Units

Revenue bonds issued by various University System of Georgia foundations, for the acquisition and improvement of properties and facilities, had an outstanding balance at June 30, 2012, of $2.8 billion.

Other component units had revenue bonds payable outstanding at June 30, 2012, of $327.6 million as detailed below (in thousands):

	Amount
Georgia Environmental Finance Authority	$ 188.8
Georgia World Congress Center	107.4
Georgia Ports Authority	19.0
Lake Lanier Islands Developmental Authority	8.8
Regional Educational Service Agencies	3.6
Total	**$ 327.6**

E. Mortgage Bonds

Component Units

Mortgage bonds outstanding of $1.0 billion June 30, 2012, were issued by the GHFA for financing the purchase of single-family mortgage loans for eligible persons and families of low and moderate income within the State.

F. Notes and Loans Payable

Governmental Activities

Notes and loans payable for governmental activities as of June 30, 2012, were $14.6 million, attributable to DOT's participation in the Federal Right of Way Revolving Fund program, for the purpose of aiding states with the problem of escalating property costs on future highway alignments. This fund was established to advance money to states without interest to acquire property needed for future projects along corridors with escalating property

NOTE 8 - LONG-TERM LIABILITIES (continued)

costs due to imminent development. The first payment for the revolving fund loan was paid January, 2009 and the last payment is due August 6, 2013.

Business-type Activities

Notes and loans payable for business-type activities as of June 30, 2012, were $751.3 million. During fiscal year 2012, the State borrowed $92.2 million from the U.S. Treasury to pay State unemployment benefits. The State made net repayments of $74.9 million in fiscal year 2012 which include State appropriations of $15.4 million. The total principal balance owed to the U.S. Treasury at June 30, 2012 is $745.3 million. Georgia is one of thirty-six states that borrowed from the U.S. Treasury to pay State unemployment benefits. The State will be required to repay this loan to the Treasury at a future date. See the Subsequent Events note for additional information regarding this loan.

In addition, the Georgia Military College had a note payable of $6.0 million.

Component Units

Notes and loans payable for component units as of June 30, 2012, were as follows (in thousands):

	Amount
Higher Education Foundations	$ 399.6
Georgia Ports Authority	38.5
Georgia Tech Foundation, Inc.	28.0
Lake Lanier Islands Development Authority	14.5
North Georgia Mountains Authority	3.3
Georgia Development Authority	1.5
Jekyll Island State Park Authority	1.0
Total Notes and Loans Payable	**$ 486.4**

Higher Education Foundations Notes and Loans

The University System of Georgia Foundation, Inc. has entered into loan agreements to finance construction of facilities at colleges and universities in the University System of Georgia on real estate owned by the Board of Regents. The total principal outstanding at June 30, 2012, was $289.3 million. See the Revenue Bonds – Business-type Activities section of this note.

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

The Cancer Research Center of the Medical College of Georgia Physician's Practice Group Foundation (CRC) has a loan agreement with the Development Authority of Richmond County, whereby the Authority issued bonds and lent the proceeds thereof to CRC for the purpose of providing funds to finance the cost of the construction of a portion of a cancer research building on the campus of the Georgia Health Sciences University (GHSU). As of June 30, 2012, $28.7 million was outstanding on the loan payable. The loan agreement provides for semi-annual interest payments at interest rates ranging from 2.5% to 5%. Principal payments are due annually through December 2034.

Notes and loans payable included a revolving credit agreement for the University of Georgia's Research Foundation which provides for borrowings or letters of credit at the Research Foundation's option. At June 30, 2012, amounts outstanding or issued under this agreement included borrowings of $10.1 million, with no letters of credit or bank reserves, resulting in $39.9 million available as borrowing capacity under this line. Borrowings under the revolving credit agreement bear interest at the bank's 30-day LIBOR plus 0.8%. At June 30, 2012, the rate applicable to the borrowings was 1.04%.

During fiscal year 2007, the University of Georgia Foundation signed a $6.2 million promissory loan agreement which expires on November 1, 2017. Interest is charged at the bank's 30-day LIBOR plus 0.325%. The balance on this note at June 30, 2012, was $5.8 million.

In addition to the notes and loans discussed in the previous paragraphs, as of June 30, 2012, an additional $15.7 million in notes was held by various higher education foundations.

Other Component Units Notes and Loans

The Georgia Ports Authority maintains an uncollateralized revolving line of credit in the amount of $48.0 million. As of June 30, 2012, $38.5 million was outstanding on this line of credit. The interest rate (0.64% at June 30, 2012) is based on the one month LIBOR rate. This revolving line of credit expires on September 5, 2017.

The Georgia Tech Foundation, Inc. has five $10.0 million revolving lines of credit. As of June 30, 2012, $28.0 million was outstanding on these lines of credit. Interest is calculated using the 30-day LIBOR rate plus 0.60%.

G. Interest Rate Swaps

As a means of interest rate management, various higher education foundations have entered into interest rate swap agreements. For further details on these agreements, please refer to Note 13 Derivative Instruments.

H. Pollution Remediation

__Governmental Activities__

Georgia Department of Transportation

DOT has recorded liabilities totaling $0.7 million at June 30, 2012, for pollution remediation related to underground storage tanks at three locations and for pollution remediation at two laboratory sites. The liabilities were determined using the expected cash flow measurement technique which measures the liability as the sum of probability-weighted amounts in a range of possible estimated amounts. The estimated amount of recovery from insurance and other potentially responsible parties is $0.03 million. Pollution remediation liability activity in fiscal year 2012 was as follows (in thousands):

Balance July 1, 2011	Additions	Reductions	Balance June 30, 2012	Amounts Due Within One Year
$548	$200	$32	$716	$213

Department of Juvenile Justice

The Department of Juvenile Justice has recorded liabilities totaling $0.7 million at June 30, 2012 for pollution remediation related to soil contamination at one site. The liability was determined using estimates from soil excavation organizations. Recent test sample results were below cleanup standards. A closing report shall be submitted to EPD for approval. Based on EPD’s approval or rejection of the closing report, there may be additional excavations, testing, and periodic monitoring of the site. Pollution remediation liability activity in fiscal year 2012 was as follows (in thousands):

Balance July 1, 2011	Additions	Reductions	Balance June 30, 2012	Amounts Due Within One Year
$1,234	$ -	$533	$701	$701

Department of Defense

The Department of Defense has recorded liabilities totaling $0.2 million at June 30, 2012, for pollution remediation related to ground contamination at four sites. The liabilities were determined by previous experience. The estimated amount of recovery from insurance and other potentially responsible parties is $0.2 million. Pollution remediation liability activity in fiscal year 2012 was as follows (in thousands):

Balance July 1, 2011	Additions	Reductions	Balance June 30, 2012	Amounts Due Within One Year
$40	$190	$ -	$230	$230

NOTE 8 - LONG-TERM LIABILITIES (continued)

Business-type Activities

University of Georgia

The University of Georgia is responsible for pollution remediation at the Milledge Avenue landfill site. The University of Georgia has recorded a liability and expense related to this pollution remediation in the amount of $0.9 million. The liability was determined using a five year budget estimate provided by environmental engineers and consultants. The University of Georgia does not anticipate any significant changes to the expected remediation outlay. There are no expected recoveries that have reduced the liability. Pollution remediation liability activity in fiscal year 2012 was as follows (in thousands):

Balance July 1, 2011	Additions	Reductions	Balance June 30, 2012	Amounts Due Within One Year
$926	$111	$119	$918	$120

Georgia Institute of Technology

Georgia Institute of Technology (the Institute) is responsible for pollution remediation, including asbestos abatement, for all the Institute facilities. Asbestos abatement is performed during renovation/construction projects when deemed necessary by management of the Institute. As of June 30, 2012, the Institute recorded a liability and expense in the amount of $0.1 million for asbestos abatement projects in various Institute structures. The liability was determined using the expected cash flow measurement technique, which measures the liability as the sum of probability-weighted amounts in a range of possible estimated amounts. The Institute does not anticipate any significant changes to the expected remediation outlay. There are no expected recoveries that have reduced the liability. Pollution remediation liability activity in fiscal year 2012 was as follows (in thousands):

Balance July 1, 2011	Additions	Reductions	Balance June 30, 2012	Amounts Due Within One Year
$196	$145	$196	$145	$145

Georgia Health Sciences University

GHSU is responsible for asbestos abatement as a small part of the costs for various projects. GHSU has recorded a liability and expense related to this pollution remediation of $.01 million. The liability is the remaining amount of project abatement costs at June 30, 2012. GHSU does not anticipate significant changes to the expected remediation outlay. There are not expected recoveries that have reduced the liability. Pollution remediation liability activity in fiscal 2012 was as follows (in thousands):

Balance July 1, 2011	Additions	Reductions	Balance June 30, 2012	Amounts Due Within One Year
$ -	$12	9	$3	$3

Component Units

Georgia Ports Authority

The Georgia Ports Authority is responsible for certain pollution remediation costs related to soil and groundwater contamination at its Bainbridge, Georgia terminal. The Georgia Ports Authority has recorded a liability of $1.6 million as of June 30, 2012. The liability was determined using a five year budget estimate provided by an engineering firm using a discounted cash flow rate of 3%. Pollution remediation liability activity in fiscal year 2012 was as follows (in thousands):

Balance July 1, 2011	Additions	Reductions	Balance June 30, 2012	Amounts Due Within One Year
$1,385	$387	$ 217	$1,555	$617

I. Debt Service Requirements

Annual debt service requirements to maturity for general obligation bonds, revenue bonds, GARVEE bonds, mortgage bonds and notes and loans payable are as follows (in thousands):

Primary Government

	Governmental Activities							
	General Obligation Bonds		Revenue Bonds		GARVEE Bonds		Notes and Loans Payable	
Year	Principal *	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2013	$ 733,845	$ 382,631	$ 29,035	$ 19,730	$ 128,930	$ 56,781	$ 10,600	$ -
2014	682,480	347,379	25,780	18,376	134,530	50,714	4,000	-
2015	674,350	313,983	21,525	17,283	141,150	44,095	-	-
2016	609,585	280,784	38,045	15,956	147,640	37,607	-	-
2017	581,185	252,154	39,965	14,034	154,560	30,684	-	-
2018-2022	2,631,580	866,440	202,640	37,754	469,980	50,717	-	-
2023-2027	1,919,960	366,761	46,460	2,352	-	-	-	-
2028-2032	751,960	62,598	-	-	-	-	-	-
Total	**$ 8,584,945**	**$ 2,872,730**	**$ 403,450**	**$ 125,485**	**$ 1,176,790**	**$ 270,598**	**$ 14,600**	**$ -**

	Business-type Activities			
	Revenue Bonds		Notes and Loans Payable	
Year	Principal	Interest	Principal **	Interest
2013	$ 9,895	$ 15,816	$ 203	$ 258
2014	10,325	15,523	212	249
2015	10,790	15,198	5,580	240
2016	11,285	14,840	-	(1)
2017	11,815	14,462	-	-
2018-2022	32,380	67,800	-	-
2023-2027	44,435	58,743	-	-
2028-2032	58,000	45,877	-	-
2033-2037	76,430	28,068	-	-
2038-2042	55,260	6,361	-	-
Total	**$ 320,615**	**$ 282,688**	**$ 5,995**	**$ 746**

* Includes $127.3 million of bonds (Series 2011G) with variable interest rates based on the weekly rate determination of the Remarketing Agent. The interest rate at June 30, 2012, for these variable rate bonds, was 0.58%.

** The note payable to the U.S. Treasury for $745.3 million to State unemployment benefits has not been included in this schedule. A repayment schedule has not yet been implemented.

NOTE 8 - LONG-TERM LIABILITIES (continued)

Component Units

	University System of Georgia Foundations		Other Component Units		Georgia Housing and Finance Authority	
	Revenue Bonds		Revenue Bonds		Mortgage Bonds	
Year	**Principal**	**Interest**	**Principal**	**Interest**	**Principal**	**Interest**
2013	$ 55,579	$ 126,099	$ 30,684	$ 11,148	$ 24,375	$ 40,929
2014	69,086	124,552	13,618	12,436	28,150	40,230
2015	67,540	121,824	14,128	11,812	24,965	39,510
2016	71,004	119,078	14,730	11,242	28,915	38,754
2017	80,872	131,845	27,353	10,291	36,500	37,738
2018-2022	445,885	520,096	222,577	89,767	173,870	168,440
2023-2027	553,812	397,822	3,736	695	181,355	129,517
2028-2032	622,295	256,247	788	26	197,350	87,580
2033-2037	484,435	117,789	-	-	213,015	43,187
2038-2042	261,563	30,801	-	-	111,575	8,875
2043-2047	13,580	478	-	-	2,585	56
Total	**$ 2,725,651**	**$ 1,946,631**	**$ 327,614**	**$ 147,417**	**$ 1,022,655**	**$ 634,816**

	University System of Georgia Foundations		Other Component Units	
	Notes and Loans Payable		Notes and Loans Payable	
Year	**Principal**	**Interest**	**Principal**	**Interest**
2013	$ 28,195	$ 33,790	$ 6,886	$ 1,157
2014	16,049	25,478	5,349	910
2015	22,999	17,363	3,252	700
2016	54,028	16,110	3,285	652
2017	7,075	15,886	3,319	603
2018-2022	279,171	260,940	31,604	1,645
2023-2027	6,539	4,084	5,091	416
2028-2032	7,897	2,359	-	-
2033-2037	5,690	422	-	-
2038-2042	-	-	-	-
Total	**$ 427,643**	**$ 376,432**	**$ 58,786**	**$ 6,083**

NOTE 9 - LEASES

A. Operating Leases

The State leases land, office facilities, office and computer equipment, and other assets. Some of these leases are considered for accounting purposes to be operating leases. Although lease terms vary, many leases are subject to appropriation from the General Assembly to continue the obligation. Other leases generally contain provisions that, at the expiration date of the original term of the lease, the State has the option of renewing the lease on a year-to-year basis. Total lease payments for the State's governmental activities, business-type activities, and component units were $52.9 million, $45.3 million, and $22.7 million, respectively, for the year ended June 30, 2012. Future minimum commitments for operating leases as of June 30, 2012, are listed below (in thousands).

	Primary Government		
Fiscal Year Ended June 30	Governmental Activities	Business-type Activities	Component Units
2013	$ 34,297	$ 40,659	$ 19,148
2014	24,848	12,059	17,728
2015	15,070	11,195	16,648
2016	9,408	10,451	15,351
2017	5,359	7,464	15,087
2018-2022	7,972	23,378	66,862
2023-2027	2,169	13,618	49,772
2028-2032	480	10,292	49,764
2033-2037	13	2,486	31,875
2038-2042	4	107	12,795
2043-2047	-	-	258
Total Minimum Commitments	**$ 99,620**	**$ 131,709**	**$ 295,288**

NOTE 9 - LEASES (continued)

B. Capital Leases

The State acquires certain property and equipment through multi-year capital leases with varying terms and options. In accordance with OCGA 50-5-64, the majority of these agreements shall terminate absolutely and without further obligation at the close of the fiscal year in which it was executed and at the close of each succeeding fiscal year for which it may be renewed. These agreements may be renewed only by a positive action taken by the State. The agreements shall terminate immediately at such time as appropriated and otherwise unobligated funds are no longer available to satisfy the obligations of the State. At June 30, 2012, the historical cost of assets acquired through capital leases was as follows (in thousands):

	Primary Government		
	Governmental Activities	Business-type Activities	Component Units
Land	$ -	$ 50,979	$ -
Infrastructure	-	56,563	-
Buildings	390,377	3,529,949	11,105
Improvements Other Than Buildings	-	7,689	-
Machinery and Equipment	2,239	68,907	147
Less: Accumulated Depreciation	(204,443)	(489,152)	(8,467)
Total Assets Held Under Capital Lease	**$ 188,173**	**$ 3,224,935**	**$ 2,785**

At June 30, 2012, future commitments under capital leases were as follows (in thousands):

	Primary Government		
Fiscal Year Ended June 30	Governmental Activities	Business-type Activities	Component Units
2013	$ 60,323	$ 249,163	$ 1,344
2014	53,623	253,495	1,241
2015	52,582	253,842	1,589
2016	45,632	255,100	915
2017	42,811	293,923	714
2018-2022	153,442	1,319,615	1,446
2023-2027	80,452	1,336,537	180
2028-2032	40,954	1,253,698	180
2033-2037	6,772	894,874	180
2038-2042	1,957	306,985	180
2043-2047	30	927	180
2048-2052	30	-	180
2053-2057	-	-	180
2058-2062	-	-	72
Total Capital Lease Payments	538,608	6,418,159	8,581
Less: Interest	(239,072)	(179,289)	(1,975)
Executory Costs	(37,425)	(2,802,771)	-
Present Value of Capital Lease Payments	**$ 262,111**	**$ 3,436,099**	**$ 6,606**

The capital leases of the business-type activities include $2.0 billion of leases payable to higher education foundations (component units). The component units report the receivable balances as Accounts Receivable – Other.

C. Lease Receivables

The State leases certain facilities and land for use by others for terms varying from 1 to 40 years. The leases are accounted for as operating leases; revenues for services provided and for use of facilities are recorded when earned. Total revenues from rental of land and facilities for the State's governmental activities, business-type activities, and component units were $9.2 million, $0.1 million, and $36.4 million, respectively, for the year ended June 30, 2012. Minimum future revenues and rentals to be received under operating leases as of June 30, 2012, are as follows (in thousands):

	Primary Government		
Fiscal Year Ended June 30	Governmental Activities	Business-type Activities	Component Units
2013	$ 17,355	$ 56	$ 31,705
2014	17,182	41	19,833
2015	17,399	40	19,674
2016	17,820	40	18,843
2017	16,539	36	17,174
2018-2022	58,105	-	78,679
2023-2027	11,342	-	69,061
2028-2032	1,747	-	65,167
2033-2037	-	-	17,978
2038-2042	-	-	2,358
2043-2047	-	-	2,413
2048-2052	-	-	1,618
Total Minimum Revenues	**$ 157,489**	**$ 212**	**$ 344,503**

NOTE 10 - RETIREMENT SYSTEMS

The State administers various retirement plans under two major retirement systems: The Employees' Retirement System (the System) and Teachers Retirement System (TRS). These two systems issue separate publicly available financial reports that include the applicable financial statements and required supplementary information. The reports may be obtained from the respective system offices. The State's significant retirement plans are described below. More detailed information can be found in the plan agreements and related legislation. Each plan, including benefit and contribution provisions, was established and can be amended by State law. The State also provides an optional retirement plan for certain university employees: the Regents Retirement Plan.

A. Summary of Significant Accounting Policies

Basis of Accounting

Retirement plan financial statements are prepared on the accrual basis of accounting. Contributions from the plan members are recognized as additions when due, in the period in which the members provide services. Employer contributions are recognized when due, pursuant to formal commitments, as well as statutory or contractual requirements. Retirement and refund payments are recognized as deductions when due and payable.

Investments

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

B. Defined Benefit Plans

Plan Descriptions and Funding Policy

Employees' Retirement System of Georgia Plan

The System is comprised of individual retirement systems and plans covering substantially all employees of the State except for teachers and other employees covered by TRS. One of the plans within the System, the ERS, is a cost-sharing multiple-employer defined benefit pension plan that was established by the Georgia General Assembly during the 1949 Legislative Session for the purpose of providing retirement allowances for employees of the State and its political subdivisions. ERS is directed by a Board of Trustees and has the powers and privileges of a corporation. ERS acts pursuant to statutory direction and guidelines, which may be amended prospectively for new hires but for existing members and beneficiaries may be amended in some aspects only subject to potential application of certain constitutional restraints against impairment of contract.

On November 20, 1997, the Board created the Supplemental Retirement Benefit Plan of ERS (SRBP-ERS). SRBP-ERS 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-ERS 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-ERS whenever their benefits under ERS exceed the limitation on benefits imposed by IRC Section 415.

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

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

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

Member contribution rates are set by law. Member contributions under the old plan are 4% of annual compensation up to $4,200 plus 6% of annual compensation in excess of $4,200. Under the old plan, the State pays member contributions in excess of 1.25% of annual compensation. Under the old plan, these State contributions are included in the members' accounts for refund purposes and are used in the computation of the members' earnable compensation for the purpose of computing retirement benefits. Member contributions under the new plan and GSEPS are 1.25% of annual compensation. The State is required to contribute at a specified percentage of active member payroll established by the Board of Trustees and determined annually in accordance with an actuarial valuation and minimum funding standards as provided by law. These State contributions are not at any time refundable to the member or his/her beneficiary.

Employer contributions required for fiscal year 2012 were based on the June 30, 2009, actuarial valuation as follows:

Plan Segment	Contribution Rate
Old Plan *	11.63%
New Plan	11.63%
GSEPS	7.42%

* 6.88% exclusive of contributions paid by the State on behalf of old plan members

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

Teachers Retirement System of Georgia

TRS is a cost-sharing multiple-employer defined benefit plan created in 1943 by an act of the Georgia General Assembly to provide retirement benefits for qualifying employees in educational service. A Board of Trustees comprised of two appointees by the Board, two ex-officio State employees, five appointees by the Governor, and one appointee of the Board of Regents is ultimately responsible for the administration of TRS.

NOTE 10 - RETIREMENT SYSTEMS (continued)

On October 25, 1996, the Board created the Supplemental Retirement Benefit Plan of the Georgia Teachers (SRBP-TRS). SRBP-TRS was established as a qualified governmental excess benefit plan in accordance with Section 415 of the IRC as a portion of TRS. The purpose of SRBP-TRS 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-TRS whenever their benefits under TRS exceed the IRC Section 415 imposed limitation on benefits.

TRS provides service retirement, disability retirement, and survivor's benefits. The benefit structure of TRS is defined and may be amended by State statute. A member is eligible for normal service retirement after 30 years of creditable service, regardless of age, or after 10 years of service and attainment of age 60. A member is eligible for early retirement after 25 years of creditable service.

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

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

Member contributions as adopted by the Board of Trustees for fiscal year 2012 were 5.53% of annual salary. Employer contributions required for fiscal year 2012 were 10.28% of annual salary as required by the June 30, 2009, actuarial valuation.

Employer Contributions

The following table summarizes the State's employer contributions by defined benefit plan for 2012, 2011, and 2010 (dollars in thousands):

	ERS		TRS	
	Required Contribution	Percent Contributed	Required Contribution	Percent Contributed
2012	$ 238,738	100%	$ 175,588	100%
2011	222,401	100%	170,893	100%
2010	236,656	100%	161,184	100%

In addition to the above contributions for employees of organizations in the State reporting entity, the State also makes contributions directly to ERS and TRS on behalf of certain employers that are not in the reporting entity. The State made such contributions to TRS of $5.5 million in 2012 and $5.9 million in both 2011 and 2010 for public school support personnel. The State also contributed $6.2 million, $11.7 million, and $0.7 million to ERS on behalf of local tax commissioners and county State courts in 2012, 2011, and 2010 respectively.

In certain prior years, the State did not contribute its full requirement for local tax officials because adequate funds were not appropriated. The cumulative contribution shortfall amounted to $6.2 million. The State is funding this obligation over a 10 year period that began July 1, 2011, through higher contribution rate assessments of $0.6 million each year. This assessment is in addition to the on-behalf amounts reported above.

Participating Employers

The number of participating employers by plan as of June 30, 2012, was:

ERS	723
TRS	404

These counts treat each legal entity in the State reporting entity as a separate employer. Of the 723 employers in the ERS count, 439 are not in the State reporting entity. Of the 404 employers in the TRS count, 301 are not in the State reporting entity.

Funded Status, Funding Progress, and Actuarial Methods and Assumptions

The funded status of the ERS and TRS plans at June 30, 2011, the most recent actuarial valuation date, is as follows (dollars in thousands):

Retirement System	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) -- Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a) / (b)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a) / (c)
ERS	$ 12,667,557	$ 16,656,905	$ 3,989,348	76.0%	$ 2,486,780	160.4%
TRS	55,427,716	65,978,640	10,550,924	84.0%	10,099,278	104.5%

These valuations reflect assumptions based on experience studies for the five year period ending June 30, 2009. Additionally, TRS uses a smoothed interest rate methodology for determining its investment rate of return. The method uses an initial rate of return for a 23 year look forward period that, when combined with actual returns for a seven year look back period, produces a 30 year average rate of return that equals the 7.5% ultimate long-term investment rate of return assumption that is based on TRS long term capital market assumptions and asset allocations. The interest rate used for years after the 23 year look forward period is the ultimate rate of return. The TRS Board adopted a refinement to this method on July 27, 2011, to include a corridor around the long-term investment rate of return. At the same time, the TRS Board adopted a change to the asset smoothing methodology by adding a corridor that limits the actuarial value of assets to not less than 75% or more than 125% of market value. Multiyear trend information about the funding progress is presented in the standalone financial reports issued by the System and TRS. These schedules indicate whether the actuarial values of assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

NOTE 10 - RETIREMENT SYSTEMS (continued)

Additional information as of the latest actuarial valuations follows:

	ERS	TRS
Valuation date	6/30/2011	6/30/2011
Actuarial cost method	Entry age	Entry age
Amortization method	Level percent of pay	Level percent of pay
Remaining amortization period	30 years	30 years
Period Open/Closed	Open	Open
Asset valuation method	7 year smoothed market	7 year smoothed market
Actuarial assumptions:		
Investment rate of return, initial	N/A	8.02%*#
Investment rate of return, ultimate	7.50%*	7.50%*#
Projected salary increases	0.00% - 9.25%*	3.75% - 7.00%*
Postretirement cost of living adjustment	None	3.00% annually

* Includes an inflation assumption of 3.00%

\# Using the initial and ultimate rates above, the smoothed interest rate over a 40 year period is 7.80%.

C. Defined Contribution Plans

GSEPS 401(k) Component of ERS Plan

In addition to the ERS defined benefit pension described above, GSEPS members may also participate in the Peach State Reserves 401(k) defined contribution plan and receive an employer matching contribution. The 401(k) plan is administered by the System and was established by the Georgia Employee Benefit Plan Council in accordance with State law and Section 401(k) of the IRC. The GSEPS segment of the 401(k) plan was established by State law effective January 1, 2009. Plan provisions and contribution requirements specific to GSEPS can be amended by State law. Other general 401(k) plan provisions can be amended by the ERS Board of Trustees as required by changes in federal tax law or for administrative purposes. The State was not required to make significant contributions to the 401(k) plan prior to GSEPS because most members under other segments of the plan either were not State employees or were not eligible to receive an employer match on their contributions.

The GSEPS plan includes automatic enrollment in the 401(k) plan at a contribution rate of 1% of salary, along with a matching contribution from the State. The State will match 100% of the employee's initial 1% contribution. Employees can elect to contribute up to an additional 4%, and the State will match 50% of the additional 4% of salary. Therefore, the State will match 3% against the employee's 5% total savings. Contributions greater than 5% do not receive any matching funds.

GSEPS employer contributions are subject to a vesting schedule, which determines eligibility to receive all or a portion of the employer contribution balance at the time of any distribution from the account after separation from all State service. Vesting is determined based on the following schedule:

Less than 1 year	0%
1 year	20%
2 years	40%
3 years	60%
4 years	80%
5 or more years	100%

Employee contributions and earnings thereon are 100% vested at all times. The 401(k) plan also allows participants to roll over amounts from other qualified plans to their respective account in the

401(k) plan on approval of the 401(k) plan administrator. Such rollovers are 100% vested at the time of transfer. Participant contributions are invested according to the participant's investment election. If the participant does not make an election, investments are automatically defaulted to a Lifecycle fund based on the participant's date of birth.

The participants may receive the value of their vested accounts upon attaining age 59.5, qualifying financial hardship, or retirement or other termination of service (employer contribution balances are only eligible for distribution upon separation from service). Upon the death of a participant, his or her beneficiary shall be entitled to the vested value of his or her accounts. Distributions are made in installments or in a lump sum.

In 2012, the State's employer and employee GSEPS contributions were $5.2 million and $8.3 million, respectively. Additionally, the State made contributions of about $0.1 million on behalf of employers that are not in the reporting entity. Employer contributions may be partially funded from nonvested contributions that were forfeited by employees.

<u>Regents Retirement Plan</u>

Plan Description

The Regents Retirement Plan, a single-employer defined contribution plan, is an optional retirement plan established by the Georgia General Assembly in Chapter 21 of Title 47 of the OCGA. It is administered and may be amended by the BOR (Proprietary Fund – Higher Education). A participant in the plan is an "eligible university system employee" defined as a faculty member or a principal administrator as designated by the regulations of the BOR. Under the Plan, a plan participant may purchase annuity contracts from four approved vendors (AIG-VALIC, American Century, Fidelity, and TIAA-CREF) for the purpose of receiving retirement and death benefits. The approved vendors have separately issued financial reports that may be obtained through their respective corporate offices.

Benefits

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.

Funding Policy

The University System of Georgia makes monthly employer contributions for the Regents Retirement Plan at rates adopted by the TRS Board of Trustees in accordance with State statute and as advised by their independent actuary. For fiscal year 2012, the employer contribution was 9.24% of the participating employee's earned compensation. Employees contribute 5% of their earned compensation. Amounts attributable to all plan contributions are fully vested and non-forfeitable at all times. In 2012, employer and employee contributions were $101.3 million (9.24%) and $55.5 million (5%), respectively.

NOTE 11 - POSTEMPLOYMENT BENEFITS

The State provides the following significant other postemployment benefit (OPEB) plans:

Administered by Department of Community Health (DCH):
- Georgia State Employees Post-employment Health Benefit Fund (State OPEB Fund)
- Georgia School Personnel Post-employment Health Benefit Fund (School OPEB Fund)

Administered by the System:
- State Employees' Assurance Department (SEAD)
- – For retired and vested inactive (SEAD-OPEB)
- – For active employees (SEAD-Active)

Administered by the Board of Regents University System Office:
- Board of Regents Retiree Health Benefit Fund (Regents Plan)

The financial statements for these plans are presented in the Fiduciary Funds section of this report. Separate financial reports that include the required supplementary information for these plans are also publicly available and may be obtained from the offices that administer the plans.

A. Summary of Significant Accounting Policies

Basis of Accounting

The financial statements of these plans are prepared using the accrual basis of accounting. Contributions from employers and members are recognized in the period in which they are due. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

Investments

Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price.

B. Multiple-employer Plans

Plan Descriptions and Contribution Information

State OPEB Fund and School OPEB Fund

The State OPEB Fund and School OPEB Fund are cost-sharing multiple-employer defined benefit postemployment healthcare plans and are reported as employee benefit trust funds.

The State OPEB Fund provides postemployment health benefits (including benefits to qualified beneficiaries of eligible former employees) due under the group health plan for employees of State organizations (including technical colleges) and other entities authorized by law to contract with DCH for inclusion in the plan. It also pays administrative expenses of the fund. By law, no other use of the assets of the State OPEB Fund is permitted.

The School OPEB Fund provides postemployment health benefits (including benefits for qualified beneficiaries of eligible former employees) due under the group health plan for public school teachers including librarians and other certified employees of public schools and regional educational service agencies or due under the group health plan for non-certified public school employees. It also pays administrative expenses of the fund. By law, no other use of the assets of the School OPEB Fund is permitted.

The OCGA assigns the authority to establish and amend the benefit provisions of the group health plans, including benefits for retirees under both the State and School OPEB Funds, to the Board of Community Health (Board).

The plan is currently funded on a pay-as-you go basis. That is, annual costs of providing benefits will be financed in the same year as claims occur, with no significant assets accumulating as would occur in an advance funding strategy.

The contribution requirements of plan members and participating employers are established by the Board in accordance with the current Appropriations Act and may be amended by the Board. Contributions of plan members or beneficiaries receiving benefits vary based on plan election, dependent coverage, and Medicare eligibility and election. As of January 1, 2012, for members with fewer than five years of service, contributions also vary based on years of service. As of January 1, 2012, on average, members with five years or more of service pay approximately 25% of the cost of health insurance coverage. In accordance with the Board resolution dated December 8, 2011, for members with fewer than five years of service as of January 1, 2012, the State provides a premium subsidy in retirement that ranges from 0% for fewer than 10 years of service to 75% (but no greater than the subsidy percentage offered to active employees) for 30 or more years of service. The subsidy for eligible dependents ranges from 0% to 55% (but no greater than the subsidy percentage offered to dependents of active employees minus 20%). No subsidy is available to Medicare eligible members not enrolled in a Medicare Advantage Option. The Board sets all member premiums by resolution and in accordance with the law and applicable revenue and expense projections. Any subsidy policy adopted by the Board may be changed at any time by Board resolution and does not constitute a contract or promise of any amount of subsidy.

Participating employers, including but not limited to State organizations and school systems, are statutorily required to contribute in accordance with the employer contribution rates established by the Board. The contribution rates are established to fund all benefits due under the health insurance plans for both active and retired employees based on projected pay-as-you-go financing requirements. Contributions are not based on the actuarially calculated annual required contribution (ARC) which represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years.

The combined required contribution rates established by the Board for the active and retiree plans for the fiscal year ended June 30, 2012, were as summarized in the following tables:

Combined Active and State OPEB Fund Contribution Rates as a Percentage of Covered Payroll*

June 2011	22.667%	for July 2011 coverage
July – November 2011	27.363%	for August – December 2011 coverage
December 2011 – April 2012	34.063%	for January – May 2012 coverage
May – June 2012	27.363%	for June – July 2012 coverage

* These rates were used for State organizations, including technical colleges, and certain other participating employers.

Combined Active and School OPEB Fund Contribution Rates as a Percentage of Covered Payroll#

June 2011	1.429%	for July 2011 coverage
July 2011	18.534%	for August 2011 coverage
August 2011 – March 2012	24.000%	for September 2011 – April 2012 coverage
April – June 2012	3.958%	for May – July 2012 coverage

These rates were used for certificated teachers, librarians, regional educational service agencies, and certain other eligible participating employers.

Combined Active and School OPEB Fund Dollar Contribution Rates Per Member Per Month+

June – August 2011	$246.20	for July – September 2011 coverage
September 2011 – June 2012	$296.20	for October 2011 – July 2012 coverage

+ These rates were used for non-certificated school personnel.

NOTE 11 - POSTEMPLOYMENT BENEFITS (continued)

No additional contribution was required by the Board for fiscal year 2012 nor contributed to the State OPEB Fund or to the School OPEB Fund to prefund retiree benefits. Such additional contribution amounts are determined annually by the Board in accordance with the State plan for OPEB and are subject to appropriation.

The State's estimated required pay-as-you-go employer contributions made to the State OPEB Fund and the School OPEB Fund for the fiscal years ended June 30, 2012, 2011, and 2010 were (dollars in thousands):

	State OPEB Fund		School OPEB Fund	
	State Employer Required Contribution	Percent Contributed	State Employer Required Contribution	Percent Contributed
2012	$ 159,827	100%	$ 1,949	100%
2011	147,749	100%	1,682	100%
2010 *	19,516	100%	1,535	100%

* Employer contributions to the State OPEB Fund were lower in fiscal year 2010 because claims were paid from existing plan assets in that year.

In addition to the above OPEB contributions for former employees of organizations in the State reporting entity, the State made an on-behalf contribution of $1.0 billion during 2012 to SHBP for combined active and OPEB coverage of certificated personnel employed by LEA's. Of that amount, an estimated $279 million was transferred to the School OPEB Fund. The State did not make on-behalf contributions for certificated employees in the previous two years but instead made contributions on behalf of the LEA's for certain non-certificated school personnel. The on-behalf amount transferred to the School OPEB Fund for the non-certificated personnel was $0.3 million in both 2011 and 2010.

State Employees' Assurance Department

SEAD-OPEB and SEAD-Active are cost-sharing multiple-employer defined benefit postemployment plans that were created in fiscal year 2007 by the Georgia General Assembly to provide term life insurance to eligible members of the ERS, Georgia Judicial Retirement System (JRS), and Legislative Retirement System (LRS). SEAD-OPEB provides benefits for retired and vested inactive members, and SEAD-Active provides benefits for active members. Effective July 1, 2009, no newly hired members of any State public retirement system are eligible for term life insurance under SEAD. Pursuant to Title 47 of the OCGA, benefit provisions of the plans were established and can be amended by State statute.

Contributions by plan members are established by the ERS Board of Trustees, up to the maximum allowed by statute (not to exceed 0.5% of earnable compensation). The ERS Board of Trustees establishes employer contribution rates, such rates which, when added to members' contributions, shall not exceed 1% of earnable compensation. Contributions for fiscal year 2012 were based on June 30, 2009, actuarial valuations as follows:

	SEAD-OPEB	SEAD-Active	Total SEAD
Member Rates:			
ERS Old Plan	0.45%	0.05%	0.50%
Less: Offset Paid by Employer	(0.22%)	(0.03%)	(0.25%)
Net ERS Old Plan	0.23%	0.02%	0.25%
ERS New Plan, JRS, and LRS	0.23%	0.02%	0.25%
Employer Rates	0.61%	0.00%	0.61%

The ERS Board of Trustees voted and approved that the SEAD-OPEB employer contribution would be paid from existing assets of the Survivors Benefit

Fund (SBF) instead of requiring payment by the employers. The SBF transferred $12.7 million to the SEAD-OPEB Fund. Of that amount, $11.1 million was paid on behalf of organizations in the State reporting entity for fiscal year 2012. There were no required employer contributions for SEAD for fiscal years 2011 and 2010.

According to the policy terms covering the lives of members, insurance coverage is provided on a monthly, renewable term basis, and no return premiums or cash value are earned. The net assets represent the excess accumulation of investment income and premiums over benefit payments and expenses and are held as a reserve for payment of death benefits under existing policies.

Participating Employers

The number of participating employers for the multiple-employer postretirement benefit plans as of June 30, 2012, was:

State OPEB	218
School OPEB	246
SEAD (OPEB and Active)	815

The SEAD count treats each legal entity in the State reporting entity as a separate employer. Of the 815 employers in the SEAD count, 531 are not in the State reporting entity.

C. Single-employer Plan: Board of Regents Retiree Health Benefit Fund

Plan Description and Funding Policy

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

Pursuant to the general powers conferred by OCGA Section 20-3-31, the BOR (college and university fund) has established group health and life insurance programs for regular employees of the university system. It is the policy of the BOR to permit employees of the university system eligible for retirement or who become permanently and totally disabled to continue as members of the group health and life insurance programs. The policies of the BOR define and delineate who is eligible for these postemployment health and life insurance benefits.

The contribution requirements of plan members and the employer are established and may be amended by the BOR. The Regents Plan is substantially funded on a pay-as-you-go basis; however, amounts above the pay-as-you-go basis may be contributed annually, either by specific appropriation or by BOR designation. Organizational units of the BOR pay the employer portion for group insurance for eligible retirees. The employer portion of health insurance for its eligible retirees is based on rates that are established annually by the BOR for the upcoming plan year. For the 2012 plan year, the employer rate was approximately 70% – 75% of the total health insurance cost for eligible retirees, and the retiree rate was approximately 25% – 30%. The employer covers the total cost for $25,000 of basic life insurance. If an individual elects to have supplemental and/or dependent life insurance coverage, such costs are borne entirely by the retiree.

Annual OPEB Cost and Net OPEB Obligation

The annual OPEB cost (expense) for the Regents Plan is calculated based on the ARC of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

NOTE 11 - POSTEMPLOYMENT BENEFITS (continued)

The following table presents the components of the annual OPEB cost, the amount actually contributed, and the changes in the net OPEB obligation for the Regents Plan for 2012, 2011, and 2010 (dollars in thousands):

	Fiscal Year Ended 6/30/2012	Fiscal Year Ended 6/30/2011	Fiscal Year Ended 6/30/2010
Annual required contribution	$ 345,300	$ 411,500	$ 381,700
Interest on net OPEB obligation	45,800	31,500	17,800
Adjustment to annual required contribution	(41,500)	(45,300)	(25,200)
Annual OPEB cost (expense)	349,600	397,700	374,300
Less: Contributions made	(88,800)	(80,200)	(69,900)
Increase in net OPEB obligation	260,800	317,500	304,400
Net OPEB obligation - beginning of year	1,017,400	699,900	395,500
Net OPEB obligation - end of year	**$ 1,278,200**	**$ 1,017,400**	**$ 699,900**
Percentage of annual OPEB cost contributed	**25.4%**	**20.2%**	**18.7%**

D. Funded Status, Funding Progress, and Actuarial Methods and Assumptions

The funded status of each plan as of the most recent actuarial valuation date is as follows (dollars in thousands):

	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a) / (b)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b - a) / (c)
State OPEB	6/30/2011	$ -	$ 4,311,636	$ 4,311,636	0.0%	$ 2,542,891	169.6%
School OPEB	6/30/2011	-	11,143,125	11,143,125	0.0%	11,127,288	100.1%
SEAD-OPEB	6/30/2011	807,893	678,421	(129,472)	119.1%	2,166,982	(6.0%)
SEAD-Active	6/30/2011	184,783	40,145	(144,638)	460.3%	2,166,982	(6.7%)
Regents Plan	7/1/2011	123	3,494,501	3,494,378	0.0%	2,526,212	138.3%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare cost trends. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The State, School and SEAD valuations as of June 30, 2011, reflect assumptions based on experience investigations for the five-year period ending June 30, 2009. The schedule of funding progress with multiyear trend information for the Regents Plan is presented as required supplementary information following the notes to the financial statements. The multiyear trend information about the funding progress for the multiple-employer plans is presented in the standalone reports issued by the administering systems. These multiyear schedules indicate whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculation.

Additional information as of the latest actuarial valuation follows:

	State OPEB and School OPEB	SEAD-OPEB and SEAD-Active	Regents Plan
Valuation date	6/30/2011	6/30/2011	7/1/2011
Actuarial cost method	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit
Amortization method	Level percentage of pay, open	Level dollar, open	Level percentage of pay, closed
Remaining amortization period	30 years	30 years	30 years
Asset valuation method	Market Value	Market Value	Market Value
Actuarial assumptions:			
Investment rate of return	4.50%*	7.50%*	4.50%**
Salary Growth	n/a	0.00% - 9.25%*	3.00%**
Salary Scale	n/a	n/a	4.00%**
Healthcare cost trend rate - initial			
Pre-Medicare eligible	8.50%*	n/a	8.00%**
Medicare eligible	7.50%*	n/a	7.50%**
Ultimate trend rate			
Pre-Medicare eligible	5.00%	n/a	4.50%**
Medicare eligible	5.00%	n/a	4.50%**
Year of ultimate trend rate	2018	n/a	2027

* Includes an inflation assumption of 3.00%
** Includes an inflation assumption of 2.50%

NOTE 12 - RISK MANAGEMENT

A. Public Entity Risk Pool

Department of Community Health (DCH) administers the State Health Benefit Plan (SHBP) for the State. Participants include State agencies, component units, participating county governments and local educational agencies. The SHBP is funded by participants covered in the pool, by employer and employee contributions, and appropriations from the General Assembly of Georgia. DCH has contracted with Cigna and UnitedHealthcare to process claims in accordance with the SHBP as established by the Board of Community Health.

B. Board of Regents Employee Health Benefits Plan

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

The BOR has contracted with Blue Cross Blue Shield of Georgia to process all claims in accordance with guidelines as established by the BOR.

C. Other Risk Management

Department of Administrative Services (DOAS) has the responsibility for the State of administering the risk management funds of the State and making and carrying out decisions that will minimize the adverse effects of accidental losses that involve State government assets. The State believes it is more economical to manage its risks internally and set aside assets for claim settlement. Accordingly, DOAS services claims for risk of loss to which the State is exposed, including general liability, property and casualty, workers' compensation, unemployment compensation, and law enforcement officers' and teachers' indemnification. Limited amounts of commercial insurance are purchased applicable to property, employee and automobile liability, fidelity and certain other risks. Premiums for the risk management program are charged to State organizations by DOAS to provide claims servicing and claims payment.

Charges by the workers' compensation risk management fund, the liability insurance risk management fund, and the unemployment compensation risk management fund to other funds have failed to recover the full cost of claims over a reasonable period of time. Therefore, the unadjusted deficit at June 30, 2012, of $470.4 million both for workers' compensation, liability, and unemployment insurance was charged back to the contributing funds. Expenditures of $335.8 million are reported in the General Fund, and expenses of $87.5 million are reported in the Higher Education Fund (enterprise fund) relating to this charge-back.

D. Claims Liabilities

A reconciliation of total claims liabilities for fiscal years ended June 30, 2012, and 2011, is shown below (in thousands):

	Public Entity Risk Pool		Board of Regents Employee Health Benefits Plan		Risk Management Fund	
	Fiscal Year Ended June 30, 2012	Fiscal Year Ended June 30, 2011	Fiscal Year Ended June 30, 2012	Fiscal Year Ended June 30, 2011	Fiscal Year Ended June 30, 2012	Fiscal Year Ended June 30, 2011
Unpaid Claims and Claim Adjustments July 1	$ 200,136	$ 215,454	$ 23,289	$ 15,654	$ 471,192	$ 444,746
Current Year Claims and Changes in Estimates	2,244,299	2,108,482	318,491	239,141	178,886	152,367
Claims Payments	(2,241,032)	(2,123,800)	(315,510)	(231,506)	(128,037)	(125,921)
Unpaid Claims and Claim Adjustments June 30	**$ 203,403**	**$ 200,136**	**$ 26,270**	**$ 23,289**	**$ 522,041**	**$ 471,192**

NOTE 13 - DERIVATIVE INSTRUMENTS

Derivative Instruments are utilized by some of the Component Unit higher education foundations and consist primarily of interest rate swap agreements. Certain foundations have elected to apply FASB provisions therefore the disclosure information for these foundations is presented separately. Details of the long term liabilities associated with the interest rate swap derivatives are within the Long-Term Liabilities - Component Units section.

A. Component Unit – GASB Organizations

The fair value balances and notional amounts of hedging derivative investments outstanding as reported in the fiscal year 2012 financial statements for foundations electing GASB provisions are as follows:

	Change in Fair Value		Fair Value at June 30, 2012		
	Classification	Amount	Classification	Amount	Notional
Component unit activities - GASB					
Cash flow hedges:					
Georgia Tech Athletic Association[1]					
	Deferred outflow of resources	$ 12,090,795	Debt	$ -	$ -
University of Georgia Athletic Association, Inc.					
2003 - Interest Rate Swap	Deferred outflow of resources	(1,575,177)	Debt	(3,284,067)	15,833,333
2005A - Interest Rate Swap	Deferred outflow of resources	(476,027)	Debt	(2,108,777)	11,400,000
2005B - Interest Rate Swap	Deferred outflow of resources	(3,122,919)	Debt	(6,332,593)	26,260,000
				$ (11,725,437)	

[1]The Georgia Tech Athletic Association, Inc. instigated the termination of the Swap associated with the 2001 Series Bonds.

The fair value balances and notional amounts of hedging derivative instruments outstanding at June 30, 2011, and the changes in fair value of such derivative instruments for the year then ended as reported in the fiscal year 2011 financial statements for foundations electing GASB are as follows:

	Change in Fair Value		Fair Value at June 30, 2011		
	Classification	Amount	Classification	Amount	Notional
Component unit activities - GASB					
Cash flow hedges:					
Georgia Tech Athletic Association					
	Deferred outflow of resources	$ 1,346,871	Debt	$ (12,090,795)	$ 94,285,000
University of Georgia Athletic Association, Inc.					
2001 - Interest Rate Swap[1]	Deferred outflow of resources	(4,763,915)	Debt	-	-
2003 - Interest Rate Swap	Deferred outflow of resources	(420,035)	Debt	(1,708,890)	16,436,111
2005A - Interest Rate Swap	Deferred outflow of resources	(280,571)	Debt	(1,632,750)	12,405,000
2005B - Interest Rate Swap	Deferred outflow of resources	(794,588)	Debt	(3,209,674)	26,950,000
				$ (18,642,109)	
Investment Derivative Instruments:					
University of Georgia Research Foundation[2]					
	Investment revenue	(47,923)	Debt	-	-

[1]The University of Georgia Athletic Association, Inc. instigated the termination of the Swap associated with the 2001 Series Bonds.

[2]The University of Georgia Research Foundation elected GASB provisions in 2011. In addition, this derivative agreement expired during 2011.

NOTE 13 - DERIVATIVE INSTRUMENTS (continued)

Interest Rate Swap Derivatives – GASB Organizations

Georgia Tech Athletic Association (GTAA)

In 2004, GTAA received an up-front payment of $2,367,000 for a "swaption" related to its fixed-rate Series 2001 bonds. The swaption was an option that allowed the counterparty to force GTAA to enter into a pay-fixed, receive-variable interest rate swap on April 1, 2012. The transaction, which was effectively a synthetic refunding of the 2001 bonds, represented the risk-adjusted present value savings of a refunding as of March 16, 2004.

Terms - The swaption was entered into on March 16, 2004. The $2,367,000 payment was based on a notional amount of $94,285,000. The counterparty had the option to exercise the agreement on April 1, 2012, with an additional premium payment to the Association totaling $773,137. If the option was exercised, the swap would also commence on that date. The fixed swap rate of 5.125% was set at a rate that, when added to an assumption for remarketing and liquidity costs, would approximate the coupons on the "refunded" bonds. The swap's variable payment would be the Bond Market Municipal Swap Index plus 21 basis points (0.21%).

Fair Value - At June 30, 2011, the swap had a negative fair value of $12,090,795, estimated using the hybrid instrument method. This method is based on the fair value of the hybrid instrument, which had a negative fair value of $15,351,765 at June 30, 2011. After amortizing the borrowing and calculating the "time value" of the option, the remaining fair value is attributed to the at-the-market swap.

The February 2012 bond issuance that refinanced the existing $94,285,000 principal on the 2001 bonds which totaled $94,285,000 also financed the termination of the existing swaption at a cost of $28,010,000. With this termination, the GTAA eliminated market access risk, interest rate risk and credit risk associated with the swaption from its portfolio.

University of Georgia Athletic Association (UGAA)

The fair value balances and notional amounts of hedging derivative investments outstanding as reported in the fiscal year 2012 financial statements are documented above. For derivative transactions, unless otherwise specified, Bank of America Merrill Lynch (BOAML) furnishes a single value for each transaction, even if comprised of multiple legs. Unless otherwise specified, valuations for derivative instruments represent, or are derived from, mid-market values. For some derivative instruments, mid-market prices and inputs may not be observable. Instead, valuations may be derived from proprietary or other pricing models based on certain assumptions regarding past, present and future market conditions. Some inputs may be theoretical, not empirical, and require BOAML to make subjective assumptions and judgments in light of their experience. For example, in valuing over-the-counter (OTC) equity options where there is no listed option with a corresponding expiration date, BOAML must estimate the future share price volatility based on realized volatility of the underlying shares over periods deemed relevant, implied volatilities of the longest dated listed options available on the underlying shares or major indices and other relevant factors. Valuations of securities with embedded derivatives may be based on assumptions as to the volatility of the underlying security, basket or index, interest rates, exchange rates, dividend yields, correlations between these or other factors, the impact of these factors upon the value of the security (including the embedded options), as well as issuer funding rates and credit spreads (actual or approximated) or additional relevant factors. While BOAML believes that the methodology and data they use to value derivatives and securities with embedded derivatives are reasonable and appropriate, other dealers might use different methodology or data and may arrive at different valuations.

Objective and Terms - As a means of interest rate management, UGAA entered into three separate interest rate swap transactions with Bank of America, N.A. (the Counterparty) relating to its variable rate tax-exempt Series 2003 Bonds, taxable

Series 2005 Bonds, and tax-exempt Series 2005B Bonds. Pursuant to an International Swap Dealers Association (ISDA) Master Agreement and Schedule to ISDA Master Agreement each dated as of January 27, 2005, between UGAA and the Counterparty and three Confirmations, UGAA has agreed to pay to the Counterparty a fixed rate of interest in an amount equal to: (1) 3.38% per annum multiplied by a notional amount that is equal to the principal amount of the Series 2003 Bonds until August 2033; (2) 5.05% per annum multiplied by a notional amount that is equal to the principal amount of the Series 2005 Bonds until July 2021; and (3) 3.48% per annum multiplied by the notional amount that is equal to the principal amount of the Series 2005B Bonds until August 2033. In return, the Counterparty has agreed to pay to UGAA a floating rate of interest in an amount equal to: (1) 67% of LIBOR multiplied by a notional amount that is equal to the principal amount of the Series 2003 Bonds until August 2033; (2) LIBOR multiplied by a notional amount that is equal to the principal amount of the Series 2005 Bonds until July 2021; and (3) 67% of LIBOR multiplied by the notional amount that is equal to the principal amount of the Series 2005B Bonds until July 2035.

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

As of June 30, 2012, the fair value of the interest rate swap agreement on the 2003 Series Bonds was $(3,284,067), indicating the amount that UGAA would be required to pay the Counterparty to terminate the swap agreement.

As of June 30, 2012, the fair value of the interest rate swap agreement on the 2005A Series Bonds was $(2,108,777), indicating the amount that UGAA would be required to pay the Counterparty to terminate the swap agreement.

As of June 30, 2012, the fair value of the interest rate swap agreement on the 2005B Series Bonds was $(6,332,593), indicating the amount that UGAA would be required to pay the Counterparty to terminate the swap agreement.

Credit Risk - As of June 30, 2012, the fair value of the swaps represents UGAA's exposure to the Counterparty. Should the Counterparty fail to perform in accordance with the terms of the swap agreements, and variable interest rates remain at the current level, UGAA could see a possible gain equivalent to $19.4 million less the cumulative fair value of $11.7 million. As of June 30, 2012, the Counterparty was rated as follows by Moody's and S&P:

	Moody's	S&P
Bank of America, N.A.	A3	A

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

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

NOTE 13 - DERIVATIVE INSTRUMENTS (continued)

B. Component Unit – FASB Organizations

The fair value balances and notional amounts of hedging derivative investments outstanding as reported in the fiscal year 2012 financial statements for foundations electing FASB provisions are as follows:

	Change in Fair Value		Fair Value at June 30, 2012		
	Classification	Amount	Classification	Amount	Notional
Component unit activities - FASB					
Cash flow hedges:					
Georgia College & State University Foundation					
	Investment Revenue	$ 98,984	Debt	$ (640,879)	$ 6,080,000
	Investment Revenue	(945,152)	Debt	(4,595,702)	25,000,000
	Investment Revenue	(3,465,992)	Debt	(12,138,050)	69,820,000
Georgia Tech Foundation, Inc.[1]					
	Investment Revenue	7,655,000	Debt	-	-
	Investment Revenue	15,066,000	Debt	-	-
MCG Health, Inc.					
	Investment Revenue	(17,772,911)	Debt	(32,272,136)	131,775,000
University of Georgia Foundation[2]					
	Investment Revenue	(1,262,740)	Debt	(2,692,835)	6,200,000
	Investment Revenue	43,174	Debt	-	-
				$ (52,339,602)	

[1]The Georgia Tech Foundation, Inc. instigated the termination of the Swap associated with the 2001A & 2002A Series Bonds.

[1]The University of Georgia Foundation paid in full one of their notes resulting in the termination of the associated Swap agreement.

The fair value balances and notional amounts of hedging derivative instruments outstanding at June 30, 2011, and the changes in fair value of such derivative instruments for the year then ended as reported in the 2011 financial statements for foundations electing FASB are as follows:

	Change in Fair Value		Fair Value at June 30, 2011		
	Classification	Amount	Classification	Amount	Notional
Component unit activities - FASB					
Cash flow hedges:					
Georgia College & State University Foundation					
	Investment Revenue	$ 135,235	Debt	$ (739,863)	$ 6,715,000
	Investment Revenue	352,276	Debt	(3,650,550)	25,000,000
	Investment Revenue	1,228,184	Debt	(8,672,058)	69,820,000
Georgia Tech Foundation, Inc.					
	Investment Revenue	(1,198,000)	Debt	(7,655,000)	36,840,000
	Investment Revenue	(1,824,000)	Debt	(15,066,000)	88,750,000
MCG Health, Inc.					
	Investment Revenue	4,088,664	Debt	(14,499,225)	135,000,000
University of Georgia Foundation					
	Investment Revenue	315,599	Debt	(1,430,095)	5,894,453
	Investment Revenue	33,855	Debt	(43,174)	825,668
				$ (51,755,965)	

Interest Rate Swap Derivatives – FASB Organizations

Georgia College & State University Foundation

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

In connection with the 2007 Series bonds, Georgia College & State University Foundation entered into an interest rate swap transaction to convert its variable-rate bond obligations to fixed rates. This swap is utilized to manage interest rate exposures over the period of the interest rate swap and is designated as a highly effective cash flow hedge. The differential to be paid or received on all swap agreements is accrued as interest rates change and is recognized in interest expense over the life of the agreement. The swap agreements expire at various dates and have a fixed rate of 4.715%. The notional amounts are noted above. The interest rate swap contains no credit-risk-related contingent features and is cross collateralized by certain assets of Georgia College & State University Foundation.

The interest-rate swap transaction is summarized above and is included with liabilities in the Statement of Net Assets. There was no portion of the loss that was considered ineffective or excluded from the assessment of hedge effectiveness.

Georgia Tech Foundation, Inc. (GTF)

The following information is presented in thousands.

In 2003, GTF sold an interest rate swap option (the 2001A swaption) relating to the 2001A Bonds to a third party and received $945. This transaction enabled GTF to monetize the call option on the Series 2001A Bonds, based on interest rate levels at that time. The Foundation was notified by the third party of the decision to exercise the 2001A Swaption on November 1, 2011. GTF paid $10,101 to terminate the swap created pursuant to the 2001A Swaption during November 2011. GTF paid a portion of the termination payment of $8,914 with the proceeds from the Series 2011B Bonds, and the remaining amount of $1,187 was paid with GTF's available cash on hand. Prior to the termination of the interest rate swap, a loss of $2,204 was recognized in 2012 as a change in fair value of derivative financial instruments in the consolidated statements of activities, reducing unrestricted net assets.

In 2003, GTF sold an interest rate swap option (the 2002A Swaption) relating to the 2002A Bonds to a third party and received $2,251. This transaction enabled GTF to monetize the call option on the Series 2002A Bonds, based on interest rate levels at that time. GTF was notified by the third party of the decision to exercise the 2002A Swaption on May 1, 2012. GTF paid $23,515 to terminate the swap created pursuant to the 2002A Swaption during May 2012. GTF paid a portion of the termination payment with the proceeds from the Series 2012B Bonds in the amount of $21,264, and the remaining amount of $2,251 was paid with GTF's available cash on hand. Prior to the termination of the interest rate swap, a loss of $8,449 was recognized in 2012 as a change in fair value of derivative financial instruments in the consolidated statements of activities, reducing unrestricted net assets.

MCG Health System, Inc.

MCG Health System, Inc. entered into a variable-to-fixed interest rate swap (the Swap) to convert MCG Health System's variable interest rate on the Bonds into a synthetic fixed rate of 3.302%.

The Bonds and the Swap mature on July 1, 2037. The initial notional amount of the Swap is $135,000,000. The notional value of the Swap declines in conjunction with payments of Bond principal such that the outstanding balance of the Series 2008A and 2008B Bonds and the notional amount of the Swap remain equal at all times.

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

The fair value of the Swap is recorded as an asset or liability, depending on whether the termination of the Swap would result in amounts due to MCG Health System or the Swap counterparty. At June 30, 2012 and 2011, the fair value of the Swap represented a liability to MCG Health System in the amount of $32,272,136 and $14,499,225, respectively. MCG Health System or the Swap counterparty is required to post collateral with the other party in the event that the fair value of the Swap exceeds certain thresholds, as defined. At June 30, 2012 and 2011, the Company had posted cash collateral of $23,400,000 and $5,400,000, respectively, with the Swap counterparty which is included in other receivables in MCG Health System's consolidated balance sheets.

NOTE 13 - DERIVATIVE INSTRUMENTS (continued)

As of June 30, 2012, MCG Health System was exposed to credit risk in the amount of the fair value of the Swap. The Swap counterparty was rated A by Fitch Ratings and Standard & Poor's and Aa3 by Moody's Investors Service as of June 30, 2012. To mitigate the potential for credit risk, various levels of collateralization by the counterparty may be required should the counterparty's credit rating be downgraded and the fair value of the Swap be in a liability position at a level above certain thresholds specified in the Swap agreement.

The Swap exposes MCG Health System to basis risk should the relationship between LIBOR and prevailing market rates change significantly, changing the synthetic rate on the Bonds from the intended synthetic rate of 3.302%. As of June 30, 2012, the prevailing market rate was an aggregate 0.20%, whereas 68% of LIBOR was 0.164%. As of June 30, 2011, the prevailing market rate was an aggregate 0.09%, whereas 68% of LIBOR was 0. 128%.

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

The University of Georgia Foundation (UGAF)

UGAF has an outstanding interest rate swap agreement effectively changing the interest rate exposure on the $6,200,000 note payable from variable to a 5.95% fixed rate over the term of the note payable. As of June 30, 2012, the total notional amount of the swap was $6,200,000. As of June 30, 2012, the fair value of this interest rate swap was a liability of $2,692,835. UGAF recorded a loss on such swap of $1,262,740 for the year ended June 30, 2012.

During 2002, UGAF signed an $880,000 promissory loan agreement with a bank, which was amended during 2005 to increase the borrowed amount to $1,117,865. In June 2012, the $1,117,865 note payable was repaid and the related interest rate swap agreement was terminated. UGAF recorded a gain of $43,174 related to such swap as an adjustment to change in fair value of derivative financial instrument.

NOTE 14 - INTERFUND BALANCES AND TRANSFERS

A. Due To/From Other Funds

Due To/From Other Funds at June 30, 2012, consist of the following (in thousands):

	Due From Other Funds					
	General Fund	Nonmajor Governmental Fund	Nonmajor Enterprise	Internal Service Funds	Fiduciary Funds	Total Due To Other Funds
Due To Other Funds						
General Fund	$ -	$ -	$ -	$ 363,974	$ -	$ 363,974
Higher Education Fund	-	-	-	88,102	-	88,102
State Health Benefit Plan	283	-	-	-	40,943	41,226
Nonmajor Enterprise Funds	-	850	-	1,120	-	1,970
Internal Service Funds	105	906	76	47	-	1,134
Fiduciary Funds	-	-	-	15	2,953	2,968
Total Due From Other Funds	$ 388	$ 1,756	$ 76	$ 453,258	$ 43,896	$ 499,374

Interfund receivables and payables result from billings for goods/services provided between funds. All interfund receivables and payables are considered short-term in nature.

B. Interfund Transfers

Interfund transfers at June 30, 2012, consist of the following (in thousands):

	Governmental Funds			Proprietary Funds			
	General Fund	General Obligation Bond Projects Fund	Nonmajor Governmental Funds	Higher Education Fund	Internal Service Funds	Fiduciary Funds	Total Transfers Out
Transfers Out:							
General Fund	$ -	$ 10,354	$ 1,280,350	$ 2,019,835	$ 4,318	$ 2,153	$ 3,317,010
General Obligation Bond Projects	13,831	-	78,762	-	-	-	92,593
Higher Education Fund	3,653	-	-	-	-	-	3,653
Unemployment Compensation Fund	3,482	-	-	-	-	-	3,482
Nonmajor Enterprise Funds	-	-	1,976	-	11,452	-	13,428
Internal Service Funds	11,165	-	10,520	-	-	-	21,685
Total Transfers In	**$ 32,131**	**$ 10,354**	**$ 1,371,608**	**$ 2,019,835**	**$ 15,770**	**$ 2,153**	**$ 3,451,851**

Transfers are used to move revenues from the fund that statutes require to collect them to the fund that statutes require to expend them and to move unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

NOTE 15 - SEGMENT INFORMATION

State Road and Tollway Authority (SRTA) issued Guaranteed Refunding Revenue bonds to finance a portion of the costs of acquiring, constructing and maintaining the Georgia 400 Extension (the Extension). The Extension is accounted for within the nonmajor Enterprise Funds, along with other activity of SRTA. Investors in those bonds rely solely on the revenue generated from the Extension for repayment. Summary financial information for the Extension is below.

Georgia Higher Education Facilities Authority (GHEFA) issued revenue bonds to acquire, construct, and equip several projects on college campuses throughout the State. Financial information for GHEFA is included within the nonmajor Enterprise Funds. Summary financial information for GHEFA is presented below.

	Georgia 400 Extension Fund	Georgia Higher Education Facilities Authority
Condensed Statement of Net Assets		
Assets		
Current assets	$ 68,939	$ 5,092
Noncurrent assets	9,162	289,827
Capital assets	10,357	-
Total assets	88,458	294,919
Liabilities		
Current liabilities	12,525	4,561
Noncurrent liabilities	25,541	284,008
Total liabilities	38,066	288,569
Net assets		
Invested in Capital Assets, Net of Related Debt	8,688	-
Restricted	26,274	-
Unrestricted	15,430	6,350
Total net assets	$ 50,392	$ 6,350
Condensed Statement of Revenues, Expenses, and Changes in Net Assets		
Operating revenues (pledged against bonds)	$ 20,543	$ 15,757
Interest expense	-	(15,757)
Depreciation/amortization expense	(2,048)	(311)
Other operating expenses	(22,782)	(8)
Operating income	(4,287)	(319)
Nonoperating revenues (expenses)		
Investment income	49	-
Interest expense	(934)	-
Change in net assets	(5,172)	(319)
Beginning net assets	55,564	6,669
Ending net assets	$ 50,392	$ 6,350
Condensed Statement of Cash Flows		
Net cash provided by (used in):		
Operating activities	$ 11,101	$ (8)
Noncapital financing activities	(11,088)	-
Capital and related financing activities	(14,298)	-
Investing activities	(5,316)	21
Net increase (decrease)	(19,601)	13
Beginning cash and cash equivalents	68,954	351
Ending cash and cash equivalents	$ 49,353	$ 364

NOTE 16 - LITIGATION, CONTINGENCIES, AND COMMITMENTS

A. Grants and Contracts

The amounts received or receivable from grantor agencies are subject to audit and review by grantor agencies, principally the federal government. This could result in a request for reimbursement by the grantor agency for any expenditures which are disallowed under grant terms. Also, certain charges for services by Georgia Technology Authority (internal service fund) to its State customers may have exceeded the cost of providing such services. Because these overcharges were included in amounts requested and received by State organizations from the federal government under financial assistance programs, it is anticipated that an amount will be due back to the federal government. The State believes that such disallowances, questioned costs and resulting refunds, if any, will be immaterial to its overall financial position.

B. Litigation and Contingencies

The State is a defendant in various legal proceedings pertaining to matters incidental to the performance of routine governmental operations. The ultimate disposition of these proceedings is not presently determinable. However, 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

1. A suit has been filed against Department of Transportation (DOT) by a plaintiff alleging three breach of contract causes of action, two related to price escalations of asphalt both prior to and subsequent to the original completion date, and the third alleging the failure to pay an outstanding contract balance in excess of $0.5 million for work performed by the completion contractor. The plaintiff also alleges a claim under the Prompt Payment Act. The plaintiff's initial estimate of damages was approximately $9.0 million. The parties went to mediation in March 2010, but failed to reach a settlement. On March 9, 2010, DOT filed a motion for partial summary judgment on the majority of the issues. The hearing on the motion was held on March 28, 2011; however, based on arguments made by the plaintiff during the summary judgment hearing it now appears that the damages sought by the plaintiff have been reduced to $4.5 million. The Court has not rendered a decision on the motion; however, a ruling is anticipated by the end of the year.

2. A suit was filed in Fulton County Superior Court on December 2, 2005 in which the plaintiff sought a tax refund of $2.3 million from Department of Revenue (DOR). The Court found in favor of DOR and the plaintiff's application for discretionary appeal was denied by the Georgia Court of Appeals. This lawsuit was thus definitively resolved in DOR's favor. Nevertheless, the plaintiff, its successor in interest, and other related entities (hereinafter collectively referred to as "the plaintiff") subsequently filed a number of separate but related lawsuits against DOR. In each of these cases, as described below, DOR has asserted the defense of collateral estoppel, as the legal issue in each case involves the same legal issue decided in favor of DOR in the 2005 case.

a. Filed on September 20, 2007. Plaintiff seeks a sales tax refund of $10.1 million from DOR. DOR filed a motion to dismiss on May 12, 2008, which was granted by the Superior Court on February 11, 2011. The plaintiff appealed to the Georgia Court of Appeals (the "Ga. Court of Appeals"), and on March 23, 2012, the Ga. Court of Appeals affirmed the trial court in a written decision. The plaintiff filed a Petition for Certiorari to the Georgia Supreme Court on April 12, 2012, which was denied on October 1, 2012. The 2007 case is thus also definitively resolved in favor of DOR.

b. Filed in Fulton County Superior Court on December 23, 2009 and October 8, 2010. The plaintiff seeks a sales tax refund of $3.2 million and $3.0 million, respectively, from DOR. DOR filed timely answers in the 2009 case and the 2010 case claiming collateral estoppel, and each of these cases were stayed pending the outcome of the 2007 case. While these cases have not been officially dismissed, DOR believes that

NOTE 16 - LITIGATION, CONTINGENCIES, AND COMMITMENTS (continued)

outcome of each case is controlled by the Ga. Court of Appeals decision in the 2007 case.

c. Prior to the Georgia Supreme Court's decision to deny certiorari in the 2007 case, the plaintiff filed a new suit in Fulton County Superior Court on September 28, 2012. In this suit, the plaintiff seeks a sales tax refund of $2.6 million from DOR. DOR has filed an answer asserting that this case is controlled by the Court of Appeals decision in the 2007 case.

3. A class action lawsuit filed on June 6, 2002, on behalf of 2,200 children in State custody asserting systemic deficiencies in foster care in Fulton and DeKalb counties. A consent decree was entered wherein Department of Human Services (DHS) (successor to certain powers, functions and duties of the former Department of Human Resources) agreed to make a number of specific system-wide management and infrastructure reforms (the "Consent Decree").

a. Consent Decree Attorneys' Fees and Costs Adjusted by Multiplier: The United States District Court for the Northern District of Georgia (the "N.D. Ga. District Court") appointed two independent accountability agents to monitor DHS's progress and awarded Multiplier-Adjusted Fees to the plaintiffs in the amount of $10.5 million, of which $4.5 million was the result of a 1.75 multiplier applied by the N.D. Ga. District Court (such multiplier-adjusted Consent Decree attorneys' fees and costs hereinafter referred to as the "Multiplier-Adjusted Fees"). DHS appealed the award of the Multiplier-Adjusted Fees to the United States Court of Appeals for the Eleventh Circuit (the "Eleventh Circuit"). In July 2008, the Eleventh Circuit affirmed the entire award. However, the majority opinion noted that although the panel affirmed the 1.75 multiplier applied by the N.D. Ga. District Court to the Multiplier-Adjusted Fees, they did so because they were bound by Eleventh Circuit precedent which the opinion noted may conflict with that of the United States Supreme Court (the "U.S. Supreme Court"). DHS filed a petition for rehearing en banc in the Eleventh Circuit, which was denied on November 5, 2008. On April 6, 2009, the U.S. Supreme Court granted the State's petition for certiorari on the award of the Multiplier-Adjusted Fees in this case, and oral argument was conducted before the U.S. Supreme Court on October 14, 2009. On April 21, 2010, the U.S. Supreme Court issued a decision in the case vacating and remanding the N.D. Ga. District Court's multiplier portion of its award of Multiplier-Adjusted Fees to plaintiffs' counsel, holding that the N.D. Ga. District Court did not provide a proper justification for the amount of the multiplier. On remand, the Eleventh Circuit ordered the parties to mediation, which was held on August 25, 2010. The parties were unable to reach an agreement on the amount of the multiplier and on November 15, 2010, plaintiffs filed a renewed motion for the Multiplier-Adjusted Fees with the N.D. Ga. District Court. In the interim, the State has paid the undisputed portion of the initially requested Consent Decree attorneys' fees in the amount of $8.1 million.

b. Appellate Attorneys' Fees and Costs: In September 2009, plaintiffs filed a request with the N.D. Ga. District Court for attorneys' fees and expenses related to the State's appeal to the Eleventh Circuit and to the U.S. Supreme Court (the "Appellate Fees"). On March 31, 2011, the N.D. Ga. District Court conducted a hearing on the award of Appellate Fees and the plaintiffs' renewed motion for Multiplier-Adjusted Fees. On July 19, 2011, the N.D. Ga. District Court entered two written orders. In the first order, the plaintiffs' request for any enhancement of the multiplier of their original award was denied as there was no evidence in the record to support it. In the second order, while plaintiffs' request for the portion of the Appellate Fees related to the State's appeal to the Eleventh Circuit was denied, the N.D. Ga. District Court determined that plaintiffs partially prevailed in the appeal to the U.S. Supreme Court, and thus would be permitted to submit a request for all fees and expenses related to their work on the appeal to the U.S. Supreme Court (the "Supreme Court Fees"). Plaintiffs in turn submitted their request for a total of $1.0 million. The State's response was submitted to the N.D. Ga. District Court on September 6, 2011, in which the State alternatively argued that plaintiffs are not entitled to any award, but if the N.D. Ga. District Court should determine that they are, then they should be awarded only approximately $0.3 million. In December 2011, the parties settled on a $0.6 million amount for the Supreme Court Fees, and the plaintiffs withdrew their motion related to such fees.

c. Compliance Attorneys' Fees and Costs: In addition, plaintiffs sought and received payment from the State in June 2010 of an additional $1.0 million in attorneys' fees and costs related to the State's efforts to comply with the Consent Decree. On March 7, 2012, plaintiff's counsel contacted the State's counsel with a demand for attorneys' fees and costs in excess of $1.0 million related to the compliance monitoring incurred over the past compliance period, and in April 2012, the parties settled on a $0.8 million amount for such fees, which was paid by DHS to plaintiffs' counsel in May 2012.

In the underlying litigation regarding compliance with the Consent Decree regarding placement of children in Department of Family and Children's Services custody for Fulton and DeKalb counties, on November 23, 2010 the N.D. Ga. District Court entered a stipulated modification of the Consent Decree regarding measurement and reporting of DHS's performance thereunder. On April 12, 2011, due to Fulton County's substantial compliance with all material aspects of the Consent Decree for eighteen consecutive months, the N.D. Ga. District Court entered a consent decree to terminate the N.D. Ga. District Court's jurisdiction over Fulton County and dismissing the action as it pertains to Fulton County and the Consent Decree. The N.D. Ga. District Court also approved the payment of $0.1 million in attorneys' fees and expenses related to the Fulton County portion of the action.

4. Master Tobacco Settlement: Pursuant to the terms of the 1998 Master Settlement Agreement ("MSA") entered into between the Attorneys General of 46 states, including the Georgia, the District of Columbia, and the four U.S. Territories (collectively, the "Settling States"), and the major tobacco companies and other companies that have joined the MSA since its execution (collectively the "Participating Manufacturers"), the Participating Manufacturers must make payments into the Tobacco Settlement Fund to compensate the Settling States for Medicaid and other public health expenses incurred in the treatment of tobacco-related illnesses (Florida, Minnesota, Mississippi, and Texas settled separately). The State receives annual payments from the Tobacco Settlement Fund which are paid into the State Treasury and appropriated by the General Assembly. The Participating Manufacturers have commenced arbitration against the Settling States under the terms of the MSA in which the Participating Manufacturers contend that the amount of their payments to the Settling States for 2003 should be reduced. The State asserts that it has acted properly and that the Participating Manufacturers are not entitled to a reduction in the amount of payments to be made to the State. In the event of a final determination in favor of the Participating Manufacturers, the current payments due to the State from the Tobacco Settlement Fund would be reduced in order to recapture any overpayment for 2003. With respect to the State, the maximum potential reduction of funds to the State would not exceed the total fund payments of $129.1 million received by the State in 2003. The Participating Manufacturers asked the arbitrators to rule that they have the right under the MSA to withhold disputed monies from their annual payments pending the outcome of arbitration over their claims. The arbitrators ruled that the independent auditor for the MSA cannot apply an interim adjustment to the 2003 payments until an arbitration panel makes a

NOTE 16 - LITIGATION, CONTINGENCIES, AND COMMITMENTS (continued)

final determination. On November 4, 2011, the Participating Manufacturers contested the 2003 diligent enforcement efforts of thirty-three states, including Georgia, as well as the District of Columbia and Puerto Rico. The current 2003 arbitration proceeding is expected to last well into calendar year 2013. The hearing specific to the State is set for the end of January 2013. No ruling will be issued immediately following the hearing; however, a ruling is anticipated prior to the scheduled April 2014 payment date, as the ruling will affect the settlement payments due on that date. The Participating Manufacturers have requested that the parties begin the process of arbitrating over adjustments for calendar year 2004 and will likely request arbitration for subsequent calendar years.

5. A suit was filed on June 30, 2011, in the Athens-Clarke County Superior Court against the Board of Regents (BOR). The plaintiff purchased real property adjacent to property owned by the BOR upon which BOR inadvertently had placed part of an inert landfill across the adjoining property line prior to plaintiff's purchase. After negotiations between the parties, the plaintiff filed an ante litem notice and subsequent lawsuit against BOR, claiming trespass, nuisance and inverse condemnation. The plaintiff has claimed damages in the amount of $16 million. In between the submission of the ante litem notice and the filing of the lawsuit, the plaintiff filed for Chapter 11 bankruptcy protection in the United States Bankruptcy Court, Middle District of Georgia ("Bankr. M.D. Ga."). In order to properly close the landfill in accordance with Georgia Environmental Protection Division regulations, BOR must have record title to the entire landfill plus a 100-foot buffer zone. However, a bank holding the security interest in the plaintiff's tract has been granted relief from the bankruptcy stay to foreclose on the tract. BOR's position is that it already owns a property interest in the land being disputed by virtue of the earlier "inadvertent taking," and the subsequent expiration of the applicable limitations period(s). BOR will assert its property interests in the Superior Court litigation, and believes that any potential recovery is limited to the reduction in the market value of the property. The parties went to mediation in April 2012, but failed to reach a settlement. BOR filed a Request for Relief from Stay with the Bankr. M.D. Ga., seeking permission to file a counterclaim for quiet title in the Superior Court action, which was granted on April 27, 2012. BOR has filed a counterclaim for quiet title to protect its interests in the disputed property prior to any foreclosure or sale of the property. The plaintiff has filed a motion to dismiss its Chapter 11 bankruptcy. The deadline for completion of discovery is February 27, 2013.

6. Interstate Water Disputes Among Georgia, Alabama and Florida: The State has been involved in litigation in the United States District Court for the Middle District of Florida (the "M.D. Fla. District Court"), the United States District Court for the Northern District of Alabama (the N.D. Al. District Court"), and the Eleventh Circuit concerning the operation of U.S. Army Corps of Engineers ("Corps") dams and reservoirs on the Chattahoochee and Etowah Rivers in Georgia for water supply and other purposes. Buford Dam impounds the Chattahoochee River to form Lake Lanier and is part of the Apalachicola-Chattahoochee-Flint ("ACF") River Basin. Lake Lanier is the primary source of water supply to more than three million people in North Georgia, including a substantial portion of the metropolitan Atlanta region's population. The additional federal reservoirs are downstream of Lake Lanier in the ACF River Basin. The ACF River Basin is shared by Alabama, Florida, and Georgia.

Several cases involving the federal reservoirs in the ACF River Basin were consolidated by the Judicial Panel on Multidistrict Litigation (the "JPML") and assigned to U.S. District Judge Paul Magnuson in the M.D. Fla. District Court (the "ACF River Basin Litigation"). The main components of the ACF River Basin Litigation are: (1) several cases involving the authority of the Corps to operate Lake Lanier for water supply (this portion of the ACF River Basin Litigation is referred to as "Phase 1"), and (2) cases dealing with the quantity of water that the Corps must release from the federal reservoirs in the ACF River Basin to support the habitats of certain endangered and threatened species in the Apalachicola River in Florida pursuant to the Endangered Species Act (the "ESA") (this portion of the ACF River Basin Litigation is referred to as "Phase 2").

Phase 1 of the ACF River Basin Litigation involves primarily interpretation of two statutes that govern the Corps' authority to operate Buford Dam and Lake Lanier: the River and Harbor Act of 1946 (the "1946 RHA") and the Water Supply Act of 1958 (the "WSA"). The 1946 RHA is the statute that authorized the construction of Buford Dam and Lake Lanier. The State maintains that the 1946 RHA authorizes the Corps to modify its operations over time to meet evolving water supply needs. The States of Alabama, Florida, and other parties aligned with them (the "Alabama/Florida Parties") argue that the 1946 RHA merely allows the Corps to make available for water supply whatever water results incidentally from releases that are made to maximize the hydropower benefit from Lake Lanier. Construction of the Buford Dam/Lake Lanier project commenced in 1950 and took approximately six years. In 1958, the U.S. Congress enacted the WSA. The WSA allows the Corps to include storage in any reservoir project nationwide for municipal water supply, subject to certain restrictions.

During the 1970's, federal, state, and local governments conducted a joint study that concluded that the most favorable source of future water supply for metropolitan Atlanta was Lake Lanier. In the 1970's, the Corps began to enter into short-term contracts with certain Georgia municipalities to provide them with water supply from the Buford Dam/Lake Lanier project pending a permanent reallocation of storage in Lake Lanier to water supply. In 1989, the Corps issued a draft proposal to reallocate storage in Lake Lanier to water supply, and in 1990, Alabama sued the Corps to block that proposal. Georgia and Florida moved to intervene in that litigation, and it was stayed for more than a decade to allow negotiations to proceed.

On July 17, 2009, Judge Magnuson reached a decision in Phase 1 of the ACF River Basin Litigation (the "Phase 1 District Court Order"). In the Phase 1 District Court Order, Judge Magnuson held, among other things, that: (1) water supply is not an authorized purpose of the Buford Dam/Lake Lanier project under the 1946 RHA; and (2) the Corps' operations to meet current (and therefore also future) water supply demands exceed the supplemental authority that the WSA provides. The Phase 1 District Court Order provided that the Corps could continue operating Lake Lanier to meet current water supply needs until July 17, 2012, to allow time for federal legislation authorizing such operations, or for some alternative form of settlement among the parties. According to the Phase 1 District Court Order, in the absence of such legislation or settlement, as of July 17, 2012, direct water supply withdrawals from Lake Lanier (with the exception of certain withdrawals by the Cities of Buford and Gainesville) would have to cease, and releases from Buford Dam for water supply use downstream would have to revert to what Judge Magnuson found to be the "baseline" operation of the mid-1970's, which would result in a substantial reduction from the current levels of water supply withdrawals for the affected municipal water systems. The State, other parties aligned with it, and the Corps appealed the Phase 1 District Court Order to the Eleventh Circuit.

On June 28, 2011, the Eleventh Circuit issued a decision (the "Eleventh Circuit Decision") reversing the Phase 1 District Court Order. The Eleventh Circuit Decision held, among other things, that (1) water supply is an authorized purpose of Lake Lanier under the 1946 RHA; (2) water supply is not subordinate to hydropower or other purposes under the 1946 RHA; (3) Congress contemplated in the 1946 RHA that water supply may have to be increased over time, at the expense of hydropower, as the metropolitan Atlanta area grows; (4) the 1946 RHA authorizes the Corps to reallocate storage from hydropower to water supply; (5) the WSA supplies supplemental authority, in addition to the authority under the 1946 RHA, for the Corps to reallocate storage to water supply; and (6) the M.D. Fla. District Court lacked jurisdiction to hear the Alabama/Florida Parties' Phase 1 claims because they were not challenges to any final agency action. The Eleventh Circuit remanded the case to the M.D. Fla. District Court with instructions for the M.D. Fla. District Court to remand the State's water supply request to the Corps for the Corps to decide the extent to which it can reallocate storage to meet Georgia's present and future water supply needs in light of the Eleventh Circuit's holdings regarding interpretation of the 1946 RHA and the WSA. The Alabama/Florida Parties petitioned the Eleventh

NOTE 16 - LITIGATION, CONTINGENCIES, AND COMMITMENTS (continued)

Circuit for rehearing. The Eleventh Circuit denied that petition on September 16, 2011. The Alabama/Florida Parties filed a petition for certiorari to the U.S. Supreme Court. On June 25, 2012, the U.S. Supreme Court denied the petition for certiorari and the Eleventh Circuit Decision therefore stands. On June 26, 2012, the Corps determined that it possesses the legal authority to grant Georgia's water supply request in its entirety. The Corps having complied with the instructions of the Eleventh Circuit Decision, on July 10, 2012, the Eleventh Circuit remanded any remaining jurisdiction over Phase 1 to the M.D. Fla. District Court with instructions to remand to the Corps. The M.D. Fla. District Court has yet to issue a remand order, but the Corps is in the process of determining whether and how it will grant Georgia's water request in whole or in part.

In Phase 2 of the ACF River Basin Litigation, the State of Florida and other parties aligned with it (the "Florida Parties") claimed that the Corps' operating plan for the federal reservoirs in the ACF River Basin would place certain endangered and threatened species in jeopardy and result in adverse modification of the critical habitats of those species in violation of the ESA. An analysis by the United States Fish and Wildlife Service (the "FWS") found that the Corps' operating plan would not violate the ESA. On July 21, 2010, Judge Magnuson entered summary judgment in favor of the Corps and the FWS and against the Florida Parties as to all claims in Phase 2 of the ACF River Basin Litigation (the "Phase 2 District Court Order"). The Florida Parties appealed the Phase 2 District Court Order to the Eleventh Circuit on September 20, 2010, and subsequently moved to stay those appeals pending further consultation between the Corps and FWS regarding the Corps' interim operating plan. On September 13, 2012, the Florida Parties made a filing with the Eleventh Circuit stating that they believe the Phase 2 appeals are moot because the Corps issued a new operating plan that replaces the prior one, and the FWS has made a new determination on the basis of that new operating plan. The Eleventh Circuit has not yet ruled on whether the appeals are moot.

In addition to the ACF River Basin Litigation, the State of Alabama and parties aligned with it (the "Alabama Parties") asserted claims in the N.D. Al. District Court concerning the Corps' reservoir operations in the ACT River Basin and a permit that the Corps issued for the construction of the Hickory Log Creek Reservoir (the "ACT River Basin Litigation"). The ACT River Basin Litigation included claims by the Alabama Parties that the Corps has exceeded its authority under the WSA through its operation of Lake Allatoona; that the Corps has acted illegally in allowing the Cobb-Marietta Water Authority ("CCMWA"), which supplies potable water to several large municipal water systems, including Cobb County, in the northwestern metropolitan Atlanta region, to allegedly withdraw more water than is allowed under CCMWA's storage contract with the Corps; and that the Corps violated the National Environmental Policy Act and other statutes when it issued the permit to the City of Canton and CCMWA for the Hickory Log Creek Reservoir. The ACT River Basin Litigation was stayed for much of the past twenty years. The Corps, and the State and parties aligned with it, filed a motion to dismiss most of the claims in the ACT River Basin Litigation (including all of those challenging operation of Lake Allatoona for water supply) for lack of subject matter jurisdiction on the basis of the Eleventh Circuit Decision in Phase 1 of the ACT River Basin Litigation. On July 2, 2012, the N.D. Al. District Court granted the motions to dismiss. By stipulation on October 22, 2012, the Alabama Parties dismissed all remaining claims in the ACT River Basin Litigation that were not addressed in the July 2, 2012, dismissal order. It is not yet known whether the Alabama Parties will appeal the July 2, 2012, dismissal order to the Eleventh Circuit. Were the Alabama Parties to prevail in the ACT River Basin Litigation, the result could be that water supply to CCMWA and other municipal providers that use water from Lake Allatoona could be limited or curtailed.

7. Department of Behavioral Health and Developmental Disabilities (DBHDD): In January 2009, Department of Justice (DOJ) filed a complaint against the State in the N.D. Ga. District Court under the Civil Rights of Institutional Persons Act

("CRIPA"), resulting in a five year CRIPA Settlement Agreement with respect to the State-operated psychiatric hospitals. In accordance with that agreement, the State has made changes to its facilities and operations, including hiring a nationally recognized expert and his team to lead the process.

Notwithstanding the changes, in January 2010, DOJ filed a motion to amend its complaint and contemporaneously filed a new complaint under the Americans with Disabilities Act (the "ADA") in the N.D. Ga. District Court. Along with the new complaint, DOJ sought a preliminary injunction seeking the appointment of a monitor to implement DOJ's requested relief. On October 19, 2010, the parties entered into a comprehensive settlement agreement, focusing on providing treatment in community settings rather than State hospitals (the "ADA Settlement Agreement"). Pursuant to the ADA Settlement Agreement, the motion for preliminary injunction was withdrawn and the action was conditionally dismissed, with the N.D. Ga. District Court retaining jurisdiction to enforce the ADA Settlement Agreement. The changes in treatment required under the ADA Settlement Agreement will result in substantial additional costs to be incurred by DBHDD.

DBHDD's provision of behavioral health and development disability services has also been impacted by the U.S. Supreme Court's decision in *Olmstead v. L.C.*, issued on June 22, 1999, which held that unnecessary segregation of individuals in institutions may constitute discrimination based on disability. *Olmstead* also recognized the states' need to maintain a range of facilities for the care and treatment of persons with diverse disabilities, and thus the need to consider the resources available for providing a range of services in addition to services in the community. The decision suggested that a state could establish compliance with ADA if it demonstrated that it has a comprehensive plan for placing eligible persons with disabilities in less restrictive settings, and a waiting list that moves at a reasonable pace given the resources available and not controlled by trying to keep the state's institutions fully populated.

DBHDD continues to transition developmentally disabled persons and persons with mental health disorders to the community at a reasonable pace. In accordance with the CRIPA Agreement with DOJ, the State has made changes in the staffing plans for the hospitals, and the way that treatment and discharge planning are managed for all consumers. On September 20, 2012, the Independent Reviewer under the ADA Settlement Agreement submitted her second report with the N.D. Ga. District Court. While the report included a discussion of areas in need of continued improvement, the Independent Reviewer concluded again that the State has demonstrated good faith and commitment in its implementation of its obligations under the ADA Settlement Agreement and has demonstrated that it can and will honor its obligation to comply with the substantive provisions thereof.

8. A suit has been filed in the N.D. Ga. District Court on September 9, 2010, in which six plaintiffs purportedly suffering from mental or developmental disabilities filed a claim for relief against the DCH and DBHDD under the ADA and the *Olmstead* decision with respect to the alleged termination of certain Medicaid benefits for community-based behavioral health disability services. The plaintiffs have filed a motion seeking preliminary injunctive relief including reinstatement of the allegedly terminated benefits. A hearing on the motion was held on October 7, 2010, and a preliminary injunction was entered by the Court, which has been extended through November 17, 2012. The State has until December 21, 2012, to file any defensive pleadings. DOJ has filed a motion to intervene.

9. Immigration Legislation: During its 2011 session, the Georgia General Assembly passed the Illegal Immigration Reform and Enforcement Act of 2011 (Ga. L. 2011, Volume One, Book One, p. 794, *et seq.*, Act No. 252, H.B. 87, signed by the Governor on May 13, 2011, and effective July 1, 2011, referred to herein as "HB87"). The provisions of HB87 include, but are not limited to, provisions addressing criminal laws regarding: identity fraud, transporting and harboring persons that are present in the United States illegally, requiring governmental bodies to obtain affidavits from contractors entering into contracts with

NOTE 16 - LITIGATION, CONTINGENCIES, AND COMMITMENTS (continued)

governmental bodies involving activities defined as physical performance of services within the State regarding their participation in a specifically defined work authorization program, requiring private employers having more than ten employees to register with and utilize a specifically defined federal work authorization program, and requiring governmental bodies to obtain affidavits from certain persons regarding their participation in the specifically defined work authorization program before issuance or renewal of a business license, occupational tax certificate, or other document required to operate a business.

On June 2, 2011, a number of plaintiffs filed suit in the N.D. Ga. District Court against the Governor and a number of other State officials as well as one local official seeking a declaratory judgment and injunctive relief regarding the constitutionality of HB87. On June 27, 2011, the N.D. Ga. District Court enjoined the enforcement of two sections of HB87. Specifically, the N.D. Ga. District Court prohibited enforcement of Section 7 which criminalizes behavior for those who facilitate illegal immigration by knowingly and intentionally harboring, enticing or transporting any illegal aliens within the State. The Court also enjoined the enforcement of Section 8 which authorizes State law enforcement officers to reasonably investigate immigration status where they have probable cause to believe a crime has been committed.

The State appealed the grant of the injunction to the Eleventh Circuit Court of Appeals on July 8, 2011, and the case is stayed pending resolution of the appeal. Oral argument on the appeal was conducted before the Eleventh Circuit on March 1, 2012. Subsequent to the decision of the U.S. Supreme Court in *Arizona v. United States*, where the question presented was whether the federal immigration laws preclude certain provisions of Arizona's immigration laws, the Eleventh Circuit issued an opinion on August 20, 2012. The Eleventh Circuit ruled that portions of HB87 are unconstitutional and upheld the N.D. Ga. District Court injunction prohibiting enforcement of Section 7, but reversed the N.D. Ga. District Court injunction of enforcement of Section 8. The Eleventh Circuit remanded certain issues to the N.D. Ga. District court for further proceedings. In September 2012, the State filed a petition with the Eleventh Circuit for rehearing en banc, which remains pending.

C. Guarantees and Financial Risk

Component Units

The federal government, through the Guaranteed Student Loan Programs of the U. S. Department of Education, fully reinsured loans guaranteed through September 30, 1993, unless the Georgia Higher Education Assistance Corporation (GHEAC) rate of annual losses (defaults) 5%. In the event of further adverse loss experience, GHEAC could be liable for up to 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 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. During the year ended June 30, 2012, GHEAC, on behalf of the U.S. DOE, reimbursed $46.3 million to lenders for defaulted loans.

Georgia Student Finance Authority (GSFA) has guarantees with certain lenders under a loan servicing agreement to repurchase loans on which the federal guarantee is lost and on which a cure is not established within one year of guarantee loss. Effective May 1, 2007, the GSFA's loan servicing agreement ended with one particular lender whose portfolio was approximately $154.4 million. The GSFA is no longer servicing these loans; however the GSFA's guarantee is still in effect for prior serviced loans until August 12, 2028.

The GSFA is responsible for a part of the $179.2 million in pledged receivables currently on its statement of net assets that become ineligible for the DOE Put Program due to the GSFA's breach or incompliance with the related service agreement. Based on the GSFA claim denial rate history and the nature of the obligation under the serviced loans, $2.0 million has been reserved for these potential future liabilities.

Georgia Housing Finance Authority (GHFA) has uninsured loans of $18.5 million as of June 30, 2012. All of these loans are for home mortgages in the State. Current economic conditions in the State have declined since their peak in 2006. One impact of these conditions has been a decline in housing values. As a result, GHFA has incurred a higher rate of loss on foreclosed loans as a result of the impact of these economic factors and the decline in the value of its underlying collateral on uninsured loans. Another factor that results from the decline in the economy is an increase in the number of foreclosures.

D. Other Significant Commitments

Primary Government

Bond Proceeds

Georgia State Financing and Investment Commission (GSFIC) has entered into agreements with various State organizations for the expenditure of bond proceeds and cash supplements (provided by or on behalf of the organization involved) to acquire and construct capital projects. At June 30, 2012, the undisbursed balance remaining on these agreements approximated $742.2 million.

Contractual Commitments

The Georgia Constitution permits State organizations to enter into contractual commitments provided they have funds available (statutory basis) at the time of the execution of the contract. At June 30, 2012, the fund balances of governmental funds include encumbrances of $3.5 billion in the General Fund and $140.7 million in the General Obligation Bond Projects Fund.

BOR had significant, unearned, outstanding construction or renovation contracts executed in the amount of $125.5 million as of June 30, 2012. This amount is not reflected in the financial statements.

GTA has significant commitments to IBM and AT&T through master service agreements. The $1.1 billion IBM master contract, effective April 1, 2009, is an eight year contract with two optional years, and has a remaining balance of $696.2 million as of June 30, 2012. The $435.8 million AT&T master contract, effective May 1, 2009, is a five year contract with two optional years, and has a remaining balance of $240.3 million as of June 30, 2012.

In April 2011 as permitted by Article IX, Section III, Paragraph I (a) of the Constitution of 1983, SRTA and DOT entered into an agreement whereby DOT would build and SRTA would fund a portion of certain transportation projects along the GA 400 corridor. The original SRTA commitment was $27.3 million. Expenditures through June 30, 2012, are $2.9 million and the remaining balance carried forward to fiscal year 2013 is $24.4 million, and is shown as restricted net assets on the proprietary fund financial statements. SRTA has contractual commitments on other uncompleted contracts of $52.2 million.

Component Units

Contractual Commitments

Georgia Environmental Facilities Authority (GEFA) has entered into contractual agreements to fund three Clean Water State Revolving Loan Fund loans with resources from the Georgia Fund in the amount of $41.0 million. It is anticipated that balloon payments on these loans will become due in full between February 1, 2027, and February 1, 2028. GEFA plans to designate funds at a proportionate amount annually to accumulate adequate resources at the time the loans become payable to each of their respective funds beginning with fiscal year 2013.

At June 30, 2012, the Georgia Ports Authority had commitments for construction projects of approximately $35.6 million.

In August 2007, the Georgia Ports Authority formally entered into an agreement with OPB to make voluntary annual payments to OST over a 21-year period. The total amount of payments due to OST at June 30, 2012, was approximately $235.2 million.

NOTE 16 - LITIGATION, CONTINGENCIES, AND COMMITMENTS (continued)

The Georgia Ports Authority entered into an "Intergovernmental Agreement for Development of an Ocean Terminal on the Savannah River within the State of South Carolina" with DOT and the South Carolina State Ports Authority (SCSPA). Under the agreement, the Georgia Ports Authority purchased approximately 1,500 acres of land for the Jasper Ocean Terminal jointly with the SCSPA as 50% tenants in common. Further, under the agreement, the Georgia Ports Authority has an obligation to provide $3.0 million in operation costs for the Jasper Port Project Office of which approximately $2.3 million has been provided as of June 30, 2012.

University System Foundations

The Georgia State University Foundation has future commitments with various limited partnership agreements with investment managers of real estate investment trusts and venture capital funds for the endowment portfolio. Payments under the various partnership agreements are made over a period of years based on specified capital calls by the respective partnerships. The purpose of these agreements is to provide endowment funds and nonprofit organizations the opportunity to invest in private limited partnerships, which in turn, make venture capital investments primarily in emerging growth companies, international private equity investments and in equity securities, warrants or other options that are generally not actively traded at the time of investment with the objective of obtaining long-term growth of capital. Capital calls are drawn from other liquid assets of the endowment investment pool as part of the asset allocation process. Investment commitments for the years ended June 30, 2012, and 2011 totaled $5.9 million and $7.3 million, respectively.

The University of Georgia Research Foundation, Inc. is the sole member of the Real Estate Foundation. The Real Estate Foundation has contractual commitments, in whole or in part, with parties other than the University. In May 2011, the Board approved maximum expenditures of $23.0 million related to the potential renovation or replacement of Rutherford Hall, a residence hall located on the University campus. Construction for the replacement of Rutherford Hall began in May 2012, and as of June 30, 2012, expenditures for construction in progress were $1.7 million. The residence hall is expected to be complete in July 2013, and occupied beginning August 2013. This project is expected to provide sufficient resources to fund the obligations of the project. In May 2012, the Board approved maximum expenditures of $27.0 million related to the replacement of Bolton Dining Commons, a dining facility on the University campus. Construction is scheduled to begin in late spring 2013 and be complete by July 2014.

The Georgia Tech Athletic Association Foundation has entered into employment contracts with certain employees expiring in years through 2016 that provide for a minimum annual salary. At June 30, 2012, the total commitment for all contracts for each of the next five years is as follows:

June 30, 2013 - $5.5 million
June 30, 2014 - $5.3 million
June 30, 2015 - $ 5.4 million
June 30, 2016 - $3.2 million
June 30, 2017 - $1.0 million

NOTE 17 - SUBSEQUENT EVENTS

A. Primary Government

Long-term Debt Issues

General Obligation Bonds Issued

In June 2012 the State sold General Obligation bonds in the total amount of $600.0 million for delivery on July 18, 2012, to provide funds for various capital outlay projects of the State, for county and independent school systems through Department of Education, and to provide loans through Georgia Environmental Finance Authority (GEFA) to local governments and local government entities for water and sewerage facilities:

Series	Amount (in millions)
2012A	$ 520.1
2012B	79.9
Total	**$ 600.0**

The true interest cost of the Series 2012A bonds was 2.69% and 2.70% for the Series 2012B bonds.

General Obligation Refunding Bonds

In June 2012, the State sold Series 2012C General Obligation refunding bonds in the total amount of $137.1 million for delivery on July 18, 2012, to refund $146.4 million of the State's outstanding General Obligation bonds to achieve debt service cash flow savings of $16.8 million over the life of the bonds.

The true interest cost for the Series 2012C refunding bonds, which have an average life of 9.341 years, was 1.98%.

Upcoming General Obligation Bond Sale

Subsequent to fiscal year-end the State was in the process of preparing to sell $234.9 million in new General Obligation Bonds to provide funds for various capital outlay projects of the State and $349.7 million of General Obligation Refunding Bonds to advance refund certain outstanding General Obligation Bonds of the State. The bonds were priced and awarded on December 12, 2012, with an anticipated closing date of January 8, 2013.

Unemployment Trust Fund

The Federal Unemployment Account (FUA) provides for a loan fund for State unemployment programs to ensure a continued flow of unemployment benefits during times of economic downturn. As of June 30, 2012, the State had borrowed $745.3 million from the U.S. Treasury to pay State unemployment benefits. A repayment for all amounts borrowed during calendar year 2012 in the amount of $92.2 million was made in September 2012, which included State appropriation of $16.8 million. Following the September 2012 payment by the State and application of FUA credits, the balance of all outstanding loans from FUA to the State was $650.6 million. The interest rate for the Title XII loans during calendar year 2012 is about 2.943%. An interest payment of $22.4 million was paid to the U.S. Treasury on September 28, 2012. There is no federally mandated principal repayment schedule for Title XII loans at this time. The Social Security Act provides that the advances may be repaid at any time and may be paid from unemployment taxes or other funds in the State's unemployment trust fund; however, interest, if any, payable on the borrowings cannot be paid with unemployment insurance taxes or administrative grant funding. Other State funds must be used to pay interest costs. All borrowings must be repaid by November 10 of the second year of the loan; if not timely paid, the Federal Unemployment Tax Act tax on the State's employers is effectively increased (by credit reduction) and the additional taxes are applied as payments against the loans.

B. Component Units

Revenue Bonds

In August 2012, the Development Authority of Bulloch County issued $27.3 million in student housing revenue bonds Series 2012 and loaned the proceeds to Georgia Southern University Housing Foundation, Inc. a higher education foundation. The Foundation will use the proceeds to finance the construction of student dining facilities.

Other Subsequent Events

On October 1, 2012, Georgia Ports Authority (Authority) paid off the $7.2 million of revenue bonds due to the expiration of the Authority's letters of credit. The balance was paid from the Authority's internal funds and without penalty.

A suit was filed in the United States District Court for the Eastern District of Tennessee ("the E.D. Tenn. District Court") on August 27, 2012 against the Georgia Lottery Corporation ("Georgia Lottery"), and other individuals, as well as the State of Georgia, seeking monetary claims for $1 million, plus interest, as well as $93.9 million in punitive damages. The plaintiff alleges that he won $1.0 million on a Georgia Lottery ticket. Georgia Lottery requires that winners provide a social security number and two forms of identification for prizes in excess of $5 thousand. The plaintiff refused to produce proper identification in order to claim the prize. The plaintiff alleges that he is the Emperor of the Yamassee/Moor Native American tribe and thus a foreign national, and that the demand to produce identification violates his "right to a nationality as an indigenous man". Georgia Lottery filed a motion to dismiss on October 1, 2012, on the grounds the action is barred by sovereign immunity and qualified immunity, as well as plaintiff's failure to state a claim, lack of subject matter and personal jurisdiction over the defendants, and improper venue.

REQUIRED SUPPLEMENTARY INFORMATION

STATE OF GEORGIA

CONSTITUTION

WISDOM JUSTICE MODERATION

1776

Schedule of Funding Progress for Other Postemployment Benefits
(dollars in thousands)

Retirement System	Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) using Projected Unit Credit (b)	Unfunded AAL/(Funding Excess) (b - a)	Funded Ratio (a / b)	Annual Covered Payroll (c)	Unfunded AAL/(Funding Excess) as a Percentage of Covered Payroll (b - a) / (c)
Board of Regents - Retiree	7/1/2009	$ 10,566	$ 3,129,508	$ 3,118,942	0.3%	$ 2,399,532	130.0%
Health Benefit Fund	7/1/2010	123	3,384,100	3,383,977	0.0%	2,432,367	139.1%
	7/1/2011	123	3,494,501	3,494,378	0.0%	2,526,212	138.3%

Separate financial reports that include the required supplementary information for this plan are publicly available and may be obtained from the BOR.

Required Supplementary Information
Budgetary Comparison Schedule
Budget Fund
For the Fiscal Year Ended June 30, 2012
(dollars in thousands)

	Original Appropriation	Amended Appropriation	Final Budget	Actual	Variance
Funds Available					
State Appropriation					
State General Funds	$ 15,979,358	$ 15,975,879	$ 15,975,879	15,877,516	$ 98,363
Revenue Shortfall Reserve for K-12 Needs	-	165,586	165,586	165,586	-
State Motor Fuel Funds	907,237	934,394	934,393	1,127,334	(192,941)
Lottery Proceeds	913,371	918,009	918,009	867,172	50,837
Tobacco Settlement Funds	138,472	138,472	138,472	138,596	(124)
Brain and Spinal Injury Trust Fund	1,934	2,334	2,334	2,343	(9)
Nursing Home Provider Fees	131,322	143,557	132,393	132,393	-
Hospital Provider Fee	224,138	225,568	225,259	225,260	(1)
Care Management Organization	-	-	719	719	-
State Funds - Prior Year Carry-Over					
State General Fund Prior Year	-	-	236,566	279,244	(42,678)
Brain and Spinal Injury Trust Fund - Prior Year	-	-	602	981	(379)
State Motor Fuel Funds - Prior Year	-	-	1,020,545	1,031,989	(11,444)
Tobacco Settlement Funds - Prior Year	-	-	482	482	-
Federal Funds					
CCDF Mandatory & Matching Funds	94,325	93,497	92,862	92,862	-
Child Care and Development Block Grant	140,623	130,958	89,005	87,651	1,354
Community Mental Health Services Block Grant	13,384	14,164	14,708	14,128	580
Community Services Block Grant	17,312	17,282	18,284	18,284	-
Federal Highway Administration [Highway Planning and Construction]	1,143,659	1,143,641	1,219,291	1,189,261	30,030
Foster Care Title IV-E	73,350	77,728	69,685	69,586	99
Low-Income Home Energy Assistance	24,652	24,828	65,713	65,713	-
Maternal and Child Health Services Block Grant	21,823	20,894	22,097	18,125	3,972
Medical Assistance Program	5,023,178	5,325,029	6,043,185	5,833,045	210,140
Prevention and Treatment of Substance Abuse Block Grant	51,433	51,481	52,823	52,190	633
Preventive Health and Health Services Block Grant	3,112	2,226	1,233	940	293
Social Services Block Grant	54,871	52,946	102,605	102,553	52
FFIND - Social Services Block Grant	37,902	35,981	-	-	-
State Children's Insurance Program	199,392	245,185	260,091	274,734	(14,643)
Temporary Assistance for Needy Families	342,225	355,333	390,397	394,675	(4,278)
TANF Transfer to SSBG	25,800	-	-	-	-
FFIND - Temporary Assistance for Needy Families	41,086	21,722	-	-	-
TANF Unobligated Balance	18,257	9,552	9,552	2,890	6,662
Federal Funds Not Itemized	3,459,597	3,393,312	4,399,506	3,975,296	424,210
American Recovery and Reinvestment Act of 2009					
Electricity Delivery and Energy Reliability	-	-	400	387	13
Federal Highway Administration [Highway Planning and Construction]	-	-	26,303	8,665	17,638
Medical Assistance Program	-	9,016	101,641	66,573	35,068
Promote Health Info Tech	2,500	6,191	11,528	5,259	6,269
Federal Funds Not Itemized	69,343	69,602	289,076	247,167	41,909
Other Funds	8,556,289	9,431,426	10,224,446	10,151,946	72,500
Total Funds Available	37,709,945	39,035,793	43,255,670	42,521,545	734,125
Expenditures					
Georgia Senate	10,266	10,260	10,585	9,522	1,062
Georgia House of Representatives	18,540	18,506	19,131	16,629	2,502
Georgia General Assembly Joint Offices	9,994	9,961	10,411	9,630	781
Audits and Accounts, Department of	30,547	31,021	30,786	29,825	961
Appeals, Court of	13,508	13,866	13,946	13,943	4
Judicial Council	17,167	17,387	23,959	17,847	6,112
Juvenile Courts	7,166	7,188	8,039	7,596	444
Prosecuting Attorneys	59,137	60,237	74,866	74,864	2
Superior Courts	58,770	59,925	60,063	60,059	3
Supreme Court	9,181	10,661	10,791	10,791	-
Accounting Office, State	15,882	15,944	22,276	21,735	541
Administrative Services, Department of	166,134	191,676	314,820	194,327	120,493
Agriculture, Department of	48,048	49,512	53,406	53,401	4
Banking and Finance, Department of	11,071	11,111	11,111	10,949	162
Behavioral Health & Developmental Disabilities, Department of	1,149,065	1,100,368	1,171,995	1,112,083	59,912
Community Affairs, Department of	206,164	220,631	259,606	240,141	19,465
Community Health, Department of	11,219,851	11,607,286	12,582,565	12,357,562	225,003
Corrections, Department of	1,097,820	1,114,025	1,140,968	1,132,656	8,313

(continued)

Required Supplementary Information
Budgetary Comparison Schedule
Budget Fund
For the Fiscal Year Ended June 30, 2012
(dollars in thousands)

	Original Appropriation	Amended Appropriation	Final Budget	Actual	Variance
Expenditures					
Defense, Department of	41,080	66,787	84,476	83,963	513
Driver Services, Department of	59,898	61,704	64,824	64,814	10
Early Care and Learning, Department of	448,020	455,648	447,357	435,888	11,469
Economic Development, Department of	40,618	40,086	44,882	43,918	964
Education, Department of	8,807,502	8,812,425	9,523,711	9,196,973	326,738
Employees' Retirement System of Georgia	36,858	37,402	37,551	35,871	1,680
Forestry Commission, State	44,223	41,318	49,220	49,202	18
Governor, Office of the	101,764	172,395	238,023	201,896	36,127
Human Services, Department of	1,596,929	1,583,283	1,626,835	1,621,588	5,247
Insurance, Department of	17,175	18,096	17,972	17,708	264
Investigation, Georgia Bureau of	110,270	111,686	141,990	141,838	152
Juvenile Justice, Department of	292,395	295,722	298,780	295,827	2,953
Labor, Department of	414,833	324,826	525,191	468,070	57,121
Law, Department of	58,732	59,181	62,400	61,629	771
Natural Resources, Department of	248,663	248,787	295,840	262,272	33,568
Pardons and Paroles, State Board of	52,673	53,023	54,926	54,511	415
Properties Commission, State	842	-	1,444	1,320	124
Public Defender Standards Council, Georgia	39,019	39,745	70,671	69,535	1,136
Public Health, Department of	678,049	679,216	828,382	728,093	100,289
Public Safety, Department of	167,284	176,770	184,155	171,791	12,364
Public Service Commission	9,486	9,593	10,006	10,005	1
Regents, University System of Georgia	5,669,714	5,635,875	6,666,210	6,252,102	414,108
Revenue, Department of	166,783	172,066	195,863	192,501	3,362
Secretary of State	31,677	33,319	36,931	36,253	678
Soil and Water Conservation Commission	5,750	9,889	7,139	7,135	4
State Personnel Administration	12,494	12,494	16,762	13,473	3,289
Student Finance Commission and Authority, Georgia	650,323	653,963	655,855	596,771	59,084
Teachers' Retirement System	29,299	29,961	30,179	28,466	1,713
Technical College System of Georgia	666,100	652,042	725,463	667,800	57,663
Transportation, Department of	1,937,289	2,946,843	3,257,124	2,243,839	1,013,285
Veterans Service, Department of	38,715	38,489	36,787	36,387	400
Workers' Compensation, State Board of	21,985	22,291	22,291	16,593	5,698
State of Georgia General Obligation Debt Sinking Fund	1,065,192	991,303	1,177,106	1,043,905	133,201
Total Expenditures	37,709,945	39,035,793	43,255,670	40,525,497	2,730,173
Excess of Funds Available over Expenditures	$ -	$ -	$ -	$ 1,996,048	$ (1,996,048)

Required Supplementary Information
Budget to GAAP Reconciliation
For the Fiscal Year Ended June 30, 2012
(dollars in thousands)

	General Fund
Sources/Inflows of Resources	
Summary	
Actual amounts (budgetary basis) "Total Funds Available" from the budgetary comparison schedule	$ 42,521,545
Differences - budget to GAAP	
Perspective Differences:	
Revenues of budgeted funds included in the Budget Fund, but removed from the General Fund for financial reporting purposes.	(8,159,186)
Revenues of nonbudgeted funds included within the State's reporting entity, and shown in the General Fund for financial reporting purposes.	18,349,140
State appropriations revenues are budgetary resources, but are netted with the State's treasury disbursements for GAAP purposes.	(18,343,653)
Basis Differences:	
Accrual of taxpayer assessed receivables and revenues.	109,831
Fund balance adjustments are not inflows of budgetary resources, but affect current year revenues for GAAP reporting purposes.	(515,900)
Prior Year Reserves Available for Expenditure are included in Funds Available, but are not revenues for GAAP reporting purposes.	(2,259,574)
Revenues from intrafund transactions are budgetary resources, but are not revenues for GAAP reporting purposes.	(489,672)
Receivables and revenues accrued based on encumbrances reported for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for GAAP reporting.	268,521
Transfers from other funds are inflows of budgetary resources, but are not revenues for financial reporting purposes.	(152,797)
Revenue reported for nonbudgetary food stamp program and donated commodities.	3,074,290
Other net accrued receivables and revenues.	234,947
Total Revenues (General Fund) as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds	$ 34,637,492

Required Supplementary Information
Budget to GAAP Reconciliation
For the Fiscal Year Ended June 30, 2012
(dollars in thousands)

	General Fund
Uses/Outflows of Resources	
Summary	
Actual amounts (budgetary basis) "Total Expenditures" from the budgetary comparison schedule	$ 40,525,497
Differences - budget to GAAP	
Perspective Differences:	
Expenditures of nonbudgeted Funds included within the State's reporting entity, and shown in the General Fund for financial reporting purposes.	80,688
Expenditures of Budgeted Funds for organizations not reported in the General Fund.	(10,352,506)
Basis Differences:	
Accrual of teacher salaries not included in current budget year.	2,165
Capital lease acquisitions are not outflows of budgetary resources, but are recorded as current expenditures and other financing sources for GAAP reporting.	11,179
Change in expenditure accrual for nonbudgetary Medicaid claims	269,118
Encumbrances for supplies and equipment ordered but not received are reported as budgetary expenditures in the year the order is placed, but are reported as GAAP expenditures in the year the supplies and equipment are received.	113,045
Expenditures from intrafund transactions are budgetary outflows, but are not expenditures for GAAP reporting purposes.	(490,511)
Expenditures reported for nonbudgetary food stamp program and donated commodities.	3,074,290
Fund balance adjustments are not outflows of budgetary resources, but affect current year expenditures for GAAP reporting purposes.	(565,465)
Transfers to other funds are outflows of budgetary resources, but are not expenditures for GAAP reporting purposes.	(1,332,665)
Other net accrued liabilities and expenditures.	23,178
Changes in Fund Balance - Governmental Funds	$ 31,358,013

Budgetary Reporting

Budgetary Process

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

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

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

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

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

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

The appropriated budget covers a majority of the organizations comprising the State's General Fund, and includes appropriations for debt service. The budget also includes certain proprietary funds, the Higher Education Fund, and the administrative costs of operating certain public employee retirement systems.

Budget units of the State are responsible for budgetary control of their respective portion of the total State appropriated budget. The legal level of budgetary control is at the program level by funding source. Due to the complex nature of the State appropriated budget, a separate *Budgetary Compliance Report* is published each year to report on compliance at the legal level of budgetary control.

Budgetary Basis of Accounting

The annual budget of the State is prepared on the modified accrual basis utilizing encumbrance accounting with the following exceptions: federal and certain other revenues are accrued based on the unexecuted portion of long-term contracts; and intrafund transactions are disclosed as revenues and expenditures. Under encumbrance accounting, encumbrances are used to indicate the intent to purchase goods or services. Liabilities and expenditures are recorded upon issuance of completed purchase orders. Goods or services need not have been received for liabilities and expenditures to be recorded.

The budget represents departmental appropriations recommended by the Governor and adopted by the General Assembly prior to the beginning of the fiscal year. Annual appropriated budgets are adopted at the departmental (budget unit) level by program and funding source. All unencumbered annual appropriations lapse at fiscal year-end unless otherwise specified by constitutional or statutory provisions. Supplementary and amended appropriations may be enacted during the next legislative session by the same process used for original appropriations.

Budgetary Compliance Exceptions

Expenditures of State funds may not exceed the amount appropriated at the legal level of control as provided by the Constitution. For the year ended June 30, 2012, total State funds expenditures did not exceed appropriated amounts.

While overall expenditures of state funds did not exceed appropriations, budget units were unable to consistently demonstrate budgetary compliance at the "funding source within program" level as prescribed by the 2012 Appropriations Act. For more information on budgetary exceptions, please refer to the *Budgetary Compliance Report* issued under separate cover. This report can be found on website of the State Accounting Office at http://sao.georgia.gov/.

Budgetary Presentation

The accompanying Budgetary Comparison Schedule for the Budget Fund presents comparisons of the legally adopted budget with actual data prepared on the budgetary basis of accounting utilized by the State. The Budget Fund, a compilation of the budget units of the State, differs from the funds presented in the basic financial statements. The Budget-to-GAAP reconciliation immediately following the budgetary comparison schedule identifies the types and amounts of adjustments necessary to reconcile the Budget Fund with the General Fund as reported in accordance with generally accepted accounting principles.

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APPENDIX D

STATISTICAL INFORMATION

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SELECTED EMPLOYMENT AND POPULATION DATA

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

State of Georgia
Annual Averages

Year	Civilian Labor Force	Employment	Unemployment	Unemployment Rate
2007	4,811,164	4,587,739	223,425	4.6%
2008	4,845,054	4,540,706	304,348	6.3
2009	4,755,408	4,289,819	465,589	9.8
2010	4,723,701	4,241,718	481,983	10.2
2011	4,767,653	4,295,113	472,540	9.9
2012	4,806,103	4,371,608	434,495	9.0
2013(a)	4,796,957	4,379,612	417,345	8.7

(a) August 2013, preliminary estimates, seasonally adjusted
Source: U.S. Department of Labor, Bureau of Labor Statistics

State Employees
(as of June 30)

Year	Total Employees	Part Time	Full Time
2007	82,527	750	81,777
2008	82,238	672	81,566
2009	78,113	615	77,498
2010	75,810	615	75,195
2011	73,452	664	72,788
2012	70,961	668	70,293

Source: State Personnel Administration

Major Nongovernmental Employers (Fiscal Year 2012)

Company
Delta Air Lines, Incorporated
Emory Health Care
Emory University
Georgia Power Company
GMRI, Incorporated
Lowe's Home Centers
Mohawk Carpet
Publix Supermarkets, Incorporated
Shaw Industries, Incorporated
Target
The Home Depot
The Kroger Company
United Parcel Service
Wal-Mart Stores, Incorporated
Wellstar Health System
Source: Georgia Department of Labor

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

Sector	2008	2009	2010	2011	2012	August 2013
Mining and logging	10.4	9.4	9.2	9.0	8.6	8.5
Construction	204.1	165.8	149.7	145.9	141.0	148.3
Manufacturing	409.1	358.0	345.0	350.6	354.6	352.2
Total – Goods Producing	623.6	533.2	504.0	505.5	504.1	509.0
Trade, transportation and utilities	873.9	819.0	810.2	822.0	833.2	849.3
Information	109.0	104.6	99.8	98.6	100.5	102.6
Financial activities	236.1	223.5	218.3	223.2	227.2	231.4
Professional and business services	556.7	511.4	526.4	544.5	562.4	597.7
Education and health services	458.1	464.4	475.5	484.7	495.8	517.0
Leisure and hospitality	393.9	379.6	374.2	381.9	394.8	423.2
Other services	160.9	156.6	153.6	153.6	153.1	152.3
Government	711.0	708.7	699.3	687.4	681.8	661.6
Total – Service Producing	3,499.5	3,367.7	3,357.2	3,395.9	3,448.7	3,536.1
Total non-farm	4,123.1	3,900.9	3,861.2	3,901.4	3,952.8	4,045.1

Source: U. S. Department of Labor, Bureau of Labor Statistics; August 2013 statistics are not seasonally adjusted and are preliminary estimates. (Note, amounts may not add precisely due to rounding.)

Average Hourly Earnings in Manufacturing

Year	United States	Southeast	Georgia	Georgia as % of U.S.	Georgia as % of Southeast
2008	$17.75	$16.21	$14.83	83.5%	91.5%
2009	18.24	16.63	15.43	84.6	92.8
2010	18.61	16.99	16.63	89.4	97.9
2011	18.93	17.34	17.69	93.4	102.0
2012	19.08	17.70	17.89	93.8	101.1

Source: US Department of Labor, Bureau of Labor Statistics

Average Annual Growth Rates in Hourly Earnings

Years	U.S.	Southeast (a)	Georgia
2000-2005	2.9%	2.8%	2.3%
2005-2010	2.4	2.7	2.7
2010-2012	1.3	2.1	3.7

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

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

Population Trends

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

Source: U.S. Bureau of Census

Georgia Public School Enrollment (PK –12)

Year	Annual Enrollment (a)
2007-2008	1,649,589
2008-2009	1,655,792
2009-2010	1,667,685
2010-2011	1,679,412
2011-2012	1,684,430
2012-2013	1,702,758

(a) Enrollment as of October, yearly.
Source: Georgia Department of Education

Per Capita Income

			Georgia		
Year	U.S.	Southeast (a)	Income	% of U.S.	% of Southeast
2008	$40,947	$36,906	$35,857	87.6%	97.2%
2009	38,637	34,992	33,887	87.7	96.8
2010	39,791	36,047	34,531	86.8	95.8
2011	41,560	37,473	35,979	86.6	96.0
2012	42,693	38,382	36,869	86.4	96.1

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

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

Average Annual Growth Rates in Per Capita Income

Years	U.S.	Southeast (a)	Georgia
1990 – 2000	4.4%	4.4%	4.7%
2000 – 2005	3.5	4.1	3.2
2005 – 2010	2.3	2.1	1.0
2010 – 2012	3.6	3.2	3.3

(a) Southeast refers to the twelve state region made up of Alabama, Arkansas, Florida, Georgia, Kentucky, Louisiana, Mississippi, North Carolina, South Carolina, Tennessee, Virginia, and West Virginia
Source: U.S. Department of Commerce, Bureau of Economic Analysis

Median Household Income ($2011 per Household)

Year	U.S.	Georgia	Georgia % of U.S.
2008	52,546	48,288	91.9%
2009	52,195	45,445	87.1
2010	50,831	45,509	89.5
2011	50,054	45,973	91.8
2012	51,017	48,121	94.3

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

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

Year	United States	Southeast (a)	Georgia
2007	$43,499	$38,466	$40,374
2008	42,805	37,568	39,334
2009	41,049	35,988	36,776
2010	41,694	36,482	36,948
2011	42,069	36,522	37,324
2012	42,784	36,961	37,702

(a) Southeast refers to the twelve state region made up of Alabama, Arkansas, Florida, Georgia, Kentucky, Louisiana, Mississippi, North Carolina, South Carolina, Tennessee, Virginia, and West Virginia.
Source: U.S. Department of Commerce, Bureau of Economic Analysis

Georgia Revenues and Personal Income

	Georgia Revenues (a)		State Personal Income (b)		
Fiscal Year	$Billions	Annual % Change Over 5-year Period	$Billions	Annual % Change Over 5-year Period	Georgia Revenues as a % of State Personal Income
2008 (c)	$18.728	5.8%	$340.819	5.2%	5.5%
2009 (c)	16.767	1.4	327.555	2.9	5.1
2010 (d)	15.216	-0.8	330,341	3.2	4.6
2011 (d)	16.559	8.8	345.568	5.2	4.8
2012 (d)	17.270	6.5	363,577	4.9	4.8
2013(d)	18.296	6.3	376,498	4.4	4.9

(a) Amounts derived from the table "GEORGIA REVENUES" under line-item "Total General Funds" in APPENDIX A.
(b) 2007 through 2010 – average of total personal income for the four calendar quarters of the fiscal year
(c) Annual Percent Change for 2008 - 2010 computed from 2005
(d) Annual growth computed from 2010

Sources: U.S. Department of Commerce, Survey of Current Business, February, April and November, yearly; *Budgetary Compliance Report*, FY 2008; 2009, 2010, 2011, and 2012 State Accounting Office

EARNINGS BY MAJOR INDUSTRY: 2012 Annual Average
($ in Billions, Seasonally Adjusted Annual Rate)

	Construction	Manufacturing	Trade	Services	Government
Georgia	$13	$26	$35	$123	$50
Southeast	114	202	252	923	421
United States	525	987	1,106	4,492	1,675

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

SELECTED AGRICULTURAL DATA

Georgia Cash Receipts by Selected Commodities 2008-2012 ($ in Millions)

Year	Crops	Livestock & Dairy Products	Poultry & Eggs	Vegetables & Melons	Total Receipts (a)
2008	$2,779	$4,758	$4,039	$566	$7,537
2009	2,510	4,294	3,664	647	6,805
2010	3,049	4,515	3,814	602	7,564
2011	3,414	4,771	3,954	640	8,185
2012	4,474	5,305	4,407	696	9,779

(a) Total Receipts is the sum of Crops and Livestock & Products.
Source: U.S. Department of Agriculture, Economic Research Service

2012 Farm Cash Receipts ($ in Millions)

	Georgia	United States
Crops		
Food Grains	$78	$18,178
Feed Crops	432	79,109
Cotton	1,286	8,585
Tobacco	44	1,497
Oil Crops	1,215	44,283
Vegetables & Melons	696	20,589
Fruit & Nuts	340	26,134
All Other Crops	383	25,110
Total Crops	4,474	223,485
Livestock and Products		
Meat Animals	519	90,143
Dairy Products, Milk	303	37,004
Poultry and Eggs	4,407	39,022
Miscellaneous Livestock	77	5,416
Total Livestock and Products	5,305	171,584
Total Farm Cash Crops	$9,779	$395,069

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

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APPENDIX E

CONTINUING DISCLOSURE AGREEMENT

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CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (this "Disclosure Agreement") is executed and delivered by the State of Georgia acting by and through the Georgia State Financing and Investment Commission (the "Issuer") in connection with the issuance of $172,715,000 aggregate principal amount of State of Georgia General Obligation Bonds 2013H (the "Bonds"). The Bonds are being issued pursuant to a resolution adopted by the Georgia State Financing and Investment Commission on November 13, 2013 (the "Resolution"). The Issuer hereby covenants and agrees as follows:

Section 1. **Purpose of the Disclosure Agreement**. This Disclosure Agreement is being executed and delivered by the Issuer for the benefit of the Beneficial Owners (as hereinafter defined) of the Bonds and in order to assist the Participating Underwriters (as hereinafter defined) in complying with the Rule 15c2-12 (as hereinafter defined).

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

"Annual Filing" shall mean any annual report provided by the Issuer pursuant to the Rule 15c2-12 and this Disclosure Agreement.

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

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

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

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

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

"EMMA" shall mean the Electronic Municipal Market Access system as described in 1934 Act Release No. 59062 and maintained by the MSRB for purposes of the Rule 15c2-12.

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

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

"Issuer" shall mean the State of Georgia acting by and through the Georgia State Financing and Investment Commission.

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

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

"MSRB" shall mean the Municipal Securities Rulemaking Board, or any successor thereto for purposes of Rule 15c2-12. Currently, MSRB's address, phone number and fax number for purposes of Rule 15c2-12 are:

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

"Official Statement" shall mean the Official Statement of the Issuer dated November 13, 2013 with respect to the Bonds.

"Participating Underwriter" shall mean any of the original underwriters of the Bonds required to comply with Rule 15c2-12 in connection with the offering of the Bonds.

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

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

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

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

Section 3. Actions of the Issuer. The Secretary of the Georgia State Financing and Investment Commission (or his authorized designee) shall be the individual person authorized to be responsible for taking all actions described in this Disclosure Agreement.

Section 4. Provision of Annual Filings.

(a) Not later than one year after the end of each Fiscal Year, commencing with the Fiscal Year ending June 30, 2013, the Issuer shall provide to the MSRB the Annual Filing which is consistent with the requirements of Section 5 hereof. In each case, the Annual Filing may be submitted as a single document or as separate documents comprising a package, and may cross reference other information as provided in Section 5 hereof. Notwithstanding the foregoing, the Audited Financial Statements of the Issuer may be submitted separately from the balance of the Annual Filing when such Audited Financial Statements are available. If the Audited Financial Statements are not submitted as part of the Annual Filing to the MSRB pursuant to this Section 4(a), the Issuer shall provide unaudited financial statements to the MSRB with such Annual Filing and file the Audited Financial Statements with the MSRB when they are available to the Issuer.

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

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

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

(a) the Audited Financial Statements;

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

(c) information for the preceding Fiscal Year regarding the following categories of financial information and operating data of the Issuer: (i) authorized indebtedness, (ii) state treasury receipts, legal debt margin, and debt ratios, (iii) assessed valuation, (iv) revenue shortfall reserve, (v) state revenues, (vi) analysis of general fund receipts, (vii) summary of appropriation allotments, (viii) monthly cash investments, and (ix) purchases for cancellation of state general obligation debt and state guaranteed revenue debt.

Any or all of the items listed above may be incorporated by reference from other documents, including official statements of debt issues with respect to which the Issuer is an "obligated person" (as defined by Rule15c2-12), which have been submitted to the MSRB or the Securities and Exchange Commission. Any document incorporated by reference must be available to the public on the MSRB's Internet Website or be filed with the Securities and Exchange Commission. The Issuer shall clearly identify each such other document so incorporated by reference.

Section 6. Voluntary Filings.

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

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

Disclosure Agreement to update such information or include it in any future Annual Filing, Annual Financial Statement, Voluntary Filing or Listed Event Filing.

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

Section 7. Reporting of Significant Events.

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

(i) Principal and interest payment delinquencies.

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

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

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

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

(vi) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds.

(vii) Modifications to rights of Beneficial Owners, if material.

(viii) Bond calls, if material, and tender offers.

(ix) Defeasances.

(x) Release, substitution, or sale of property securing repayment, if material.

(xi) Rating changes.

(xii) Bankruptcy, insolvency, receivership or similar event of the Issuer.

(xiii) The consummation of a merger, consolidation, or acquisition involving the Issuer or the sale of all or substantially all of the assets of the Issuer, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material.

(xiv) Appointment of a successor or additional trustee or the change of name of a trustee, if material.

(b) For the purposes of the event identified in Section 7(a)(xii) hereof, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the Issuer in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Issuer, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Issuer.

(c) The Issuer shall in a timely manner and not in excess of ten business days after the occurrence of any Listed Event, file a notice of the occurrence of such Listed Event with the MSRB (each a "Listed Event Filing"). Notice of Listed Events described in subsections (a)(viii) and (ix) above shall be disseminated automatically and need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to the Beneficial Owners of affected Bonds pursuant to the Bond Resolution.

Section 8. **Termination of Reporting Obligation**. The Issuer's obligations under this Disclosure Agreement shall terminate as to a particular series of the Bonds upon the legal defeasance, prior redemption, or payment in full of the affected series of Bonds. If such termination occurs prior to the final maturity of the affected series of Bonds, the Issuer shall give notice of such termination in the same manner as for a Listed Event under Section 7(c) hereof.

Section 9. **Dissemination Agent**. The Issuer may, from time to time, appoint a dissemination agent to assist it in carrying out its obligations under this Disclosure Agreement, and the Issuer may, from time to time, discharge the dissemination agent, with or without appointing a successor dissemination agent. If at any time there is not a designated dissemination agent, the Issuer shall be the dissemination agent.

Section 10. **Amendment; Waiver**. Notwithstanding any other provision of this Disclosure Agreement, the Issuer may amend this Disclosure Agreement, and any provision of this Disclosure Agreement may be waived, if:

(a) such amendment or waiver is made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of the Issuer, or type of business conducted by the Issuer;

(b) such amendment or waiver does not materially impair the interests of the Beneficial Owners, as determined either by an unqualified opinion of nationally recognized bond counsel filed with the Issuer or by the approving vote of the Beneficial Owners owning more than two-thirds in aggregate principal amount of the Bonds outstanding at the time of such amendment or waiver; and

(c) such amendment or waiver is supported by an opinion of counsel expert in federal securities laws, to the effect that such amendment or waiver would not, in and of itself, cause the undertakings herein to violate Rule 15c2-12 if such amendment or waiver had been effective on the date hereof but taking into account any subsequent change in or official interpretation of Rule 15c2-12, as well as any change in circumstances.

If any provision of Section 5 hereof is amended or waived, the first Annual Filing containing any amended, or omitting any waived, operating data or financial information shall explain, in narrative form, the reasons for the amendment or waiver and the impact of the change in the type of operating data or financial information being provided.

If the provisions of Section 5 hereof specifying the accounting principles to be followed in preparing the Issuer's financial statements are amended or waived, the Annual Filing for the Fiscal Year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information, in order to provide information to the Beneficial Owners to enable them to evaluate the ability of the Issuer to meet its obligations. To the extent reasonably feasible, the comparison shall also be quantitative. The Issuer shall file a notice of the change in the accounting principles in the same manner as for a Listed Event under Section 7(c) hereof on or before the effective date of any such amendment or waiver.

Section 11. Default. In the event of a failure of the Issuer to comply with any provision of this Disclosure Agreement, any Third-Party Beneficiary may take such actions as may be necessary or appropriate, including seeking mandamus or specific performance by court order, to cause the Issuer to comply with its obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed a "default" or an "event of default" under the Bond Resolution, and the sole remedy under this Disclosure Agreement in the event of any failure of the Issuer to comply with this Disclosure Agreement shall be an action to compel performance. The cost to the Issuer of performing its obligations under the provisions hereof shall be paid solely from funds lawfully available for such purpose. Nothing contained in the Bond Resolution or in this Disclosure Agreement shall obligate the levy of any tax for the Issuer's obligations set forth herein.

Section 12. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the Issuer, the Participating Underwriters, and the Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Neither this Disclosure Agreement, nor the performance by the Issuer of its obligations hereunder, shall create any third party beneficiary rights, shall be directly enforceable by any third party, or shall constitute a basis for a claim by any person except as expressly provided herein and except as required by law, including, without limitation, Rule 15c2-12; provided, however, the Participating Underwriters and the Beneficial Owners are hereby made third party beneficiaries hereof (collectively, and each respectively, a "Third Party Beneficiary") and shall have the right to enforce the obligations of the parties hereunder pursuant to Section 11 hereof.

Section 13. Intermediaries; Expenses. The Dissemination Agent appointed hereunder, if any, is hereby authorized to employ intermediaries to carry out its obligations hereunder. The Dissemination Agent shall be reimbursed immediately for all such expenses and any other reasonable expense incurred hereunder (including, but not limited to, attorney's fees).

Section 14. Counterparts. This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 15. **Governing Law**. This Disclosure Agreement shall be governed by and construed in accordance with the laws of the State of Georgia, excluding choice of law provisions, and applicable federal law.

Section 16. **Severability**. In case any one or more of the provisions of this Disclosure Agreement shall for any reason be held to be illegal or invalid, such illegality or invalidity shall not affect any other provision of this Disclosure Agreement, but this Disclosure Agreement shall be construed and enforced as if such illegal or invalid provision had not been contained herein.

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SIGNATURE PAGE TO CONTINUING DISCLOSURE AGREEMENT

FOR

STATE OF GEORGIA GENERAL OBLIGATION BONDS 2013H

This Continuing Disclosure Agreement is hereby executed and delivered by a duly authorized official of the Issuer, to be effective as of the Effective Date.

STATE OF GEORGIA

By: /s/______________________________
GREG S. GRIFFIN
Secretary, Georgia State Financing and Investment Commission

APPENDIX F

FORM OF OPINION OF BOND COUNSEL
BONDS

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King & Spalding LLP
1180 Peachtree Street
Atlanta, Georgia 30309-3521
Main: 404/572-4600
Fax: 404/572-5100

December 5, 2013

Georgia State Financing and Investment Commission
State Capitol
Atlanta, Georgia

Re: $172,715,000 State of Georgia General Obligation Bonds 2013H

Ladies and Gentlemen:

We have acted as Bond Counsel to the State of Georgia (the "State") and the Georgia State Financing and Investment Commission (the "Commission") in connection with the issuance by the State of its $172,715,000 General Obligation Bonds 2013H (the "Bonds"). In such capacity, we have examined such law and such certified proceedings, certifications, and other documents as we have deemed necessary to render this opinion.

Regarding questions of fact material to our opinion, we have relied on the certified proceedings and other certifications of public officials and others furnished to us without undertaking to verify the same by independent investigation.

Based upon the foregoing, we are of the opinion that, under existing law:

(1) The Bonds have been duly authorized and executed by the State, and are valid and binding general obligations of the State in accordance with their terms.

(2) Under the Constitution of the State, the General Assembly of the State is required to raise by taxation and to appropriate to a special trust fund designated "State of Georgia General Obligation Debt Sinking Fund" in each fiscal year such amounts as are necessary to pay the debt service requirements in such fiscal year on all general obligation bonds issued pursuant to the Constitution. The Constitution also provides that if for any reason the monies in the Sinking Fund are insufficient to make, when due, all payments required with respect to general obligation bonds, the first revenues thereafter received in the general fund of the State shall be set aside to the extent necessary to cure the deficiency and deposited into the Sinking Fund; provided, however, the obligation to make such Sinking Fund deposits shall be subordinate to the obligation imposed upon the fiscal officers of the State pursuant to the provisions of Article VII, Section IV, Paragraph III of the Constitution with respect to contracts of the State securing outstanding obligations of various State authorities. The Constitution now provides that the State and all State institutions, departments and agencies of the State are prohibited from entering into any contract (except contracts pertaining to guaranteed revenue debt) intended to secure any bonds or other obligations of any public agency, public corporation, authority or similar entity.

(3) The full faith and credit of the State are pledged to the payment of the principal of and interest on the Bonds.

(4) Interest on the Bonds (including any original issue discount properly allocable to an owner thereof) is excludable from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however such interest is taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on certain corporations. The opinion set forth in the preceding sentence is subject to the condition that the State and the Commission comply with all requirements of the Internal Revenue Code of 1986, as amended, that must be satisfied subsequent to the issuance of the Bonds in order that the interest thereon be, and continue to be, excludable from gross income for federal income tax purposes. The State and the Commission have covenanted to comply with all such requirements. Failure to comply with certain of such requirements may cause interest on the Bonds to be included in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds. We express no opinion regarding other federal income tax consequences caused by the receipt or accrual of interest on the Bonds.

(5) The interest on the Bonds is exempt from present State of Georgia income taxation.

The rights of the owners of the Bonds and the enforceability of the Bonds are limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally, and by equitable principles, whether considered at law or in equity.

We express no opinion herein regarding the accuracy, adequacy, or completeness of the Official Statement, dated November 13, 2013, relating to the Bonds. Further, we express no opinion regarding tax consequences arising with respect to the Bonds other than as expressly set forth herein.

This opinion is given as of the date hereof, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention, or any changes in law that may hereafter occur.

Very truly yours,

KING & SPALDING LLP

By: ________________________________
A Partner