



Comprehensive Annual Financial Report *Fiscal Year Ended June 30, 2012*

Prepared by: State Accounting Office



Georgia

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



The artwork within this document was created by artists in Northeast Georgia and will be hanging in the Office of the Governor as part of a the rotating exhibit "The Art of Georgia" through January 25, 2013. For more information about the exhibit, the artists and their work visit www.gaarts.org.



State of Georgia

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

Prepared by:
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INTRODUCTORY SECTION



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

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.

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 Economy

Many factors indicate that the State's economy 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 unemployment 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.

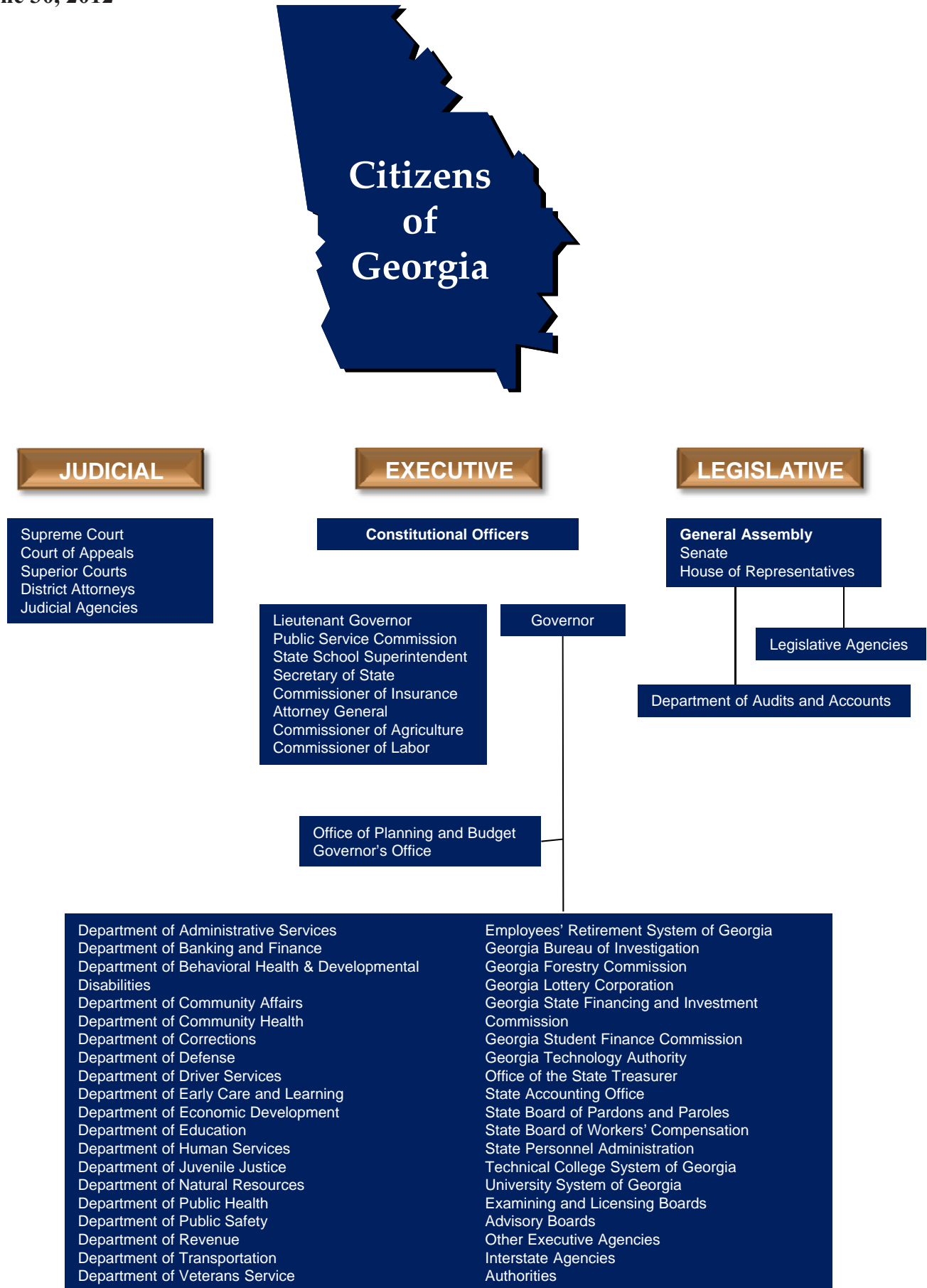
Respectfully submitted,



Thomas Alan Skelton
State Accounting Officer



June 30, 2012







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*



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 personnel of the State Accounting Office.



FINANCIAL SECTION



" At Loganberry Farm"
Artist: Ann Alexander, Gainesville, GA



DEPARTMENT OF AUDITS AND ACCOUNTS

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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
State Auditor

December 28, 2012



MANAGEMENT'S DISCUSSION AND ANALYSIS





Management's Discussion and Analysis

(Unaudited)

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.



Management's Discussion and Analysis

(Unaudited)

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.



Management's Discussion and Analysis

(Unaudited)

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.



Management's Discussion and Analysis

(Unaudited)

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 depreciation 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)



Management's Discussion and Analysis

(Unaudited)

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-capital 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.



Management's Discussion and Analysis

(Unaudited)

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.



Management's Discussion and Analysis

(Unaudited)

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	<u>\$ 32,222,497</u>	<u>\$ 18,736,035</u>	<u>\$(13,486,462)</u>	<u>\$(12,789,088)</u>	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.



Management's Discussion and Analysis

(Unaudited)

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



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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)



Management's Discussion and Analysis

(Unaudited)

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



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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%



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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.



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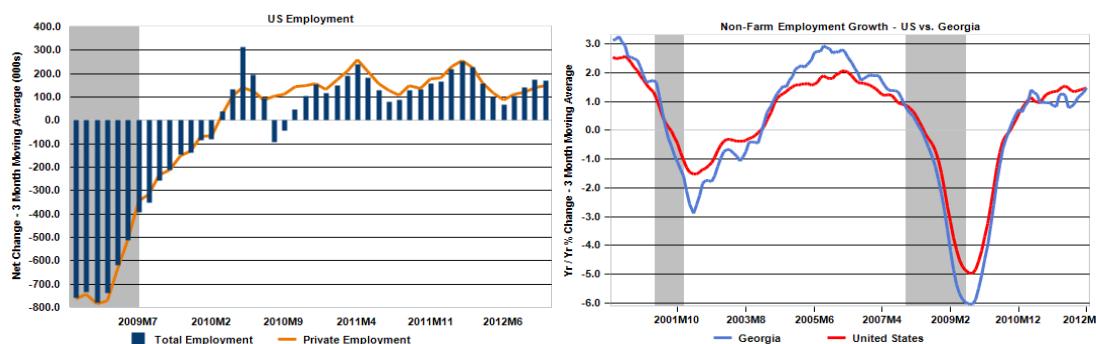
(Unaudited)

Georgia Economy

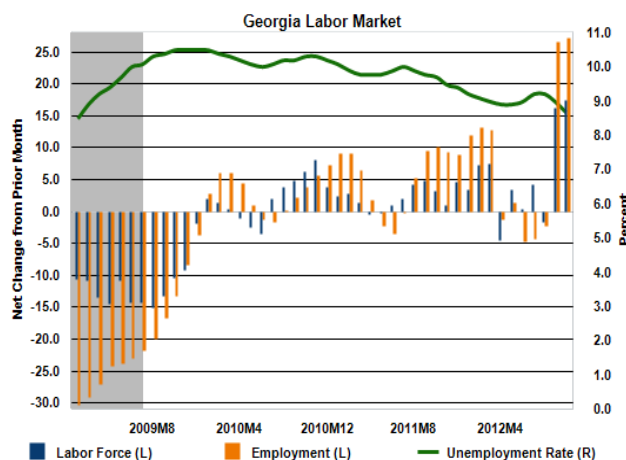
Employment

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%.



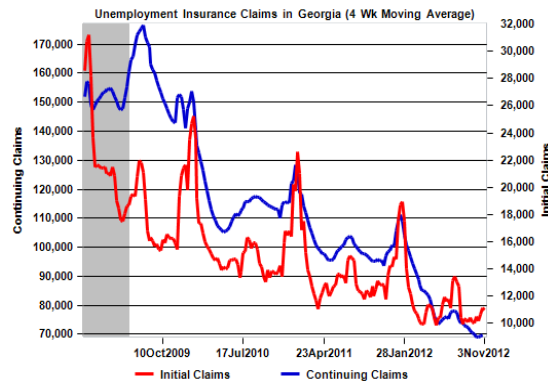
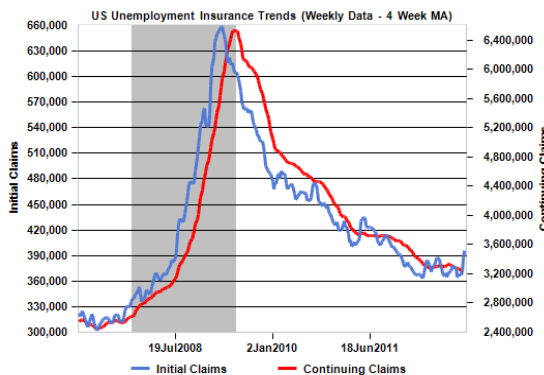
Unemployment

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)



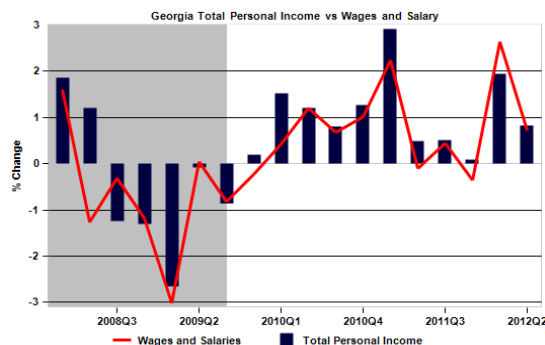
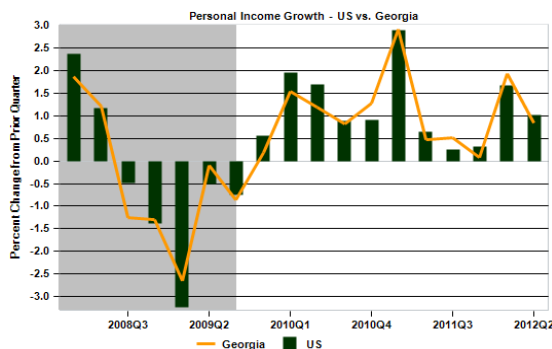
Management's Discussion and Analysis

(Unaudited)



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

State of Georgia

Statement of Activities

For the Fiscal Year Ended June 30, 2012

(dollars in thousands)

Functions/Programs	Expenses	Program Revenues		
		Sales and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
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				



**Net (Expense) Revenue and
Changes in Net Assets**

Primary Government			Component Units
Governmental Activities	Business-Type Activities	Total	
\$ 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)	
<u>(13,486,462)</u>		<u>(13,486,462)</u>	
	\$ (2,283,505)	(2,283,505)	
	(89,130)	(89,130)	
	48,673	48,673	
	12,297	12,297	
	<u>(2,311,665)</u>	<u>(2,311,665)</u>	
<u>(13,486,462)</u>	<u>(2,311,665)</u>	<u>(15,798,127)</u>	
			\$ 124,328
			3,313
			23,881
			(62,406)
			<u>4,909</u>
			<u>94,025</u>
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
<u>(2,346,986)</u>	<u>2,346,986</u>	<u>-</u>	<u>-</u>
<u>13,730,027</u>	<u>2,346,986</u>	<u>16,077,013</u>	<u>120,848</u>
243,565	35,321	278,886	214,873
14,623,726	5,386,250	20,009,976	6,540,426
<u>\$ 14,867,291</u>	<u>\$ 5,421,571</u>	<u>\$ 20,288,862</u>	<u>\$ 6,755,299</u>



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



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



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	<u>(1,057,966)</u>	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	<u>24,168</u>	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	<u>(163,744)</u>	<u>(62,894)</u>

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					<u>\$ 5,421,571</u>	



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	
					<u>\$ 35,320</u>	



Statement of Cash Flows

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 Enterprise Fund	Total
Cash Flows from Operating Activities:					
Cash Received from Customers	\$ 963,148	\$ -	\$ -	\$ 17,328	\$ 980,476
Cash Received from Grants and Required Contributions/Premiums	1,515,428	2,325,549	2,293,477	15,762	6,150,216
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)
Cash Paid to Employees	(3,410,772)	(5,468)	-	(2,664)	(3,418,904)
Cash Paid for Benefits	-	(2,241,032)	(2,238,542)	-	(4,479,574)
Cash Paid for Claims and Judgments	-	-	-	-	-
Cash Paid for Scholarships, Fellowships and Loans	(568,266)	-	-	-	(568,266)
Other Operating Items (Net)	161,637	-	-	(3,762)	157,875
Net Cash Provided by (Used in) Operating Activities	(2,528,621)	(32,149)	54,935	8,260	(2,497,575)
Cash Flows from Noncapital Financing Activities:					
Proceeds from Debt	-	-	17,303	-	17,303
Transfers from Other Funds	2,019,834	-	-	-	2,019,834
Transfers to Other Funds	(3,653)	-	(3,482)	-	(7,135)
Other Noncapital Items (Net)	1,113,041	-	-	(7,167)	1,105,874
Net Cash Provided by (Used in) Noncapital Financing Activities	3,129,222	-	13,821	(7,167)	3,135,876
Cash Flows from Capital and Related Financing Activities:					
Capital Contributions	-	-	-	6,958	6,958
Capital grants and gifts received	185,113	-	-	-	185,113
Proceeds from Sale of Capital Assets	1,910	-	-	-	1,910
Acquisition and Construction of Capital Assets	(530,661)	-	-	(14,555)	(545,216)
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)
Cash Flows from Investing Activities:					
Sale (Purchase) of Investments (Net)	(23,479)	15,662	-	(5,344)	(13,161)
Interest and Dividends Received	76,836	131	-	49	77,016
Net Cash Provided by (Used in) Investing Activities	53,357	15,793	-	(5,295)	63,855
Net Increase (Decrease) in Cash and Cash Equivalents	78,917	(16,356)	68,756	(18,566)	112,751
Cash and Cash Equivalents, July 1	966,580	29,163	295,260	69,305	1,360,308
Cash and Cash Equivalents, June 30	\$ 1,045,497	\$ 12,807	\$ 364,016	\$ 50,739	\$ 1,473,059

(continued)



Statement of Cash Flows

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 Enterprise Fund	Total	
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 Activities	\$ 539,217	\$ -	\$ -	\$ -	\$ 539,217	\$ 7,595



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



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)



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





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





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Notes to the Financial Statements For the Fiscal Year Ended June 30, 2012

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



Notes to the Financial Statements For the Fiscal Year Ended June 30, 2012

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



Notes to the Financial Statements For the Fiscal Year Ended June 30, 2012

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



Notes to the Financial Statements For the Fiscal Year Ended June 30, 2012

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



Notes to the Financial Statements For the Fiscal Year Ended June 30, 2012

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



Notes to the Financial Statements For the Fiscal Year Ended June 30, 2012

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.



Notes to the Financial Statements For the Fiscal Year Ended June 30, 2012

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



Notes to the Financial Statements For the Fiscal Year Ended June 30, 2012

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



Notes to the Financial Statements For the Fiscal Year Ended June 30, 2012

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).



Notes to the Financial Statements For the Fiscal Year Ended June 30, 2012

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.



Notes to the Financial Statements For the Fiscal Year Ended June 30, 2012

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*



Notes to the Financial Statements For the Fiscal Year Ended June 30, 2012

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.



Notes to the Financial Statements For the Fiscal Year Ended June 30, 2012

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.



Notes to the Financial Statements For the Fiscal Year Ended June 30, 2012

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



Notes to the Financial Statements For the Fiscal Year Ended June 30, 2012

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



Notes to the Financial Statements For the Fiscal Year Ended June 30, 2012

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.



Notes to the Financial Statements For the Fiscal Year Ended June 30, 2012

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.



Notes to the Financial Statements For the Fiscal Year Ended June 30, 2012

- 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 uncollateralized	\$ 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.



Notes to the Financial Statements For the Fiscal Year Ended June 30, 2012

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.



Notes to the Financial Statements For the Fiscal Year Ended June 30, 2012

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	<u>\$ 2,433,983</u>

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



Notes to the Financial Statements For the Fiscal Year Ended June 30, 2012

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.

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):

Primary Government

The State manages interest rate risk by attempting to match investments with expected cash requirements.

	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.



Notes to the Financial Statements For the Fiscal Year Ended June 30, 2012

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.



Notes to the Financial Statements For the Fiscal Year Ended June 30, 2012

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.



Notes to the Financial Statements For the Fiscal Year Ended June 30, 2012

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):

	Total Fair Value	Asset-Backed Securities		Corporate Debt		International Government Obligations	Mortgage- Backed Securities	Municipal Bonds	Mutual Funds - Debt	Repurchase Agreements	U. S. Agency Obligations
		Domestic	Inter- national	Domestic	Inter- national						
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										



Notes to the Financial Statements For the Fiscal Year Ended June 30, 2012

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		Investment Agreements	Money Market Mutual Funds	Mortgage- Backed Securities - Commercial	Municipal Bonds	Mutual Funds - Debt	U. S. Agency Obligations
		Domestic	Domestic	Inter- national						
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,



Notes to the Financial Statements For the Fiscal Year Ended June 30, 2012

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.



Notes to the Financial Statements For the Fiscal Year Ended June 30, 2012

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



Notes to the Financial Statements For the Fiscal Year Ended June 30, 2012

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)

<u>Assets</u>	
Cash and Cash Equivalents	\$ 5,841,337
Investments	2,682,414
Net Assets	<u>\$ 8,523,751</u>

<u>Distribution of Net Assets</u>	
External Participant Account Balances	\$ 5,889,836
Internal Participant Account Balances	2,633,915
Total Net Assets	<u>\$ 8,523,751</u>

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

<u>Additions</u>	
Pool Participant Deposits	\$30,352,424
Investment Income	
Interest	14,217
Less: Investment Expense	(3,924)
Total Additions	<u>30,362,717</u>

<u>Deductions</u>	
Pool Participant Withdrawals	29,766,534
Net Increase	<u>596,183</u>

<u>Net Assets</u>	
July 1, 2011	7,927,568
June 30, 2012	<u>\$ 8,523,751</u>



Notes to the Financial Statements For the Fiscal Year Ended June 30, 2012

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		Range of Yields
		Less than 3 Months	4 - 12 Months	
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	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.



Notes to the Financial Statements For the Fiscal Year Ended June 30, 2012

Georgia Extended Asset Pool

The Extended Term Portfolio is a variable net asset value investment pool that follows Standard and Poor's criteria for AAAs 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 Balan	\$ 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 AAAs rating.

Interest Rate Risk

GEAP's investments and exposure to interest rate risk are presented below (in thousands):

		<u>Maturity Period</u>		<u>Range of Yields</u>
	<u>Total Fair Value</u>	<u>4 - 12 Months</u>	<u>1 - 5 Years</u>	
U. S. Agency Obligations	<u>\$ 45,961</u>	<u>\$ 14,550</u>	<u>\$ 31,411</u>	.400% - 3.25%



Notes to the Financial Statements For the Fiscal Year Ended June 30, 2012

NOTE 5 - DEPOSITS AND INVESTMENTS (continued)

Credit Risk

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

	<u>Total Fair Value</u>	<u>Credit Rating AA</u>
U. S. Agency Obligations	<u>\$ 45,961</u>	<u>\$ 45,961</u>

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	<u>\$ 457,017</u>

Distribution of Net Assets

External Participant Account Balances	\$ 20,853
Internal Participant Account Balances	436,164
Total Net Assets	<u>\$ 457,017</u>

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	<u>162,591</u>

Deductions

Pool Participant Withdrawals	(37,547)
Net Increase	125,044

Net Assets

July 1, 2011	331,973
June 30, 2012	<u>\$ 457,017</u>

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.



Notes to the Financial Statements For the Fiscal Year Ended June 30, 2012

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						Not
	Fair Value	AAA	AA	A	BBB	B	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	<u>256,557</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>256,557</u>
Total Credit Risk -							
Investments	303,424	<u>\$ 3,044</u>	<u>\$ 3,681</u>	<u>\$ 25,402</u>	<u>\$ 7,095</u>	<u>\$ 3,683</u>	<u>\$260,519</u>
U. S. Treasury Obligations	7,874						
U. S. Agency Obligations							
Explicitly Guaranteed	27,039						
Repurchase Agreements Backed							
by U. S. Treasury Obligations	<u>26,158</u>						
Total Debt Securities	\$ 364,495						



Notes to the Financial Statements For the Fiscal Year Ended June 30, 2012

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.



Notes to the Financial Statements For the Fiscal Year Ended June 30, 2012

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 Obligation 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
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



Notes to the Financial Statements For the Fiscal Year Ended June 30, 2012

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



Notes to the Financial Statements For the Fiscal Year Ended June 30, 2012

	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		Business-type Activities	
General Government	\$ 13,229	Higher Education Fund	\$ 451,085
Education	1,954	State Road and Tollway Authority	4,213
Health and Welfare	42,470	Depreciation Expense - Business-type Activities	\$ 455,298
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		



Notes to the Financial Statements For the Fiscal Year Ended June 30, 2012

NOTE 7 - CAPITAL ASSETS (continued)

Component Units	Balance 7/1/2011 (Restated *)	Increases	Decreases	Balance 6/30/2012
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	<u>452,378</u>	<u>165,691</u>	<u>(99,533)</u>	<u>518,536</u>
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	<u>2,589,404</u>	<u>246,565</u>	<u>(89,846)</u>	<u>2,746,123</u>
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	<u>1,173,251</u>	<u>152,183</u>	<u>(54,882)</u>	<u>1,270,552</u>
Component Units Capital Assets, Net (GASB Presentation)	<u>\$ 1,868,531</u>	<u>\$ 260,073</u>	<u>\$ (134,497)</u>	<u>\$ 1,994,107</u>



Notes to the Financial Statements For the Fiscal Year Ended June 30, 2012

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	<u>64,487</u>

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	<u>269,929</u>

Less: Accumulated Depreciation	<u>71,230</u>
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Capital Assets, Net (FASB presentation)	<u>263,186</u>
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Total Capital Assets, Net - All Component Units	<u>\$ 2,257,293</u>
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Notes to the Financial Statements For the Fiscal Year Ended June 30, 2012

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.



Notes to the Financial Statements For the Fiscal Year Ended June 30, 2012

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
<u>Governmental Activities</u>				
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
<u>Business-Type Activities</u>				
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
<u>Component Units</u>				
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



Notes to the Financial Statements For the Fiscal Year Ended June 30, 2012

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):

<u>Purpose</u>	<u>Authorized Unissued Debt</u>
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.



Notes to the Financial Statements For the Fiscal Year Ended June 30, 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):

	<u>Amount</u>
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	<u>\$ 327.6</u>

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



Notes to the Financial Statements For the Fiscal Year Ended June 30, 2012

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):

	<u>Amount</u>
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	<u>\$ 486.4</u>

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.



Notes to the Financial Statements For the Fiscal Year Ended June 30, 2012

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			Balance	Amounts Due
<u>July 1, 2011</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2012</u>	<u>Within One Year</u>
\$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			Balance	Amounts Due
<u>July 1, 2011</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2012</u>	<u>Within One Year</u>
\$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			Balance	Amounts Due
<u>July 1, 2011</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2012</u>	<u>Within One Year</u>
\$40	\$190	\$ -	\$230	\$230



Notes to the Financial Statements For the Fiscal Year Ended June 30, 2012

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			Balance	Amounts Due
<u>July 1, 2011</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2012</u>	<u>Within One Year</u>
\$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			Balance	Amounts Due
<u>July 1, 2011</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2012</u>	<u>Within One Year</u>
\$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			Balance	Amounts Due
<u>July 1, 2011</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2012</u>	<u>Within One Year</u>
\$ -	\$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			Balance	Amounts Due
<u>July 1, 2011</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2012</u>	<u>Within One Year</u>
\$1,385	\$387	\$ 217	\$1,555	\$617



Notes to the Financial Statements For the Fiscal Year Ended June 30, 2012

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

Year	Governmental Activities							
	General Obligation Bonds		Revenue Bonds		GARVEE Bonds		Notes and Loans Payable	
	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	\$ -

Year	Business-type Activities			
	Revenue Bonds		Notes and Loans Payable	
	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.



Notes to the Financial Statements For the Fiscal Year Ended June 30, 2012

NOTE 8 - LONG-TERM LIABILITIES (continued)

Component Units

Year	University System of Georgia Foundations		Other Component Units		Georgia Housing and Finance Authority	
	Revenue Bonds		Revenue Bonds		Mortgage Bonds	
	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

Year	University System of Georgia Foundations		Other Component Units	
	Notes and Loans Payable		Notes and Loans Payable	
	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



Notes to the Financial Statements For the Fiscal Year Ended June 30, 2012

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		Component Units
	Governmental Activities	Business-type Activities	
<u>Fiscal Year Ended June 30</u>			
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



Notes to the Financial Statements For the Fiscal Year Ended June 30, 2012

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		Component Units
	Governmental Activities	Business-type Activities	
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		Component Units
	Governmental Activities	Business-type Activities	
<u>Fiscal Year Ended June 30</u>			
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



Notes to the Financial Statements For the Fiscal Year Ended June 30, 2012

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):

<u>Fiscal Year Ended June 30</u>	<u>Primary Government</u>		<u>Component Units</u>
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	
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



Notes to the Financial Statements For the Fiscal Year Ended June 30, 2012

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.



Notes to the Financial Statements For the Fiscal Year Ended June 30, 2012

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:

<u>Plan Segment</u>	<u>Contribution Rate</u>
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.



Notes to the Financial Statements For the Fiscal Year Ended June 30, 2012

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	
	<u>Required</u>	<u>Percent</u>	<u>Required</u>	<u>Percent</u>
	<u>Contribution</u>	<u>Contributed</u>	<u>Contribution</u>	<u>Contributed</u>
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.



Notes to the Financial Statements For the Fiscal Year Ended June 30, 2012

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.



Notes to the Financial Statements For the Fiscal Year Ended June 30, 2012

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



Notes to the Financial Statements For the Fiscal Year Ended June 30, 2012

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.

Regents Retirement Plan

Plan Description

The Regents Retirement Plan, a single-employer defined contribution plan, is an optional retirement plan established by the Georgia General Assembly in Chapter 21 of Title 47 of the 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.



Notes to the Financial Statements For the Fiscal Year Ended June 30, 2012

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.



Notes to the Financial Statements For the Fiscal Year Ended June 30, 2012

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.



Notes to the Financial Statements For the Fiscal Year Ended June 30, 2012

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		State Employer	
	Required	Percent	Required	Percent
	<u>Contribution</u>	<u>Contributed</u>	<u>Contribution</u>	<u>Contributed</u>
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.

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:

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

	<u>SEAD- OPEB</u>	<u>SEAD- Active</u>	<u>Total SEAD</u>
Member Rates:			
ERS Old Plan	0.45%	0.05%	0.50%
Less: Offset Paid by Employer	<u>(0.22%)</u>	<u>(0.03%)</u>	<u>(0.25%)</u>
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



Notes to the Financial Statements For the Fiscal Year Ended June 30, 2012

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.



Notes to the Financial Statements For the Fiscal Year Ended June 30, 2012

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.



Notes to the Financial Statements For the Fiscal Year Ended June 30, 2012

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%



Notes to the Financial Statements For the Fiscal Year Ended June 30, 2012

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



Notes to the Financial Statements For the Fiscal Year Ended June 30, 2012

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
				<u>\$ (11,725,437)</u>	

¹The 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
				<u>\$ (18,642,109)</u>	
Investment Derivative Instruments:					
University of Georgia Research Foundation ²					
	Investment revenue	(47,923)	Debt	-	-

¹The University of Georgia Athletic Association, Inc. instigated the termination of the Swap associated with the 2001 Series Bonds.

²The University of Georgia Research Foundation elected GASB provisions in 2011. In addition, this derivative agreement expired during 2011.



Notes to the Financial Statements For the Fiscal Year Ended June 30, 2012

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



Notes to the Financial Statements For the Fiscal Year Ended June 30, 2012

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.



Notes to the Financial Statements For the Fiscal Year Ended June 30, 2012

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	-	-
				<u>\$ (52,339,602)</u>	

¹The Georgia Tech Foundation, Inc. instigated the termination of the Swap associated with the 2001A & 2002A Series Bonds.

²The 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
				<u>\$ (51,755,965)</u>	

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



Notes to the Financial Statements For the Fiscal Year Ended June 30, 2012

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.



Notes to the Financial Statements For the Fiscal Year Ended June 30, 2012

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.



Notes to the Financial Statements For the Fiscal Year Ended June 30, 2012

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					Total Due To Other Funds
	General Fund	Nonmajor Governmental Fund	Nonmajor Enterprise	Internal Service Funds	Fiduciary 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			Total Transfers Out
	General Fund	General Obligation Bond Projects Fund	Nonmajor Governmental Funds	Higher Education Fund	Internal Service Funds	Fiduciary Funds	
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.



Notes to the Financial Statements For the Fiscal Year Ended June 30, 2012

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	<u>88,458</u>	<u>294,919</u>
Liabilities		
Current liabilities	12,525	4,561
Noncurrent liabilities	25,541	284,008
Total liabilities	<u>38,066</u>	<u>288,569</u>
Net assets		
Invested in Capital Assets, Net of Related Debt	8,688	-
Restricted	26,274	-
Unrestricted	15,430	6,350
Total net assets	<u>\$ 50,392</u>	<u>\$ 6,350</u>
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	<u>\$ 50,392</u>	<u>\$ 6,350</u>
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	<u>\$ 49,353</u>	<u>\$ 364</u>



Notes to the Financial Statements For the Fiscal Year Ended June 30, 2012

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



Notes to the Financial Statements For the Fiscal Year Ended June 30, 2012

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



Notes to the Financial Statements For the Fiscal Year Ended June 30, 2012

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



Notes to the Financial Statements For the Fiscal Year Ended June 30, 2012

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").



Notes to the Financial Statements For the Fiscal Year Ended June 30, 2012

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



Notes to the Financial Statements For the Fiscal Year Ended June 30, 2012

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



Notes to the Financial Statements For the Fiscal Year Ended June 30, 2012

("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



Notes to the Financial Statements For the Fiscal Year Ended June 30, 2012

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.



Notes to the Financial Statements For the Fiscal Year Ended June 30, 2012

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.



Notes to the Financial Statements For the Fiscal Year Ended June 30, 2012

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



Notes to the Financial Statements For the Fiscal Year Ended June 30, 2012

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:

<u>Series</u>	<u>Amount (in millions)</u>
2012A	\$ 520.1
2012B	79.9
Total	<u>\$ 600.0</u>

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.



Notes to the Financial Statements For the Fiscal Year Ended June 30, 2012

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





Required Supplementary Information For the Fiscal Year Ended June 30, 2012

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	
<i>Perspective Differences:</i>	
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)
<i>Basis Differences:</i>	
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	<u>\$ 34,637,492</u>



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	
<i>Perspective Differences:</i>	
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)
<i>Basis Differences:</i>	
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	<u>\$ 31,358,013</u>



Notes to Required Supplementary Information For the Fiscal Year Ended June 30, 2012

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.



Notes to Required Supplementary Information For the Fiscal Year Ended June 30, 2012

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.



COMBINING AND INDIVIDUAL FUND STATEMENTS



NONMAJOR GOVERNMENTAL FUNDS





Description of Nonmajor Governmental Funds

SPECIAL REVENUE FUNDS

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

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

The **Georgia Natural Resources Foundation** is a legally separate nonprofit organization organized to support the Georgia Department of Natural Resources (DNR). The Foundation is a publicly supported organization that provides funding and assistance to DNR to enhance natural resource conservation, historic preservation, environmental education, and outdoor recreation.

The **State Road and Tollway Authority** is a legally separate public corporation created to construct, operate and manage a system of roads, bridges and tunnels and facilities related thereto.

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

DEBT SERVICE FUNDS

Debt Service Funds account for the accumulation of resources that are restricted, committed or assigned to expenditures for principal and interest.

The **General Obligation Debt Service Fund** accounts for the payment of principal and interest on the State's general long-term debt.

The **State Road and Tollway Authority Debt Service Fund** accounts for the payment of principal and interest on the debt of the Authority's governmental funds. The Authority issues bonded debt which finances State transportation infrastructure construction. Debt service payments due on outstanding bonds are paid by the Authority from redirected funds from the U. S. Department of Transportation and/or State motor fuel tax funds.

PERMANENT FUND

The Permanent Fund is used to report resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that benefit the State or its citizenry. The State's nonmajor permanent fund is described below:

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

State of Georgia

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

	Special Revenue			
	Georgia Economic Development Foundation, Inc.	Georgia Natural Resources Foundation	State Road and Tollway Authority	Georgia Tourism Foundation
Assets				
Cash and Cash Equivalents	\$ 217	\$ 328	\$ 34,889	\$ 85
Investments	-	-	14,363	-
Accounts Receivable	-	25	1	-
Due From Other Funds	-	-	2,005	-
Restricted Assets				
Cash and Cash Equivalents	-	-	-	-
Advances to Primary Government	-	-	8,363	-
Other Assets	-	-	4	-
Total Assets	\$ 217	\$ 353	\$ 59,625	\$ 85
Liabilities and Fund Balances				
Liabilities:				
Accounts Payable and Other Accruals	\$ -	\$ -	\$ 138	\$ -
Due to Other Funds	-	-	-	-
Other Liabilities	-	-	33	-
Total Liabilities	-	-	171	-
Fund Balances:				
Nonspendable	-	-	8,367	-
Restricted	-	-	39,375	-
Unrestricted				
Assigned	217	353	11,712	85
Total Fund Balances	217	353	59,454	85
Total Liabilities and Fund Balances	\$ 217	\$ 353	\$ 59,625	\$ 85



Debt Service				
General Obligation Debt Sinking Fund	State Road and Tollway Authority	Permanent Pupils Trust Fund - Georgia Academy for the Blind	Total	
\$ -	\$ 89	\$ 9	\$	35,617
-	40	5		14,408
-	-	-		26
-	-	-		2,005
-	21,141	-		21,141
-	-	-		8,363
-	17	-		21
<hr/>				
\$ -	\$ 21,287	\$ 14	\$	81,581
<hr/>				
\$ -	\$ -	\$ -	\$	138
-	249	-		249
-	-	-		33
<hr/>				
-	249	-		420
<hr/>				
-	17	14		8,398
-	21,021	-		60,396
-	-	-		12,367
<hr/>				
-	21,038	14		81,161
<hr/>				
\$ -	\$ 21,287	\$ 14	\$	81,581
<hr/>				

State of Georgia

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

	Special Revenue			
	Georgia Economic Development Foundation, Inc.	Georgia Natural Resources Foundation	State Road and Tollway Authority	Georgia Tourism Foundation
Revenues				
Sales and Services	\$ 12	\$ -	\$ -	\$ 239
Interest and Other Investment Income	-	-	126	-
Other	120	475	36	498
Total Revenues	132	475	162	737
Expenditures				
Transportation	-	-	6,320	-
Economic Development and Assistance	149	-	-	812
Conservation	-	161	-	-
Debt Service				
Principal	-	-	-	-
Interest	-	-	-	-
Other Debt Service Expenditures	-	-	-	-
Total Expenditures	149	161	6,320	812
Excess (Deficiency) of Revenues Over (Under) Expenditures	(17)	314	(6,158)	(75)
Other Financing Sources (Uses)				
Debt Issuance - Refunding Bonds	-	-	-	-
Debt Issuance - Refunding Bonds - Premium	-	-	-	-
Payment to Refunded Bond Escrow Agent	-	-	-	-
Operating Transfers In	-	-	12,496	-
Net Other Financing Sources (Uses)	-	-	12,496	-
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(17)	314	6,338	(75)
Fund Balances, July 1 (Restated - Note 3)	234	39	53,116	160
Fund Balances, June 30	<u>\$ 217</u>	<u>\$ 353</u>	<u>\$ 59,454</u>	<u>\$ 85</u>



Debt Service			
General Obligation Debt Sinking Fund	State Road and Tollway Authority	Permanent Pupils Trust Fund - Georgia Academy for the Blind	Total
\$ -	\$ -	\$ -	\$ 251
-	12	-	138
-	-	-	1,129
-	12	-	1,518
-	55	-	6,375
-	-	-	961
-	-	-	161
651,870	151,730	-	803,600
392,036	83,162	-	475,198
78,805	-	-	78,805
1,122,711	234,947	-	1,365,100
(1,122,711)	(234,935)	-	(1,363,582)
719,465	-	-	719,465
86,523	-	-	86,523
(805,945)	-	-	(805,945)
1,122,668	236,444	-	1,371,608
1,122,711	236,444	-	1,371,651
-	1,509	-	8,069
-	19,529	14	73,092
\$ -	\$ 21,038	\$ 14	\$ 81,161



NONMAJOR ENTERPRISE FUNDS





Description of Nonmajor Enterprise Funds

ENTERPRISE FUNDS

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

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

The **State Road and Tollway Authority** is a legally separate public corporation created to operate and manage a system of roads, bridges and tunnels and facilities related thereto. The State Road and Tollway Authority uses an enterprise fund to account for its operation of the Georgia 400 Extension toll road and for the I-85 HOV to HOT project.



Combining Statement of Net Assets

Nonmajor Enterprise Funds

June 30, 2012

(dollars in thousands)

	Georgia Higher Education Facilities Authority	State Road and Tollway Authority	Total
Assets			
Current Assets:			
Cash and Cash Equivalents	\$ 364	\$ 7,657	\$ 8,021
Investments	167	764	931
Accounts Receivable (Net)	626	2,141	2,767
Notes Receivable	3,935	-	3,935
Due from Other Funds	-	76	76
Other Assets	-	75	75
Restricted Assets:			
Cash and Cash Equivalents	-	42,718	42,718
Investments	-	18,762	18,762
Noncurrent Assets:			
Notes Receivable	285,375	-	285,375
Other Noncurrent Assets	4,452	9,162	13,614
Nondepreciable Capital Assets	-	10,091	10,091
Depreciable Capital Assets, net	-	19,037	19,037
Total Assets	294,919	110,483	405,402
Liabilities			
Current Liabilities:			
Accounts Payable and Other Accruals	-	2,467	2,467
Due to Other Funds	-	1,970	1,970
Compensated Absences Payable	-	103	103
Revenue Bonds Payable	3,935	5,960	9,895
Other Current Liabilities	626	3,472	4,098
Current Liabilities Payable from Restricted Assets	-	67	67
Noncurrent Liabilities:			
Compensated Absences Payable	-	103	103
Advances from Primary Government	-	8,363	8,363
Revenue Bonds Payable	284,008	25,345	309,353
Total Liabilities	288,569	47,850	336,419
Net Assets			
Invested in Capital Assets, Net of Related Debt	-	27,459	27,459
Restricted for:			
Other	-	26,274	26,274
Unrestricted	6,350	8,900	15,250
Total Net Assets	\$ 6,350	\$ 62,633	\$ 68,983



Combining Statement of Revenues, Expenses and Changes in Fund Net Assets

Nonmajor Enterprise Funds

For the Fiscal Year Ended June 30, 2012

(dollars in thousands)

	Georgia Higher Education Facilities Authority	State Road and Tollway Authority	Total
Operating Revenues:			
Rents and Royalties	\$ -	\$ 53	\$ 53
Sales and Services	15,757	22,906	38,663
Total Operating Revenues	15,757	22,959	38,716
Operating Expenses:			
Personal Services	-	2,695	2,695
Services and Supplies	8	8,936	8,944
Interest Expense	15,757	-	15,757
Depreciation	-	4,213	4,213
Amortization	311	1,744	2,055
Total Operating Expenses	16,076	17,588	33,664
Operating Income (Loss)	(319)	5,371	5,052
Nonoperating Revenues (Expenses):			
Interest and Other Investment Income	-	49	49
Interest Expense	-	(934)	(934)
Other	-	(2,303)	(2,303)
Total Nonoperating Revenues (Expenses)	-	(3,188)	(3,188)
Income (Loss) Before Contributions	(319)	2,183	1,864
Capital Contributions	-	9,260	9,260
Transfers:			
Transfers Out	-	(13,428)	(13,428)
Change in Net Assets	(319)	(1,985)	(2,304)
Net Assets, July 1	6,669	64,618	71,287
Net Assets, June 30	\$ 6,350	\$ 62,633	\$ 68,983





Combining Statement of Cash Flows

Nonmajor Enterprise Funds

For the Fiscal Year Ended June 30, 2012

(dollars in thousands)

	Georgia Higher Education Facilities Authority	State Road and Tollway Authority	Total
Cash Flows from Operating Activities:			
Cash Received from Customers	\$ -	\$ 17,328	\$ 17,328
Cash Received from Required Contributions/Premiums	15,762	-	15,762
Cash Paid to Vendors	(15,770)	(2,634)	(18,404)
Cash Paid to Employees	-	(2,664)	(2,664)
Other Operating Items	-	(3,762)	(3,762)
Net Cash Provided by Operating Activities	(8)	8,268	8,260
Cash Flows from Noncapital Financing Activities:			
Other Noncapital Items (Net)	-	(7,167)	(7,167)
Cash Flows from Capital and Related Financing Activities:			
Capital Contributions	-	6,958	6,958
Acquisition and Construction of Capital Assets	-	(14,555)	(14,555)
Principal Paid on Capital Debt	-	(5,820)	(5,820)
Interest Paid on Capital Debt	-	(947)	(947)
Net Cash Used in Capital and Related Financing Activities	-	(14,364)	(14,364)
Cash Flows from Investing Activities:			
Sale (Purchase) of Investments (Net)	21	(5,365)	(5,344)
Interest and Dividends Received	-	49	49
Net Cash Provided by (Used in) Investing Activities	21	(5,316)	(5,295)
Net Increase in Cash and Cash Equivalents	13	(18,579)	(18,566)
Cash and Cash Equivalents, July 1	351	68,954	69,305
Cash and Cash Equivalents, June 30	\$ 364	\$ 50,375	\$ 50,739
Reconciliation of operating Income to net cash provided (used) by operating activities:			
Operating Income (Loss)	\$ (319)	\$ 5,371	\$ 5,052
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:			
Depreciation/Amortization Expense	311	5,957	6,268
Changes in Assets and Liabilities:			
Accounts Receivable	-	(2,107)	(2,107)
Other Assets	-	188	188
Accounts Payable and Other Accruals	-	2,159	2,159
Unearned Revenue	-	(3,437)	(3,437)
Compensated Absences	-	31	31
Other Liabilities	-	106	106
Net Cash Provided by Operating Activities	\$ (8)	\$ 8,268	\$ 8,260



INTERNAL SERVICE FUNDS



Description of Internal Service Funds

INTERNAL SERVICE FUNDS

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

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

The **Georgia Aviation Authority** is created by consolidating the current aviation programs and various responsibilities from the Department of Transportation, Department of Natural Resources, Department of Public Safety, and the Georgia Forestry Commission.

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

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

The **State Personnel Administration** is the central personnel agency for the State, and provides a system of personnel administration to attract, select and retain the best employees, enhance organizational performance, and provide employee benefits.

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

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

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

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

The **Supplemental Pay Fund** was created to provide a program of compensation for law enforcement officers who become physically disabled, but not permanently disabled, as a result of physical injury incurred in the line of duty and caused by a willful act of violence and for firefighters who become physically disabled, but not permanently disabled, as a result of physical injury incurred in the line of duty while fighting a fire. This program, not to exceed a 12 month period, shall entitle an injured law enforcement officer or firefighter to receive monthly compensation in an amount equal to such person's regular compensation for the period of time that the person is physically unable to perform the required duties of employment.



Description of Internal Service Funds

The **Teacher Indemnification Fund** is used to account for the accumulation of funds for the purpose of providing indemnification with respect to the death of any public school employees killed or permanently disabled by an act of violence in the line of duty on or after July 1, 2001.

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

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

The **State Road and Tollway Authority Customer Service Center Fund** is used to report activities related to managing toll paying customer accounts and non-customer violations relating to the Authority's Georgia 400 Extension and the I-85 Express Lanes Project proprietary funds.

The **Georgia Technology Authority** was created to provide technology enterprise management and technology portfolio management to state and local governments.

State of Georgia

Combining Statement of Net Assets

Internal Service Funds

June 30, 2012

(dollars in thousands)

	Department of Administrative Services	Georgia Aviation Authority	Georgia Building Authority
Assets			
Current Assets:			
Cash and Cash Equivalents	\$ 2,073	\$ 226	\$ 14,129
Investments	87	-	6,320
Accounts Receivable (Net)	150	56	1,809
Due from Other Funds	187	18	-
Due from Component Units	-	-	-
Other Assets	-	-	716
Restricted Assets:			
Cash and Cash Equivalents	-	-	-
Investments	-	-	-
Noncurrent Assets:			
Investments	-	-	-
Capital Assets:			
Land	-	-	21,426
Buildings and Building Improvements	-	12,939	483,078
Improvements Other Than Buildings	-	-	7,008
Machinery and Equipment	368	14,850	5,595
Software	-	-	-
Works of Art and Collections	-	-	1,240
Accumulated Depreciation	(366)	(15,938)	(233,127)
Total Assets	2,499	12,151	308,194
Liabilities			
Current Liabilities:			
Accounts Payable and Other Accruals	823	90	3,330
Due to Other Funds	-	-	8
Unearned Revenue	-	-	137
Claims and Judgments Payable	-	-	-
Compensated Absences Payable	870	-	938
Other Current Liabilities	-	-	3,954
Current Liabilities Payable from Restricted Assets	-	-	-
Noncurrent Liabilities:			
Compensated Absences Payable	804	-	-
Capital Leases Payable	-	-	57,113
Total Liabilities	2,497	90	65,480
Net Assets			
Invested in Capital Assets, Net of Related Debt	2	11,851	224,152
Unrestricted	-	210	18,562
Total Net Assets	\$ 2	\$ 12,061	\$ 242,714



Georgia Correctional Industries Administration	State Personnel Administration	Risk Management (see combining)	State Road and Tollway Authority- Customer Service Center	Georgia Technology Authority	Total
\$ 1,708	\$ 1,590	\$ 23,895	\$ 700	\$ 25,295	\$ 69,616
314	-	17,858	-	10,036	34,615
4,926	-	49,099	7	3,197	59,244
1,046	-	424,437	1,120	26,450	453,258
-	-	-	-	42	42
14,020	116	-	363	311	15,526
-	-	-	4,331	-	4,331
-	-	-	1,306	-	1,306
-	-	69,845	-	-	69,845
44	-	-	-	13	21,483
12,284	-	-	-	562	508,863
-	-	-	-	-	7,008
24,745	6	-	-	54,616	100,180
-	-	-	-	55,079	55,079
-	-	-	-	-	1,240
(29,025)	(4)	-	-	(96,786)	(375,246)
30,062	1,708	585,134	7,827	78,815	1,026,390
1,559	265	345	31	31,885	38,328
19	60	55	982	10	1,134
-	-	-	-	-	137
-	-	522,041	-	-	522,041
513	374	-	21	806	3,522
-	-	-	136	1,348	5,438
-	-	-	4,531	-	4,531
1,054	179	-	21	1,471	3,529
-	-	-	-	-	57,113
3,145	878	522,441	5,722	35,520	635,773
8,048	2	-	-	13,484	257,539
18,869	828	62,693	2,105	29,811	133,078
\$ 26,917	\$ 830	\$ 62,693	\$ 2,105	\$ 43,295	\$ 390,617

State of Georgia

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

	Department of Administrative Services	Georgia Aviation Authority	Georgia Building Authority
Operating Revenues:			
Contributions/Premiums	\$ 61	\$ -	\$ -
Rents and Royalties	-	-	50,954
Sales and Services	1,110	946	3,134
Other	1,180	135	284
Total Operating Revenues	2,351	1,081	54,372
Operating Expenses:			
Personal Services	1,003	2,632	10,555
Services and Supplies	1,045	2,890	36,174
Claims and Judgments	-	-	-
Depreciation	15	263	19,637
Total Operating Expenses	2,063	5,785	66,366
Operating Income (Loss)	288	(4,704)	(11,994)
Nonoperating Revenues (Expenses):			
Interest and Other Investment Income	-	-	33
Other	(82)	(327)	(29)
Total Nonoperating Revenues (Expenses)	(82)	(327)	4
Income (Loss) Before Contributions and Transfers	206	(5,031)	(11,990)
Capital Contributions	-	-	11,198
Transfers:			
Transfers In	43	4,275	-
Transfers Out	(345)	-	(1,997)
Net Transfers	(302)	4,275	(1,997)
Change in Net Assets	(96)	(756)	(2,789)
Net Assets, July 1 (Restated - Note 3)	98	12,817	245,503
Net Assets, June 30	\$ 2	\$ 12,061	\$ 242,714



Georgia Correctional Industries Administration	State Personnel Administration	Risk Management (see combining)	State Road and Tollway Authority- Customer Service Center	Georgia Technology Authority	Total
\$ 41	\$ 24	\$ 209,142	\$ -	\$ 467	\$ 209,735
-	-	-	-	-	50,954
60,335	16,762	25	3,758	238,465	324,535
-	-	9,366	-	-	10,965
60,376	16,786	218,533	3,758	238,932	596,189
12,355	7,673	2,052	746	20,316	57,332
46,770	6,529	27,159	1,845	206,077	328,489
-	-	178,886	-	-	178,886
1,434	4	-	-	3,917	25,270
60,559	14,206	208,097	2,591	230,310	589,977
(183)	2,580	10,436	1,167	8,622	6,212
2	-	2,428	6	27	2,496
1,514	(41)	-	-	-	1,035
1,516	(41)	2,428	6	27	3,531
1,333	2,539	12,864	1,173	8,649	9,743
-	-	-	-	-	11,198
-	-	-	11,452	-	15,770
-	(2,447)	-	(10,520)	(6,376)	(21,685)
-	(2,447)	-	932	(6,376)	(5,915)
1,333	92	12,864	2,105	2,273	15,026
25,584	738	49,829	-	41,022	375,591
\$ 26,917	\$ 830	\$ 62,693	\$ 2,105	\$ 43,295	\$ 390,617

State of Georgia

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

	Department of Administrative Services	Georgia Aviation Authority	Georgia Building Authority
Cash Flows from Operating Activities:			
Cash Received from Customers	\$ 2,911	\$ 1,283	\$ 53,899
Cash Received from Required Contributions/Premiums	-	-	-
Cash Paid to Vendors	(335)	(3,119)	(36,822)
Cash Paid to Employees	(1,256)	(2,632)	(10,598)
Cash Paid for Claims and Judgments	-	-	-
Other Operating Items (Net)	-	-	-
Net Cash Provided by (Used in) Operating Activities	1,320	(4,468)	6,479
Cash Flows from Noncapital Financing Activities:			
Transfers from Other Funds	43	4,275	-
Transfers to Other Funds	(345)	-	(1,997)
Other Noncapital Items (Net)	-	-	-
Net Cash Provided by (Used in) Noncapital Financing Activities	(302)	4,275	(1,997)
Cash Flows from Capital and Related Financing Activities:			
Capital Contributions	-	-	2,273
Proceeds from Sale of Capital Assets	-	-	-
Acquisition and Construction of Capital Assets	-	-	(7,282)
Net Cash Provided by (Used in) Capital and Related Financing Activities	-	-	(5,009)
Cash Flows from Investing Activities:			
Sale (Purchase) of Investments (Net)	13	-	662
Interest and Dividends Received	-	-	33
Net Cash Provided by Investing Activities	13	-	695
Net Increase (Decrease) in Cash and Cash Equivalents	1,031	(193)	168
Cash and Cash Equivalents, July 1	1,042	419	13,961
Cash and Cash Equivalents, June 30	\$ 2,073	\$ 226	\$ 14,129



Georgia Correctional Industries Administration	State Personnel Administration	Risk Management (see combining)	State Road and Tollway Authority- Customer Service Center	Georgia Technology Authority	Total
\$ 57,141	\$ 17,623	\$ 9,373	\$ 8,282	\$ 239,039	\$ 389,551
-	-	136,684	-	-	136,684
(46,228)	(6,656)	(27,482)	(2,041)	(198,066)	(320,749)
(12,340)	(7,956)	(2,051)	(703)	(20,065)	(57,601)
-	-	(128,039)	-	-	(128,039)
-	-	-	-	(661)	(661)
(1,427)	3,011	(11,515)	5,538	20,247	19,185
-	-	-	-	-	4,318
-	(2,447)	-	793	(6,377)	(10,373)
1,524	-	-	-	-	1,524
1,524	(2,447)	-	793	(6,377)	(4,531)
-	-	-	-	-	2,273
-	4	-	-	-	4
(955)	-	-	-	-	(8,237)
(955)	4	-	-	-	(5,960)
16	1	3,853	(1,306)	(3,125)	114
2	-	3,788	6	27	3,856
18	1	7,641	(1,300)	(3,098)	3,970
(840)	569	(3,874)	5,031	10,772	12,664
2,548	1,021	27,769	-	14,523	61,283
\$ 1,708	\$ 1,590	\$ 23,895	\$ 5,031	\$ 25,295	\$ 73,947

(continued)

State of Georgia

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

	Department of Administrative Services	Georgia Aviation Authority	Georgia Building Authority
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:			
Operating Income (Loss)	\$ 288	\$ (4,704)	\$ (11,994)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:			
Depreciation Expense	15	263	19,637
Changes in Assets and Liabilities:			
Accounts Receivable	225	220	(431)
Due from Other Funds	339	(18)	-
Due From Component Units	-	-	-
Other Assets	169	-	62
Accounts Payable and Other Accruals	560	(229)	169
Due to Other Funds	(19)	-	(1)
Unearned Revenue	(3)	-	(43)
Claims and Judgments Payable	-	-	-
Compensated Absences Payable	(254)	-	(40)
Other Liabilities	-	-	(880)
Net Cash Provided by (Used in) Operating Activities	<u>\$ 1,320</u>	<u>\$ (4,468)</u>	<u>\$ 6,479</u>
Noncash Investing, Capital, and Financing Activities:			
Donation of Capital Assets	\$ -	\$ -	\$ 8,955
Change in Fair Value of Investments	-	-	-
Total Noncash Investing, Capital and Financing Activities:	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,955</u>



Georgia Correctional Industries Administration	State Personnel Administration	Risk Management (see combining)	State Road and Tollway Authority- Customer Service Center	Georgia Technology Authority	Total
\$ (183)	\$ 2,580	\$ 10,436	\$ 1,167	\$ 8,622	\$ 6,212
1,434	4	-	-	3,918	25,271
(2,189)	647	(14,147)	(7)	1,512	(14,170)
(1,046)	190	(45,120)	-	(1,427)	(47,082)
-	-	-	-	21	21
288	(4)	-	(363)	(66)	86
269	(134)	(378)	167	8,083	8,507
19	44	(13,133)	-	(6)	(13,096)
-	-	(20)	4,531	-	4,465
-	-	50,847	-	-	50,847
(19)	(281)	-	43	251	(300)
-	(35)	-	-	(661)	(1,576)
<u>\$ (1,427)</u>	<u>\$ 3,011</u>	<u>\$ (11,515)</u>	<u>\$ 5,538</u>	<u>\$ 20,247</u>	<u>\$ 19,185</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,955
-	-	(1,360)	-	-	(1,360)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,360)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,595</u>

State of Georgia

Combining Statement of Net Assets

Internal Service Funds

Risk Management

June 30, 2012

(dollars in thousands)

	Liability Insurance Fund	Property Insurance Fund	State Indemnification Fund
Assets			
Current Assets:			
Cash and Cash Equivalents	\$ 4,494	\$ 14,016	\$ 213
Investments	3,358	10,475	159
Accounts Receivable (Net)	7,016	479	-
Due From Other Funds	63,142	-	-
Noncurrent Assets:			
Investments	13,135	40,967	622
Total Assets	91,145	65,937	994
Liabilities			
Current Liabilities:			
Accounts Payable and Other Accruals	84	8	-
Due to Other Funds	-	-	-
Claims and Judgments Payable	91,061	8,019	1,664
Total Liabilities	91,145	8,027	1,664
Net Assets			
Unrestricted	\$ -	\$ 57,910	\$ (670)



<u>Supplemental Pay Fund</u>	<u>Teacher Indemnification Fund</u>	<u>Unemployment Compensation Fund</u>	<u>Workers' Compensation Fund</u>	<u>Total</u>
\$ 363	\$ 804	\$ 301	\$ 3,704	\$ 23,895
271	602	225	2,768	17,858
-	-	700	40,904	49,099
-	-	4,158	357,137	424,437
<u>1,062</u>	<u>2,351</u>	<u>880</u>	<u>10,828</u>	<u>69,845</u>
<u>1,696</u>	<u>3,757</u>	<u>6,264</u>	<u>415,341</u>	<u>585,134</u>
-	-	-	253	345
-	-	-	55	55
<u>-</u>	<u>-</u>	<u>6,264</u>	<u>415,033</u>	<u>522,041</u>
<u>-</u>	<u>-</u>	<u>6,264</u>	<u>415,341</u>	<u>522,441</u>
<u>\$ 1,696</u>	<u>\$ 3,757</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 62,693</u>

State of Georgia

Combining Statement of Revenues, Expenses and Changes in Fund Net Assets

Internal Service Funds

Risk Management

For the Fiscal Year Ended June 30, 2012

(dollars in thousands)

	Liability Insurance Fund	Property Insurance Fund	State Indemnification Fund
Operating Revenues:			
Contributions/Premiums	\$ 20,736	\$ 27,752	\$ -
Sales and Services	-	23	-
Other	-	-	-
Total Operating Revenues	20,736	27,775	-
Operating Expenses:			
Personal Services	572	474	1
Services and Supplies	4,345	12,712	5
Claims and Judgments	16,438	7,622	708
Total Operating Expenses	21,355	20,808	714
Operating Income (Loss)	(619)	6,967	(714)
Nonoperating Revenues:			
Interest and Other Investment Income	619	1,239	24
Change in Net Assets	-	8,206	(690)
Net Assets, July 1	-	49,704	20
Net Assets, June 30	\$ -	\$ 57,910	\$ (670)



Supplemental Pay Fund	Teacher Indemnification Fund	Unemployment Compensation Fund	Workers' Compensation Fund	Total
\$ -	\$ 356	\$ 23,093	\$ 137,205	\$ 209,142
-	-	-	2	25
-	-	-	9,366	9,366
-	356	23,093	146,573	218,533
-	-	-	1,005	2,052
3	5	101	9,988	27,159
29	-	18,203	135,886	178,886
32	5	18,304	146,879	208,097
(32)	351	4,789	(306)	10,436
39	81	120	306	2,428
7	432	4,909	-	12,864
1,689	3,325	(4,909)	-	49,829
\$ 1,696	\$ 3,757	\$ -	\$ -	\$ 62,693

State of Georgia

Combining Statement of Cash Flows

Internal Service Funds

Risk Management

For the Fiscal Year Ended June 30, 2012

(dollars in thousands)

	Liability Insurance Fund	Property Insurance Fund	State Indemnification Fund
Cash Flows from Operating Activities:			
Cash Received from Customers	\$ -	\$ 25	\$ -
Cash Received from Required Contributions/Premiums	538	28,358	-
Cash Paid to Vendors	(4,478)	(12,712)	(6)
Cash Paid to Employees	(572)	(474)	-
Cash Paid for Claims and Judgments	(21,464)	(5,468)	(589)
Net Cash Provided by (Used in) Operating Activities	(25,976)	9,729	(595)
Cash Flows from Investing Activities:			
Sale (Purchase) of Investments (Net)	18,647	(10,080)	405
Interest and Dividends Received	1,161	1,840	42
Net Cash Provided by (Used in) Investing Activities	19,808	(8,240)	447
Net Increase (Decrease) in Cash and Cash Equivalents	(6,168)	1,489	(148)
Cash and Cash Equivalents, July 1	10,662	12,527	361
Cash and Cash Equivalents, June 30	<u>\$ 4,494</u>	<u>\$ 14,016</u>	<u>\$ 213</u>
Reconciliation of operating Income to net cash provided (used) by operating activities:			
Operating Income (Loss)	\$ (619)	\$ 6,967	\$ (714)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:			
Changes in Assets and Liabilities:			
Accounts Receivable	(7,010)	609	-
Due From Other Funds	-	-	-
Accounts Payable and Other Accruals	(133)	-	(1)
Due To Other Funds	(13,188)	-	-
Unearned Revenue	-	-	-
Claims and Judgments Payable	(5,026)	2,153	120
Net Cash Provided by (Used in) Operating Activities	<u>\$ (25,976)</u>	<u>\$ 9,729</u>	<u>\$ (595)</u>
Noncash Investing Activities:			
Change in Fair Value of Investments	<u>\$ (541)</u>	<u>\$ (601)</u>	<u>\$ (18)</u>



Supplemental Pay Fund	Teacher Indemnification Fund	Unemployment Compensation Fund	Workers' Compensation Fund	Total
\$ -	\$ -	\$ -	\$ 9,348	\$ 9,373
-	356	18,666	88,766	136,684
(3)	(5)	(102)	(10,176)	(27,482)
-	-	-	(1,005)	(2,051)
(29)	-	(17,960)	(82,529)	(128,039)
(32)	351	604	4,404	(11,515)
(51)	(428)	(588)	(4,052)	3,853
58	118	127	442	3,788
7	(310)	(461)	(3,610)	7,641
(25)	41	143	794	(3,874)
388	763	158	2,910	27,769
<u>\$ 363</u>	<u>\$ 804</u>	<u>\$ 301</u>	<u>\$ 3,704</u>	<u>\$ 23,895</u>
\$ (32)	\$ 351	\$ 4,789	\$ (306)	\$ 10,436
-	-	(269)	(7,477)	(14,147)
-	-	(4,158)	(40,962)	(45,120)
-	-	(1)	(243)	(378)
-	-	-	55	(13,133)
-	-	-	(20)	(20)
-	-	243	53,357	50,847
<u>\$ (32)</u>	<u>\$ 351</u>	<u>\$ 604</u>	<u>\$ 4,404</u>	<u>\$ (11,515)</u>
<u>\$ (19)</u>	<u>\$ (37)</u>	<u>\$ (7)</u>	<u>\$ (137)</u>	<u>\$ (1,360)</u>



FIDUCIARY FUNDS



Description of Fiduciary Funds

Fiduciary funds are used to account for assets held by the State in a fiduciary capacity. The State has the following fiduciary funds.

PENSION AND OTHER EMPLOYEE BENEFIT TRUST FUNDS

Pension and Other Employee Benefit Trust Funds are used to account for activities and balances of the public employee retirement systems and other postemployment benefit plans. The State's pension and other employee benefit trust funds are described below:

Pension Trust Funds

Defined Benefit Pension Plans

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

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

The **Firefighters' Pension Fund** is used to account for the accumulation of resources for the purpose of paying retirement benefits to the firefighters of the State.

The **Georgia Judicial Retirement System** is used to account for the accumulation of resources for the purpose of providing retirement allowances for trial judges and solicitors of certain courts in Georgia, and their survivors and beneficiaries, superior court judges of the State, and district attorneys of the State.

The **Georgia Military Pension Fund** is used to account for the accumulation of resources for the purpose of providing retirement allowances and other benefits to members of the Georgia National Guard.

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

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

The **Magistrates Retirement Fund** is used to account for the accumulation of resources for the purpose of providing retirement benefits for those serving as duly qualified and commissioned chief magistrates of counties in the State.

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

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

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



Description of Fiduciary Funds

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

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

The **Teachers Retirement System** is used to account for the accumulation of resources for the purpose of providing retirement allowances and other benefits for teachers and administrative personnel employed in State public schools and the University System of Georgia (except those professors and principal administrators electing to participate in an optional retirement plan), and for certain other designated employees in educational-related work.

Defined Contribution / Deferred Compensation Pension Plans

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

The **Deferred Compensation Plans** are used to account for the accumulation of resources for the purpose of providing retirement allowances for State employees and employees of Community Service Boards who elect to defer a portion of their annual salary until future years.

Other Postemployment Benefit Plans

The **Board of Regents Retiree Health Benefit Fund** is used to account for the accumulation of resources necessary to meet employer costs of retiree health insurance benefits.

The **Georgia State Employees Post-employment Health Benefit Fund** pays postemployment health benefits (including benefits to qualified beneficiaries of eligible former employees) due under the group health plan for employees of State organizations and other entities authorized by law to contract with the DCH for inclusion in the plan. It also pays administrative expenses for the Fund. By law, no other use of assets of the State OPEB Fund is permitted.

The **Georgia School Personnel Post-employment Health Benefit Fund** pays postemployment health benefits (including benefits for qualified beneficiaries of eligible former employees) due under the group health plan for public school teachers including librarians and other certified employees of the public schools and regional educational service agencies, postemployment health benefits due under the group health plan for non-certificated public school employees, and administrative expenses of the Fund. By law, no other use of assets of the School OPEB Fund is permitted.

The **State Employees' Assurance Department – OPEB** is used to account for the accumulation of resources for the purpose of providing term life insurance to retired and vested inactive members of Employees', Judicial, Legislative, and Superior Court Judges Retirement Systems.

The **State Employees' Assurance Department – Active** is used to account for the accumulation of resources for the purpose of providing survivors' benefits for eligible members of the Employees', Judicial, Legislative, and Superior Court Judges Retirement Systems.



Description of Fiduciary Funds

INVESTMENT TRUST FUNDS

Investment Trust Funds are used to account for the external portion of a government sponsored investment pool. The State's investment trust funds are described below:

The **Georgia Extended Asset Pool** is responsible for providing prudent management of public funds on behalf of the State and local governments seeking income higher than money market rates.

The **Georgia Fund 1** is a combination local and state government investment pool with primary objectives specific to safety of capital, investment income, liquidity and diversification while maintaining principal. This fund was established to enable local governments to voluntarily invest any idle local monies.

The **Regents Investment Pool** invests funds on behalf of units of the university system and their affiliated foundations.

PRIVATE PURPOSE TRUST FUNDS

Private Purpose Trust Funds are used to report resources of all other trust arrangements in which principal and income benefit individuals, private organizations, or other governments. The State's private purpose trust funds are described below:

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

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

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



Description of Fiduciary Funds

AGENCY FUNDS

Agency Funds are used to report assets and liabilities for deposits and investments entrusted to the State as an agent for others. The State's significant agency funds are described below:

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

The **County Medicaid Administrative Funds** are billed by the State on behalf of local governments, and represent eligible administrative costs paid at the county level. Amounts collected are distributed to county boards of health.

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

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

The **Railroad Car Tax** fund is used to collect railroad car taxes on behalf of county governments and to remit the taxes back to the counties.

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

Sales Tax Collections for Local Governments consist of the **Education Local Option Sales Tax, Homestead Option Sales and Use Tax, Local Option Sales Tax, MARTA Sales Tax, and Special Purpose Local Option Sales Tax**. These funds are used to account for the collection and disbursement of local option sales taxes on behalf of county and municipal governments.

The **Telecommunications Relay Service Fund** was established to provide telecommunication services to hearing/speech impaired Georgians. All local exchange telephone companies in the State impose a monthly maintenance surcharge on residential and business local exchange access facilities, which are deposited into this fund solely for the provisions of the Dual Party Relay System.

The **Universal Service Fund** was established for the purpose of assisting low-income customers in times of emergency by providing energy conservation assistance to such customers; and to provide contributions in aid of construction to permit the electing distribution company to extend and expand its facilities from time to time as the commission deems to be in the public interest. Funding comes from rate refunds from interstate pipeline suppliers, funds deposited by marketers, and various other refunds, surcharges and earnings.

State of Georgia

Combining Statement of Fiduciary Net Assets Pension and Other Employee Benefit Trust Funds June 30, 2012 (dollars in thousands)

	Defined Benefit Pension Plans (see combining)	Defined Contribution Plans		
		Georgia Defined Contribution Plan	Deferred Compensation Plans	
			401 (K) Plan	457 Plan
Assets				
Cash and Cash Equivalents	\$ 431,985	\$ 68,129	\$ 23	\$ 32
Receivables				
Interest and Dividends	231,825	154	-	-
Due from Brokers for Securities Sold	44,798	-	-	-
Other	150,243	1,087	1,757	608
Due from Other Funds	-	-	-	-
Investments				
Pooled Investments	12,710,088	16	-	4
Mutual Funds	461,407	-	457,289	537,826
Repurchase Agreements	400,000	-	-	-
Municipal, U. S. and Foreign Government Obligations	9,556,718	25,323	-	-
Corporate Bonds/Notes/Debentures	5,965,008	14,190	-	-
Stocks	37,543,029	-	-	-
Asset-Backed Securities	8,059	-	-	-
Mortgage Investments	77,766	-	-	-
Real Estate Investment Trusts	31,120	-	-	-
Capital Assets				
Land	2,071	-	-	-
Buildings	7,695	-	-	-
Software	29,325	-	-	-
Machinery and Equipment	5,215	-	-	-
Accumulated Depreciation	(34,212)	-	-	-
Other Assets	827	-	-	-
Total Assets	67,622,967	108,899	459,069	538,470
Liabilities				
Accounts Payable and Other Accruals	32,937	565	10,064	743
Due to Other Funds	2,968	-	-	-
Due to Brokers for Securities Purchased	108,245	-	-	-
Salaries/Withholdings Payable	1	-	-	-
Benefits Payable	-	-	-	-
Unearned Revenue	5	-	-	-
Compensated Absences Payable	61	-	-	-
Other Current Liabilities	14	-	-	-
Total Liabilities	144,231	565	10,064	743
Net Assets				
Held in Trust for:				
Pension Benefits	67,478,736	108,334	449,005	537,727
Other Postemployment Benefits	-	-	-	-
Other Employee Benefits	-	-	-	-
Total Net Assets	\$ 67,478,736	\$ 108,334	\$ 449,005	\$ 537,727



Other Postemployment Benefit Plans

Board of Regents Retiree Health Benefit Fund	Georgia State Employees Postemployment Health Benefit Fund	Georgia School Personnel Postemployment Health Benefit Fund	State Employees' Assurance Department - OPEB	State Employees' Assurance Department - Active	Total
\$ 2,463	\$ -	\$ -	\$ 22	\$ 76	\$ 502,730
-	-	-	-	-	231,979
-	-	-	-	-	44,798
7,417	4,281	8,418	-	-	173,811
-	13,033	27,910	2,850	103	43,896
-	-	-	815,412	183,211	13,708,731
-	-	-	-	-	1,456,522
-	-	-	-	-	400,000
-	-	-	-	-	9,582,041
-	-	-	-	-	5,979,198
-	-	-	-	-	37,543,029
-	-	-	-	-	8,059
-	-	-	-	-	77,766
-	-	-	-	-	31,120
-	-	-	-	-	2,071
-	-	-	-	-	7,695
-	-	-	-	-	29,325
-	-	-	-	-	5,215
-	-	-	-	-	(34,212)
-	-	-	-	-	827
9,880	17,314	36,328	818,284	183,390	69,794,601
-	177	328	-	-	44,814
-	-	-	-	-	2,968
-	-	-	-	-	108,245
-	-	-	-	-	1
9,714	13,453	28,317	-	-	51,484
-	3,684	7,683	-	-	11,372
-	-	-	-	-	61
-	-	-	-	-	14
9,714	17,314	36,328	-	-	218,959
-	-	-	-	-	68,573,802
166	-	-	818,284	-	818,450
-	-	-	-	183,390	183,390
\$ 166	\$ -	\$ -	\$ 818,284	\$ 183,390	\$ 69,575,642

State of Georgia

Combining Statement of Changes in Fiduciary Net Assets Pension and Other Employee Benefit Trust Funds For the Fiscal Year Ended June 30, 2012 (dollars in thousands)

	Defined Benefit Pension Plans (see combining)	Defined Contribution Plans		
		Georgia Defined Contribution Plan	Deferred Compensation Plans	
			401 (K) Plan	457 Plan
Additions:				
Contributions				
Employer	\$ 1,375,520	\$ -	\$ 4,355	\$ -
Plan Members	651,242	17,171	40,331	19,551
Other Contributions				
Fines and Bond Forfeitures	20,171	-	-	-
Insurance Company Premium Taxes	27,073	-	-	-
Insurance Premiums	-	-	-	-
Other Fees	4,774	-	-	-
Interest and Other Investment Income				
Dividends and Interest	1,592,437	950	603	912
Net Appreciation (Depreciation) in				
Investments Reported at Fair Value	(195,648)	(242)	3,804	7,566
Less: Investment Expense	(36,785)	(56)	(1,295)	(693)
Other				
Transfers from Other Funds	(10,571)	-	-	-
Miscellaneous	369	-	800	-
Total Additions	3,428,582	17,823	48,598	27,336
Deductions:				
General and Administrative Expenses	39,136	1,138	2,111	910
Benefits	4,637,497	11	36,986	41,835
Refunds	81,495	12,749	-	-
Total Deductions	4,758,128	13,898	39,097	42,745
Change in Net Assets Held in Trust for				
Pension and Other Employee Benefits	(1,329,546)	3,925	9,501	(15,409)
Net Assets, July 1	68,808,282	104,409	439,504	553,136
Net Assets, June 30	\$ 67,478,736	\$ 108,334	\$ 449,005	\$ 537,727



Other Postemployment Benefit Plans

Board of Regents Retiree Health Benefit Fund	Georgia State Employees Postemployment Health Benefit Fund	Georgia School Personnel Postemployment Health Benefit Fund	State Employees' Assurance Department - OPEB	State Employees' Assurance Department - Active	Total
\$ 88,836	\$ 181,899	\$ 380,859	\$ -	\$ -	\$ 2,031,469
28,648	41,927	84,141	-	-	883,011
-	-	-	-	-	20,171
-	-	-	-	-	27,073
-	-	-	5,532	771	6,303
-	-	-	-	-	4,774
159	-	-	20,599	4,644	1,620,304
-	-	-	(3,055)	(689)	(188,264)
-	-	-	(351)	(79)	(39,259)
-	-	-	12,724	-	2,153
12,941	-	-	-	-	14,110
130,584	223,826	465,000	35,449	4,647	4,381,845
13,898	7,699	15,511	203	22	80,628
116,643	216,127	449,489	24,855	6,018	5,529,461
-	-	-	-	-	94,244
130,541	223,826	465,000	25,058	6,040	5,704,333
43	-	-	10,391	(1,393)	(1,322,488)
123	-	-	807,893	184,783	70,898,130
\$ 166	\$ -	\$ -	\$ 818,284	\$ 183,390	\$ 69,575,642

State of Georgia

Combining Statement of Fiduciary Net Assets Pension and Other Employee Benefit Trust Funds Defined Benefit Pension Plans June 30, 2012 (dollars in thousands)

	District Attorneys Retirement Fund	Employees' Retirement System	Firefighters' Pension Fund	Georgia Judicial Retirement System	Georgia Military Pension Fund	Judges of the Probate Courts Retirement Fund
Assets						
Cash and Cash Equivalents	\$ 2	\$ 9,524	\$ 598	\$ 410	\$ 47	\$ 40
Receivables						
Interest and Dividends	-	47,219	1,505	-	-	-
Due from Brokers for Securities Sold	-	7,870	3,870	-	-	182
Other	-	17,880	-	664	-	-
Investments						
Pooled Investments	-	11,577,427	-	319,060	9,820	-
Mutual Funds	-	-	165,871	-	-	3,722
Repurchase Agreements	-	-	-	-	-	-
Municipal, U. S. and Foreign Government Obligations	-	-	44,229	-	-	4,929
Corporate Bonds/Notes/Debentures	-	-	85,830	-	-	6,755
Stocks	-	-	185,805	-	-	43,176
Asset-Backed Securities	-	-	2,022	-	-	1,805
Mortgage Investments	-	-	66,940	-	-	858
Real Estate Investment Trusts	-	-	29,228	-	-	329
Capital Assets						
Land	-	944	85	-	-	-
Buildings	-	2,800	1,535	-	-	-
Software	-	14,345	-	-	-	-
Machinery and Equipment	-	2,148	165	-	-	-
Accumulated Depreciation	-	(16,283)	(372)	-	-	-
Other Assets	-	-	116	-	-	-
Total Assets	2	11,663,874	587,427	320,134	9,867	61,796
Liabilities						
Accounts Payable and Other Accruals	-	22,436	1,595	351	10	-
Due to Other Funds	-	2,942	-	17	-	-
Due to Brokers for Securities Purchased	-	9,989	14,233	-	-	1,004
Salaries/Withholdings Payable	-	-	-	-	-	-
Unearned Revenue	-	-	-	-	-	-
Compensated Absences Payable	-	-	52	-	-	-
Other Current Liabilities	-	-	-	-	-	-
Total Liabilities	-	35,367	15,880	368	10	1,004
Net Assets						
Held in Trust for Pension Benefits	\$ 2	\$ 11,628,507	\$ 571,547	\$ 319,766	\$ 9,857	\$ 60,792



Legislative Retirement System	Magistrates Retirement Fund	Peace Officers' Annuity and Benefit Fund	Public School Employees Retirement System	Sheriffs' Retirement Fund	Superior Court Clerks' Retirement Fund	Superior Court Judges Retirement Fund	Teachers Retirement System	Total
\$ 125	\$ 51	\$ 205	\$ 58	\$ 448	\$ 13,434	\$ 30	\$ 407,013	\$ 431,985
-	28	118	-	250	314	-	182,391	231,825
-	-	3,362	-	-	3	-	29,511	44,798
-	-	-	2	-	294	-	131,403	150,243
27,366	-	91,086	671,369	4,869	9,091	-	-	12,710,088
-	8,152	267,621	-	16,041	-	-	-	461,407
-	-	-	-	-	-	-	400,000	400,000
-	1,397	77,992	-	5,425	51,892	-	9,370,854	9,556,718
-	1,358	39,161	-	14,465	-	-	5,817,439	5,965,008
-	-	70,467	-	32,041	21,140	-	37,190,400	37,543,029
-	-	4,232	-	-	-	-	-	8,059
-	-	9,968	-	-	-	-	-	77,766
-	-	1,563	-	-	-	-	-	31,120
-	-	98	-	-	-	-	944	2,071
-	-	560	-	-	-	-	2,800	7,695
-	-	-	-	-	-	-	14,980	29,325
-	-	155	-	-	-	-	2,747	5,215
-	-	(209)	-	-	-	-	(17,348)	(34,212)
-	-	-	-	-	-	-	711	827
27,491	10,986	566,379	671,429	73,539	96,168	30	53,533,845	67,622,967
50	18	-	1,041	17	112	27	7,280	32,937
2	-	-	-	-	-	-	7	2,968
-	-	31,955	-	-	11,657	-	39,407	108,245
-	-	1	-	-	-	-	-	1
1	-	-	-	-	4	-	-	5
-	-	-	-	9	-	-	-	61
-	-	14	-	-	-	-	-	14
53	18	31,970	1,041	26	11,773	27	46,694	144,231
\$ 27,438	\$ 10,968	\$ 534,409	\$ 670,388	\$ 73,513	\$ 84,395	\$ 3	\$ 53,487,151	\$ 67,478,736

State of Georgia

Combining Statement of Changes in Fiduciary Net Assets Pension and Other Employee Benefit Trust Funds Defined Benefit Pension Plans For the Fiscal Year Ended June 30, 2012 (dollars in thousands)

	District Attorneys Retirement Fund	Employees' Retirement System	Firefighters' Pension Fund	Georgia Judicial Retirement System	Georgia Military Pension Fund	Judges of the Probate Courts Retirement Fund
Additions:						
Contributions						
Employer	\$ 80	\$ 274,059	\$ -	\$ 2,083	\$ -	\$ -
Plan Members	-	36,561	2,593	4,904	-	151
Other Contributions						
Fines and Bond Forfeitures	-	-	-	-	-	389
Insurance Company Premium Taxes	-	-	27,073	-	-	-
Other Fees	-	-	-	-	-	730
Interest and Other Investment Income						
Dividends and Interest	-	279,522	13,816	7,873	265	1,545
Net Appreciation (Depreciation) in Investments Reported at Fair Value	-	(41,451)	(12,124)	(1,168)	(39)	(229)
Less: Investment Expense	-	(6,289)	(3,365)	(134)	(5)	(421)
Other						
Transfers from Other Funds	-	(12,724)	-	-	1,521	-
Miscellaneous	1	-	136	-	-	9
Total Additions	81	529,678	28,129	13,558	1,742	2,174
Deductions:						
General and Administrative Expenses	1	12,076	1,354	310	34	90
Benefits	80	1,216,738	34,287	14,416	678	3,137
Refunds	-	7,767	590	146	-	-
Total Deductions	81	1,236,581	36,231	14,872	712	3,227
Change in Net Assets Held in Trust for Pension Benefits	-	(706,903)	(8,102)	(1,314)	1,030	(1,053)
Net Assets, July 1	2	12,335,410	579,649	321,080	8,827	61,845
Net Assets, June 30	\$ 2	\$ 11,628,507	\$ 571,547	\$ 319,766	\$ 9,857	\$ 60,792



Legislative Retirement System	Magistrates Retirement Fund	Peace Officers' Annuity and Benefit Fund	Public School Employees Retirement System	Sheriffs' Retirement Fund	Superior Court Clerks' Retirement Fund	Superior Court Judges Retirement Fund	Teachers Retirement System	Total
\$ 76 323	\$ - 136	\$ - 3,452	\$ 15,884 1,426	\$ - 76	\$ - 108	\$ 1,686 -	\$ 1,081,652 601,512	\$ 1,375,520 651,242
-	-	16,256	-	2,679	847	-	-	20,171
-	-	-	-	-	-	-	-	27,073
-	1,581	-	-	-	2,463	-	-	4,774
659	204	13,968	16,239	1,863	2,603	-	1,253,880	1,592,437
(98)	39	1,454	(2,408)	(927)	881	-	(139,578)	(195,648)
(11)	(45)	(2,161)	(277)	(320)	(355)	-	(23,402)	(36,785)
-	-	-	-	-	-	-	632	(10,571)
-	-	91	-	126	-	6	-	369
949	1,915	33,060	30,864	3,497	6,547	1,692	2,774,696	3,428,582
110	59	697	2,040	188	157	6	22,014	39,136
1,810	-	23,931	54,183	4,552	4,359	1,774	3,277,552	4,637,497
74	-	379	349	16	17	-	72,157	81,495
1,994	59	25,007	56,572	4,756	4,533	1,780	3,371,723	4,758,128
(1,045)	1,856	8,053	(25,708)	(1,259)	2,014	(88)	(597,027)	(1,329,546)
28,483	9,112	526,356	696,096	74,772	82,381	91	54,084,178	68,808,282
<u>\$ 27,438</u>	<u>\$ 10,968</u>	<u>\$ 534,409</u>	<u>\$ 670,388</u>	<u>\$ 73,513</u>	<u>\$ 84,395</u>	<u>\$ 3</u>	<u>\$ 53,487,151</u>	<u>\$ 67,478,736</u>



Combining Statement of Fiduciary Net Assets

Investment Trust Funds

June 30, 2012

(dollars in thousands)

	Georgia Extended Asset Pool	Georgia Fund 1	Regents Investment Pool	Total
Assets				
Cash and Cash Equivalents	\$ 95,403	\$ 4,036,312	\$ -	\$ 4,131,715
Investments, at Fair Value				
Pooled Investments	30,488	1,853,524	20,811	1,904,823
Interest Receivable	-	-	42	42
Total Assets	<u>125,891</u>	<u>5,889,836</u>	<u>20,853</u>	<u>6,036,580</u>
Net Assets				
Held in Trust for Pool Participants	<u>\$ 125,891</u>	<u>\$ 5,889,836</u>	<u>\$ 20,853</u>	<u>\$ 6,036,580</u>



Combining Statement of Changes in Fiduciary Net Assets

Investment Trust Funds

For the Fiscal Year Ended June 30, 2012

(dollars in thousands)

	Georgia Extended Asset Pool	Georgia Fund 1	Regents Investment Pool	Total
Additions:				
Pool Participant Deposits	\$ 45,800	\$ 7,776,855	\$ 4,977	\$ 7,827,632
Interest and Other Investment Income				
Dividends and Interest	826	9,126	341	10,293
Net Appreciation (Depreciation) in Investments				
Reported at Fair Value	105	-	(57)	48
Less: Investment Expense	(55)	(2,519)	(31)	(2,605)
Total Additions	46,676	7,783,462	5,230	7,835,368
Deductions:				
Pool Participant Withdrawals	57,088	6,860,062	1,241	6,918,391
Change in Net Assets Held in Trust for Pool Participants	(10,412)	923,400	3,989	916,977
Net Assets, July 1	136,303	4,966,436	16,864	5,119,603
Net Assets, June 30	<u>\$ 125,891</u>	<u>\$ 5,889,836</u>	<u>\$ 20,853</u>	<u>\$ 6,036,580</u>



Combining Statement of Fiduciary Net Assets

Private Purpose Trust Funds

June 30, 2012

(dollars in thousands)

	Auctioneers Recovery Fund	Real Estate Education, Research and Recovery Fund	Subsequent Injury Trust Fund	Total
Assets				
Cash and Cash Equivalents	\$ 418	\$ 1,057	\$ 5,559	\$ 7,034
Investments, at Fair Value				
Pooled Investments	170	692	1,515	2,377
Capital Assets				
Buildings	-	-	826	826
Machinery and Equipment	-	-	103	103
Accumulated Depreciation	-	-	(507)	(507)
Total Assets	588	1,749	7,496	9,833
Liabilities				
Compensated Absences Payable	-	-	239	239
Other Liabilities	-	-	587	587
Total Liabilities	-	-	826	826
Net Assets				
Held in Trust for Other Purposes	\$ 588	\$ 1,749	\$ 6,670	\$ 9,007



Combining Statement of Changes in Fiduciary Net Assets

Private Purpose Trust Funds

For the Fiscal Year Ended June 30, 2012

(dollars in thousands)

	Auctioneers Recovery Fund	Real Estate Education, Research and Recovery Fund	Subsequent Injury Trust Fund	Total
Additions:				
Contributions/Assessments				
Participants	\$ 31	\$ 74	\$ 100,111	\$ 100,216
Interest and Other Investment Income				
Dividends and Interest	-	3	51	54
Total Additions	<u>31</u>	<u>77</u>	<u>100,162</u>	<u>100,270</u>
Deductions;				
General and Administrative Expenses	-	357	2,388	2,745
Benefits	-	-	99,912	99,912
Total Deductions	<u>-</u>	<u>357</u>	<u>102,300</u>	<u>102,657</u>
Change in Net Assets Held in Trust for Other Purposes	31	(280)	(2,138)	(2,387)
Net Assets, July 1	<u>557</u>	<u>2,029</u>	<u>8,808</u>	<u>11,394</u>
Net Assets, June 30	<u>\$ 588</u>	<u>\$ 1,749</u>	<u>\$ 6,670</u>	<u>\$ 9,007</u>

State of Georgia

Combining Statement of Fiduciary Assets and Liabilities

Agency Funds

June 30, 2012

(dollars in thousands)

	Child Support Recovery Program	County Medicaid Administrative Funds	Detainees' Accounts	Flexible Benefits Program	Railroad Car Tax	Real Estate Transfer Tax
Assets						
Cash and Cash Equivalents	\$ 23,645	\$ 2,688	\$ 27,536	\$ 7,016	\$ 521	\$ 1,823
Accounts Receivable	-	1,628	-	-	-	-
Investments, at Fair Value						
Certificates of Deposit	-	-	-	-	-	-
Pooled Investments	-	-	-	2,238	321	-
Mutual Funds	-	-	-	-	-	-
Municipal, U. S. and Foreign Government Obligations	-	-	-	-	-	-
Other Assets	-	-	-	-	-	-
Total Assets	<u>\$ 23,645</u>	<u>\$ 4,316</u>	<u>\$ 27,536</u>	<u>\$ 9,254</u>	<u>\$ 842</u>	<u>\$ 1,823</u>
Liabilities						
Accounts Payable and Other Accruals	\$ -	\$ 1,225	\$ -	\$ 79	\$ -	\$ -
Funds Held for Others	23,645	3,091	27,536	9,175	842	1,823
Other Liabilities	-	-	-	-	-	-
Total Liabilities	<u>\$ 23,645</u>	<u>\$ 4,316</u>	<u>\$ 27,536</u>	<u>\$ 9,254</u>	<u>\$ 842</u>	<u>\$ 1,823</u>



Sales Tax Collections for Local Governments					Telecom- munications				
Education Local Option	Homestead Option	Local Option	MARTA	Special Purpose Local Option	Relay Service Fund	Universal Service Fund	Miscellaneous	Total	
\$ 549	\$ 42	\$ 352	\$ 105	\$ 396	\$ 8,860	\$ -	\$ 69,500	\$ 143,033	
-	-	-	-	-	-	-	651	2,279	
-	-	-	-	-	-	-	2,350	2,350	
253	19	219	48	182	4,022	-	7,386	14,688	
-	-	-	-	-	-	3,503	-	3,503	
-	-	-	-	-	-	44,924	-	44,924	
-	-	-	-	-	-	-	34,647	34,647	
<u>\$ 802</u>	<u>\$ 61</u>	<u>\$ 571</u>	<u>\$ 153</u>	<u>\$ 578</u>	<u>\$ 12,882</u>	<u>\$ 48,427</u>	<u>\$ 114,534</u>	<u>\$ 245,424</u>	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 942	\$ 2,246	
802	61	571	153	578	12,882	48,427	113,573	243,159	
-	-	-	-	-	-	-	19	19	
<u>\$ 802</u>	<u>\$ 61</u>	<u>\$ 571</u>	<u>\$ 153</u>	<u>\$ 578</u>	<u>\$ 12,882</u>	<u>\$ 48,427</u>	<u>\$ 114,534</u>	<u>\$ 245,424</u>	



Combining Statement of Changes in Fiduciary Assets and Liabilities

Agency Funds

For the Fiscal Year Ended June 30, 2012

(dollars in thousands)

	Balance July 1, 2011	Additions	Deductions	Balance June 30, 2012
Child Support Recovery Program				
Assets				
Cash and Cash Equivalents	\$ 2,300	\$ 915,784	\$ 894,439	\$ 23,645
Liabilities				
Funds Held for Others	\$ 2,300	\$ 915,784	\$ 894,439	\$ 23,645
County Medicaid Administrative Funds				
Assets				
Cash and Cash Equivalents	\$ (380)	\$ 4,591	\$ 1,523	\$ 2,688
Accounts Receivable	-	1,628	-	1,628
Total Assets	\$ (380)	\$ 6,219	\$ 1,523	\$ 4,316
Liabilities				
Accounts Payable and Other Accruals	\$ 17	\$ 4,621	\$ 3,413	\$ 1,225
Funds Held for Others	(397)	16,865	13,377	3,091
Total Liabilities	\$ (380)	\$ 21,486	\$ 16,790	\$ 4,316
Detainees' Accounts				
Assets				
Cash and Cash Equivalents	\$ 24,474	\$ 27,536	\$ 24,474	\$ 27,536
Liabilities				
Funds Held for Others	\$ 24,474	\$ 27,536	\$ 24,474	\$ 27,536
Flexible Benefits Program				
Assets				
Cash and Cash Equivalents	\$ 7,444	\$ 212,240	\$ 212,668	\$ 7,016
Accounts Receivable	40	-	40	-
Investments	2,069	2,238	2,069	2,238
Total Assets	\$ 9,553	\$ 214,478	\$ 214,777	\$ 9,254
Liabilities				
Accounts Payable and Other Accruals	\$ 36	\$ 209,771	\$ 209,728	\$ 79
Funds Held for Others	9,517	209,917	210,259	9,175
Total Liabilities	\$ 9,553	\$ 419,688	\$ 419,987	\$ 9,254
Railroad Car Tax				
Assets				
Cash and Cash Equivalents	\$ 486	\$ 356	\$ 321	\$ 521
Investments	356	321	356	321
Total Assets	\$ 842	\$ 677	\$ 677	\$ 842
Liabilities				
Funds Held for Others	\$ 842	\$ -	\$ -	\$ 842
Real Estate Transfer Tax				
Assets				
Cash and Cash Equivalents	\$ 1,810	\$ 13	\$ -	\$ 1,823
Liabilities				
Funds Held for Others	\$ 1,810	\$ 13	\$ -	\$ 1,823

(continued)



Combining Statement of Changes in Fiduciary Assets and Liabilities

Agency Funds

For the Fiscal Year Ended June 30, 2012

(dollars in thousands)

	Balance July 1, 2011	Additions	Deductions	Balance June 30, 2012
Sales Tax Collections for Local Governments				
<i>Education Local Option Sales Tax</i>				
Assets				
Cash and Cash Equivalents	\$ 1,530	\$ 1,633,498	\$ 1,634,479	\$ 549
Investments	819	253	819	253
Total Assets	<u>\$ 2,349</u>	<u>\$ 1,633,751</u>	<u>\$ 1,635,298</u>	<u>\$ 802</u>
Liabilities				
Funds Held for Others	<u>\$ 2,349</u>	<u>\$ 1,632,679</u>	<u>\$ 1,634,226</u>	<u>\$ 802</u>
<i>Homestead Option Sales Tax</i>				
Assets				
Cash and Cash Equivalents	\$ 112	\$ 123,176	\$ 123,246	\$ 42
Investments	60	19	60	19
Total Assets	<u>\$ 172</u>	<u>\$ 123,195</u>	<u>\$ 123,306</u>	<u>\$ 61</u>
Liabilities				
Funds Held for Others	<u>\$ 172</u>	<u>\$ 123,116</u>	<u>\$ 123,227</u>	<u>\$ 61</u>
<i>Local Option Sales Tax</i>				
Assets				
Cash and Cash Equivalents	\$ 1,183	\$ 1,379,904	\$ 1,380,735	\$ 352
Investments	700	219	700	219
Total Assets	<u>\$ 1,883</u>	<u>\$ 1,380,123</u>	<u>\$ 1,381,435</u>	<u>\$ 571</u>
Liabilities				
Funds Held for Others	<u>\$ 1,883</u>	<u>\$ 1,379,203</u>	<u>\$ 1,380,515</u>	<u>\$ 571</u>
<i>MARTA Sales Tax</i>				
Assets				
Cash and Cash Equivalents	\$ 320	\$ 342,412	\$ 342,627	\$ 105
Investments	173	48	173	48
Total Assets	<u>\$ 493</u>	<u>\$ 342,460</u>	<u>\$ 342,800</u>	<u>\$ 153</u>
Liabilities				
Funds Held for Others	<u>\$ 493</u>	<u>\$ 342,240</u>	<u>\$ 342,580</u>	<u>\$ 153</u>
<i>Special Purpose Local Option Sales Tax</i>				
Assets				
Cash and Cash Equivalents	\$ 1,084	\$ 1,189,071	\$ 1,189,759	\$ 396
Investments	580	182	580	182
Total Assets	<u>\$ 1,664</u>	<u>\$ 1,189,253</u>	<u>\$ 1,190,339</u>	<u>\$ 578</u>
Liabilities				
Funds Held for Others	<u>\$ 1,664</u>	<u>\$ 1,188,491</u>	<u>\$ 1,189,577</u>	<u>\$ 578</u>

(continued)



Combining Statement of Changes in Fiduciary Assets and Liabilities

Agency Funds

For the Fiscal Year Ended June 30, 2012

(dollars in thousands)

	Balance July 1, 2011	Additions	Deductions	Balance June 30, 2012
Telecommunications Relay Service Fund				
Assets				
Cash and Cash Equivalents	\$ 10,837	\$ 14,548	\$ 16,525	\$ 8,860
Investments	5,746	4,022	5,746	4,022
Total Assets	<u>\$ 16,583</u>	<u>\$ 18,570</u>	<u>\$ 22,271</u>	<u>\$ 12,882</u>
Liabilities				
Funds Held for Others	<u>\$ 16,583</u>	<u>\$ 43</u>	<u>\$ 3,744</u>	<u>\$ 12,882</u>
Universal Service Fund				
Assets				
Cash and Cash Equivalents	\$ -	\$ 67,948	\$ 67,948	\$ -
Investments	52,241	48,427	52,241	48,427
Total Assets	<u>\$ 52,241</u>	<u>\$ 116,375</u>	<u>\$ 120,189</u>	<u>\$ 48,427</u>
Liabilities				
Funds Held for Others	<u>\$ 52,241</u>	<u>\$ 15,708</u>	<u>\$ 19,522</u>	<u>\$ 48,427</u>
Miscellaneous				
Assets				
Cash and Cash Equivalents	\$ 71,785	\$ 408,692	\$ 410,977	\$ 69,500
Accounts Receivable	624	3,571	3,544	651
Investments	8,011	7,394	5,669	9,736
Other Assets	41,117	34,647	41,117	34,647
Total Assets	<u>\$ 121,537</u>	<u>\$ 454,304</u>	<u>\$ 461,307</u>	<u>\$ 114,534</u>
Liabilities				
Accounts Payable and Other Accruals	\$ 237	\$ 23,107	\$ 22,402	\$ 942
Funds Held for Others	121,155	434,992	442,574	113,573
Other Liabilities	145	-	126	19
Total Liabilities	<u>\$ 121,537</u>	<u>\$ 458,099</u>	<u>\$ 465,102</u>	<u>\$ 114,534</u>
TOTAL - ALL AGENCY FUNDS				
Assets				
Cash and Cash Equivalents	\$ 122,985	\$ 6,319,769	\$ 6,299,721	\$ 143,033
Accounts Receivable	664	5,199	3,584	2,279
Investments	70,755	63,123	68,413	65,465
Other Assets	41,117	34,647	41,117	34,647
Total Assets	<u>\$ 235,521</u>	<u>\$ 6,422,738</u>	<u>\$ 6,412,835</u>	<u>\$ 245,424</u>
Liabilities				
Accounts Payable and Other Accruals	\$ 290	\$ 237,499	\$ 235,543	\$ 2,246
Funds Held for Others	235,086	6,286,587	6,278,514	243,159
Other Liabilities	145	-	126	19
Total Liabilities	<u>\$ 235,521</u>	<u>\$ 6,524,086</u>	<u>\$ 6,514,183</u>	<u>\$ 245,424</u>

NONMAJOR COMPONENT UNITS



Description of Nonmajor Component Units

Component units are legally separate organizations for which the primary government is considered to be financially accountable. Nonmajor component units are described below:

Economic Development Organizations

The Economic Development organizations cultivate business for the State. These organizations are described below:

The **Geo. L. Smith II Georgia World Congress Center Authority** is a body corporate and politic and an instrumentality and public corporation of the State. The Authority is responsible for acquiring, constructing, equipping, maintaining and operating the World Congress Center to promote trade shows, conventions and political, musical, educational, entertainment, recreational, athletic or other events. The Governor appoints the fifteen members of the Board.

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

The **Georgia International and Maritime Trade Center Authority** is a body corporate and politic. The Authority was created to develop and promote the growth of the State's import and export markets through its ports and other transportation modes. State officials appoint eight of the twelve members of the Board.

The **Georgia Medical Center Authority** is a body corporate and politic. The general nature of the business of the Authority is the provision of life sciences industry research and development and manufacturing facilities and programs based in the State of Georgia, the commercialization of biomedical and biotechnical research results, the promotion of closer ties between academic institutions of the state and the biomedical industry, the facilitation of the development of a life sciences industrial cluster in the State, and the advancement of local and state economic growth. The seven Authority members are appointed by State officials.

The **Georgia Ports Authority** is a body corporate and politic. The purpose of the Authority is to develop and improve the harbors or seaports of the State for the handling of waterborne commerce and to acquire, construct, equip, maintain, develop and improve said harbors, seaports and their facilities. The Board consists of twelve members, all of which are appointed by the Governor.

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

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



Description of Nonmajor Component Units

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

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

The **Georgia Highway Authority** is a body corporate and politic. This Authority was created to build, rebuild, relocate, construct, reconstruct, surface, resurface, layout, grade, repair, improve, widen, straighten, operate, own, maintain, lease and manage roads, bridges and approaches. The three members of the Authority are State officials designated by statute. The Authority has a separate management report, but separate audited financial statements are not required or issued for it.

The **Georgia Public Telecommunications Commission** is a body corporate and politic. This Commission is a public charitable organization created for the purpose of providing educational, instructional and public broadcasting services to citizens of Georgia. The budget of the Commission must be approved by the State. The Board consists of nine members appointed by the Governor. Financial information presented for the Commission includes its component unit, Foundation for Public Broadcasting in Georgia, Inc.

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

The **Georgia Regional Transportation Authority** is a body corporate and politic. The purpose of the Authority is to manage land transportation and air quality within certain areas of the State. The Governor appoints the fifteen members of the Authority.

The **Georgia Student Finance Authority** is a body corporate and politic. This Authority was created for the purpose of improving higher educational opportunities by providing educational scholarship, grant and loan assistance. A substantial amount of funding is provided to the Authority by the State. State officials comprise four of the fifteen members of the Board, and the Governor appoints the remaining eleven.

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

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

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



Description of Nonmajor Component Units

Tourism / State Attractions

These organizations promote State interests or encourage visitation to the State through the operation and maintenance of various attractions. Organizations involved in such activities are described below:

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

The **Georgia Music Hall of Fame Authority** is a body corporate and politic whose purpose is to construct, operate and maintain the Music Hall of Fame, as well as to promote music events at the facility and throughout the State. The Governor appoints the sixteen members of the Board.

The **Georgia Sports Hall of Fame Authority** is a body corporate and politic. This Authority was created to construct and maintain a facility to house the Georgia Sports Hall of Fame to honor those who have made outstanding and lasting contributions to sports and athletics, and to operate, advertise and promote the Sports Hall of Fame. State officials appoint the eighteen members of the Board. The Georgia State Financing and Investment Commission must approve the issuance of Authority bonds.

The **Jekyll Island State Park Authority** is a body corporate and politic and an instrumentality and public corporation of the State. The Authority was created to operate and manage resort recreational facilities on Jekyll Island. The Board consists of one State official designated by statute and eight members appointed by the Governor. Financial information presented for the Authority includes its component unit, Jekyll Island Foundation, Inc.

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

The **North Georgia Mountains Authority** is a body corporate and politic and an instrumentality and public corporation of the State responsible for the construction and management of recreation, accommodation and tourist facilities and services. The Governor appoints the nine members of the Board.

The **Oconee River Greenway Authority** is a body corporate and politic and an instrumentality and public corporation of the State responsible for community land conservation, protection and restoration along the Oconee River corridor. Such projects add both to the quality of life and to economic development in Central Georgia. The Georgia State Financing and Investment Commission must approve the issuance of Authority bonds.

The **Sapelo Island Heritage Authority** is a body corporate and politic. The purpose of the authority is the preservation of the cultural and historic values of Hog Hammock Community located on Greater Sapelo Island. The Board consists of four State officials designated by statute and one member appointed by the Governor. The State has assumed the obligation to provide financial support for real property acquisition.

The **Southwest Georgia Railroad Excursion Authority** is a body corporate and politic and an instrumentality and public corporation of the State. The Authority was created for the purposes of construction, financing, operation and development of rail passenger excursion projects utilizing any State-



Description of Nonmajor Component Units

owned railway in southwest Georgia. The thirteen member Board is appointed by officials of counties and municipalities within the service area. The Georgia State Financing and Investment Commission must approve the issuance of bonds.

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

State of Georgia

Combining Statement of Net Assets

Nonmajor Component Units

June 30, 2012

(dollars in thousands)

	Economic Development Organizations (see combining)	Georgia Foundation for Public Education	Georgia Higher Education Assistance Corporation	Georgia Highway Authority	Georgia Public Telecommunications Commission
Assets					
Current Assets:					
Cash and Cash Equivalents	\$ 219,399	\$ 53	\$ 14,865	\$ 318	\$ 1,574
Investments	47,317	-	-	146	6,916
Receivables					
Accounts (Net)	59,951	-	-	-	802
Taxes	492	-	-	-	-
Interest and Dividends	1,430	-	-	-	-
Notes and Loans (Net)	102,573	-	-	-	-
Due from Primary Government	-	-	-	-	-
Due from Component Units	-	-	-	-	-
Intergovernmental Receivables	1,858	-	490	-	-
Other Current Assets	10,716	-	-	-	17
Noncurrent Assets:					
Investments	7,085	-	-	-	-
Receivables (Net)					
Notes and Loans	2,340	-	-	-	-
Other	-	-	-	-	-
Due from Component Units	-	-	-	-	-
Restricted Assets					
Cash and Cash Equivalents	6,482	-	-	-	-
Investments	16,588	-	-	-	-
Receivables					
Other	49	-	-	-	-
Non-depreciable capital assets	338,394	-	-	-	1,479
Depreciable capital assets, net	690,706	-	-	-	30,600
Deferred Capital Outflow	-	-	-	-	-
Other Noncurrent Assets	9,857	-	-	-	-
Total Assets	1,515,237	53	15,355	464	41,388



Georgia Rail Passenger Authority	Georgia Regional Transportation Authority	Georgia Student Finance Authority	Higher Education Foundations	Regional Educational Service Agencies	Superior Court Clerks' Cooperative Authority	Tourism / State Attractions (see combining)	Total
\$ 101 46	\$ 16,886 3,630	\$ 44,501 -	\$ 322,935 179,442	\$ 21,695 2,038	\$ 5,408 -	\$ 18,397 1,057	\$ 666,132 240,592
-	622	-	280,376	1,901	954	2,659	347,265
-	-	-	-	-	-	-	492
-	-	545	-	-	-	-	1,975
-	-	219,166	-	-	-	-	321,739
-	-	974	5,395	-	-	-	6,369
-	-	92	9,769	-	-	-	9,861
-	1,586	-	-	7,285	-	-	11,219
-	436	454	98,663	2,934	89	1,207	114,516
-	-	-	1,250,243	-	-	590	1,257,918
-	-	-	-	-	-	-	2,340
-	-	-	2,035,454	-	-	-	2,035,454
-	-	-	89,964	-	-	-	89,964
-	-	-	163,015	-	12,141	-	181,638
-	-	-	-	-	-	-	16,588
-	-	-	-	-	-	-	49
-	-	374	163,073	229	-	75,279	578,828
-	35,189	1,074	666,034	4,119	1,110	205,274	1,634,106
-	-	-	11,725	-	-	-	11,725
-	-	-	155,722	-	-	-	165,579
147	58,349	267,180	5,431,810	40,201	19,702	304,463	7,694,349

(continued)

State of Georgia

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

	Economic Development Organizations (see combining)	Georgia Foundation for Public Education	Georgia Higher Education Assistance Corporation	Georgia Highway Authority	Georgia Public Telecommunication Commission
Liabilities					
Current Liabilities:					
Accounts Payable and Other Accruals	28,092	-	114	-	448
Due to Primary Government	1,960	-	-	-	-
Due to Component Units	-	-	92	-	-
Funds Held for Others	-	-	-	-	-
Unearned Revenue	26,827	-	-	-	163
Notes and Loans Payable	3,887	-	-	-	-
Revenue/Mortgage Bonds Payable	11,755	-	-	-	-
Other Current Liabilities	6,607	-	215	-	309
Current Liabilities Payable from Restricted Assets:					
Accrued Interest Payable	1,702	-	-	-	-
Revenue Bonds Payable	7,410	-	-	-	-
Other	-	-	-	-	-
Noncurrent Liabilities:					
Unearned Revenue	-	-	-	-	-
Notes and Loans Payable	36,057	-	-	-	-
Revenue/Mortgage Bonds Payable	107,206	-	-	-	-
Due to Primary Government	-	-	-	-	-
Derivative Instrument Payable	-	-	-	-	-
Other Noncurrent Liabilities	43,495	-	-	-	813
Total Liabilities	274,998	-	421	-	1,733
Net Assets					
Invested in Capital Assets, Net of Related Debt	863,561	-	-	-	32,079
Restricted for:					
Bond Covenants/Debt Service	14,886	-	-	-	-
Capital Projects	-	-	-	-	-
Permanent Trusts					
Expendable	-	-	-	-	-
Nonexpendable	-	-	-	-	-
Other Purposes	4,849	53	-	-	-
Unrestricted	356,943	-	14,934	464	7,576
Total Net Assets	\$ 1,240,239	\$ 53	\$ 14,934	\$ 464	\$ 39,655



Georgia Rail Passenger Authority	Georgia Regional Transportation Authority	Georgia Student Finance Authority	Higher Education Foundations	Regional Educational Service Agencies	Superior Court Clerks' Cooperative Authority	Tourism / State Attractions (see combining)	Total
-	1,265	8,244	105,090	7,236	3,650	1,712	155,851
-	12	-	140,001	4	-	4	141,981
-	-	-	-	-	-	2	94
-	-	-	4,150	-	-	-	4,150
-	6,568	585	95,856	368	-	964	131,331
-	-	-	9,479	-	-	2,999	16,365
-	-	-	46,684	395	-	359	59,193
-	5,499	903	53,758	146	-	488	67,925
-	-	-	-	-	-	-	1,702
-	-	-	-	-	-	-	7,410
-	-	-	-	-	9,864	-	9,864
-	-	-	178,171	-	-	-	178,171
-	-	-	388,442	-	-	15,841	440,340
-	-	-	2,438,116	3,265	-	8,399	2,556,986
-	-	-	4,909	-	-	-	4,909
-	-	-	64,065	-	-	-	64,065
-	1,276	182,398	28,039	1,491	-	812	258,324
-	14,620	192,130	3,556,760	12,905	13,514	31,580	4,098,661
-	33,863	1,419	112,051	2,950	1,110	267,458	1,314,491
-	-	-	-	-	-	-	14,886
-	-	-	62,234	-	-	-	62,234
-	-	-	421,972	-	-	-	421,972
-	-	-	639,971	-	-	-	639,971
-	-	19,579	-	-	-	-	24,481
147	9,866	54,052	638,822	24,346	5,078	5,425	1,117,653
\$ 147	\$ 43,729	\$ 75,050	\$ 1,875,050	\$ 27,296	\$ 6,188	\$ 272,883	\$ 3,595,688

State of Georgia

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

	Economic Development Organizations (see combining)	Georgia Foundation for Public Education	Georgia Higher Education Assistance Corporation	Georgia Highway Authority	Georgia Public Telecommunication Commission
Expenses	\$ 355,516	\$ 62	\$ 6,986	\$ -	\$ 36,581
Program Revenues:					
Sales and Charges for Services	365,346	-	7,775	-	5,337
Operating Grants and Contributions	4,861	112	16	1	21,420
Capital Grants and Contributions	13,009	-	-	-	14,970
Total Program Revenues	383,216	112	7,791	1	41,727
Net (Expenses) Revenue	27,700	50	805	1	5,146
General Revenues:					
Taxes	25,692	-	-	-	-
Payments from the State of Georgia	10,175	-	-	-	-
Contributions to Permanent Endowments	-	-	-	-	-
Total General Revenues	35,867	-	-	-	-
Change in Net Assets	63,567	50	805	1	5,146
Net Assets, July 1 (Restated - Note 3)	1,176,672	3	14,129	463	34,509
Net Assets, June 30	\$ 1,240,239	\$ 53	\$ 14,934	\$ 464	\$ 39,655



Georgia Rail Passenger Authority	Georgia Regional Transportation Authority	Georgia Student Finance Authority	Higher Education Foundations	Regional Educational Service Agencies	Superior Court Clerks' Cooperative Authority	Tourism / State Attractions (see combining)	Total
\$ 14	\$ 40,490	\$ 6,947	\$ 1,830,226	\$ 87,811	\$ 15,157	\$ 56,845	\$ 2,436,635
-	9,550	5,773	906,797	17,375	16,173	48,861	1,382,987
14	24,405	20,053	855,236	69,175	24	1,585	996,902
-	1,251	79	4,413	-	-	27,933	61,655
14	35,206	25,905	1,766,446	86,550	16,197	78,379	2,441,544
-	(5,284)	18,958	(63,780)	(1,261)	1,040	21,534	4,909
-	-	-	-	-	-	1,282	26,974
-	10,094	-	28,589	-	-	995	49,853
-	-	-	23,093	-	-	-	23,093
-	10,094	-	51,682	-	-	2,277	99,920
-	4,810	18,958	(12,098)	(1,261)	1,040	23,811	104,829
147	38,919	56,092	1,887,148	28,557	5,148	249,072	3,490,859
\$ 147	\$ 43,729	\$ 75,050	\$ 1,875,050	\$ 27,296	\$ 6,188	\$ 272,883	\$ 3,595,688

State of Georgia

Combining Statement of Net Assets Nonmajor Component Units Economic Development Organizations June 30, 2012 (dollars in thousands)

	Geo. L. Smith II Georgia World Congress Center Authority	Georgia Development Authority	Georgia International and Maritime Trade Center Authority	Georgia Medical Center Authority
Assets				
Current Assets:				
Cash and Cash Equivalents	\$ 49,675	\$ 521	\$ 4,496	\$ 222
Investments	187	3	-	-
Receivables				
Accounts (Net)	18,967	-	354	3
Taxes	-	-	492	-
Interest and Dividends	-	1,430	-	-
Notes and Loans (Net)	-	82,422	-	-
Intergovernmental Receivables	-	-	1,858	-
Other Current Assets	514	3,193	-	-
Noncurrent Assets:				
Investments	-	-	-	-
Receivables (Net)				
Notes and Loans	-	-	-	-
Restricted Assets				
Cash and Cash Equivalents	6,482	-	-	-
Investments	16,588	-	-	-
Receivables	49	-	-	-
Non-depreciable capital assets	37,283	50	28	-
Depreciable capital assets, net	98,541	449	1,274	38
Other Noncurrent Assets	-	-	-	-
Total Assets	228,286	88,068	8,502	263
Liabilities				
Current Liabilities:				
Accounts Payable and Other Accruals	9,444	563	439	12
Due to Primary Government	1	-	-	-
Unearned Revenue	26,158	-	-	-
Notes and Loans Payable	-	1,487	-	-
Revenue/Mortgage Bonds Payable	-	-	-	-
Other Current Liabilities	685	3,267	-	-
Current Liabilities Payable from Restricted Assets:				
Accrued Interest Payable	1,702	-	-	-
Revenue Bonds Payable	7,410	-	-	-
Noncurrent Liabilities:				
Notes and Loans Payable	-	-	-	-
Revenue/Mortgage Bonds Payable	99,975	-	-	-
Other Noncurrent Liabilities	8,341	28,728	-	-
Total Liabilities	153,716	34,045	439	12
Net Assets				
Invested in Capital Assets, Net of Related Debt	27,727	499	1,303	38
Restricted for:				
Bond Covenants/Debt Service	14,886	-	-	-
Other Purposes	61	4,788	-	-
Unrestricted	31,896	48,736	6,760	213
Total Net Assets	\$ 74,570	\$ 54,023	\$ 8,063	\$ 251



Georgia Ports Authority	Georgia Seed Development Commission	OneGeorgia Authority	Total
\$ 97,145	\$ 4,434	\$ 62,906	\$ 219,399
19,700	-	27,427	47,317
39,628	999	-	59,951
-	-	-	492
-	-	-	1,430
416	-	19,735	102,573
-	-	-	1,858
6,550	459	-	10,716
7,085	-	-	7,085
2,340	-	-	2,340
-	-	-	6,482
-	-	-	16,588
-	-	-	49
300,826	207	-	338,394
587,846	2,544	14	690,706
9,857	-	-	9,857
1,071,393	8,643	110,082	1,515,237
16,393	198	1,043	28,092
20	53	1,886	1,960
669	-	-	26,827
2,400	-	-	3,887
11,755	-	-	11,755
2,493	-	162	6,607
-	-	-	1,702
-	-	-	7,410
36,057	-	-	36,057
7,231	-	-	107,206
6,426	-	-	43,495
83,444	251	3,091	274,998
831,229	2,751	14	863,561
-	-	-	14,886
-	-	-	4,849
156,720	5,641	106,977	356,943
\$ 987,949	\$ 8,392	\$ 106,991	\$ 1,240,239

State of Georgia

Combining Statement of Activities Nonmajor Component Units Economic Development Organizations For the Fiscal Year Ended June 30, 2012 (dollars in thousands)

	Geo. L. Smith II Georgia World Congress Center Authority	Georgia Development Authority	Georgia International and Maritime Trade Center Authority	Georgia Medical Center Authority
Expenses	\$ 90,250	\$ 3,587	\$ 5,896	\$ 388
Program Revenues:				
Sales and Charges for Services	73,167	2,931	741	161
Operating Grants and Contributions	65	-	19	-
Capital Grants and Contributions	-	-	3,311	-
Total Program Revenues	73,232	2,931	4,071	161
Net (Expenses) Revenue	(17,018)	(656)	(1,825)	(227)
General Revenues:				
Taxes	23,073	-	2,619	-
Payments from the State of Georgia	-	-	-	175
Total General Revenues	23,073	-	2,619	175
Change in Net Assets	6,055	(656)	794	(52)
Net Assets, July 1 (Restated - Note 3)	68,515	54,679	7,269	303
Net Assets, June 30	\$ 74,570	\$ 54,023	\$ 8,063	\$ 251



Georgia Ports Authority	Georgia Seed Development Commission	OneGeorgia Authority	Total
\$ 218,809	\$ 4,086	\$ 32,500	\$ 355,516
283,538	4,808	-	365,346
4,329	1	447	4,861
9,698	-	-	13,009
297,565	4,809	447	383,216
78,756	723	(32,053)	27,700
-	-	-	25,692
-	-	10,000	10,175
-	-	10,000	35,867
78,756	723	(22,053)	63,567
909,193	7,669	129,044	1,176,672
\$ 987,949	\$ 8,392	\$ 106,991	\$ 1,240,239

State of Georgia

Combining Statement of Net Assets

Nonmajor Component Units

Tourism/State Attractions

June 30, 2012

(dollars in thousands)

	Georgia Agricultural Exposition Authority	Georgia Music Hall of Fame Authority	Georgia Sports Hall of Fame Authority	Jekyll Island State Park Authority	Lake Lanier Islands Development Authority
Assets					
Current Assets:					
Cash and Cash Equivalents	\$ 688	\$ 29	\$ 4	\$ 4,617	\$ 5,339
Investments	-	-	-	118	-
Receivables					
Accounts (Net)	114	5	-	1,573	944
Other Current Assets	-	50	-	357	-
Noncurrent Assets:					
Investments	-	-	-	-	-
Restricted Assets					
Non-depreciable capital assets	4,890	327	-	49,070	-
Depreciable capital assets, net	34,617	2	3	43,575	33,710
Total Assets	40,309	413	7	99,310	39,993
Liabilities					
Current Liabilities:					
Accounts Payable and Other Accruals	-	-	-	874	84
Due to Primary Government	-	-	-	4	-
Due to Component Unit	-	-	-	-	-
Unearned Revenue	340	-	-	624	-
Notes and Loans Payable	-	-	-	555	791
Revenue/Mortgage Bonds Payable	-	-	-	-	359
Other Current Liabilities	-	-	-	253	-
Noncurrent Liabilities:					
Notes and Loans Payable	-	-	-	475	13,713
Revenue/Mortgage Bonds Payable	-	-	-	-	8,399
Other Noncurrent Liabilities	230	-	-	550	32
Total Liabilities	570	-	-	3,335	23,378
Net Assets					
Invested in Capital Assets, Net of Related Debt	39,507	329	3	91,615	24,952
Unrestricted	232	84	4	4,360	(8,337)
Total Net Assets	\$ 39,739	\$ 413	\$ 7	\$ 95,975	\$ 16,615



North Georgia Mountains Authority	Oconee River Greenway Authority	Sapelo Island Heritage Authority	Southwest Georgia Railroad Excursion Authority	Stone Mountain Memorial Association	Total
\$ 872	\$ 131	\$ 2	\$ 251	\$ 6,464	\$ 18,397
299	-	-	-	640	1,057
13	1	-	-	9	2,659
-	-	-	-	800	1,207
-	-	-	-	590	590
2,526	508	4,923	-	13,035	75,279
16,703	990	-	366	75,308	205,274
20,413	1,630	4,925	617	96,846	304,463
206	-	-	8	540	1,712
-	-	-	-	-	4
2	-	-	-	-	2
-	-	-	-	-	964
1,653	-	-	-	-	2,999
-	-	-	-	-	359
-	-	-	-	235	488
1,653	-	-	-	-	15,841
-	-	-	-	-	8,399
-	-	-	-	-	812
3,514	-	-	8	775	31,580
15,922	1,497	4,923	366	88,344	267,458
977	133	2	243	7,727	5,425
\$ 16,899	\$ 1,630	\$ 4,925	\$ 609	\$ 96,071	\$ 272,883

State of Georgia

Combining Statement of Activities Nonmajor Component Units Tourism/State Attractions For the Fiscal Year Ended June 30, 2012 (dollars in thousands)

	Georgia Agricultural Exposition Authority	Georgia Music Hall of Fame Authority	Georgia Sports Hall of Fame Authority	Jekyll Island State Park Authority	Lake Lanier Islands Development Authority
Expenses	\$ 9,602	\$ 261	\$ 133	\$ 19,310	\$ 3,887
Program Revenues:					
Sales and Charges for Services	6,901	6	-	16,192	3,823
Operating Grants and Contributions	16	175	-	761	2
Capital Grants and Contributions	1,100	-	-	26,831	-
Total Program Revenues	8,017	181	-	43,784	3,825
Net (Expenses) Revenue	(1,585)	(80)	(133)	24,474	(62)
General Revenues:					
Taxes	-	-	-	1,282	-
Payments from the State of Georgia	995	-	-	-	-
Total General Revenues	995	-	-	1,282	-
Change in Net Assets	(590)	(80)	(133)	25,756	(62)
Net Assets, July 1 (Restated - Note 3)	40,329	493	140	70,219	16,677
Net Assets, June 30	\$ 39,739	\$ 413	\$ 7	\$ 95,975	\$ 16,615



North Georgia Mountains Authority	Oconee River Greenway Authority	Sapelo Island Heritage Authority	Southwest Georgia Railroad Excursion Authority	Stone Mountain Memorial Association	Total
\$ 11,341	\$ 98	\$ -	\$ 406	\$ 11,807	\$ 56,845
11,476	-	-	478	9,985	48,861
4	96	-	-	531	1,585
-	2	-	-	-	27,933
11,480	98	-	478	10,516	78,379
139	-	-	72	(1,291)	21,534
-	-	-	-	-	1,282
-	-	-	-	-	995
-	-	-	-	-	2,277
139	-	-	72	(1,291)	23,811
16,760	1,630	4,925	537	97,362	249,072
\$ 16,899	\$ 1,630	\$ 4,925	\$ 609	\$ 96,071	\$ 272,883



Statistical Section



" Tallulah Gorge"

Artist: Libby Matthews, Lakemont, GA



This part of the *Comprehensive Annual Financial Report* presents detailed information as a context for understanding what the information in the financial statements, note disclosures and required supplementary information says about the State's overall financial health.

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Sources: Unless otherwise noted, the information in these schedules is derived from the *Comprehensive Annual Financial Reports* for the relevant year.

State of Georgia

Schedule 1

Net Assets by Component For the Last Nine Fiscal Years

(accrual basis of accounting)

(dollars in thousands)

	2012	2011	2010	2009
Governmental Activities ^{(1) (2)}				
Invested in Capital Assets,				
Net of Related Debt	\$ 13,355,209	\$ 12,880,313	\$ 12,550,617	\$ 12,066,578
Restricted	3,968,493	4,031,347	2,605,116	2,254,051
Unrestricted	(2,456,411)	(2,106,699)	(648,171)	(468,978)
Total Governmental Activities Net Assets	<u>\$ 14,867,291</u>	<u>\$ 14,804,961</u>	<u>\$ 14,507,562</u>	<u>\$ 13,851,651</u>
Business-type Activities ^{(1) (2)}				
Invested in Capital Assets,				
Net of Related Debt	\$ 6,257,436	\$ 5,952,035	\$ 5,426,787	\$ 5,178,579
Restricted	457,265	489,736	423,325	1,022,564
Unrestricted	(1,293,130)	(1,069,413)	(546,363)	(152,768)
Total Business-type Activities Net Assets	<u>\$ 5,421,571</u>	<u>\$ 5,372,358</u>	<u>\$ 5,303,749</u>	<u>\$ 6,048,375</u>
Total Primary Government ⁽²⁾				
Invested in Capital Assets,				
Net of Related Debt	\$ 19,612,645	\$ 18,832,348	\$ 17,977,404	\$ 17,245,157
Restricted	4,425,758	4,521,083	3,028,441	3,276,615
Unrestricted	(3,749,541)	(3,176,112)	(1,194,534)	(621,746)
Total Primary Government Net Assets	<u>\$ 20,288,862</u>	<u>\$ 20,177,319</u>	<u>\$ 19,811,311</u>	<u>\$ 19,900,026</u>

(1) Beginning in fiscal year 2007, the Georgia Technology Authority is reported as an internal service fund serving primarily governmental organizations and, as such, its activity and balances are included in Governmental Activities (previously reported in Business-type Activities).

(2) Beginning in fiscal year 2007, the funds of the State Road and Tollway Authority, a component unit, are blended with those of the primary government (previously discretely presented). As such, its activity and balances are included in both Governmental Activities and in Business-type Activities. Beginning in fiscal year 2009, the Business-type Activities of the State Road and Tollway Authority (as previously reported in Governmental Activities) are included in nonmajor enterprise funds along with the Georgia Higher Education Facilities Authority. Beginning in fiscal year 2012, some business-type activities of the State Road and Tollway Authority (as previously reported in nonmajor Enterprise Funds) are included in the Internal Service Funds.

Source: Financial Statements included in Current and Prior Years' *Comprehensive Annual Financial Reports*

**Fiscal Year**

2008	2007	2006	2005	2004
\$ 11,979,690	\$ 10,804,344	\$ 11,274,666	\$ 10,914,903	\$ 10,073,116
1,641,507	2,398,250	2,164,233	2,248,834	2,166,594
1,383,624	2,233,041	994,617	1,332,716	1,381,037
<u>\$ 15,004,821</u>	<u>\$ 15,435,635</u>	<u>\$ 14,433,516</u>	<u>\$ 14,496,453</u>	<u>\$ 13,620,747</u>
\$ 4,801,548	\$ 4,582,190	\$ 4,387,218	\$ 4,214,124	\$ 3,849,935
1,745,185	1,877,790	1,767,054	1,599,878	1,269,663
604,035	475,506	374,831	366,419	604,687
<u>\$ 7,150,768</u>	<u>\$ 6,935,486</u>	<u>\$ 6,529,103</u>	<u>\$ 6,180,421</u>	<u>\$ 5,724,285</u>
\$ 16,781,238	\$ 15,386,534	\$ 15,661,884	\$ 15,129,027	\$ 13,923,051
3,386,692	4,276,040	3,931,287	3,848,712	3,436,257
1,987,659	2,708,547	1,369,448	1,699,135	1,985,724
<u>\$ 22,155,589</u>	<u>\$ 22,371,121</u>	<u>\$ 20,962,619</u>	<u>\$ 20,676,874</u>	<u>\$ 19,345,032</u>

State of Georgia

Schedule 2

Changes in Net Assets

For the Last Nine Fiscal Years

(accrual basis of accounting)

(dollars in thousands)

	2012	2011	2010	2009
Expenses				
Governmental Activities				
General Government ⁽¹⁾	\$ 1,326,657	\$ 1,222,954	\$ 1,467,147	\$ 1,904,893
Education	10,100,155	10,002,351	10,731,693	10,085,766
Health and Welfare	15,657,704	14,745,268	14,210,928	13,118,680
Transportation ⁽²⁾	1,519,707	1,517,213	1,752,933	1,786,808
Public Safety	1,912,814	1,974,964	1,834,315	1,972,187
Economic Development and Assistance	783,308	843,912	808,742	735,415
Culture and Recreation	233,043	233,608	287,860	273,401
Conservation	50,334	59,159	62,059	69,726
Interest and Other Charges on Long-Term Debt ⁽²⁾	638,775	462,602	446,520	466,077
Total Governmental Activities	32,222,497	31,062,031	31,602,197	30,412,953
Business-type Activities				
Georgia Technology Authority ⁽¹⁾	-	-	-	-
Higher Education Fund	7,916,281	7,622,542	7,067,724	6,728,721
State Employees' Health Benefit Plan	2,362,677	2,224,280	2,298,354	2,211,087
Unemployment Compensation Fund	2,240,295	2,954,208	4,011,802	2,435,344
Nonmajor Enterprise Funds ⁽²⁾	35,735	26,613	26,174	17,835
Total Business-type Activities	12,554,988	12,827,643	13,404,054	11,392,987
Total Primary Government Expenses	\$ 44,777,485	\$ 43,889,674	\$ 45,006,251	\$ 41,805,940
Program Revenues				
Governmental Activities ^{(1) (2)}				
Sales and Charges for Services				
General Government	\$ 1,912,183	\$ 1,887,736	\$ 1,763,847	\$ 1,654,486
Health and Welfare	489,289	473,934	245,953	367,829
Public Safety	162,970	160,161	135,736	232,579
Other Sales and Charges for Services	264,309	248,385	263,202	225,419
Operating Grants and Contributions	14,764,360	14,029,675	15,656,694	12,714,639
Capital Grants and Contributions	1,142,924	1,473,052	1,599,721	1,286,969
Total Governmental Activities	18,736,035	18,272,943	19,665,153	16,481,921
Business-type Activities ^{(1) (2)}				
Sales and Charges for Services				
Georgia Technology Authority	-	-	-	-
Higher Education Fund	2,922,710	2,647,604	2,408,042	2,103,284
Unemployment Compensation Fund	-	-	-	-
State Road and Tollway Authority	38,716	35,476	34,142	27,669
Operating Grants and Contributions	7,245,740	7,557,366	7,837,041	5,376,243
Capital Grants and Contributions	36,157	106,217	41,634	45,385
Total Business-type Activities	10,243,323	10,346,663	10,320,859	7,552,581
Total Primary Government Program Revenues	\$ 28,979,358	\$ 28,619,606	\$ 29,986,012	\$ 24,034,502
Net (Expense) Revenue				
Governmental Activities ^{(1) (2)}	\$ (13,486,462)	\$ (12,789,088)	\$ (11,937,044)	\$ (13,931,032)
Business-type Activities ^{(1) (2)}	(2,311,665)	(2,480,980)	(3,083,195)	(3,840,406)
Total Primary Government	\$ (15,798,127)	\$ (15,270,068)	\$ (15,020,239)	\$ (17,771,438)



Fiscal Year

2008	2007	2006	2005	2004
\$ 1,896,438	\$ 1,830,659	\$ 1,562,693	\$ 1,354,451	\$ 1,900,816
10,812,665	9,948,891	9,030,145	8,376,252	8,007,435
12,256,789	11,764,652	11,238,207	11,847,414	11,370,543
3,056,226	1,705,285	1,624,369	2,316,638	1,844,281
2,130,454	1,891,555	1,715,838	1,781,048	1,712,346
504,897	759,979	696,800	702,879	738,425
251,055	286,132	263,813	225,821	237,831
69,836	102,149	60,660	48,791	49,089
405,255	385,449	326,741	318,860	319,034
31,383,615	28,674,751	26,519,266	26,972,154	26,179,800
-	-	176,153	193,918	198,937
6,242,687	5,592,755	5,292,112	5,310,815	4,762,820
2,043,604	1,868,431	2,182,743	2,092,457	1,850,125
774,030	626,058	582,171	584,260	877,555
15,110	12,845	-	-	-
9,075,431	8,100,089	8,233,179	8,181,450	7,689,437
\$ 40,459,046	\$ 36,774,840	\$ 34,752,445	\$ 35,153,604	\$ 33,869,237
\$ 1,634,855	\$ 1,653,554	\$ 787,894	\$ 267,756	\$ 214,580
321,172	504,520	706,876	1,435,224	1,198,094
278,675	334,033	141,432	412,572	395,988
245,978	258,936	284,498	437,569	448,103
11,886,083	10,041,218	9,393,686	9,213,591	9,457,170
1,426,839	1,213,420	1,032,961	1,014,144	828,453
15,793,602	14,005,681	12,347,347	12,780,856	12,542,388
-	-	177,137	204,246	198,869
1,834,826	1,694,368	1,567,385	1,730,328	1,349,989
-	223	-	-	530,481
20,648	20,854	-	-	-
4,509,566	4,214,533	4,374,153	4,050,853	3,330,386
111,055	48,490	45,965	40,029	148,407
6,476,095	5,978,468	6,164,640	6,025,456	5,558,132
\$ 22,269,697	\$ 19,984,149	\$ 18,511,987	\$ 18,806,312	\$ 18,100,520
\$ (15,590,013)	\$ (14,669,070)	\$ (14,171,919)	\$ (14,191,298)	\$ (13,637,412)
(2,599,336)	(2,121,621)	(2,068,539)	(2,155,994)	(2,131,305)
\$ (18,189,349)	\$ (16,790,691)	\$ (16,240,458)	\$ (16,347,292)	\$ (15,768,717)

(continued)

State of Georgia

Schedule 2

Changes in Net Assets

For the Last Nine Fiscal Years

(accrual basis of accounting)

(dollars in thousands)

	2012	2011	2010	2009
General Revenues and Other Changes in Net Assets				
Governmental Activities ^{(1) (2)}				
General Revenues				
Taxes				
Personal Income	\$ 8,196,187	\$ 7,797,739	\$ 7,109,984	\$ 7,794,606
Sales - General	5,141,871	5,133,404	5,196,117	5,080,946
Other Taxes	2,636,648	2,330,338	2,334,928	2,370,848
Unrestricted Investment Income	6,183	(3,066)	993	63,074
Unclaimed Property	83,215	98,098	85,277	35,356
Other	12,909	30,285	44,183	112,681
Special Items	-	288,000	(10,090)	-
Transfers	(2,346,986)	(2,532,118)	(2,269,701)	(2,679,135)
Total Governmental Activities	13,730,027	13,142,680	12,491,691	12,778,376
Business-type Activities ^{(1) (2)}				
General Revenues				
Unrestricted Investment Income	-	-	-	76,060
Other	-	-	-	-
Transfers	2,346,986	2,532,118	2,269,701	2,679,135
Total Business-type Activities	2,346,986	2,532,118	2,269,701	2,755,195
Total Primary Government General Revenues and Other Changes in Net Assets	\$ 16,077,013	\$ 15,674,798	\$ 14,761,392	\$ 15,533,571
Changes in Net Assets				
Governmental Activities ^{(1) (2)}	\$ 243,565	\$ 353,592	\$ 554,647	\$ (1,152,656)
Business-type Activities ^{(1) (2)}	35,321	51,138	(813,494)	(1,085,211)
Total Primary Government	\$ 278,886	\$ 404,730	\$ (258,847)	\$ (2,237,867)

(1) Beginning in fiscal year 2007, the Georgia Technology Authority is reported as an internal service fund serving primarily governmental organizations and, as such, its activity and balances are included in Governmental Activities (previously reported in Business-type Activities).

(2) Beginning in fiscal year 2007, the funds of the State Road and Tollway Authority, a component unit, are blended with those of the primary government (previously discretely presented). As such, its activity and balances are included in both Governmental Activities and in Business-type Activities. Beginning in fiscal year 2009, the Business-Type Activities of the State Road and Tollway Authority (previously reported in Governmental Activities) are included in nonmajor enterprise funds along with the Georgia Higher Education Facilities Authority. Beginning in fiscal year 2012, some business-type activities of the State Road and Tollway Authority (as previously reported in nonmajor Enterprise Funds) are included in the Internal Service Funds.

Source: Financial Statements included in Current and Prior Years' Comprehensive Annual Financial Reports and supporting working papers (certain amounts restated for purposes of comparability)



Fiscal Year

2008	2007	2006	2005	2004
\$ 8,834,591	\$ 8,831,753	\$ 8,104,465	\$ 7,133,515	\$ 6,876,663
5,760,691	6,234,221	5,603,743	5,309,167	4,799,239
2,694,710	2,810,010	2,451,385	2,385,602	2,058,832
264,448	470,480	196,422	208,656	116,615
58,857	140,367	107,149	75,353	54,074
247,322	54,317	958,131	1,011,803	1,094,450
-	-	-	-	-
(2,670,418)	(2,478,882)	(2,306,278)	(2,340,526)	(2,294,450)
15,190,201	16,062,266	15,115,017	13,783,570	12,705,423
134,436	147,034	110,942	88,207	58,647
-	47	-	-	-
2,670,418	2,478,882	2,306,278	2,340,526	2,294,450
2,804,854	2,625,963	2,417,220	2,428,733	2,353,097
\$ 17,995,055	\$ 18,688,229	\$ 17,532,237	\$ 16,212,303	\$ 15,058,520
\$ (399,812)	\$ 1,393,196	\$ 943,098	\$ (407,728)	\$ (931,989)
205,518	504,342	348,681	272,739	221,792
\$ (194,294)	\$ 1,897,538	\$ 1,291,779	\$ (134,989)	\$ (710,197)

State of Georgia

Schedule 3

Fund Balances of Governmental Funds

For the Last Nine Fiscal Years

(modified accrual basis of accounting)

(dollars in thousands)

	2012	2011	2010	2009
General Fund				
Nonspendable	\$ 74,206	\$ 94,810	\$ -	\$ -
Restricted	3,004,697	2,951,729	-	-
Unrestricted				
Committed	7,695	9,403	-	-
Assigned	298,557	256,676	-	-
Unassigned	334,655	401,414	-	-
Reserved	-	-	3,737,311	3,520,953
Unreserved	-	-	(41,837)	(492,520)
Total General Fund	\$ 3,719,810	\$ 3,714,032	\$ 3,695,474	\$ 3,028,433
All Other Governmental Funds ⁽¹⁾				
Nonspendable	\$ 8,398	\$ 68	\$ -	\$ -
Restricted	963,782	1,079,604	-	-
Unrestricted				
Assigned	18,227	20,442	-	-
Reserved	-	-	43,114	14
Unreserved, Reported in				
Special Revenue Funds	-	-	33,319	436,838
Capital Projects Funds	-	-	1,323,352	1,496,019
Total All Other Governmental Funds	\$ 990,407	\$ 1,100,114	\$ 1,399,785	\$ 1,932,871

(1) Beginning in fiscal year 2007, the funds of the State Road and Tollway Authority, a component unit, are blended with those of the primary government (previously discretely presented). As such, the balances of its General Fund are included in the State's Special Revenue Funds. The Georgia Higher Education Facilities Authority, a blended component unit, was reported in the State's Capital Projects Funds in fiscal year 2008. Beginning in fiscal year 2009, the balances of this fund are included in the State's Nonmajor Enterprise Funds.

Source: Financial Statements included in Current and Prior Years' *Comprehensive Annual Financial Reports*
(certain amounts restated for purposes of comparability)



Fiscal Year

2008	2007	2006	2005	2004
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
2,837,792	3,487,699	3,342,233	3,430,424	3,319,425
1,489,500	2,077,088	924,590	335,828	228,852
<u>\$ 4,327,292</u>	<u>\$ 5,564,787</u>	<u>\$ 4,266,823</u>	<u>\$ 3,766,252</u>	<u>\$ 3,548,277</u>
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
-	-	-	-	-
14	14	1,028	1,027	1,639
286,451	187,585	1,219	-	-
1,195,760	1,476,288	1,207,665	804,079	1,236,105
<u>\$ 1,482,225</u>	<u>\$ 1,663,887</u>	<u>\$ 1,209,912</u>	<u>\$ 805,106</u>	<u>\$ 1,237,744</u>

State of Georgia

Schedule 4

Changes in Fund Balances of Governmental Funds

For the Last Nine Fiscal Years

(modified accrual basis of accounting)

(dollars in thousands)

	2012	2011	2010	2009
Revenues				
Taxes				
Personal Income	\$ 8,196,187	\$ 7,797,739	\$ 7,109,984	\$ 7,794,606
Sales - General	5,141,871	5,133,404	5,196,117	5,080,946
Other Taxes	2,636,648	2,330,338	2,334,928	2,370,848
Licenses and Permits	593,541	581,994	507,764	667,363
Intergovernmental - Federal	15,294,531	14,709,708	16,456,059	13,417,524
Intergovernmental - Other	505,974	652,244	569,179	360,531
Sales and Services	440,951	471,236	490,954	392,097
Fines and Forfeits	450,457	458,341	300,032	335,485
Interest and Other Investment Income	18,580	12,930	41,535	138,077
Unclaimed Property	83,215	98,098	85,277	35,356
Lottery Proceeds	901,329	846,106	883,882	872,136
Nursing Home Provider Fees	132,393	128,771	122,047	122,623
Hospital Provider Payments	225,260	215,080	-	-
Other	72,657	94,327	96,393	157,741
Total Revenues	34,693,594	33,530,316	34,194,151	31,745,333
Expenditures				
Current				
General Government	920,513	873,658	860,558	1,250,409
Education	10,099,224	9,981,903	10,719,216	10,083,963
Health and Welfare	15,668,820	14,721,528	14,211,763	13,097,393
Transportation	1,664,812	1,699,712	2,127,591	2,725,244
Public Safety	1,921,717	1,874,257	1,895,659	1,976,831
Economic Development and Assistance	782,055	836,341	787,261	718,858
Culture and Recreation	258,472	275,974	275,746	306,434
Conservation	54,694	51,573	62,430	65,007
Capital Outlay	674,905	882,731	500,166	560,229
Debt Service				
Principal	803,600	845,300	804,560	801,565
Interest	475,208	493,845	485,195	469,281
Other Charges	98,368	57,923	42,203	36,059
Intergovernmental	239,879	153,190	220,118	377,607
Total Expenditures	33,662,267	32,747,935	32,992,466	32,468,880
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,031,327	782,381	1,201,685	(723,547)



Fiscal Year

2008	2007	2006	2005	2004
\$ 8,834,591	\$ 8,831,754	\$ 8,104,465	\$ 7,133,515	\$ 6,876,663
5,760,691	6,234,221	5,603,743	5,309,167	4,799,240
2,694,710	2,810,010	2,451,385	2,385,603	2,058,832
682,940	649,930	539,158	496,178	452,008
11,623,735	10,648,457	10,024,646	10,152,667	10,226,522
405,077	401,637	117,040	-	-
376,674	687,277	994,996	1,732,902	1,657,989
321,804	344,139	303,788	265,708	238,662
240,337	443,226	186,974	103,155	36,427
58,857	140,367	107,149	75,353	54,074
867,686	853,641	822,797	802,083	801,381
133,974	111,768	95,607	99,271	92,768
-	-	-	-	-
152,296	258,313	386,791	212,886	108,653
32,153,372	32,414,740	29,738,539	28,768,488	27,403,219
1,251,265	1,207,057	1,158,810	1,088,655	978,666
10,481,854	9,945,327	9,031,188	8,359,398	8,014,842
12,475,474	11,724,373	11,270,055	11,861,217	11,374,111
3,256,231	2,628,075	2,079,873	1,804,448	1,701,666
2,035,807	1,841,350	1,788,074	1,696,260	1,692,289
816,766	739,998	685,680	688,658	728,330
315,578	293,620	282,422	246,261	240,504
69,883	101,773	61,041	57,677	48,624
471,251	474,050	478,109	485,995	837,904
750,909	679,216	570,042	524,583	507,110
434,494	409,632	324,893	332,808	343,489
(2,342)	(10,855)	(2,497)	1,037	3,802
341,524	324,056	243,347	-	-
32,698,694	30,357,672	27,971,037	27,146,997	26,471,337
(545,322)	2,057,068	1,767,502	1,621,491	931,882

(continued)

State of Georgia

Schedule 4

Changes in Fund Balances of Governmental Funds For the Last Nine Fiscal Years

(modified accrual basis of accounting)

(dollars in thousands)

	2012	2011	2010	2009
Other Financing Sources (Uses)				
General Obligation Bonds Issuance	803,615	653,925	793,855	1,445,645
Refunding Bonds Issuance	719,465	344,420	640,825	149,730
Revenue Bond Issuance	-	-	-	600,000
Premium on General Obligation Bonds Sold	78,781	32,170	25,206	84,867
Premium on Refunding Bonds Sold	86,523	55,821	112,131	21,730
Premium on Revenue Bonds Sold	-	-	-	57,683
Accrued Interest on Refunding Bonds Sold	-	-	-	-
Accrued Interest on Revenue Bonds Sold	-	-	-	538
Payment to Refunded Bond Escrow Agent	(805,945)	(398,339)	(750,209)	(171,307)
Proceeds from Disposition of General Capital Assets	-	-	-	-
Capital Leases	11,179	25,851	6,201	2,259
Other Financing Agreements	-	-	-	-
Transfers In	1,414,093	1,467,443	1,959,530	2,151,031
Transfers Out	(3,409,603)	(3,532,786)	(3,923,140)	(4,466,328)
Net Other Financing Sources (Uses)	(1,101,892)	(1,351,495)	(1,135,601)	(124,152)
Special Item	-	288,000	-	-
Other Adjustments to Fund Balance	-	-	-	-
Net Change in Fund Balance	\$ (70,565)	\$ (281,114)	\$ 66,084	\$ (847,699)
Debt Service Expenditures as a Percentage of Noncapital Expenditures ⁽¹⁾	4.41%	4.67%	4.32%	4.37%

(1) Noncapital expenditures are calculated as total expenditures less capital outlay expenditures less capital expenditures in current expenditure functions. Capital expenditures in current expenditure functions are identified in the process of reconciling Governmental Funds to Governmental Activities.

Source: Financial Statements included in Current and Prior Years' *Comprehensive Annual Financial Reports* and supporting working papers



Fiscal Year

2008	2007	2006	2005	2004
946,035	1,410,648	1,236,010	206,875	955,395
-	213,720	425,000	458,605	-
600,000	450,000	-	-	-
16,828	3,894	4,040	4,815	-
-	18,922	46,399	61,957	-
39,911	19,967	-	-	-
-	742	-	-	-
-	-	-	-	-
-	(235,516)	(469,479)	(519,316)	-
1,661	-	600	-	2,191
825	777	1,085	1,644	323
-	-	-	-	-
2,121,862	1,925,552	1,022,503	1,023,279	943,719
(4,599,625)	(4,211,954)	(3,165,858)	(3,050,444)	(2,906,674)
(872,503)	(403,248)	(899,700)	(1,812,585)	(1,005,046)
-	-	-	-	-
(1,332)	98,119	37,112	(23,569)	(461)
<u>\$ (1,419,157)</u>	<u>\$ 1,751,939</u>	<u>\$ 904,914</u>	<u>\$ (214,663)</u>	<u>\$ (73,625)</u>
3.98%	3.85%	3.44%	3.28%	3.45%

State of Georgia

Schedule 5

Revenue Base - Personal Income by Industry

For the Last Ten Calendar Years

(dollars in millions)

	2011	2010	2009	2008
Accommodation and Food Services	\$ 8,106	\$ 7,763	\$ 7,478	\$ 7,771
Administrative and Waste Services	12,466	11,752	11,133	11,894
Arts, Entertainment and Recreation	2,195	2,106	2,047	2,068
Construction	12,538	12,593	13,221	15,836
Educational Services	4,145	3,953	3,889	3,649
Farm Earnings	1,966	1,847	2,015	2,642
Federal Government - Civilian	11,204	10,965	10,265	9,640
Federal Government - Military	9,651	9,303	8,954	8,447
Finance and Insurance	16,732	15,970	15,749	16,081
Forestry, Fishing and Related Activities	827	793	694	709
Health Care and Social Assistance	25,199	24,498	23,464	22,701
Information	11,581	10,970	11,228	12,145
Management of Companies and Enterprises	5,978	5,540	5,443	5,413
Manufacturing	24,766	23,461	22,889	25,655
Mining	424	414	375	476
Other Services, Except Public Administration	9,274	9,032	8,708	8,747
Professional and Technical Services	24,769	23,488	22,947	24,692
Real Estate, Rental and Leasing	5,054	4,896	4,061	4,552
Retail Trade	16,196	15,657	15,422	16,184
State and Local Government	29,626	29,542	29,618	29,588
Transportation and Warehousing	12,091	11,505	10,943	11,570
Utilities	2,431	2,189	2,377	2,352
Wholesale Trade	17,543	16,813	16,392	17,850
Other	88,380	80,321	76,710	80,157
Total Personal Income	<u>\$ 353,142</u>	<u>\$ 335,371</u>	<u>\$ 326,022</u>	<u>\$ 340,819</u>
Average Effective Rate ⁽¹⁾	2.2%	2.1%	2.4%	2.6%

(1) The total direct rate for personal income is not available. The average effective rate was calculated by dividing personal income tax collections on a fiscal year basis (see Schedule 4) by total personal income on a calendar year basis.

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



Calendar Year

2007	2006	2005	2004	2003	2002
\$ 7,900	\$ 7,436	\$ 7,038	\$ 6,734	\$ 6,249	\$ 5,809
11,908	11,521	10,943	9,916	8,978	8,449
2,093	1,905	1,843	1,766	1,841	1,899
16,525	16,528	15,419	14,544	13,444	12,869
3,464	3,243	2,842	2,734	2,520	2,425
1,872	1,589	2,478	2,163	2,147	1,636
9,311	8,832	8,382	7,834	7,458	7,104
7,510	7,017	6,590	5,849	5,420	4,730
16,222	15,590	14,411	13,466	12,504	12,060
713	722	664	649	584	585
21,436	20,069	18,986	17,959	16,631	15,447
12,850	12,099	11,476	11,330	11,170	11,095
5,777	5,432	5,792	4,883	4,351	4,463
26,208	26,508	25,513	25,153	24,121	23,704
581	583	532	521	478	456
9,127	8,516	8,121	7,591	7,318	7,186
22,956	21,152	19,435	17,782	16,966	16,487
5,099	5,792	5,698	5,240	4,819	4,732
16,910	16,425	15,677	14,963	14,641	14,085
27,990	26,451	24,937	23,662	22,826	21,498
11,776	10,402	10,335	10,489	9,872	9,444
2,398	2,492	2,178	2,181	2,105	2,052
17,937	16,986	15,974	14,878	13,875	13,883
72,138	64,565	57,280	50,666	48,849	49,119
<u>\$ 330,701</u>	<u>\$ 311,855</u>	<u>\$ 292,544</u>	<u>\$ 272,953</u>	<u>\$ 259,167</u>	<u>\$ 251,217</u>
2.7%	2.6%	2.4%	2.5%	2.4%	2.6%



Schedule 6

Personal Income Tax Rates by Filing Status and Income Level For the Last Ten Calendar Years

Filing Status

<u>Georgia Taxable Net Income Level</u>	<u>2003-2012</u>
Single	
Not Over \$750	1%
Over \$750 But Not Over \$2,250	\$7.50 Plus 2% of Amount Over \$750
Over \$2,250 But Not Over \$3,750	\$37.50 Plus 3% of Amount Over \$2,250
Over \$3,750 But Not Over \$5,250	\$82.50 Plus 4% of Amount Over \$3,750
Over \$5,250 But Not Over \$7,000	\$142.50 Plus 5% of Amount Over \$5,250
Over \$7,000	\$230.00 Plus 6% of Amount Over \$7,000
Married Filing Separately	
Not Over \$500	1%
Over \$500 But Not Over \$1,500	\$5.00 Plus 2% of Amount Over \$500
Over \$1,500 But Not Over \$2,500	\$25.00 Plus 3% of Amount Over \$1,500
Over \$2,500 But Not Over \$3,500	\$55.00 Plus 4% of Amount Over \$2,500
Over \$3,500 But Not Over \$5,000	\$95.00 Plus 5% of Amount Over \$3,500
Over \$5,000	\$170.00 Plus 6% of Amount Over \$5,000
Head of Household and Married Filing Jointly	
Not Over \$1,000	1%
Over \$1,000 But Not Over \$3,000	\$10.00 Plus 2% of Amount Over \$1,000
Over \$3,000 But Not Over \$5,000	\$50.00 Plus 3% of Amount Over \$3,000
Over \$5,000 But Not Over \$7,000	\$110.00 Plus 4% of Amount Over \$5,000
Over \$7,000 But Not Over \$10,000	\$190.00 Plus 5% of Amount Over \$7,000
Over \$10,000	\$340.00 Plus 6% of Amount Over \$10,000

Source: OCGA Section 48-7-20, Paragraph (b)(1)



Schedule 7

Personal Income Tax Filers and Liability by Income Level For Calendar Years 2009(1) and 2000

(dollars, except income level, are in thousands)

2010(1)				
Income Level	Number of Filers	Percentage of Total	Personal Income Tax Liability	Percentage of Total
\$1,000 and under (2)	676,319	15.9%	\$ 405,483	5.3%
\$1,001 to \$5,000	224,888	5.3%	822	0.0%
\$5,001 to \$10,000	372,509	8.7%	14,543	0.2%
\$10,001 to \$15,000	392,300	9.2%	54,515	0.7%
\$15,001 to \$20,000	344,746	8.1%	109,346	1.4%
\$20,001 to \$25,000	288,183	6.8%	151,403	2.0%
\$25,001 to \$30,000	243,416	5.7%	183,613	2.4%
\$30,001 to \$50,000	632,967	14.8%	807,098	10.5%
\$50,001 to \$100,000	681,511	16.0%	1,843,763	24.0%
\$100,001 to \$500,000	390,512	9.2%	2,860,595	37.3%
\$500,001 to \$1,000,000	13,235	0.3%	455,064	5.9%
\$1,000,001 and higher	5,732	0.1%	783,779	10.2%
Totals	4,266,318	100.0%	\$ 7,670,024	100.0%

2001				
Income Level	Number of Filers	Percentage of Total	Personal Income Tax Liability	Percentage of Total
\$1,000 and under (2)	459,723	12.6%	\$ 351,822	5.8%
\$1,001 to \$5,000	282,431	7.7%	10	0.0%
\$5,001 to \$10,000	338,822	9.3%	8,584	0.1%
\$10,001 to \$15,000	308,587	8.5%	41,323	0.7%
\$15,001 to \$20,000	287,313	7.9%	94,203	1.6%
\$20,001 to \$25,000	260,790	7.1%	145,626	2.4%
\$25,001 to \$30,000	219,513	6.0%	174,343	2.9%
\$30,001 to \$50,000	594,660	16.3%	775,413	12.8%
\$50,001 to \$100,000	625,107	17.1%	1,660,475	27.5%
\$100,001 to \$500,000	260,003	7.1%	1,889,492	31.3%
\$500,001 to \$1,000,000	9,231	0.3%	318,692	5.3%
\$1,000,001 and higher	4,248	0.1%	583,466	9.7%
Totals	3,650,428	100.0%	\$ 6,043,449	100.0%

(1) Most recent available data.

(2) Category also includes payments from out-of-state residents and partial-year payers

Source: Georgia Department of Revenue

State of Georgia

Schedule 8

Ratios of Outstanding Debt by Type

For the Last Ten Fiscal Years

(dollars in thousands, except per capita amounts)

Fiscal Year	Governmental Activities ⁽¹⁾				
	General Obligation	General State	Revenue ⁽²⁾	Capital	Notes and
	Bonds	Bond Debt	Bonds	Leases	Loans
2012	\$ 8,889,868	\$ -	\$ 1,678,744	\$ 262,111	\$ 14,600
2011	8,774,586	-	1,848,570	223,429	19,600
2010	8,837,728	-	2,009,489	242,430	27,614
2009	8,725,198	-	2,169,235	3,266	27,698
2008	7,927,420	-	1,617,932	5,184	32,820
2007	7,688,919	-	1,037,993	8,162	568
2006	6,909,343	-	-	4,748	796
2005	6,238,934	-	-	5,122	3,583
2004	6,513,380	16	-	4,892	2,506
2003	6,083,975	16	-	5,424	2,570

(1) Beginning in fiscal year 2007, the funds of the State Road and Tollway Authority, a component unit, are blended with those of the primary government (previously discretely presented). As such, its activity and balances are included in both Governmental Activities and in Business-type Activities.

(2) The Governmental Activities Revenue Bonds include \$403.5 million of bonds secured by a joint resolution between the Department of Transportation (DOT) (General Fund) and the SRTA (Nonmajor Governmental Fund) whereby DOT has pledged to provide sufficient motor fuel tax funds to pay the principal and interest of the revenue bonds. According to the State Constitution, motor fuel tax funds are imposed and appropriated for all activities incident to maintaining an adequate system of roads and bridges in the State. In fiscal year 2012, the State collected \$1.02 billion of motor fuel tax funds. The principal and interest on the revenue bonds for fiscal year 2012 was \$49.7 million. The debt service requirements to maturity on these bonds is included in the Notes to the Financial Statements.

(3) See Schedule 11 (Population/Demographics) for personal income and population data.

Source: Financial Information included in Current and Prior Years' *Comprehensive Annual Financial Reports*



Business-type Activities ⁽¹⁾			Less:				
Revenue	Capital	Notes and	Net Assets	Total	Percentage of	Outstanding	
Bonds	Leases	Loans	Restricted to	Primary	Personal	Debt	
			Guaranteed	Government	Income ⁽³⁾	Per Capita ⁽³⁾	
			Revenue Debt				
\$ 319,247	\$ 3,436,099	\$ 751,299	\$ (54,003)	\$ 15,297,965	4.3%	\$ 1,558.6	
328,597	3,170,521	734,189	(54,003)	15,045,489	4.5%	1,549.1	
213,814	2,648,321	424,424	(62,886)	14,340,934	4.4%	1,459.0	
121,736	2,240,418	8,733	(62,887)	13,233,397	3.9%	1,364.6	
31,628	1,795,234	9,170	(63,084)	11,356,304	3.4%	1,191.2	
38,540	1,201,524	9,477	(63,084)	9,922,099	3.2%	1,063.5	
-	839,926	2,618	-	7,757,431	2.7%	852.7	
-	678,055	4,244	-	6,929,938	2.5%	777.5	
-	479,272	2,512	-	7,002,578	2.7%	801.6	
-	186,428	2,845	-	6,281,258	2.5%	731.6	





Schedule 9

Ratios of General Bonded Debt Outstanding For the Last Ten Fiscal Years

(dollars in thousands, except per capita amounts)

Fiscal Year	Net General Bonded Debt ⁽¹⁾	Percentage of Personal Income ⁽²⁾	Outstanding Debt Per Capita ⁽²⁾
2012	\$ 9,278,490	2.63%	\$ 945.32
2011	9,197,267	2.74%	946.99
2010	9,280,726	2.85%	944.20
2009	9,200,175	2.70%	948.68
2008	8,431,520	2.55%	884.39
2007	8,219,971	2.64%	881.02
2006	6,909,343	2.36%	759.48
2005	6,238,934	2.29%	699.93
2004	6,513,396	2.51%	745.64
2003	6,083,991	2.42%	708.63

(1) Beginning in fiscal year 2007, the funds of the State Road and Tollway Authority, a component unit, are blended with those of the primary government (previously discretely presented). As such, its activity and balances are included in both Governmental Activities and in Business-type Activities.

(2) See Schedule 11 (Population/Demographics) for personal income and population data.

Source: Financial Information included in Current and Prior Years' *Comprehensive Annual Financial Reports*

State of Georgia

Schedule 10

Computation of Legal Debt Margin For the Last Ten Fiscal Years (in whole dollars)

	2012	2011	2010	2009
Revenue Base:				
Treasury Receipts for the Preceding Fiscal Year ⁽¹⁾	<u>\$ 17,546,374,291</u>	<u>\$ 16,251,240,187</u>	<u>\$ 17,841,693,806</u>	<u>\$ 19,789,800,881</u>
Debt Limit Amount:				
Highest Aggregate Annual Commitments (Principal and Interest) Permitted Under Constitutional Limitation (10% of above)	\$ 1,754,637,429	\$ 1,625,124,019	\$ 1,784,169,381	\$ 1,978,980,088
Debt Applicable to the Limit:				
Highest Total Annual Commitments in Current or any Subsequent Fiscal Year ⁽³⁾	<u>1,310,228,303</u>	<u>1,328,679,199</u>	<u>1,369,585,101</u>	<u>1,307,083,843</u>
Legal Debt Margin	<u>\$ 444,409,126</u>	<u>\$ 296,444,820</u>	<u>\$ 414,584,280</u>	<u>\$ 671,896,245</u>
Total Debt Applicable to the Limit as a Percentage of Debt Limit Amount	74.7%	81.8%	76.8%	66.0%

(1) Includes Indigent Care Trust Fund Receipts, Brain and Spinal Injury Trust Fund Receipts, Lottery Proceeds and Tobacco Settlement Funds.

(2) Interest on Guaranteed Revenue Debt Common Reserve Funds included from this point forward.

(3) Includes issued and outstanding debt as of the end of each fiscal year and appropriated debt service for any authorized but unissued general obligation (and guaranteed revenue) bonds.

Source: Prior Year's Comprehensive Annual Financial Reports, other annual state reports, Georgia State Financing and Investment Commission, Constitution of the State of Georgia.

Note: The Constitution of the State of Georgia limits the combined total of highest annual debt service requirements for general obligation and guaranteed revenue debt to 10 percent of the prior year's revenue collections.



Fiscal Year

<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005 ⁽²⁾</u>	<u>2004</u>	<u>2003</u>
<u>\$ 19,895,976,559</u>	<u>\$ 18,343,186,033</u>	<u>\$ 16,789,925,631</u>	<u>\$ 15,530,262,707</u>	<u>\$ 14,737,541,220</u>	<u>\$ 15,126,479,334</u>
\$ 1,989,597,656	\$ 1,834,318,603	\$ 1,678,992,563	\$ 1,553,026,271	\$ 1,473,754,122	\$ 1,512,647,933
<u>1,245,513,776</u>	<u>1,144,843,403</u>	<u>1,091,329,526</u>	<u>1,119,589,122</u>	<u>959,876,954</u>	<u>871,741,019</u>
<u>\$ 744,083,880</u>	<u>\$ 689,475,200</u>	<u>\$ 587,663,037</u>	<u>\$ 433,437,149</u>	<u>\$ 513,877,168</u>	<u>\$ 640,906,914</u>
62.6%	62.4%	65.0%	72.1%	65.1%	57.6%



Schedule 11

Population/Demographics

For the Last Ten Calendar Years

Year	Population	Personal Income (in millions)	Per Capita Personal Income	Public School Enrollment	Unemployment Rate
2011	9,815,210	\$ 353,142	\$ 35,979	1,673,740	9.8%
2010	9,712,157	335,371	34,531	1,665,557	10.2%
2009	9,829,211	326,022	33,169	1,656,689	9.8%
2008	9,697,838	340,819	35,144	1,642,033	6.3%
2007	9,533,761	330,701	34,687	1,634,255	4.6%
2006	9,330,086	311,855	33,425	1,618,869	4.7%
2005	9,097,428	292,544	32,157	1,588,803	5.2%
2004	8,913,676	272,953	30,622	1,544,044	4.7%
2003	8,735,259	259,167	29,669	1,513,521	4.8%
2002	8,585,535	251,217	29,260	1,486,694	4.8%

Sources: Population - U. S. Department of Commerce, Bureau of the Census (midyear population estimates)
 Personal Income - U. S. Department of Commerce, Bureau of Economic Analysis
 Public School Enrollment - Georgia Department of Education (March of each school year)
 Unemployment Rate - U. S. Department of Labor (annual average)



Schedule 12

Principal Private Sector Employers

Fiscal Year 2012 and Nine Years Previous (2003)

2012 Employers

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

2003 Employers

BellSouth Corporation
Delta Air Lines, Incorporated
Emory Health Care
Georgia-Pacific Corporation
Mohawk Industries
Promina Health System
Publix Supermarkets, Incorporated
Shaw Industries, Incorporated
Target
The Home Depot
The Kroger Company
The Southern Company/Georgia Power Company
United Parcel Service
Wal-Mart Stores, Incorporated

To protect employer confidentiality, Georgia law prohibits the release of employee numbers by employer.

Sources: Employers - Georgia Department of Labor
2012 Employment based on 3 month average

State of Georgia

Schedule 13

State Government Employment by Function For the Last Ten Fiscal Years (1)

	2012	2011	2010	2009
Governmental Activities				
General Government	7,729	9,658	9,103	8,425
Education	1,371	1,213	1,399	1,156
Health and Welfare	18,007	18,616	27,653	22,629
Transportation	4,577	5,273	5,363	5,340
Public Safety	20,449	21,997	25,014	21,829
Economic Development and Assistance	4,802	5,144	5,375	4,636
Culture and Recreation	3,169	2,548	3,184	2,785
Conservation	664	686	845	746
	<u>60,768</u>	<u>65,135</u>	<u>77,936</u>	<u>67,546</u>
Business-Type Activities ⁽²⁾				
Georgia Technology Authority ⁽³⁾	-	-	-	-
Higher Education Fund	82,109	79,174	96,739	85,193
State Road and Tollway Authority ⁽⁴⁾	71	52	64	53
	<u>82,180</u>	<u>79,226</u>	<u>96,803</u>	<u>85,246</u>
Total Employment	<u><u>142,948</u></u>	<u><u>144,361</u></u>	<u><u>174,739</u></u>	<u><u>152,792</u></u>

- (1) Includes employees that were active at any time during the Fiscal Year. An individual employee may, therefore, be included in multiple functions if the employee transferred among functions during the fiscal year. This does not represent the number of active employees at the end of the year.
- (2) Employees of certain Business-type Activities organizations are included in Governmental Activities as follows:
 Employees of the State Employees' Health Benefit Plan are included as employees of the Department of Community Health in Health and Welfare.
 Employees of the Unemployment Compensation Fund are included as employees of the Department of Labor in Economic Development and Assistance.
- (3) Beginning in fiscal year 2007, the Georgia Technology Authority is reported as an internal service fund serving primarily governmental organizations and, as such, its employees are included in Governmental Activities - General Government.
- (4) Beginning in fiscal year 2007, the State Road and Tollway Authority, formerly a discretely presented component unit, is blended with the primary government. Although the Authority performs both governmental and business-type activities, the majority of its employee are involved in the business-type activities.

Source: Georgia Department of Audits and Accounts

**Fiscal Year**

2008	2007	2006	2005	2004	2003
9,151	9,240	6,779	7,352	6,927	6,857
1,186	1,160	1,129	1,156	1,011	925
23,430	22,732	22,170	22,081	19,918	12,048
5,745	5,849	5,769	5,850	5,844	5,916
23,850	23,115	23,266	22,949	23,077	23,586
4,650	4,584	4,589	4,614	4,675	4,729
3,160	3,023	2,945	2,927	2,864	2,956
776	776	742	726	1,065	765
71,948	70,479	67,389	67,655	65,381	57,782
-	-	562	630	650	732
86,579	84,795	82,200	81,893	79,160	80,222
43	51	-	-	-	-
86,622	84,846	82,762	82,523	79,810	80,954
158,570	155,325	150,151	150,178	145,191	138,736

State of Georgia

Schedule 14

Operating Indicators and Capital Assets by Function For the Last Ten Years (1)

	2012	2011	2010	2009
General Government				
Department of Revenue				
Number of Personal Income Tax Filers	NCA	NCA	4,266,318	4,166,498
Education				
Department of Education				
Public School Enrollment (March FTE Count)				
Pre Kindergarten through Grade 5	829,900	828,005	825,044	818,709
Grades 6 through 8	383,553	376,315	371,759	367,453
Grades 9 through 12	460,287	461,237	459,886	455,871
Board of Regents of the University System of Georgia				
Number of Separate Institutions	35	35	35	35
Number of Active Educators	13,855	13,311	12,828	11,654
Number of Students	318,027	311,442	301,892	282,978
Health and Welfare				
Department of Human Services				
Food Stamp Recipients	1,875,000	1,737,545	1,389,935	1,202,181
Temporary Assistance for Needy Families Recipients	35,887	36,534	90,581	38,824
Transportation				
Department of Transportation				
Miles of State Highway	17,985	17,985	18,093	18,095
Public Safety				
Department of Corrections				
Number of Inmates	54,336	55,162	52,291	54,049
Number of Probationers	163,265	156,630	154,989	154,218
Economic Development and Assistance				
Department of Economic Development				
Economic Impact of Tourism (in millions):				
Domestic Traveler Spending - Direct	NCA	\$ 20,537	\$ 18,906	\$ 17,570
Domestic Travel-Generated State Tax Revenues	NCA	\$ 919	\$ 855	\$ 816
Culture and Recreation:				
Department of Natural Resources				
Number of State Parks	48	48	48	48
Number of Historic Sites	18	18	15	15
Acreage of State Parks and Historic Sites (in acres)	86,000+	86,000+	84,000+	85,000+
Conservation				
Forestry Commission				
Economic Impact of Forestry Industry				
Output (in millions)	NCA	NCA	\$ 14,500	\$ 16,900
Employment	NCA	NCA	43,425	48,519
Compensation (in millions)	NCA	NCA	\$ 2,600	\$ 2,800

(1) Data is presented by either fiscal year or calendar year based on availability of information.

Source: NCA - Not Currently Available

Information obtained from the individual organizations listed.



Fiscal Year

2008	2007	2006	2005	2004	2003
4,229,929	4,273,200	4,046,275	3,838,000	3,777,000	3,692,000
812,311	801,307	782,428	757,383	745,115	735,821
368,734	371,020	369,809	367,122	364,051	358,592
453,210	446,539	436,566	419,539	404,355	392,281
35	35	35	35	34	34
11,422	11,082	9,721	9,335	8,981	8,870
270,022	259,945	253,552	250,659	247,020	233,098
986,245	947,146	947,683	908,073	847,886	700,876
40,609	47,395	68,993	99,370	135,515	138,624
18,096	18,066	18,084	18,084	18,084	18,019
54,016	53,226	52,635	47,304	48,619	47,111
148,629	142,663	136,175	115,177	128,395	130,505
\$ 19,026	\$ 18,680	\$ 17,743	\$ 16,572	\$ 15,390	\$ 14,524
\$ 851	\$ 845	\$ 812	\$ 779	\$ 740	\$ 709
48	48	48	48	48	48
15	15	15	15	15	15
82,000+	82,000+	72,835	72,835	72,835	72,835
\$ 18,300	\$ 18,500	\$ 17,760	\$ 16,150	\$ 14,163	\$ 12,679
57,812	64,192	67,733	67,694	67,633	65,706
\$ 3,100	\$ 3,400	\$ 3,513	\$ 3,422	\$ 3,299	\$ 3,007

