

**GEORGIA STATE FINANCING
AND INVESTMENT COMMISSION**
(A Component Unit of the State of Georgia)

Financial Statements and Supplementary Information

June 30, 2009

GEORGIA STATE FINANCING AND INVESTMENT COMMISSION
(A Component Unit of the State of Georgia)

FINANCIAL REPORT
JUNE 30, 2009

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INDEPENDENT AUDITOR'S REPORT

The Members

Georgia State Financing and Investment Commission

We have audited the accompanying financial statements of the governmental activities and each major fund of the **Georgia State Financing and Investment Commission** (the "Commission"), a component unit of the State of Georgia, as of and for the year ended June 30, 2009, which collectively comprise the Commission's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Commission's management. Our responsibility is to express opinions on these financial statements based on our audit.

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. 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Georgia State Financing and Investment Commission as of June 30, 2009, and the respective changes in financial position thereof and the budgetary comparison for the General Fund 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 September 29, 2009 on our consideration of the Commission'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 the 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.

The management's discussion and analysis on pages 3 through 7 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Commission's basic financial statements. The supplementary information included in Schedule 1 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Mauldin & Jenkins, LLC

Atlanta, Georgia
September 29, 2009

GEORGIA STATE FINANCING AND INVESTMENT COMMISSION

(A Component Unit of the State of Georgia)

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's discussion and analysis of the financial performance of the Georgia State Financing and Investment Commission (the "Commission") is intended to provide the readers of these financial statements with an overview of the Commission's financial activities for the year ended June 30, 2009.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Commission's basic financial statements. The Commission's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

Government-wide Financial Statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the Commission's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the Commission's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Commission is improving or deteriorating.

The *statement of activities* presents information showing how the Commission's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements can be found on pages 8-9 of this report.

Fund Financial Statements

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 Commission uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Commission are considered governmental funds.

Governmental funds are used to account for essentially the same functions reported in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

The basic governmental fund financial statements can be found on pages 10-13 of this report.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Notes to the Financial Statements

The Notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The Notes to the financial statements can be found on pages 14-31 of this report.

Government-wide Financial Analysis

Summary of the Commission's Net Assets

June 30, 2009 and 2008

	Governmental activities	
	2009	2008
Assets:		
Current and other assets	\$ 2,273,487,603	\$ 2,004,246,918
Capital assets	98,044	83,025
Total assets	2,273,585,647	2,004,329,943
Liabilities:		
Long-term liabilities	26,014,098	57,440,477
Other liabilities	162,546,045	185,273,612
Total liabilities	188,560,143	242,714,089
Net assets:		
Invested in capital assets	98,044	83,025
Restricted	1,981,621,547	1,717,134,123
Unrestricted	103,305,913	44,398,706
Total net assets	\$ 2,085,025,504	\$ 1,761,615,854

The net assets of a governmental entity may serve as an indicator of the entity's financial position. The Commission's net assets at June 30, 2009 were \$2.1 billion. A total of \$551 million included in "Restricted for construction for other State departments" represents "Construction in Progress—held for other governmental entities." This amount represents on-going building projects being performed for other State of Georgia Departments or Agencies. The remainder of net assets "Restricted for construction for other State departments" represents amounts received from the State of Georgia (the "State") to be spent on future construction projects. All construction, once completed, will be transferred to the user State Department or Agency. Current and other assets increased by \$269 million due primarily to bond proceeds and cash supplements received from the State of Georgia for \$1.06 billion and \$79 million in investment income, offset by construction being completed in the amount of \$1.25 billion and transferred primarily to the Board of Regents, local Boards of Education, and the Department of Transportation. The increase in assets coupled with a decrease in the liabilities, primarily the accounts payable and the arbitrage rebate liability, caused an increase in net assets of \$323 million.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Summary of Changes in the Commission's Net Assets

Years ended June 30, 2009 and 2008

	Governmental Activities	
	2009	2008
Revenues:		
Program revenues:		
Capital grants and contributions	\$ 1,519,150,375	\$ 1,021,243,687
General revenues:		
Intergovernmental revenue	87,795,636	19,832,276
Unrestricted investment earnings	79,298,354	114,474,178
Reduction in arbitrage rebate estimate	27,798,148	—
Miscellaneous	191,975	187,919
Total revenues	1,714,234,488	1,155,738,060
Expenses:		
Board of Education	341,534,071	355,060,765
Board of Regents	397,730,187	221,569,315
Department of Agriculture	860,889	1,343,586
Department of Corrections	21,745,485	18,345,930
Department of Defense	1,205,129	1,073,048
Department of Driver Services	—	16,031
Department of Economic Development	27,954,593	20,099,179
Department of Human Resources	33,016,282	2,891,341
Department of Juvenile Justice	12,475,860	10,993,128
Department of Labor	666,620	8,144,673
Department of Natural Resources	10,285,428	10,205,823
Department of Public Safety	1,248,980	164,681
Department of Revenue	10,648,370	644,086
Technical College System of Georgia	53,594,065	49,731,800
Department of Transportation	227,561,119	243,679,245
Department of Veteran Services	1,039,238	8,899,137
Georgia Agricultural Exposition Authority	564,971	1,423,859
Georgia Building Authority	13,736,342	9,422,666
Georgia Bureau of Investigation	33,579	142,487
Georgia Environmental Facilities Authority	82,650,089	39,487,188
Georgia Forestry Commission	2,256,085	3,266,771
Georgia Ports Authority	12,860,249	19,467,971
Herty Foundation	3,745	164,205
Jekyll Island Authority	189,930	161,929
General administration	13,989,172	15,730,598
Funds sent to Escrow Deposit Agent for refunding of GO Bonds	26,631,183	—
Intergovernmental expenses to the State of Georgia for:		
Purchase of general obligation bonds	91,380,466	95,323,313
Bond issuance expenses	1,576,914	1,036,723
Arbitrage rebate expenses	—	51,231,991
Unspent cash appropriations returned to agencies and OTFS	3,385,797	4,838,747
	1,390,824,838	1,194,560,216
Change in net assets	323,409,650	(38,822,156)
Net assets, beginning of year	1,761,615,854	1,800,438,010
Net assets, end of year	\$ 2,085,025,504	\$ 1,761,615,854

MANAGEMENT'S DISCUSSION AND ANALYSIS

Revenues for the Commission consist of receipts from three major categories. The capital grants and contributions, which consist primarily of revenue from the State of Georgia from their sale of General Obligation Bonds for capital project construction and from cash supplements and appropriations by the State, provided \$1.52 billion during fiscal year 2009, as compared to \$1.02 billion in fiscal year 2008. General intergovernmental revenue, which consisted primarily of undesignated revenue from the State of Georgia from their sale of General Obligation Bonds for capital project construction, totaled \$87.8 million in 2009, as compared to \$19.8 million in 2008. This increase was due to an increase in the issuance premium on the State's bonds due to market conditions. Additionally, interest income on investments decreased \$35 million from the prior year due to the average yield of the portfolio decreasing from 3.29 to 1.29. The market conditions after the fall of 2008 also attributed to this decrease. The pooled investments are marked to market at year end.

Expenses by the Commission include \$1.25 billion in construction costs incurred for completed projects which were given to the using department or agency within the State during fiscal year 2009. In the prior year \$1.03 billion of projects were completed and transferred.

Analysis of the Commission's Funds

The net change in fund balance for the Commission's General Fund was a decrease from the prior year of \$308 thousand. Administrative expenditures for the General Fund for the current year were \$14.0 million, which were comparable to the \$15.8 million in 2008. These expenditures include personnel costs, contractor fees, and other administrative costs of operations.

The Capital Projects Fund had an increase in fund balance from the prior year of \$320.7 million. Expenditures by the Capital Projects Fund for capital construction costs for other department or agencies of the State totaled \$1.23 billion. As previously discussed, these amounts are accrued as construction in progress – held for other State departments in the government-wide statements, but are recorded as expenditures in the fund statements. These expenditures compare to \$1.27 billion in the prior year. The majority of the expenditures for the current year include projects for the Board of Regents, local Boards of Education, and the Department of Transportation.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Budgetary Highlights

The Commission adopts an annual budget for the administrative expenses of the Commission. The budget as originally adopted of \$18.9 million was not significantly amended during the year. Actual expenditures for Administration were \$1.8 million less than budgeted and the Project Management expenditures were less than the amount budgeted by \$2.1 million. The majority of these differences come from budgeted personnel positions in both programs remaining vacant throughout the year. The Commission also used less outside consultants and relied more on staff resulting in lower cost contracts and per diem cost. The State's economic position required the reduction of expenditures without amending budgets to reflect this change. The Commission reduced its regular operating budget categories as well as other budget areas to comply with this requirement. The overall variance of final budget to actual expenditures was \$4.7 million.

Requests for Information

The financial statements are designed to provide a general overview of the Commission's finances. Questions concerning any of the information provided should be addressed to the Executive Secretary, Georgia State Financing and Investment Commission, 270 Washington Street, 2nd Floor, Atlanta, Georgia 30334.

GEORGIA STATE FINANCING AND INVESTMENT COMMISSION
(A Component Unit of the State of Georgia)
Statement of Net Assets
June 30, 2009

Assets	Governmental Activities
Cash	\$ 1,078
Cash held by OTFS for investment settlements	440,776,317
Investments	1,207,269,673
Investments purchased under agreements to resell	74,526,000
Construction in progress – held for other State departments	550,914,535
Capital assets, net of accumulated depreciation	98,044
Total assets	2,273,585,647
Liabilities	
Outstanding checks for which investments will be transferred upon check clearance	6,146,022
Accounts payable	133,475,013
Accrued payables	4,848
Intergovernmental payable	2,613
Retainage payable	22,917,549
Long-term liabilities:	
Due within one year	760,326
Due in more than one year	25,253,772
Total liabilities	188,560,143
Net Assets	
Invested in capital assets, net of related debt	98,044
Restricted for construction for other State departments	1,981,621,547
Unrestricted	103,305,913
Total net assets	\$ 2,085,025,504

See accompanying notes to financial statements.

GEORGIA STATE FINANCING AND INVESTMENT COMMISSION
(A Component Unit of the State of Georgia)
Statement of Activities
Year ended June 30, 2009

	Expenses	Program revenue Capital grants and contributions	Net (expense) revenue and changes in net assets Total governmental activities
Functions/Programs			
Governmental activities:			
Board of Education	\$ 341,534,071	\$ 456,230,000	\$ 114,695,929
Board of Regents	397,730,187	379,729,643	(18,000,544)
Department of Agriculture	860,889	3,237,500	2,376,611
Department of Corrections	21,745,485	34,330,000	12,584,515
Department of Community Affairs	—	4,670,000	4,670,000
Department of Defense	1,205,129	4,435,000	3,229,871
Department of Driver Services	—	—	—
Department of Economic Development	27,954,593	14,750,000	(13,204,593)
Department of Human Resources	33,016,282	15,294,550	(17,721,732)
Department of Juvenile Justice	12,475,860	18,472,200	5,996,340
Department of Labor	666,620	2,263,585	1,596,965
Department of Natural Resources	10,285,428	22,097,306	11,811,878
Department of Public Safety	1,248,980	1,700,000	451,020
Department of Revenue	10,648,370	10,686,500	38,130
Technical College System of Georgia	53,594,065	119,283,365	65,689,300
Department of Transportation	227,561,119	306,296,026	78,734,907
Department of Veteran Services	1,039,238	2,487,700	1,448,462
Georgia Agricultural Exposition Authority	564,971	—	(564,971)
Georgia Building Authority	13,736,342	10,401,950	(3,334,392)
Georgia Bureau of Investigation	33,579	1,171,850	1,138,271
Georgia Environmental Facilities Authority	82,650,089	82,806,000	155,911
Georgia Forestry Commission	2,256,085	3,500,000	1,243,915
Georgia Ports Authority	12,860,249	—	(12,860,249)
Hiery Foundation	3,745	—	(3,745)
Jekyll Island Authority	189,930	25,000,000	24,810,070
Soil and Water Conservation Commission	—	307,200	307,200
General administration	13,989,172	—	(13,989,172)
Intergovernmental expenses to the State of Georgia for:			
Purchase of State general obligation bonds	91,380,466	—	(91,380,466)
State bond issuance expenses	1,576,914	—	(1,576,914)
Escrow deposit to refund State general obligation bonds	26,631,183	—	(26,631,183)
Unspent cash appropriations returned to agencies	3,385,797	—	(3,385,797)
Total governmental activities	\$ 1,390,824,838	\$ 1,519,150,375	\$ 128,325,537
General revenues:			
Intergovernmental revenue			87,795,636
Unrestricted investment earnings			79,298,354
Reduction in arbitrage rebate estimate			27,798,148
Other revenue			191,975
Total general revenues			195,084,113
Changes in net assets			323,409,650
Net assets – beginning			1,761,615,854
Net assets – ending			\$ 2,085,025,504

See accompanying notes to financial statements.

GEORGIA STATE FINANCING AND INVESTMENT COMMISSION
(A Component Unit of the State of Georgia)

Balance Sheet
Governmental Funds
June 30, 2009

	General Fund	Capital Projects Fund	Total Governmental Funds
Assets			
Cash	\$ 1,078	\$ —	\$ 1,078
Cash held by OTFS for investment settlements	—	440,776,317	440,776,317
Investments	—	1,207,269,673	1,207,269,673
Investments purchased under agreements to resell	—	74,526,000	74,526,000
Total assets	\$ 1,078	\$ 1,722,571,990	\$ 1,722,573,068
Liabilities and Fund Balances (Deficit)			
Outstanding checks for which investments will be transferred upon check clearance	\$ —	\$ 6,146,022	\$ 6,146,022
Accounts payable	359,413	133,115,600	133,475,013
Accrued payables	4,848	—	4,848
Intergovernmental payables	427	2,186	2,613
Retainage payable	—	22,917,549	22,917,549
Total liabilities	364,688	162,181,357	162,546,045
Fund balances (deficit)	(363,610)	1,560,390,633	1,560,027,023
Total liabilities and fund balances (deficit)	\$ 1,078	\$ 1,722,571,990	\$ 1,722,573,068

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 governmental funds.

Construction in progress – held for other State departments

Capital assets

Less accumulated depreciation

Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds for the following:

Due to the State for arbitrage rebate liability

Accrued vacation

Net assets of governmental activities

550,914,535
175,552
(77,508)

(25,165,333)
(848,765)

\$ 2,085,025,504

See accompanying notes to financial statements.

GEORGIA STATE FINANCING AND INVESTMENT COMMISSION

(A Component Unit of the State of Georgia)

Statement of Revenues, Expenditures, and Changes in Fund Balances

Year ended June 30, 2009

	General Fund	Capital Projects Fund	Total Governmental Funds
Revenues:			
Intergovernmental revenue from bond proceeds and premiums	\$ —	\$ 1,533,440,736	\$ 1,533,440,736
Intergovernmental revenue from appropriations and cash supplements to projects	—	73,505,275	73,505,275
Investment income	—	79,298,354	79,298,354
Other revenue	191,975	—	191,975
Total revenues	191,975	1,686,244,365	1,686,436,340
Expenditures:			
Cost of construction and equipment:			
Board of Education	—	389,541,030	389,541,030
Board of Regents	—	336,517,925	336,517,925
Department of Agriculture	—	1,109,246	1,109,246
Department of Corrections	—	34,585,194	34,585,194
Department of Defense	—	1,205,129	1,205,129
Department of Driver Services	—	12,793	12,793
Department of Economic Development	—	24,211,917	24,211,917
Department of Human Resources	—	12,850,689	12,850,689
Department of Juvenile Justice	—	12,475,860	12,475,860
Department of Labor	—	2,661,071	2,661,071
Department of Natural Resources	—	22,535,842	22,535,842
Department of Public Safety	—	1,248,980	1,248,980
Department of Revenue	—	10,184,845	10,184,845
Technical College System of Georgia	—	91,327,311	91,327,311
Department of Transportation	—	164,358,044	164,358,044
Department of Veteran Services	—	1,039,238	1,039,238
Georgia Agricultural Exposition Authority	—	7,633,937	7,633,937
Georgia Building Authority	—	11,849,925	11,849,925
Georgia Bureau of Investigation	—	1,561,952	1,561,952
Georgia Environmental Facilities Authority	—	82,573,908	82,573,908
Georgia Forestry Commission	—	2,277,442	2,277,442
Georgia Ports Authority	—	12,860,249	12,860,249
Herty Foundation	—	3,745	3,745
Jekyll Island Authority	—	189,930	189,930
Soil and Water Conservation	—	594,880	594,880
Total cost of construction and equipment	—	1,225,411,082	1,225,411,082

(Continued)

GEORGIA STATE FINANCING AND INVESTMENT COMMISSION

(A Component Unit of the State of Georgia)

Statement of Revenues, Expenditures, and Changes in Fund Balances Year ended June 30, 2009

	General Fund	Capital Projects Fund	Total Governmental Funds
General administration expenditures	\$ 13,998,422	\$ —	\$ 13,998,422
Intergovernmental expenditures to the State of Georgia for:			
Purchase of State general obligation bonds	—	91,380,466	91,380,466
State bond issuance expenditures	—	1,576,914	1,576,914
Arbitrage rebate expenditures	—	3,634,000	3,634,000
Escrow deposit to refund State general obligation bonds	—	26,631,183	26,631,183
Unspent cash appropriations returned to agencies	—	3,385,797	3,385,797
Total expenditures	13,998,422	1,352,019,442	1,366,017,864
(Deficiency) excess of revenues (under) over expenditures	(13,806,447)	334,224,923	320,418,476
Other financing sources (uses):			
Transfers in	13,500,000	—	13,500,000
Transfers out	—	(13,500,000)	(13,500,000)
Total other financing sources (uses)	13,500,000	(13,500,000)	—
Net change in fund balances	(306,447)	320,724,923	320,418,476
Fund balances (deficit), beginning of year	(57,163)	1,239,665,710	1,239,608,547
Fund balances (deficit), end of year	\$ (363,610)	\$ 1,560,390,633	\$ 1,560,027,023
Amounts reported for governmental activities in the statement of activities are different because:			
Net change in fund balances – governmental funds			\$ 320,418,476
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense for governmental activities.			
Acquisition of capital assets			37,956
Depreciation expense			(22,937)
Accrual of disbursements for construction in progress – held for other State departments			
Transfer of completed capital assets to the State of Georgia			1,225,411,082
Some expenses related to the following accrued items reported for governmental activities do not require the use of current financial resources and therefore are not reported as expenditures for governmental funds.			(1,253,861,306)
Amounts due to the State for arbitrage rebate liability			31,432,148
Accrued vacation			(5,769)
Change in net assets of governmental activities			\$ 323,409,650

See accompanying notes to financial statements.

GEORGIA STATE FINANCING AND INVESTMENT COMMISSION

(A Component Unit of the State of Georgia)

Statement of Revenues, Expenditures, and Transfers – Budget to Actual

Non-GAAP Budget Basis

Year ended June 30, 2009

	General Fund				Variance with final budget positive (negative)
	Budgeted amounts		Actual	Final	
	Original	Final			
Expenditures:					
Financing and Investment	\$ 1,812,994	\$ 1,855,968	\$ 1,382,524	\$ 473,444	
Administration	6,535,273	6,517,573	4,665,086	1,852,487	
Project Management	9,023,474	9,003,262	6,896,325	2,106,937	
Contracts	887,664	930,444	792,291	138,153	
ADA Coordinator	625,611	577,769	417,612	160,157	
Total expenditures	18,885,016	18,885,016	14,153,838	4,731,178	
Transfers from other funds for payment of operating expenditures	18,885,016	18,885,016	13,500,000	(5,385,016)	
Miscellaneous revenue	—	—	191,975	191,975	
Excess of revenue over expenditures	\$ —	\$ —	(461,863)	\$ (461,863)	
Reconciliation to GAAP Basis:					
To record effect of net change in unrecorded liabilities			155,416		
Net changes in fund balance GAAP Basis			(306,447)		

See accompanying notes to financial statements.

GEORGIA STATE FINANCING AND INVESTMENT COMMISSION
(A Component Unit of the State of Georgia)
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity:

The Georgia State Financing and Investment Commission (the "Commission") was created by legislation enacted by the 1973 General Assembly of Georgia and is a component unit of the State of Georgia.

The Act creating the Commission was made pursuant to an amendment to the Constitution of the State of Georgia (the "State") duly ratified at the General Election held on November 7, 1972. The purpose of the Act was to provide for the operations of the Commission; to receive the proceeds from the issuance of State of Georgia general obligation debt from the State; to provide the means for the proper application of the proceeds of such debt; and to establish the procedure for protecting the holders of such debt.

The Commission is specifically authorized to acquire and construct projects for the benefit of any department or agency of the State or to contract with any such department or agency for the construction or acquisition of capital outlay projects.

The Commission consists of two divisions:

The Construction Division is responsible for providing administrative and operational support for the entire Commission, in addition to being responsible for construction and construction-related matters for the Commission and certain other State departments and agencies.

The Financing and Investment Division is responsible for the issuance of public debt, the investment and accounting for all proceeds derived from incurring public debt while proceeds are in process of being used for construction or from appropriations, and other financial advisory and general accounting duties.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-Wide and Fund Financial Statements:

The Commission presents government-wide financial statements which are prepared using the accrual basis of accounting and the economic resources measurement focus. Government-wide financial statements (i.e. the statement of net assets and the statement of activities) do not provide information by fund, but present the governmental activities using a different basis of accounting. Significantly, the statement of net assets includes noncurrent assets and liabilities and the government-wide statement of activities reflects depreciation expense on the Commission's capital assets and changes in long-term liabilities. Net assets in the statement of net assets are distinguished between amounts invested in capital assets (net of any related debt), amounts that are restricted for use by third parties or outside requirements, and amounts that are unrestricted.

The statement of activities demonstrates the degree to which direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers who purchase, use, or benefit from the services provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment, and 3) interest income that is restricted for use on a particular function or segment. Unrestricted interest income and other items not properly included among program revenues are reported as general revenues.

In addition to the government-wide financial statements, the Commission has prepared separate financial statements for its governmental funds. Governmental fund financial statements use the modified accrual basis of accounting and the current financial resources measurement focus. The Commission reports the following major governmental funds:

General Fund:

To act as the operating fund and receive a portion of interest income on the Capital Projects Fund investments for payment of the administrative affairs of the Commission.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-Wide and Fund Financial Statements: (Continued)

Capital Projects Fund:

To act as the construction fund and receive proceeds from the sale of State of Georgia bonds, interest income on investments, appropriations, and cash supplements from State and local agencies as designated for Commission construction projects, and invest such proceeds until disbursed for authorized purposes. Disbursements from this fund are restricted to:

Payment or reimbursement for land, construction, and equipment costs of each project.

Payment of related bond issuance expense.

Payment to the State of Georgia (primary government) for purchase and retirement of public debt.

Payment to the General Fund for the administrative expenses of the Commission.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation:

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met. Expenses for construction on behalf of others are recorded when construction is complete and the project is contributed to the ultimate user department or agency.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation: (Continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are considered measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Commission considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Interest income on investments is recorded as it is earned. Expenditures generally are recorded when a liability is incurred, as under usual accrual accounting. Construction disbursements are recorded as the construction goods and services are delivered and performed. Included in construction disbursements is the related retainage amounts that will be paid upon successful completion of the construction projects. Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Grants are recognized as revenue when all eligibility requirements have been met.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. General overhead expenses are recorded in the general administration function within the governmental activities. When both restricted and unrestricted resources are available for use, it is the Commission's policy to use restricted resources first, then unrestricted resources as they are needed.

Budgetary Accounting:

An operating budget is legally adopted each fiscal year for the General Fund. Budgets for capital projects are established and controlled by the respective State departments and agencies. Supplemental appropriations may be made during the fiscal year and the final budgetary amounts presented reflect all amendments as legally adopted.

Due to legal requirements, appropriations are budgeted on a basis that is not consistent with accounting principles generally accepted in the United States of America (GAAP). The major difference between the budget and GAAP is that expenditures are recorded when encumbered (budget) as opposed to when susceptible to accrual (GAAP). The actual results of operations on the budget basis are presented in the statement of revenues, expenditures, and transfers – budget to actual in order to provide a meaningful comparison of actual results with the budget.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Construction in Progress – Held for Other State Departments:

Construction in progress represents on-going building projects being performed for other State of Georgia Departments or Agencies. Disbursements for these projects are capitalized in the government-wide statements and are not depreciated. Once the project is completed, it is transferred to the respective department or agency and the amount of the project is expensed in the Statement of Activities.

Capital Assets:

Capital assets, which include computer and other equipment, are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the Commission as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost. Donated capital assets are recorded at their estimated fair value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the assets lives are expensed as incurred.

Capital assets used by the Commission are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset</u>	<u>Years</u>
Computer equipment	5
Other equipment	5

Compensated Absences:

It is the Commission's policy to permit employees to accumulate earned but unused vacation benefits, up to 360 hours, and sick pay benefits, up to 720 hours. No liability is reported for unpaid accumulated sick leave because the payment of the benefits is contingent upon any future illness of an employee. It is not expected that any unrecorded sick pay benefits will exceed a normal year's accumulation. Vacation pay is reported as an expense and a liability in the government-wide financial statements, but is not a liability in the fund statements as it was not due for payment in the current period.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Retainage Payable:

A liability is recorded, as retainage payable, for amounts earned by contractors, through the end of the fiscal year for construction projects underway, but withheld by the Commission until completion and acceptance of the project.

Income Taxes:

The Commission is exempt from federal income taxes as an integral part of a state government. Accordingly, no provision for income taxes has been recorded in the accompanying financial statements.

Related Party Transactions:

During the normal course of business, the Commission provides services to various agencies and departments of the State of Georgia. The relationship with other parties is so pervasive that disclosure of the relationship alone is sufficient and significant transactions with the State are noted throughout the financial statements and the notes.

Economic Dependency:

The Commission provides services to other agencies, departments and authorities of the State of Georgia. Substantially all of the Commission's revenue is from other State of Georgia agencies, departments and authorities.

Management Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amount of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

NOTES TO FINANCIAL STATEMENTS

NOTE 2. REVENUE FROM THE PRIMARY GOVERNMENT OF PROCEEDS OF STATE OF GEORGIA BONDS

The Commission receives the proceeds from the issuance of all general obligation debt for the State of Georgia, as authorized by the General Assembly of Georgia.

During the fiscal year ended June 30, 2009 the State sold the following general obligation bonds, from which it gave proceeds to the Commission:

Bond series	Face amount
2008A1	\$ 53,675,000
2008A2	2,930,000
2008B	465,885,000
2009A	61,795,000
2009B	552,055,000
2009C	9,500,000
2009D	305,030,000
Bond premiums and accrued interest received	87,795,636
Less: Good faith deposits received in prior year	5,224,900
Total intergovernmental revenue received from bond proceeds	\$ 1,533,440,736

NOTE 3. DEPOSITS AND INVESTMENTS

Demand deposit cash accounts for the Commission have a book value of \$1,078. Investments purchased under agreements to resell, with a value of \$74,526,000, represent receivables from investment brokers which are collateralized by obligations of the United States Government which are registered in the Commission's name. Investments, with a carrying value of \$1,207,269,673, are included in an arbitrage portfolio managed by the Georgia Office of Treasury and Fiscal Services (OTFS). Investments are stated at fair value based on quoted market prices. The arbitrage portfolio also includes cash of \$440,776,317 held for investment settlements. The arbitrage portfolio is reported in the financial statements as follows:

Account	Balance
Cash held by OTFS for investment settlements	\$ 440,776,317
Investments	1,207,269,673
Total	\$ 1,648,045,990

NOTES TO FINANCIAL STATEMENTS

NOTE 3. DEPOSITS AND INVESTMENTS (Continued)

Credit Risk:

The Commission is authorized under Georgia Code 50-17-27 to invest the bond proceeds it receives from the State and other proceeds in (i) general obligations of the United States or of subsidiary corporations of the United States government fully guaranteed by such government, (ii) obligations issued by the Federal Land Bank, Federal Home Loan Bank, Federal Intermediate Credit Bank, Bank for Cooperatives, Federal Farm Credit Banks, regulated by the Farm Credit Administration, Federal Home Loan Mortgage Corporation, Federal National Mortgage Association, (iii) tax exempt obligations issued by any state, county, municipal corporation, district, or political subdivision, or civil division or public instrumentality of any such government or unit of such government, (iv) prime bankers' acceptances, (v) units of any unit investment trusts the assets of which are exclusively invested in obligations of the type described above, (vi) shares of any mutual fund the investments of which are limited to securities of the type describe above and distributions from which are treated for federal income tax purposes in the same manner as the interest on said obligations, provided that at the time of investment such obligations or the obligations held by any such unit investment trust or the obligations held or to be acquired by any such mutual fund are limited to obligations which are rated within one of the top two rating categories of any nationally recognized rating service or any rating service recognized by the commissioner of banking and finance, and no others. As of June 30, 2009, the investment purchased under agreements to resell was a U.S. Government Treasury Note.

At June 30, 2009, the Commission had the following investments:

<u>Investment</u>	<u>Maturities</u>	<u>Fair Value</u>
U.S. Government Agency Obligations	1.9 year duration	\$ 1,207,269,673
Investments purchased under agreements to resell	July 1, 2009	<u>74,526,000</u>
Total		<u>\$ 1,281,795,673</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 3. DEPOSITS AND INVESTMENTS (Continued)

Interest Rate Risk:

The Commission's Investment Policy is to ensure that bond proceeds are invested in a prudent and professional manner that will preserve principal, provide adequate liquidity, optimize earnings, meet IRS requirements relating to arbitrage and conform to all statutes governing the investment of bond proceeds. The Commission's investment policy limits investment maturities, as a means of managing its exposure to fair value losses arising from increasing interest rates, on the overall portfolio (including cash equivalents) to an effective duration of 1.5 years, and limits the effective duration of any individual asset category to be 5 years.

Custodial Credit Risk - Deposits:

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party.

NOTE 4. CAPITAL ASSETS

The Commission's capital asset activity for the year ended June 30, 2009 was as follows:

<u>Asset category</u>	<u>Balance June 30, 2008</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2009</u>
Cost:				
Equipment	\$ 137,596	\$ 37,956	\$ -	\$ 175,552
Accumulated depreciation:				
Equipment	<u>54,571</u>	<u>22,937</u>	<u>-</u>	<u>77,508</u>
Total net capital assets	<u>\$ 83,025</u>	<u>\$ 15,019</u>	<u>\$ -</u>	<u>\$ 98,044</u>

Depreciation expense of \$22,937 was charged to the general administration function.

NOTES TO FINANCIAL STATEMENTS

NOTE 5. LONG-TERM LIABILITIES

The Commission's long-term liability activity for the year ended June 30, 2009, was as follows:

Liabilities	Balance June 30, 2008	Additions	Reductions	Balance June 30, 2009	Amount due within one year
Due to the State for arbitrage rebate liability	\$ 56,597,481	\$ 3,913,715	\$ 35,345,863	\$25,165,333	\$ 163,400
Accrued vacation	842,996	598,638	592,869	848,765	596,926
Total	<u>\$ 57,440,477</u>	<u>\$4,512,353</u>	<u>\$ 35,938,732</u>	<u>\$26,014,098</u>	<u>\$760,326</u>

The Capital Project Fund pays the State for any arbitrage rebate liabilities and the General Fund liquidates the accrued vacation.

NOTE 6. INTERFUND TRANSFERS

Interfund transfers are made from the Capital Projects Fund to the General Fund for payment of the administrative affairs of the Commission. For the year ended June 30, 2009, the Capital Projects Fund transferred \$13,500,000 to the General Fund.

NOTES TO FINANCIAL STATEMENTS

NOTE 7. RETIREMENT SYSTEMS

Employees' Retirement System of Georgia:

Plan Description:

The Commission participates in various retirement plans administered by the Employees' Retirement System of Georgia (ERS System). Financial statements and required supplementary information for ERS may be obtained from the Employees' Retirement System of Georgia from the following address: Employees' Retirement System of Georgia, Two Northside 75, Atlanta, Georgia 30318. The plans are described below and 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 ERS System is comprised of individual retirement systems and plans covering substantially all employees of the State of Georgia except for teachers and other employees covered by the Teachers Retirement System of Georgia. One of the ERS System plans, the Employees' Retirement System of Georgia (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 of Georgia and its political subdivisions. ERS is directed by a Board of Trustees and has the powers and privileges of a corporation. ERS acts pursuant to statutory direction and guidelines, which may be amended prospectively for new hires but for existing members and beneficiaries may be amended in some aspects only subject to potential application of certain constitutional restraints against impairment of contract.

Benefits:

On November 20, 1997, the Board created the Supplemental Retirement Benefit Plan (SRBP-ERS) of 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 FINANCIAL STATEMENTS

NOTE 7. RETIREMENT SYSTEMS (Continued)

Employees' Retirement System of Georgia: (Continued)

Benefits: (Continued)

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). ERS members hired prior to January 1, 2009 also have the option to 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, and the member's age at retirement. Post-retirement 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.

NOTES TO FINANCIAL STATEMENTS

NOTE 7. RETIREMENT SYSTEMS (Continued)

Employees' Retirement System of Georgia: (Continued)

Contributions Required and Contributions Made:

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 Commission pays member contributions in excess of 1.25% of annual compensation. Under the old plan, these Commission 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 Commission is required to contribute at a specified percentage of active member payroll established by the Board of Trustees determined annually in accordance with actuarial valuation and minimum funding standards as provided by law. These Commission contributions are not at any time refundable to the member or his/her beneficiary.

For the fiscal year ended June 30, 2009, the ERS employer contribution rates for the Commission were 10.41% for new Plan employees, 6.54% for GSEPS employees, and 5.66% for old Plan employees.

The Annual Required Contributions and Actual Employer Contributions, from the Commission to the Employees' Retirement System, totaled \$768,613, \$682,512, and \$622,403 and were charged to the General Fund during the years ended June 30, 2009, 2008, and 2007, respectively. The Commission made 100% of the required contributions for each year and had no net pension obligation at the end of the fiscal years ended June 30, 2009, 2008, and 2007.

NOTES TO FINANCIAL STATEMENTS

NOTE 7. RETIREMENT SYSTEMS (Continued)

Georgia Defined Contribution Plan:

Plan Description:

Certain employees of the Commission participate in the Georgia Defined Contribution Plan ("GDGP"); a single-employer defined contribution Plan established by the Georgia General Assembly for the purpose of providing retirement allowances for state employees who are not members of a public retirement or pension system. The ERS Board of Trustees administers the GDGP. The Commission's payroll for the year ended June 30, 2009, for employees covered by GDGP was \$112,481. Total payroll for all employees was \$7,708,430.

Benefits:

A member may retire and elect to receive periodic payments after attainment of age 65 and 10 years of creditable service. The payment will be based upon mortality tables and interest assumptions to be adopted by the Board. If a member has less than \$3,500 credit to their account, the Board has the option of requiring a lump sum distribution to the member. Upon the death of a member, a lump sum distribution equaling the amount credited to his or her account will be paid to the member's designated beneficiary.

Contributions Required and Contributions Made:

Member contributions are 7.5% of gross salary. There are no employer contributions. Earnings are to be credited to each member's account as adopted by the Board. Upon termination of employment, the amount of the member's account is refundable upon request by the member. Total contributions made by employees during 2009 amounted to \$8,436. These contributions represented 7.5% of covered payroll.

NOTES TO FINANCIAL STATEMENTS

NOTE 8. OTHER POST-EMPLOYMENT BENEFITS

The Commission participates in two State of Georgia postemployment benefit plans, the Georgia Retiree Health Benefit Fund (administered by the Department of Community Health) and the State Employees' Assurance Department – OPEB (administered by the ERS System). Separate financial reports that include the applicable financial statements and required supplementary information for these plans are publicly available and may be obtained from the respective system offices.

Georgia Retiree Health Benefit Fund:

The Georgia Retiree Health Benefit Fund (GRHBF) is a cost-sharing multiple-employer defined benefit postemployment healthcare plan that covers retired employees of the State including all departments, agencies and local school systems. GRHBF provides health insurance benefits to eligible retirees and their qualified beneficiaries through the health insurance plan for State employees. The Official Code of Georgia Annotated (OCGA) assigns the authority to establish and amend the benefit provisions of the employees' health insurance plan (including benefits for retirees) to the Board of Community Health (Board).

The contribution requirements of the 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 vary based on plan election, dependent coverage, and Medicare eligibility and election. On average, plan members pay approximately 25 percent of the cost of the health insurance coverage.

Participating employers are statutorily required to contribute in accordance with the employer contribution rates established by the Board. The contribution rate is established to fund both the active and retired employee health insurance plans based on projected "pay-as-you-go" financing requirements. The combined rates for the active and retiree plans for the fiscal year ended June 30, 2009 were as follows:

July 2008 – January 2009	22.165% of covered payroll for August – February coverage
February 2009	1.926% of covered payroll for March coverage
March 2009 – June 2009	0.000% of covered payroll for April – July coverage

No additional contribution was required by the Board for fiscal year 2009 nor contributed to GRBHF to prefund retiree benefits. Such additional contribution amounts are determined annually by the Board in accordance with the State plan for other postemployment benefits and are subject to appropriation.

NOTES TO FINANCIAL STATEMENTS

NOTE 8. POST-EMPLOYMENT BENEFITS (Continued)

Georgia Retiree Health Benefit Fund: (Continued)

The combined rate for the active and retiree plans (pay-as-you go basis) for the fiscal year ended June 30, 2008, was 18.534% of covered payroll. An additional contribution of 4.309% of covered payroll based on available funding as set forth in the Appropriation Act was required by the Board for fiscal year 2008; eleven months of this additional contribution will be deposited into the OPEB fund to prefund retiree benefits (such additional contribution amounts are determined annually).

The Commission's contribution to the health insurance plans for the fiscal year ended June 30, 2009, was \$965,140, which equaled the required contribution as described above for fiscal year 2009. The Commission's contribution to the health insurance plans for the fiscal year ended June 30, 2008, was \$1,512,456, which equaled the required contribution as described above for fiscal year 2008.

State Employees' Assurance Department – OPEB:

State Employees' Assurance Department – OPEB (SEAD-OPEB) is a cost-sharing multiple-employer defined benefit postemployment plan that was created in fiscal year 2007 by the Georgia General Assembly to provide term life insurance to retired and vested inactive members of Employees', Judicial (JRS), and Legislative (LRS) Retirement Systems, amended to exclude members of JRS and LRS hired on or after July 1, 2009. Pursuant to Title 47 of the OCGA, the authority to establish and amend the benefit provisions of the plan is assigned to the Boards of Trustees of the Employees' and Judicial Retirement Systems.

Contributions by plan members are established by the Boards of Trustees, up to the maximum allowed by statute (not to exceed 0.5% of earnable compensation). The Boards of Trustees of the Employees' and Judicial Retirement Systems establish employer contribution rates, such rates which, when added to members' contributions, shall not exceed 1% of earnable compensation. For the fiscal year ended June 30, 2009, contributions of ERS "old plan" members were 0.45% of earnable compensation, 0.22% of which was paid by the employer. Contributions of ERS "new plan" members and of members of the Judicial and Legislative Retirement Systems were 0.23% of earnable compensation. There were no employer annual required contributions (ARC), nor actual contributions, for the fiscal years ended June 30, 2009, 2008 and 2007.

NOTES TO FINANCIAL STATEMENTS

NOTE 9. COMMITMENTS

The Commission has entered into agreements with various State departments and agencies for the expenditure of bond sale proceeds and cash supplements to acquire and construct capital projects. At June 30, 2009, the undisbursed balance remaining on these agreements approximated \$1,586,740,162.

NOTE 10. RISK MANAGEMENT

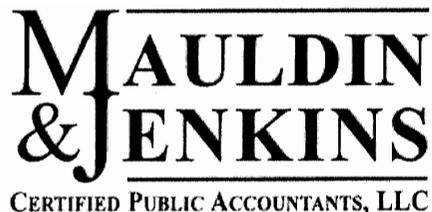
The Commission is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and injuries to employees. The State of Georgia utilizes self-insurance programs established by individual agreement, statute or administrative action to provide property insurance covering fire and extended coverage and automobile insurance and to pay losses that might occur from such causes; liability insurance for employees against personal liability for damages arising out of performance of their duties; survivors' benefits for eligible members of the Employees' Retirement System; consolidating processing of unemployment compensation claims against state agencies and the payment of sums due to the Department of Labor; and workers' compensation statutes of the State of Georgia. These self-insurance funds are accounted for as internal service funds of the State of Georgia where assets are set aside for claim settlements. The majority of the risk management programs are funded by assessments charged to participating organizations. A limited amount of commercial insurance is purchased by the self-insurance funds applicable to property, employee and automobile liability, fidelity and certain other risks to limit the exposure to catastrophic losses. Otherwise, the risk management programs service all claims against the state for injuries and property damage. Financial information relative to self-insurance funds is presented in the financial reports of the Department of Administrative Services and the Employees' Retirement System for the year ended June 30, 2009.

For its employee health insurance coverage, the Commission is a participant in the State of Georgia's Health Benefit Plan (the "Plan"), a public entity risk pool operated by the state for the benefit of employees of the State of Georgia, county governments and local education agencies located within the state. The Plan is funded by participants covered in the Plan, by employers' contributions paid by the various units of government participating in the Plan, and appropriations by the General Assembly of Georgia. The State Personnel Board, Merit System of Personnel Administration, which administers the Plan, has contracted with Blue Cross Blue Shield of Georgia to process claims in accordance with the Plan as established by the State Personnel Board. Financial information relative to the Plan is presented in the financial report of the State Personnel Board, Merit System of Personnel Administration for the year ended June 30, 2009.

NOTES TO FINANCIAL STATEMENTS

NOTE 10. RISK MANAGEMENT (Continued)

The Commission is subject to various legal proceedings and claims which arise in the ordinary course of its business. In the opinion of management, the amount of ultimate liability with respect to these actions, if any, will not materially affect the financial position or results of operations of the Commission.



INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

The Members

**Georgia State Financing and
Investment Commission**

We have audited the financial statements of the governmental activities and each major fund of the Georgia State Financing and Investment Commission – (the "Commission"), a component unit of the State of Georgia, as of and for the year ended June 30, 2009, which collectively comprise the Commission's basic financial statements and have issued our report thereon dated September 29, 2009. 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.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Commission's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Commission's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the members of the Georgia State Financing and Investment Commission, management, others within the organization, and the Georgia Department of Audits and Accounts, and is not intended to be and should not be used by anyone other than these specified parties.

Mauldin & Jenkins, LLC

Atlanta, Georgia
September 29, 2009

GEORGIA STATE FINANCING AND INVESTMENT COMMISSION
(A Component Unit of the State of Georgia)

SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2009

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued	Unqualified
Internal control over financial reporting:	
Material weaknesses identified?	_____ yes __X__ no
Significant deficiencies identified not considered to be material weaknesses?	_____ yes __X__ none reported
Noncompliance material to financial statements noted?	_____ yes __X__ no

Federal Awards

There was not an audit of major federal award programs as of June 30, 2009 due to the Georgia State Financing and Investment Commission not receiving any federal awards for the year then ended June 30, 2009.

GEORGIA STATE FINANCING AND INVESTMENT COMMISSION
(A Component Unit of the State of Georgia)
General Fund
Schedule of Expenditures of Administration
(GAAP Basis)
Year ended June 30, 2009

Personal services	\$ 10,022,500
Regular operating expenditures	628,613
Equipment	37,936
Computer charges	114,136
Real estate rents	986,746
Telecommunications	151,236
Per diem	12,387
Contracts	<u>2,044,868</u>
Total	<u><u>\$ 13,998,422</u></u>