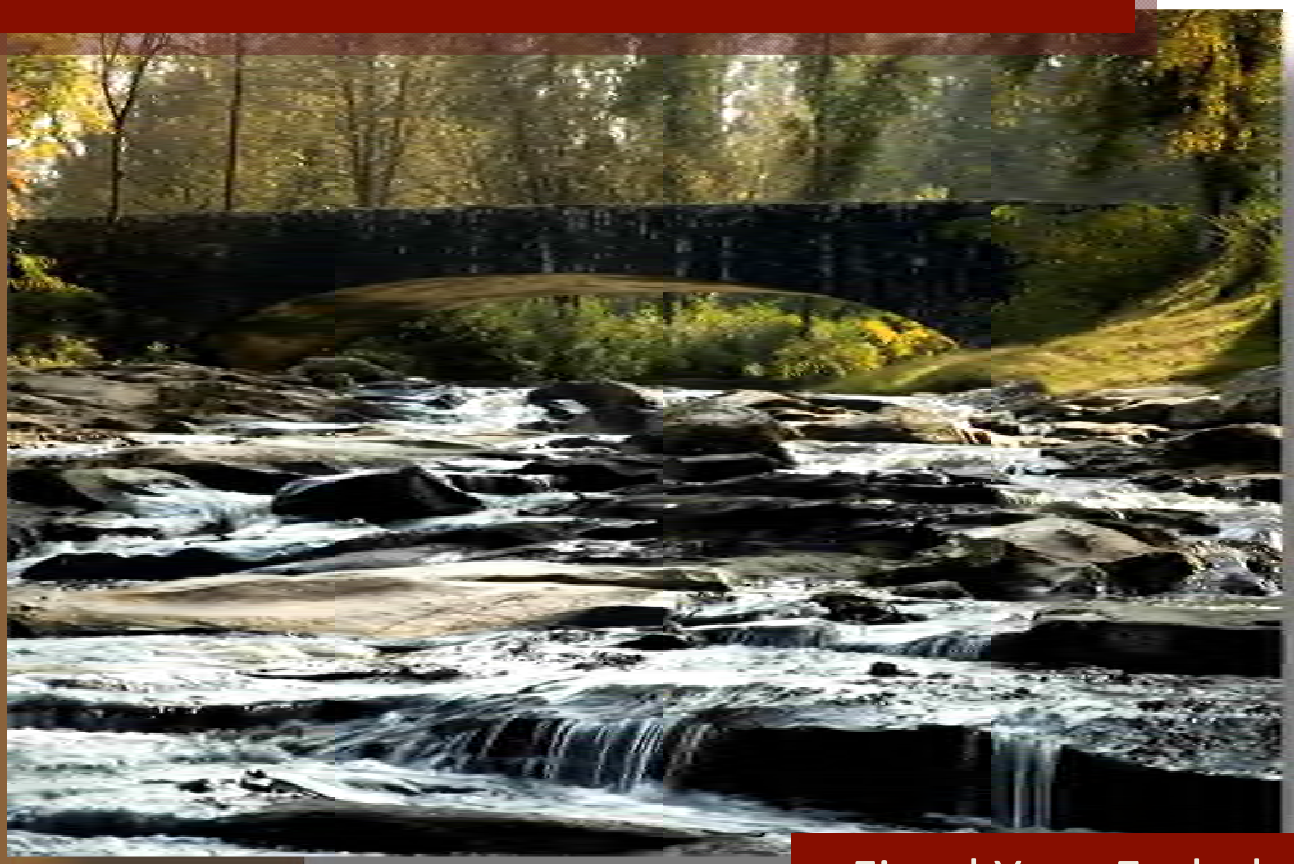
State of Georgia

Comprehensive Annual Financial Report



Fiscal Year Ended

June 30, 2010

Indian Springs State Park

Located off I-75 in middle Georgia, Indian Springs is thought to be the oldest state park in the nation. It was acquired by the state in 1825 and became an official "State Forest Park" in 1927. The Creek Indians used the springs for centuries to heal the sick and impart extra vigor to the well. During the 1800s, the area was a bustling resort town.

Today, visitors can still sample the spring water while enjoying the park's cottages, camping, swimming, fishing and boating. Many structures within the park, such as the spring house, were built during the Great Depression by members of FDR's Civilian Conservation Corps (CCC). A museum highlights Creek Indians, the resort era and CCC history.

For additional information on this site, please visit http://www.gastateparks.org/IndianSprings.

Photo provided by © 2010 - Georgia Department of Natural Resources (DNR)

State of Georgia

Comprehensive Annual Financial Report

For the fiscal year ended June 30, 2010

Prepared by:
State Accounting Office

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State of Georgia

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Introductory Section

State Accounting Office of Georgia
Fiscal Leadership for Georgia

Sonny Perdue
Governor

Greg S. Griffin
State Accounting Officer

200 Piedmont Avenue 1604 West Tower Atlanta, GA 30334 Phone (404) 656-2133 Fax (404) 463-5089

January 7, 2011

The Honorable Sonny Perdue, 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 for the fiscal year ended June 30, 2010 (FY10). This report is prepared by the State Accounting Office and is submitted in accordance with the *Official Code of Georgia Annotated* 50-50b-3(7).

Although the State manages and budgets its fiscal affairs on a statutory basis of accounting, the financial statements in this report have been prepared in accordance with Generally Accepted Accounting Principles (GAAP) applicable to governments as prescribed by the Governmental Accounting Standards Board (GASB). They are presented in a manner designed to set forth the financial position, results of operations, and changes in net assets or fund balances of the major funds and nonmajor funds in the aggregate. All required disclosures have been presented to enable the reader to gain an understanding of the state's financial activities.

The CAFR is presented in three sections: *Introductory*, *Financial* and *Statistical*. The *Introductory Section* provides an overview of the State's current initiatives and summary financial data. The *Financial Section* contains a Management's Discussion and Analysis (MD&A) section, the financial statements, notes to the financial statements, and Required Supplementary Information. The MD&A contains additional financial analysis and supplementary information that is required by GASB and should be read in conjunction with this transmittal letter. The State's MD&A can be found immediately following the independent auditor's report. Included in the section titled Required Supplementary Information are schedules comparing budgeted to actual activity. These statements are prepared in accordance with the State's budgetary basis of accounting or statutory basis. More detailed information on the statutory basis of accounting and the results of operations on that basis for fiscal year 2010 (FY10) can be found in the Budgetary Compliance Report (BCR) separately issued in December 2010. In addition to the basic financial statements, the CAFR includes: combining financial statements that present information by fund category, certain narrative information that describes the specific fund categories and supporting schedules. The *Statistical Section* contains selected financial, economic and demographic data about the State that is useful in evaluating the economic condition of the government.

PROFILE OF THE STATE OF GEORGIA

The State of Georgia was the last of the original 13 colonies, founded on February 12, 1733, and became the fourth state by ratifying the U.S. Constitution on January 2, 1788. Georgia is an economic hub of the southeast. The capitol of Atlanta is the major economic and population center of the State with major regional economic and population centers in Augusta, Savannah, and Macon. Georgia'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. Georgia is the ninth largest state with an estimated population of 9.8 million people.

The *Constitution of the State of Georgia (Constitution)* provides the basic framework for the State's government, which is divided into three separate branches: legislative, executive, and judicial. The duties of each branch are outlined in the *Constitution* and in the *Official Code of Georgia Annotated*. State government services provided to citizens include education, health and welfare, transportation, public safety, economic development, recreation and conservation.

This report presents information on the financial position and operations of state government as one reporting entity. The various agencies, departments, boards, commissions and other organizational units of Georgia state government which constitute the State financial reporting entity are included in the CAFR in accordance with criteria established by the GASB. Accordingly, this report contains information on Georgia's primary government, and on component units that are financially accountable to the State.

ECONOMIC CONDITIONS AND OUTLOOK

Georgia's economy was significantly impacted by the national recession. Economic indicators show that the impact of the recession on Georgia's economy was more severe than for the United States as a whole. The U.S. Bureau of Labor Statistics reported that Georgia's unemployment rate peaked at 10.5% in early calendar year 2010 and had improved slightly to 10.0% by June 2010, as compared to the national rate of 9.5%. Georgia's unemployment rate has consistently tracked higher than the national rate. While the national recession officially ended in June 2009, economic indicators for Georgia had only begun to show marginal improvements by the end of FY10.

Total General Fund revenues in FY09 fell by 10.5% from FY08 and the downturn continued into FY10. Total General Fund revenues for FY10 fell by 9.2% over FY09 General Fund revenues. To manage this revenue shortfall several actions were taken to ensure that state finances remained fiscally sound. The Governor reduced the revenue estimate for FY10 by $1.8 billion in the amended budget. This required significant spending reductions across state government. In addition, the State maximized the use of appropriate and remaining state agency reserve funds, instituted salary freezes for employees and, if needed, furloughs for certain employees. When possible, federal stabilization funds received under the American Recovery and Reinvestment Act of 2009 (ARRA) were used to replace state funds and protect the delivery of necessary services. The budget sought to ensure that Georgia priorities for an Educated Georgia, a Healthy Georgia, a Safe Georgia, and Growing Georgia were maximized.

Looking forward, Georgia's economy has begun the long climb back from the national recession. However, the pace of the economic recovery has been modest and employment growth has been slow and uneven. Initial unemployment claims are now running below levels of a year ago. The economy added 10,000 new jobs in the first ten months of calendar year 2010 and further improvement is expected in 2011. These gains came despite continued reductions in government employment levels. Other indicators also are trending positive. Consumer spending has increased and retail sales are now 8% above year ago levels. Container traffic through the Georgia Ports Authority increased 9.7% in FY10 over FY09 and is near FY08 levels. Through November 2010, net tax revenues, as reported by the Georgia Department of Revenue, were up 7.4% year-to-date for FY11 as compared to the same prior year period. Recently enacted tax legislation by Congress, including the extension of current tax rates and a temporary reduction in the payroll tax, should increase economic growth in 2011. Further economic data for the State can be found in the statistical section of this report.

Fiscal pressures will continue in the State of Georgia for some time. The return to positive revenue growth is hopeful, but the State is several years away from again reaching the revenue peak of FY07. In July 2010, the Governor announced that additional agency spending reductions were necessary to fill shortfalls and that agencies would be required to submit budgets with significant spending reductions in FY11 and FY12 years. The magnitude of these cuts has been increased by the loss of almost $1.3 billion in ARRA funds in FY12. Programs and services across the State will be affected by these budgetary challenges. It will also require a continuing re-examination of

the efficiency and effectiveness of agency programs as well as an ongoing review of the core responsibilities of State government in a period of fiscal constraint.

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 has performed an examination of the accompanying financial statements for the State of Georgia and has issued an unqualified opinion on the State's basic financial statements included in this report. The State Auditor's opinion is located at the beginning of the financial section of this report.

Federal laws and regulations require that the State undergo an annual audit in conformity with the Single Audit Act Amendments of 1996 and the U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Information related to the single audit, which includes a schedule of expenditures of federal awards, a report on internal control and compliance applicable to each major program, and a schedule of findings and questioned costs, is included in a separately issued State of Georgia Single Audit Report. Also included is a report on internal control over financial reporting and compliance with certain laws, regulations, contracts and grants in accordance with *Government Auditing Standards.*

The State Accounting Office prepared these financial statements and is responsible for the completeness and reliability of the information presented in this report, based on a comprehensive internal control framework that is designed to protect the State's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the State's financial statements in conformity with GAAP. Because the cost of internal controls should not exceed the benefits likely to be derived, the State's internal control structure is designed to provide reasonable, but not absolute, assurance that the financial statements will be free from material misstatement.

CONCLUSION AND ACKNOWLEDGEMENTS

In conclusion, I believe this report provides information useful in evaluating the financial activity of the State of Georgia. We in the State Accounting Office express our appreciation to the fiscal officers and staff throughout State government, and to the staff of the Department of Audits and Accounts for their dedicated efforts in assisting us in the completion of this report.

I would also like to express my thanks to the many dedicated employees within the State Accounting Office, who continue to carry out our mission. I am proud to have them on my team as we reaffirm our commitment to maintaining the highest standards of accountability in financial reporting.

Respectfully submitted,

Greg S. Griffin

State Accounting Officer

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JUDICIAL

Supreme Court
Court of Appeals
Superior Courts
District Attorneys
Judicial Agencies

EXECUTIVE

Constitutional Officers

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

Governor

Office of Planning and Budget
Governor's Office

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

LEGISLATIVE

General Assembly
Senate
House of Representatives

Legislative Agencies

Department of Audits and Accounts

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State of Georgia

Principal State Officials
June 30, 2010

Executive:

Sonny Perdue ..... *Governor*

Brian P. Kemp ..... *Secretary of State*

Thurbert E. Baker ..... *Attorney General*

Michael L. Thurmond ..... *Commissioner of Labor*

Kathy Cox ..... *State Superintendent of Schools*

John W. Oxendine ..... *Commissioner of Insurance*

Thomas T. Irvin ..... *Commissioner of Agriculture*

Lauren "Bubba" McDonald, Jr. (Chairman) ..... *Public Service Commissioner*
Robert "Bobby" Baker ..... *Public Service Commissioner*
Chuck Eaton ..... *Public Service Commissioner*
H. Doug Everett ..... *Public Service Commissioner*
Stan Wise ..... *Public Service Commissioner*

Legislative:

Casey Cagle ..... *Lieutenant Governor/President of the Senate*

David Ralston ..... *Speaker of the House of Representatives*

Judicial:

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

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ACKNOWLEDGEMENTS

The Georgia Comprehensive Annual Financial Report (CAFR) for the fiscal year ending June 30, 2010 was prepared by:

STATE ACCOUNTING OFFICE

Alan Skelton, Deputy Director, State Accounting Office
Kris Martins, Director, Financial Reporting

STATEWIDE ACCOUNTING AND REPORTING

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Eddy A. Hicks
Sharon Hill
Christina R. Palmer
Kristi Rayford
Michael Rodgers
Jennifer Sanders
Melesse Siratu
Ellen K. Tate
Drew Townsend
Sandra Warr
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.

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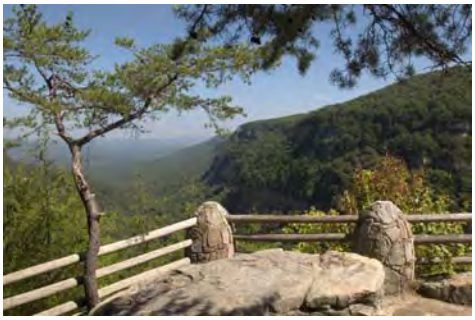
Financial Section



DEPARTMENT OF AUDITS AND ACCOUNTS

270 Washington Street, S.W. Suite 1-156
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RUSSELL W. HINTON
STATE AUDITOR
(404) 656-2174

INDEPENDENT AUDITOR'S REPORT

The Honorable Sonny Perdue
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, 2010, 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'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	10%	25%
Business-Type Activities	3%	16%
Aggregate Discretely Presented Component Units	94%	95%
Governmental Fund - General Fund	14%	22%
Governmental Fund - Georgia State Financing and Investment Commission	100%	100%
Proprietary Fund/Enterprise Fund -State Employees' Health Benefit Plan	100%	100%
Aggregate Remaining Fund Information	90%	44%

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

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the Georgia Lottery Corporation, Georgia College & State University Foundation, Georgia Southern University Housing Foundation, Inc., Georgia State University Foundation, Georgia Tech Athletic Association, Georgia Tech

Facilities, Inc., Georgia Tech Foundation, Inc., Kennesaw State University Foundation, Inc., Medical College of Georgia Foundation, Inc., Medical College of Georgia Health, Inc., Medical College of Georgia Physician's Practice Group Foundation, University of Georgia Athletic Association, Inc., University of Georgia Foundation, University System of Georgia Foundation, and the Valdosta State University Auxiliary Services Real Estate Foundation were audited in accordance with auditing standards generally accepted in the United States of America but were not audited in accordance *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 also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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 our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the 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, 2010, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The financial statements of the general fund reflect accounts payable in the amount of $ 868,319,197 which represents the State of Georgia's liability for teachers salaries earned before June 30, 2010, but not paid until July and August, 2010. This liability was partially funded by the recognition of an accounts receivable of American Recovery and Reinvestment Act funds (State Fiscal Stabilization funds) at June 30, 2010 in the amount of $126,169,757. State appropriations for the subsequent fiscal year were available for obligation to fund the remainder of this liability even though the period to which the appropriation applied had not begun. The recognition of the State-funded portion of this liability in the amount of $742,149,440 at June 30, 2010, however, is not in accordance with generally accepted accounting principles as promulgated by Governmental Accounting Standards Board (GASB) Statement 33 because the subsequent fiscal year had not begun. We believe, however, the omission of this liability would cause the financial statements of the State of Georgia to be misleading.

In accordance with *Government Auditing Standards*, we will issue our report dated January 7, 2011 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 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 accompanying management's discussion and analysis on pages 7 through 19 and the required supplementary information on pages 117 through 123 are not a required part of the basic financial statements but are 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 State of Georgia's basic financial statements. The Introductory Section, the Supplementary Information – Combining Statements, and the Statistical Section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Supplementary Information - combining statements on pages 129 through 203 has been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, in our opinion, based on our audit and the reports of other auditors, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The Introductory Section on pages i through ix and the Statistical Section on pages 207 through 233 have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Respectfully submitted,

Russell W. Hinton, CPA, CGFM
State Auditor

January 7, 2011

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MANAGEMENT'S DISCUSSION AND ANALYSIS

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Management of the State of Georgia provides this *Management's Discussion and Analysis* of the State of Georgia's Comprehensive Annual Financial Report (CAFR) for readers of the State's financial statements. This narrative overview and analysis of the financial activities of the State of Georgia is for the fiscal year ended June 30, 2010. We encourage readers to consider this information in conjunction with the additional information that is furnished in the letter of transmittal, which can be found in the Introductory Section of this report, and with the State's financial statements, which follow this narrative.

FINANCIAL HIGHLIGHTS

The national recession that impacted the State's 2009 financial results continued into fiscal year 2010. Federal funds received under the American Recovery and Reinvestment Act of 2009 (ARRA) were used to provide additional funding to protect the delivery of necessary services. These funds were administered by 22 different State agencies and departments and impacted 84 federal programs. Both of these significant events impacted the financial operations of the State in fiscal year 2010.

Government-wide

- ✓ The assets of the State exceeded its liabilities at the close of the fiscal year by $19.8 billion (reported as "net assets"). Of this amount, a negative balance of $1.2 billion was reported as "unrestricted net assets." A positive balance in "unrestricted net assets" would represent the amount available to meet the State's ongoing obligations to citizens and creditors. **(Table 1)**

- ✓ The State's total net assets (including restatement of the prior year balance) decreased by $259 million. Net assets of governmental activities increased $555 million while net assets of business-type decreased $814 million. **(Table 2)**

- ✓ During the fiscal year, the State had total revenues of $44.8 billion which was slightly less total expenses of $45 billion (excluding transfers to business-type activities) by approximately $200 million. Taxes of $14.6 billion and operating grants and contributions of $23.5 billion were the primary sources of revenue. **(Table 2)**

- ✓ The State reported a net book value investment in capital assets of $28.8 billion, an increase of $1.3 billion or 4.85% compared to prior year-end. **(Table 3)**

Fund

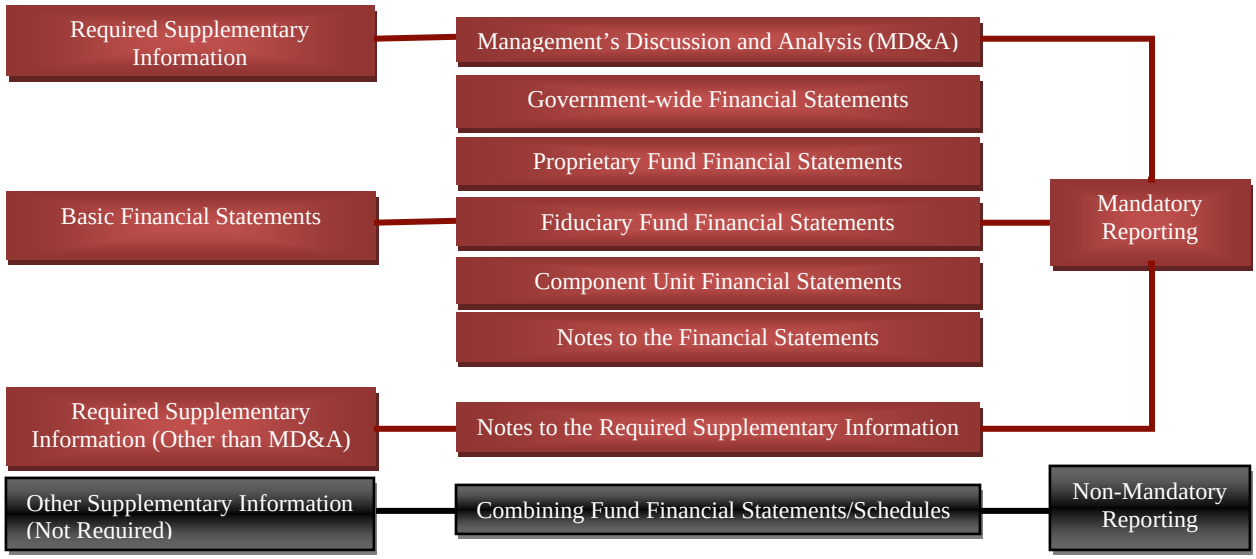
- ✓ The State's General Fund balance at fiscal year-end was $3.7 billion, an increase of $700 million from $3.0 billion reported in the previous year. The unreserved fund deficit for the General Fund was $41.8 million or .14% of total General fund expenditures.

Long-term Debt

- ✓ The State's outstanding bond debt at June 30, 2010 was $11.1 billion. Of this amount, the State's total general obligation debt was $8.6 billion which increased by $78 million during the fiscal year excluding items such as deferred amounts on refunding activities and net amortization of premiums and discounts. **(Table 4)**

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the State of Georgia's basic financial statements. The State's basic financial statements include the following components:



Government-Wide Financial Statements: Reporting the State as a Whole

The government-wide financial statements are designed to provide readers with a broad overview of the State of Georgia's finances, in a manner similar to the private sector. These financial statements provide both short-term and long-term information about the State's financial status, which assists in assessing the State's financial condition at the end of the fiscal year. The statements are prepared using the flow of economic resources measurement focus and the accrual basis of accounting, and report financial information about the entire government except fiduciary activities whose resources are not available to finance the government's programs.

The government-wide financial statements include two statements:

1) The *Statement of Net Assets* presents all of the State's assets and liabilities, with the difference between the two reported as "net assets." Over time, increases and decreases in net assets may serve as a useful indicator of the State's financial position.

2) The *Statement of Activities* presents information showing how the government'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. Therefore, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods (e.g., uncollected taxes, and earned but unused vacation leave). This statement also presents a comparison between direct expenses and related program revenues for each function of the State.

Both of the financial statements above report three activities:

1) ***Governmental Activities*** – Taxes and intergovernmental revenues principally fund the activities reported within this section. 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, conservation, and interest on long-term debt.

2) ***Business-Type Activities*** – These activities normally are intended to recover all or a significant portion of their costs through user fees and charges to external users of goods and services. The most significant business-type activities of the State include the operations of the Unemployment Compensation Fund (by the Georgia Department of Labor), the self-insured State Employees' Health Benefit Plan (by the Georgia Department of Community Health) and the programs of the Higher Education Fund (by the Board of Regents of the University System of Georgia and the Technical College System of Georgia).

3) ***Discretely Presented Component Units*** – Although these organizations are legally separate, the State is financially accountable for them. Financial information for these component units is reported on the government-wide statements separately from the financial information presented for the primary government. For the most part, these entities operate similar to private sector businesses and the business-type activities described above. The State's most significant discretely presented component units are Georgia Environmental Finance Authority, Georgia Housing and Finance Authority, Georgia Lottery Corporation, and Georgia Tech Foundation, Incorporated.

   The government-wide financial statements can be found immediately following this discussion and analysis.

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

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 of Georgia, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The fund financial statements focus on individual parts of the State government (not on the State as a whole), reporting the State's operations in more detail than the government-wide statements. All of the funds of the State of Georgia can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds. These fund categories use different accounting approaches and should be interpreted differently.

1) ***Governmental Funds*** – Most of the basic services provided by the State are financed through governmental funds. These funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, the governmental fund financial statements focus on short-term inflows and outflows of spendable resources. This approach is known as the flow of current financial resources measurement focus and the modified accrual basis of accounting. These statements provide a detailed short-term view of the State's finances that assists in determining whether there will be adequate financial resources available to meet the current needs of the State.

   Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's short-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental fund and the government-wide financial statements. These reconciliations are presented on the page immediately following each governmental fund financial statement.

   The State of Georgia maintains five individual governmental funds. The State's two major governmental funds are the General Fund and the Georgia State Financing and Investment Commission (GSFIC), which is a capital projects fund. Information for each major fund is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in

fund balances. Data for the remaining three governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The basic governmental fund financial statements can be found immediately following the government-wide financial statements.

2) ***Proprietary Funds*** – The State of Georgia maintains two different types of proprietary funds. When the State charges customers for the services it provides, whether to customers outside the State of Georgia reporting entity (*enterprise funds*) or to other organizations within the reporting entity (*internal service funds*), these services are reported in proprietary funds.

   The State of Georgia's proprietary funds include enterprise funds and internal service funds. The State's three major enterprise funds are the Higher Education Fund, the State Employees' Health Benefit Plan and the Unemployment Compensation Fund. Data for the remaining two enterprise funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor enterprise funds is provided in the form of *combining statements* elsewhere in this report. As there is only one nonmajor enterprise fund, combining statements are not required. The enterprise funds are the same as the business-type activities reported in the government-wide financial statements, but more detail is provided for each of these funds in the proprietary fund statements. Conversely, all seven internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of *combining statements* elsewhere in this report. Since the internal service funds benefit both the governmental functions and the business-type functions, they have been proportionately allocated within the governmental activities and the business-type activities in the government-wide financial statements.

   The basic proprietary fund financial statements can be found immediately following the governmental fund financial statements.

3) ***Fiduciary Funds and Similar Component Units: The State as Trustee*** – These funds are used to account for resources held for the benefit of parties outside the state government. Fiduciary funds 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; instead, the State is responsible for using the fiduciary assets for the fiduciary fund's intended purposes. The accounting used for fiduciary funds is much like that used for proprietary funds.

   The State's fiduciary funds are the Pension and Other Employee Benefit Trust Funds (fourteen separate defined benefit retirement systems, three deferred compensation/defined contribution pension plans, three other postemployment benefit plans and one other employee benefit plan), the Investment Trust Funds (which account for the transactions, assets, liabilities and fund equity of external investment pools), Private-Purpose Trust Funds (which account for assets held by the government in a trustee capacity), and Agency Funds (which account for the assets held for distribution by the State as an agent for other governmental units, other organizations or individuals). Individual fund data for the fiduciary funds and similar component units can be found in the *combining statements* elsewhere in this report.

   The basic fiduciary fund financial statements can be found immediately following the proprietary fund financial statements.

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 immediately following the fiduciary funds and similar component units' financial statements.

Required Supplementary Information

In addition to this Management's Discussion and Analysis, which is required supplementary information, the basic financial statements are followed by a section of other required supplementary information. This section includes: 1) other postemployment benefit plan funding information, and 2) a budgetary comparison schedule and accompanying reconciliation to the governmental fund (General Fund) financial statements.

Supplementary Information – Combining and Individual Fund Statements

The combining statements referred to earlier in connection with nonmajor governmental funds, internal service funds, fiduciary funds and nonmajor component units are presented following the required supplementary information. The total columns of these combining financial statements carry forward to the applicable fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Assets

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. The State of Georgia's combined assets (governmental and business-type activities) exceeded liabilities by $19.8 billion at the end of fiscal year 2010.

Table 1 - Net Assets
As of June 30, 2010 and 2009 (in thousands)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2010	2009	2010	2009	2010	2009
Current and Other Non-captial Assets	$ 9,785,713	$ 9,748,475	$ 2,447,656	$ 2,542,241	$ 12,233,369	$ 12,290,716
Net Capital Assets	20,716,313	20,040,216	8,079,628	7,423,128	28,795,941	27,463,344
Total Assets	30,502,026	29,788,691	10,527,284	9,965,369	41,029,310	39,754,060
Non-current Liabilities	11,452,978	11,289,439	4,197,653	3,010,329	15,650,631	14,299,768
Current Liabilities	4,541,486	4,647,601	1,025,882	906,665	5,567,368	5,554,266
Total Liabilities	15,994,464	15,937,040	5,223,535	3,916,994	21,217,999	19,854,034
Net Assets						
Invested in Capital Assets, Net of Related Debt	12,550,617	12,066,578	5,426,787	5,178,579	17,977,404	17,245,157
Restricted	2,605,116	2,254,051	423,325	1,022,564	3,028,441	3,276,615
Unrestricted	(648,171)	(468,978)	(546,363)	(152,768)	(1,194,534)	(621,746)
Total Net Assets	$ 14,507,562	$ 13,851,651	$ 5,303,749	$ 6,048,375	$ 19,811,311	$ 19,900,026

Investment in capital assets (e.g., land, buildings, machinery and equipment, infrastructure) less any related debt represents 91% of the State's net assets. The State uses capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the State's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Additional restricted net assets represent resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets, if any, could be used at the State's discretion to meet ongoing obligations to citizens and creditors, however, certain portions of unrestricted net assets have internal designations. Internally imposed designations of resources are not presented as restricted net assets.

Changes in Net Assets

The revenues and expenses information, shown in the table below, was derived from the Statement of Activities and reflects how the State's net assets changed during the fiscal year. The State of Georgia earned program revenues of $30.0 billion and general revenues of $14.8 billion, totaling $44.8 billion during fiscal year 2010. Expenses for the State during fiscal year 2010 were $45.0 billion.

The State's net assets (including restatement of the prior year balance) decreased by $259 million during the current fiscal year. The economic information presented later in this discussion and analysis provides insight into the conditions of the State that have caused this to occur.

Table 2 - Changes in Net Assets

For the Years Ended June 30, 2010 and 2009 (in thousands)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2010	2009	2010	2009	2010	2009
Revenues:						
Program Revenues:						
Charges for Services	$ 2,408,738	$ 2,480,313	$ 2,442,184	$ 2,130,953	$ 4,850,922	$ 4,611,266
Operating Grants/Contributions	15,656,694	12,714,639	7,837,041	5,376,243	23,493,735	18,090,882
Capital Grants/Contributions	1,599,721	1,286,969	41,634	45,385	1,641,355	1,332,354
General Revenues:						
Taxes	14,641,029	15,246,400		-	14,641,029	15,246,400
Unrestricted Investment Income	993	63,074		76,060	993	139,134
Unclaimed Property	85,277	35,356		-	85,277	35,356
Other	44,183	112,681		-	44,183	112,681
Total Revenues	34,436,635	31,939,432	10,320,859	7,628,641	44,757,494	39,568,073
Expenses:						
General Government	1,467,147	1,904,893		-	1,467,147	1,904,893
Education	10,731,693	10,085,766		-	10,731,693	10,085,766
Health and Welfare	14,210,928	13,118,680		-	14,210,928	13,118,680
Transportation	1,752,933	1,786,808		-	1,752,933	1,786,808
Public Safety	1,834,315	1,972,187		-	1,834,315	1,972,187
Economic Development and Assistance	808,742	735,415		-	808,742	735,415
Culture and Recreatoin	287,860	273,401		-	287,860	273,401
Conservation	62,059	69,726		-	62,059	69,726
Interest and Other Charges on Long-Term Debt	446,520	466,077		-	446,520	466,077
Higher Education Fund		-	7,067,724	6,728,721	7,067,724	6,728,721
State Employees' Health Benefit Fund		-	2,298,354	2,211,087	2,298,354	2,211,087
Unemployment Compensation		-	4,011,802	2,435,344	4,011,802	2,435,344
State Road and Tollway Authortiy		-	26,174	17,835	26,174	17,835
Total Expenses	31,602,197	30,412,953	13,404,054	11,392,987	45,006,251	41,805,940
Increase (Decrease) in Net Assets BeforeTransfers And Special Items	2,834,438	1,526,479	(3,083,195)	(3,764,346)	(248,757)	(2,237,867)
Transfers and Special Items	(2,279,791)	(2,679,135)	2,269,701	2,679,135	(10,090)	-
Change in Net Assets	554,647	(1,152,656)	(813,494)	(1,085,211)	(258,847)	(2,237,867)
Net Assets, July 1 - Restated	13,952,915	15,004,307	6,117,243	7,133,586	20,070,158	22,137,893
Net Assets, June 30	$ 14,507,562	$ 13,851,651	$ 5,303,749	$ 6,048,375	$ 19,811,311	$ 19,900,026

Governmental Activities
Governmental activities increased the State's net assets (including restatement of the prior year balance) by $555 million. The increase in the net assets of governmental funds resulted primarily from governmental fund revenue increases related to operating grants and contributions.

Governmental revenues account for approximately 76.9 percent of total revenue. Approximately 42.5 percent of governmental revenue came from taxes and 50.1 percent resulted from grants and contributions. The State's expenses cover a range of services. The largest outlays were for education (34 percent), and health and welfare (45 percent) which combined, accounted for 79 percent of total governmental activity expenses and transfers. In fiscal year 2010, governmental activity expenses and transfers were funded from program revenues totaling $19.7 billion and from general revenues (the majority of which are taxes).

Business-Type Activities
Business-type activities decreased the State of Georgia's net assets (including restatement of the prior year balance) by $813 million. The increase is a result of transfers of general obligation bond proceeds from governmental activities for construction of additional facilities of various colleges and universities, as well as current year employees' health benefit plan contributions and interest revenue in excess of employees' health benefits expense. Grants and Contributions accounted for the majority of revenues and transfers and Higher Education (52.7 percent) and Unemployment Compensation Fund (29.9 percent) accounted for 82.6 percent of expense.

In fiscal year 2010, business-type activities expenses were funded 77.1 percent, or $10.3 billion, from program revenues and with remaining funds derived from tax revenues transferred from governmental activities to fund higher education.

American Recovery and Reinvestment Act (ARRA)

As of June 30, 2010, the State received ARRA funds totaling $3.8 billion. Of this amount, $1.2 billion, $725 million, and $799 million were attributable to State Fiscal Stabilization Fund, Medicaid Assistance Program, and Federal Highway Administration grants, respectively. The Medicaid revenues were the result of an increase in the reimbursement percentages as authorized by the ARRA. The State Fiscal Stabilization Fund grants were largely utilized to help stabilize budgets of local educational agencies and public institutions of higher education with the remainder for other general government programs in the Public Safety sector. Finally, the Federal Highway Administration grants were used to fund highway planning and construction.

Unemployment Compensation

The largest increase in expenditures from fiscal year 2009 to fiscal year 2010 was related to unemployment compensation which increased to $4 billion from $2.4 billion during fiscal year 2010. This increase is directly related to the state unemployment rate and the associated benefits being paid by the fund.

FINANCIAL ANALYSIS OF THE STATE'S INDIVIDUAL FUNDS

As noted earlier, the State uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the State's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the State's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of fiscal year 2010, the State of Georgia's governmental funds reported combined ending fund balances of $5.1 billion, an increase of $66 million in comparison with the prior fiscal year (after restatement of the prior year balance). Approximately 75 percent of this total amount ($3.8 billion) constitutes *reserved fund balance*. The remainder of fund balance is *unreserved* to indicate that it is not restricted for specific purposes.

The General Fund is the chief operating fund of the State. At the end of the current fiscal year the General Fund reflected a deficit unreserved, undesignated fund balance of $42 million, while total general fund balance amounted to $3.7 billion.

The Capital Projects Fund, in total, had a fund balance of $1.3 billion. The major capital projects fund is the Georgia State Financing and Investment Commission (GSFIC). The total net decrease in fund balance during the current year in the capital projects fund was $173 million.

Proprietary Funds

The State's proprietary funds provide the same type of information found in the government-wide financial statements, but in greater detail.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The State of Georgia's investment in capital assets for its governmental and business-type activities as of June 30, 2010, was $28.8 billion. Investment in capital assets includes land, buildings and building improvements, improvements other than buildings, personal property (machinery and equipment), infrastructure and construction in progress. Infrastructure assets are items that are normally immovable and of value only to the State, such as roads, bridges, streets and sidewalks, drainage systems, lighting systems, and similar items.

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

Table 3 - Capital Assets, Net of Accumulated Depreciation
As of June 30, 2010 and 2009 (in thousands)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2010	2009	2010	2009	2010	2009
Buildings/Building Improvements	$ 2,053,808	$ 1,892,080	$ 5,078,125	$ 4,762,378	$ 7,131,933	$ 6,654,458
Improvements Not Buildings	32,630	36,676	196,115	190,100	228,745	226,776
Infrastructure	9,954,769	10,004,116	174,829	166,841	10,129,598	10,170,957
Intangibles Other than Software	71,610	-	-	-	71,610	-
Land	2,927,663	2,749,969	295,519	277,581	3,223,182	3,027,550
Library Collections	-	-	176,639	175,938	176,639	175,938
Machinery and Equipment	216,090	235,056	1,873,970	1,589,275	2,090,060	1,824,331
Software	79,660	57,544	8,832	587	88,492	58,131
Works of Art and Collections	1,334	1,781	45,187	40,493	46,521	42,274
Construction in Progress	5,378,749	5,062,994	230,412	219,935	5,609,161	5,282,929
Total	**$ 20,716,313**	**$ 20,040,216**	**$ 8,079,628**	**$ 7,423,128**	**$ 28,795,941**	**$ 27,463,344**

Debt Administration

At the end of the current fiscal year, the State had total bonded debt outstanding of $11 billion. As illustrated below, substantially this entire amount is backed by the full faith and credit of the government (*general obligation debt*). The remaining debt of $2.1 billion is revenue bonds secured solely by specified revenue sources.

Moody's Investors Service, Fitch Investors Service, L.P., and Standard and Poor's Corporation rated the State's most current general obligation bonds Aaa, AAA and AAA, respectively. Under the State's Constitution the highest aggregate annual debt service requirement (general obligation and guaranteed revenue debt) may not exceed 10 percent of the previous fiscal year's revenue collections.

Table 4 - Outstanding Bond Debt

As of June 30, 2010 and 2009 (thousands)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2010	2009	2010	2009	2010	2009
General Obligation Bonds	$ 8,630,635	$ 8,552,130	$ -	$ -	$ 8,630,635	$ 8,552,130
GARVEE Revenue Bonds	1,416,850	1,529,405	-	-	1,416,850	1,529,405
Revenue Bonds	489,085	516,865	217,660	124,690	706,745	641,555
Less:						
Deferred Amounts On Refunding	(181,791)	(101,598)	(268)	(671)	(182,059)	(102,269)
Net Amoritization Premiums/(Discounts)	492,438	397,631	(3,578)	(2,283)	488,860	395,348
	$ 10,847,217	$ 10,894,433	$ 213,814	$ 121,736	$ 11,061,031	$ 11,016,169

Additional information on the State of Georgia's long-term debt can be found in Note 8 of the notes to the financial statements of this report.

BUDGETARY HIGHLIGHTS

Fiscal conditions have deteriorated for most States, including Georgia, during fiscal year 2010 and weak economic conditions are expected to continue into fiscal years 2011 and 2012. The Governor recommended and the General Assembly passed an original appropriation act for fiscal year 2010 which was subsequently amended. As a result of these unique circumstances, the Governor revised his revenue estimates after the amended appropriation act and ultimately withheld a percentage of the allotment of state funds included in the amended appropriation.

Actual Annual Net Revenue Collections deposited with the Office of Treasury and Fiscal Services (Treasury) declined by 9.25% in fiscal year 2010 to $15.2 billion from the initial estimate of $18.4 billion. During fiscal year 2010, the State implemented a number of measures to reduce or eliminate anticipated revenue reductions, including moratoriums on travel and purchasing, layoffs or furloughing personnel, and instituting across the board and targeted budgetary reductions.

Revenue Shortfall Reserve

As the State continues to address one of the worst economic downturns in recent history, the ending balance in the Revenue Shortfall Reserve (RSR) or "rainy day" fund, is a critical tool in helping to address budget shortfalls. After reaching a peak in fiscal year 2007 at $1.7 billion or 9.2% of net revenue collections, the State's RSR balance declined significantly in fiscal year 2009 to $271 million or 1.6% of net revenue collections. At June 30, 2010, $268 million or 1.8% of net revenue collections remained in the State's RSR, compared to a balance of $271 million at the end of fiscal year 2009. By statute, up to one percent of fiscal year 2010 revenue collections or $152 million may be appropriated from the RSR in fiscal year 2011 for K-12 needs. In addition, the Governor may release for appropriation in a subsequent year funds in excess of four percent of current year (fiscal year 2010) revenue collections. The Governor recommended and the General Assembly appropriated from the fiscal year 2008 Revenue Shortfall Reserve, $200 million and $259 million to support fiscal year 2009 and fiscal year 2010 operating activity, respectively. At current fiscal year 2010 balances, the remaining balance in the RSR is not sufficient to provide for additional appropriations to assist the State in addressing the fiscal stability of fiscal year 2011 or future years resulting from anticipated budget shortfalls. Accordingly, no such releases were available from the fiscal year 2010 balance.

In addition to the balance in the Revenue Shortfall Reserve, the State will continue to receive funds from the federal American Recovery and Reinvestment Act (ARRA) in fiscal year 2011. Although these revenues provide short-term fiscal relief, going forward, the State cannot rely on these sources of funds to the degree it did in the previous fiscal years and will need to identify new sources of revenue or additional reductions to spending in order to maintain fiscal balance.

The Appropriations Act for fiscal year 2011 was based on a budgeted revenue estimate of approximately $16.5 billion. To address an anticipated further decrease in estimated revenues, the Governor called for agency allotment reductions of 4% beginning in July 2010.

ECONOMIC FACTORS

The national and local economies continued in a severe recession during the state's 2010 fiscal year. The National Bureau of Economic Research dated the start of the national recession in December 2007. The recession was relatively mild, however, through the fall of 2008. Financial markets froze following the bankruptcy of Lehman Brothers, a major financial institution in September 2008. This precipitated a sharp contraction in economies worldwide.

The downturn has had a severe impact on Georgia's economy. Total General Fund revenues in fiscal year 2010 fell by 10.5% from fiscal year 2009 and the downturn has continued into fiscal year 2010. However, through

November 2010, tax revenues, as reported by the Georgia Department of Revenue are up 7.4% year to date for fiscal year 2010.

Other measures of economic activity in Georgia also indicate that the recession has had a significant impact. The U.S. Bureau of Labor Statistics reported that Georgia's unemployment rate in November 2010 was 10.1% with 469, 702 workers unemployed and seeking work. This rate is equal to the US unemployment rate. The Georgia unemployment rate peaked at 10.5% in February 2010; this is the highest rate of unemployment reported for the state.

The U.S. Bureau of Labor Statistics reported that total nonfarm employment for the Atlanta-Sandy Springs-Marietta Metropolitan Statistical Area (MSA) stood at 2,268,500 in August 2010, essentially unchanged from one year ago. While Atlanta exhibited no growth over the course of the year, nationally, employment was up 0.2 percent from August 2009.

Personal income is another important economic indicator for states. For Georgia, personal income rose by 3.1% in the third quarter of 2010 compared to the third quarter of 2009. For the US, personal income rose by 3.6% over the same period.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the State of Georgia's finances for all of Georgia'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, Atlanta, Georgia 30334-9010.

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BASIC FINANCIAL STATEMENTS

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State of Georgia

Statement of Net Assets
June 30, 2010
(dollars in thousands)

	Primary Government			
	Governmental Activities	Business-Type Activities	Total	Component Units
Assets				
Cash and Cash Equivalents	$ 1,477,885	$ 1,209,579	$ 2,687,464	$ 852,932
Investments	3,505,159	298,030	3,803,189	2,701,235
Receivables (Net)	4,303,631	825,346	5,128,977	4,149,692
Due from Primary Government	-	-	-	2,168
Due from Component Units	63,331	106,312	169,643	-
Internal Balances	209,101	(209,101)	-	-
Inventories	55,041	41,188	96,229	19,405
Prepaid Items	76,810	70,518	147,328	22,399
Other Assets	44,211	14,308	58,519	181,988
Deferred Capital Outflow	-	-	-	23,554
Restricted Assets				
Cash and Cash Equivalents	33,883	13,341	47,224	453,078
Investments	16,661	78,135	94,796	479,564
Receivables (Net)	-	-	-	629,040
Capital Assets				
Nondepreciable	8,379,356	566,042	8,945,398	678,438
Depreciable (Net of Accumulated Depreciation)	12,336,957	7,513,586	19,850,543	1,589,633
Total Assets	30,502,026	10,527,284	41,029,310	11,783,126
Liabilities				
Accounts Payable and Accrued Liabilities	2,704,883	230,537	2,935,420	285,773
Due to Primary Government	-	-	-	169,643
Due to Component Units	58	2,110	2,168	-
Benefits Payable	750,139	252,769	1,002,908	-
Accrued Interest Payable	155,090	853	155,943	7,042
Contracts Payable	145,986	15,893	161,879	23,609
Funds Held for Others	135,554	59,833	195,387	1,319
Unearned Revenue	121,717	423,701	545,418	609,633
Claims and Judgments Payable	444,746	-	444,746	8,252
Other Liabilities	83,313	40,186	123,499	128,313
Noncurrent Liabilities:				
Due within one year	1,053,401	189,357	1,242,758	238,552
Due in more than one year	10,399,577	4,008,296	14,407,873	4,181,058
Total Liabilities	15,994,464	5,223,535	21,217,999	5,653,194
Net Assets				
Invested in Capital Assets, Net of Related Debt	12,550,617	5,426,787	17,977,404	1,172,260
Restricted for:				
Bond Covenants/Debt Service	-	-	-	29,217
Construction	-	-	-	14,241
Guaranteed Revenue Debt Common Reserve Fund	71,299	-	71,299	-
Loan and Grant Programs	-	-	-	39,458
Lottery for Education	883,333	-	883,333	-
Motor Fuel Tax Funds	1,366,443	-	1,366,443	-
Permanent Trusts:				
Nonexpendable	-	133,531	133,531	986,449
Expendable	-	257,613	257,613	829,067
Other Purposes	284,041	32,181	316,222	72
Unrestricted	(648,171)	(546,363)	(1,194,534)	3,059,168
Total Net Assets	$ 14,507,562	$ 5,303,749	$ 19,811,311	$ 6,129,932

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

State of Georgia

Statement of Activities
For the Fiscal Year Ended June 30, 2010
(dollars in thousands)

		Program Revenues		
	Expenses	Sales and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Functions/Programs				
Primary Government				
Governmental Activities:				
General Government	$ 1,467,147	$ 1,763,847	$ 258,713	$ 96,198
Education	10,731,693	7,505	3,199,737	-
Health and Welfare	14,210,928	245,953	11,009,389	2,930
Transportation	1,752,933	26,266	120,018	1,449,921
Public Safety	1,834,315	135,736	319,652	12,052
Economic Development and Assistance	808,742	89,451	658,100	1,782
Culture and Recreation	287,860	135,457	75,555	36,660
Conservation	62,059	4,523	15,530	178
Interest and Other Charges on Long-Term Debt	446,520	-	-	-
Total Governmental Activities	31,602,197	2,408,738	15,656,694	1,599,721
Business-Type Activities:				
Higher Education Fund	7,067,724	2,408,042	2,586,520	39,663
State Employees' Health Benefit Plan	2,298,354	-	1,997,523	-
Unemployment Compensation Fund	4,011,802	-	3,252,776	-
Nonmajor Enterprise	26,174	34,142	222	1,971
Total Business-Type Activities	13,404,054	2,442,184	7,837,041	41,634
Total Primary Government	$ 45,006,251	$ 4,850,922	$ 23,493,735	$ 1,641,355
Component Units				
Georgia Environmental Finance Authority	$ 132,744	$ 59,935	$ 60,030	$ 118,998
Georgia Housing and Finance Authority	198,386	13,053	198,285	-
Georgia Lottery Corporation	3,393,035	3,392,442	10,337	-
Georgia Tech Foundation, Incorporated	117,459	15,647	156,375	-
Nonmajor Component Units	2,142,322	1,142,714	993,055	26,234
Total Component Units	$ 5,983,946	$ 4,623,791	$ 1,418,082	$ 145,232

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
Special Items
Transfers
Total General Revenues, Contributions to Permanent Endowments and Transfers
Change in Net Assets
Net Assets - Beginning - Restated (Note 3)
Net Assets - Ending

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

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			
Governmental Activities	Business-Type Activities	Total	Component Units
$ 651,611		$ 651,611	
(7,524,451)		(7,524,451)	
(2,952,656)		(2,952,656)	
(156,728)		(156,728)	
(1,366,875)		(1,366,875)	
(59,409)		(59,409)	
(40,188)		(40,188)	
(41,828)		(41,828)	
(446,520)		(446,520)	
(11,937,044)		(11,937,044)	
	$ (2,033,499)	(2,033,499)	
	(300,831)	(300,831)	
	(759,026)	(759,026)	
	10,161	10,161	
	(3,083,195)	(3,083,195)	
(11,937,044)	(3,083,195)	(15,020,239)	
			$ 106,219
			12,952
			9,744
			54,563
			19,681
			203,159
7,109,984	-	7,109,984	-
5,196,117	-	5,196,117	-
2,334,928	-	2,334,928	23,960
993	-	993	-
85,277	-	85,277	-
44,183	-	44,183	-
-	-	-	43,358
-	-	-	73,132
(10,090)	-	(10,090)	-
(2,269,701)	2,269,701	-	-
12,491,691	2,269,701	14,761,392	140,450
554,647	(813,494)	(258,847)	343,609
13,952,915	6,117,243	20,070,158	5,786,323
$ 14,507,562	$ 5,303,749	$ 19,811,311	$ 6,129,932

State of Georgia

Balance Sheet
Governmental Funds
June 30, 2010
(dollars in thousands)

	General Fund	Georgia State Financing and Investment Commission	Nonmajor Funds	Total
Assets				
Cash and Cash Equivalents	$ 1,236,055	$ 143,938	$ 31,995	$ 1,411,988
Investments	2,046,866	1,293,816	21,032	3,361,714
Receivables, Net	4,257,372	-	991	4,258,363
Due from Other Funds	42	-	2,946	2,988
Due from Component Units	63,178	-	-	63,178
Inventories	42,846	-	-	42,846
Restricted Assets				
Cash and Cash Equivalents	17,354	-	16,529	33,883
Investments	13,503	-	3,158	16,661
Other Assets	92,761	-	32	92,793
Total Assets	$ 7,769,977	$ 1,437,754	$ 76,683	$ 9,284,414
Liabilities and Fund Balances				
Liabilities:				
Accounts Payable and Other Accruals	$ 2,559,591	$ 46,530	$ 120	$ 2,606,241
Due to Other Funds	280,323	-	-	280,323
Due to Component Units	58	-	-	58
Benefits Payable	750,139	-	-	750,139
Contracts Payable	120,220	25,766	-	145,986
Undistributed Local Government Sales Tax	50,000	-	-	50,000
Funds Held for Others	133,646	-	-	133,646
Deferred Revenue	121,580	-	-	121,580
Other Liabilities	58,946	42,106	130	101,182
Total Liabilities	4,074,503	114,402	250	4,189,155
Fund Balances:				
Reserved	3,737,311	-	43,114	3,780,425
Unreserved				
Undesignated, Reported in				
General Fund	(41,837)	-	-	(41,837)
Special Revenue Funds	-	-	33,319	33,319
Capital Projects Funds	-	1,323,352	-	1,323,352
Total Fund Balances	3,695,474	1,323,352	76,433	5,095,259
Total Liabilities and Fund Balances	$ 7,769,977	$ 1,437,754	$ 76,683	$ 9,284,414

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

State of Georgia

Reconciliation of Fund Balances
To the Statement of Net Assets
June 30, 2010
(dollars in thousands)

Total Fund Balances - Governmental Funds (from previous page)		$ 5,095,259
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	$ 2,906,179	
Buildings and Building Improvements	3,048,301	
Improvements Other Than Buildings	69,318	
Equipment	784,068	
Infrastructure	21,195,410	
Construction in Progress	5,378,749	
Works of Art	94	
Intangibles	71,610	
Software	159,701	
Accumulated Depreciation	(13,190,837)	20,422,593
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.		28,713
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.		561,578
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	(8,630,635)	
Premiums	(388,885)	
Deferred Amount on Refunding	181,791	
Accrued Interest Payable	(142,113)	
Revenue Bonds	(1,905,935)	
Premiums	(103,553)	
Accrued Interest Payable	(12,977)	
Capital Leases	(242,430)	
Compensated Absences	(314,873)	
Long-Term Notes	(27,614)	
Arbitrage Rebate	(13,357)	(11,600,581)
Total Net Assets - Governmental Activities		$ 14,507,562

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

State of Georgia

Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2010
(dollars in thousands)

	General Fund	Financing and Investment Commission	Nonmajor Funds	Total
Revenues:				
Taxes	$ 14,641,029	$ -	$ -	$ 14,641,029
Licenses and Permits	507,764	-	-	507,764
Intergovernmental - Federal	16,456,059	-	-	16,456,059
Intergovernmental - Other	569,106	-	73	569,179
Sales and Services	490,856	-	98	490,954
Fines and Forfeits	300,032	-	-	300,032
Interest and Other Investment Income	7,510	33,226	799	41,535
Unclaimed Property	85,277	-	-	85,277
Lottery Proceeds	883,882	-	-	883,882
Nursing Home Provider Fees	122,047	-	-	122,047
Other	95,841	-	552	96,393
Total Revenues	34,159,403	33,226	1,522	34,194,151
Expenditures:				
Current:				
General Government	857,648	2,910	-	860,558
Education	10,719,216	-	-	10,719,216
Health and Welfare	14,211,763	-	-	14,211,763
Transportation	2,122,390	-	5,201	2,127,591
Public Safety	1,895,659	-	-	1,895,659
Economic Development and Assistance	787,019	-	242	787,261
Culture and Recreation	275,746	-	-	275,746
Conservation	62,430	-	-	62,430
Capital Outlay	-	500,166	-	500,166
Debt Service				
Principal	-	-	804,560	804,560
Interest	34	-	485,161	485,195
Accrued Interest on Bonds Retired in Advance	-	-	375	375
Discount on Bonds Retired in Advance	-	-	(4,301)	(4,301)
Other Debt Service Expenditures	-	8,203	37,926	46,129
Intergovernmental	-	220,118	-	220,118
Total Expenditures	30,931,905	731,397	1,329,164	32,992,466
Excess (Deficiency) of Revenues Over (Under) Expenditures	3,227,498	(698,171)	(1,327,642)	1,201,685
Other Financing Sources (Uses):				
Debt Issuance - General Obligation Bonds	-	793,855	-	793,855
Debt Issuance - Refunding Bonds	-	-	640,825	640,825
Debt Issuance - General Obligation Bonds - Premium	-	25,206	-	25,206
Debt Issuance - Refunding Bonds - Premium	-	-	112,131	112,131
Payment to Refunded Bond Escrow Agent	-	-	(750,209)	(750,209)
Capital Leases	6,201	-	-	6,201
Transfers In	630,134	1,639	1,327,757	1,959,530
Transfers Out	(3,264,663)	(295,196)	(363,281)	(3,923,140)
Net Other Financing Sources (Uses)	(2,628,328)	525,504	967,223	(1,135,601)
Net Change in Fund Balances	599,170	(172,667)	(360,419)	66,084
Fund Balances, July 1 (Restated - Note 3)	3,096,304	1,496,019	436,852	5,029,175
Fund Balances, June 30	$ 3,695,474	$ 1,323,352	$ 76,433	$ 5,095,259

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

State of Georgia

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, 2010
(dollars in thousands)

Net Change in Fund Balances - Governmental Funds (from previous page)		$ 66,084
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.	$ 1,461,960	
Depreciation expense	(1,106,843)	355,117
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		52,703
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.		(776,865)
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.		(6,201)
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	698,360	
Revenue Bonds	140,335	
Notes	84	
Capital Leases	25,948	864,727
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.		(14,823)
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	16,656	
Accrued Interest on Bonds Payable	(3,645)	
Arbitrage Rebate	11,808	
Amortization of Deferred Amount on Refunding	80,193	
Amortization of Bond Premiums	42,530	
Allocation of Deferred Bond Issuance Costs	(133,637)	13,905
Change in Net Assets - Governmental Activities		$ 554,647

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

State of Georgia

Statement of Net Assets
Proprietary Funds
June 30, 2010
(dollars in thousands)

	Business-Type Activities - Enterprise Funds					Governmental Activities - Internal Service Funds
	Higher Education Fund	State Employees' Health Benefit Plan	Unemployment Compensation Fund	Nonmajor Funds	Total	
Assets						
Current Assets:						
Cash and Cash Equivalents	$ 964,785	$ 24,546	$ 202,360	$ 17,888	$ 1,209,579	$ 65,898
Investments	212,898	14,256	-	10,347	237,501	55,617
Accounts Receivable (Net)	369,353	39,459	166,029	583	575,424	42,618
Due From Other Funds	-	-	-	-	-	352,078
Due From Component Units	106,312	-	-	-	106,312	154
Notes Receivable	399	-	-	2,005	2,404	-
Other Assets	111,134	-	-	677	111,811	14,346
Restricted Assets						
Investments	-	-	-	18,019	18,019	-
Noncurrent Assets:						
Investments	60,529	-	-	-	60,529	87,825
Notes Receivable	48,818	-	-	198,700	247,518	-
Other Noncurrent Assets	-	-	-	14,203	14,203	-
Restricted Assets						
Cash and Cash Equivalents	13,292	-	-	49	13,341	-
Investments	52,606	-	-	7,510	60,116	-
Non-Depreciable Capital Assets	563,262	-	-	2,780	566,042	22,723
Depreciable Capital Assets, net	7,512,284	-	-	1,302	7,513,586	270,996
Total Assets	10,015,672	78,261	368,389	274,063	10,736,385	912,255
Liabilities						
Current Liabilities:						
Accounts Payable and Other Accruals	188,858	4,455	4,168	867	198,348	30,766
Due to Other Funds	71,719	22,544	-	2,946	97,209	66
Due to Component Units	2,110	-	-	-	2,110	-
Benefits Payable	15,654	215,454	21,661	-	252,769	-
Grants Payable	9,645	-	-	-	9,645	-
Unearned Revenue	314,591	69,582	28,670	-	412,843	137
Claims and Judgments Payable	-	-	-	-	-	444,746
Compensated Absences Payable - Current	119,800	150	-	105	120,055	3,695
Other Current Liabilities	174,014	-	-	10,726	184,740	1,908
Current Liabilities Payable from Restricted Assets	-	-	-	3,769	3,769	-
Noncurrent Liabilities:						
Compensated Absences Payable	90,561	133	-	107	90,801	3,792
Capital Leases/Installment Purchases Payable	2,589,830	-	-	-	2,589,830	-
Revenue Bonds Payable	-	-	-	203,538	203,538	-
Other Postemployment Benefit Obligation	699,938	-	-	-	699,938	-
Other Noncurrent Liabilities	16,605	-	416,000	-	432,605	-
Total Liabilities	4,293,325	312,318	470,499	222,058	5,298,200	485,110
Net Assets						
Invested in Capital Assets, Net of Related Debt	5,422,705	-	-	4,082	5,426,787	293,719
Restricted for:						
Capital Projects	32,181	-	-	-	32,181	-
Permanent Trusts:						
Nonexpendable	133,531	-	-	-	133,531	-
Expendable	257,613	-	-	-	257,613	-
Surplus Property Working Capital	-	-	-	-	-	320
Unrestricted	(123,683)	(234,057)	(102,110)	47,923	(411,927)	133,106
Total Net Assets	$ 5,722,347	$ (234,057)	$ (102,110)	$ 52,005	5,438,185	$ 427,145
Adjustment to reflect the consolidation of Internal Service Fund activities related to Enterprise Funds.					(134,436)	
Net Assets of Business-Type Activities					$ 5,303,749	

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

State of Georgia

Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
For the Fiscal Year Ended June 30, 2010
(dollars in thousands)

	Business-Type Activities - Enterprise Funds					Governmental Activities - Internal Service Funds
	Higher Education Fund	State Employees' Health Benefit Plan	Unemployment Compensation Fund	Nonmajor Funds	Total	
Operating Revenues:						
Operating Grants and Contributions/Premiums	$ 1,289,368	$ 1,997,296	$ 3,246,632	$ -	$ 6,533,296	$ 195,384
Rents and Royalties	5,413	-	-	49	5,462	55,787
Sales and Services	862,093	-	-	34,093	896,186	306,621
Tuition and Fees	1,888,462	-	-	-	1,888,462	-
Less: Scholarship Allowances	(449,769)	-	-	-	(449,769)	-
Other	101,844	-	-	-	101,844	1,081
Total Operating Revenues	3,697,411	1,997,296	3,246,632	34,142	8,975,481	558,873
Operating Expenses:						
Personal Services	4,265,783	5,078	-	2,911	4,273,772	56,726
Services and Supplies	1,735,661	111,568	-	5,044	1,852,273	340,409
Scholarships and Fellowships	500,018	-	-	-	500,018	-
Benefits	-	2,181,708	4,011,801	-	6,193,509	-
Claims and Judgments	-	-	-	-	-	169,540
Depreciation	391,056	-	-	787	391,843	20,765
Amortization	-	-	-	5,908	5,908	-
Total Operating Expenses	6,892,518	2,298,354	4,011,801	14,650	13,217,323	587,440
Operating Income (Loss)	(3,195,107)	(301,058)	(765,169)	19,492	(4,241,842)	(28,567)
Nonoperating Revenues (Expenses):						
Grants and Contributions	1,267,952	-	-	-	1,267,952	-
Interest and Other Investment Income	29,200	227	6,144	222	35,793	9,783
Interest Expense	(129,642)	-	-	(11,523)	(141,165)	-
Other	(41,692)	-	-	-	(41,692)	18,462
Total Nonoperating Revenues (Expenses)	1,125,818	227	6,144	(11,301)	1,120,888	28,245
Income (Loss) Before Contributions, Special Items and Transfers	(2,069,289)	(300,831)	(759,025)	8,191	(3,120,954)	(322)
Capital Contributions	319,003	-	-	1,971	320,974	20,833
Special Items	-	-	-	-	-	(10,090)
Transfers:						
Transfers In	1,966,051	33,300	-	-	1,999,351	6,423
Transfers Out	(5,150)	-	(2,375)	(1,482)	(9,007)	(35,523)
Net Transfers	1,960,901	33,300	(2,375)	(1,482)	1,990,344	(29,100)
Change in Net Assets	210,615	(267,531)	(761,400)	8,680	(809,636)	(18,679)
Net Assets, July 1 (Restated - Note 3)	5,511,732	33,474	659,290	43,325		445,824
Net Assets, June 30	$ 5,722,347	$ (234,057)	$ (102,110)	$ 52,005		$ 427,145
Adjustment to reflect the consolidation of Internal Service Fund activities related to Enterprise Funds.					(3,858)	
					$ (813,494)	

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

State of Georgia

Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2010
(dollars in thousands)

	Business-Type Activities - Enterprise Funds					Governmental Activities - Internal Service Funds
	Higher Education Fund	State Employees' Health Benefit Plan	Unemployment Compensation Fund	Nonmajor Enterprise Fund	Total	
Cash Flows from Operating Activities:						
Cash Received from Customers	$ 848,623	$ -	$ -	$ 21,740	$ 870,363	$ 362,760
Cash Received from Grants and Required Contributions/Premiums	1,265,709	2,065,922	3,236,422	10,502	6,578,555	101,144
Cash Received from Tuition and Fees	1,469,896	-	-	-	1,469,896	-
Cash Paid to Vendors	(2,551,636)	(110,242)	-	(4,420)	(2,666,298)	(347,425)
Cash Paid to Employees	(3,115,453)	(5,098)	-	(2,868)	(3,123,419)	(56,535)
Cash Paid for Benefits	-	(2,178,411)	(4,019,783)	-	(6,198,194)	-
Cash Paid for Claims and Judgments	-	-	-	-	-	(128,645)
Cash Paid for Scholarships, Fellowships and Loans	(509,810)	-	-	-	(509,810)	-
Other Operating Items (Net)	86,562	-	-	-	86,562	681
Net Cash Provided by (Used in) Operating Activities	(2,506,109)	(227,829)	(783,361)	24,954	(3,492,345)	(68,020)
Cash Flows from Noncapital Financing Activities:						
Payment to Lessee on Direct Financing Lease	-	-	-	(98,247)	(98,247)	-
Proceeds from Debt	-	-	416,000	99,499	515,499	-
Bond Issuance Costs				(1,252)	(1,252)	-
Interest Paid on Debt	-	-	-	(10,502)	(10,502)	-
Transfers from Other Funds	1,965,807	33,300		-	1,999,107	6,423
Transfers to Other Funds	(3,806)	-	(2,375)	(1,482)	(7,663)	(35,523)
Other Noncapital Items (Net)	1,198,359	-		2,808	1,201,167	19,839
Net Cash Provided by (Used in) Noncapital Financing Activities	3,160,360	33,300	413,625	(9,176)	3,598,109	(9,261)
Cash Flows from Capital and Related Financing Activities:						
Capital Contributions	126,027	-	-	1,971	127,998	293
Proceeds from Sale of Capital Assets	151	-	-	-	151	140
Proceeds from Capital Debt	(59,024)	-	-		(59,024)	-
Acquisition and Construction of Capital Assets	(317,956)	-	-	(2,691)	(320,647)	(2,712)
Principal Paid on Capital Debt	(52,782)	-	-	(7,880)	(60,662)	-
Interest Paid on Capital Debt	(123,590)	-	-	(1,001)	(124,591)	-
Net Cash Used in Capital and Related Financing Activities	(427,174)	-	-	(9,601)	(436,775)	(2,279)
Cash Flows from Investing Activities:						
Sale (Purchase) of Investments (Net)	77,313	70,339	-	(2,296)	145,356	51,210
Interest and Dividends Received	15,222	227	6,144	222	21,815	8,091
Net Cash Provided by (Used in) Investing Activities	92,535	70,566	6,144	(2,074)	167,171	59,301
Net Increase (Decrease) in Cash and Cash Equivalents	319,612	(123,963)	(363,592)	4,103	(163,840)	(20,259)
Cash and Cash Equivalents, July 1	658,465	148,509	565,952	13,834	1,386,760	86,157
Cash and Cash Equivalents, June 30	$ 978,077	$ 24,546	$ 202,360	$ 17,937	$ 1,222,920	$ 65,898

(continued)

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

State of Georgia

Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2010
(dollars in thousands)

	Business-Type Activities - Enterprise Funds					Governmental Activities - Internal Service Funds
	Higher Education Fund	State Employees' 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)	$ (3,195,107)	$ (301,058)	$ (765,169)	$ 19,492	$ (4,241,842)	$ (28,567)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:						
Depreciation/Amortization Expense	391,056	-	-	6,695	397,751	20,765
Other	-	-	-	(2,603)	(2,603)	-
Changes in Assets and Liabilities:						
Decrease (Increase) in Accounts Receivable	(74,015)	15,995	(15,965)	(260)	(74,245)	(843)
Decrease in Due From Other Funds	-	4,864	-	577	5,441	3,989
Decrease in Due from Component Units	-	-	-	-	-	162
Decrease (Increase) in Other Assets	(20,714)	-	-	597	(20,117)	(99)
Increase in Notes Receivable	(417)	-	-	-	(417)	-
Increase (Decrease) in Accounts Payable and Other Accruals	14,212	1,312	(3,253)	-	12,271	(6,751)
Increase (Decrease) in Due to Other Funds	-	22,545	(1,336)	174	21,383	(107)
Increase (Decrease) in Benefits Payable	783	3,296	(7,982)	-	(3,903)	-
Increase in Unearned Revenue	48,822	25,222	10,344	-	84,388	86
Decrease in Claims and Judgments Payable	-	-	-	-	-	(57,469)
Increase (Decrease) in Compensated Absences Payable	9,149	(5)	-	43	9,187	139
Increase in Other Postemployment Benefit Obligation	304,463	-	-	-	304,463	-
Increase (Decrease) in Other Liabilities	15,659	-	-	25	15,684	675
Increase in Current Liabilities Payable from Restricted Assets	-	-	-	214	214	-
Net Cash Provided by (Used) in Operating Activities	$ (2,506,109)	$ (227,829)	$ (783,361)	$ 24,954	$ (3,492,345)	$ (68,020)
Noncash Investing, Capital, and Financing Activities:						
Gift of Capital Assets Reducing Proceeds of Capital Grants and Gifts	$ (19,551)	$ -	$ -	$ -	$ (19,551)	$ -
Gifts other than Capital Assets Reducing Proceeds of Grants and Gifts for Other than Capital Assets	(1)	-	-	-	(1)	-
Donation of Capital Assets	-	-	-	-	-	20,539
Change in Accrued Interest Payable Affecting Interest Paid	(3,295)	-	-	-	(3,295)	-
Fixed Assets Acquired by Incurring Capital Lease Obligations	465,107	-	-	-	465,107	-
Change in Fair Value of Investments Recognized as a Component of Interest Income	13,918	-	-	-	13,918	1,693
Special Item - Equipment-Capital Asset Transfer	17	-	-	-	17	-
Reduction in Capital Lease Obligation	2,586	-	-	-	2,586	-
Loss on Disposal of Capital Assets Reducing Proceeds from Sale of Capital Assets	852	-	-	-	852	-
Other	63	-	-	-	63	-
Total Noncash Investing, Capital and Financing Activites	$ 459,696	$ -	$ -	$ -	$ 459,696	$ 22,232

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

State of Georgia

Statement of Fiduciary Net Assets

Fiduciary Funds

June 30, 2010

(dollars in thousands)

	Pension and Other Employee Benefits Trust	Investment Trust	Private Purpose Trust	Agency	Total
Assets					
Cash and Cash Equivalents	$ 38,410	$ 2,870,421	$ 26,600	$ 99,588	$ 3,035,019
Receivables					
Interest and Dividends	223,725	25	-	-	223,750
Due from Brokers for Securities Sold	61,860	-	-	-	61,860
Other	156,263	-	-	479	156,742
Due from Other Funds	23,732	-	-	-	23,732
Investments, at Fair Value					
Certificates of Deposit	-	-	-	2,899	2,899
Investment Accounts	1,318	-	-	-	1,318
Pooled Investments	12,734,472	2,120,512	18,299	19,485	14,892,768
Mutual Funds	1,122,489	-	-	4,681	1,127,170
Repurchase Agreements	1,390,884	-	-	-	1,390,884
Municipal, U. S. and Foreign					
ties and Government Obligations	11,310,280	-	-	43,579	11,353,859
Corporate Bonds/Notes/Debentures	5,169,494	-	-	-	5,169,494
Stocks	28,536,123	-	-	-	28,536,123
Asset-Backed Securities	35,377	-	-	-	35,377
Mortgage Investments	54,511	-	-	-	54,511
Real Estate Investment Trusts	17,347	-	-	-	17,347
Capital Assets					
Land	2,071	-	-	-	2,071
Buildings	7,695	-	876	-	8,571
Software	29,325	-	-	-	29,325
Machinery and Equipment	3,685	-	103	-	3,788
Accumulated Depreciation	(30,073)	-	(279)	-	(30,352)
Other Assets	114	-	-	39,648	39,762
Total Assets	60,889,102	4,990,958	45,599	210,359	66,136,018
Liabilities					
Accounts Payable and Other Accruals	55,200	-	32	7,986	63,218
Due to Other Funds	1,200	-	-	-	1,200
Due to Brokers for Securities Purchased	97,130	-	-	-	97,130
Salaries/Withholdings Payable	164	-	-	-	164
Benefits Payable	6,757	-	-	-	6,757
Funds Held for Others	-	-	-	202,322	202,322
Unearned Revenue	8,440	-	-	-	8,440
Compensated Absences Payable	65	-	213	-	278
Other Liabilities	-	-	773	51	824
Total Liabilities	168,956	-	1,018	210,359	380,333
Net Assets					
Held in Trust for:					
Pension Benefits	59,883,199	-	-	-	59,883,199
Other Postemployment Benefits	680,815	-	-	-	680,815
Other Employee Benefits	156,132	-	-	-	156,132
Pool Participants	-	4,990,958	-	-	4,990,958
Other Purposes	-	-	44,581	-	44,581
Total Net Assets	$ 60,720,146	$ 4,990,958	$ 44,581	$ -	$ 65,755,685

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

State of Georgia

Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the Fiscal Year Ended June 30, 2010
(dollars in thousands)

	Pension and Other Employee Benefits Trust	Investment Trust	Private Purpose Trust	Total
Additions:				
Contributions/Assessments				
Employer	$ 1,746,146	$ -	$ -	$ 1,746,146
Plan Members/Participants	859,566	-	153,912	1,013,478
Other Contributions				
Fines and Bond Forfeitures	21,371	-	-	21,371
Insurance Company Premium Taxes	25,328	-	-	25,328
Insurance Premiums	7,655	-	-	7,655
Other Fees	4,922	-	-	4,922
Interest and Other Investment Income				
Dividends and Interest	1,629,369	20,882	243	1,650,494
Net Appreciation (Depreciation) in Investments Reported at Fair Value	4,638,202	561	-	4,638,763
Less: Investment Expense	(37,614)	(1,500)	-	(39,114)
Pool Participant Deposits	-	8,671,285	-	8,671,285
Other				
Transfers from Other Funds	2,366	-	-	2,366
Miscellaneous	1,525	-	-	1,525
Total Additions	8,898,836	8,691,228	154,155	17,744,219
Deductions:				
General and Administrative Expenses	79,022	-	3,135	82,157
Benefits	4,841,005	-	125,219	4,966,224
Pool Participant Withdrawals	-	10,266,320	-	10,266,320
Refunds	72,019	-	-	72,019
Total Deductions	4,992,046	10,266,320	128,354	15,386,720
Change in Net Assets Held in Trust for:				
Pension and Other Employee Benefits	3,906,790			3,906,790
Pool Participants		(1,575,092)		(1,575,092)
Other Purposes			25,801	25,801
Net Assets, July 1 (Restated - Note 3)	56,813,356	6,566,050	18,780	63,398,186
Net Assets, June 30	$ 60,720,146	$ 4,990,958	$ 44,581	$ 65,755,685

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

State of Georgia

Statement of Net Assets
Component Units
June 30, 2010
(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	$ 184,893	$ 42,852	$ 6,919	$ 3,606	$ 614,662	$ 852,932
Investments	227,045	10,761	-	-	210,196	448,002
Receivables						
Accounts (Net)	29,321	-	122,165	37,373	219,180	408,039
Taxes	-	-	-	-	454	454
Interest and Dividends	15,821	660	-	-	2,821	19,302
Notes and Loans	-	-	-	1,080	306,818	307,898
Due from Primary Government	-	-	-	-	2,168	2,168
Due from Component Units	-	-	-	-	866	866
Intergovernmental Receivables	15,126	-	-	-	14,028	29,154
Other Current Assets	20	20,706	3,385	-	99,292	123,403
Noncurrent Assets:						
Investments	-	98,377	-	1,128,409	1,026,447	2,253,233
Receivables (Net)						
Notes and Loans	1,458,461	406,399	-	-	3,151	1,868,011
Other	-	-	-	207,809	1,309,025	1,516,834
Due from Component Units	-	-	-	-	86,157	86,157
Restricted Assets						
Cash and Cash Equivalents	-	239,049	5,412	-	208,617	453,078
Investments	-	141,559	306,635	-	31,370	479,564
Receivables (Net)						
Notes and Loans	-	621,193	-	-	-	621,193
Interest and Dividends	-	7,763	-	-	-	7,763
Other	-	-	-	-	84	84
Deferred Charges	-	14,393	-	-	-	14,393
Non-depreciable capital assets	-	800	-	2,553	675,085	678,438
Depreciable capital assets, net	43	3,037	4,994	33,898	1,547,661	1,589,633
Deferred Capital Outflow	-	-	-	-	23,554	23,554
Other Noncurrent Assets	161	-	-	23,701	62,134	85,996
Total Assets	1,930,891	1,607,549	449,510	1,438,429	6,443,770	11,870,149

(continued)

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

State of Georgia

Statement of Net Assets
Component Units
June 30, 2010
(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	16,628	34,155	70,766	5,854	171,595	298,998
Due to Primary Government	-	2	62,282	-	107,359	169,643
Due to Component Units	-	-	-	361	505	866
Funds Held for Others	-	-	-	-	1,319	1,319
Unearned Revenue	51,352	2,322	-	3,229	105,132	162,035
Notes and Loans Payable - Current	-	-	-	26,450	74,488	100,938
Revenue Bonds Payable - Current	6,035	24,215	-	6,990	54,243	91,483
Other Current Liabilities	128	51,654	13,134	2,377	62,076	129,369
Current Liabilities Payable from Restricted Assets:						
Accrued Interest Payable	-	-	-	-	3,677	3,677
Revenue Bonds Payable - Current	-	-	-	-	8,660	8,660
Other	-	-	5,401	-	8,348	13,749
Noncurrent Liabilities:						
Unearned Revenue	-	406,231	-	31,835	9,532	447,598
Notes and Loans Payable	-	-	-	-	303,885	303,885
Revenue/Mortgage Bonds Payable	7,875	913,730	-	245,407	2,203,670	3,370,682
Grand Prizes Payable	-	-	270,111	-	-	270,111
Due to Component Units	-	-	-	86,157	-	86,157
Derivative Instrument Payable	-	-	-	19,699	58,743	78,442
Other Noncurrent Liabilities	347	-	3,193	10,018	189,047	202,605
Total Liabilities	82,365	1,432,309	424,887	438,377	3,362,279	5,740,217
Net Assets						
Invested in Capital Assets, Net of Related Debt	21	3,837	4,994	(103)	1,163,511	1,172,260
Restricted for:						
Bond Covenants/Debt Service	1,525	-	-	-	27,692	29,217
Construction	-	-	-	4,759	9,482	14,241
Permanent Trusts						
Expendable	-	-	-	486,932	342,135	829,067
Nonexpendable	-	-	-	449,002	537,447	986,449
Loan and Grant Programs	39,458	-	-	-	-	39,458
Other Purposes	-	-	11	-	61	72
Unrestricted	1,807,522	171,403	19,618	59,462	1,001,163	3,059,168
Total Net Assets	$ 1,848,526	$ 175,240	$ 24,623	$ 1,000,052	$ 3,081,491	$ 6,129,932

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

STATE OF GEORGIA
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State of Georgia

Statement of Activities
Component Units
For the Fiscal Year Ended June 30, 2010
(dollars in thousands)

	Georgia Environmental Finance Authority	Georgia Housing and Finance Authority	Georgia Lottery Corporation	Georgia Tech Foundation, Incorporated	Nonmajor Component Units	Total
Expenses	$ 132,744	$ 198,386	$ 3,393,035	$ 117,459	$ 2,142,322	$ 5,983,946
Program Revenues:						
Sales and Charges for Services	59,935	13,053	3,392,442	15,647	1,142,714	4,623,791
Operating Grants and Contributions	60,030	198,285	10,337	156,375	993,055	1,418,082
Capital Grants and Contributions	118,998	-	-	-	26,234	145,232
Total Program Revenues	238,963	211,338	3,402,779	172,022	2,162,003	6,187,105
Net Revenue	106,219	12,952	9,744	54,563	19,681	203,159
General Revenues:						
Taxes	-	-	-	-	23,960	23,960
Payments from the State of Georgia	-	-	-	-	43,358	43,358
Contributions to Permanent Endowments	-	-	-	54,312	18,820	73,132
Total General Revenues	-	-	-	54,312	86,138	140,450
Change in Net Assets	106,219	12,952	9,744	108,875	105,819	343,609
Net Assets, July 1 - Restated (Note 3)	1,742,307	162,288	14,879	891,177	2,975,672	5,786,323
Net Assets, June 30	$ 1,848,526	$ 175,240	$ 24,623	$ 1,000,052	$ 3,081,491	$ 6,129,932

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

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Notes to the Financial Statements
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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

The financial statements of the State of Georgia have been prepared in conformity with GAAP as prescribed by the Governmental Accounting Standards Board (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 of Georgia 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 of Georgia. 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. The institution is dedicated to providing a high-quality military education to the youth of the State. The Board of Trustees (Board) 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 of Milledgeville, as required by statute. The government, control, and management of the college are vested in the Board. The College receives any designated funds appropriated by the General Assembly through the State Board of Regents.

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
Georgia Tourism Foundation
State Road and Tollway Authority

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

Internal Service Funds
Georgia Aviation Authority
Georgia Building Authority
Georgia Correctional Industries Administration
Georgia Technology Authority

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

Georgia Environmental Finance Authority (Authority) is a body corporate and politic. The Authority provides assistance to local governments in constructing, extending, rehabilitating, repairing, replacing and renewing environmental facilities by providing financial and technical assistance. The Authority 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 (Authority) is a body corporate and politic. The Authority is responsible

for facilitating housing and housing finance and financing for health facilities and health care services throughout the State. The powers of the Authority are vested in eighteen members who also comprise the board of the Department of Community Affairs (DCA). Board members are appointed by the Governor and are composed of one member from each United States Congressional District in the State (currently thirteen) 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 (Corporation) is a public body, corporate and politic. The Corporation operates lottery games to provide continuing entertainment to the public and maximize revenues, the net proceeds of which are utilized to support improvements and enhancements for educational purposes. The Corporation is governed by a board of directors composed of seven members, all of which are appointed by the Governor. The State is legally entitled to residual resources of the Corporation.

Georgia Tech Foundation, Incorporated is a nonprofit organization established to promote in various ways the cause of higher education in the State of Georgia, 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 Agrirama Development Authority
Georgia Development Authority
Georgia Golf Hall of Fame Authority
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

Higher Education Foundations and Similar Organizations
Georgia College & State University Foundation
Georgia Southern University Housing Foundation, Incorporated
Georgia State University Foundation
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
Medical College of Georgia Health, Incorporated
Medical College of Georgia Physician's Practice Group Foundation
University of Georgia Athletic Association, Incorporated
University of Georgia Foundation
University of Georgia Research Foundation, Incorporated
University System of Georgia Foundation, Incorporated
Valdosta State University 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 the Board of Regents of the University System of Georgia.

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

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

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

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

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

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

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

The State's proprietary funds and discretely presented component units, other than certain higher education foundations and similar organizations, follow all GASB pronouncements, and all Financial Accounting Standards Board (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.

Generally accepted accounting principles require that revenues and expenses relating to summer school activities, the dates of which cross the State's fiscal year, are allocated between fiscal years rather than reported in a single fiscal year with the exception of teachers' salaries which are recorded in the fiscal year earned. The Higher Education Fund (major enterprise fund) reports summer revenues and expenses in the year in which the predominant activity takes place.

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.

- *Georgia State Financing and Investment Commission (capital projects fund)* - accounts for the construction of projects for State agencies financed with public debt, 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 Employees' Health Benefit Plan* - a self-insured program of health benefits for the employees of units of government of the State of Georgia, units of county government and local education agencies located within the State of Georgia.

- *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 primary government debt service fund is the General Obligation Debt Sinking Fund. The Debt Sinking Fund is a legally mandated fund responsible for fulfilling annual debt service requirements on all general obligation debt.

- *Capital Projects Funds* - account for the acquisition or construction of capital facilities.

- *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. The State Road and Tollway Authority's Georgia 400 Project Fund 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 Employees' Retirement System, for the Teachers Retirement System, and for pension plans administered on behalf of a variety of local government officials and employees. These funds also include those used to report the accumulation of resources for, and payment of, other postemployment benefits.

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

- *Private Purpose Trust Funds* - report resources of all other trust arrangements in which principal and income

benefit individuals, private organizations, or other governments. Auctioneers and Real Estate Education, Research, and Recovery Funds 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/Fund Equity

1. 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.

2. 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 of the Office of Treasury and Fiscal Services as revenues of the State of Georgia. As a matter of general practice, however, demand funds of any department, board, bureau or other agency in excess of current operating expenses are required to be deposited with the State Treasurer of the Office of Treasury and Fiscal Services for the purpose of pooled investment per the Official Code of Georgia Annotated (OCGA) 50-17-63. Such cash is managed in a pooled investment fund 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 of Georgia 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.

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 SEC. The fair value of the position in the BPDUTF is the same as the value of the BPDUTF shares.

3. 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; accordingly, no allowance for uncollectible accounts has been established for Federal receivables.

4. 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 reserved for inventories and prepaid items to indicate that these amounts do not represent expendable available financial resources.

5. 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.

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

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

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

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

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

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

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

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

7. 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 forty-five days. Employees are paid for unused accumulated annual leave upon retirement or termination of employment. Funds are provided in the appropriation of funds each fiscal year to cover the cost of annual leave of terminated employees. 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 ten hours of sick leave each month with a maximum accumulation of ninety days. Sick leave does

not vest with the employee. Unused accumulated sick leave is forfeited upon retirement or termination of employment. However, certain employees who retire with one hundred and twenty days or more of forfeited annual and sick leave are entitled to additional service credit in the Employees' Retirement System of Georgia. No liability is recorded for rights to receive sick pay benefits.

8. 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 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 event has 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.

9. 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.

10. Fund Balances

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally segregated by outside parties for use for a specific purpose. Designations of fund balance represent tentative plans for future use of financial resources. Unreserved, undesignated fund balance is the amount of fund balance remaining from operations of the current and prior years, net of amounts established as reserved and designated.

11. Interfund Activity and Balances

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

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

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

NOTE 2 – CHANGES IN FINANCIAL ACCOUNTING AND REPORTING

Financial Reporting Entity
The Georgia Aviation Authority was created effective July 1, 2009, to acquire, operate, maintain, house, and dispose of all state aviation assets, to provide aviation services and oversight of state aircraft and aviation operations to ensure the safety of state air travelers and aviation property, to achieve policy objectives through aviation missions, and to provide for the efficient operation of state aircraft. This authority is included in the internal service funds of the State.

Early in fiscal year 2010, the Georgia Retiree Health Benefit (OPEB) Fund was split into two funds. Balances in the existing fund were transferred to the newly created Georgia School Personnel Post-employment Health Benefit Fund and the Georgia State Employees Post-employment Health Benefit Fund, and the original fund was terminated. The original fund does not appear in the financial statements contained herein. The assignment of balances to the new funds is reported in those funds as beginning net assets.

Revenue Recognition
Prior to fiscal year 2010, substantially all investment earnings were reported in the Statement of Activities as General Revenue – Unrestricted Investment Income. A closer evaluation of these revenues revealed that, except for earnings on general Treasury receipts, investment income is generated by and restricted to the various functions/programs of the State. In fiscal year 2010, all such amounts were reported as Program Revenues.

Lease Accounting / Reporting System
During fiscal year 2010, a new lease accounting software system was implemented which enforced a standard definition of lease term (as it relates to renewal options) among organizations in the reporting entity. This resulted in changes in beginning net assets both for assets under capital lease and for capital lease liabilities of governmental activities, business-type activities, fiduciary funds, and discretely presented component units in the amounts identified in Note 3.

Change in Accounting Estimate
During the fiscal year, it was determined that the estimate made of liabilities for outstanding claims at the end of fiscal year 2009 for the Property Insurance Fund (Internal Service Fund – Risk Management) had been overstated. As a result, beginning net assets of the internal service funds have been increased by $15 million.

Correction of Prior Year Errors
During the fiscal year, it was determined that the estimate of the claims liability for the fiscal year ended 2009 for the Workers Compensation Fund (Internal Service Fund – Risk Management) had not been discounted. This fund operated in a deficit for the fiscal year-ended June 30, 2009 and 2010. Accordingly, these deficits are charged back to the contributing funds. As a result of restating the prior year claims liability, beginning balances within the General Fund and Higher Education Fund have been increased to show the effect on the amount of deficit charge back reported in the prior year.

In fiscal year 2010, an error was discovered in the methodology for determining the split between retiree and active employee claims expense for the Board of Regents Retiree Health Benefit Fund (OPEB Fund), resulting in an increase in retiree claim costs which will be absorbed by the employer (higher education fund). Accordingly, reported employer contributions to the OPEB Fund have been increased by $41.7 million. Because the plan contributions and expenses increased by equivalent amounts, no restatement of the OPEB Fund financial statements was required. However, the increased employer contributions impacted both the Annual OPEB Cost and Net OPEB Obligation amounts reported in Note 11 and the OPEB obligation reported in the higher education fund. Therefore, beginning net assets of the proprietary funds have been increased by $41.7 million.

During the fiscal year, it was determined that projects of the Higher Education Foundations should be accounted for as capital leases. As such, the leased assets are treated as having been sold, and corresponding capital leases receivable are reported. These deemed sales resulted in significant gains equivalent to the difference between the capital lease receivable and the book value of the assets sold. These gains, along with adjustments to prior year rental income (for payments on the capital leases receivable) and depreciation expense, resulted in an increase to the beginning net assets of the discretely presented component units of $10.1 million.

Adoption of New Accounting Principles
In fiscal year 2010, the State implemented GASB Statement 53, *Accounting and Financial Reporting for Derivative Instruments*, addressing the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. This statement requires the cumulative effect of applying the statement be reported as a noncurrent asset and noncurrent liability. For hedging derivative instruments, GASB 53 considers the swaption premium a component of the bonds payable and requires interest to be accrued at the effective rate. As a result, beginning net assets of the discretely presented component units have been decreased by $1.1 million.

Also in fiscal year 2010, the State implemented GASB Statement 51, *Accounting and Financial Reporting for Intangible Assets*. The additional intangible assets (net of

accumulated depreciation, where applicable) reported as a result of implementation of this statement required an adjustment to increase beginning net assets of governmental activities by $72.3 million.

In fiscal year 2011, the State will implement GASB Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and GASB 59, *Financial Instruments Omnibus*. Governments will be required to classify and report amounts in the appropriate fund balance classifications by applying their accounting policies that determine whether restricted, committed, assigned, and unassigned amounts are considered to have been spent. Disclosure of the policies in the notes to the financial statements is required. As of the date of this report, the State has not determined the financial impact of implementing these statements.

NOTE 3 – FUND EQUITY RECLASSIFICATIONS AND RESTATEMENTS

	June 30, 2009 As Previously Reported	Adjustments	June 30, 2009 (Restated)
Governmental Funds and Activities			
Major Funds:			
General Fund	$ 3,028,433	$ -	$ -
Adjustment to Allocation of Internal Service Fund Deficit	-	67,871	3,096,304
Georgia State Financing and Investment Commission	1,496,019	-	1,496,019
Nonmajor Funds:			
Special Revenue Funds	436,838	-	436,838
Debt Service Fund	-	-	-
Permanent Fund	14	-	14
Total Governmental Funds	4,961,304	67,871	5,029,175
Government-wide Adjustments			
Capital Assets, net of depreciation	19,736,786	-	-
Adjustment to Assets under Capital Lease	-	204,971	-
Intangible Assets (GASB 51)	-	72,334	20,014,091
Other Noncurrent Assets	25,693	-	25,693
Long-Term Liabilities	(11,433,537)	-	-
Adjustment to Capital Lease Liability	-	(258,912)	(11,692,449)
Inclusion of Internal Service Funds	561,405	15,000	576,405
Total Governmental Funds and Activities	**$ 13,851,651**	**$ 101,264**	**$ 13,952,915**
Proprietary Funds and Business-Type Activities			
Major Funds:			
Higher Education Fund	$ 5,442,864	$ -	$ -
Correction of Prior Year Errors (various)	-	6,462	-
Adjustment to OPEB Obligation	-	41,750	
Adjustment to Allocation of Internal Service Fund Deficit	-	20,656	5,511,732
State Employees' Health Benefit Plan	33,474	-	33,474
Unemployment Compensation Fund	659,290	-	659,290
Nonmajor Funds:			
Enterprise Fund	43,325	-	43,325
Internal Service Funds			
Change in Claims Liability Estimation	430,824	15,000	445,824
Internal Service Funds Look-Back Adjustments	-	-	-
Removal of Internal Service Funds Relating to Governmental Activities	(561,402)	(15,000)	(576,402)
Total Proprietary Funds and Business-Type Activities	**$ 6,048,375**	**$ 68,868**	**$ 6,117,243**

	June 30, 2009 As Previously Reported	Adjustments	June 30, 2009 (Restated)
Fiduciary Funds			
Pension and Other Employee Benefit Trust Funds	$ 56,813,356	$ -	$ 56,813,356
Investment Trust Funds	6,566,050	-	6,566,050
Private Purpose Trust Funds	18,832		-
Adjustment to Assets under Capital Lease	-	775	-
Adjustment to Capital Lease Liability	-	(827)	18,780
Total Fiduciary Funds	**$ 63,398,238**	**$ (52)**	**$ 63,398,186**
Discretely Presented Component Units	$ 5,780,470	$ -	$ 5,780,470
Adjustment to Assets under Capital Lease	-	7,251	7,251
Adjustment to Capital Lease Liability	-	(9,825)	(9,825)
Derivatives (GASB 53)	-	(1,061)	(1,061)
Correction of Prior Year Errors (Capital Leases Receivable)	-	10,102	10,102
Correction of Prior Year Errors (various)	-	(614)	(614)
Total Discretely Presented Component Units	**$ 5,780,470**	**$ 5,853**	**$ 5,786,323**

NOTE 4 – FUND BALANCES/NET ASSETS

A. Restricted Assets

The State of Georgia reports net assets as restricted where legally segregated for a specific future use by enabling legislation in accordance with GASB Statement No. 46, "*Net Assets Restricted by Enabling Legislation.*" Otherwise, these balances are considered unrestricted. As of June 30, 2010 the government-wide statement of net assets reports the following as restricted net (dollars in thousands):

	Governmental Activities	Business Type Activities	Total Primary Government
Guaranteed Revenue Debt Common Reserve Fund	$ 71,299	$ -	$ 71,299
Lottery for Education	883,333	-	883,333
Motor Fuel Tax Funds	1,366,443	-	1,366,443
Permanent Trusts	-	391,144	391,144
Other Purposes	284,041	32,181	316,222
Total Restricted Net Assets	**$ 2,605,116**	**$ 423,325**	**$ 3,028,441**

B. Reserved Fund Balances

Reserved fund balances at June 30, 2010 are as follows (dollars in thousands):

	General Fund	Nonmajor Funds	Total Governmental Funds
Encumbrances	$ 917,933	$ -	$ 917,933
Georgia Academy for the Blind	-	14	14
Guaranteed Revenue Debt Common Reserve Fund	71,299	-	71,299
Inventories	41,667	-	41,667
Loans and Grant Programs	-	43,100	43,100
Lottery for Education	883,333	-	883,333
Roads and Bridges (Motor Fuel Tax Funds)	1,366,443	-	1,366,443
Unissued Debt / Debt Service	131,763	-	131,763
Culture and Recreation	67,112	-	67,112
Economic Development	22,196	-	22,196
Education	11,412	-	11,412
General Government	22,659	-	22,659
Health and Welfare	123,004	-	123,004
Public Safety	55,654	-	55,654
Transportation	22,836	-	22,836
Total Reserved Fund Balance	**$ 3,737,311**	**$ 43,114**	**$ 3,780,425**

C. Deficit Net Assets

The following funds reported total net assets deficits at June 30, 2010:

- State Employees Health Benefit Plan - $234 million
- Unemployment Compensation Fund - $102.1 million
- Internal Service Funds at Department of Administrative Services - $617 thousand

NOTE 5 - DEPOSITS AND INVESTMENTS

Cash and investments as of June 30, 2010 are classified in the accompanying financial statements as follows:

	Primary Government and Fiduciary Funds	Component Units	Total
Cash and Cash Equivalents	$ 2,687,464	$ 852,932	$ 3,540,396
Investments	3,803,189	2,701,235	6,504,424
Restricted Assets			
Cash and Cash Equivalents	47,224	453,078	500,302
Investments	94,796	479,564	574,360
Fiduciary Funds			
Cash and Cash Equivalents	3,035,019	-	3,035,019
Investments	62,581,750	-	62,581,750
Total Cash and Investments	**$ 72,249,442**	**$ 4,486,809**	**$ 76,736,251**

Cash and investments as of June 30, 2010 consist of the following:

	Primary Government and Fiduciary Funds	Component Units	Total
Cash on Hand	$ 6,488	$ 42	$ 6,530
Deposits with Financial Institutions (Note 5A)	3,090,519	1,003,771	4,094,290
Investments (Note 5B)	69,813,192	2,822,239	72,635,431
Assets Held at the Office of Treasury and Fiscal Services on Behalf of Other Organizations	(660,757)	660,757	-
	$ 72,249,442	**$ 4,486,809**	**$ 76,736,251**

A. Deposits

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

1) Bonds, bills, notes, certificates of indebtedness, or other direct obligations of the United States or of the State of Georgia.

2) Bonds, bills, notes, certificates of indebtedness or other obligations of the counties or municipalities of the State of Georgia.

3) Bonds of any public authority created by the laws of the State of Georgia, providing that the statute that created the authority authorized the use of the bonds for this purpose.

4) Industrial revenue bonds and bonds of development authorities created by the laws of the State of Georgia.

5) Bonds, bills, certificates of indebtedness, notes or other obligations of a subsidiary corporation of the United States government, which are fully guaranteed by the United States government both as to principal and interest and debt obligations issued by the Federal Land Bank, the Federal Home Loan Bank, the Federal Intermediate Credit Bank, the Central

6) Bank for Cooperatives, the Farm Credit Banks, the Home Loan Mortgage Corporation and the Federal National Mortgage Association.

The Director of the Office of Treasury and Fiscal Services (OTFS) 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 Director, a combination of the methods above may be utilized by a depository to secure deposits.

The State Depository Board is authorized in OCGA 50-17-53 to allow agencies of the State of Georgia 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 deposit at any State depository 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, 2010, bank balances of the primary government and its component units' deposits totaled $4.2 billion. Of these deposits, $800 million were exposed to custodial credit risk as follows (in thousands)

	Primary Government	Component Units	Total
Uninsured and Uncollaterized	$188,699	$433,668	$622,367
Uninsured and collateralized with securities held by the pledging financial institutions	30,386	62,847	93,233
Uninsured and collateralized with securities held by the pledging institution's trust departments or agents, but not in the State's name	44,030	40,306	84,336
Total deposits exposed to custodial credit risk	**$263,115**	**$536,821**	**$799,936**

The carrying amounts of the deposits of certain higher education foundations which utilize FASB standards were $213 million. These deposits are not included in the balances reflected above.

B. Investments

Primary Government (Other than Pension and Other Employee Benefit Trust Funds)

The investment policy of the State of Georgia is to maximize the protection of State funds on deposit while accruing an advantageous yield on those funds in excess of those required for current operating expenses (OCGA 50-17-51).

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

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

Pension and Other Employee Benefit Trust Funds

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

1) United States 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 United States 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 United States 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 government of the United States of America.
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 United States of America 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 United States of America 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 United States of America, and the right to receive determinated portions or related income.
12) Loans that are secured by pledge or securities eligible for investment.
13) Purchase money mortgages or like securities received upon the sale or exchange of real property acquired.
14) Secured mortgages or mortgage participation, pass-through, conventional pass-through, trust certificate, or other similar securities with restrictions.
15) Land and buildings on such land used or acquired for use as a fund's office for the convenient transaction of its own business with restrictions.
16) Real property and equipment acquired under various circumstances.

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

Component Units

Component units follow applicable investing criteria described above for the primary government. Certain higher education foundations utilize FASB standards; therefore, only the June 30, 2010, balances are available as follows (in thousands):

	Fair Value
Cash Held by Investment Organization	$ 77,063
Certificates of Deposit	83,942
Corporate Bonds	182,089
Diversifying Strategies	32,741
Equity Securities	710,269
Government and Agency Securities	13,995
Investment Pools	442,933
Hedge Funds	220,754
Joint Ventures/Partnerships	598
Money Market Accounts	3,078
Mutual Funds	57,854
Natural Resources	69,052
Real Estate	87,357
Split-interest Investments	13,306
Total Investments	**$ 1,995,031**

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

Interest Rate Risk

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

Primary Government (Other than Pension and Other Employee Benefit Trust Funds)

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

Certificates of deposit may not have a term exceeding five years. The Director of OTFS may establish duration or maturity limitations for other investments. The following table provides information about the State's exposure to interest rate risk (in thousands).

		Maturity Period[1]				
	Total Fair Value	**Less than 3 Months**	**4 - 12 Months**	**1 - 5 Years**	**6 - 10 Years**	**More than 10 Years**
Asset-Backed Securities	$ 12,897	$ -	$ 252	$ 12,555	$ 90	$ -
Banker's Acceptances	106,686	106,686	-	-	-	-
Corporate Debt						
Domestic	49,260	779	2,364	40,380	3,502	2,235
International Government Obligations	2,000	-	-	2,000	-	-
Mortgage-Backed Securities						
Commercial	8,143	-	-	-	-	8,143
Municipal Bonds	1,094	-	66	165	863	-
Mutual Funds - Debt	29,752	-	174	1,481	23,738	4,359
Repurchase Agreements	2,633,098	2,600,000	33,098	-	-	-
U. S. Agency Obligations	5,989,240	2,678,270	2,004,100	998,476	98,355	210,039
U. S. Treasury Obligations	242,975	104,241	99,324	30,505	7,927	978
Total Debt Securities	**9,075,145**	**$5,489,976**	**$2,139,378**	**$1,085,562**	**$ 134,475**	**$ 225,754**
Equity Securities - Domestic	83,907					
Equity Securities - International	88					
Funds on Deposit with U. S. Treasure for Unemployment Compensation	212,540					
Mutual Funds - Equity	57,770					
Real Estate	6,071					
Real Estate Investment Trust	1,775					
Total Investments	**$9,437,296**					

[1]Maturity Period is weighted average maturity.

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

The Boards of the Employees' and Teachers' Retirement systems have elected to manage interest rate risk of these pension and other employee benefit trust funds using the effective duration method. This method is widely used in the management of fixed income portfolios and quantifies to a much greater degree the sensitivity to interest rate changes when analyzing a bond portfolio with call options, prepayment provisions, and any other cash flows. Effective duration makes assumptions regarding the most likely timing and amounts of variable cash flows and is best utilized to gauge the effect of a change in interest rates on the fair value of a portfolio. It is believed that the reporting of effective duration found in the table to the right 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		
Domestic	$ 5,978,327	4.3
International	406,100	3.0
International Government Obligations	897,446	4.3
Repurchase Agreements	1,697,141	0.0
U. S. Agency Obligations	1,071,858	2.0
U. S. Treasury Obligations	12,227,630	0.0
Total Debt Securities	22,278,502	
Common Stock	36,108,351	
Mutual Funds - Equity	867,117	
Total Investments	**$59,253,970**	

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).

		Maturity Period				
	Total Fair Value	Less than 3 Months	4 - 12 Months	1 - 5 Years	6 - 10 Years	More than 10 Years
Asset-Backed Securities						
Domestic	$ 38,980	$ -	$ -	$ 7,464	$ 8,370	$ 23,146
Corporate Debt						
Domestic	179,149	1,182	8,698	66,860	55,067	47,342
International	10,047	-	807	1,629	5,576	2,035
Mortgage-Backed Securities						
Commercial	54,511	-	-	394	4,646	49,471
Municipal Bonds	2,440	-	15	893	852	680
Mutual Funds - Debt*	6,198	-	-	2,879	3,319	-
Repurchase Agreements	-	-	-	-	-	-
U. S. Agency Obligations	125,384	-	1,786	23,771	13,335	86,492
U. S. Treasury Obligations	56,652	-	-	28,873	10,292	17,487
Total Debt Securities	**473,361**	**$ 1,182**	**$ 11,306**	**$ 132,763**	**$ 101,457**	**$ 226,653**
Equity Securities						
Domestic	279,697					
International	33,386					
Mutual Funds - Equity	318,135					
Real Estate Investment Trust	17,347					
Total Investments	**$1,121,926**					

* Maturity period is weighted average maturity.

Component Units
The component units follow the applicable investing criteria described above for the primary government.

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

		Maturity Period				
	Total Fair Value	**Less Than 3 Months**	**4 - 12 Months**	**1 - 5 Years**	**6 - 10 Years**	**More than 10 Years**
Asset-Backed Securities	$ 21,535	$ -	$ 181	$ 8,822	$ 573	$ 11,959
Corporate Debt						
Domestic	77,877	98	5,308	62,649	7,918	1,904
International	11,295	20	724	8,212	1,977	362
Investment Agreements	32,479	-	-	-	-	32,479
Money Market Mutual Funds	20,092	1,214	18,878	-	-	-
Mortgage-Backed Securities						
Commercial	115,766	1,822	1,238	1,791	1,026	109,889
Municipal Bonds	2,843	-	-	666	249	1,928
Mutual Fund - Debt*	813	-	-	813	-	-
U. S. Agency Obligations	109,354	7,336	4,735	58,081	23,447	15,755
U. S. Treasury Obligations	353,596	26,127	39,091	139,747	71,711	76,920
Total Debt Securities	**745,650**	**$ 36,617**	**$ 70,155**	**$ 280,781**	**$ 106,901**	**$ 251,196**
Equity Securities						
Domestic	54,362					
International	8,628					
Real Estate Investment Trust	2,461					
Mutual Funds - Equity	15,927					
Total Investments	**$827,208**					

* 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 (Other than Pension and Other Employee Benefit Trust Funds)

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 Director of OTFS.
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 Director of OTFS.
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 Director of OTFS necessary for the preservation of principal, liquidity, or marketability of any of the State's portfolios.

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

	Total Fair Value	AAA	AA	A	BAA	BBB	B	Not Rated
Asset-Backed Securities	$ 12,897	$ 12,897	$ -	$ -	$ -	$ -	$ -	$ -
Bankers Acceptances	106,686	-	-	106,686	-	-	-	-
Corporate Debt								
Domestic	49,260	3,748	6,252	31,094	1,330	1,122	-	5,714
International Government Obligations	2,000	-	-	-	-	-	-	2,000
Mortgage-Backed Securities								
Commercial	8,143	8,143	-	-	-	-	-	-
Municipal Bonds	1,094	1,094	-	-	-	-	-	-
Mutual Funds - Debt	29,752	369	369	226	-	-	19	28,769
Repurchase Agreements	2,633,098	-	-	2,600,000	-	-	-	33,098
U. S. Agency Obligations	5,975,957	5,685,824	-	-	-	-	-	290,133
Total Credit Risk - Investments	**8,818,887**	**$ 5,712,075**	**$ 6,621**	**$ 2,738,006**	**$ 1,330**	**$ 1,122**	**$ 19**	**$ 359,714**
U. S. Treasury Obligations	242,975							
U. S. Agency Obligations Explicitly Guaranteed	13,283							
Total Debt Securities	**$ 9,075,145**							

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 described above. 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 Secutities - Domestic	Corporate Debt Domestic	Corporate Debt Inter-national	International Government Obligations	Mortgage-Backed Securuties	Municipal Bonds	Mutual Funds - Debt	Repurchase Agreements	U. S. Agency Obligations
AAA	$ 1,934,166	$ 12,840	$ 299,033	$ 189	$ 436,088	$ 8,814	$ 267	$ 606	$ -	$ 1,176,329
AA	4,783,897	6,718	3,897,834	407,922	461,358	7,349	-	2,716	-	-
A	3,591,108	3,490	1,871,424	3,687	-	10,496	2,173	2,697	1,697,141	-
BAA	18,919	440	14,756	1,129	-	2,594	-	-	-	-
BA	25,400	1,022	20,756	2,228	-	1,394		-	-	-
BBB	65,629	5,515	49,315	992	-	9,693	-	114	-	-
BB	3,892	1,080	2,493	-	-	288	-	31	-	-
B	8,460	3,016	145	-	-	5,266	-	33	-	-
CAA	2,964	1,286	-	-	-	1,678	-	-	-	-
CA	157	63	-	-	-	94		-	-	
CCC	3,569	1,663	35	-	-	1,871	-	-	-	-
CC	2,630	299	-	-	-	2,331	-	-	-	-
C	923	175	-	-	-	748	-	-	-	-
D	360	360	-	-	-	-	-	-	-	-
Unrated	17,880	1,013	1,685	-	-	1,895	-	1	-	13,286
Total Credit Risk - Investments	**10,459,954**	**$ 38,980**	**$ 6,157,476**	**$ 416,147**	**$ 897,446**	**$ 54,511**	**$ 2,440**	**$ 6,198**	**$ 1,697,141**	**$ 1,189,615**
U. S. Treasury Obligations	12,284,282									
U. S. Agency Obligations Explicitly Guaranteed	7,627									
Total Debt Securities	**$ 22,751,863**									

Component Units

The component units follow the applicable investing criteria described above for the primary government. The exposure of the component units' debt securities to credit risk is indicated below (in thousands):

	Total Fair Value	AAA	AA	A	BA	BBB	BB	CCC	Not Rated
Asset-backed Securities	$ 21,535	$ 19,084	$ 612	$ 1,013	$ -	$ 527	$ 102	$ 197	$ -
Corporate Debt									
Domestic	77,877	13,960	18,754	36,510	-	6,928	529	-	1,196
International	11,295	4,425	3,887	1,950	-	1,033	-	-	-
Investment Agreements	32,479	21,745	9,874	860	-	-	-	-	-
Money Market Mutual Funds	20,092	-	-	-	-	-	-	-	20,092
Mortgage-backed Securities									
Commercial	115,766	113,745	739	205	244	-	-	-	833
Municipal Bonds	2,843	1,785	649	409	-	-	-	-	
Mutual Fund - Debt	813	-	-	-	-	-	-	-	813
U. S. Agency Obligations	83,070	83,019	-	-	-	-	-	-	51
Total Credit Risk Investments	**365,770**	**$ 257,763**	**$ 34,515**	**$ 40,947**	**$ 244**	**$ 8,488**	**$ 631**	**$ 197**	**$ 22,985**
U. S. Treasury Obligations	353,596								
U. S. Agency Obligations - Explicitly Guaranteed	26,284								
Total Debt Securities	**$ 745,650**								

Custodial Credit Risk – Investments
As indicated above, custodial credit risk is the risk that, in the event of a bank failure, the State's investments may not be recovered.

Primary Government (Other than Pension and Other Employee Benefit Trust Funds)
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 United States and its subsidiary corporations and instrumentalities or entities sanctioned or authorized by the United States government having a market value of at least 102% of the investment. Collateral must be held by a third party custodian approved by the Director of OTFS 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 OTFS, and thereafter maintain upon notification of any shortfall, collateral having a market value equal to 110% of CD's. At June 30, 2010, $432.6 million of the State'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, 2010, $732.8 million of the pension and other employee benefit trust funds' investments were uninsured, unregistered and held by the counterparty or the counterparty's trust department, but not in the State's name.

Component Units
The component units follow the applicable investing criteria described above for the primary government. At June 30, 2010, $98.6 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 (Other than Pension and Other Employee Benefit Trust Funds)
The State does not have a formally adopted policy for managing concentration of credit risk. At June 30, 2010, approximately 90% 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, 2010, 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, 2010, 10% 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 of Georgia 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 of Georgia with the Board of Regents of the University System of Georgia for $100.9 million. As of June 30, 2010, the estimated annual payments to be received under this lease are shown the next column:

	Principal	Interest	Total
2011	$ 2,005	$ 10,817	$ 12,822
2012	2,085	10,753	12,838
2013	2,295	10,685	12,980
2014	2,515	10,609	13,124
2015	2,760	10,508	13,268
2016-2020	18,070	50,582	68,652
2021-2025	27,215	45,308	72,523
2026-2030	36,685	37,096	73,781
2031-2035	49,105	25,280	74,385
2036-2040	57,970	9,686	67,656
Total Investment	**$200,705**	**$221,324**	**$422,029**

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.

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 $263 million at June 30, 2010, 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 110% of the loaned securities value, depending on the type of collateral security.

Securities loaned totaled $ 15.9 billion at June 30, 2010, and the collateral value was equal to 105.7%. 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.

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, 2010, the Department held surety bonds in the amount of $36.7 million, and cash bonds in the amount of $14.4 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 of Georgia or until a proper order of a court of competent jurisdiction has been issued to the receiver, conservator, rehabilitator, or liquidator of the insurer or to any other properly designated official or officials who succeed to the management and control of the insurer's assets. The purchase and redemption of such securities are allowed as long as the required levels of deposits are maintained. At June 30, 2010, securities valued at $235.8 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 $14.2 billion for construction performance to ensure proper completion and complete performance of construction contracts, and $15.4 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.

For any organization that elects to assume the liability for unemployment compensation payments in lieu of making contributions to the Unemployment Compensation Fund, the Commissioner of the Department of Labor is authorized by statute to require such organization to execute and file with the Commissioner a cash deposit or surety bond. Cash deposits are held on behalf of such organizations in the Department's name, and are reported as agency funds. At June 30, 2010, the held surety bonds in the amount of $57.6 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, 2010, 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, 2010
(dollars in thousands)

Assets	
Cash and Cash Equivalents	$ 5,333,557
Investments	3,730,190
Net Assets	$ 9,063,747
Distribution of Net Assets	
External Participant Account Balances	$ 4,849,601
Internal Participant Account Balances	4,214,146
Total Net Assets	**$ 9,063,747**

Georgia Fund 1
Statement of Changes in Net Assets
For the Fiscal Year Ended June 30, 2010
(dollars in thousands)

Additions	
Pool Participant Deposits	$ 28,998,126
Investment Income	
Interest	30,726
Less: Investment Expense	(2,296)
Total Additions	29,026,556
Deductions	
Pool Participant Withdrawals	31,031,386
Net Increase	(2,004,830)
Net Assets	
July 1, 2009	11,068,577
June 30, 2010	**$ 9,063,747**

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, 2010, was $2.1 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 described above 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

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. The Fund's investments are presented below (in thousands):

		Maturity Period		Range of Yields
	Total Fair Value	Less than 3 Months	4 - 12 Months	
Bankers Acceptances	$ 106,686	$ 106,686	$ -	.230% - .320%
Repurchase Agreements	2,600,000	2,600,000	-	.050% - .240%
U. S. Agency Obligations	4,196,649	2,458,517	1,738,132	.060% - .700%
U. S. Treasury Obligations	101,742	101,742	-	.330% - .330%
Total Investments	**$ 7,005,077**	**$ 5,266,945**	**$ 1,738,132**	

Credit Risk

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

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

	Total Fair Value	Credit Rating	
		AAA	A
Banker's Acceptances	$ 106,686	$ -	$ 106,686
Repurchase Agreements	2,600,000	-	2,600,000
U. S. Agency Obligations	4,196,648	4,196,648	-
	$ 6,903,334	**$ 4,196,648**	**$ 2,706,686**

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. At June 30, 2010, more than 5 percent 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 98.5 percent of total investments.

Georgia Extended Asset Pool

The Extended Term Portfolio is a variable net asset value investment pool that follows Standard and Poor's criteria for AAAf money market rated funds. The pool is not registered with the SEC as an investment company.

Georgia Extended Asset Pool
Statement of Net Assets
June 30, 2010
(dollars in thousands)

Assets		
Cash and Cash Equivalents	$	24,682
Investments		170,197
Net Assets	$	194,879
Distribution of Net Assets		
External Participant Account Balances	$	131,661
Internal Participant Account Balances		63,218
Total Net Assets	**$**	**194,879**

Georgia Extended Asset Pool
Statement of Changes in Net Assets
For the Fiscal Year Ended June 30, 2010
(dollars in thousands)

Additions		
Pool Participant Deposits	$	65,400
Investment Income		
Interest		8,028
Fair Value Decrease		(2,949)
Less: Investment Expense		(145)
Total Additions		70,334
Deductions		
Pool Participant Withdrawals		234,378
Net Increase		(164,044)
Net Assets		
July 1, 2009		358,923
June 30, 2010	**$**	**194,879**

Deposits

Because the State does not maintain separate bank accounts for Georgia Extended Asset Pool, separate custodial credit risk disclosures for the Pool's deposits cannot be presented. The carrying amount of the Pool's deposits as of June 30, 2010, was $24.7 million. This amount is included in the deposit disclosures of the Primary Government.

Investments

Georgia Extended Asset Pool follows applicable investing criteria and investment risk management policies described above for the primary government. In addition, the fund managers restrict investments of the Pool in order to maintain the Standard and Poor's AAAf rating.

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. The Pool's investments are presented below (in thousands):

		Maturity Period		Range of Yields
	Total Fair Value	4 - 12 Months	1 - 5 Years	
U. S. Agency Obligations	$ 170,197	$ 51,984	$ 118,213	.640% - 5.11%

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The exposure of the Pool's debt securities to credit risk is indicated below (in thousands):

	Total Fair Value	Credit Rating AAA
U. S. Agency Obligations	$ 170,197	$ 170,197

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. At June 30, 2010, all of the Pool'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, 2010
(dollars in thousands)

Assets	
Investments	$ 248,460
Interest Receivable	655
Net Assets	$ 249,115
Distribution of Net Assets	
External Participant Account Balances	$ 9,696
Internal Participant Account Balances	239,419
Total Net Assets	$ 249,115

Regents Investment Pool
Statement of Changes in Net Assets
For the Fiscal Year Ended June 30, 2010
(dollars in thousands)

Additions	
Pool Participant Deposits	$ 76,012
Investment Income	
Interest	3,641
Fair Value Increase	10,391
Less: Investment Expense	(441)
Total Additions	89,603
Deductions	
Pool Participant Withdrawals	9,642
Net Increase	79,961
Net Assets	
July 1, 2009	169,154
June 30, 2010	$ 249,115

Deposits

Because the State does not maintain separate bank accounts for Regents Investment Pool, separate custodial credit risk disclosures for the Pool's deposits cannot be presented. The carrying amount of the Pool's deposits as of June 30, 2010, was $655 thousand. This amount is included in the deposit disclosures of the Primary Government.

Investments

The Regents Investment Pool policy guidelines indicate that all investments must be consistent with donor intent, Board of Regents policy and applicable federal and state law. The individual funds of the Pool provide various restrictions on the types of investments allowed.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. The Pool's funds policy guidelines restrict average maturities of their holdings. The Pool's investments are presented in the following table (in thousands):

		Maturity Period			
	Total Fair Value	**Less than 1 Year**	**1 - 5 Years**	**6 - 10 Years**	**More Than 10 Years**
Mutual Bond Fund	$ 28,197	$ -	$ 1,420	$ 22,768	$ 4,009
Repurchase Agreements	26,381	26,381	-	-	-
U. S. Agency Obligations	145,980	7,347	18,478	11,031	109,124
U. S. Treasury Obligations	471	-	-	471	-
Total Debt Securities	**201,029**	**$ 33,728**	**$ 19,898**	**$ 34,270**	**$ 113,133**
Equity Securities					
Domestic	28,812				
Mutual Funds - Equity	16,078				
Real Estate Investment Fund	2,541				
Total Investments	**$ 248,460**				

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The 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. At June 30, 2010, the Pool's applicable U. S. Agency Obligations and Mutual Bond Fund were unrated.

Custodial Credit Risk – Investments

As indicated above, custodial credit risk is the risk that, in the event of a bank failure, the State's investments may not be recovered. 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, 2010, $172.8 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

Concentration of credit risk is the risk of loss attributed to the magnitude of the State's investment in a single issuer. 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, 2010 more than 5 percent of the Pool's total investments were investments in securities of U. S. agencies not explicitly guaranteed by the U. S. government. These investments represented 57.1 percent of total investments.

NOTE 6 - RECEIVABLES

Receivables at June 30, 2010 consisted of the following in (in thousands):

	Taxes	Notes and Loans	Other	Inter-governmental Receivables	Gross Receivables	Allowance for Uncollectible	Receivables (Net)
Governmental Activities:							
General Fund	$1,508,459	$ 10,395	$2,623,826	$ 132,246	$4,274,926	$ (17,554)	$4,257,372
Nonmajor Governmental Funds	-	-	991	-	991	-	991
Total - Governmental Funds	1,508,459	10,395	2,624,817	132,246	4,275,917	(17,554)	4,258,363
Government-wide adjustments:							
General Fund	-	-	2,636	-	2,636	-	2,636
Internal Service Funds	-	-	42,947	662	43,609	(977)	42,632
Total - Governmental Activities	$1,508,459	$ 10,395	$2,670,400	$ 132,908	$4,322,162	$ (18,531)	$4,303,631
Business-Type Activities:							
Higher Education Fund	$ -	$ 49,217	$ 268,336	$ 117,776	$ 435,329	$ (16,759)	$ 418,570
State Employees' Health Benefit Plan	-	-	43,385	-	43,385	(3,926)	39,459
Unemployment Compensation Fund	-	-	174,097	7,659	181,756	(15,727)	166,029
State Road and Tollway Authority	-	-	96	-	96	-	96
Georgia Higher' Education Authority	-	200,705	487	-	201,192	-	201,192
Total - Business-Type Activities	$ -	$ 249,922	$ 486,401	$ 125,435	$ 861,758	$ (36,412)	$ 825,346
Component Units:							
Georgia Environmental Finance Authority	$ -	$1,458,461	$ 45,142	$ 15,126	$1,518,729	$ -	$1,518,729
Georgia Housing and Finance Authority	-	1,032,592	8,423	-	1,041,015	(5,000)	1,036,015
Georgia Lottery Corporation	-	-	125,389	-	125,389	(3,224)	122,165
Georgia Tech Foundation, Incorporated	-	1,080	245,182	-	246,262	-	246,262
Nonmajor Component Units	454	309,969	1,579,054	14,028	1,903,505	(47,944)	1,855,561
Total - Component Units	$ 454	$2,802,100	$2,003,190	$ 29,156	$4,834,900	$ (56,168)	$4,778,732

NOTE 7 – CAPITAL ASSETS

Primary Government

Capital Asset activity for the fiscal year-ended June 30, 2010, was as follows (in thousands):

Governmental Activities	Balance July 1, 2009 (Restated –Note 3)	Increases	Decreases	Balance June 30, 2010
Capital Assets Not Being Depreciated:				
Land	$ 2,749,969	$ 202,262	$ (24,568)	$ 2,927,663
Works of Art and Collections	1,326	8	-	1,334
Construction in Progress	5,062,994	2,364,324	(2,048,569)	5,378,749
Total Capital Assets, Not Being Depreciated	7,814,289	2,566,594	(2,073,137)	8,307,746
Intangible Assets Not Being Depreciated:				
Intangibles – Other than Software	57,613	13,997	-	71,610
Capital Assets Being Deprecated:				
Infrastructure	20,378,740	837,926	(21,256)	21,195,410
Buildings	3,422,568	211,499	(169,876)	3,464,191
Improvements Other Than Buildings	79,657	3,553	(8,769)	74,441
Machinery and Equipment	884,735	166,189	(156,646)	894,278
Software	216,376	154,035	(152,572)	217,839
Works of Art and Collections	620	-	(620)	-
Total Capital Assets Being Depreciated	24,982,696	1,373,202	(509,739)	25,846,159
Less Accumulated Depreciation For:				
Infrastructure	10,374,624	866,978	(961)	11,240,641
Buildings	1,326,321	121,346	(37,284)	1,410,383
Improvements Other Than Buildings	42,981	2,440	(3,610)	41,811
Machinery and Equipment	648,874	45,940	(16,626)	678,188
Software	144,111	90,885	(96,817)	138,179
Works of Art and Collections	165	19	(184)	-
Total Accumulated Depreciation	12,537,076	1,127,608	(155,482)	13,509,202
Total Capital Assets, being Depreciable, Net	12,445,620	245,594	(354,257)	12,336,957
Governmental Activities Capital Assets, Net	**$ 20,317,522**	**$ 2,826,185**	**$ (2,427,394)**	**$ 20,716,313**

Business Type Activities:	Balance July 1, 2009 (Restated – Note 3)	Increases	Decreases	Balance June 30, 2010
Capital Assets Not Being Depreciated:				
Land	$ 277,582	$ 18,722	$ (785)	$ 295,519
Works of Art and Collections	39,489	622	-	40,111
Construction in Progress	219,683	183,005	(172,276)	230,412
Total Capital Assets, Not Being Depreciated	536,754	202,349	(173,061)	566,042
Capital Assets Being Deprecated:				
Infrastructure	232,355	19,225	(2,081)	249,499
Buildings	6,606,801	477,622	(12,433)	7,071,990
Improvements Other Than Buildings	319,326	16,899	(1,080)	335,145
Machinery and Equipment	2,617,283	468,776	(64,972)	3,021,087
Software	12,043	4,611	-	16,654
Library Collections	716,944	33,940	(3,861)	747,023
Works of Art and Collections	1,511	4,166	(6)	5,671
Total Capital Assets Being Depreciated	10,506,263	1,025,239	(84,433)	11,447,069
Less Accumulated Depreciation For:				
Infrastructure	68,179	7,460	(969)	74,670
Buildings	1,833,470	169,215	(8,820)	1,993,865
Improvements Other Than Buildings	129,215	10,690	(875)	139,030
Machinery and Equipment	1,036,177	168,945	(58,005)	1,147,117
Software	5,285	2,537	-	7,822
Library Collections	541,009	32,910	(3,535)	570,384
Works of Art and Collections	509	86	-	595
Total Accumulated Depreciation	3,613,844	391,843	(72,204)	3,933,483
Total Capital Assets, being Depreciable, Net	6,892,419	633,396	(12,229)	7,513,586
Business-Type Activities, Capital Assets, Net	**$ 7,429,173**	**$ 835,745**	**$ (185,290)**	**$ 8,079,628**

Special Items:

Demolition of approximately 85% of the Department of Transportation Building totaling $2,670,284 in net assets.
Impairment of Archives Building for planned demolition totaling $7,420,215 in net assets.

Governmental Activities	
General Government	$ 15,344
Education	3,199
Health and Welfare	103,486
Transportation	879,302
Public Safety	66,049
Economic Development	23,042
Culture and Recreation	11,835
Conservation	4,586
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 the assets)	20,765
Depreciation Expense - Governmental Activities	**$1,127,608**

Business-Type Activities	
Higher Education Fund	$ 391,056
State Road and Tollway Authority	787
Depreciation Expense - Business-Type Activities	**$ 391,843**

Component Units:	Balance July 1, 2009 (Restated – Note 3)	Increases	Decreases	Balance June 30, 2010
Capital Assets Not Being Depreciated:				
Land	$ 318,748	$ 4,718	$ (7,689)	$ 315,777
Works of Art and Collections	1,013	-	(1)	1,012
Construction in Progress	272,954	326,964	(341,667)	258,251
Total Capital Assets, Not Being Depreciated	592,715	331,682	(349,357)	575,040
Capital Assets Being Deprecated:				
Infrastructure	214,821	36,647	(785)	250,683
Buildings	928,855	53,164	(2,069)	979,950
Improvements Other Than Buildings	384,383	43,028	(980)	426,431
Machinery and Equipment	694,269	89,639	(9,380)	774,528
Software	2,331	2,183	(78)	4,436
Works of Art and Collections	71	-	-	71
Total Capital Assets Being Depreciated	2,224,730	224,661	(13,292)	2,436,099
Intangible Assets Depreciable:				
Intangibles –Other than Software	-	475	-	475
Less Accumulated Depreciation For:				
Infrastructure	79,719	6,598	(785)	85,532
Buildings	342,341	28,415	46,317	417,073
Improvements Other Than Buildings	142,983	16,911	14,711	174,605
Machinery and Equipment	433,994	49,039	(72,713)	410,320
Software		1,090	(78)	1,012
Works of Art and Collections	5	2	-	7
Total Accumulated Depreciation	999,042	102,055	(12,548)	1,088,549
Component Units Capital Assets, Net	**$ 1,818,403**	**$ 454,763**	**$ (350,101)**	**$ 1,923,065**

Certain higher education foundations and other similar organizations utilize FASB standards; therefore, only the June 30, 2010, balances are available as follows:

Capital Assets Not Being Depreciated:		
Land	$	52,419
Construction in Progress		50,979
Total Capital Assets, Not Being Depreciated		103,398
Capital Assets Being Depreciated:		
Buildings		272,840
Machinery and Equipment		25,820
Software		1,118
Total Capital Assets Being Depreciated		299,778
Less: Accumulated Depreciation		(58,170)
Capital Assets, Net (FASB presentation)		345,006
Total Capital Assets, Net - All Component Units	**$**	**2,268,071**

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, 2010, are as follows (in thousands):

	Balance July 1, 2009 (Restated - Note 3)	Additions	Reductions	Balance June 30, 2010	Amounts Due Within One Year
Governmental Activities:					
General Obligation Bonds Payable	$ 8,552,130	$ 1,434,680	$ 1,356,175	$ 8,630,635	$ 733,415
Revenue Bonds Payable	516,865	-	27,780	489,085	29,230
GARVEE Bonds Payable	1,529,405	-	112,555	1,416,850	117,500
Less deferred amounts:					
On Refunding	(101,598)	(92,394)	(12,201)	(181,791)	-
Net Unamortized Premiums (Discounts)	397,631	137,337	42,530	492,438	-
Total Bonds Payable	10,894,433	1,479,623	1,526,839	10,847,217	880,145
Notes and Loans Payable	27,698	-	84	27,614	8,014
Capital Lease Obligations	262,177	6,201	25,948	242,430	25,375
Compensated Absences Payable	338,877	107,608	124,125	322,360	133,940
Arbitrage	25,165	3,715	15,523	13,357	5,927
Total Governmental Activities	**$ 11,548,350**	**$ 1,597,147**	**$ 1,692,519**	**$ 11,452,978**	**$ 1,053,401**
Business-Type Activities:					
Revenue Bonds Payable	$ 124,690	$ 100,850	$ 7,880	$ 217,660	$ 10,275
Less deferred amounts:					
On Refunding	(671)	-	(403)	(268)	-
Net Unamortized Premiums (Discounts)	(2,283)	(1,350)	(55)	(3,578)	-
Total Bonds Payable	121,736	99,500	7,422	213,814	10,275
Notes and Loans Payable	8,733	416,000	309	424,424	296
Capital Lease Obligations	2,240,001	468,842	60,522	2,648,321	58,491
Compensated Absences Payable	201,669	140,994	131,808	210,855	120,055
Other Postemployment Benefit Obligation	395,475	304,463	-	699,938	-
U. S. DOE Settlement	548	-	247	301	240
Total Business-Type Activities	**$ 2,968,162**	**$ 1,429,799**	**$ 200,308**	**$ 4,197,653**	**$ 189,357**

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, $7.5 million of internal service funds compensated absences are included in the above balance as of June 30, 2010. Of this amount, $3.7 million is due within one year. Also, for the governmental activities, capital leases and compensated absences are generally liquidated by the general fund.

A. Changes in Long-Term Liabilities

Component Units

Changes in long-term liabilities for the fiscal year-ended June 30, 2010, are as follows (in thousands):

	Balance July 1, 2009 (Restated - Note 3)	Additions	Reductions	Balance June 30, 2010	Amounts Due Within One Year
Revenue Bonds Payable	$ 2,451,041	$ 280,795	$ 209,735	$ 2,522,101	$ 75,928
Mortgage Bonds Payable	770,620	225,000	57,705	937,915	24,215
Deferred Amount on Refunding	(646)	-	(258)	(388)	-
Net Unamortized Premiums (Discounts)	14,405	1,465	4,673	11,197	-
Total Bonds Payable	3,235,420	507,260	271,855	3,470,825	100,143
Notes and Loans Payable	404,667	293,532	289,179	409,020	100,938
Net Unamortized Premiums	446	(4,853)	(212)	(4,195)	-
Capital Lease Obligations	23,095	340	5,746	17,689	3,547
Compensated Absences Payable	23,094	10,519	10,219	23,394	17,015
Grand Prizes Payable	294,524	22,752	34,196	283,080	12,969
Other Liabilities	134,084	141,571	55,858	219,797	3,940
Total Component Units	**$ 4,115,330**	**$ 971,121**	**$ 666,841**	**$ 4,419,610**	**$ 238,552**

B. Bonds and Notes Payable

At June 30, 2010, bonds and notes payable currently outstanding are as follows: (in thousands):

	Interest Rates	Maturing Through Year	Original Issue Amount	Amount
Governmental Activities				
General Obligation Bonds				
General Government	1.00% - 7.25%	2030	$ 16,172,155	$ 6,744,620
General Government - Refunding	2.00% -5.50%	2031		1,886,015
Revenue Bonds				
Transportation Projects	2.250% - 5.375%	2023	659,140	489,085
GARVEE Bonds	2.50%-5.00%	2021	1,650,000	1,416,850
Notes and Loans Payable	0%	2014	32,614	27,614
Business-Type Activities				
Revenue Bonds				
Georgia 400 Project and Higher Education Facilities	3.00% - 6.25%	2040	$ 289,725	$ 217,660
Notes and Loans Payable	4.25% - 5.50%	2025	426,249	424,424
Component Units				
Revenue Bonds				
University System of Georgia Foundations	1.25% - 6.66%	2041	$ 2,661,495	$ 2,309,665
Other Revenue Bonds	.27% - 6.00%	2028	419,995	212,436
Mortgage Bonds				
Georgia Housing and Financing Authority	.0015% - 6.15%	2043	1,639,773	937,915
Notes and Loans Payable				
University System of Georgia Foundations	.6% - 6.25%	2040	383,784	332,695
Other Notes and Loans Payable	.78% - 6.6%	2025	146,697	76,325

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, 2010 are as follows (in thousands):

Purpose	Authorized Unissued Debt
Education	$ 325,495
Technical College System of Georgia	96,655
Transportation	48,805
Board of Regents	47,320
Ports Authority	33,915
Regional Transportation Authority	15,300
Behavioral Health and Developmental Disabilities	8,720
Georgia Building Authority	2,230
Forestry	1,910
Veterans	100
Total	**$ 580,450**

Defeasance of General Obligation Bonds

On November 24, 2009 the State utilized the premium from the series 2009F and series 2009G bonds to pre-pay $34,1 million of outstanding general obligation bonds due to December 1, 2009; this provided budgetary relief to the fiscal year 2010 budget cycle.

As of June 30, 2010, the State had total outstanding defeased general obligation bonds held in escrow of $3.8 million.

Refunding of General Obligation Bonds

In November 2009, the State used the proceeds of the series 2009I bond issue to refund $657.8 million of outstanding general obligation bonds; this refunding will provide multi-year budget relief through FY 2023 as the refunding bonds have lower debt service payments as compared to the original debt service payment schedule of the refunded bonds.

As of June 30, 2010, the State had total outstanding refunded bonds held in escrow of $1.6 billion.

Early Retirement of Debt

From interest earnings available for the advance retirement of debt, the State made 54 purchases of State of Georgia General Obligation Bonds in the secondary market with a par value of $39.3 million. These early retirements of bonds will save the State $54.1 million in future principal and interest appropriations and reduce debt service in FY 2011 by $7.8 million. The early retirement program to-date has saved the State over $1.5 billion in future principal and interest appropriations.

D. Revenue Bonds

Governmental Activities

The State Road and Tollway Authority 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 the State Road and Tollway Authority. Further, the State of Georgia has guaranteed the full payment of the bonds and the interest.

The State Road and Tollway Authority 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

The State Road and Tollway Authority has issued Guaranteed Refunding Revenue Bonds for the purpose of financing a portion of the costs of acquiring, constructing and maintaining the Georgia 400 project. The toll revenues to be generated from the usage of the Georgia 400 Project secure these bonds. As of June 30, 2010, the outstanding principal balance for these Guaranteed Refunding Revenue Bonds is $17 million.

The Georgia Higher Education Facilities Authority has issued revenue bonds for the purpose of acquiring, constructing and equipping several projects on college campuses throughout the State. The bonds are secured solely by the related Security Deed and related Assignment of Contract Documents. As of June 30, 2010, the outstanding principal for these revenue bonds is $200.7 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, 2010 of $2.3 billion.

Other component units had Revenue Bonds Payable outstanding at June 30, 2010 of $212.4 million as detailed below (in thousands):

	Amount
Georgia World Congress Center	130.4
Georgia Ports Authority	53.9
Georgia Environmental Facilities Authority	14.3
Lake Lanier Island Developmental Authority	9.4
Regional Educational Service Agencies	4.4
Total	**$ 212.4**

E. Mortgage Bonds

Component Units

Mortgage bonds outstanding of $937.9 million at June 30, 2010 were issued by the Georgia Housing and Finance Authority for financing the purchase of single-family mortgage loans for eligible persons and families of low and moderate income within the State of Georgia.

F. Notes and Loans Payable

Governmental Activities

Notes and Loans Payable for Governmental Activities as of June 30, 2010 was $27.6 million, attributable to the Georgia Department of Transportation'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 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, 2010 was $424.4 million. During fiscal year 2010, the state of Georgia borrowed $416 million from the U.S. Treasury to pay state unemployment benefits. Georgia is one of thirty-four states that borrowed from the U.S. Treasury to pay state unemployment benefits. Interest charges may begin to accrue in January 2011. Georgia will be required to repay this loan to the Treasury at a future date. A repayment plan has not yet been implemented. There were no repayments made during fiscal year 2010. In addition, the Georgia Military College had a note payable of $6.4 million.

Component Units

Notes and Loans Payable as of June 30, 2010 (in thousands):

	Amount
Higher Education Foundations	$ 306.3
Georgia Ports Authority	45.6
Georgia Tech Foundation, Inc.	26.4
Lake Lanier Islands Development Authority	12.7
Georgia Development Authority	9.3
North Georgia Mountains Authority	6.6
Jekyll Island State Park Authority	2.1
Total Notes and Loans Payable	**$ 409.0**

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, 2010 is $200.7 million.

The Medical College of Georgia Physician's Practice Group Foundation's Cancer Research Center, LLC (CRC) has a loan agreement with the Development Authority of Richmond County (the Authority), 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 Medical College of Georgia. As of June 30, 2010, $30.2 million was outstanding on the loan payable. The loan agreement provides for semi-annual interest payments at interest rates ranging from 2.5 to 5.0 percent. 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, 2010, amounts outstanding or issued under this agreement included borrowings of $10.4 million and letters of credit and bank reserves with $2.1 million tendered, resulting in $39.6 million available as borrowing capacity under this line. Borrowings under the revolving credit agreement bear interest at the bank's 30-day LIBOR plus 0.325 percent. At June 30, 2010, the rate applicable to the borrowings was .678 percent.

During the year ended June 30, 2010, the Kennesaw State University Foundation entered into an unsecured line of credit of $2.8 million to provide interim financing for the Health Services Facility. The line of credit bears interest at the 30-day LIBOR plus 1.75%. The line of credit balance was $0 at June 30, 2010. Also during 2010, the Foundation secured lines of credit of $22 million and $26.9 million to provide financing for land purchases, a hospitality facility and sports complex. The lines of credit bear interest at 30 day LIBOR plus 4 percent and 1.26 percent, respectively. As of June 30, 2010, the lines of credit balances were $21.9 million and $26.9 million, respectively. Additionally, during 2010, the Foundation renewed an unsecured operating line of credit of $5 million. The line of credit bears interest at the 30-day LIBOR plus 1.75 percent. The line of credit balance as of June 30, 2010 was $5 million.

In addition to the notes and loans discussed in the previous paragraphs, as of June 30, 2010 an additional $11.2 million in notes were held by various higher education foundations.

Other Component Units Notes and Loans

The Georgia Student Finance Authority had a $150 million line of credit with a financial institution for the purpose of originating and refinancing loans made under the Guaranteed Student Loan Program. On June 28, 2010, the Authority paid off the line of credit in full and did not renew the contract.

The Georgia Ports Authority maintains an uncollateralized revolving line of credit in the amount of $48 million. As of June 30, 2010, $45.7 million was outstanding on this line of credit. The interest rate (.72 percent at June 30, 2010) is based on the one month LIBOR rate. This revolving line of credit expires on September 5, 2017.

The Georgia Tech Foundation, Inc. (the Foundation) has two $15 million revolving lines of credit. As of June 30, 2010, $26.5 million was outstanding on these lines of credit. Interest is calculated using the 30-day LIBOR rate plus 0.60 percent. One line of credit was renewed through June 2011 and the second was extended until November 2010.

The Georgia Development Authority reported three long-term notes payable to banks with a combined outstanding balance at June 30, 2010, of $9.3 million. One note, secured by LIBOR mortgage loans financed through the note, is payable in semi-annual payments of $385 thousand that includes interest at LIBOR plus .8 percent, and has an outstanding balance at June 30, 2010 of $1.2 million. This loan expires September 30, 2011. Another note, secured by various fixed rate mortgage loans financed through the note, bears interest at a rate of 6.6 percent per annum, and has an outstanding balance at June 30, 2010 of $6.7 million. This loan expires March 31, 2013. The final note, secured by LIBOR mortgage loans financed through the note, is payable in semi-annual payments at a rate of LIBOR plus 1.15 percent, and has an outstanding balance at June 30, 2010 of $1.4 million. This loan expires July 31, 2018.

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 Investments.

H. Pollution Remediation

Medical College of Georgia

Medical College of Georgia is responsible for asbestos abatement as a small part of the project costs for the renovation of the third floor of the Hamilton Wing in the Research and Education building, renovation of several labs in the Research and Education building, and removal of mastic material in the dental building basement. The College has recorded a liability and expense related to this pollution remediation in the amount of $763. The liability is reflected on the Statement of Net Assets in Accounts Payable and on the Statement of Revenues, Expenses, and Changes in Net Assets in Supplies and Other Services. The liability is the remaining amount of project abatement costs at June 30, 2010. The College does not anticipate any significant changes to the expected remediation outlay. Pollution remediation liability activity in fiscal year 2010 was as follows (in thousands):

Balance July 1, 2009	Additions	Reductions	Balance June 30, 2010	Amounts Due Within One Year
$54	$36	$89	$1	$1

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 $962,513. The liability is reflected on the Statement of Net Assets in Accounts Payable and on the Statement of Revenues, Expenses and Changes in Net Assets in Supplies and Other Services. The liability was determined using a 5 year budget estimate provided by environmental engineers & 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 2010 was as follows (in thousands):

Balance July 1, 2009	Additions	Reductions	Balance June 30, 2010	Amounts Due Within One Year
$959	$132	$128	$963	$134

Savannah State University

Savannah State University is responsible for mold remediation at Camilla Hubert Hall. The University had recorded a liability and expense related to this pollution remediation in the amount of $86,450 as of June 30, 2009. 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. There were no estimate changes, the remediation occurred during the current fiscal year, and there are no expected recoveries that have reduced the liability. Pollution remediation liability activity in fiscal year 2010 was as follows (in thousands):

Balance July 1, 2009	Additions	Reductions	Balance June 30, 2010	Amounts Due Within One Year
$86	$ -	$86	$ -	$ -

Georgia Institute of Technology

Georgia Institute of Technology is responsible for pollution remediation, including asbestos abatement, for all Institute facilities. Asbestos abatement is performed during renovation/construction projects when deemed necessary by Institute management. As of June 30, 2010, the Institute recorded a liability and expense in the amount of $298,617 for asbestos abatement projects in various Institute structures. The liability is reflected on the Statement of Net Assets in Accounts Payable and on the Statement of Revenues, Expenses, and Changes in Net Assets in Supplies and Other Services. 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 2010 was as follows:

Balance July 1, 2009	Additions	Reductions	Balance June 30, 2010	Amounts Due Within One Year
$ 22	$ 299	$ 22	$ 299	$ 299

I. Debt Service Requirements

Annual debt service requirements to maturity for general obligation bonds, revenue bonds, GARVEE bonds, mortgage bonds and notes and loans payable are as follows (in thousands):

Primary Government

	Governmental Activities							
	General Obligation Bonds		Revenue Bonds		GARVEE Bonds		Notes and Loans Payable	
Year	Principal *	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2011	$ 733,415	$ 390,170	$ 29,230	$ 24,774	$ 117,500	$ 67,742	$ 8,014	$ -
2012	697,090	353,734	30,770	23,232	122,560	62,635	5,000	-
2013	654,795	318,941	32,390	21,614	128,930	56,781	10,600	-
2014	596,865	287,259	34,125	19,872	134,530	50,715	4,000	-
2015	584,695	258,146	35,945	18,057	141,150	44,095	-	-
2016-2020	2,501,205	908,756	209,945	60,056	708,465	115,937	-	-
2021-2025	1,906,465	399,285	116,680	10,536	63,715	3,071	-	-
2026-2030	956,105	85,088	-		-	-	-	-
Total	**$ 8,630,635**	**$ 3,001,379**	**$ 489,085**	**$ 178,141**	**$ 1,416,850**	**$ 400,976**	**$ 27,614**	**$ -**

	Business-Type Activities			
	Revenue Bonds		Notes and Loans Payable	
Year	Principal	Interest	Principal **	Interest
2011	$ 10,275	$ 11,415	$ 296	$ 385
2012	10,770	10,948	294	372
2013	2,295	10,685	309	358
2014	2,515	10,609	324	343
2015	2,760	10,508	339	327
2016-2020	18,070	50,582	6,053	332
2021-2025	27,215	45,308	809	115
2026-2030	36,685	37,096	-	-
2031-2035	49,105	25,280	-	-
2036-2040	57,970	9,686	-	-
Total	**$ 217,660**	**$ 222,117**	**$ 8,424**	**$ 2,232**

* Includes $280.8 million of bonds with variable interest rates based on the weekly rate determination of the Remarketing Agent. The interest rate at June 30, 2010, for these variable rate bonds was as follows: .35% for $93.6 million, .30% for $93.6 million and .30% for $93.6 million.

** The note payable to the U.S. Treasury for $416 million to state unemployment benefits has not been included in this schedule. A repayment schedule has not yet been implemented.

Component Units

	University System of Georgia Foundations		Other Component Units		Georgia Housing and Finance Authority	
	Revenue Bonds		Revenue Bonds		Mortgage Bonds	
Year	Principal	Interest	Principal	Interest	Principal	Interest
2011	$ 42,245	$ 102,012	$ 33,683	$ 4,867	$ 24,215	$ 34,904
2012	50,000	103,695	34,710	7,652	32,290	33,885
2013	52,839	98,664	22,304	6,647	19,510	32,680
2014	58,240	97,793	12,063	6,032	19,705	31,869
2015	61,391	95,334	12,839	5,378	17,225	31,077
2016-2020	355,550	431,764	74,388	15,871	130,690	139,687
2021-2025	429,314	342,302	20,194	1,468	145,355	106,733
2026-2030	524,073	231,730	2,255	197	140,995	71,669
2031-2035	487,537	106,185	-	-	144,680	35,628
2036-2040	247,656	27,464	-	-	67,205	5,828
2041-2045	820	41	-	-	196,045	9,581
Total	**$ 2,309,665**	**$ 1,636,984**	**$ 212,436**	**$ 48,112**	**$ 937,915**	**$ 533,541**

	University System of Georgia Foundations		Other Component Units	
	Notes and Loans Payable		Notes and Loans Payable	
Year	Principal	Interest	Principal	Interest
2011	$ 94,037	$ 13,268	$ 11,701	$ 1,064
2012	4,359	12,672	8,062	1,169
2013	5,576	12,435	7,080	953
2014	3,448	12,253	5,675	809
2015	3,732	12,114	3,580	744
2016-2020	28,325	57,156	36,350	2,056
2021-2025	33,092	49,975	3,877	974
2026-2030	44,006	40,188	-	206
2031-2035	58,150	26,416	-	-
2036-2040	57,970	9,686	-	-
Total	**$ 332,695**	**$ 246,163**	**$ 76,325**	**$ 7,975**

NOTE 9 - LEASES

A. Operating Leases

The State leases land, office facilities, office and computer equipment, and other assets. These leases are considered for accounting purposes to be operating leases. Although lease terms vary, many leases are subject to appropriation from the General Assembly to continue the obligation. Other leases generally contain provisions that, at the expiration date of the original term of the lease, the State has the option of renewing the lease on a year-to-year basis.

Total lease payments for the State's governmental activities, business-type activities, and component units were $53.5 million, $39.8 million, and $18.7 million, respectively, for the year ended June 30, 2010. Future minimum commitments for operating leases as of June 30, 2010, are listed below (in thousands). Amounts are included for renewable leases for which the option to renew for the subsequent fiscal year has been exercised.

	Primary Government		
	Governmental Activities	Business-Type Activities	Component Units
Fiscal Year Ended June 30			
2011	$ 39,826	$ 34,035	$ 16,594
2012	24,131	13,486	10,581
2013	16,500	11,975	9,990
2014	12,510	7,811	9,746
2015	8,537	5,811	8,877
2016-2020	31,423	19,273	43,387
2021-2025	1,861	10,721	20,477
2026-2030	227	7,902	20,555
2031-2035	19	1,643	8,134
2036-2040	8	-	15
Total Minimum Commitments	**$ 135,042**	**$ 112,657**	**$ 148,356**

B. Capital Leases

The State acquires certain property and equipment through multi-year capital leases with varying terms and options. The majority of these agreements contain fiscal funding clauses in accordance with OCGA 50-5-64 which prohibits the creation of a debt to the State of Georgia for the payment of any sums under such agreements beyond the fiscal year of execution if appropriated funds are not available. If renewal of such agreements is reasonably assured, however, capital leases requiring appropriation by the General Assembly are considered non-cancellable for financial reporting purposes. At June 30, 2010, the historical cost of assets acquired through capital leases was as follows (in thousands):

	Primary Government		
	Governmental Activities	Business-Type Activities	Component Units
Land	$ -	$ 41,355	$ -
Infrastructure	-	-	-
Buildings	362,619	3,240,091	57,938
Improvements Other Than Buildings	-	89,375	-
Machinery and Equipment	2,503	99,685	6,701
Software	-	-	1,088
Less: Accumulated Depreciation	(180,181)	(380,578)	(13,128)
Total Assets Held Under Capital Lease	**$ 184,941**	**$ 3,089,928**	**$ 52,599**

At June 30, 2010, future commitments under capital leases were as follows (in thousands):

	Primary Government		
	Governmental Activities	Business-Type Activities	Component Units
Fiscal Year Ended June 30			
2011	$ 50,336	$ 189,954	$ 7,862
2012	47,139	188,837	5,921
2013	44,064	188,926	5,299
2014	36,970	189,006	5,237
2015	35,129	221,746	5,078
2016-2020	129,123	972,151	10,785
2021-2025	58,881	978,710	-
2026-2030	36,046	971,314	-
2031-2035	16,511	656,861	-
2036-2040	2,438	283,904	-
2041-2045	512	771	-
2046-2050	30	-	-
2051-2055	30	-	-
2056-2060	24	-	-
Total Capital Lease Payments	457,233	4,842,180	40,182
Less: Interest and Executory Costs	(214,803)	(2,193,859)	(22,493)
Present Value of Capital Lease Payments	**$ 242,430**	**$ 2,648,321**	**$ 17,689**

C. Lease Receivables

The State leases certain facilities and land for use by others for terms varying from 1 to 65 years. The majority of the governmental activities leases are for facilities controlled by the State Properties Commission. 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 $29.1 million, $48.6 thousand, and $31.5 million, respectively, for the year ended June 30, 2010. Minimum future revenues and rentals to be received under operating leases as of June 30, 2010, are as follows (in thousands):

	Primary Government		
	Governmental Activities	Business-Type Activities	Component Units
Fiscal Year Ended June 30			
2011	$ 29,064	$ 48	$ 36,035
2012	29,282	44	26,088
2013	29,802	1	21,062
2014	29,918	-	20,521
2015	30,421	-	20,370
2016-2020	137,079	-	88,352
2021-2025	58,311	-	77,671
2026-2030	42,848	-	73,513
2031-2035	3,871	-	57,745
2036-2040	4,092	-	24,776
2041-2045	3,443	-	-
2046-2050	32	-	-
Total Minimum Revenues	**$ 398,163**	**$ 93**	**$ 446,133**

NOTE 10 - RETIREMENT SYSTEMS

The State administers various retirement plans under two major retirement systems: Employees' Retirement System of Georgia (ERS System) and Teachers Retirement System of Georgia. 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.

Plan Descriptions and Contribution Information

Employees' Retirement System of Georgia

The ERS System is comprised of individual retirement systems and plans covering substantially all employees of the State 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.

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

The benefit structure of ERS is established by the Board of Trustees under statutory guidelines. Unless the employee elects otherwise, an employee who currently maintains membership with ERS based upon State employment that started prior to July 1, 1982, is an "old plan" member subject to the plan provisions in effect prior to July 1, 1982. Members hired on or after July 1, 1982 but prior to January 1, 2009 are "new plan" members subject to the modified plan provisions. Effective January 1, 2009, newly hired State employees, as well as rehired State employees who did not maintain eligibility for the "old" or "new" plan, are members of the Georgia State Employees' Pension and Savings Plan (GSEPS). 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, 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 2010 were based on the June 30, 2007 actuarial valuation for the old and new plans and were set by the Board of Trustees on September 18, 2008 for GSEPS as follows:

Old Plan *	10.41%
New Plan	10.41%
GSEPS	6.54%

* 5.66% 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

The 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 active and retired members and ex-officio State employees is ultimately responsible for the administration of TRS.

On October 25, 1996, the Board created the Supplemental Retirement Benefit Plan of the Georgia Teachers Retirement System (SRBP-TRS). SRBP-TRS was established as a qualified governmental excess benefit plan in accordance with Section 415 of the Internal Revenue Code (IRC) as a portion of TRS. The purpose of 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 the fiscal year ended June 30, 2010 were 5.25% of annual salary. The member contribution rate will increase to 5.53% effective July 1, 2010. Employer contributions required for fiscal year 2010 were 9.74% of annual salary as required by the June 30, 2007 actuarial valuation. The employer contribution rate will increase to 10.28% effective July 1, 2010.

The following table summarizes the State's employer contributions by defined benefit plan for the years ended June 30, 2010, 2009, 2008 (dollars in thousands):

	ERS		TRS	
	Required Contribution	Percent Contributed	Required Contribution	Percent Contributed
2010	$ 236,656	100%	$ 161,184	100%
2009	$ 258,307	100%	$ 147,863	100%
2008	$ 263,293	100%	$ 142,523	100%

In addition to the above contributions for employees of organizations in the State reporting entity, the State Departments of Revenue and Education are also responsible for making contributions to ERS or TRS on behalf of employers that are not in the reporting entity. The Department of Education made its contributions to TRS of approximately $6 million per year for public school support personnel, but the Department of Revenue did not make its contributions totaling about $5.7 million for local tax officials because funds were not appropriated.

The number of participating employers by plan as of June 30, 2010 was:

ERS	741
TRS	386

These counts treat each legal entity in the State reporting entity as separate employers. Of the 741 employers in the ERS count, 447 are not in the State of Georgia reporting entity. Of the 386 employers in the TRS count, 286 are not in the State of Georgia reporting entity

Summary of Significant Accounting Policies

Basis of Accounting

The ERS and TRS financial statements are prepared on the accrual basis of accounting. Contributions from the plan members are recognized as additions in the period in which the members provide services and are due. 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.

Funded Status and Funding Progress

The funded status of the ERS and TRS plans at June 30, 2009, the most recent actuarial valuation date, is as follows (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	$ 13,613,606	$ 15,878,022	$ 2,264,416	85.7%	$ 2,674,155	84.7%
TRS	$ 54,818,373	$ 62,870,138	$ 8,051,765	87.2%	$ 10,641,543	75.7%

Multiyear trend information about the funding progress is presented in the standalone financial reports issued by the ERS 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. Additional information as of the latest actuarial valuations follows:

	ERS	TRS
Valuation date	June 30, 2009	June 30, 2009
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	7-year smoothed
Actuarial assumptions:		
Investment rate of return	7.50%*	7.50%*
Projected salary increases	5.45-9.25%*	3.20-8.60%*
Postretirement cost of living adjustment	None	3.00% annually

* Includes an inflation assumption of 3.75%

Regents Retirement Plan

Plan Description

The Regents Retirement Plan, a single-employer defined contribution plan, is an optional retirement plan established by the General Assembly of Georgia in Chapter 21 of Title 47 of the OCGA. It is administered and may be amended by the Board of Regents of the University System of Georgia (Proprietary Fund – Higher Education). Under the plan, eligible faculty members or principal administrators may purchase annuity contracts for the purpose of receiving retirement and death benefits. The four approved vendors (AIG-VALIC, American Century, Fidelity, and TIAA-CREF) have separately issued financial reports, which 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 Teachers Retirement System of Georgia Board of Trustees in accordance with State statute and as advised by their independent actuary. For fiscal year 2010, the employer contribution was 9.24% of the participating employee's earnable compensation. Employees contribute 5% of their earnable compensation. Amounts attributable to all plan contributions are fully vested and non-forfeitable at all times. In 2010, employer and employee contributions were $88.2 million (9.24%) and $49.3 million (5%), respectively.

NOTE 11 – POSTEMPLOYMENT BENEFITS

The State provides the following significant other postemployment benefit (OPEB) plans:

Administered by the Department of Community Health
Georgia State Employees Postemployment Health Benefit Fund (State OPEB Fund)
Georgia School Personnel Postemployment Health Benefit Fund (School OPEB Fund)

Administered by the ERS System
State Employees' Assurance Department – OPEB

Administered by the University System Office (Board of Regents)
Board of Regents Retiree Health Benefit Fund

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.

Retiree health benefits were previously funded through the Georgia Retiree Health Benefit Fund (GRHBF). In 2009, the General Assembly revisited the GRHBF and enacted legislation that, effective August 31, 2009, separated the GRHBF into two new funds: the Georgia School Personnel Post-employment Health Benefit Fund and the Georgia State Employees Post-employment Health Benefit Fund. The purpose of this change was to assure employers responsible for planning and funding future retiree health costs that their contributions would be dedicated to their respective retiree populations. Funds in the GRHBF were transferred to the Georgia State Employees Post-employment Health Benefit Fund or the Georgia School Personnel Post-employment Health Benefit Fund as described in the plan financial statements. The statute that created the GRHBF is repealed effective September 1, 2010.

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.

Plan Descriptions and Contribution Information

State OPEB Fund and School OPEB Fund
The State OPEB Fund is a cost-sharing multiple-employer defined benefit postemployment healthcare plan that covers eligible former employees of State organizations (including technical colleges) and other entities authorized by law to contract with the Department of Community Health for inclusion in the plan. The State OPEB Fund provides health insurance benefits to eligible former employees and their qualified beneficiaries through the health insurance plan for State employees.

The School OPEB Fund is a cost-sharing multiple-employer defined benefit postemployment healthcare plan that covers the postemployment health benefits which are due under the group health plan for public school teachers (including librarians and other certificated employees of public schools and regional educational service agencies) or due under the group health plan for non-certificated public school employees. The plan covers eligible former employees and their qualified beneficiaries.

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 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. 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 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 thirty years.

The combined required contribution rates established by the Board for the active and retiree plans for the fiscal year ended June 30, 2010 were as follows:

	% of Covered Payroll		
	Combined Active and State OPEB Fund	*Combined Active and School OPEB Fund	
June 2009	0.000%	3.688%	for July Coverage
July 2009	22.165%	18.534%	for August Coverage
August 2009 – October 2009	16.581%	14.492%	for September – November Coverage
November 2009 – June 2010	22.165%	18.534%	for December – July Coverage

* The above school rates are for certificated teachers, librarians, regional educational service agencies, and certain other eligible participants. For non-certificated school personnel, the school plan direct employer contribution rate (combined active and retiree) is $162.72 per member per month plus a State Department of Education on-behalf contribution.

No additional contribution was required by the Board for fiscal year 2010 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 other postemployment benefits 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 years ended June 30, 2010, 2009, and 2008 were (dollars in thousands):

	State OPEB Fund		School OPEB Fund	
	State Employer Required Contribution	Percent Contributed	State Employer Required Contribution	Percent Contributed
2010	$ 19,516	100%	$ 1,535	100%
2009	$ 150,756	100%	$ 1,571	100%
2008 *	$ 242,526	100%	$ 1,373	100%

* Amounts for 2008 were restated to incorporate additional information about participating employers in each plan after the plan split.

In addition to the above OPEB contributions for former employees of organizations in the State reporting entity, a portion of the contribution made to the State Health Benefit Plan by the State Department of Education on behalf of employers of non-certificated school personnel was transferred to the School OPEB Fund. The on-behalf amounts transferred for 2010, 2009, and 2008 were $0.3 million, $5.1 million, and $10.2 million respectively. Employer contributions to the State OPEB Fund are significantly reduced from prior years because current year claims were paid from existing plan assets.

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' (ERS), 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, 2010, 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) for the fiscal years ended June 30, 2010, 2009, and 2008.

Board of Regents Retiree Health Benefit Fund

The Board of Regents Retiree Health Benefit Fund (Regents Plan) is a single-employer, defined benefit postemployment healthcare plan administered by the Board of Regents. The 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 Board of Regents of the University System of Georgia (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 Board of Regents to permit employees of the University System eligible for retirement or that become permanently and totally disabled to continue as members of the group health and life insurance programs. The policies of the Board of Regents of the University System of Georgia 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 Board of Regents. 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 Board designation. Organizational units of the Board of Regents of the University System pay the employer portion for health insurance for eligible retirees. The employer portion of health insurance for its eligible retirees is based on rates that are established annually by the Board of Regents for the upcoming plan year. For the 2010 plan year, the employer rate was approximately 72% of the total health insurance cost for eligible retirees and the retiree rate was approximately 28%. With regard to life insurance, 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 other postemployment benefit cost (expense) for the Regents Plan is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 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 thirty years.

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 2010, 2009 and 2008 which was the transition year (dollars in thousands):

	Fiscal Year Ended June 30, 2010	Fiscal Year Ended June 30, 2009	Fiscal Year Ended June 30, 2008
Annual required contribution	$ 381,700	$ 349,500	$ 224,900
Interest on net OPEB obligation	17,800	7,100	-
Adjustment to annual required contribution	(25,200)	(9,500)	-
Annual OPEB cost (expense)	374,300	347,100	224,900
Less: Contributions made	(69,900)	(68,100)	(66,700)
Increase in net OPEB obligation	304,400	279,000	158,200
Net OPEB obligation - beginning of year	395,500 *	158,200	-
Net OPEB obligation - end of year	**$ 699,900**	**$ 437,200**	**$ 158,200**
Percentage of annual OPEB cost contributed	**18.7%**	**19.6%**	**29.7%**

* The fiscal year 2010 beginning of year balance was restated. Refer to Note 2 for further details.

Funded Status and Funding Progress – OPEB Plans

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	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a)/(b)	Annual Covered Payroll	UAAL as a Percentage of Covered Payroll (b-a)/(c)
		(a)	*(b)*			*(c)*	
State OPEB	6/30/2009	$ 136,932	$ 4,520,953	$ 4,384,021	3.0%	$ 2,730,018	160.6%
School OPEB	6/30/2009	$ 33,806	$ 11,900,505	$ 11,866,699	0.3%	$ 11,628,960	102.0%
SEAD-OPEB	6/30/2009	$ 628,199	$ 733,671	$ 105,472	85.6%	$ 2,653,527	4.0%
Regents Plan	7/1/2009	$ 10,566	$ 3,129,508	$ 3,118,942	0.3%	$ 2,399,532	130.0%

The number of participating employers for the multiple-employer postretirement benefit plans as of June 30, 2010 was:

State OPEB	221
School OPEB	253
SEAD-OPEB	833

The SEAD-OPEB count treats each legal entity in the State reporting entity as a separate employer. Of the 833 employers in the SEAD count, 539 are not in the State of Georgia reporting entity.

Actuarial Methods and Assumptions

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 schedule of funding progress with multiyear trend information for the Regents Plan is presented as *Required Supplementary Information* following the Notes to the Financial Statements. The multiyear trend information about the funding progress for the multiple-employer plans is presented in the standalone reports issued by the administering systems. These multiyear schedules indicate whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculation.

Additional information as of the latest actuarial valuation follows:

	State OPEB & School OPEB	SEAD-OPEB	Regents Plan
Valuation date	June 30, 2009	June 30, 2009	July 1, 2010 with results rolled back to July 1, 2009
Actuarial cost method	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit
Amortization method	Level percentage of pay, open	Level dollar, open	Level dollar over 28 years, closed
Remaining amortization period	30 years	30 years	28 years
Asset valuation method	Market Value	Market Value	Market Value
Actuarial assumptions:			
Investment rate of return	4.50%*	7.50%*	4.50%**
Healthcare cost trend rate - initial	9.25%*	n/a	8.25%**
Ultimate trend rate	5.00%		4.50%

* Includes an inflation assumption of 3.75%
** Includes an inflation assumption of 2.50%

Since the previous valuation, the method used for amortization of the SEAD-OPEB unfunded liability has been changed from level percentage of payroll to level dollar because the plan is now completely closed to new entrants and total payroll is no longer expected to increase over time.

NOTE 12 – RISK MANAGEMENT

A. Public Entity Risk Pool

The Department of Community Health administers the States Health Benefit Plan for the State. Participants include State agencies, component units, participating county governments and local educational agencies. This plan is funded by participating employer and employee contributions and appropriations from the General Assembly of Georgia. The Department of Community Health has contracted with Blue Cross Blue Shield of Georgia, Cigna, United Health Care and Express Scripts to process claims in accordance with the State Health Benefit Plan as established by the Board of Community Health.

B. Board of Regents Employee Health Benefits Plan

The Board of Regents of the University System of Georgia 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 Board of Regents and its organizational units. All units of the University System of Georgia share the risk of loss for claims of the plan.

The Board of Regents has contracted with Blue Cross Blue Shield of Georgia to process all claims in accordance with guidelines as established by the Board of Regents and Medco Health Solutions to administer the prescription drug plan.

C. Other Risk Management

The Department of Administrative Services (DOAS) has the responsibility for the State of Georgia 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 and the liability 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, 2010, of $349.9 million for both workers 'compensation and liability was charged back to the contributing funds. Expenditures of $248.2 million are reported in the general fund, and expenses of $70.9 million are reported in the Higher Education (enterprise) Fund relating to this charge-back.

D. Claims Liabilities

A reconciliation of total claims liabilities for fiscal years ended June 30, 2010, and 2009, is shown below (in thousands):

	Public Entity Risk Pool		Board of Regents Employee Health Benefits Plan		Risk Management Fund	
	Fiscal Year Ended June 30, 2010	Fiscal Year Ended June 30, 2009	Fiscal Year Ended June 30, 2010	Fiscal Year Ended June 30, 2009	Fiscal Year Ended June 30, 2010	Fiscal Year Ended June 30, 2009
Unpaid Claims and Claim Adjustments July 1 (restated)	$ 212,158	$ 200,353	$ 21,828	$ 24,049	$ 403,851	$ 415,752
Current Year Claims and Changes in Estimates	2,181,811	2,095,327	181,684	224,199	169,540	292,202
Claims Payments	(2,178,515)	(2,083,521)	(187,858)	(226,420)	(128,645)	(190,738)
Unpaid Claims and Claim Adjustments June 30	**$ 215,454**	**$ 212,158**	**$ 15,654**	**$ 21,828**	**$ 444,746**	**$ 517,215**

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 Financial Accounting Standards Board (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 presented within the Long-Term Liabilities section.

A. Interest Rate Swap Derivatives

University of Georgia Athletic Association

The fair value balances and notional amounts of hedging derivative investments outstanding as reported in the 2010 financial statements are as follows:

Component Units	Changes in Fair Value		Fair Value at June 30, 2010		
Hedging derivatives:	Classification	Amount	Classification	Amount	Notional
2001-Interest Rate Swap	Deferred Outflow of Resources	$ (1,584,259)	Debt	$ (4,763,915)	$ 33,100,000
2003-Interest Rate Swap	Deferred Outflow of Resources	(671,636)	Debt	(2,128,925)	17,030,556
2005A-Interest Rate Swap	Deferred Outflow of Resources	(466,203)	Debt	(1,913,321)	13,385,000
2005B-Interest Rate Swap	Deferred Outflow of Resources	(1,202,381)	Debt	(4,004,262)	27,620,000
				$ (12,810,423)	

The fair value balances and notional amounts of hedging derivative instruments outstanding at June 30, 2009, and the changes in fair value of such derivative instruments for the year then ended as reported in the 2009 financial statements are as follows:

Component Units	Changes in Fair Value		Fair Value at June 30, 2009		
Hedging derivatives:	Classification	Amount	Classification	Amount	Notional
2001-Interest Rate Swap	Deferred Outflow of Resources	$ (1,954,735)	Debt	$ (3,179,656)	$ 33,100,000
2003-Interest Rate Swap	Deferred Outflow of Resources	(1,018,006)	Debt	(1,457,289)	17,616,667
2005A-Interest Rate Swap	Deferred Outflow of Resources	(861,494)	Debt	(1,447,118)	14,345,000
2005B-Interest Rate Swap	Deferred Outflow of Resources	(1,803,568)	Debt	(2,801,881)	28,270,000
				$ (8,885,944)	

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 we deem 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, the Association entered into three separate interest rate swap transactions with Bank of America, N.A. (the Counterparty) relating to its variable rate tax-exempt Series 2001 Bonds, tax-exempt Series 2003 Bonds, taxable Series 2005 Bonds, and tax-exempt Series 2005B Bonds. Pursuant to an ISDA Master Agreement and Schedule to ISDA Master Agreement each dated as of January 27, 2005, between the Association and the Counterparty and three Confirmations, the Association has agreed to pay to the Counterparty a fixed rate of interest in an amount equal to: (1) 3.49% per annum multiplied by a notional amount that is equal to the principal amount of the Series 2001 Bonds until September 2021; (2) 3.38% per annum multiplied by a notional amount that is equal to the principal amount of the Series 2003 Bonds until August 2033; (3) 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 (4) 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 the Association 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 2001 Bonds until September 2021; (2) 67% of LIBOR multiplied by a notional amount that is equal to the principal amount of the Series 2003 Bonds until August 2033; (3) LIBOR multiplied by a notional amount that is equal to the principal amount of the Series 2005 Bonds until July 2021; and (4) 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 - The Association 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 the Association's making or receiving a termination payment.

As of June 30, 2010, the fair value of the interest rate swap agreement on the 2001 Series Bonds was $(4,763,915), indicating the amount that the Association would be required to pay the Counterparty to terminate the swap agreement.

As of June 30, 2010, the fair value of the interest rate swap agreement on the 2003 Series Bonds was $(2,128,925), indicating the amount that the Association would be required to pay the Counterparty to terminate the swap agreement.

As of June 30, 2010, the fair value of the interest rate swap agreement on the 2005A Series Bonds was $(1,913,322), indicating the amount that the Association would be required to pay the Counterparty to terminate the swap agreement.

As of June 30, 2010, the fair value of the interest rate swap agreement on the 2005 B Series Bonds was $(4,004,262), indicating the amount that the Association would be required to pay the Counterparty to terminate the swap agreement.

Credit Risk - As of June 30, 2010, the fair value of the swaps represents the Association'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, the Association could see a possible gain equivalent to $46.1 million less the cumulative fair value of $12.8 million. As of June 30, 2010, the Counterparty was rated as follows by Moody's and S&P:

	Moody's	S&P
Bank of America, N.A.	Aa3	A+

Basis Risk - The swaps expose the Association to basis risk. The interest rate on the Series 2001 Bonds, 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 LlBOR rate due to factors affecting the tax-exempt market that do not have a similar effect on the taxable market. The Association 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 LlBOR for extended periods of time. The Association 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 International Swap Dealers Association Master

Agreement, which includes standard termination events, such as failure to pay and bankruptcy. The Association 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 the Association would be liable to the Counterparty for a payment equal to the swap's fair value.

Georgia Tech Athletic Association

In 2004, the Association received an up-front payment of $2,367,000 for a "swaption" related to its fixed rate Series 2001 bonds. The swaption is an option that allows the counterparty to force the Association to enter into a pay-fixed, receive-variable interest rate swap on April 1, 2012. The Association would expect to issue variable-rate refunding bonds if the option is exercised by the counterparty. The transaction, which is effectively a synthetic refunding of the 2001 bonds, represents 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 has the option to exercise the agreement on April 1, 2012 with an additional premium payment to the Association totaling $773,137. If the option is exercised, the swap will 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, will 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, 2010 and 2009, the swap had a negative fair value of $10,743,924 and $8,822,285, respectively, 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 $13,892,865 and $11,855,250 at June 30, 2010 and 2009, respectively. After amortizing the borrowing and calculating the "time value" of the option, the remaining fair value is attributed to the at-the-market swap.

Market Access Risk - If the option is exercised the Association will be obligated to issue variable rate debt refunding the applicable Series 2001 Bonds and the Association would be subject to net swap payments as required by terms of the contract — a fixed payment of 5.125% would be due to the counterparty and a variable payment based on the Bond Market Municipal Swap Index plus 21 basis points (0.21%) would be due from the counterparty. If the option is exercised and the variable-rate bonds are issued, the actual savings ultimately recognized on the transaction will be affected by the relationship between the interest rate terms of the to-be-issued variable rate bonds and the variable payment on the swap.

Interest Rate Risk - The Association is exposed to interest rate risk on its swap agreement. On the pay fixed, receive variable interest rate swap, the Association's net payment increases as the Bond Market Municipal Swap Index decreases.

Credit Risk - At June 30, 2010, the Association was not exposed to credit risk because the swap had negative fair value. However, should interest rates change such that the fair value of the swap becomes positive, the Association would be exposed to credit risk in the amount of the swap's fair value.

B. Component Unit Interest Rate Swap Derivatives – FASB Organizations

Georgia College & State University Foundation

The 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.

The Foundation entered into an interest rate swap transaction to convert its variable-rate bond obligations to fixed rates. This swap is utilized to manage interest rate exposures over the period of the interest rate swap and is designated as a highly effective cash flow hedge. The differential to be paid or received on all swap agreements is accrued as interest rates change and is recognized in interest expense over the life of the agreement. The swap agreements expire at various dates and have a fixed rate of 4.715%. The notional amounts are noted below. The interest rate swap contains no credit-risk-related contingent features and is cross collateralized by certain assets of the Foundation.

The effective portion of the gain or loss on this interest rate swap is reported in changes in net assets. Gains and losses on the interest rate swap representing hedge ineffectiveness or excluded from the assessment of hedge effectiveness are recognized in current period changes in net assets.

The interest-rate swap transaction is summarized below and is included with liabilities in the Statement of Financial Position:

Outstanding Notional	Effective Date	Maturity Date	Underlying Index	Market Value
$ 7,175,000	6/15/2007	10/1/2016	USD/Fixed/4.715	$ (875,098)
$ 25,000,000	6/15/2007	10/1/2024	USD/Fixed/4.715	$ (4,002,826)
$ 69,820,000	6/15/2007	10/1/2033	USD/Fixed/4.715	$ (9,900,242)

There was no portion of the loss that was considered ineffective or excluded from the assessment of hedge effectiveness.

Georgia Tech Foundation, Inc.

The Foundation does not issue or trade derivative financial instruments except as described herein. Foundation assets are invested on its behalf with various investment managers, some of whom are authorized to employ derivative instruments, including swaps, futures, forwards and options. These derivatives are generally used for managing interest rate or foreign currency risk or to attain or hedge a specific financial market position.

During 2008, a third party exercised the swaption related to the 1997A Bonds issued by Facilities and guaranteed by the Foundation. In conjunction with the exercise of the swaption, Facilities issued variable rate, tax-exempt 2008C Bonds with an interest rate approximately equal to the Securities Industry and Financial Markets Association (SIFMA) index plus 10 basis points, retired the 1997A Bonds with the proceeds, and entered into an underlying interest rate swap agreement with the third party, guaranteed by the Foundation. The agreement had an effective date of March 1, 2008 and a termination date or September 1, 2027. In June 2010, Facilities issued the 2010B Bonds which refunded the 200RC Bonds as well as provided the funds necessary ($1,560) to terminate the interest rate swap on the 200RC Bonds. Prior to the termination of the interest rate swap, a loss of ($212) was recognized in 2010 as a change in fair value of derivative financial instruments in the statements of activities. This resulted in a reduction in unrestricted net assets.

In 2003, the Foundation sold an interest rate swap option (swaption) to a third party and received $945. This transaction enabled the Foundation to monetize the call option on the Series 2001A Bonds, based on interest rate levels at that time. The swaption may be exercised by the third party on, and only on, November 1, 2011. If exercised, the Foundation will pay the third party a fixed rate of 5.27% (the average coupon rate on the existing bonds) through November 1, 2030 on principal amounts related to the bonds, and will receive a variable interest rate from the third party, on the same principal amounts, based on the SIFMA Index plus 10 basis points (0.10%). If the third party exercises the swaption, the Foundation may cause variable rate tax-exempt bonds to be issued on its behalf (at an expected rate equal to the SIFMA Index plus 10 basis points) and utilize the proceeds to retire the Series 2001A Bonds. As of June 30, 20 to the total notional amount of the swaption once exercised is $34,455. Thus, if the swaption is exercised, it is expected that the Foundation will continue to pay the same fixed interest rate as if it had not called the Series 2001A bonds. The swaption, which had a fair value of $6,457 as of June 30, 2010, is reported as a derivative financial instrument (representing a liability), in the statements of financial position. A loss of ($2,093) was recognized in 2010 as a change in fair value of derivative financial instruments in the statements of activities, reducing unrestricted net assets.

In 2003, the Foundation sold a swaption to a third party and received $2,251. This transaction enabled the Foundation to monetize the call option on the Series 2002A Bonds, based on interest rate levels at that time. The swaption may be exercised by the third party on, and only on, May 1, 2012. If exercised, the Foundation will pay the third party a fixed rate of 5.01% (the average coupon rate on the existing bonds) through November 1, 2031 on principal amounts related to the bonds, and will receive a variable interest rate from the third party, on the same principal amounts, based on the SIFMA Index plus 10 basis points. If the third party exercises the swaption, the Foundation may cause variable rate tax-exempt bonds to be issued on its behalf (at an expected rate equal to the SIFMA Index plus 10 basis points) and utilize the proceeds to retire the Series 2002A Bonds. As of June 30, 2010 the total notional amount of the swaption once exercised is $88,750. Thus, if the swaption is exercised, it is expected that the Foundation will continue to pay the same fixed interest rate as if it had not called the Series 2002A Bonds. The swaption, which had a fair value of $13,242 as of June 30, 2010, is reported as a derivative financial instrument (representing a liability), in the statements of financial position. A loss of ($4,197) was recognized in 2010 as a change in fair value of derivative financial instruments in the statements of activities, reducing unrestricted net assets.

MCG Health, Inc.

MCG Health, Inc. (the Company) entered into a variable-to-fixed interest rate swap (the Swap). The intention of the Swap is to effectively convert the Company'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, the Company pays the counterparty interest at a fixed rate of 3.302% and receives interest payments at a variable rate computed as 68% of LIBOR.

The fair value of the Swap is recorded as an asset or liability, depending on whether the termination of the Swap would result in amounts due to the Company or the Swap counterparty. At June 30, 2010 and 2009, the fair value of the Swap represented a liability to the Company in the amount of $18,587,889 and $12,088,347, respectively. The Company or the Swap counterparty is required to post collateral with the other party in the event that the fair value of the Swap exceeds certain thresholds, as defined. At June 30, 2010 and 2009, the Company had posted collateral of $8,100,000 and $2,700,000, respectively, with the Swap counterparty which is included in other receivables in the Company's consolidated balance sheet.

As of June 30, 2010, the Company was exposed to credit risk in the amount of the fair value of the Swap. The Swap counterparty was rated AA by Fitch Ratings and Standard & Poor's and Aaa by Moody's Investors Service as of June 30, 2010. To mitigate the potential for credit risk, various levels of collateralization by the counterparty may be required should the counterparty's credit rating be downgraded and the fair value of the Swap be in a liability position at a level above certain thresholds specified in the Swap agreement.

The Swap exposes the Company to basis risk should the relationship between LIBOR and prevailing market rates change significantly, changing the synthetic rate on the Bonds from the intended synthetic rate of 3.302%. As of June 30, 2010, the prevailing market rate was an aggregate 0.222%, whereas 68% of LIBOR was 0.230%. As of June 30, 2009, the Company paid the counterparty interest at a fixed rate of 3.302% and received interest payments at a variable rate computed as 68% of LIBOR.

The Company or the counterparty may terminate the Swap if the other party fails to perform under the terms of the agreement. If the Swap is terminated, the variable rate Bonds would no longer carry a synthetic fixed interest rate. Also, if at the time of termination the Swap has a negative fair value (unfavorable to the Company), the Company would be liable to the counterparty for a payment equal to the Swap's fair value.

The University of Georgia Foundation

The Foundation has two outstanding interest rate swap agreements effectively changing the interest rate exposure on the $1,117,865 note payable from variable to a 5.75% fixed rate over the term of the note payable and 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, 2010 and 2009, the fair value of those interest rates swaps was a liability of $1,822,723 and $1,389,158, respectively. The Foundation recorded a loss on such swaps of $433,565 and $703,073 for the years ended June 30, 2010 and 2009, respectively, as an adjustment to interest expense.

C. **Component Unit Investment Derivatives -FASB Organizations**

University of Georgia Research Foundation

During 2008, the Real Estate Foundation entered into an interest rate cap agreement to limit the interest rate on the variable rate 2001 Bonds to a 4.0% fixed rate until December 3, 2012. The Real Estate Foundation paid a premium of $75,000 in connection with this agreement. The Real Estate Foundation recorded a loss of $47,923 on the fair value of this derivative for the year ended June 30, 2010. On December 14, 2009, this derivative instrument was terminated and the proceeds of $21,900 have been included in realized and unrealized gains and losses on derivatives in the Statement of Revenues, Expenses and Changes in Net Assets for the year ended June 30, 2010.

During 2006, the Real Estate Foundation entered into an interest rate cap agreement to limit the interest rate on the variable rate revolving credit agreement to a 6% fixed rate until December 1, 2010. The Real Estate Foundation paid a premium of $122,000 in connection with this agreement. The fair value of the interest rate cap as of June 30, 2010 was $0, and has been recorded as an asset in accordance with accounting principles generally accepted in the United States of America. The Real Estate Foundation recorded a loss of $1,298 on the fair value of the derivative for the year ended June 30, 2010.

The Real Estate Foundation's derivatives as of June 30, 2010 are presented below:

Business Type	Changes in Fair Value		Effective	Maturity		
Activities	Classification	Amount	Date	Date	Terms	Notional
Cash flow hedges:						
Rate Cap on line of credit	Nonoperating Revenue	$ (1,298)	3/10/2006	12/1/2010	Index: LIBOR 1M+32.5 BP Strike rate 6.0%	$ 12,005,438
Rate Cap on 2001 bonds	Nonoperating Revenue	$ (26,023)	1/31/2008	12/14/2009	Index: SIFMA 1W; Strike rate 4.0%	$ -

All of the Real Estate Foundation's derivatives are treated as investment derivatives since they do not substantially offset changes in cash flows or fair values for the year ended June 30, 2010. There are no cumulative deferred inflows or outflows related to these derivative instruments.

Credit risk
Credit risk is the risk that a counterparty to a derivative instrument will not fulfill its obligations. The Real Estate Foundation does not have a formal policy for managing credit risk for derivatives.

Interest rate risk
Interest rate risk is the risk that changes in interest rates could reduce the value of the derivative instrument. The Real Estate Foundation is exposed to interest rate risk on its interest rate caps. As rates decrease, the value of the derivative decreases.

Termination risk
During the year ended June 30, 2010, the Real Estate Foundation terminated its interest rate cap scheduled to mature in December 2012. A gain of $21,900 was realized upon termination. The Real Estate Foundation is not exposed to termination risk on its derivative instruments.

Rollover risk
The Real Estate Foundation is exposed to rollover risk on hedging derivative instruments that are hedges of debt that mature or may be terminated prior to the maturity of the hedged debt. When these hedging derivative instruments terminate, or in the case of a termination option, if the counterparty exercises its option, the Real Estate Foundation

NOTE 14 – INTERFUND BALANCES AND TRANSFERS

Due To/From Other Funds at June 30, 2010, consist of the following (in thousands):

	Due From Other Funds				
	General Fund	Nonmajor Governmental Fund	Internal Service Funds	Fiduciary Funds	Total Due To Other Funds
Due To Other Funds					
General Fund	$ -	$ -	$ 280,323	$ -	$ 280,323
Higher Education Fund	-	-	71,719	-	71,719
State Employees' Health Benefit Plan	-	-	-	22,544	22,544
Nonmajor Enterprise Funds	-	2,946	-	-	2,946
Internal Service Funds	42	-	24	-	66
Fiduciary Funds	-	-	12	1,188	1,200
Total Due From Other Funds	$ 42	$ 2,946	$ 352,078	$ 23,732	$ 378,798

Interfund receivables and payables result from billings for goods/services provided between funds. All interfund receivables and payables are considered short term in nature.

Interfund transfers at June 30, 2010, consist of the following (in thousands):

	Governmental Funds			Proprietary Funds				
	General Fund	Georgia State Financing and Investment Commission	Nonmajor Governmental Funds	Higher Education Fund	State Health Benefit Plan	Internal Service Funds	Fiduciary Funds	Total Transfers Out
Transfers Out:								
General Fund	$ -	$ 1,639	$ 1,255,687	$ 1,966,051	$ 33,300	$ 5,620	$ 2,366	$ 3,264,663
Georgia State Financing and Investment Commission	224,608	-	70,588	-	-	-	-	295,196
Nonmajor Governmental	363,281	-	-	-	-	-	-	363,281
Higher Education Fund	5,150	-	-	-	-	-	-	5,150
Unemployment Compensation Fund	2,375	-	-	-	-	-	-	2,375
Nonmajor Enterprise	-	-	1,482	-	-	-	-	1,482
Internal Service Funds	34,720	-	-	-	-	803	-	35,523
Total Transfers In	$ 630,134	$ 1,639	$ 1,327,757	$ 1,966,051	$ 33,300	$ 6,423	$ 2,366	$ 3,967,670

Transfers are used to move revenues from the fund that statutes require to collect them to the fund that statutes require to expend them and to move unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

NOTE 15 – SEGEMENT IMFORMATION

The State Road and Tollway Authority issued Guaranteed Refunding Revenue bonds to finance a portion of the costs of acquiring, constructing and maintaining the Georgia 400 Project (the Project). The Project is accounted for within the nonmajor Enterprise Funds, along with other activity of the Authority. Investors in those bonds rely solely on the revenue generated from the Project for repayment. Summary financial information for the Project is presented below.

The 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 the Authority is included within the nonmajor Enterprise Funds. Summary financial information for the Authority is presented below.

Condensed State of Net Assets	**Georgia 400 Project**	**GHEFA**
Assets		
Current assets	$ 39,963	$ 2,987
Noncurrent assets	25,578	201,453
Capital assets	1,302	-
Total assets	66,843	204,440
Liabilities		
Current liabilities	12,000	2,456
Noncurrent liabilities	9,422	195,045
Total liabilities	21,422	197,501
Net assets		
Investment in Net Asset, Net of Related Debt	1,302	-
Unrestricted	44,119	6,939
Total net assets	$ 45,421	$ 6,939
Condensed Statement of Revenues, Expenses, and Changes in Net Assets		
Operating revenues (pledged against bonds)	$ 20,805	$ 13,337
Depreciation/amortization expense	(6,397)	(298)
Other operating expenses	(7,105)	(6)
Operating income	7,303	13,033
Nonoperating revenues (expenses)		
Investment income	221	1
Interest expense	(804)	(10,719)
Change in net assets	6,720	2,315
Beginning net assets	38,701	4,624
Ending net assets	$ 45,421	$ 6,939
Condensed Statement of Cash Flows		
Net cash provided by (used in):		
Operating activities	$ 15,270	$ 10,478
Noncapital financing activities	-	(10,502)
Capital and related financing activities	(9,068)	-
Investing activities	(2,118)	43
Net increase (decrease)	4,084	19
Beginning cash and cash equivalents	13,562	272
Ending cash and cash equivalents	$ 17,646	$ 291

NOTE 16 – LITIGATION, CONTINGENCIES, AND COMMITMENTS

A. Grants and Contracts

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 the 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 the Georgia Department of Transportation (GDOT) 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 for work performed by a completion contractor. The plaintiff also alleges a claim under the Prompt Payment Act. The Plaintiffs' estimate of damages is approximately $9,000,000. The parties went to mediation in March 2010, but failed to reach a settlement. On March 9, 2010, GDOT filed a motion for partial summary judgment on the majority of the issues. A hearing on the motion is scheduled for March 1, 2011.

2. A suit was filed in July 2007 against the Department of Revenue (DOR) asserting a claim for the Port Tax Credit. The plaintiff asserts that its increase in imports through Georgia ports during the tax years 2002 through 2004 inclusive qualifies the plaintiff to receive a credit-based income tax refund. The total credit claimed is in excess of $50 million, although the amount of refund for each taxable year is capped with excess credits carrying forward to subsequent tax years. The State has answered the complaint asserting that the plaintiff does not satisfy the statutory requirements to qualify for the credit. The Superior Court granted summary judgment to the plaintiff on April 2, 2010. DOR filed an appeal with the Georgia Court of Appeals on April 30, 2010. The appeal was docketed with the Court of Appeals on October 18, 2010. The parties filed briefs in November and December 2010 and are awaiting a date for oral argument.

3. 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 DOR. The Court found in favor of DOR and the plaintiff's application for discretionary appeal was denied by the Georgia Court of Appeals. The plaintiff subsequently filed a number of separate but related lawsuits against DOR. In each of the cases, as described below, DOR has asserted the defense of collateral estoppel, as the legal issues in each case involve the same legal issue decided in favor of DOR in the 2005 case.

   a. Filed in Fulton County Superior Court on September 20, 2007: Plaintiff seeks a sales tax refund of $10.1 million. DOR filed a motion to dismiss on May 12, 2008. The issues in this case have been fully briefed and the hearing on the motion to dismiss is scheduled for February 2, 2011.

   b. Filed in Fulton County Superior Court on December 23, 2009: Plaintiff seeks a sales tax refund of $3.2 million. DOR filed an answer on January 20, 2010.

   c. Filed in Fulton County Superior Court on October 8, 2010: Plaintiff seeks a sales tax refund of $3.0 million from DOR. DOR filed an answer on November 11, 2010.

4. A suit was filed on May 6, 2010 in Fulton County Superior Court involving claims for sales tax refunds. The plaintiff asserts two claims of refunds from DOR totaling $5.1 million and claims that its purchases of certain machinery, parts, and explosives were exempt from sales tax under OCGA §48-8-3(34) (manufacturing machinery exemption) and OCGA §48-8-3(35) (industrial materials exemption). These issues were litigated in 2001 (for different tax years) in DeKalb County Superior Court, with a favorable result for DOR. DOR's position is that the appeal is

barred by collateral estoppel. Discovery is scheduled to end February 28, 2011 and DOR anticipates filing a motion for summary judgment by the March 30, 2011 deadline. In the event the case cannot be disposed on motions, it will be set for a September 2011 bench trial.

5. Salary-Related Litigation: Certain State employees and teachers have brought separate law suits challenging steps the State has taken to manage expenditures relative to reduced revenues.

   a. In the case filed on October 14, 2009 in Fulton County Superior Court, several school teachers contend that: (i) a statutory amendment making the payment of monetary incentives to teachers for achieving national certification "subject to appropriations" of funding for such incentive payments and (ii) any subsequent reductions in the appropriations are unconstitutional. On March 1, 2010, the State filed a motion to dismiss, which was granted by the Court on August 24, 2010. On September 13, 2010, the plaintiffs filed a notice of appeal from the order granting the State's motion to dismiss with the Georgia Court of Appeals. The case is currently waiting for docketing with the Court of Appeals.

   b. Another case, filed on October 19, 2009 in Fulton County Superior Court is a putative class action against the heads of various state agencies. The initial action was filed by an unclassified state employee contending that state employees were entitled under state law to a general salary increase of 2½% for the latter half of fiscal year 2009 on the basis of initial appropriations (which were later reduced). The State filed its answer on April 30, 2010. The State's position is that the actions taken by the agency heads were within the scope of their lawful authority, and that the plaintiffs are not entitled to any relief. The complaint was amended on May 28, 2010 to add a classified state employee as a party and to dismiss the Attorney General, the heads of the judicial agencies, and the Governor (in his role as chief executive officer of the State of Georgia) as defendants (the Governor remains a defendant as head of the Office of the Governor), leaving approximately 30 agency executive defendants. The issue of class certification is currently in the discovery phase. A class certification hearing is scheduled for March 16, 2011.

6. A class action lawsuit filed on June 6, 2002 on behalf of 2,200 children in State custody asserted systemic deficiencies in foster care in Fulton and DeKalb counties. A consent decree was entered wherein the 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). The United States District Court for the Northern District of Georgia (the District Court) appointed two independent accountability agents to monitor DHS's progress and awarded attorneys' fees and costs 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 District Court. DHS appealed the award of attorneys' fees to the Eleventh Circuit Court of Appeals (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 District Court to the attorneys' fees and costs, 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. 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 attorney's fees and costs 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 District Court's multiplier portion of its award of attorneys' fees and costs to plaintiffs' counsel, holding that the 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. On November 15, 2010, plaintiffs filed a renewed motion for attorneys' fees and costs with the District Court, in order to attempt to demonstrate that the multiplier amount they seek meets the proper standards. The parties anticipate that further pleadings will be filed prior to the end of calendar year 2010, and that oral argument on the issue will be heard sometime in 2011. In the interim, the State has paid the undisputed portion of the requested fees in the amount of $8.1 million. In addition, plaintiffs sought and received payment from the State in June 2010 of an additional $1 million in attorneys' fees related to the State's efforts to comply with the Consent Decree. In the underlying litigation regarding compliance with the Consent Decree regarding placement of children in DFCS custody for Fulton and DeKalb counties, on November 23, 2010 the District Court entered a stipulated modification of the Consent Decree regarding measurement and

reporting of DHS's performance thereunder.

7. 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 State of 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 of Georgia 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 of Georgia, 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; however, the State believes this to be an unlikely outcome. If the State prevails, there would be no reduction in future fund payments. The arbitration proceeding is expected to last well into calendar year 2011.

8. Interstate Water Disputes Among Georgia, Alabama and Florida: The State is involved in water use litigation in two different venues, the United States District Court for the Middle District of Florida (the M.D. Fl. District Court) and the United States District Court for the Northern District of Alabama (the N.D. Al. District Court). These are multiple cases involving the supply of water to certain municipalities in Georgia from certain dams and related reservoirs in North Georgia (Buford Dam/Lake Lanier, Carters Lake, and Lake Allatoona). The Buford Dam is on the Chattahoochee River, which is part of the Apalachicola-Chattahoochee-Flint (ACF) River Basin. This basin is shared by Alabama, Florida, and Georgia. Carters Lake and Lake Allatoona are in the Alabama-Coosa-Tallapoosa (ACT) River Basin, which is shared by Alabama and Georgia. The litigation in the M.D. Fl. District Court is comprised of portions of several lawsuits relating to the operation of Buford Dam/Lake Lanier and is being heard by a multi-district litigation judge. The litigation in the N.D. Al. District Court is currently comprised of claims relating to operation of Carters Lake and Lake Allatoona, both of which are relatively small compared to Lake Lanier. Presently, the litigation in Alabama is on hold to let settlement discussions occur. The litigation in the M.D. Fl. District Court is proceeding. A more detailed discussion of that litigation appears below.

In 1946, the U.S. Congress authorized and funded the construction of the Buford Dam and granted the U.S. Army Corps of Engineers (the Corps) authority to operate Buford Dam and the resulting reservoir, Lake Lanier. Water supply for the Atlanta region was declared to be one of the purposes of the Buford Dam. After the Buford Dam was approved, however, the Corps sometimes referred to water supply for the Atlanta region as an incidental purpose of the project. Construction on the dam commenced in 1950 and lasted approximately six years. In 1958, the U.S. Congress enacted the Water Supply Act of 1958, which allowed the Corps to use its reservoir projects for municipal water supply subject to certain restrictions. During the 1970's the Corps began to enter into water supply contracts with certain Georgia municipalities allocating water from multiple river basin projects, including the Buford Dam, for local water supply. The Corps took the position that this was an appropriate use. However, when Atlanta and other surrounding communities sought additional water in the late 1980's, the Corps prepared a draft post authorization change report as a possible part of the process of granting the request. In 1990, Alabama initiated litigation against the Corps in the N.D. Al. District Court alleging, among other claims, that the Corps was supplying water to Georgia municipalities in violation of: the authorizing legislation for certain dams in the ACF and ACT basins; the Water Supply Act of 1958; and the National Environmental Policy Act (the litigation filed in the N.D. Al. District Court, in which Florida and Georgia intervened, hereinafter referred to as the Alabama Case).

Following almost twenty years of litigation and negotiations involving the use of water among various private entities and governmental entities in Georgia, Alabama, and Florida, multiple cases involving the use of the waters of the Buford Dam were referred to the M.D. Fl. District Court, sitting as a multi-district litigation court, for resolution. The

main components of such litigation are: (1) two cases involving the rights of Georgia municipalities to use water from Lake Lanier (the "Georgia I" case, which involves an appeal from the denial of Georgia's water supply request submitted to the Corps in 2000, and the portion of the Alabama Case which involves Alabama and Florida's objection to the Corps' supplying water to the Atlanta region from the Buford Dam); (2) a case involving the right of the Southeastern Federal Power Customers Association to be compensated for economic loss of hydroelectric power production due to the increasing use of water from Lake Lanier by Georgia municipalities; and (3) a case dealing with the quantity of water that the Corps must release from Lake Lanier to support the habitat of certain endangered species in the Apalachicola River in Florida, in that current releases did not meet minimum flow requirements, in purported violation of the Endangered Species Act (the "ESA Litigation"). The portion of the Alabama Case dealing with water supplied from dam projects outside the ACF basin was left with the N.D. Al. District Court.

On July 17, 2009, the M.D. Fl. District Court issued an order making the following findings in the Georgia I case (the "Georgia I Order"): (1) water supply is not an authorized purpose of the Buford Dam, i.e., Lake Lanier was not built to provide for water supplies to municipalities in Georgia; (2) the quantity of water usage that would be authorized under a 1989 draft post authorization change in use report prepared by the Corps would require approval by the U.S. Congress; (3) the present level of water usage from Lake Lanier by Georgia municipalities violates the Federal Water Supply Act of 1958 and therefore is not authorized; and (4) the request to the Corps made in 2000 by Georgia, for additional water from Lake Lanier also would violate the Federal Water Supply Act of 1958, and would be unauthorized. The Georgia I Order allows Georgia municipalities to continue using water from Lake Lanier for three years at current water usage levels to allow time for a Congressional or other settlement, after which, in the absence of such settlement, water usage from Lake Lanier (in the form of withdrawals from the lake and releases for downstream withdrawal) must revert to the "baseline" operation of the mid-1970's, with an exception for withdrawal of 10 million gallons of water per day for the cities of Buford and Gainesville, Georgia. In September 2009, the State of Georgia and Atlanta area municipalities that depend on the Buford Dam for water supply filed an appeal and requested that the M.D. Fl. District Court enter final judgment in Georgia I on the theory that all issues in such case were resolved by the M.D. Fl. District Court's July 17, 2009 order. The M.D. Fl. District Court declined the request for the entry of final judgment. Alabama and Florida, as opposing parties, contended that the Georgia I Order was not appealable and asked the Eleventh Circuit Court of Appeals to dismiss Georgia's appeal. On January 20, 2010, the Eleventh Circuit denied Alabama and Florida's motion to dismiss Georgia's appeal of the Georgia I Order. The Eleventh Circuit, in a unanimous ruling, stated that the Georgia I Order constitutes a final judgment and can be appealed. Furthermore, the Eleventh Circuit accepted pendent jurisdiction and review of the entire July 17, 2009 M.D. Fl. District Court order. Briefs have been filed and oral argument is scheduled for March 7, 2011. Possible outcomes include a reversal of the July 17, 2009 M.D. Fl. District Court order.

In the ESA Litigation, Alabama and Florida claimed that a Corps revised interim operating plan for the release of water from Jim Woodruff Dam at the Florida-Georgia border into the Apalachicola River would place certain endangered species in jeopardy and result in modification of critical habitat of those species. An analysis by the United States Fish and Wildlife Service found that the revised interim operating plan would not jeopardize the endangered species in question. On July 21, 2010, the M.D. Fl. District Court dismissed the Alabama and Florida ESA Litigation claims as without merit. Florida filed a notice of appeal with the Eleventh Circuit on September 20, 2010 and its brief is due on April 1, 2011.

An estimation of the ultimate financial impact of this litigation is not known at this time but could result in significant costs to the State.

9. Department of Behavioral Health and Developmental Disabilities (BHDD) Psychiatric Hospitals: In January 2009, the Department of Justice (DOJ) filed a complaint in the United States District Court for the Northern District of Georgia under the Civil Rights of Institutional Persons Act (CRIPA), resulting in a five year CRIPA Settlement Agreement with respect to the seven State-operated psychiatric hospitals. In accordance with that agreement, the State of Georgia has made significant improvements 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 thereto filed a new complaint under the Americans with Disabilities Act in the United States District Court for the Northern District of Georgia. 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 regarding the State's treatment of certain persons with developmental disabilities, focusing on providing treatment in community settings rather than state hospitals (the ADA Settlement). Pursuant to the ADA Settlement Agreement, the motion for preliminary injunction was withdrawn and the action was conditionally terminated, with the 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 BHDD but cannot yet be readily estimated.

BHDD'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, effectively working 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.

BHDD continues to transition developmentally disabled persons and persons with behavioral 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. All of the facilities are increasing staffing levels for licensed professionals and direct care staff.

10. On an ongoing basis, the Georgia Department of Transportation is the condemnor in numerous pending property condemnation lawsuits which are at various stages of procedure. It is currently not reasonable to evaluate the potential loss on a case by case basis. Based on historical trend analysis, it is reasonably possible that certain of the numerous lawsuits will be found in favor of the condemnees and that GDOT will be bound to pay additional sums awarded by the judgments over the amount estimated by GDOT and paid into court when GDOT filed the condemnation. It is believed additional awards of the pending condemnation lawsuits, in the aggregate, could be between $65 million and $80 million.

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's (GHEAC) rate of annual losses (defaults) exceeded five percent (5%). In the event of future adverse loss experience, GHEAC could be liable for up to (1) 20% of the outstanding balance of loans in repayment status at the beginning of each year which were disbursed prior to October 1, 1993, and (2) 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.

The 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 at the time. The GSFA is no longer servicing these loans; however the GSFA's guarantee is still in effect for these prior serviced loans until August 12, 2028. The GSFA is responsible for a part of the $99.6 million in pledged receivables currently on its statement of net assets that become ineligible for the Department of Education Put Program due to the GSFA's breach or incompliance with the related service agreement.

The pledged receivables of $14.0 million that existed on the prior year GSFA statement of net assets ceased to exist when the GSFA repurchased, in June 2010, all the underlying student loans of the pledged receivables. Therefore, the obligation of repurchase related to the pledged receivables carried over from the prior year was removed.

Based on the GSFA claim denial rate history and the nature of the obligation under the serviced loans, $2.1 million has been reserved for these potential future liabilities.

The Georgia Housing and Finance Authority (GHFA) business operations include significant lending and borrowing arrangements. Borrowings are made in the form of bonds. Proceeds from these bonds are mainly used to finance home mortgage loans to qualifying borrowers. The ultimate source of repayment of these borrowings and the related interest is return of principal

and interest on the loans. GHFA invests proceeds from borrowings prior to their use. It also invests funds from repayments received on its loans. These investments usually consist of various debt securities. GHFA generally does not invest in equity securities. A majority of the GHFA's loans are insured by the Federal Housing Administration. A minor portion of its loans are not insured. GHFA is subject to credit risks related to its cash balances and its investments in debt securities. It is also subject to the risk that the underlying value of the collateral on its uninsured loans declines. Currently, GHFA has cash balances with financial institutions that are either insured by FDIC or collateralized by government securities held at Georgia Bankers Bank and the State of Georgia's collateral pool. However, FDIC insurance is limited to $250 thousand per depositor. GHFA has cash balances at June 30, 2010 of $18.8 million in excess of FDIC insured limits. GHFA has investments in debt securities of $246.3 million. If GHFA were to incur significant losses in connection with the above cash balances and debt investments, it would impair GHFA's ability to service its debt obligations as they become due.

Additionally, as described above, GHFA has uninsured loans of $14 million as of June 30, 2010. All of these loans are for home mortgages in the State of Georgia. Current economic conditions in Georgia have declined since their peak in 2006 as a result of a general economic decline nationwide. One impact of these conditions has been a decline in housing values. GHFA has incurred a higher rate of loss on foreclosed loans as a result of the impact of their 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. If the economy continues to decline and, as a result, GHFA experiences a dramatic increase in foreclosures, it is possible that the combination of such an increase combined with lower housing prices could result in increased losses of loan assets that could have adverse impacts on GHFA's ability to repay its outstanding bonds.

At June 30, 2010, the Georgia Development Authority (GDA) had transferred and assigned mortgage loans totaling $33.5 million to lenders under repurchase agreements. The agreements give the lenders the option to have GDA repurchase the mortgage loans for an amount equal to the then outstanding principal balance and interest due during a specified period of time. In addition, GDA guarantees the principal and interest payment by the borrower to the lender within 30 days of the due date. Any payment not received within 30 days is considered advanced to the borrower and paid to the lender by GDA. GDA then charges the borrower interest on these advances for the period outstanding at a penalty rate agreed upon at the loan origination date. Unrestricted net assets in the amount of 15% of the principal balances outstanding of mortgage loans under repurchase agreements are designated by the GDA Board as an appropriated fund balance.

The liquidity crisis that originally was linked principally to the sub-prime lending markets has spread to other corners of the credit markets in the U.S. and internationally. It is not possible at this time to predict the full impact or duration of the existing illiquid credit market conditions. The unstable market conditions and the resulting uncertainties contribute to additional risks associated with certain significant credit facilities maturing during the next year as well as future marketability and collectability of the loans to farmers program, especially in the poultry and peanut growth segments. GDA management continues to monitor the status of its maturing loans, but there is no assurance the loan agreements will be extended or that replacement financing will be available.

D. Pollution Remediation

Component Units

Augusta State University has been notified as a potential responsible party for pollution remediation related to a Superfund site located in North Carolina. Other alleged customers of the facility, dating back 30 plus years, have also been notified as potential responsible parties. To date, the University has not been named in any legal action pursuant to this case. As of June 30, 2010, the University cannot reasonably estimate a liability for this pollution remediation obligation.

E. Other Significant Commitments

Primary Government

Bond Proceeds

The Georgia State Financing and Investment Commission 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, 2010, the undisbursed balance remaining on these agreements approximated $1.3 billion.

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, 2010, the Department of Transportation had contractual commitments of $2.5 billion for construction of various highway projects. Funding of these future expenditures is expected to be provided from federal grants, motor fuel tax funds, general obligation bond proceeds, and debt

instruments issued by the State Road and Tollway Authority.

The Georgia Technology Authority has significant commitments to IBM and AT&T through master service agreements. The $1.0 billion IBM master contract was effective April 1, 2009, is an eight year contract with two optional years, and has a remaining balance of $858.5 million as of June 30, 2010. The $481.1 million AT&T master contract was effective May 1, 2009, is a five year contract with two optional years, and has a remaining balance of $410.8 million as of June 30, 2010.

The Georgia Department of Defense has a military construction contract for the Georgia National Guard Joint Force headquarters building. The balance of federal funds to be expended for this project is about $20.6 million.

Commitment to Fund Teacher Salaries

The State has historically accrued a payable to local education authorities (LEA) for salaries earned by teachers for scholastic years ended August 31 and owed by the LEAs. For the fiscal year ended June 30, 2010, an accrual was recorded for approximately $868 million. This payable, however, is included in the appropriation bill effective July 1, 2010 and therefore cannot be paid prior to July 1, 2010.

Component Units

Georgia Ports Authority Contractual Commitments

During the fiscal year ended June 30, 2010, the Georgia Ports Authority (GPA) entered into an agreement with a third party to transfer ownership of approximately 119 acres sometime in the future, but not beyond December 31, 2019. Contingent on three conditions being satisfied, the third party has the opportunity to purchase the respective property at varying levels of investment. The subject property is expected to have a manufacturing facility constructed and operating by December 31, 2016 or earlier. The three conditions that are required to be satisfied include: a) as of December 31, 2016, the third party has created and employed not less than 350 new employees (which is 70% of the total job requirement); b) from December 31, 2016 through December 31, 2019, the third party has maintained 350 employees, as demonstrated by the average monthly employee count over the 36 months during the period; and c) as of December 31, 2016, the company has invested not less than $227.5 million in the project (70% of the total investment) or, in the alternative, if the number of new employees is over 350 as of December 31, 2016, then the percentage of jobs may be averaged with the percentage of investment, and if the combined average is 70% or greater, the investment requirement shall have been met. The agreement also contains a provision that if the three conditions are satisfied early then the property can be purchased after the 36-month maintenance period. Depending on whether the third party meets the three conditions, and to what extent the third party meets the requirements, then the third party can still purchase the plant site, but at a sliding scale of value from $10.00 (whole dollars) up to $11.9 million. GPA management has determined that sufficient information does not currently exist to determine the potential sales price or the resulting gain or loss on sale of the respective property relative to this possible transfer of ownership.

University System Foundations

The Georgia State University Foundation, Inc. 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 year ended June 30, 2010 totaled $8.4 million.

As the sole member of the Real Estate Foundation, the University of Georgia Research Foundation is guarantor on up to $50 million on a revolving credit agreement maintained by the Real Estate Foundation. As of June 30, 2010, current borrowings are all under rental agreements with the University so the Research Foundation's guarantee is not applicable. The Real Estate Foundation's revolving line of credit expires on November 30, 2010. In September 2010, the Real Estate Foundation received proposals from banks for a replacement line of credit that would go into effect upon the expiration of the current line of credit. After reviewing the proposals, the Board voted to renew the revolving line of credit with the current provider in the amount of $50 million for a five year period beginning December 1, 2010.

The University of Georgia Athletic Association has authorized commitments for construction in an aggregated amount of approximately $23.5 million at June 30, 2010.

NOTE 17 - SUBSEQUENT EVENTS

Primary Government

A. Long-term Debt Issues

General Obligation Bonds Issued
On October 6, 2010 the State sold General Obligation Bonds in the amount of $653.9 million for delivery on or about October 27, 2010:

Series	Amount (in millions)
2010B	$ 170.2
2010C-1	84.9
2010C-2	233.5
2010C-3	136.5
2010C-4	28.8
Total	$ 653.9

Proceeds of the bonds will be used primarily to fund new K-12 schools, higher education facilities, public safety projects and other crucial infrastructure.

Net interest costs on the Series 2010B and 2010C Series bonds ranged from 0.97 percent for five-year tax exempt bonds to 2.14 percent for 20-year bonds. The State designated the $233.5 million from Series 2010C-2 as Build America Bonds which carry a 35 percent interest rate subsidy from the US Treasury under the American Recovery and Reinvestment Act. The State designated the $136.5 million from Series 2010C-3 as Recovery Zone Economic Development Bonds which carry a 45 percent interest rate subsidy from the US Treasury under the American Recovery and Reinvestment Act. The State designated the $28.8 million from Series 2010C-4 as Qualified School Construction Bonds which carry a 100 percent interest rate subsidy from the US Treasury under the Hiring Incentives to Restore Employment Act.

Revenue Bonds Issued
Subsequent to year-end the Georgia Higher Education Facilities Authority issued revenue bonds (Series 2010A) with a face amount of $94.2 million from which it loaned proceeds to the USG (University System of Georgia) Real Estate Foundation III, LLC.

Toll Revenue Bonds
The State Road and Tollway Authority issued Toll Revenue Bonds in the amount of $40 million on December 1, 2010 (Series 2010 – Georgia 400 Project). The interest rate on these bonds is based on the LIBOR swap rate. The bonds were sold as a private placement and had an estimated total debt service savings of about $300 thousand over a conventional public offering. The All-In-TIC (True Interest Cost) rate for the private placement is 2.90% compared to 3.10% for a conventional public offering. In a separate, but related, action the Authority defeased $8.7 million of its previously outstanding Guaranteed Revenue Refunding Bonds (Series 1998) by escrowing funds to pay off the remaining debt service that totals $9.1 million for the one remaining principal payment and two interest payments.

B. Retiree Benefits

On July 21, 2010 the Teachers Retirement System adopted a “smoothed valuation interest rate” methodology for the June 30, 2009 actuarial funding valuation. The new funding method will be used for calculating contributions beginning with the fiscal year ending June 30, 2012.

C. Unemployment Trust Fund

The solvency of Georgia’s unemployment trust fund has been an ongoing concern as the current economic downturn has continued. 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. During the period of July 1, 2010 through December 15, 2010, the State of Georgia borrowed an additional $117 million from the U. S. Treasury to pay State unemployment benefits, bringing total borrowings for this purpose to $533 million. Congress provided a temporary waiver of interest accrual on such borrowings as part of the Federal stimulus program. However, unless extended, the waiver will expire in January 2011, and interest will thereafter accrue at a rate to be announced (prior to the temporary waiver, the 2009 interest rate was 4.6375% per annum). 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 FUTA tax on the State’s employers is effectively increased (by credit reduction) and the additional taxes are applied as payments against the loans. While a repayment plan has not yet been implemented, the Commissioner of Labor has the statutory authority to adjust employer premiums upward slightly from current levels for unemployment insurance taxes in 2011. Any increase in rates beyond what is needed to pay claims may be available to begin repayments of the principal component of the loaned amount.

Component Units

A. Revenue Bonds

The Georgia Housing and Finance Authority issued a single family mortgage revenue bond (Series 2010A/2009C, C-1) for approximately $68.2 million. The Authority closed this bond issue in July 2010. Proceeds from the bond issue are expected to be used to purchase mortgages on affordable single family residences for those buyers who qualified under GHFA guidelines.

On July 13, 2010, the Development Authority of Cobb County issued $66.8 million in revenue bonds and loaned the proceeds to Kennesaw State University (KSU) Foundation. The bonds were issued to repay an interim loan incurred to finance the construction of the sports and recreational park. The KSU Foundation's existing $22 million line of credit was paid with these bond proceeds.

In August 2010, Georgia Tech Facilities, Inc. issued $5.4 million in Series 2010C Revenue Bonds. The proceeds of the bonds are to be used to finance the renovations and improvements for the Academy of Medicine building as well as certain costs of issuance and capitalized interest.

B. Initiation of Significant Commitments

The Jekyll Island State Park Authority (Park Authority) entered into contracts during the second quarter of fiscal year 2011 to demolish the old Jekyll Island Convention Center and construct a new center. The contracts amount to about $31 million and will be funded from $50 million of bond proceeds provided by the Georgia State Financing and Investment Commission. The Park Authority, as lessor, also entered into a 200-room full service hotel lease, expiring in January 2089. The lessee will construct and manage the new hotel.

C. Related Party Securitization

The Georgia Environmental Finance Authority (GEFA) Board authorized the pursuit of a securitization transaction which could result in the sale of loans from GEFA to a wholly owned subsidiary, the Georgia Environmental Loan Acquisition Corporation (GELAC), which would issue bonds backed by those loans for the purpose of transferring approximately $288 million to the State treasury during fiscal year 2011. It is anticipated the net assets of the Georgia Fund, as presented within the GEFA financial statements, will be impacted by this sale in a proportionate amount. No federal programs will be affected by this loan sale. Subsequent to year end, GEFA authorized a loan to GELAC in the amount of $100,000 for the administrative purposes of executing the loan sale. This loan is expected to be repaid upon the completion of the securitization transaction.

D. Other Subsequent Events

On July 1, 2010, Medical College of Georgia (MCG) Health, Inc. (the Company) entered into the Joint Operating Agreement with the Physicians Practice Group Foundation (PPG) and the newly formed MCG Health Systems, Inc. (the System), a separately organized non-profit corporation formed for the purpose of achieving joint coordination and planning among the Company, PPG, and MCG. Under the Joint Operating Agreement, the System will approve the strategic plans and budgets of the Company and PPG, may provide shared services to the Company and PPG, and has the ability to amend or cause to be amended the Affiliation Agreement and other related party agreements among Regents, MCG, PPG, and the Company. In addition, on July 1, 2010, the Articles of Incorporation of the Company, the Bylaws of the Company, the Affiliation Agreement and the other related party agreements between the Company and Regents were amended to effectively put the System in a governance position between the Company and Regents and provide to the System many of the rights previously held by Regents. The Company will continue to be a component unit of Regents, as defined by provisions of Governmental Accounting Standards Board (GASB) Statement No. 14, “The Financial Reporting Entity,” due to Regent’s ability to significantly influence the programs and activities of the Company through the System.

On August 16, 2010, the Georgia State University Foundation purchased certain land and buildings from 175 Piedmont Avenue Holdings, LLC for $19 million and then simultaneously sold the property on the same day to the Board of Regents for approximately the same price.

On December 11, 2010, the State Properties Commission approved the purchase of 10,015 acres of Oaky Woods wilderness in Middle Georgia for $28.7 million.

REQUIRED SUPPLEMENTARY INFORMATION

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Required Supplementary Information

For the Fiscal Year Ended June 30, 2010

Schedule of Funding Progress (OPEB)

(dollars in thousands)

Retirement System	Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability ("AAL") - 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 -	7/1/2007 (1)	$ -	$ 1,985,200	$ 1,985,200	0.0%	$ 2,201,804	90.2%
Retiree Health Benefit	7/1/2008	290	3,258,200	3,257,910	0.0%	2,372,385	137.3%
	7/1/2009	10,566	3,129,508	3,118,942	0.3%	2,399,532	130.0%

(1) The allocation and transfer of assets to the Fund took place subsequent to the July 1, 2007 actuarial valuation.

State of Georgia

Required Supplementary Information
Budgetary Comparison Schedule
Budget Fund
For the Fiscal Year Ended June 30, 2010
(dollars in thousands)

	Original Appropriation	Amended Appropriation	Final Budget	Actual	Variance
Funds Available					
State Appropriation					
State General Funds	$ 16,240,488	$ 14,476,793	$ 14,476,793	$ 14,405,618	$ 71,175
Brain and Spinal Injury Trust Fund	2,066	2,066	2,066	2,117	(51)
Care Management Organization F	42,525	42,525	42,232	42,232	-
Revenue Shortfall Reserve for K-12 Needs	-	167,667	167,667	167,667	-
Nursing Home Provider Fees	122,529	122,529	126,449	126,449	-
Lottery Funds	938,089	1,044,666	1,044,666	1,044,666	-
State Motor Fuel Funds	913,000	910,421	910,421	968,336	(57,915)
Tobacco Funds	310,976	307,986	307,986	308,194	(208)
State Funds - Prior Year Carry-Over	-	-	-	-	-
State General Fund Prior Year	-	-	134,096	161,624	(27,528)
Brain and Spinal Injury Trust Fund - Prior Year	-	-	1,444	708	736
State Motor Fuel Funds - Prior Year	-	-	352,383	357,857	(5,474)
Tobacco Funds - Prior Year	-	-	76	-	76
Federal Funds	-	-	-	-	-
CCDF Mandatory & Matching Funds	94,361	93,381	77,807	81,404	(3,597)
Child Care and Development Block Grant	136,015	167,660	121,496	104,100	17,396
Community Mental Health Services Block Grant	13,131	13,715	17,447	17,244	203
Community Services Block Grant	17,398	17,312	17,259	20,111	(2,852)
Federal Highway Administration [Highway Planning and Construction	1,242,517	1,242,517	1,257,998	887,391	370,607
Foster Care Title IV-E	87,079	90,893	77,143	78,414	(1,271)
Low-Income Home Energy Assistance	24,907	24,628	101,208	100,819	389
Maternal and Child Health Services Block Grant	20,367	20,595	25,743	15,074	10,669
Medical Assistance Program	6,085,197	5,171,253	5,621,018	5,417,614	203,404
Prevention and Treatment of Substance Abuse Block Grant	59,700	59,274	60,905	32,745	28,160
Preventive Health and Health Services Block Grant	4,404	3,056	3,839	3,666	173
Social Services Block Grant	54,994	54,771	94,899	79,281	15,618
Children's Health Insurance Program	312,626	241,824	244,145	226,688	17,457
Temporary Assistance for Needy Families	342,225	342,225	450,384	402,324	48,060
TANF Transfer to SSBG	25,800	25,800	-	-	-
TANF Unobligated Balance	37,349	33,431	-	8,883	(8,883)
Federal Funds Not Specifically Identified	3,303,538	4,136,038	3,947,130	3,832,795	114,335
American Recovery and Reinvestment Act of 2009	-	-	-	-	-
Child Care and Development Block Grant	-	-	80,401	79,381	1,020
Community Services Block Grant	-	-	26,896	26,629	267
Federal Highway Administration [Highway Planning and Construction	-	-	843,708	798,785	44,923
Foster Care Title IV-E	-	-	3,319	3,397	(78)
Medical Assistance Program	-	659,956	769,449	725,555	43,894
Federal Funds Not Specifically Identified	661,430	-	944,125	874,895	69,230
State Fiscal Stabilization Fund - Education State Grants	-	919,668	957,394	957,394	-
State Fiscal Stabilization Fund - Governmental Services	-	140,260	140,260	140,260	-
Emergency Contingency Fund for TANF State Program	-	165,371	60,000	51,271	8,729
Federal Recovery	-	-	1,997	3,937	(1,940)
Other Funds	7,527,471	7,925,415	8,943,958	8,498,049	445,909
Total Funds Available	38,620,182	38,623,696	42,456,207	41,053,574	1,402,633
Expenditures					
Georgia Senate	10,514	9,619	9,939	9,063	876
Georgia House of Representatives	18,303	16,755	17,660	16,232	1,428
Georgia General Assembly Joint Offices	9,837	8,530	9,149	7,964	1,185
Audits and Accounts, Department of	32,380	29,846	29,846	29,231	615
Appeals, Court of	13,602	12,667	12,702	12,701	1
Judicial Council	17,282	16,163	19,115	17,195	1,920
Juvenile Courts	7,026	6,893	6,893	7,185	(292)
Prosecuting Attorneys	59,211	57,333	69,708	68,875	833
Superior Courts	60,499	58,006	58,006	57,422	584
Supreme Court	8,026	7,592	7,873	7,826	47
Accounting Office, State	14,912	16,312	17,803	16,727	1,076
Administrative Services, Department of	152,658	156,740	321,638	191,716	129,922
Agriculture, Department of	55,144	48,940	51,435	51,287	148
Banking and Finance, Department of	12,356	11,246	11,246	11,078	168
Behavioral Health and Developmental Disabilities, Department of	1,133,714	976,383	1,021,942	982,910	39,032
Community Affairs, Department of	205,725	201,687	239,293	231,501	7,792
Community Health, Department of	12,300,623	12,138,660	12,619,815	11,768,698	851,117
Corrections, Department of	1,130,556	1,096,416	1,140,641	1,113,444	27,197

State of Georgia

Required Supplementary Information
Budgetary Comparison Schedule
Budget Fund
For the Fiscal Year Ended June 30, 2010
(dollars in thousands)

	Original Appropriation	Amended Appropriation	Final Budget	Actual	Variance
Expenditures					
Defense, Department of	39,823	39,458	84,316	83,958	358
Driver Services, Department of	62,096	56,549	58,143	57,700	443
Early Care and Learning, Department of	488,236	490,078	486,310	486,060	250
Economic Development, Department of	33,169	30,110	33,240	33,174	66
Education, Department of	9,464,200	9,670,766	9,760,747	9,639,362	121,385
Employees' Retirement System of Georgia	26,463	26,309	26,523	25,141	1,382
Forestry Commission, State	48,700	44,766	44,240	44,176	64
Governor, Office of the	96,233	118,941	245,943	196,759	49,184
Human Services, Department of	1,700,100	1,921,181	1,935,482	1,802,799	132,683
Insurance, Department of	18,373	16,759	16,639	16,278	361
Investigation, Georgia Bureau of	128,825	116,570	148,407	147,931	476
Juvenile Justice, Department of	331,313	313,528	311,031	295,724	15,307
Labor, Department of	424,401	419,081	546,978	523,154	23,824
Law, Department of	54,835	53,610	62,960	55,742	7,218
Natural Resources, Department of	275,057	250,490	312,250	280,156	32,094
Pardons and Paroles, State Board of	54,223	50,862	52,472	51,384	1,088
Properties Commission, State	1,038	926	1,300	1,297	3
Public Defender Standards Council, Georgia	41,489	38,704	71,081	66,509	4,572
Public Safety, Department of	162,385	163,107	185,395	169,079	16,316
Public Service Commission	10,406	9,420	9,853	9,835	18
Regents, University System of Georgia	5,306,102	5,300,264	6,187,609	5,743,829	443,780
Revenue, Department of	127,939	123,544	146,474	142,091	4,383
Secretary of State	35,811	32,640	34,798	33,540	1,258
Soil and Water Conservation Commission	8,754	7,302	7,846	7,751	95
State Personnel Administration	11,321	11,321	17,469	14,796	2,673
Student Finance Commission and Authority, Georgia	626,714	737,067	736,356	697,848	38,508
Teachers' Retirement System of Georgia	27,481	28,581	28,581	26,090	2,491
Technical College System of Georgia	599,078	608,290	675,403	622,321	53,082
Transportation, Department of	1,981,653	1,968,280	3,368,021	2,533,711	834,310
Veterans Service, Department of	41,286	40,786	38,063	37,477	586
Workers' Compensation, State Board of	19,520	19,670	19,796	14,726	5,070
Office of Treasury and Fiscal Services	1,130,790	1,044,948	1,137,777	1,011,138	126,639
Financing and Investment Commission, Georgia State	-	-	-	3,266	(3,266)
Total Expenditures	38,620,182	38,623,696	42,456,207	39,475,857	2,980,350
Excess of Funds Available over Expenditures	$ -	$ -	$ -	$ 1,577,717	$ (1,577,717)

State of Georgia

Required Supplementary Information
Budget to GAAP Reconciliation
For the Fiscal Year Ended June 30, 2010
(dollars in thousands)

	General Fund
Sources/Inflows of Resources	
Summary	
Actual amounts (budgetary basis) "Total Funds Available" from the budgetary comparison schedule	$ 41,053,574
Differences - budget to GAAP	
Perspective Differences:	
Revenues of budgeted funds included in the Budget Fund, but removed from the General Fund for financial reporting purposes.	(7,211,491)
Revenues of nonbudgeted funds included within the State's reporting entity, and shown in the General Fund for financial reporting purposes.	16,441,249
State appropriations revenues are budgetary resources, but are netted with the State's treasury disbursements for GAAP purposes.	(17,006,873)
Basis Differences:	
Accrual of taxpayer assessed receivables and revenues.	478,041
Fund balance adjustments are not inflows of budgetary resources, but affect current year revenues for GAAP reporting purposes.	3,741
Prior Year Reserves Available for Expenditure are included in Funds Available, but are not revenues for GAAP reporting purposes.	(1,194,320)
Revenues from intrafund transactions are budgetary resources, but are not revenues for GAAP reporting purposes.	(322,125)
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.	(454,026)
Transfers from other funds are inflows of budgetary resources, but are not revenues for financial reporting purposes.	(124,990)
Revenue reported for nonbudgetary food stamp program.	2,457,273
Some federal financial assistance is reported as revenue when received in the Budget Fund, but these funds are not earned at year end, and are shown as deferred revenue for GAAP purposes.	41,512
Other net accrued receivables and revenues.	(2,162)
Total Revenues (General Fund) as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds	$ 34,159,403

State of Georgia

Required Supplementary Information
Budget to GAAP Reconciliation
For the Fiscal Year Ended June 30, 2010
(dollars in thousands)

	General Fund
Uses/Outflows of Resources	
Summary	
Actual amounts (budgetary basis) "Total Expenditures" from the budgetary comparison schedule	$ 39,475,857
Differences - budget to GAAP	
Perspective Differences:	
Expenditures of nonbudgeted Funds included within the State's reporting entity, and shown in the General Fund for financial reporting purposes.	108,559
Expenditures of Budgeted Funds for organizations not reported in the General Fund.	(9,192,070)
Basis Differences:	
Accrual of teacher salaries not included in current budget year.	(32,602)
Capital lease acquisitions are not outflows of budgetary resources, but are recorded as current expenditures and other financing sources for GAAP reporting.	6,201
Change in expenditure accrual for nonbudgetary Medicaid claims	44,125
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.	127,944
Expenditures from intrafund transactions are budgetary outflows, but are not expenditures for GAAP reporting purposes.	(329,797)
Expenditures reported for nonbudgetary food stamp program.	2,457,273
Fund balance adjustments are not outflows of budgetary resources, but affect current year expenditures for GAAP reporting purposes.	(491,684)
Transfers to other funds are outflows of budgetary resources, but are not expenditures for GAAP reporting purposes.	(1,263,540)
Other net accrued liabilities and expenditures.	21,639
Total Expenditures (General Fund) as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds	$ 30,931,905

Budgetary Reporting

Budgetary Process

The Official Code of Georgia Annotated (OCGA), Title 45, Chapter 12, Article 4 sets forth the process for the development and monitoring of an appropriated budget for the State of Georgia. Not later than September 1 of each year, the head of each executive branch budget unit (e.g. agencies, departments, and commissions) must submit estimates of the financial requirements for the subsequent fiscal year to the 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 Constitution of the State of Georgia, Article III, Section IX, Paragraph IV, "The General Assembly shall not appropriate [State] funds for any given fiscal year which, in aggregate, exceed a sum equal to the amount of unappropriated surplus expected to have accrued in the state treasury at the beginning of the fiscal year together with an amount not greater than the total treasury receipts from existing revenue sources anticipated to be collected in the fiscal year, less refunds, as estimated in the budget report and amendments thereto." The Constitution also authorizes the passage of additional Supplementary Appropriation Acts, provided sufficient surplus is available or additional revenue measures have been enacted. Finally, the Governor may withhold allotments of funds to budget units in order to maintain this balance of revenues and expenditures. Compliance with this requirement is demonstrated in the Governor's budget report and the Appropriation Acts for each fiscal year.

To the extent that federal funds received by the State are changed by federal authority or exceed the amounts appropriated by the original or supplementary appropriations acts, such excess, changed or unanticipated funds are "continually appropriated;" that is, they are amended in to departmental budgets when such events are known. Similarly, revenues generated by departments that may be retained for departmental operations ("other funds") are amended in as such funds are collected or anticipated.

Internal transfers within a budget unit are subject to the condition that no funds shall be transferred for the purpose of initiating a new program area which otherwise had received no appropriation of any funding source.

The Governor, through OPB, requires each budget unit, other than those of the legislative and judicial branches, to submit an annual operating budget based on the programs set forth in the Appropriations Act. Budget units submit periodic allotment requests, which must be approved in conjunction with quarterly work programs prior to release of appropriated funds. Further monitoring of budget unit activities is accomplished by review of expenditure reports, which are submitted quarterly to OPB.

The appropriated budget covers a majority of the organizations comprising the State's General Fund, and includes appropriations for debt service. The budget also includes certain proprietary funds, the Higher Education Fund, and the administrative costs of operating certain public employee retirement systems.

Budget units of the State are responsible for budgetary control of their respective portion of the total State appropriated budget. The legal level of budgetary control is at the program level by funding source. Due to the complex nature of the State appropriated budget, a separate *Budgetary Compliance Report* is published each year to demonstrate compliance at the legal level of budgetary control.

Budgetary Basis of Accounting

The annual budget of the State of Georgia is prepared on the modified accrual basis utilizing encumbrance accounting with the following exceptions: federal and certain other revenues are accrued based on the unexecuted portion of long-term contracts; and intrafund transactions are disclosed as 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

Budgetary Reporting (continued)

(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, 2010, 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 2010 Appropriations Act. For more information on budgetary exceptions, please refer to the *Budgetary Compliance Report* issued under separate cover. This report can be found on website of the State Accounting Office at http://sao.georgia.gov/.

Budgetary Presentation

The accompanying Budgetary Comparison Schedule for the Budget Fund presents comparisons of the legally adopted budget with actual data prepared on the budgetary basis of accounting utilized by the State. The Budget Fund, a compilation of the budget units of the State, differs from the funds presented in the basic financial statements. The Budget-to-GAAP reconciliation immediately following the budgetary comparison schedule identifies the types and amounts of adjustments necessary to reconcile the Budget Fund with the General Fund as reported in accordance with generally accepted accounting principles.

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COMBINING AND INDIVIDUAL FUND STATEMENTS

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NONMAJOR GOVERNMENTAL FUNDS

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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 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.

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 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.

DEBT SERVICE FUND

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

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, 2010
(dollars in thousands)

	Special Revenue		
	Georgia Economic Development Foundation, Inc.	Georgia Tourism Foundation	State Road and Tollway Authority
Assets			
Cash and Cash Equivalents	$ 314	$ 54	$ 31,613
Investments	-	-	21,032
Accounts Receivable	-	-	991
Due From Other Funds	-	-	2,946
Restricted Assets			
Cash and Cash Equivalents	-	-	16,529
Investments	-	-	3,158
Other Assets	-	-	32
Total Assets	$ 314	$ 54	$ 76,301
Liabilities and Fund Balances			
Liabilities:			
Accounts Payable and Other Accruals	$ -	$ -	$ 120
Other Liabilities	-	-	130
Total Liabilities	-	-	250
Fund Balances:			
Reserved for Georgia Academy for the Blind	-	-	-
Reserved for Loan and Grant Programs	-	-	43,100
Unreserved, Undesignated	314	54	32,951
Total Fund Balances	314	54	76,051
Total Liabilities and Fund Balances	$ 314	$ 54	$ 76,301

Debt Service	Permanent Pupils Trust Fund - Georgia Academy for the Blind	Total
$ -	$ 14	$ 31,995
-	-	21,032
-	-	991
-	-	2,946
-	-	16,529
-	-	3,158
-	-	32
$ -	$ 14	$ 76,683
$ -	$ -	$ 120
-	-	130
-	-	250
-	14	14
-	-	43,100
-	-	33,319
-	14	76,433
$ -	$ 14	$ 76,683

State of Georgia

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Fiscal Year Ended June 30, 2010
(dollars in thousands)

	Special Revenue		
	Georgia Economic Development Foundation, Inc.	Georgia Tourism Foundation	State Road and Tollway Authority
Revenues:			
Intergovernmental - Other	$ -	$ -	$ 73
Sales and Services	98	-	-
Interest and Other Investment Income	-	-	799
Other	131	11	410
Total Revenues	229	11	1,282
Expenditures:			
Transportation	-	-	5,201
Economic Development and Assistance	241	1	-
Debt Service			
Principal	-	-	140,335
Interest	-	-	98,912
Accrued Interest on Bonds Retired in Advance	-	-	-
Discount on Bonds Retired in Advance	-	-	-
Other Debt Service Expenditures	-	-	-
Total Expenditures	241	1	244,448
Excess (Deficiency) of Revenues Over (Under) Expenditures	(12)	10	(243,166)
Other Financing Sources (Uses):			
Debt Issuance - Refunding Bonds	-	-	-
Debt Issuance - Refunding Bonds - Premium	-	-	-
Payment to Refunded Bond Escrow Agent	-	-	-
Operating Transfers In	-	-	246,030
Operating Transfers Out	-	-	(363,281)
Net Other Financing Sources (Uses)	-	-	(117,251)
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(12)	10	(360,417)
Fund Balances, July 1	326	44	436,468
Fund Balances, June 30	$ 314	$ 54	$ 76,051

Debt Service	Permanent Pupils Trust Fund - Georgia Academy for the Blind	Total
$ -	$ -	$ 73
-	-	98
-	-	799
-	-	552
-	-	1,522
-	-	5,201
-	-	242
664,225	-	804,560
386,249	-	485,161
375	-	375
(4,301)	-	(4,301)
37,926	-	37,926
1,084,474	-	1,329,164
(1,084,474)	-	(1,327,642)
640,825	-	640,825
112,131	-	112,131
(750,209)	-	(750,209)
1,081,727	-	1,327,757
-	-	(363,281)
1,084,474	-	967,223
-	-	(360,419)
-	14	436,852
$ -	$ 14	$ 76,433

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NONMAJOR ENTERPRISE FUNDS

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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.

State of Georgia

Combining Statement of Net Assets
Nonmajor Enterprise Funds
June 30, 2010
(dollars in thousands)

	State Road and Tollway Authority	Georgia Higher Education Facilities Authority	Total
Assets			
Current Assets:			
Cash and Cash Equivalents	$ 17,597	$ 291	$ 17,888
Investments	10,143	204	10,347
Accounts Receivable (Net)	96	487	583
Notes Receivable	-	2,005	2,005
Other Assets	677	-	677
Restricted Assets:			
Investments	18,019	-	18,019
Noncurrent Assets:			
Notes Receivable	-	198,700	198,700
Other Noncurrent Assets	11,450	2,753	14,203
Restricted Assets:			
Cash and Cash Equivalents	49	-	49
Investments	7,510	-	7,510
Other Noncurrent Assets			
Nondepreciable Capital Assets	2,780	-	2,780
Depreciable Capital Assets, net	1,302	-	1,302
Total Assets	69,623	204,440	274,063
Liabilities			
Current Liabilities:			
Accounts Payable and Other Accruals	867	-	867
Due to Other Funds	2,946	-	2,946
Compensated Absences Payable	105	-	105
Revenue Bonds Payable	8,270	2,005	10,275
Other Current Liabilities	-	451	451
Current Liabilities Payable from Restricted Assets	3,769	-	3,769
Noncurrent Liabilities:			
Compensated Absences Payable	107	-	107
Revenue Bonds Payable	8,493	195,045	203,538
Total Liabilities	24,557	197,501	222,058
Net Assets			
Invested in Capital Assets, Net of Related Debt	4,082	-	4,082
Unrestricted	40,984	6,939	47,923
Total Net Assets	$ 45,066	$ 6,939	$ 52,005

State of Georgia

Combining Statement of Revenues, Expenses and Changes in Fund Net Assets
Nonmajor Enterprise Funds
For the Fiscal Year Ended June 30, 2010
(dollars in thousands)

	State Road and Tollway Authority	Georgia Higher Education Facilities Authority	Total
Operating Revenues:			
Rents and Royalties	$ 49	$ -	$ 49
Sales and Services	20,756	13,337	34,093
Total Operating Revenues	20,805	13,337	34,142
Operating Expenses:			
Personal Services	2,911	-	2,911
Services and Supplies	5,038	6	5,044
Depreciation	787	-	787
Amortization	5,610	298	5,908
Total Operating Expenses	14,346	304	14,650
Operating Income (Loss)	6,459	13,033	19,492
Nonoperating Revenues (Expenses):			
Interest and Other Investment Income	221	1	222
Interest Expense	(804)	(10,719)	(11,523)
Total Nonoperating Revenues (Expenses)	(583)	(10,718)	(11,301)
Income (Loss) Before Contributions and Transfers	5,876	2,315	8,191
Capital Contributions	1,971	-	1,971
Transfers:			
Transfers Out	(1,482)	-	(1,482)
Change in Net Assets	6,365	2,315	8,680
Net Assets, July 1	38,701	4,624	43,325
Net Assets, June 30	$ 45,066	$ 6,939	$ 52,005

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Combining Statement of Cash Flows
Nonmajor Enterprise Funds
For the Fiscal Year Ended June 30, 2010
(dollars in thousands)

	State Road and Tollway Authority	Georgia Higher Education Facilities Authority	Total
Cash Flows from Operating Activities:			
Cash Received from Customers	$ 21,757	$ (17)	$ 21,740
Cash Received from Required Contributions/Premiums	-	10,502	10,502
Cash Paid to Vendors	(4,413)	(7)	(4,420)
Cash Paid to Employees	(2,868)	-	(2,868)
Net Cash Provided by Operating Activities	14,476	10,478	24,954
Cash Flows from Noncapital Financing Activities:			
Payments to Lessee in direct Financing Lease	-	(98,247)	(98,247)
Proceeds from Bond Issuance	-	99,499	99,499
Bond Issuance Costs	-	(1,252)	(1,252)
Interest Paid on Bonds/Long-Term Debt	-	(10,502)	(10,502)
Transfers to Other Funds	(1,482)	-	(1,482)
Other Noncapital Items (Net)	2,808	-	2,808
Net Cash Provided by (Used in) Noncapital Financing Activities	1,326	(10,502)	(9,176)
Cash Flows from Capital and Related Financing Activities:			
Capital Contributions	1,971	-	1,971
Acquisition and Construction of Capital Assets	(2,691)	-	(2,691)
Principal Paid on Capital Debt	(7,880)	-	(7,880)
Interest Paid on Capital Debt	(1,001)	-	(1,001)
Net Cash Used in Capital and Related Financing Activities	(9,601)	-	(9,601)
Cash Flows from Investing Activities:			
Sale (Purchase) of Investments (Net)	(2,338)	42	(2,296)
Interest and Dividends Received	221	1	222
Net Cash Provided by (Used in) Investing Activities	(2,117)	43	(2,074)
Net Increase in Cash and Cash Equivalents	4,084	19	4,103
Cash and Cash Equivalents, July 1	13,562	272	13,834
Cash and Cash Equivalents, June 30	$ 17,646	$ 291	$ 17,937
Reconciliation of operating Income to net cash provided (used) by operating activities:			
Operating Income (Loss)	$ 6,459	$ 13,033	$ 19,492
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:			
Depreciation/Amortization Expense	6,397	298	6,695
Other		(2,603)	(2,603)
Changes in Assets and Liabilities:			
Increase in Accounts Receivable	(10)	(250)	(260)
Decrease in Due from Other Funds	577	-	577
Decrease in Other Assets	597	-	597
Increase in Due to Other Funds	174	-	174
Increase Compensated Absenses	43	-	43
Increase in Other Liabilities	25	-	25
Increase in Current Liabilities Payable from Restricted Assets	214	-	214
Net Cash Provided by Operating Activities	$ 14,476	$ 10,478	$ 24,954

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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.

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 **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, 2010
(dollars in thousands)

	Administrative Services, Department of	Aviation Authority, Georgia	Building Authority, Georgia
Assets			
Current Assets:			
Cash and Cash Equivalents	$ 950	$ 2,087	$ 13,540
Investments	115	-	9,314
Accounts Receivable (Net)	26	241	706
Due from Other Funds	110	-	-
Due from Component Units	-	-	-
Other Assets	-	-	2,455
Noncurrent Assets:			
Investments	-	-	-
Capital Assets:			
Land	-	-	21,426
Buildings and Building Improvements	-	13,161	390,044
Improvements Other Than Buildings	-	-	5,123
Machinery and Equipment	515	26,817	4,088
Software	-	-	-
Works of Art and Collections	-	-	1,240
Accumulated Depreciation	(190)	(27,188)	(174,442)
Total Assets	1,526	15,118	273,494
Liabilities			
Current Liabilities:			
Accounts Payable and Other Accruals	155	354	2,304
Due to Other Funds	22	-	-
Unearned Revenue	-	-	137
Claims and Judgments Payable	-	-	-
Compensated Absences Payable	846	-	1,036
Other Current Liabilities	-	-	-
Noncurrent Liabilities:			
Compensated Absences Payable	1,120	-	-
Total Liabilities	2,143	354	3,477
Net Assets			
Invested in Capital Assets, Net of Related Debt	325	12,790	247,479
Restricted for:			
Distance Learning and Telemedicine	-	-	-
Surplus Property Working Capital	320	-	-
Other	-	-	-
Unrestricted	(1,262)	1,974	22,538
Total Net Assets	$ (617)	$ 14,764	$ 270,017

Correctional Industries Administration, Georgia	State Personnel Administration	Risk Management (see combining)	Technology Authority, Georgia	Total
$ 3,120	$ 2,974	$ 13,650	$ 29,577	$ 65,898
389	-	25,460	20,339	55,617
4,361	494	33,198	3,592	42,618
1,424	33	319,197	31,314	352,078
-	-	-	154	154
11,891	-	-	-	14,346
-	-	87,825	-	87,825
44	-	-	13	21,483
12,123	-	-	562	415,890
-	-	-	-	5,123
22,975	151	-	55,664	110,210
-	-	-	58,137	58,137
-	-	-	-	1,240
(26,270)	(75)	-	(90,199)	(318,364)
30,057	3,577	479,330	109,153	912,255
2,233	2,124	394	23,202	30,766
1	43	-	-	66
-	-	-	-	137
-	-	444,746	-	444,746
490	300	-	1,023	3,695
-	-	-	1,908	1,908
1,068	465	-	1,139	3,792
3,792	2,932	445,140	27,272	485,110
8,872	76	-	24,177	293,719
-	-	-	-	-
-	-	-	-	320
-	-	-	-	-
17,393	569	34,190	57,704	133,106
$ 26,265	$ 645	$ 34,190	$ 81,881	$ 427,145

State of Georgia

Combining Statement of Revenues, Expenses and Changes in Fund Net Assets
Internal Service Funds
For the Fiscal Year Ended June 30, 2010
(dollars in thousands)

	Administrative Services, Department of	Aviation Authority, Georgia	Building Authority, Georgia
Operating Revenues:			
Contributions/Premiums	$ -	$ -	$ -
Rents and Royalties	-	-	55,776
Sales and Services	2,310	922	2,793
Other	523	110	387
Total Operating Revenues	2,833	1,032	58,956
Operating Expenses:			
Personal Services	1,861	2,921	10,680
Services and Supplies	1,743	3,526	45,383
Claims and Judgments	-	-	-
Depreciation	6	-	13,840
Total Operating Expenses	3,610	6,447	69,903
Operating Income (Loss)	(777)	(5,415)	(10,947)
Nonoperating Revenues (Expenses):			
Interest and Other Investment Income	3	-	75
Other	(25)	2,080	(16)
Total Nonoperating Revenues (Expenses)	(22)	2,080	59
Income (Loss) Before Contributions, Special Items and Transfers	(799)	(3,335)	(10,888)
Capital Contributions	-	12,790	8,043
Special Items	-	-	(10,090)
Transfers:			
Transfers In	311	5,309	-
Transfers Out	-	-	(3,028)
Net Transfers	311	5,309	(3,028)
Change in Net Assets	(488)	14,764	(15,963)
Net Assets, July 1 (Restated - Note 3)	(129)	-	285,980
Net Assets, June 30	$ (617)	$ 14,764	$ 270,017

Correctional Industries Administration, Georgia	State Personnel Administration	Risk Management (see combining)	Technology Authority, Georgia	Total
$ -	$ -	$ 195,071	$ 313	$ 195,384
-	-	11	-	55,787
53,489	15,433	-	231,674	306,621
-	-	34	27	1,081
53,489	15,433	195,116	232,014	558,873
11,509	7,400	2,730	19,625	56,726
42,044	7,379	32,239	208,095	340,409
-	-	169,540	-	169,540
1,674	20	-	5,225	20,765
55,227	14,799	204,509	232,945	587,440
(1,738)	634	(9,393)	(931)	(28,567)
9	-	9,492	204	9,783
243	-	18,155	(1,975)	18,462
252	-	27,647	(1,771)	28,245
(1,486)	634	18,254	(2,702)	(322)
-	-	-	-	20,833
-	-	-	-	(10,090)
-	-	803	-	6,423
-	(2,542)	(803)	(29,150)	(35,523)
-	(2,542)	-	(29,150)	(29,100)
(1,486)	(1,908)	18,254	(31,852)	(18,679)
27,751	2,553	15,936	113,733	445,824
$ 26,265	$ 645	$ 34,190	$ 81,881	$ 427,145

State of Georgia

Combining Statement of Cash Flows
Internal Service Funds
For the Fiscal Year Ended June 30, 2010
(dollars in thousands)

	Administrative Services, Department of	Aviation Authority, Georgia	Building Authority, Georgia
Cash Flows from Operating Activities:			
Cash Received from Customers	$ 2,816	$ 791	$ 58,812
Cash Received from Required Contributions/Premiums	-	-	-
Cash Paid to Vendors	(1,689)	(3,172)	(45,060)
Cash Paid to Employees	(1,467)	(2,921)	(10,699)
Cash Paid for Claims and Judgments	-	-	-
Other Operating Items (Net)	-	-	-
Net Cash Provided by (Used in) Operating Activities	(340)	(5,302)	3,053
Cash Flows from Noncapital Financing Activities:			
Transfers from Other Funds	311	5,309	-
Transfers to Other Funds	-	-	(3,028)
Other Noncapital Items (Net)	-	1,958	(507)
Net Cash Provided by (Used in) Noncapital Financing Activities	311	7,267	(3,535)
Cash Flows from Capital and Related Financing Activities:			
Capital Contributions	-	-	293
Proceeds from Sale of Capital Assets	-	122	3
Acquisition and Construction of Capital Assets	-	-	(1,644)
Net Cash Provided by (Used in) Capital and Related Financing Activities	-	122	(1,348)
Cash Flows from Investing Activities:			
Sale (Purchase) of Investments (Net)	15	-	2,005
Interest and Dividends Received	3	-	75
Net Cash Provided by Investing Activities	18	-	2,080
Net Increase (Decrease) in Cash and Cash Equivalents	(11)	2,087	250
Cash and Cash Equivalents, July 1	961	-	13,290
Cash and Cash Equivalents, June 30	$ 950	$ 2,087	$ 13,540

Correctional Industries Administration, Georgia	State Personnel Administration	Risk Management (see combining)	Technology Authority, Georgia	Total
$ 49,681	$ 15,055	$ 46	$ 235,559	$ 362,760
-	-	101,144	-	101,144
(41,117)	(5,725)	(31,968)	(218,694)	(347,425)
(11,454)	(7,339)	(2,730)	(19,925)	(56,535)
-	-	(128,645)	-	(128,645)
-	-	-	681	681
(2,890)	1,991	(62,153)	(2,379)	(68,020)
-	-	803	-	6,423
-	(2,542)	(803)	(29,150)	(35,523)
233	-	18,155	-	19,839
233	(2,542)	18,155	(29,150)	(9,261)
-	-	-	-	293
11	-	-	4	140
(1,024)	(44)	-	-	(2,712)
(1,013)	(44)	-	4	(2,279)
864	-	33,880	14,446	51,210
9	-	7,800	204	8,091
873	-	41,680	14,650	59,301
(2,797)	(595)	(2,318)	(16,875)	(20,259)
5,917	3,569	15,968	46,452	86,157
$ 3,120	$ 2,974	$ 13,650	$ 29,577	$ 65,898

(continued)

State of Georgia

Combining Statement of Cash Flows
Internal Service Funds (continued)
For the Fiscal Year Ended June 30, 2010
(dollars in thousands)

	Administrative Services, Department of	Aviation Authority, Georgia	Building Authority, Georgia
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:			
Operating Income (Loss)	$ (777)	$ (5,415)	$ (10,947)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:			
Depreciation Expense	6	-	13,840
Changes in Assets and Liabilities:			
Decrease (Increase) in Accounts Receivable	93	(241)	(230)
Decrease (Increase) in Due from Other Funds	(110)	-	-
Decrease in Due From Component Units	-	-	-
Increase (Decrease) in Other Assets	-	-	116
Increase (Decrease) in Accounts Payable and Other Accruals	38	354	260
Increase (Decrease) in Due to Other Funds	22	-	(51)
Increase in Unearned Revenue	-	-	86
Decrease in Claims and Judgments Payable	-	-	-
Increase (Decrease) in Compensated Absences Payable	394	-	(21)
Increase (Decrease) in Other Liabilities	(6)	-	-
Net Cash Provided by (Used in) Operating Activities	$ (340)	$ (5,302)	$ 3,053
Noncash Investing, Capital, and Financing Activities:			
Donation of Capital Assets	$ -	$ 12,790	$ 7,749
Change in Fair Value of Investments Recognized as a Component of Interest Income	-	-	-
Total Noncash Investing, Capital and Financing Activities:	$ -	$ 12,790	$ 7,749

Correctional Industries Administration, Georgia	State Personnel Administration	Risk Management (see combining)	Technology Authority, Georgia	Total
$ (1,738)	$ 634	$ (9,393)	$ (931)	$ (28,567)
1,674	20	-	5,225	20,765
(2,384)	(346)	2,561	(296)	(843)
(1,424)	(33)	1,877	3,679	3,989
-	-	-	162	162
(215)	-	-	-	(99)
1,187	1,738	271	(10,599)	(6,751)
(17)	(61)	-	-	(107)
-	-	-	-	86
-	-	(57,469)	-	(57,469)
27	39	-	(300)	139
-	-	-	681	675
$ (2,890)	$ 1,991	$ (62,153)	$ (2,379)	$ (68,020)
$ -	$ -	$ -	$ -	$ 20,539
-	-	1,693	-	1,693
$ -	$ -	$ 1,693	$ -	$ 22,232

State of Georgia

Combining Statement of Net Assets
Internal Service Funds
Risk Management
June 30, 2010
(dollars in thousands)

	Liability Insurance Fund	Property Insurance Fund	State Indemnification Fund
Assets			
Current Assets:			
Cash and Cash Equivalents	$ 7,946	$ 4,566	$ 110
Investments	14,075	8,082	193
Accounts Receivable (Net)	6	394	-
Due From Other Funds	42,782	-	-
Noncurrent Assets:			
Investments	48,551	27,880	665
Total Assets	113,360	40,922	968
Liabilities			
Current Liabilities:			
Cash Overdraft	-	-	-
Accounts Payable and Other Accruals	18	205	1
Claims and Judgments Payable	113,342	5,305	939
Total Liabilities	113,360	5,510	940
Net Assets			
Unrestricted	$ -	$ 35,412	$ 28

Supplemental Pay Fund	Teacher Indemnification Fund	Unemployment Compensation Fund	Workers' Compensation Fund	Total
$ 328	$ 322	$ -	$ 1,119	$ 14,391
581	571	-	1,958	25,460
-	-	805	31,993	33,198
-	-	-	276,415	319,197
2,007	1,968	-	6,754	87,825
2,916	2,861	805	318,239	480,071
-	-	741	-	741
-	-	1	169	394
-	-	7,090	318,070	444,746
-	-	7,832	318,239	445,881
$ 2,916	$ 2,861	$ (7,027)	$ -	$ 34,190

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, 2010
(dollars in thousands)

	Liability Insurance Fund	Property Insurance Fund	State Indemnification Fund
Operating Revenues:			
Contributions/Premiums	$ 43,507	$ 28,127	$ -
Rents and Royalties	4	3	-
Other	13	9	1
Total Operating Revenues	43,524	28,139	1
Operating Expenses:			
Personal Services	960	534	80
Services and Supplies	4,530	16,755	38
Claims and Judgments	28,476	6,964	676
Total Operating Expenses	33,966	24,253	794
Operating Income (Loss)	9,558	3,886	(793)
Nonoperating Revenues:			
Interest and Other Investment Income	5,871	2,263	9
Other	-	6,722	-
Total Nonoperating Revenues	5,871	8,985	9
Income (Loss) Before Transfers	15,429	12,871	(784)
Transfers:			
Transfers In	-	-	803
Transfers Out	-	-	-
Net Transfers	-	-	803
Change in Net Assets	15,429	12,871	19
Net Assets, July 1 (Restated - Note 3)	(15,429)	22,541	9
Net Assets, June 30	$ -	$ 35,412	$ 28

Supplemental Pay Fund	Teacher Indemnification Fund	Unemployment Compensation Fund	Workers' Compensation Fund	Total
$ -	$ 183	$ 9,511	$ 113,743	$ 195,071
-	-	-	4	11
-	-	-	11	34
-	183	9,511	113,758	195,116
-	-	68	1,088	2,730
91	3	122	10,700	32,239
43	-	19,276	114,105	169,540
134	3	19,466	125,893	204,509
(134)	180	(9,955)	(12,135)	(9,393)
243	194	210	702	9,492
-	-	-	11,433	18,155
243	194	210	12,135	27,647
109	374	(9,745)	-	18,254
-	-	-	-	803
(803)	-	-	-	(803)
(803)	-	-	-	-
(694)	374	(9,745)	-	18,254
3,610	2,487	2,718	-	15,936
$ 2,916	$ 2,861	$ (7,027)	$ -	$ 34,190

State of Georgia

Combining Statement of Cash Flows
Internal Service Funds
Risk Management
For the Fiscal Year Ended June 30, 2010
(dollars in thousands)

	Liability Insurance Fund	Property Insurance Fund	State Indemnification Fund
Cash Flows from Operating Activities:			
Cash Received from Customers	$ 17	$ 12	$ 1
Cash Received from Required Contributions/Premiums	725	27,740	-
Cash Paid to Vendors	(4,598)	(16,564)	(38)
Cash Paid to Employees	(960)	(534)	(80)
Cash Paid for Claims and Judgments	(27,846)	(10,527)	(560)
Net Cash Provided by (Used in) Operating Activities	(32,662)	127	(677)
Cash Flows from Noncapital Financing Activities:			
Transfers from Other Funds	-	-	803
Transfers to Other Funds	-	-	-
Other Noncapital Items (Net)	-	6,722	-
Net Cash Provided by (Used in) Noncapital Financing Activities	-	6,722	803
Cash Flows from Investing Activities:			
Sale (Purchase) of Investments (Net)	25,944	(6,877)	(89)
Interest and Dividends Received	5,034	1,487	(9)
Net Cash Provided by (Used in) Investing Activities	30,978	(5,390)	(98)
Net Increase (Decrease) in Cash and Cash Equivalents	(1,684)	1,459	28
Cash and Cash Equivalents, July 1	9,630	3,107	82
Cash and Cash Equivalents, June 30	$ 7,946	$ 4,566	$ 110
Reconciliation of operating Income to net cash provided (used) by operating activities:			
Operating Income (Loss)	$ 9,558	$ 3,886	$ (793)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:			
Changes in Assets and Liabilities:			
Decrease (Increase) in Accounts Receivable	-	(387)	-
Decrease (Increase) in Due From Other Funds	(42,782)	-	-
Increase (Decrease) in Accounts Payable and Other Accruals	(68)	191	-
Increase (Decrease) in Claims and Judgments Payable	630	(3,563)	116
Net Cash Provided by (Used in) Operating Activities	$ (32,662)	$ 127	$ (677)
Noncash Investing Activities:			
Net Increase in Fair Value of Investments	$ 837	$ 776	$ 18

Supplemental Pay Fund	Teacher Indemnification Fund	Unemployment Compensation Fund	Workers' Compensation Fund	Total
$ -	$ -	$ 1	$ 15	$ 46
-	183	8,708	63,788	101,144
(91)	(3)	(122)	(10,552)	(31,968)
-	-	(68)	(1,088)	(2,730)
(43)	-	(15,309)	(74,360)	(128,645)
(134)	180	(6,790)	(22,197)	(62,153)
-	-	-	-	803
(803)	-	-	-	(803)
-	-	741	11,433	18,896
(803)	-	741	11,433	18,896
704	(246)	5,191	9,253	33,880
204	142	280	662	7,800
908	(104)	5,471	9,915	41,680
(29)	76	(578)	(849)	(1,577)
357	246	578	1,968	15,968
$ 328	$ 322	$ -	$ 1,119	$ 14,391
$ (134)	$ 180	$ (9,955)	$ (12,135)	$ (9,393)
-	-	(802)	3,750	2,561
-	-	-	44,659	1,877
-	-	-	148	271
-	-	3,967	(58,619)	(57,469)
$ (134)	$ 180	$ (6,790)	$ (22,197)	$ (62,153)
$ 40	$ 52	$ (70)	$ 40	$ 1,693

STATE OF GEORGIA
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FIDUCIARY FUNDS

Fiduciary Funds

Fiduciary funds are used to account for assets held by the State of Georgia 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 of Georgia.

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

The **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 of Georgia.

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 of Georgia, and district attorneys of the State of Georgia.

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 of Georgia.

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 of Georgia.

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

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

Fiduciary Funds

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

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

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

The **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 **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.

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

Other Employee Benefit Trust Funds

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 Postemployment 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 Department of Community Health 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 Postemployment 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.

Other Employee Benefit Plan

The **State Employees' Assurance Department** 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

Fiduciary Funds

Superior Court Judges Retirement Systems.

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 of Georgia 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 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.

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 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, 2010
(dollars in thousands)

	Defined Benefit Pension Plans (see combining)	Defined Contribution Plans: Georgia Defined Contribution Plan	Deferred Compensation Plans: 401 (K) Plan	Deferred Compensation Plans: 457 Plan
Assets				
Cash and Cash Equivalents	$ 29,006	$ 442	$ 23	$ 46
Receivables				
Interest and Dividends	223,604	120	1	-
Due from Brokers for Securities Sold	61,860	-	-	-
Other	144,089	896	1,703	745
Due from Other Funds	-	-	-	-
Investments				
Investment Accounts	-	-	-	-
Pooled Investments	11,899,192	1	-	16
Mutual Funds	255,372	-	358,990	508,127
Repurchase Agreements	1,320,025	70,859	-	-
Municipal, U. S. and Foreign Government Obligations	11,283,468	26,812	-	-
Corporate Bonds/Notes/Debentures	5,169,494	-	-	-
Stocks	28,536,123	-	-	-
Asset-Backed Securities	35,377	-	-	-
Mortgage Investments	54,511	-	-	-
Real Estate Investment Trusts	17,347	-	-	-
Capital Assets				
Land	2,071	-	-	-
Buildings	7,695	-	-	-
Software	29,325	-	-	-
Machinery and Equipment	3,685	-	-	-
Accumulated Depreciation	(30,073)	-	-	-
Other Assets	114	-	-	-
Total Assets	59,042,285	99,130	360,717	508,934
Liabilities				
Accounts Payable and Other Accruals	27,090	573	177	1,371
Due to Other Funds	1,200	-	-	-
Due to Brokers for Securities Purchased	97,130	-	-	-
Salaries/Withholdings Payable	164	-	-	-
Benefits Payable	-	-	-	-
Unearned Revenue	97	-	-	-
Compensated Absences Payable	65	-	-	-
Total Liabilities	125,746	573	177	1,371
Net Assets				
Held in Trust for:				
Pension Benefits	58,916,539	98,557	360,540	507,563
Other Postemployment Benefits	-	-	-	-
Other Employee Benefits	-	-	-	-
Total Net Assets	$ 58,916,539	$ 98,557	$ 360,540	$ 507,563

Other Employee Benefits					
Other Postemployment Benefits					
Board of Regents Retiree Health Benefit Fund	State Employees Postemployment Health Benefit Fund	School Personnel Postemployment Health Benefit Fund	State Employees' Assurance Department - OPEB	State Employees' Assurance Department	Total
$ 6,879	$ -	$ 1,884	$ 43	$ 87	$ 38,410
-	-	-	-	-	223,725
-	-	-	-	-	61,860
-	3,034	5,796	-	-	156,263
-	10,594	11,950	1,056	132	23,732
-	-	1,318	-	-	1,318
-	-	-	679,350	155,913	12,734,472
-	-	-	-	-	1,122,489
-	-	-	-	-	1,390,884
-	-	-	-	-	11,310,280
-	-	-	-	-	5,169,494
-	-	-	-	-	28,536,123
-	-	-	-	-	35,377
-	-	-	-	-	54,511
-	-	-	-	-	17,347
-	-	-	-	-	2,071
-	-	-	-	-	7,695
-	-	-	-	-	29,325
-	-	-	-	-	3,685
-	-	-	-	-	(30,073)
-	-	-	-	-	114
6,879	13,628	20,948	680,449	156,132	60,889,102
-	10,691	15,298	-	-	55,200
-	-	-	-	-	1,200
-	-	-	-	-	97,130
-	-	-	-	-	164
6,757	-	-	-	-	6,757
-	2,751	5,592	-	-	8,440
-	-	-	-	-	65
6,757	13,442	20,890	-	-	168,956
-	-	-	-	-	59,883,199
122	186	58	680,449	-	680,815
-	-	-	-	156,132	156,132
$ 122	$ 186	$ 58	$ 680,449	$ 156,132	$ 60,720,146

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, 2010
(dollars in thousands)

	Defined Benefit Pension Plans (see combining)	Defined Contribution Plans: Georgia Defined Contribution Plan	Deferred Compensation Plans: 401 (K) Plan	Deferred Compensation Plans: 457 Plan
Additions:				
Contributions				
Employer	$ 1,329,845	$ -	$ 15,664	$ -
Plan Members	647,717	16,002	33,899	21,171
Other Contributions				
Fines and Bond Forfeitures	21,371	-	-	-
Insurance Company Premium Taxes	25,328	-	-	-
Insurance Premiums	-	-	-	-
Other Fees	4,922	-	-	-
Interest and Other Investment Income				
Dividends and Interest	1,601,501	3,270	738	1,008
Net Appreciation (Depreciation) in Investments Reported at Fair Value	4,501,397	7,140	25,485	36,010
Less: Investment Expense	(34,977)	(91)	(940)	(1,212)
Other				
Transfers from Other Funds	2,366	-	-	-
Miscellaneous	672	-	385	468
Total Additions	8,100,142	26,321	75,231	57,445
Deductions:				
General and Administrative Expenses	39,614	1,110	829	2,115
Benefits	4,064,249	9	23,618	37,014
Refunds	61,406	10,613	-	-
Total Deductions	4,165,269	11,732	24,447	39,129
Change in Net Assets Held in Trust for Pension and Other Employee Benefits	3,934,873	14,589	50,784	18,316
Net Assets, July 1 (Restated - Note 2)	54,981,666	83,968	309,756	489,247
Net Assets, June 30	$ 58,916,539	$ 98,557	$ 360,540	$ 507,563

Other Employee Benefits					
Other Postemployment Benefits					
Board of Regents Retiree Health Benefit Fund	State Employees Postemployment Health Benefit Fund	School Personnel Postemployment Health Benefit Fund	State Employees' Assurance Department - OPEB	State Employees' Assurance Department	Total
$ 69,889	$ 22,209	$ 308,539	$ -	$ -	$ 1,746,146
27,198	39,064	74,515	-	-	859,566
-	-	-	-	-	21,371
-	-	-	-	-	25,328
-	-	-	6,755	900	7,655
-	-	-	-	-	4,922
366	421	103	17,863	4,099	1,629,369
99	3,536	873	51,781	11,881	4,638,202
(20)	-	-	(304)	(70)	(37,614)
-	-	-	-	-	2,366
-	-	-	-	-	1,525
97,532	65,230	384,030	76,095	16,810	8,898,836
8,741	8,734	17,654	203	22	79,022
99,235	189,737	398,684	23,642	4,817	4,841,005
-	-	-	-	-	72,019
107,976	198,471	416,338	23,845	4,839	4,992,046
(10,444)	(133,241)	(32,308)	52,250	11,971	3,906,790
10,566	133,427	32,366	628,199	144,161	56,813,356
$ 122	$ 186	$ 58	$ 680,449	$ 156,132	$ 60,720,146

State of Georgia

Combining Statement of Fiduciary Net Assets
Pension and Other Employee Benefit Trust Funds
Defined Benefit Pension Plans
June 30, 2010
(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	$ 1	$ 7,868	$ 3,428	$ 408	$ 86	$ 108
Receivables						
Interest and Dividends	-	48,211	1,891	-	-	-
Due from Brokers for Securities Sold	-	11,081	5,817	-	-	8
Other	1	16,975	4	598	-	-
Investments						
Pooled Investments	-	10,901,571	-	270,686	6,635	-
Mutual Funds	-	-	68,934	-	-	3,042
Repurchase Agreements	-	-	-	-	-	-
Municipal, U. S. and Foreign Government Obligations	-	-	39,469	-	-	7,983
Corporate Bonds/Notes/Debentures	-	-	101,176	-	-	7,622
Stocks	-	-	174,645	-	-	32,306
Asset-Backed Securities	-	-	29,101	-	-	1,063
Mortgage Investments	-	-	53,891	-	-	620
Real Estate Investment Trusts	-	-	16,507	-	-	287
Capital Assets						
Land	-	944	85	-	-	-
Buildings	-	2,800	1,535	-	-	-
Software	-	14,345	-	-	-	-
Machinery and Equipment	-	1,529	144	-	-	-
Accumulated Depreciation	-	(12,829)	(276)	-	-	-
Other Assets	-	-	114	-	-	-
Total Assets	2	10,992,495	496,465	271,692	6,721	53,039
Liabilities						
Accounts Payable and Other Accruals	-	18,521	1,601	248	25	-
Due to Other Funds	-	1,175	-	17	-	-
Due to Brokers for Securities Purchased	-	16,503	14,210	-	-	541
Salaries/Withholdings Payable	-	-	-	-	-	-
Unearned Revenue	-	-	-	-	-	-
Compensated Absences Payable	-	-	40	-	-	-
Total Liabilities	-	36,199	15,851	265	25	541
Net Assets						
Held in Trust for Pension Benefits	$ 2	$ 10,956,296	$ 480,614	$ 271,427	$ 6,696	$ 52,498

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
$ 101	$ 90	$ 2,421	$ 45	$ 851	$ 5,469	$ 20	$ 8,110	$ 29,006
-	23	90	-	285	319	-	172,785	223,604
-	-	17	-	-	-	-	44,937	61,860
-	136	-	2	-	329	-	126,044	144,089
24,861	-	66,566	616,219	3,536	8,367	751	-	11,899,192
-	4,026	168,056	-	11,314	-	-	-	255,372
-	-	-	-	-	-	-	1,320,025	1,320,025
-	789	96,979	-	9,404	46,544	-	11,082,300	11,283,468
-	1,171	51,818	-	14,321	-	-	4,993,386	5,169,494
-	-	49,867	-	25,329	16,109	-	28,237,867	28,536,123
-	-	5,213	-	-	-	-	-	35,377
-	-	-	-	-	-	-	-	54,511
-	-	553	-	-	-	-	-	17,347
-	-	98	-	-	-	-	944	2,071
-	-	560	-	-	-	-	2,800	7,695
-	-	-	-	-	-	-	14,980	29,325
-	-	147	-	-	-	-	1,865	3,685
-	-	(182)	-	-	-	-	(16,786)	(30,073)
-	-	-	-	-	-	-	-	114
24,962	6,235	442,203	616,266	65,040	77,137	771	45,989,257	59,042,285
23	4	-	933	8	40	35	5,652	27,090
3	-	-	-	-	-	-	5	1,200
-	-	4,366	-	-	3,624	-	57,886	97,130
-	-	-	-	-	-	-	164	164
90	-	-	-	-	7	-	-	97
-	-	-	-	25	-	-	-	65
116	4	4,366	933	33	3,671	35	63,707	125,746
$ 24,846	$ 6,231	$ 437,837	$ 615,333	$ 65,007	$ 73,466	$ 736	$ 45,925,550	$ 58,916,539

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, 2010
(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	$ 263,064	$ -	$ 3,369	$ -	$ -
Plan Members	-	42,052	2,609	5,018	-	152
Other Contributions						
Fines and Bond Forfeitures	-	-	-	-	-	481
Insurance Company Premium Taxes	-	-	25,328	-	-	-
Other Fees	-	-	-	-	-	652
Interest and Other Investment Income						
Dividends and Interest	-	303,486	17,185	7,053	146	1,480
Net Appreciation (Depreciation) in Investments Reported at Fair Value	-	879,760	41,663	20,445	422	4,890
Less: Investment Expense	-	(6,505)	(2,832)	(120)	(3)	(382)
Other						
Transfers from Other Funds	-	-	-	-	1,434	-
Miscellaneous	1	-	220	175	-	20
Total Additions	81	1,481,857	84,173	35,940	1,999	7,293
Deductions:						
General and Administrative Expenses	1	14,505	1,239	270	43	80
Benefits	80	1,130,669	30,579	12,365	489	2,916
Refunds	-	6,483	520	139	-	-
Total Deductions	81	1,151,657	32,338	12,774	532	2,996
Change in Net Assets Held in Trust for Pension Benefits	-	330,200	51,835	23,166	1,467	4,297
Net Assets, July 1	2	10,626,096	428,779	248,261	5,229	48,201
Net Assets, June 30	$ 2	$ 10,956,296	$ 480,614	$ 271,427	$ 6,696	$ 52,498

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
$ 75	$ -	$ -	$ 5,530	$ -	$ -	$ 1,243	$ 1,056,484	$ 1,329,845
318	143	3,460	1,483	105	113	-	592,264	647,717
-	-	17,282	-	2,652	956	-	-	21,371
-	-	-	-	-	-	-	-	25,328
-	1,435	-	-	-	2,835	-	-	4,922
672	133	12,388	17,106	1,855	3,315	35	1,236,647	1,601,501
1,949	367	37,048	49,589	4,933	2,875	103	3,457,353	4,501,397
(11)	(25)	(1,856)	(291)	(299)	(224)	-	(22,429)	(34,977)
-	-	-	-	-	-	-	932	2,366
110	-	141	-	(1)	-	6	-	672
3,113	2,053	68,463	73,417	9,245	9,870	1,387	6,321,251	8,100,142
120	75	703	1,956	256	136	6	20,224	39,614
1,744	-	21,048	53,195	4,580	4,264	1,896	2,800,424	4,064,249
47	-	328	251	-	-	-	53,638	61,406
1,911	75	22,079	55,402	4,836	4,400	1,902	2,874,286	4,165,269
1,202	1,978	46,384	18,015	4,409	5,470	(515)	3,446,965	3,934,873
23,644	4,253	391,453	597,318	60,598	67,996	1,251	42,478,585	54,981,666
$ 24,846	$ 6,231	$ 437,837	$ 615,333	$ 65,007	$ 73,466	$ 736	$ 45,925,550	$ 58,916,539

State of Georgia

Combining Statement of Fiduciary Net Assets
Investment Trust Funds
June 30, 2010
(dollars in thousands)

	Georgia Extended Asset Pool	Georgia Fund 1	Regents Investment Pool	Total
Assets				
Cash and Cash Equivalents	$ 16,676	$ 2,853,745	$ -	$ 2,870,421
Investments, at Fair Value				
Pooled Investments	114,985	1,995,856	9,671	2,120,512
Interest Receivable	-	-	25	25
Total Assets	131,661	4,849,601	9,696	4,990,958
Net Assets				
Held in Trust for Pool Participants	$ 131,661	$ 4,849,601	$ 9,696	$ 4,990,958

State of Georgia

Combining Statement of Changes in Fiduciary Net Assets
Investment Trust Funds
For the Fiscal Year Ended June 30, 2010
(dollars in thousands)

	Georgia Extended Asset Pool	Georgia Fund 1	Regents Investment Pool	Total
Additions:				
Pool Participant Deposits	$ 45,401	$ 8,621,429	$ 4,455	$ 8,671,285
Interest and Other Investment Income				
Dividends and Interest	3,152	17,401	329	20,882
Net Appreciation (Depreciation) in Investments Reported at Fair Value	547	-	14	561
Less: Investment Expense	(60)	(1,427)	(13)	(1,500)
Total Additions	49,040	8,637,403	4,785	8,691,228
Deductions:				
Pool Participant Withdrawals	46,678	10,213,282	6,360	10,266,320
Change in Net Assets Held in Trust for Pool Participants	2,362	(1,575,879)	(1,575)	(1,575,092)
Net Assets, July 1	129,299	6,425,480	11,271	6,566,050
Net Assets, June 30	$ 131,661	$ 4,849,601	$ 9,696	$ 4,990,958

State of Georgia

Combining Statement of Fiduciary Net Assets
Private Purpose Trust Funds
June 30, 2010
(dollars in thousands)

	Auctioneers Recovery Fund	Real Estate Education, Research and Recovery Fund	Subsequent Injury Trust Fund	Total
Assets				
Cash and Cash Equivalents	$ 317	$ 1,374	$ 24,909	$ 26,600
Investments, at Fair Value				
Pooled Investments	222	902	17,175	18,299
Capital Assets				
Buildings	-	-	876	876
Machinery and Equipment	-	-	103	103
Accumulated Depreciation	-	-	(279)	(279)
Total Assets	539	2,276	42,784	45,599
Liabilities				
Accounts Payable and Other Accruals	-	-	32	32
Compensated Absences Payable	-	-	213	213
Other Liabilities	-	-	773	773
Total Liabilities	-	-	1,018	1,018
Net Assets				
Held in Trust for Other Purposes	$ 539	$ 2,276	$ 41,766	$ 44,581

State of Georgia

Combining Statement of Changes in Fiduciary Net Assets
Private Purpose Trust Funds
For the Fiscal Year Ended June 30, 2010
(dollars in thousands)

	Auctioneers Recovery Fund	Real Estate Education, Research and Recovery Fund	Subsequent Injury Trust Fund	Total
Additions:				
Contributions/Assessments				
Participants	$ 21	$ 89	$ 153,802	$ 153,912
Interest and Other Investment Income				
Dividends and Interest	2	3	238	243
Total Additions	23	92	154,040	154,155
Deductions:				
General and Administrative Expenses	-	325	2,810	3,135
Benefits	-	-	125,219	125,219
Total Deductions	-	325	128,029	128,354
Change in Net Assets Held in Trust for Other Purposes	23	(233)	26,011	25,801
Net Assets, July 1 (Restated - Note 3)	516	2,509	15,755	18,780
Net Assets, June 30	$ 539	$ 2,276	$ 41,766	$ 44,581

State of Georgia

Combining Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2010
(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	$ (1,069)	$ (380)	$ 23,644	$ 12,907	$ 422	$ 1,810
Accounts Receivable	-	-	-	-	-	-
Investments, at Fair Value						
Certificates of Deposit	-	-	-	-	-	-
Pooled Investments	-	-	-	2,966	420	-
Mutual Funds	-	-	-	-	-	-
Municipal, U. S. and Foreign Government Obligations	-	-	-	-	-	-
Other Assets	-	-	-	-	-	-
Total Assets	$ (1,069)	$ (380)	$ 23,644	$ 15,873	$ 842	$ 1,810
Liabilities						
Accounts Payable and Other Accruals	$ -	$ 84	$ -	$ 7,060	$ -	$ -
Funds Held for Others	(1,069)	(464)	23,644	8,813	842	1,810
Other Liabilities	-	-	-	-	-	-
Total Liabilities	$ (1,069)	$ (380)	$ 23,644	$ 15,873	$ 842	$ 1,810

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
$ 962	$ 73	$ 741	$ 230	$ 682	$ 11,156	$ -	$ 48,410	$ 99,588
-	-	-	-	-	-	-	479	479
-	-	-	-	-	-	-	2,899	2,899
674	51	605	160	477	7,752	-	6,380	19,485
-	-	-	-	-	-	4,681	-	4,681
-	-	-	-	-	-	43,579	-	43,579
-	-	-	-	-	-	-	39,648	39,648
$ 1,636	$ 124	$ 1,346	$ 390	$ 1,159	$ 18,908	$ 48,260	$ 97,816	$ 210,359
$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 842	$ 7,986
1,636	124	1,346	390	1,159	18,908	48,260	96,923	202,322
-	-	-	-	-	-	-	51	51
$ 1,636	$ 124	$ 1,346	$ 390	$ 1,159	$ 18,908	$ 48,260	$ 97,816	$ 210,359

State of Georgia

Combining Statement of Changes in Fiduciary Assets and Liabilities
Agency Funds
For the Fiscal Year Ended June 30, 2010
(dollars in thousands)

	Balance July 1, 2009	Additions	Deductions	Balance June 30, 2010
Child Support Recovery Program				
Assets				
Cash and Cash Equivalents	$ 2,668	$ 732,247	$ 735,984	$ (1,069)
Liabilities				
Funds Held for Others	$ 2,668	$ 728,447	$ 732,184	$ (1,069)
County Medicaid Administrative Funds				
Assets				
Cash and Cash Equivalents	$ 2,070	$ 84	$ 2,534	$ (380)
Accounts Receivable	-	332	332	-
Total Assets	$ 2,070	$ 416	$ 2,866	$ (380)
Liabilities				
Accounts Payable and Other Accruals	$ 72	$ 1,762	$ 1,750	$ 84
Funds Held for Others	1,998	817	3,279	(464)
Total Liabilities	$ 2,070	$ 2,579	$ 5,029	$ (380)
Detainees' Accounts				
Assets				
Cash and Cash Equivalents	$ 22,726	$ 23,644	$ 22,726	$ 23,644
Liabilities				
Funds Held for Others	$ 22,726	$ 23,644	$ 22,726	$ 23,644
Flexible Benefits Program				
Assets				
Cash and Cash Equivalents	$ 7,229	$ 196,671	$ 190,993	$ 12,907
Investments	3,697	2,965	3,696	2,966
Total Assets	$ 10,926	$ 199,636	$ 194,689	$ 15,873
Liabilities				
Accounts Payable and Other Accruals	$ 84	$ 195,007	$ 188,031	$ 7,060
Funds Held for Others	10,842	192,973	195,002	8,813
Total Liabilities	$ 10,926	$ 387,980	$ 383,033	$ 15,873
Railroad Car Tax				
Assets				
Cash and Cash Equivalents	$ 357	$ 6,982	$ 6,917	$ 422
Investments	485	420	485	420
Total Assets	$ 842	$ 7,402	$ 7,402	$ 842
Liabilities				
Funds Held for Others	$ 842	$ 6,982	$ 6,982	$ 842
Real Estate Transfer Tax				
Assets				
Cash and Cash Equivalents	$ 1,810	$ -	$ -	$ 1,810
Liabilities				
Funds Held for Others	$ 1,810	$ -	$ -	$ 1,810

(continued)

State of Georgia

Combining Statement of Changes in Fiduciary Assets and Liabilities
Agency Funds
For the Fiscal Year Ended June 30, 2010
(dollars in thousands)

	Balance July 1, 2009	Additions	Deductions	Balance June 30, 2010
Sales Tax Collections for Local Governments				
Education Local Option Sales Tax				
Assets				
Cash and Cash Equivalents	$ 3,386	$ 1,531,650	$ 1,534,074	$ 962
Investments	3,058	674	3,058	674
Total Assets	$ 6,444	$ 1,532,324	$ 1,537,132	$ 1,636
Liabilities				
Funds Held for Others	$ 6,444	$ 1,528,592	$ 1,533,400	$ 1,636
Homestead Option Sales Tax				
Assets				
Cash and Cash Equivalents	$ 314	$ 104,482	$ 104,723	$ 73
Investments	284	51	284	51
Total Assets	$ 598	$ 104,533	$ 105,007	$ 124
Liabilities				
Funds Held for Others	$ 598	$ 104,198	$ 104,672	$ 124
Local Option Sales Tax				
Assets				
Cash and Cash Equivalents	$ 2,723	$ 1,303,334	$ 1,305,316	$ 741
Investments	2,572	606	2,573	605
Total Assets	$ 5,295	$ 1,303,940	$ 1,307,889	$ 1,346
Liabilities				
Funds Held for Others	$ 5,295	$ 1,300,762	$ 1,304,711	$ 1,346
MARTA Sales Tax				
Assets				
Cash and Cash Equivalents	$ 917	$ 320,444	$ 321,131	$ 230
Investments	828	160	828	160
Total Assets	$ 1,745	$ 320,604	$ 321,959	$ 390
Liabilities				
Funds Held for Others	$ 1,745	$ 319,616	$ 320,971	$ 390
Special Purpose Local Option Sales Tax				
Assets				
Cash and Cash Equivalents	$ 2,120	$ 1,148,724	$ 1,150,162	$ 682
Investments	1,915	477	1,915	477
Total Assets	$ 4,035	$ 1,149,201	$ 1,152,077	$ 1,159
Liabilities				
Funds Held for Others	$ 4,035	$ 1,146,809	$ 1,149,685	$ 1,159

(continued)

State of Georgia

Combining Statement of Changes in Fiduciary Assets and Liabilities
Agency Funds
For the Fiscal Year Ended June 30, 2010
(dollars in thousands)

	Balance July 1, 2009	Additions	Deductions	Balance June 30, 2010
Telecommunications Relay Service Fund				
Assets				
Cash and Cash Equivalents	$ 10,595	$ 11,727	$ 11,166	$ 11,156
Investments	9,476	7,752	9,476	7,752
Total Assets	$ 20,071	$ 19,479	$ 20,642	$ 18,908
Liabilities				
Funds Held for Others	$ 20,071	$ 2,252	$ 3,415	$ 18,908
Universal Service Fund				
Assets				
Cash and Cash Equivalents	$ 1,500	$ 57,444	$ 58,944	$ -
Investments	46,977	48,260	46,977	48,260
Total Assets	$ 48,477	$ 105,704	$ 105,921	$ 48,260
Liabilities				
Funds Held for Others	$ 48,477	$ 10,467	$ 10,684	$ 48,260
Miscellaneous				
Assets				
Cash and Cash Equivalents	$ 31,896	$ 399,640	$ 383,126	$ 48,410
Accounts Receivable	377	2,425	2,323	479
Investments	11,177	9,126	11,024	9,279
Other Assets	3,755	40,240	4,347	39,648
Total Assets	$ 47,205	$ 451,431	$ 400,820	$ 97,816
Liabilities				
Accounts Payable and Other Accruals	$ 328	$ 18,900	$ 18,386	$ 842
Funds Held for Others	45,598	427,583	376,258	96,923
Other Liabilities	1,279	1,219	2,447	51
Total Liabilities	$ 47,205	$ 447,702	$ 397,091	$ 97,816
TOTAL - ALL AGENCY FUNDS				
Assets				
Cash and Cash Equivalents	$ 90,311	$ 5,837,073	$ 5,827,796	$ 99,588
Accounts Receivable	377	2,757	2,655	479
Investments	80,469	70,491	80,316	70,644
Other Assets	3,755	40,240	4,347	39,648
Total Assets	$ 174,912	$ 5,950,561	$ 5,915,114	$ 210,359
Liabilities				
Accounts Payable and Other Accruals	$ 484	$ 215,669	$ 208,167	$ 7,986
Funds Held for Others	173,149	5,793,142	5,763,969	202,322
Other Liabilities	1,279	1,219	2,447	51
Total Liabilities	$ 174,912	$ 6,010,030	$ 5,974,583	$ 210,359

NONMAJOR COMPONENT UNITS

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

Nonmajor Component Units

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.

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 Agrirama Development Authority** is a body corporate and politic. The purpose of this Authority is to utilize all funds for the purpose of beautifying, improving, developing, maintaining, administering, managing and promoting an agricultural museum in or around Tifton, Georgia; this museum is designated as the State Museum of Agriculture. Of the fifteen members of the Board, four are State officials designated by statute and the Governor appoints eight members.

The **Georgia Golf Hall of Fame Authority** is a body corporate and politic. The Authority was created to construct, operate and manage a facility and related attractions to house the Georgia Golf Hall of Fame. The authority is governed by the fifteen members appointed by State officials to the Golf Hall of Fame Board.

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.

Nonmajor Component Units

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-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, 2010
(dollars in thousands)

	Economic Development Organizations (see combining)	Georgia Higher Education Assistance Corporation	Georgia Highway Authority	Georgia Public Telecommunications Commission	Georgia Rail Passenger Authority
Assets					
Current Assets:					
Cash and Cash Equivalents	$ 188,869	$ 14,320	$ 463	$ 8,310	$ 87
Investments	90,148	-	-	3,354	60
Receivables					
Accounts (Net)	41,265	67	-	1,206	-
Taxes	454	-	-	-	-
Interest and Dividends	1,618	-	-	-	-
Notes and Loans	110,659	-	-	-	-
Due from Primary Government	-	-	-	-	-
Due from Component Units	-	-	-	-	-
Intergovernmental Receivables	454	650	-	-	-
Other Current Assets	9,419	-	-	8	-
Noncurrent Assets:					
Investments	19,662	-	-	-	-
Receivables (Net)					
Notes and Loans	3,151	-	-	-	-
Other	-	-	-	-	-
Due from Component Units	-	-	-	-	-
Restricted Assets					
Cash and Cash Equivalents	6,979	-	-	-	-
Investments	31,370	-	-	-	-
Receivables					
Other	84	-	-	-	-
Non-depreciable capital assets	304,846	-	-	1,279	-
Depreciable capital assets, net	678,844	-	-	27,153	-
Deferred Capital Outflow	-	-	-	-	-
Other Noncurrent Assets	7,060	-	-	-	-
Total Assets	1,494,882	15,037	463	41,310	147

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
$ 6,203	$ 11,697	$ 334,997	$ 23,773	$ 5,615	$ 20,328	$ 614,662
4,616	-	102,847	1,278	-	7,893	210,196
5,855	(44,616)	208,493	3,399	855	2,656	219,180
-	-	-	-	-	-	454
-	1,203	-	-	-	-	2,821
-	196,159	-	-	-	-	306,818
-	58	2,110	-	-	-	2,168
-	505	361	-	-	-	866
4,733	-	-	7,829	-	362	14,028
737	444	85,052	2,932	132	568	99,292
-	-	1,001,067	-	-	5,718	1,026,447
-	-	-	-	-	-	3,151
-	-	1,309,025	-	-	-	1,309,025
-	-	86,157	-	-	-	86,157
-	-	193,290	-	8,348	-	208,617
-	-	-	-	-	-	31,370
-	-	-	-	-	-	84
-	374	334,308	229	-	34,049	675,085
34,275	1,672	614,534	3,375	894	186,914	1,547,661
-	-	23,554	-	-	-	23,554
-	-	55,074	-	-	-	62,134
56,419	167,496	4,350,869	42,815	15,844	258,488	6,443,770

(continued)

State of Georgia

Combining Statement of Net Assets
Nonmajor Component Units
June 30, 2010
(dollars in thousands)

	Economic Development Organizations (see combining)	Georgia Higher Education Assistance Corporation	Georgia Highway Authority	Georgia Public Telecommunications Commission	Georgia Rail Passenger Authority
Liabilities					
Current Liabilities:					
Accounts Payable and Other Accruals	19,622	415	-	534	-
Due to Primary Government	46	-	-	44	-
Due to Component Units	-	505	-	-	-
Funds Held for Others	-	-	-	-	-
Unearned Revenue	28,602	-	-	222	-
Notes and Loans Payable - Current	4,400	-	-	-	-
Revenue Bonds Payable - Current	18,300	-	-	-	-
Other Current Liabilities	2,988	184	-	568	-
Current Liabilities Payable from Restricted Assets:					
Accrued Interest Payable	3,677	-	-	-	-
Revenue Bonds Payable - Current	8,660	-	-	-	-
Other	-	-	-	-	-
Noncurrent Liabilities:					
Unearned Revenue	-	-	-	-	-
Notes and Loans Payable	50,525	-	-	-	-
Revenue/Mortgage Bonds Payable	157,329	-	-	-	-
Derivative Instrument Payable	-	-	-	-	-
Other Noncurrent Liabilities	47,490	-	-	7,809	-
Total Liabilities	341,639	1,104	-	9,177	-
Net Assets					
Invested in Capital Assets, Net of Related Debt	753,747	-	-	21,132	-
Restricted for:					
Bond Covenants/Debt Service	27,692	-	-	-	-
Construction	-	-	-	-	-
Permanent Trusts					
Expendable	-	-	-	-	-
Nonexpendable	-	-	-	37	-
Other Purposes	61	-	-	-	-
Unrestricted	371,743	13,933	463	10,964	147
Total Net Assets	$ 1,153,243	$ 13,933	$ 463	$ 32,133	$ 147

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
8,415	6,123	123,799	6,537	2,296	3,854	171,595
57	897	106,312	3	-	-	107,359
-	-	-	-	-	-	505
-	-	1,319	-	-	-	1,319
4,291	538	69,969	742	-	768	105,132
-	-	67,587	-	-	2,501	74,488
-	-	35,255	365	-	323	54,243
290	1,544	55,903	162	-	437	62,076
-	-	-	-	-	-	3,677
-	-	-	-	-	-	8,660
-	-	-	-	8,348	-	8,348
-	-	9,532	-	-	-	9,532
-	-	234,462	-	-	18,898	303,885
-	-	2,033,193	4,040	-	9,108	2,203,670
-	-	58,743	-	-	-	58,743
2,008	102,191	28,282	565	-	702	189,047
15,061	111,293	2,824,356	12,414	10,644	36,591	3,362,279
32,334	1,924	147,522	3,126	894	202,832	1,163,511
-	-	-	-	-	-	27,692
-	-	5,383	-	-	4,099	9,482
-	-	342,135	-	-	-	342,135
-	-	537,410	-	-	-	537,447
-	-	-	-	-	-	61
9,024	54,279	494,063	27,275	4,306	14,966	1,001,163
$ 41,358	$ 56,203	$ 1,526,513	$ 30,401	$ 5,200	$ 221,897	$ 3,081,491

State of Georgia

Combining Statement of Activities
Nonmajor Component Units
For the Fiscal Year Ended June 30, 2010
(dollars in thousands)

	Economic Development Organizations (see combining)	Georgia Higher Education Assistance Corporation	Georgia Highway Authority	Georgia Public Telecommunications Commission	Georgia Rail Passenger Authority
Expenses	$ 357,318	$ 9,126	$ 2	$ 25,249	$ -
Program Revenues:					
Sales and Charges for Services	315,148	8,098	-	4,573	-
Operating Grants and Contributions	7,323	48	1	23,182	-
Capital Grants and Contributions	6,187	-	-	-	-
Total Program Revenues	328,658	8,146	1	27,755	-
Net (Expenses) Revenue	(28,660)	(980)	(1)	2,506	-
General Revenues:					
Taxes	22,690	-	-	-	-
Payments from the State of Georgia	295	-	-	-	-
Contributions to Permanent Endowments	-	-	-	-	-
Total General Revenues	22,985	-	-	-	-
Change in Net Assets	(5,675)	(980)	(1)	2,506	-
Net Assets, July 1 (Restated - Note 3)	1,158,918	14,913	464	29,627	147
Net Assets, June 30	$ 1,153,243	$ 13,933	$ 463	$ 32,133	$ 147

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
$ 41,410	$ 18,948	$ 1,527,430	$ 91,167	$ 14,087	$ 57,585	$ 2,142,322
6,718	13,453	714,588	18,412	12,981	48,743	1,142,714
8,726	45	878,136	73,948	14	1,632	993,055
10,505	-	-	-	-	9,542	26,234
25,949	13,498	1,592,724	92,360	12,995	59,917	2,162,003
(15,461)	(5,450)	65,294	1,193	(1,092)	2,332	19,681
-	-	-	-	-	1,270	23,960
3,781	-	31,850	-	-	7,432	43,358
-	-	18,820	-	-	-	18,820
3,781	-	50,670	-	-	8,702	86,138
(11,680)	(5,450)	115,964	1,193	(1,092)	11,034	105,819
53,038	61,653	1,410,549	29,208	6,292	210,863	2,975,672
$ 41,358	$ 56,203	$ 1,526,513	$ 30,401	$ 5,200	$ 221,897	$ 3,081,491

State of Georgia

Combining Statement of Net Assets
Nonmajor Component Units
Economic Development Organizations
June 30, 2010
(dollars in thousands)

	Geo. L. Smith II Georgia World Congress Center Authority	Georgia Development Authority	Georgia International and Maritime Trade Center Authority
Assets			
Current Assets:			
Cash and Cash Equivalents	$ 38,174	$ 3,925	$ 4,223
Investments	244	3	-
Receivables			
Accounts (Net)	11,901	(2,050)	461
Taxes	-	-	454
Interest and Dividends	-	1,618	-
Notes and Loans	-	92,458	-
Intergovernmental Receivables	-	-	454
Other Current Assets	326	-	-
Noncurrent Assets:			
Investments	-	-	-
Receivables (Net)			
Notes and Loans	-	-	-
Restricted Assets			
Cash and Cash Equivalents	6,979	-	-
Investments	31,370	-	-
Receivables	84	-	-
Non-depreciable capital assets	37,282	50	1,010
Depreciable capital assets, net	114,760	489	1,378
Other Noncurrent Assets	-	-	-
Total Assets	241,120	96,493	7,980

Georgia Medical Center Authority	Georgia Ports Authority	Georgia Seed Development Commission	OneGeorgia Authority	Total
$ 126	$ 60,299	$ 4,368	$ 77,754	$ 188,869
-	36,584	-	53,317	90,148
34	29,771	1,148	-	41,265
-	-	-	-	454
-	-	-	-	1,618
-	374	-	17,827	110,659
-	-	-	-	454
-	6,860	233	2,000	9,419
-	19,662	-	-	19,662
-	3,151	-	-	3,151
-	-	-	-	6,979
-	-	-	-	31,370
-	-	-	-	84
-	266,358	146	-	304,846
164	562,037	-	16	678,844
-	7,060	-	-	7,060
324	992,156	5,895	150,914	1,494,882

(continued)

Combining Statement of Net Assets
Nonmajor Component Units
Economic Development Organizations (continued)
June 30, 2010
(dollars in thousands)

	Geo. L. Smith II Georgia World Congress Center Authority	Georgia Development Authority	Georgia International and Maritime Trade Center Authority
Liabilities			
Current Liabilities:			
Accounts Payable and Other Accruals	5,756	690	490
Due to Primary Government	10	-	-
Unearned Revenue	27,799	-	43
Notes and Loans Payable - Current	-	4,400	-
Revenue Bonds Payable - Current	-	-	-
Other Current Liabilities	792	71	-
Current Liabilities Payable from Restricted Assets:			
Accrued Interest Payable	3,677	-	-
Revenue Bonds Payable - Current	8,660	-	-
Noncurrent Liabilities:			
Notes and Loans Payable	-	4,868	-
Revenue/Mortgage Bonds Payable	121,810	-	-
Other Noncurrent Liabilities	8,764	33,520	-
Total Liabilities	177,268	43,549	533
Net Assets			
Invested in Capital Assets, Net of Related Debt	21,574	540	2,389
Restricted for:			
Bond Covenants/Debt Service	27,692	-	-
Other Purposes	61	-	-
Unrestricted	14,525	52,404	5,058
Total Net Assets	$ 63,852	$ 52,944	$ 7,447

Georgia Medical Center Authority	Georgia Ports Authority	Georgia Seed Development Commission	One Georgia Authority	Total
9	12,574	52	51	19,622
-	36	-	-	46
-	760	-	-	28,602
-	-	-	-	4,400
-	18,300	-	-	18,300
-	2,125	-	-	2,988
-	-	-	-	3,677
-	-	-	-	8,660
-	45,657	-	-	50,525
-	35,519	-	-	157,329
-	5,206	-	-	47,490
9	120,177	52	51	341,639
163	728,919	146	16	753,747
-	-	-	-	27,692
-	-	-	-	61
152	143,060	5,697	150,847	371,743
$ 315	$ 871,979	$ 5,843	$ 150,863	$ 1,153,243

State of Georgia

Combining Statement of Activities
Nonmajor Component Units
Economic Development Organizations
For the Fiscal Year Ended June 30, 2010
(dollars in thousands)

	Geo. L. Smith II Georgia World Congress Center Authority	Georgia Development Authority	Georgia International and Maritime Trade Center Authority
Expenses	$ 93,744	$ 1,822	$ 2,123
Program Revenues:			
Sales and Charges for Services	68,991	83	640
Operating Grants and Contributions	312	3,215	48
Capital Grants and Contributions	-	-	170
Total Program Revenues	69,303	3,298	858
Net (Expenses) Revenue	(24,441)	1,476	(1,265)
General Revenues:			
Taxes	20,471	-	2,219
Payments from the State of Georgia	-	-	-
Total General Revenues	20,471	-	2,219
Change in Net Assets	(3,970)	1,476	954
Net Assets, July 1	67,822	51,468	6,493
Net Assets, June 30	$ 63,852	$ 52,944	$ 7,447

Georgia Medical Center Authority	Georgia Ports Authority	Georgia Seed Development Commission	OneGeorgia Authority	Total
$ 472	$ 231,033	$ 6,179	$ 21,945	$ 357,318
231	238,320	6,610	273	315,148
-	3,061	16	671	7,323
-	6,017	-	-	6,187
231	247,398	6,626	944	328,658
(241)	16,365	447	(21,001)	(28,660)
-	-	-	-	22,690
295	-	-	-	295
295	-	-	-	22,985
54	16,365	447	(21,001)	(5,675)
261	855,614	5,396	171,864	1,158,918
$ 315	$ 871,979	$ 5,843	$ 150,863	$ 1,153,243

State of Georgia

Combining Statement of Net Assets
Nonmajor Component Units
Tourism/State Attractions
June 30, 2010
(dollars in thousands)

	Georgia Agricultural Exposition Authority	Georgia Agrirama Development Authority	Georgia Golf Hall of Fame Authority	Georgia Music Hall of Fame Authority	Georgia Sports Hall of Fame Authority
Assets					
Current Assets:					
Cash and Cash Equivalents	$ 519	$ 2	$ -	$ 63	$ 181
Investments	-	-	-	-	-
Receivables					
Accounts (Net)	257	3	-	-	34
Intergovernmental Receivables	-	-	-	-	-
Other Current Assets	-	21	-	96	41
Noncurrent Assets:					
Investments	-	-	-	-	-
Non-depreciable capital assets	4,891	529	-	569	-
Depreciable capital assets, net	28,793	4,947	-	71	5
Total Assets	34,460	5,502	-	799	261
Liabilities					
Current Liabilities:					
Accounts Payable and Other Accruals	3	(1)	-	2	-
Unearned Revenue	229	-	-	-	-
Notes and Loans Payable - Current	-	-	-	-	-
Revenue Bonds Payable - Current	-	-	-	-	-
Other Current Liabilities	-	-	-	-	-
Noncurrent Liabilities:					
Notes and Loans Payable	-	-	-	-	-
Revenue/Mortgage Bonds Payable	-	-	-	-	-
Other Noncurrent Liabilities	281	-	-	-	19
Total Liabilities	513	(1)	-	2	19
Net Assets					
Invested in Capital Assets, Net of Related Debt	33,685	5,477	-	641	5
Restricted for:					
Construction	-	-	-	-	-
Unrestricted	262	26	-	156	237
Total Net Assets	$ 33,947	$ 5,503	$ -	$ 797	$ 242

Jekyll Island State Park Authority	Lake Lanier Islands Development Authority	North Georgia Mountains Authority	Oconee River Greenway Authority	Sapelo Island Heritage Authority	Southwest Georgia Railroad Excursion Authority	Stone Mountain Memorial Association	Total
$ 3,057	$ 7,893	$ 1,589	$ 163	$ 2	$ 589	$ 6,270	$ 20,328
566	-	1,415	-	-	-	5,912	7,893
2,227	-	36	-	-	-	99	2,656
-	-	-	-	-	-	362	362
397	-	-	-	-	-	13	568
-	-	-	-	-	-	5,718	5,718
4,652	-	2,445	317	4,646	-	16,000	34,049
48,459	30,983	7,251	1,032	475	336	64,562	186,914
59,358	38,876	12,736	1,512	5,123	925	98,936	258,488
1,007	43	1,668	(2)	-	286	848	3,854
539	-	-	-	-	-	-	768
520	328	1,653	-	-	-	-	2,501
-	323	-	-	-	-	-	323
226	-	-	-	-	-	211	437
1,569	12,369	4,960	-	-	-	-	18,898
-	9,108	-	-	-	-	-	9,108
376	26	-	-	-	-	-	702
4,237	22,197	8,281	(2)	-	286	1,059	36,591
51,022	21,552	3,082	1,349	5,121	336	80,562	202,832
4,099	-	-	-	-	-	-	4,099
-	(4,873)	1,373	165	2	303	17,315	14,966
$ 55,121	$ 16,679	$ 4,455	$ 1,514	$ 5,123	$ 639	$ 97,877	$ 221,897

State of Georgia

Combining Statement of Activities
Nonmajor Component Units
Tourism/State Attractions
For the Fiscal Year Ended June 30, 2010
(dollars in thousands)

	Georgia Agricultural Exposition Authority	Georgia Agrirama Development Authority	Georgia Golf Hall of Fame Authority	Georgia Music Hall of Fame Authority	Georgia Sports Hall of Fame Authority
Expenses	$ 8,921	$ 1,042	$ 1,294	$ 949	$ 894
Program Revenues:					
Sales and Charges for Services	6,152	297	-	332	153
Operating Grants and Contributions	2	-	-	126	232
Capital Grants and Contributions	8,713	-	-	-	-
Total Program Revenues	14,867	297	-	458	385
Net (Expenses) Revenue	5,946	(745)	(1,294)	(491)	(509)
General Revenues:					
Taxes	-	-	-	-	-
Payments from the State of Georgia	1,380	694	-	527	461
Total General Revenues	1,380	694	-	527	461
Change in Net Assets	7,326	(51)	(1,294)	36	(48)
Net Assets, July 1 (Restated - Note 3)	26,621	5,554	1,294	761	290
Net Assets, June 30	$ 33,947	$ 5,503	$ -	$ 797	$ 242

Jekyll Island State Park Authority	Lake Lanier Islands Development Authority	North Georgia Mountains Authority	Oconee River Greenway Authority	Sapelo Island Heritage Authority	Southwest Georgia Railroad Excursion Authority	Stone Mountain Memorial Association	Total
$ 18,760	$ 2,096	$ 12,731	$ 124	$ (465)	$ 866	$ 10,373	$ 57,585
14,492	3,598	13,010	-	12	561	10,136	48,743
638	9	10	86	-	-	529	1,632
804	-	-	25	-	-	-	9,542
15,934	3,607	13,020	111	12	561	10,665	59,917
(2,826)	1,511	289	(13)	477	(305)	292	2,332
1,270	-	-	-	-	-	-	1,270
4,176	-	-	-	-	194	-	7,432
5,446	-	-	-	-	194	-	8,702
2,620	1,511	289	(13)	477	(111)	292	11,034
52,501	15,168	4,166	1,527	4,646	750	97,585	210,863
$ 55,121	$ 16,679	$ 4,455	$ 1,514	$ 5,123	$ 639	$ 97,877	$ 221,897

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Statistical Section

State of Georgia

Statistical Section

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. The State implemented GASB Statement 34 in fiscal year 2002; schedules presenting government-wide information include information beginning in that year.

State of Georgia

Schedule 1
Net Assets by Component
For the Last Nine Fiscal Years
(accrual basis of accounting)
(dollars in thousands)

	2010	2009	2008	2007
Governmental Activities [1] [2]				
Invested in Capital Assets, Net of Related Debt	$ 12,550,617	$ 12,066,578	$ 11,979,690	$ 10,804,344
Restricted	2,605,116	2,254,051	1,641,507	2,398,250
Unrestricted	(648,171)	(468,978)	1,383,624	2,233,041
Total Governmental Activities Net Assets	$ 14,507,562	$ 13,851,651	$ 15,004,821	$ 15,435,635
Business-Type Activities [1] [2]				
Invested in Capital Assets, Net of Related Debt	$ 5,426,787	$ 5,178,579	$ 4,801,548	$ 4,582,190
Restricted	423,325	1,022,564	1,745,185	1,877,790
Unrestricted	(546,363)	(152,768)	604,035	475,506
Total Business-Type Activities Net Assets	$ 5,303,749	$ 6,048,375	$ 7,150,768	$ 6,935,486
Total Primary Government [2]				
Invested in Capital Assets, Net of Related Debt	$ 17,977,404	$ 17,245,157	$ 16,781,238	$ 15,386,534
Restricted	3,028,441	3,276,615	3,386,692	4,276,040
Unrestricted	(1,194,534)	(621,746)	1,987,659	2,708,547
Total Primary Government Net Assets	$ 19,811,311	$ 19,900,026	$ 22,155,589	$ 22,371,121

(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 Higher Education Facilities Authority.

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

Fiscal Year				
2006	2005	2004	2003	2002
$ 11,274,666	$ 10,914,903	$ 10,073,116	$ 10,494,765	$ 9,802,538
2,164,233	2,248,834	2,166,594	1,292,107	1,399,081
994,617	1,332,716	1,381,037	2,885,711	4,238,321
$ 14,433,516	$ 14,496,453	$ 13,620,747	$ 14,672,583	$ 15,439,940
$ 4,387,218	$ 4,214,124	$ 3,849,935	$ 3,517,358	$ 3,132,336
1,767,054	1,599,878	1,269,663	1,313,230	1,858,883
374,831	366,419	604,687	710,036	839,774
$ 6,529,103	$ 6,180,421	$ 5,724,285	$ 5,540,624	$ 5,830,993
$ 15,661,884	$ 15,129,027	$ 13,923,051	$ 14,012,123	$ 12,934,874
3,931,287	3,848,712	3,436,257	2,605,337	3,257,964
1,369,448	1,699,135	1,985,724	3,595,747	5,078,095
$ 20,962,619	$ 20,676,874	$ 19,345,032	$ 20,213,207	$ 21,270,933

State of Georgia

Schedule 2
Changes in Net Assets
For the Last Nine Fiscal Years
(accrual basis of accounting)
(dollars in thousands)

	2010	2009	2008	2007
Expenses				
Governmental Activities				
General Government [1]	$ 1,467,147	$ 1,904,893	$ 1,896,438	$ 1,830,659
Education	10,731,693	10,085,766	10,812,665	9,948,891
Health and Welfare	14,210,928	13,118,680	12,256,789	11,764,652
Transportation [2]	1,752,933	1,786,808	3,056,226	1,705,285
Public Safety	1,834,315	1,972,187	2,130,454	1,891,555
Economic Development and Assistance	808,742	735,415	504,897	759,979
Culture and Recreation	287,860	273,401	251,055	286,132
Conservation	62,059	69,726	69,836	102,149
Interest and Other Charges on Long-Term Debt [2]	446,520	466,077	405,255	385,449
Total Governmental Activities	31,602,197	30,412,953	31,383,615	28,674,751
Business-Type Activities				
Georgia Technology Authority [1]	-	-	-	-
Higher Education Fund	7,067,724	6,728,721	6,242,687	5,592,755
State Employees' Health Benefit Plan	2,298,354	2,211,087	2,043,604	1,868,431
Unemployment Compensation Fund	4,011,802	2,435,344	774,030	626,058
Nonmajor Enterprise Funds [2]	26,174	17,835	15,110	12,845
Total Business-Type Activities	13,404,054	11,392,987	9,075,431	8,100,089
Total Primary Government Expenses	$ 45,006,251	$ 41,805,940	$ 40,459,046	$ 36,774,840
Program Revenues				
Governmental Activities [1] [2]				
Sales and Charges for Services				
General Government	$ 1,763,847	$ 1,654,486	$ 1,634,855	$ 1,653,554
Health and Welfare	245,953	367,829	321,172	504,520
Public Safety	135,736	232,579	278,675	334,033
Other Sales and Charges for Services	263,202	225,419	245,978	258,936
Operating Grants and Contributions	15,656,694	12,714,639	11,886,083	10,041,218
Capital Grants and Contributions	1,599,721	1,286,969	1,426,839	1,213,420
Total Governmental Activities	19,665,153	16,481,921	15,793,602	14,005,681
Business-Type Activities [1] [2]				
Sales and Charges for Services				
Georgia Technology Authority	-	-	-	-
Higher Education Fund	2,408,042	2,103,284	1,834,826	1,694,368
Unemployment Compensation Fund		-	-	223
State Road and Tollway Authority	34,142	27,669	20,648	20,854
Operating Grants and Contributions	7,837,041	5,376,243	4,509,566	4,214,533
Capital Grants and Contributions	41,634	45,385	111,055	48,490
Total Business-Type Activities	10,320,859	7,552,581	6,476,095	5,978,468
Total Primary Government Program Revenues	$ 29,986,012	$ 24,034,502	$ 22,269,697	$ 19,984,149
Net (Expense) Revenue				
Governmental Activities [1] [2]	$ (11,937,044)	$ (13,931,032)	$ (15,590,013)	$ (14,669,070)
Business-Type Activities [1] [2]	(3,083,195)	(3,840,406)	(2,599,336)	(2,121,621)
Total Primary Government	$ (15,020,239)	$ (17,771,438)	$ (18,189,349)	$ (16,790,691)

Fiscal Year				
2006	2005	2004	2003	2002
$ 1,562,693	$ 1,354,451	$ 1,900,816	$ 1,411,121	$ 1,133,811
9,030,145	8,376,252	8,007,435	7,942,981	7,558,467
11,238,207	11,847,414	11,370,543	10,299,189	10,100,531
1,624,369	2,316,638	1,844,281	1,096,837	1,458,959
1,715,838	1,781,048	1,712,346	1,779,432	1,693,449
696,800	702,879	738,425	729,878	714,287
263,813	225,821	237,831	199,873	216,506
60,660	48,791	49,089	57,885	81,753
326,741	318,860	319,034	342,748	319,094
26,519,266	26,972,154	26,179,800	23,859,944	23,276,857
176,153	193,918	198,937	207,165	217,334
5,292,112	5,310,815	4,762,820	4,640,361	4,286,201
2,182,743	2,092,457	1,850,125	1,677,982	1,503,456
582,171	584,260	877,555	995,169	861,474
-	-	-	-	-
8,233,179	8,181,450	7,689,437	7,520,677	6,868,465
$ 34,752,445	$ 35,153,604	$ 33,869,237	$ 31,380,621	$ 30,145,322
$ 787,894	$ 267,756	$ 214,580	$ 447,223	$ 751,959
706,876	1,435,224	1,198,094	780,018	1,333,912
141,432	412,572	395,988	382,390	324,425
284,498	437,569	448,103	225,889	579,771
9,393,686	9,213,591	9,457,170	8,674,421	7,597,051
1,032,961	1,014,144	828,453	621,391	534,745
12,347,347	12,780,856	12,542,388	11,131,332	11,121,863
177,137	204,246	198,869	207,891	218,944
1,567,385	1,730,328	1,349,989	1,210,452	1,009,853
-	-	530,481	128,546	113,864
-	-	-	-	-
4,374,153	4,050,853	3,330,386	3,224,705	3,333,379
45,965	40,029	148,407	29	65,457
6,164,640	6,025,456	5,558,132	4,771,623	4,741,497
$ 18,511,987	$ 18,806,312	$ 18,100,520	$ 15,902,955	$ 15,863,360
$ (14,171,919)	$ (14,191,298)	$ (13,637,412)	$ (12,728,612)	$ (12,154,994)
(2,068,539)	(2,155,994)	(2,131,305)	(2,749,054)	(2,126,968)
$ (16,240,458)	$ (16,347,292)	$ (15,768,717)	$ (15,477,666)	$ (14,281,962)

(continued)

State of Georgia

Schedule 2
Changes in Net Assets
For the Last Nine Fiscal Years
(accrual basis of accounting)
(dollars in thousands)

	2010	2009	2008	2007
General Revenues and Other Changes in Net Assets				
Governmental Activities [1] [2]				
General Revenues				
Taxes				
Personal Income	$ 7,109,984	$ 7,794,606	$ 8,834,591	$ 8,831,753
Sales - General	5,196,117	5,080,946	5,760,691	6,234,221
Other Taxes	2,334,928	2,370,848	2,694,710	2,810,010
Unrestricted Investment Income	993	63,074	264,448	470,480
Unclaimed Property	85,277	35,356	58,857	140,367
Other	44,183	112,681	247,322	54,317
Special Items	(10,090)	-	-	-
Transfers	(2,269,701)	(2,679,135)	(2,670,418)	(2,478,882)
Total Governmental Activities	12,491,691	12,778,376	15,190,201	16,062,266
Business-Type Activities [1] [2]				
General Revenues				
Unrestricted Investment Income	-	76,060	134,436	147,034
Other	-	-	-	47
Special Items	-	-	-	-
Transfers	2,269,701	2,679,135	2,670,418	2,478,882
Total Business-Type Activities	2,269,701	2,755,195	2,804,854	2,625,963
Total Primary Government General Revenues and Other Changes in Net Assets	$ 14,761,392	$ 15,533,571	$ 17,995,055	$ 18,688,229
Changes in Net Assets				
Governmental Activities [1] [2]	$ 554,647	$ (1,152,656)	$ (399,812)	$ 1,393,196
Business-Type Activities [1] [2]	(813,494)	(1,085,211)	205,518	504,342
Total Primary Government	$ (258,847)	$ (2,237,867)	$ (194,294)	$ 1,897,538

(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 Higher Education Facilities Authority.

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				
2006	2005	2004	2003	2002
$ 8,104,465	$ 7,133,515	$ 6,876,663	$ 6,339,352	$ 6,597,862
5,603,743	5,309,167	4,799,239	4,710,046	4,368,297
2,451,385	2,385,602	2,058,832	1,910,795	1,930,212
196,422	208,656	116,615	260,409	74,384
107,149	75,353	54,074	43,719	40,658
958,131	1,011,803	1,094,450	760,714	732,219
-	-	-	(907)	-
(2,306,278)	(2,340,526)	(2,294,450)	(2,132,446)	(2,181,906)
15,115,017	13,783,570	12,705,423	11,891,682	11,561,726
110,942	88,207	58,647	107,562	28,396
-	-	-	-	-
-	-	-	-	(2,900)
2,306,278	2,340,526	2,294,450	2,132,446	2,181,906
2,417,220	2,428,733	2,353,097	2,240,008	2,207,402
$ 17,532,237	$ 16,212,303	$ 15,058,520	$ 14,131,690	$ 13,769,128
$ 943,098	$ (407,728)	$ (931,989)	$ (836,930)	$ (593,268)
348,681	272,739	221,792	(509,046)	80,434
$ 1,291,779	$ (134,989)	$ (710,197)	$ (1,345,976)	$ (512,834)

State of Georgia

Schedule 3
Fund Balances of Governmental Funds
For the Last Nine Fiscal Years
(modified accrual basis of accounting)
(dollars in thousands)

	2010	2009	2008	2007
General Fund				
Reserved	$ 3,737,311	$ 3,520,953	$ 2,837,792	$ 3,487,699
Unreserved	(41,837)	(492,520)	1,489,500	2,077,088
Total General Fund	$ 3,695,474	$ 3,028,433	$ 4,327,292	$ 5,564,787
All Other Governmental Funds[1]				
Reserved	$ 43,114	$ 14	$ 14	$ 14
Unreserved, Reported in				
Special Revenue Funds	33,319	436,838	286,451	187,585
Capital Projects Funds	1,323,352	1,496,019	1,195,760	1,476,288
Total All Other Governmental Funds	$ 1,399,785	$ 1,932,871	$ 1,482,225	$ 1,663,887

(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 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 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				
2006	2005	2004	2003	2002
$ 3,342,233	$ 3,430,424	$ 3,319,425	$ 2,944,712	$ 3,004,971
924,590	335,828	228,852	421,985	1,499,182
$ 4,266,823	$ 3,766,252	$ 3,548,277	$ 3,366,697	$ 4,504,153
$ 1,028	$ 1,027	$ 1,639	$ 116,698	$ 232,531
1,219	-	-	-	-
1,207,665	804,079	1,236,105	1,355,723	1,799,293
$ 1,209,912	$ 805,106	$ 1,237,744	$ 1,472,421	$ 2,031,824

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)

	2010	2009	2008	2007
Revenues				
Taxes				
Personal Income	$ 7,109,984	$ 7,794,606	$ 8,834,591	$ 8,831,754
Sales - General	5,196,117	5,080,946	5,760,691	6,234,221
Other Taxes	2,334,928	2,370,848	2,694,710	2,810,010
Licenses and Permits	507,764	667,363	682,940	649,930
Intergovernmental - Federal	16,456,059	13,417,524	11,623,735	10,648,457
Intergovernmental - Other	569,179	360,531	405,077	401,637
Sales and Services	490,954	392,097	376,674	687,277
Fines and Forfeits	300,032	335,485	321,804	344,139
Interest and Other Investment Income	41,535	138,077	240,337	443,226
Unclaimed Property	85,277	35,356	58,857	140,367
Lottery Proceeds	883,882	872,136	867,686	853,641
Nursing Home Provider Fees	122,047	122,623	133,974	111,768
Other	96,393	157,741	152,296	258,313
Total Revenues	34,194,151	31,745,333	32,153,372	32,414,740
Expenditures				
Current				
General Government	860,558	1,250,409	1,251,265	1,207,057
Education	10,719,216	10,083,963	10,481,854	9,945,327
Health and Welfare	14,211,763	13,097,393	12,475,474	11,724,373
Transportation	2,127,591	2,725,244	3,256,231	2,628,075
Public Safety	1,895,659	1,976,831	2,035,807	1,841,350
Economic Development and Assistance	787,261	718,858	816,766	739,998
Culture and Recreation	275,746	306,434	315,578	293,620
Conservation	62,430	65,007	69,883	101,773
Capital Outlay	500,166	560,229	471,251	474,050
Debt Service				
Principal	804,560	801,565	750,909	679,216
Interest	485,195	469,281	434,494	409,632
Other Charges	42,203	36,059	(2,342)	(10,855)
Intergovernmental	220,118	377,607	341,524	324,056
Total Expenditures	32,992,466	32,468,880	32,698,694	30,357,672
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,201,685	(723,547)	(545,322)	2,057,068
Other Financing Sources (Uses)				
General Obligation Bonds Issuance	793,855	1,445,645	946,035	1,410,648
Refunding Bonds Issuance	640,825	149,730	-	213,720
Revenue Bond Issuance	-	600,000	600,000	450,000
Premium on General Obligation Bonds Sold	25,206	84,867	16,828	3,894
Premium on Refunding Bonds Sold	112,131	21,730	-	18,922
Premium on Revenue Bonds Sold	-	57,683	39,911	19,967
Accrued Interest on Refunding Bonds Sold			-	742
Accrued Interest on Revenue Bonds Sold	-	538	-	-
Payment to Refunded Bond Escrow Agent	(750,209)	(171,307)	-	(235,516)
Proceeds from Disposition of General Capital Assets			1,661	
Capital Leases	6,201	2,259	825	777
Other Financing Agreements			-	-
Transfers In	1,959,530	2,151,031	2,121,862	1,925,552
Transfers Out	(3,923,140)	(4,466,328)	(4,599,625)	(4,211,954)
Net Other Financing Sources (Uses)	(1,135,601)	(124,152)	(872,503)	(403,248)
Other Adjustments to Fund Balance	-	-	(1,332)	98,119
Net Change in Fund Balance	$ 66,084	$ (847,699)	$ (1,419,157)	$ 1,751,939
Debt Service Expenditures as a Percentage of Noncapital Expenditures[1]	4.32%	4.37%	3.98%	3.85%

(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				
2006	2005	2004	2003	2002
$ 8,104,465	$ 7,133,515	$ 6,876,663	$ 6,339,352	$ 6,597,862
5,603,743	5,309,167	4,799,240	4,710,046	4,368,297
2,451,385	2,385,603	2,058,832	1,910,795	1,930,212
539,158	496,178	452,008	425,770	448,263
10,024,646	10,152,667	10,226,522	8,905,213	8,189,311
117,040	-	-	-	-
994,996	1,732,902	1,657,989	1,148,835	1,678,090
303,788	265,708	238,662	270,341	257,484
186,974	103,155	36,427	191,237	244,858
107,149	75,353	54,074	43,719	40,659
822,797	802,083	801,381	751,557	726,202
95,607	99,271	92,768	-	-
386,791	212,886	108,653	344,530	326,681
29,738,539	28,768,488	27,403,219	25,041,395	24,807,919
1,158,810	1,088,655	978,666	997,061	839,639
9,031,188	8,359,398	8,014,842	7,948,434	7,567,495
11,270,055	11,861,217	11,374,111	10,249,541	10,090,829
2,079,873	1,804,448	1,701,666	1,681,771	1,716,885
1,788,074	1,696,260	1,692,289	1,755,103	1,686,971
685,680	688,658	728,330	742,169	708,073
282,422	246,261	240,504	236,631	235,249
61,041	57,677	48,624	56,668	86,891
478,109	485,995	837,904	825,245	761,810
570,042	524,583	507,110	511,006	449,258
324,893	332,808	343,489	344,757	314,201
(2,497)	1,037	3,802	(5,833)	3,293
243,347	-	-	-	-
27,971,037	27,146,997	26,471,337	25,342,553	24,460,594
1,767,502	1,621,491	931,882	(301,158)	347,325
1,236,010	206,875	955,395	552,514	1,229,428
425,000	458,605	-	-	-
-	-	-	-	-
4,040	4,815	-	-	-
46,399	61,957	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
(469,479)	(519,316)	-	-	-
600	-	2,191	5,228	3,966
1,085	1,644	323	1,796	2,354
-	-		-	54,670
1,022,503	1,023,279	943,719	956,732	1,513,165
(3,165,858)	(3,050,444)	(2,906,674)	(2,898,429)	(3,570,391)
(899,700)	(1,812,585)	(1,005,046)	(1,382,159)	(766,808)
37,112	(23,569)	(461)	(1,077)	-
$ 904,914	$ (214,663)	$ (73,625)	$ (1,684,394)	$ (419,483)
3.44%	3.28%	3.45%	3.60%	3.45%

State of Georgia

Schedule 5
Revenue Base - Personal Income by Industry
For the Last Ten Calendar Years
(dollars in millions)

	2009	2008	2007	2006
Accommodation and Food Services	$ 7,482	$ 7,715	$ 7,841	$ 7,436
Administrative and Waste Services	10,989	11,995	11,901	11,521
Arts, Entertainment and Recreation	1,938	1,956	1,942	1,905
Construction	11,611	14,644	16,768	16,528
Educational Services	3,768	3,618	3,437	3,243
Farm Earnings	2,111	2,594	1,872	1,589
Federal Government - Civilian	9,938	9,638	9,310	8,832
Federal Government - Military	8,930	8,443	7,510	7,017
Finance and Insurance	15,375	16,309	16,231	15,590
Forestry, Fishing and Related Activities	715	705	699	722
Health Care and Social Assistance	24,396	23,203	21,587	20,069
Information	12,594	13,169	12,842	12,099
Management of Companies and Enterprises	5,436	5,398	5,777	5,432
Manufacturing	23,502	25,781	26,187	26,508
Mining	478	554	577	583
Other Services, Except Public Administration	8,609	8,753	9,055	8,516
Professional and Technical Services	23,903	24,690	22,730	21,152
Real Estate, Rental and Leasing	4,575	4,926	5,092	5,792
Retail Trade	15,224	16,131	16,827	16,425
State and Local Government	29,595	29,546	27,990	26,451
Transportation and Warehousing	11,059	11,822	11,781	10,402
Utilities	2,734	2,667	2,398	2,492
Wholesale Trade	16,471	17,835	17,940	16,986
Other	82,563	79,438	72,132	64,565
Total Personal Income	$ 333,996	$ 341,530	$ 330,426	$ 311,855
Average Effective Rate [1]	2.3%	2.6%	2.7%	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

2005	2004	2003	2002	2001	2000
$ 7,038	$ 6,734	$ 6,249	$ 5,809	$ 5,699	$ 5,491
10,943	9,916	8,977	8,449	8,284	7,727
1,843	1,766	1,841	1,899	1,734	1,755
15,419	14,544	13,444	12,869	12,866	12,626
2,842	2,734	2,520	2,425	2,319	1,994
2,478	2,163	2,147	1,636	2,212	1,842
8,382	7,833	7,458	7,104	6,577	6,382
6,590	5,848	5,420	4,730	4,207	3,878
14,411	13,466	12,504	12,060	11,624	10,760
664	649	584	585	638	599
18,986	17,959	16,631	15,447	14,363	13,287
11,476	11,330	11,170	11,095	11,355	10,989
5,792	4,883	4,351	4,463	4,791	4,247
25,513	25,153	24,121	23,704	23,990	23,899
532	522	478	456	462	502
8,121	7,591	7,318	7,186	6,344	6,780
19,435	17,782	16,966	16,487	16,701	15,965
5,698	5,240	4,819	4,732	4,726	4,777
15,677	14,963	14,640	14,085	13,870	13,326
24,937	23,662	22,827	21,498	20,143	18,832
10,335	10,489	9,872	9,444	9,526	9,220
2,178	2,182	2,105	2,052	1,965	1,650
15,974	14,878	13,875	13,883	14,002	13,889
57,280	50,666	48,850	49,119	47,431	44,397
$ 292,544	$ 272,953	$ 259,167	$ 251,217	$ 245,829	$ 234,814
2.4%	2.5%	2.4%	2.6%	2.8%	2.7%

State of Georgia

Schedule 6
Personal Income Tax Rates by Filing Status and Income Level
For the Last Ten Calendar Years

Filing Status Georgia Taxable Net Income Level	2001 - 2010
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)

State of Georgia

Schedule 7
Personal Income Tax Filers and Liability by Income Level
For Calendar Years 2008(1) and 1999
(dollars, except income level, are in thousands)

	2008(1)			
	Number of Filers	Percentage of Total	Personal Income Tax Liability	Percentage of Total
Income Level				
$1,000 and under (2)	689,595	16.3%	$ 437,826	5.7%
$1,001 to $5,000	256,327	6.1%	(14)	0.0%
$5,001 to $10,000	342,421	8.1%	9,022	0.1%
$10,001 to $15,000	345,713	8.2%	41,644	0.5%
$15,001 to $20,000	311,521	7.4%	92,546	1.2%
$20,001 to $25,000	278,659	6.6%	140,485	1.8%
$25,001 to $30,000	245,256	5.8%	176,572	2.3%
$30,001 to $50,000	645,585	15.3%	790,915	10.3%
$50,001 to $100,000	699,227	16.5%	1,829,639	23.7%
$100,001 to $500,000	395,492	9.3%	2,820,540	36.6%
$500,001 to $1,000,000	13,604	0.3%	456,614	5.9%
$1,000,001 and higher	6,529	0.2%	920,307	11.9%
Totals	4,229,929	100.0%	$ 7,716,096	100.0%

	1999			
	Number of Filers	Percentage of Total	Personal Income Tax Liability	Percentage of Total
Income Level				
$1,000 and under (2)	241,802	6.9%	$ 85,160	1.5%
$1,001 to $5,000	309,112	8.8%	220	0.0%
$5,001 to $10,000	362,179	10.3%	9,609	0.2%
$10,001 to $15,000	326,367	9.3%	45,444	0.8%
$15,001 to $20,000	298,267	8.5%	99,829	1.7%
$20,001 to $25,000	263,495	7.5%	149,986	2.6%
$25,001 to $30,000	222,349	6.3%	178,544	3.1%
$30,001 to $50,000	603,302	17.1%	781,332	13.4%
$50,001 to $100,000	622,448	17.7%	1,604,050	27.5%
$100,001 to $500,000	254,918	7.2%	1,789,411	30.7%
$500,001 to $1,000,000	12,351	0.4%	345,513	5.9%
$1,000,001 and higher	9,041	0.3%	740,816	12.7%
Totals	3,525,631	100.0%	$ 5,829,914	100.0%

Most recent available data.
Category also includes payments from out-of-state residents and partial-year payers

Source: Georgia Department of Revenue Annual Statistical Report

State of Georgia

Schedule 8
Ratios of Outstanding Debt by Type
For the Last Nine Fiscal Years
(dollars in thousands, except per capita amounts)

	Governmental Activities [1]				
Fiscal Year	General Obligation Bonds	General State Bond Debt	Revenue Bonds	Capital Leases	Notes and Loans
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
2002	6,058,295	16	-	5,911	2,632

(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*

Business-Type Activities [1]			Less: Net Assets Restricted to Guaranteed Revenue Debt	Total Primary Government	Percentage of Personal Income[2]	Outstanding Debt Per Capita[2]
Revenue Bonds	Capital Leases	Notes and Loans				
$ 213,814	$ 2,648,321	$ 424,424	$ (62,886)	$ 14,340,934	4.29%	$ 1,459.0
121,736	2,240,418	8,733	(62,887)	13,233,397	4.02%	1,366.3
31,628	1,795,234	9,170	(63,084)	11,356,304	3.56%	1,192.5
38,540	1,201,524	9,477	(63,084)	9,922,099	3.30%	1,064.7
-	839,926	2,618	-	7,757,431	2.73%	853.0
-	678,055	4,244	-	6,929,938	2.62%	777.7
-	479,272	2,512	-	7,002,578	2.79%	801.9
-	186,428	2,845	-	6,281,258	2.56%	731.8
-	93,263	2,345	-	6,162,462	2.56%	732.0

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State of Georgia

Schedule 9
Ratios of General Bonded Debt Outstanding
For the Last Nine 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]
2010	$ 10,847,217	3.25%	$ 1,103.57
2009	10,894,433	3.31%	1,124.79
2008	9,513,896	2.98%	999.01
2007	8,702,368	2.89%	933.86
2006	6,909,343	2.43%	759.77
2005	6,238,934	2.36%	700.16
2004	6,513,396	2.60%	745.84
2003	6,083,991	2.48%	708.79
2002	6,058,311	2.52%	719.63

(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)

	2010	2009	2008	2007
Revenue Base:				
Treasury Receipts for the Preceding Fiscal Year[1]	$ 17,841,693,806	$ 19,789,800,881	$ 19,895,976,559	$ 18,343,186,033
Debt Limit Amount:				
Highest Aggregate Annual Commitments (Principal and Interest) Permitted Under Constitutional Limitation (10% of above)	$ 1,784,169,381	$ 1,978,980,088	$ 1,989,597,656	$ 1,834,318,603
Debt Applicable to the Limit:				
Highest Total Annual Commitments in Current or any Subsequent Fiscal Year	1,217,068,109	1,164,562,193	1,085,762,485	1,038,052,566
Legal Debt Margin	$ 567,101,272	$ 814,417,895	$ 903,835,171	$ 796,266,037
Total Debt Applicable to the Limit as a Percentage of Debt Limit Amount	68.2%	58.8%	54.6%	56.6%

(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.

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					
2006	2005 [2]	2004	2003	2002	2001
$ 16,789,925,631	$ 15,530,262,707	$ 14,737,541,220	$ 15,126,479,334	$ 15,768,578,047	$ 14,959,980,702
$ 1,678,992,563	$ 1,553,026,271	$ 1,473,754,122	$ 1,512,647,933	$ 1,576,857,805	$ 1,495,998,070
935,230,555	932,636,053	959,876,954	819,243,571	881,667,486	660,903,018
$ 743,762,008	$ 620,390,218	$ 513,877,168	$ 693,404,362	$ 695,190,319	$ 835,095,052
55.7%	60.1%	65.1%	54.2%	55.9%	44.2%

State of Georgia

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
2009	9,829,211	$ 333,996	$ 33,980	1,656,689	9.6%
2008	9,697,838	341,530	35,217	1,642,033	6.2%
2007	9,533,761	330,426	34,659	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%
2001	8,419,594	245,829	29,197	1,459,827	4.0%
2000	8,230,161	234,814	28,531	1,435,174	3.5%

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)

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Schedule 12
Principal Private Sector Employers
Fiscal Year 2010 and Nine Years Previous (2001)

2010 Employers	2001 Employers
Delta Air Lines, Incorporated	AT&T
Emory Health Care	BellSouth Corporation
Emory University	Delta Air Lines, Incorporated
Georgia Power Company	Emory Health Care
GMRI Inc.	Georgia-Pacific Corporation
Lowe's Home Centers	Mohawk Industries
Mohawk Carpet	Promina Health System
Publix Supermarkets, Incorporated	Publix Supermarkets, Incorporated
Shaw Industries, Incorporated	Shaw Industries, Incorporated
Target	The Home Depot
The Home Depot	The Southern Company/Georgia Power Company
The Kroger Company	United Parcel
United Parcel	Wal-Mart Stores, Incorporated
Wal-Mart Stores, Incorporated	
Wellstar Health System	

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

Sources:
Employers - Georgia Department of Labor
2010 Employment based on 3 month average

State of Georgia

Schedule 13
State Government Employment by Function
For the Last Ten Fiscal Years

	2010	2009	2008	2007
Governmental Activities				
General Government	9,103	8,425	9,151	9,240
Education	1,399	1,156	1,186	1,160
Health and Welfare	27,653	22,629	23,430	22,732
Transportation	5,363	5,340	5,745	5,849
Public Safety	25,014	21,829	23,850	23,115
Economic Development and Assistance	5,375	4,636	4,650	4,584
Culture and Recreation	3,184	2,785	3,160	3,023
Conservation	845	746	776	776
	77,936	67,546	71,948	70,479
Business-Type Activities (1)				
Georgia Technology Authority (2) (3)	-	-	-	-
Higher Education Fund	96,739	85,193	86,579	84,795
State Road and Tollway Authority (4)	64	53	43	51
	96,803	85,246	86,622	84,846
Total Employment	174,739	152,792	158,570	155,325

(1) Employees of certain Business-Types 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.

(2) Until fiscal year 2001, a portion of the activities of the Georgia Technology Authority were performed by the Department of Administrative Services which is included in General Government.

(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 employees are involved in the business-type activities.

Source: Georgia Department of Audits and Accounts

Fiscal Year					
2006	2005	2004	2003	2002	2001
6,779	7,352	6,927	6,857	6,326	8,422
1,129	1,156	1,011	925	942	949
22,170	22,081	19,918	12,048	10,601	13,869
5,769	5,850	5,844	5,916	6,083	7,073
23,266	22,949	23,077	23,586	22,751	25,135
4,589	4,614	4,675	4,729	4,112	2,608
2,945	2,927	2,864	2,956	2,119	2,453
742	726	1,065	765	746	831
67,389	67,655	65,381	57,782	53,680	61,340
562	630	650	732	762	125
82,200	81,893	79,160	80,222	71,644	60,694
-	-	-	-	-	-
82,762	82,523	79,810	80,954	72,406	60,819
150,151	150,178	145,191	138,736	126,086	122,159

State of Georgia

Schedule 14
Operating Indicators and Capital Assets by Function
For the Last Ten Years [1]

	2010	2009	2008	2007
General Government				
Department of Revenue				
Number of Personal Income Tax Filers	NCA	NCA	4,229,929	4,273,200
Education				
Department of Education				
Public School Enrollment (March FTE Count)				
Pre Kindergarten through Grade 5	825,044	818,709	812,311	801,307
Grades 6 through 8	371,759	367,453	368,734	371,020
Grades 9 through 12	459,886	455,871	453,210	446,539
Board of Regents of the University System of Georgia				
Number of Separate Institutions	35	35	35	35
Number of Active Educators	NCA	11,654	11,422	11,082
Number of Students	301,892	282,978	270,022	259,945
Health and Welfare				
Department of Human Services				
Food Stamp Recipients	NCA	NCA	986,245	947,146
Temporary Assistance for Needy Families Recipients	NCA	NCA	NCA	47,395
Child Support				
Collections (in thousands)	NCA	NCA	NCA	$ 650,856
Children Served	NCA	NCA	NCA	486,327
Transportation				
Department of Transportation				
Miles of State Highway	18,093	18,095	18,096	18,066
Public Safety				
Department of Corrections				
Number of Inmates	52,291	54,049	54,016	53,226
Number of Probationers	154,989	154,218	148,629	142,663
Economic Development and Assistance				
Department of Economic Development				
Economic Impact of Tourism (in millions):				
Domestic Traveler Spending [2]	NCA	NCA	$ 34,800	$ 34,100
Domestic Travel-Generated State Tax Revenues	NCA	NCA	$ 851	$ 845
Culture and Recreation:				
Department of Natural Resources				
Number of State Parks	48	48	48	48
Number of Historic Sites	15	15	15	15
Acreage of State Parks and Historic Sites (in acres)	84,000+	85,000+	82,000+	82,000+
Conservation				
Forestry Commission				
Economic Impact of Forestry Industry				
Output (in millions)	NCA	$ 16,900	$ 18,300	$ 18,500
Employment	NCA	48,519	57,812	64,192
Compensation (in millions)	NCA	$ 2,800	$ 3,100	$ 3,400

(1) Data is presented by either fiscal year or calendar year based on availability of information.
(2) Information for 2001 did not include indirect expenditures, which ranged from $10 billion in 2002 to $13.9 billion in 2007.

Source: NCA - Not Currently Available
Information obtained from the individual organizations listed.

Fiscal Year					
2006	2005	2004	2003	2002	2001
4,046,275	3,838,000	3,777,000	3,692,000	3,658,705	3,650,428
782,428	757,383	745,115	735,821	730,948	728,824
369,809	367,122	364,051	358,592	349,056	336,804
436,566	419,539	404,355	392,281	379,823	369,546
35	35	34	34	34	34
9,721	9,335	8,981	8,870	9,063	7,765
253,552	250,659	247,020	233,098	217,546	205,878
947,683	908,073	847,886	700,876	576,522	515,538
68,993	99,370	135,515	138,624	130,409	123,671
$ 628,231	$ 595,921	$ 554,198	$ 523,744	$ 463,537	$ 430,333
520,289	515,062	516,045	624,068	625,944	679,814
18,084	18,084	18,084	18,019	18,055	18,106
52,635	47,304	48,619	47,111	46,937	45,463
136,175	115,177	128,395	130,505	121,500	122,739
$ 29,860	$ 27,989	$ 26,127	$ 24,729	$ 23,879	$ 14,100
$ 812	$ 779	$ 740	$ 709	$ 683	$ 644
48	48	48	48	58	51
15	15	15	15	15	17
72,835	72,835	72,835	72,835	68,271	78,942
$ 17,760	$ 16,150	$ 14,163	$ 12,679	$ 16,085	$ 19,522
67,733	67,694	67,633	65,706	70,715	77,266
$ 3,513	$ 3,422	$ 3,299	$ 3,007	$ 3,241	$ 3,626