

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

**Financial Statements and Supplementary Information**

**June 30, 2011**

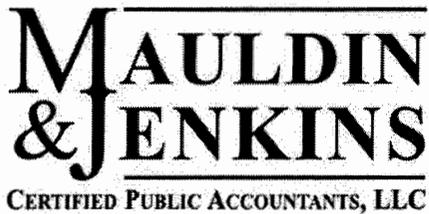
**GEORGIA STATE FINANCING AND INVESTMENT COMMISSION**  
**(A Component Unit of the State of Georgia)**

**FINANCIAL REPORT**  
**JUNE 30, 2011**

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## INDEPENDENT AUDITOR'S REPORT

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### **The Members Georgia State Financing and Investment Commission**

We have audited the accompanying financial statements of the governmental activities and each major fund of the **Georgia State Financing and Investment Commission** (the "Commission"), a component unit of the State of Georgia, as of and for the year ended June 30, 2011, which collectively comprise the Commission's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Commission's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Georgia State Financing and Investment Commission as of June 30, 2011, and the respective changes in financial position thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1, the Commission implemented Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, effective July 1, 2010.

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In accordance with *Government Auditing Standards*, we have also issued our report dated September 27, 2011 on our consideration of the Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 7 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Commission's basic financial statements. The supplementary information included in Schedule 1 – Schedule of Expenditures of Administration is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

*Mauldin & Jenkins, LLC*

Atlanta, Georgia  
September 27, 2011

# GEORGIA STATE FINANCING AND INVESTMENT COMMISSION

## (A Component Unit of the State of Georgia)

### MANAGEMENT'S DISCUSSION AND ANALYSIS

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Management's discussion and analysis of the financial performance of the Georgia State Financing and Investment Commission (the "Commission") is intended to provide the readers of these financial statements with an overview of the Commission's financial activities for the year ended June 30, 2011.

#### **Overview of the Financial Statements**

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

#### **Government-wide Financial Statements**

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

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

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

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

#### **Fund Financial Statements**

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Commission uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Commission are considered governmental funds.

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

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

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### Notes to the Financial Statements

The Notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The Notes to the financial statements can be found on pages 14-32 of this report.

### Government-wide Financial Analysis

#### Summary of the Commission's Net Assets

June 30, 2011 and 2010

		Governmental activities	
		2011	2010
Assets:			
Current and other assets	\$	1,648,502,870	\$ 1,896,995,429
Capital assets		104,437	68,878
Total assets		1,648,607,307	1,897,064,307
Liabilities:			
Long-term liabilities		13,805,936	14,497,438
Other liabilities		72,331,585	77,414,951
Total liabilities		86,137,521	91,912,389
Net assets:			
Invested in capital assets		104,437	68,878
Restricted		1,557,115,349	1,805,083,040
Unrestricted		5,250,000	-
Total net assets	\$	1,562,469,786	\$ 1,805,151,918

The net assets of a governmental entity may serve as an indicator of the entity's financial position. The Commission's net assets at June 30, 2011 were \$1.6 billion. A total of \$510 million included in "Restricted for construction for other State departments" represents "Construction in Progress—held for other governmental entities." This amount represents on-going building projects being performed for other State of Georgia Departments or Agencies. Restricted assets also includes \$973 million "Restricted for construction for other State departments" which represents amounts received from the State of Georgia (the "State") to be spent on future construction projects. All construction, once completed, will be transferred to the user State Department or Agency. Current and other assets decreased by \$248 million due primarily to bond proceeds and cash supplements received from the State of Georgia for \$718 million and \$15 million in investment income, offset by construction being completed in the amount of \$960 million and transferred primarily to the Board of Regents, local Boards of Education, and the Technical College System of Georgia. The decrease in assets coupled with a decrease in the liabilities, primarily the accounts payable liability, caused a decrease in net assets of \$243 million.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### Summary of Changes in the Commission's Net Assets

Years ended June 30, 2011 and 2010

	<u>Governmental Activities</u>	
	<u>2011</u>	<u>2010</u>
Revenues:		
Program revenues:		
Capital grants and contributions	\$ 729,279,534	\$ 845,516,319
General revenues:		
Intergovernmental revenue	36,581,561	25,205,709
Unrestricted investment earnings	15,232,480	33,226,228
Reduction in arbitrage rebate estimate	—	8,608,240
Other Revenue	6,886,068	493,224
Total revenues	<u>\$ 787,979,643</u>	<u>\$ 913,049,720</u>
Expenses:		
Board of Education	\$ 173,892,282	\$ 255,386,360
Board of Regents	328,539,956	303,318,692
Department of Agriculture	1,641,150	1,476,091
Department of Behavioral Health and Developmental Disabilities	9,986,123	13,982,839
Department of Community Affairs	162,923	—
Department of Community Health	715,228	42,936
Department of Corrections	69,994,212	18,994,291
Department of Defense	3,907,458	2,751,996
Department of Economic Development	3,302,718	3,686,581
Department of Juvenile Justice	14,648,905	6,490,257
Department of Labor	19,696,348	160,751
Department of Natural Resources	42,141,907	21,866,908
Department of Public Safety	3,402,909	21,112
Department of Revenue	12,502,596	12,248,935
Department of Transportation	52,800,949	196,047,899
Department of Veteran Services	1,607,519	1,324,089
Georgia Agricultural Exposition Authority	450,901	590,816
Georgia Building Authority	5,845,170	97,216,847
Georgia Bureau of Investigation	4,995,377	759,867
Georgia Environmental Finance Authority	34,828,800	46,472,872
Georgia Forestry Commission	3,963,423	4,743,141
Georgia Ports Authority	1,200,000	6,970,398
Jekyll Island Authority	19,069,549	3,020,210
Soil and Water Conservation Commission	—	955,086
State Accounting Office	567,500	—
Technical College System of Georgia	150,592,298	97,489,388
General administration	13,960,989	14,668,026
Intergovernmental expenses to the State of Georgia for:		
Purchase of general obligation bonds	—	35,408,794
Bond issuance expenses	3,526,122	5,002,649
Build America Bonds Interest Subsidy Payment to OST	11,353,993	3,735,644
Funds sent to Escrow Deposit Agent for refunding of GO Bonds	35,193,450	35,179,431
Arbitrage rebate expenses	5,278,614	—
Unspent cash appropriations returned to agencies	892,406	2,910,400
	<u>\$ 1,030,661,775</u>	<u>\$ 1,192,923,306</u>
Change in net assets	(242,682,132)	(279,873,586)
Net assets, beginning of year	<u>1,805,151,918</u>	<u>2,085,025,504</u>
Net assets, end of year	<u>\$ 1,562,469,786</u>	<u>\$ 1,805,151,918</u>

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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Revenues for the Commission consist of receipts from four major categories.

- Capital grants and contributions, which consist primarily of revenue from the State of Georgia from the sale of General Obligation Bonds for capital project construction and from cash supplements and appropriations by the State, provided \$718 million during fiscal year 2011, as compared to \$842 million in fiscal year 2010.
- General intergovernmental revenue, which consists primarily of revenue from the premium received by the State of Georgia from the sale of General Obligation Bonds for capital project construction, totaled \$36.6 million in 2011, as compared to \$25.2 million in 2010. This increase was due to an increase in the issuance premium on the State's bonds, which was used to prepay State General Obligation Bonds.
- Unrestricted investment earnings decreased \$17 million from the prior year due to the average yield of the portfolio decreasing from 0.76 to 0.45. During the year some investments were also purchased at a premium, which also attributed to this decrease.
- Interest subsidy payments from the US Treasury for several ARRA-authorized bonds, including State General Obligation Bonds which were designated as Build America Bonds, Recovery Zone Economic Development Bonds, and Qualified School Construction Bonds, totaled \$11.4 million in 2011, as compared to \$3.7 million in 2010. Interest subsidy payments are received semi-annually for each issue of designated bonds and these payments are amended into the Sinking Fund to offset State appropriation requirements for General Obligation bonds. These were included as grants and contribution program revenue.

Expenses by the Commission include \$960 million in construction costs incurred for completed projects which were transferred to the using department or agency within the State during fiscal year 2011. In the prior year \$1.1 billion of projects were completed and transferred.

### **Analysis of the Commission's Funds**

The net change in fund balance for the Commission's General Fund was an increase from the prior year of \$385 thousand. Administrative expenditures for the General Fund for the current year were \$14 million, which were comparable to the \$14.3 million in 2010. These expenditures include personal services costs, contractor fees, and other administrative costs of operations.

The Capital Projects Fund had a decrease in fund balance from the prior year of \$299 million. Expenditures by the Capital Projects Fund for capital construction costs for other departments or agencies of the State totaled \$1.02 billion. As previously discussed, these amounts are accrued as "Construction in Progress – held for other State departments" in the government-wide statements, but are recorded as expenditures in the fund statements. These expenditures compare to \$999 million in the prior year. The majority of the expenditures for the current year include projects for the Board of Regents, Local Boards of Education, and the Technical College System of Georgia.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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### **Budgetary Highlights**

The Commission adopts an annual operating budget for the administrative expenses of the Commission. The budget as originally adopted of \$16.9 million was not significantly amended during the year. Actual expenditures for Administration were \$986 thousand less than budgeted and the Project Management expenditures were less than the amount budgeted by \$882 thousand. The majority of these differences come from budgeted personnel positions in both programs remaining vacant throughout the year. The Commission also used less outside consultants and relied more on staff resulting in lower cost contracts and per diem cost. The Commission continued to reduce expenditures and conserve earnings in light of the State's budgetary stress and the unfavorable interest rate environment. The overall variance of final budget to actual expenditures was \$2.6 million.

### **Requests for Information**

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

**GEORGIA STATE FINANCING AND INVESTMENT COMMISSION**  
**(A Component Unit of the State of Georgia)**  
**Statement of Net Assets**  
**June 30, 2011**

<b>Assets</b>	<b>Governmental Activities</b>
Cash	\$ 167,367
Interest earning deposit account	77,704,692
Cash held by Office of State Treasurer for investment settlements	275,790,331
Investments	785,056,591
Construction in progress – held for other State departments	509,783,889
Capital assets, net of accumulated depreciation	104,437
Total assets	1,648,607,307
<b>Liabilities</b>	
Outstanding checks for which investments will be transferred upon check clearance	10,339,774
Accounts payable	36,988,153
Accrued liabilities	10,155
Retainage payable	24,993,503
Long-term liabilities:	
Due within one year	2,061,729
Due in more than one year	11,744,207
Total liabilities	86,137,521
<b>Net Assets</b>	
Invested in capital assets	104,437
Restricted for:	
Construction for other State departments	1,482,733,438
Escrow deposit	4,383,835
Construction with Build America Bonds Interest	16,691,145
GSFIC administration	53,306,931
Unrestricted	5,250,000
Total net assets	\$ 1,562,469,786

**See accompanying notes to financial statements.**

**GEORGIA STATE FINANCING AND INVESTMENT COMMISSION**  
**(A Component Unit of the State of Georgia)**  
**Statement of Activities**  
**Year ended June 30, 2011**

	Expenses	Program revenue Capital grants and contributions	Net (expense) revenue and changes in net assets Total governmental activities
<b>Functions/Programs</b>			
Governmental activities:			
Board of Education	\$ 173,892,282	\$ 240,131,000	\$ 66,238,718
Board of Regents	328,539,956	196,629,926	(131,910,030)
Department of Agriculture	1,641,150	1,511,000	(130,150)
Department of Administrative Services	—	20,000	20,000
Department of Behavioral Health and Developmental Disabilities	9,986,123	—	(9,986,123)
Department of Community Affairs	162,923	—	(162,923)
Department of Community Health	715,228	—	(715,228)
Department of Corrections	69,994,212	12,310,000	(57,684,212)
Department of Defense	3,907,458	3,788,300	(119,158)
Department of Driver Services	—	—	—
Department of Economic Development	3,302,718	100,000	(3,202,718)
Department of Juvenile Justice	14,648,905	26,890,000	12,241,095
Department of Labor	19,696,348	12,302,302	(7,394,046)
Department of Natural Resources	42,141,907	40,911,400	(1,230,507)
Department of Public Safety	3,402,909	5,952,900	2,549,991
Department of Revenue	12,502,596	7,617,500	(4,885,096)
Department of Transportation	52,800,949	1,105,000	(51,695,949)
Department of Veteran Services	1,607,519	605,000	(1,002,519)
Georgia Agricultural Exposition Authority	450,901	11,927,000	11,476,099
Georgia Building Authority	5,845,170	317,000	(5,528,170)
Georgia Bureau of Investigation	4,995,377	6,145,650	1,150,273
Georgia Environmental Finance Authority	34,828,800	34,000,000	(828,800)
Georgia Forestry Commission	3,963,423	—	(3,963,423)
Georgia Ports Authority	1,200,000	4,000,000	2,800,000
Georgia State Financing and Investment Commission	—	—	—
Jekyll Island Authority	19,069,549	—	(19,069,549)
Soil and Water Conservation Commission	—	2,429,436	2,429,436
State Accounting Office	567,500	2,000,000	1,432,500
Technical College System of Georgia	150,592,298	107,232,527	(43,359,771)
General Administration	13,960,989	—	(13,960,989)
Intergovernmental expenses to the State of Georgia for:			
State bond issuance expenses	3,526,122	—	(3,526,122)
Build America Bonds subsidy payment to the Office of State Treasurer	11,353,993	11,353,993	—
Escrow deposit to refund State general obligation bonds	35,193,450	—	(35,193,450)
Arbitrage rebate expenses	5,278,614	—	(5,278,614)
Unspent cash appropriations returned to agencies	892,406	—	(892,406)
<b>Total governmental activities</b>	<b>\$ 1,030,661,775</b>	<b>\$ 729,279,534</b>	<b>\$ (301,382,241)</b>
General revenues:			
Intergovernmental revenue			36,581,561
Unrestricted investment earnings			15,232,480
Other revenue			6,886,068
<b>Total general revenues</b>			<b>58,700,109</b>
Changes in net assets			(242,682,132)
Net assets -- beginning			1,805,151,918
Net assets -- ending			<b>\$ 1,562,469,786</b>

See accompanying notes to financial statements.

**GEORGIA STATE FINANCING AND INVESTMENT COMMISSION**  
(A Component Unit of the State of Georgia)  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2011**

	General Fund	Capital Projects Fund	Total Governmental Funds
<b>Assets</b>			
Cash	\$ 167,367	—	\$ 167,367
Interest earning deposit account	—	77,704,692	77,704,692
Cash held by Office of State Treasurer for investment settlements	—	275,790,331	275,790,331
Investments	—	785,056,591	785,056,591
Due from other funds	469,213	—	469,213
<b>Total assets</b>	<b>\$ 636,580</b>	<b>\$ 1,138,551,614</b>	<b>\$ 1,139,188,194</b>
<b>Liabilities and Fund Balances</b>			
Outstanding checks for which investments will be transferred upon check clearance	—	10,339,774	\$ 10,339,774
Due to other funds	—	469,213	469,213
Accounts payable	208,574	36,779,579	36,988,153
Accrued liabilities	10,155	—	10,155
Retainage payable	—	24,993,503	24,993,503
<b>Total liabilities</b>	<b>218,729</b>	<b>72,582,069</b>	<b>72,800,798</b>
<b>Fund balances</b>			
Restricted for:			
Construction for other state agencies	—	972,949,549	972,949,549
Escrow deposit	—	4,383,835	4,383,835
Arbitrage rebate liability	—	12,688,808	12,688,808
Construction with Build America Bonds Interest	—	16,691,145	16,691,145
GSFIC administration	417,851	54,006,208	54,424,059
Assigned	—	5,250,000	5,250,000
Unassigned	—	—	—
<b>Total fund balances</b>	<b>417,851</b>	<b>1,065,969,545</b>	<b>1,066,387,396</b>
<b>Total liabilities and fund balances</b>	<b>\$ 636,580</b>	<b>\$ 1,138,551,614</b>	

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.

Construction in progress — held for other State departments

Capital assets

Less accumulated depreciation

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

Due to the State for arbitrage rebate liability

Accrued vacation

Net assets of governmental activities

	509,783,889
	244,980
	(140,543)
	(12,688,808)
	(1,117,128)
	<u>\$ 1,562,469,786</u>

**See accompanying notes to financial statements.**

**GEORGIA STATE FINANCING AND INVESTMENT COMMISSION**  
**(A Component Unit of the State of Georgia)**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Year ended June 30, 2011**

	General Fund	Capital Projects Fund	Total Governmental Funds
<b>Revenues:</b>			
Intergovernmental revenue from bond proceeds and premiums	\$ —	\$ 696,072,711	\$ 696,072,711
Intergovernmental revenue from appropriations and cash supplements to projects	—	58,434,391	58,434,391
Intergovernmental revenue from interest subsidy	—	11,353,993	11,353,993
Investment income	—	15,232,480	15,232,480
Other revenue	536,068	6,350,000	6,886,068
<b>Total revenues</b>	<b>536,068</b>	<b>787,443,575</b>	<b>787,979,643</b>
<b>Expenditures:</b>			
Cost of construction and equipment:			
Board of Education	—	178,309,569	178,309,569
Board of Regents	—	412,623,793	412,623,793
Department of Agriculture	—	18,488,854	18,488,854
Department of Behavioral Health and Developmental Disabilities	—	9,986,123	9,986,123
Department of Community Affairs	—	162,923	162,923
Department of Community Health	—	625,983	625,983
Department of Corrections	—	42,966,309	42,966,309
Department of Defense	—	3,907,458	3,907,458
Department of Economic Development	—	3,297,991	3,297,991
Department of Juvenile Justice	—	14,648,908	14,648,908
Department of Labor	—	21,568,334	21,568,334
Department of Natural Resources	—	41,975,901	41,975,901
Department of Public Safety	—	2,670,420	2,670,420
Department of Revenue	—	12,502,596	12,502,596
Department of Transportation	—	46,911,107	46,911,107
Department of Veteran Services	—	1,607,519	1,607,519
Georgia Agricultural Exposition Authority	—	2,685,527	2,685,527
Georgia Building Authority	—	8,286,045	8,286,045
Georgia Bureau of Investigation	—	5,106,219	5,106,219
Georgia Environmental Finance Authority	—	34,828,800	34,828,800
Georgia Forestry Commission	—	4,478,531	4,478,531
Georgia Ports Authority	—	1,200,000	1,200,000
Georgia State Financing and Investment Commission	—	768,078	768,078
Jekyll Island Authority	—	19,095,159	19,095,159
Soil and Water Conservation Commission	—	4,443,979	4,443,979
State Accounting Office	—	567,500	567,500
Technical College System of Georgia	—	122,437,145	122,437,145
<b>Total cost of construction and equipment</b>	<b>—</b>	<b>1,016,150,771</b>	<b>1,016,150,771</b>

(Continued)

**GEORGIA STATE FINANCING AND INVESTMENT COMMISSION**  
**(A Component Unit of the State of Georgia)**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Year ended June 30, 2011**

	General Fund	Capital Projects Fund	Total Governmental Funds
General administration expenditures	\$ 14,020,061	\$ —	\$ 14,020,061
Intergovernmental expenditures to the State of Georgia for:			
State bond issuance expenditures	—	3,526,122	3,526,122
Arbitrage rebate expenditures	—	5,946,602	5,946,602
Build America Bonds Interest Subsidy Payment to the Office of State Treasurer	—	11,353,993	11,353,993
Escrow deposit to refund State general obligation bonds	—	35,193,450	35,193,450
Unspent cash appropriations returned to agencies	—	892,406	892,406
<b>Total expenditures</b>	<b>14,020,061</b>	<b>1,073,063,344</b>	<b>1,087,083,405</b>
(Deficiency) excess of revenues (under) over expenditures	(13,483,993)	(285,619,769)	(299,103,762)
Other financing sources (uses):			
Transfers in	13,869,213	—	13,869,213
Transfers out	—	(13,869,213)	(13,869,213)
<b>Total other financing sources (uses)</b>	<b>13,869,213</b>	<b>(13,869,213)</b>	<b>—</b>
<b>Net change in fund balances</b>	<b>385,220</b>	<b>(299,488,982)</b>	<b>(299,103,762)</b>
Fund balances (deficit), beginning of year	32,631	1,365,458,527	1,365,491,158
Fund balances, end of year	\$ 417,851	\$ 1,065,969,545	\$ 1,066,387,396
Amounts reported for governmental activities in the statement of activities are different because:			
Net change in fund balances – governmental funds			\$ (299,103,762)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense for governmental activities.			
Acquisition of capital assets			69,428
Depreciation expense			(33,869)
Accrual of disbursements for construction in progress – held for other State departments			1,016,150,771
Transfer of completed capital assets to the State of Georgia			(960,456,202)
Some expenses related to the following accrued items reported for governmental activities do not require the use of current financial resources and therefore are not reported as expenditures for governmental funds.			
Amounts due to the State for arbitrage rebate liability			667,988
Accrued vacation			23,514
Change in net assets of governmental activities			\$ (242,682,132)

**See accompanying notes to financial statements.**

# GEORGIA STATE FINANCING AND INVESTMENT COMMISSION

(A Component Unit of the State of Georgia)

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

Non-GAAP Budget Basis

Year ended June 30, 2011

	General Fund				Variance with final budget positive (negative)
	Budgeted amounts		Actual	Final	
	Original	Final			
Expenditures:					
Financing and Investment	\$ 1,680,684	\$ 1,680,684	\$ 1,217,560	\$ 463,124	
Administration	5,122,360	5,122,360	4,136,607	985,753	
Project Management	8,685,974	8,858,104	7,976,581	881,523	
Contracts	900,671	900,671	636,069	264,602	
ADA Coordinator	541,836	541,836	529,393	12,443	
Total expenditures	16,931,525	17,103,655	14,496,210	2,607,445	
Transfers from other funds for payment of operating expenditures	16,931,525	17,103,655	13,869,213	(3,234,442)	
Miscellaneous revenue	—	—	536,068	536,068	
Excess of revenue over expenditures	\$ —	\$ —	(90,929)	\$ (90,929)	
Reconciliation to GAAP Basis:					
To record effect of net change in unrecorded liabilities			476,149		
Net changes in fund balance GAAP Basis			\$ 385,220		

**See accompanying notes to financial statements.**

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

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**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Reporting Entity:**

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

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

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

The Commission consists of two divisions:

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

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

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### **Government-Wide and Fund Financial Statements:**

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

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

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

#### **General Fund:**

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

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Government-Wide and Fund Financial Statements: (Continued)

##### Capital Projects Fund:

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

- Payment or reimbursement for land, construction, and equipment costs of each project.
- Payment of related bond issuance expense.
- Payment to the State of Georgia (primary government) for purchase and retirement of public debt.
- Payment to the General Fund for the administrative expenses of the Commission.

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

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

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. General overhead expenses are recorded in the general administration function within the governmental activities.

#### **Budgetary Accounting:**

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

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

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### **Construction in Progress – Held for Other State Departments:**

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

#### **Capital Assets:**

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

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

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

#### **Compensated Absences:**

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

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### **Retainage Payable:**

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

#### **Income Taxes:**

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

#### **Related Party Transactions:**

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

#### **Economic Dependency:**

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

#### **Management Estimates:**

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

#### **Fund Equity:**

Fund equity at the governmental fund financial reporting level is classified as "fund balance." Fund equity for all other reporting is classified as "net assets."

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

- **Nonspendable** – Fund balances are reported as nonspendable when amounts cannot be spent because they are either (a) not in spendable form (i.e., items that are not expected to be converted to cash) or (b) legally or contractually required to be maintained intact.
- **Restricted** – Fund balances are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Commission or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.
- **Committed** – Fund balances are reported as committed when they can be used only for specific purposes pursuant to constraints imposed by formal action of the Commission through the adoption of a board resolution. Only the Commission may modify or rescind the commitment.
- **Assigned** – Fund balances are reported as assigned when amounts are constrained by the Commission's intent to be used for specific purposes, but are neither restricted nor committed. Through resolution, the Commission has authorized the Commission's Director of Construction Division and the Commission's Director of Financing and Investment Division to assign fund balances.
- **Unassigned** - Fund balances are reported as unassigned as the residual amount when the balances do not meet any of the above criterion. The Commission reports positive unassigned fund balance only in the General Fund.

**Flow Assumptions** – When both restricted and unrestricted amounts of fund balance are available for use for expenditures incurred, it is the Commission's policy to use restricted amounts first and then unrestricted amounts as they are needed. For unrestricted amounts of fund balance, it is the Commission's policy to use fund balance in the following order: Committed, Assigned, and then Unassigned.

## NOTES TO FINANCIAL STATEMENTS

### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**Net Assets** - Net assets represent the difference between assets and liabilities in reporting which utilizes the economic resources measurement focus. Net assets invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used (i.e., the amount that the Commission has spent) for the acquisition, construction or improvement of those assets. Net assets are reported as restricted using the same definition as used for restricted fund balance as described in the section above. All other net assets are reported as unrestricted.

The Commission applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

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

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

During the fiscal year ended June 30, 2011, the State sold the following general obligation bonds, from which it gave proceeds to the Commission:

Bond series	Face amount
2010B	\$ 170,165,000
2010C-1	84,955,000
2010C-2	233,515,000
2010C-3	136,535,000
2010C-4	28,755,000
Good faith received for 2011A/B/C/D/E/F	9,977,550
Bond premiums and accrued interest received	32,170,161
Total intergovernmental revenue received from bond proceeds	\$ 696,072,711

### NOTE 3. DEPOSITS AND INVESTMENTS

Demand deposit cash accounts for the Commission have a book value of \$167,367. Negotiable orders of withdrawal cash accounts for the Commission have a book value of \$77,704,692 and are presented as an interest earning deposit account. Investments, with a carrying value of \$785,056,591, are included in an arbitrage portfolio managed by the Georgia Office of State Treasurer (OST). Investments are stated at fair value based on quoted market prices. The arbitrage portfolio also includes cash of \$275,790,331 held for investment settlements. The arbitrage portfolio is reported in the financial statements as follows:

## NOTES TO FINANCIAL STATEMENTS

### NOTE 3. DEPOSITS AND INVESTMENTS (Continued)

<b>Account</b>	<b>Balance</b>
Cash held by OST for investment settlements	\$ 275,790,331
Investments	785,056,591
Total	\$ 1,060,846,922

#### **Credit Risk:**

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

At June 30, 2011, the Commission had the following investments:

<b>Investment</b>	<b>Maturities</b>	<b>Fair Value</b>
U.S. Government Agency Obligations	1.01 years effective duration	\$ 785,056,591
Total		\$ 785,056,591

## NOTES TO FINANCIAL STATEMENTS

### NOTE 3. DEPOSITS AND INVESTMENTS (Continued)

#### Interest Rate Risk:

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

#### Custodial Credit Risk - Deposits:

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

### NOTE 4. CAPITAL ASSETS

The Commission's capital asset activity for the year ended June 30, 2011 was as follows:

<u>Asset category</u>	<u>Balance June 30, 2010</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2011</u>
Cost:				
Equipment	\$ 175,552	\$ 69,428	\$ -	\$ 244,980
Accumulated depreciation:				
Equipment	<u>106,674</u>	<u>33,869</u>	<u>-</u>	<u>140,543</u>
Total net capital assets	<u>\$ 68,878</u>	<u>\$ 35,559</u>	<u>\$ -</u>	<u>\$ 104,437</u>

Depreciation expense of \$33,869 was charged to the general administration function.

## NOTES TO FINANCIAL STATEMENTS

### NOTE 5. LONG-TERM LIABILITIES

The Commission's long-term liability activity for the year ended June 30, 2011, was as follows:

Liabilities	Balance June 30, 2010	Additions	Reductions	Balance June 30, 2011	Amount due within one year
Due to the State for Arbitrage rebate liability	\$ 13,356,797	\$ 6,026,298	\$ 6,694,287	\$12,688,808	\$ 1,214,520
Accrued vacation	1,140,641	841,529	865,042	1,117,128	847,209
<b>Total</b>	<b>\$ 14,497,438</b>	<b>\$6,867,827</b>	<b>\$ 7,559,329</b>	<b>\$13,805,936</b>	<b>\$ 2,061,729</b>

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

### NOTE 6. INTERFUND BALANCES AND TRANSFERS

Interfund transfers are made from the Capital Projects Fund to the General Fund for payment of the administrative affairs of the Commission. For the year ended June 30, 2011, the Capital Projects Fund transferred \$13,869,213 to the General Fund.

All interfund balances resulted from the time lag between the dates that (1) reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) repayments between funds are made.

For the year ended June 30, 2011, the Capital Projects Fund owes \$469,213 to the General Fund due to the timing of a portion of the transfers discussed above.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 7. RETIREMENT SYSTEMS

#### Employees' Retirement System of Georgia:

##### Plan Description:

The Commission participates in various retirement plans administered by the Employees' Retirement System of Georgia (ERS System). Financial statements and required supplementary information for ERS may be obtained from the Employees' Retirement System of Georgia from the following address: Employees' Retirement System of Georgia, Two Northside 75, Atlanta, Georgia 30318. The plans are described below and more detailed information can be found in the plan agreements and related legislation. Each plan, including benefit and contribution provisions, was established and can be amended by State law.

The ERS System is comprised of individual retirement systems and plans covering substantially all employees of the State of Georgia except for teachers and other employees covered by the Teachers Retirement System of Georgia. One of the ERS System plans, the Employees' Retirement System of Georgia (ERS), is a cost-sharing multiple-employer defined benefit pension plan that was established by the Georgia General Assembly during the 1949 Legislative Session for the purpose of providing retirement allowances for employees of the State of Georgia and its political subdivisions. ERS is directed by a Board of Trustees and has the powers and privileges of a corporation. ERS acts pursuant to statutory direction and guidelines, which may be amended prospectively for new hires but for existing members and beneficiaries may be amended in some aspects only subject to potential application of certain constitutional restraints against impairment of contract.

##### Benefits:

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

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 7. RETIREMENT SYSTEMS (Continued)

#### Employees' Retirement System of Georgia: (Continued)

##### Benefits: (Continued)

The benefit structure of ERS is established by the Board of Trustees under statutory guidelines. Unless the employee elects otherwise, an employee who currently maintains membership with ERS based upon State employment that started prior to July 1, 1982, is an "old plan" member subject to the plan provisions in effect prior to July 1, 1982. Members hired on or after July 1, 1982 but prior to January 1, 2009 are "new plan" members subject to the modified plan provisions. Effective January 1, 2009, newly hired State employees, as well as rehired State employees who did not maintain eligibility for the "old" or "new" plan, are members of the Georgia State Employees' Pension and Savings Plan (GSEPS). ERS members hired prior to January 1, 2009 also have the option to 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. Post-retirement cost-of-living adjustments may be made to members' benefits provided the members were hired prior to July 1, 2009. The normal retirement pension is payable monthly for life; however, options are available for distribution of the member's monthly pension, at reduced rates, to a designated beneficiary upon the member's death. Death and disability benefits are also available through ERS.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 7. RETIREMENT SYSTEMS (Continued)

#### Employees' Retirement System of Georgia: (Continued)

##### Contributions Required and Contributions Made:

Member contribution rates are set by law. Member contributions under the old plan are 4% of annual compensation up to \$4,200 plus 6% of annual compensation in excess of \$4,200. Under the old plan, the Commission pays member contributions in excess of 1.25% of annual compensation. Under the old plan, these Commission contributions are included in the members' accounts for refund purposes and are used in the computation of the members' earnable compensation for the purpose of computing retirement benefits. Member contributions under the new plan and GSEPS are 1.25% of annual compensation. The Commission is required to contribute at a specified percentage of active member payroll established by the Board of Trustees determined annually in accordance with actuarial valuation and minimum funding standards as provided by law. These Commission contributions are not at any time refundable to the member or his/her beneficiary.

Employer contributions required for fiscal year 2011 were based on the June 30, 2008 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 employer 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.

The Annual Required Contributions and Actual Employer Contributions, from the Commission to the Employees' Retirement System, totaled \$774,711, \$806,669, and \$768,613, and were charged to the General Fund during the years ended June 30, 2011, 2010, and 2009, respectively. The Commission made 100% of the required contributions for each year and had no net pension obligation at the end of the fiscal years ended June 30, 2011, 2010, and 2009.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 7. RETIREMENT SYSTEMS (Continued)

#### Georgia Defined Contribution Plan:

##### Plan Description:

Certain employees of the Commission participate in the Georgia Defined Contribution Plan ("GDCP"); a single-employer (the State of Georgia) defined contribution Plan established by the Georgia General Assembly for the purpose of providing retirement allowances for state employees who are not members of a public retirement or pension system. The ERS Board of Trustees administers the GDCP. The Commission's payroll for the year ended June 30, 2011, for employees covered by GDCP was \$68,589. Total payroll for all employees was \$7,878,903.

##### Benefits:

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

##### Contributions Required and Contributions Made:

Member contributions are 7.5% of gross salary. There are no employer contributions. Earnings are to be credited to each member's account as adopted by the Board. Upon termination of employment, the amount of the member's account is refundable upon request by the member. Total contributions made by employees during 2011 amounted to \$5,144. These contributions represented 7.5% of covered payroll.

### NOTE 8. OTHER POST-EMPLOYMENT BENEFITS

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

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 8. OTHER POST-EMPLOYMENT BENEFITS (Continued)

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.

#### **Georgia State Employees Post-employment Health Benefit Fund:**

The Georgia State Employees Post-employment Health Benefit Fund (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 Official Code of Georgia Annotated (OCGA) assigns the authority to establish and amend the benefit provisions of the group health plans, including benefits for retirees, 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.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 8. OTHER POST-EMPLOYMENT BENEFITS (Continued)

#### **Georgia State Employees Post-employment Health Benefit Fund: (Continued)**

The combined active and retiree contribution rates established by the Board for employers participating in the State OPEB Fund, the fiscal year ended June 30, 2011, were as follows:

June 2010	22.165% of covered payroll for July coverage
July 2010 – April 2011	22.586% of covered payroll for August- May coverage
May 2011 – June 2011	22.667% of covered payroll for June – July coverage

No additional contribution was required by the Board for fiscal year 2011 nor contributed to the State 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 Commission's contribution to the health insurance plans for the fiscal year ended June 30, 2011, was \$1,923,162, which equaled the required contribution as described above for fiscal year 2011. The Commission's contribution to the health insurance plans for the fiscal years ended June 30, 2010 and 2009 were \$1,609,041 and \$965,140, respectively, which equaled the required contributions as described above for fiscal years 2010 and 2009.

#### **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 ERS, 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.

## NOTES TO FINANCIAL STATEMENTS

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### **NOTE 8. OTHER POST-EMPLOYMENT BENEFITS (Continued)**

#### **State Employees' Assurance Department – OPEB: (Continued)**

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, 2011, contributions of ERS "old plan" members were 0.45% of earnable compensation, 0.22% of which was paid by the employer.

Contributions of ERS "new plan" members and of members of the Judicial and Legislative Retirement Systems were 0.23% of earnable compensation. There were no employer annual required contributions (ARC), nor actual contributions, for the fiscal years ended June 30, 2011, 2010 and 2009 for the Commission.

### **NOTE 9. COMMITMENTS**

The Commission has entered into agreements with various State departments and agencies for the expenditure of bond sale proceeds and cash supplements to acquire and construct capital projects. At June 30, 2011, the undisbursed balance remaining on these agreements approximated \$893,458,431.

### **NOTE 10. RISK MANAGEMENT**

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

## NOTES TO FINANCIAL STATEMENTS

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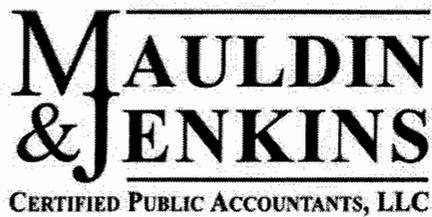
### **NOTE 10. RISK MANAGEMENT (Continued)**

Financial information relative to self-insurance funds is presented in the financial reports of the Department of Administrative Services and the Employees' Retirement System for the year ended June 30, 2011.

For its employee health insurance coverage, the Commission is a participant in the State of Georgia's Health Benefit Plan (the "Plan"), a public entity risk pool operated by the state for the benefit of employees of the State of Georgia, county governments and local education agencies located within the state. The Plan is funded by participants covered in the Plan, by employers' contributions paid by the various units of government participating in the Plan, and appropriations by the General Assembly of Georgia. The State Personnel Board, Merit System of Personnel Administration, which administers the Plan, has contracted with Blue Cross Blue Shield of Georgia to process claims in accordance with the Plan as established by the State Personnel Board. Financial information relative to the Plan is presented in the financial report of the State Personnel Board, Merit System of Personnel Administration for the year ended June 30, 2011.

### **NOTE 11. CONTINGENCIES**

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



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

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**The Members  
Georgia State Financing and  
Investment Commission**

We have audited the financial statements of the governmental activities and each major fund of the Georgia State Financing and Investment Commission – (the “Commission”), a component unit of the State of Georgia, as of and for the year ended June 30, 2011, which collectively comprise the Commission’s basic financial statements and have issued our report thereon dated September 27, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control over Financial Reporting**

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

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

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

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**Compliance and Other Matters**

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

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

*Mauldin & Jenkins, LLC*

Atlanta, Georgia  
September 27, 2011

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

**SCHEDULE OF FINDINGS AND RESPONSES**  
**FOR THE YEAR ENDED JUNE 30, 2011**

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**Section I – Summary of Auditor’s Results**

**Financial Statements**

Type of auditor’s report issued

Unqualified

Internal control over financial reporting:

Material weaknesses identified?

\_\_\_\_\_ yes  no

Significant deficiencies identified not considered  
to be material weaknesses?

\_\_\_\_\_ yes  none reported

Noncompliance material to financial statements noted?

\_\_\_\_\_ yes  no

**Federal Awards**

There was not an audit of major federal award programs as of June 30, 2011 due to the Georgia State Financing and Investment Commission not receiving any federal awards for the year then ended June 30, 2011.

**GEORGIA STATE FINANCING AND INVESTMENT COMMISSION**  
**(A Component Unit of the State of Georgia)**  
**General Fund**  
**Schedule of Expenditures of Administration**  
**(GAAP Basis)**  
**Year ended June 30, 2011**

Personal services	\$ 11,202,931
Regular operating expenditures	598,725
Computer charges	587,531
Real estate rents	998,294
Telecommunications	54,314
Contracts	578,266
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Total	\$ 14,020,061
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