

State of Georgia

COMPREHENSIVE ANNUAL FINANCIAL REPORT JUNE 30, 2004

State of Georgia

SONNY PERDUE, GOVERNOR

Comprehensive Annual Financial Report June 30, 2004

Prepared by
State Accounting Office and
Georgia Department of Audits and Accounts

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State of Georgia

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INTRODUCTORY SECTION



Sonny Perdue
Governor

Lynn H. Vellinga
State Accounting Officer

Fiscal Leadership for Georgia

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

July 6, 2005

The Honorable Sonny Perdue
Governor of Georgia
and
Members of the General Assembly
Citizens of the State of Georgia

The Comprehensive Annual Financial Report of the State of Georgia for the year ended June 30, 2004, is hereby submitted. Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with the State. All disclosures necessary to enable the reader to gain an understanding of the State's financial activities have been included.

Format and Content of Report. The Comprehensive Annual Financial Report is presented in three sections: Introductory, Financial and Statistical. The Introductory Section includes this transmittal letter, an organization chart and a listing of principal officials. The Financial Section contains the State Auditor's report; Management's Discussion and Analysis (MD&A); the Basic Financial Statements, which present the government-wide financial statements and fund financial statements for governmental funds, proprietary funds and fiduciary funds, together with notes to the Basic Financial Statements; Required Supplementary Information, which includes budgetary comparison schedules; and supplementary financial data, which includes combining financial statements and schedules for individual funds. The Statistical Section provides a history of selected financial and demographic information.

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 Comprehensive Annual Financial Report in accordance with criteria established by the Governmental Accounting Standards Board. Accordingly, this report contains information on Georgia's *primary government*, and on *component units* that are financially accountable to the State.

Internal Controls. Management of the State is responsible for establishing and maintaining internal accounting controls designed to ensure that assets are safeguarded and that financial transactions are properly recorded and adequately documented. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived and that the valuation of costs and benefits requires estimates and judgments by management.

Independent Audit. The financial statements of the organizations comprising the State reporting entity have been separately examined and reported on by either the State Auditor or independent certified public accountants. The accompanying financial statements for the State of Georgia have been prepared from the results of those examinations. The State Auditor's opinion thereon appears 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*.

Management's Discussion and Analysis (MD&A). The discussion and analysis immediately following the report of the independent auditors provides an overview and analysis of the State's Basic Financial Statements, with a focus on the primary government and its activities. This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it.

PROFILE OF THE GOVERNMENT

Structure. The Constitution of the State of Georgia 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.

Budgetary Control. The objective of budgetary control is to ensure compliance with legal provisions embodied in the General Appropriations Act enacted by the General Assembly. Annual appropriated budgets are adopted at the departmental level and are applicable to the general, debt service and capital projects funds. All unencumbered annual appropriations lapse at fiscal year end unless otherwise specified by the Constitution or statute. The Constitution further authorizes the passage of additional Supplementary Appropriation Acts for specific purposes, provided sufficient unappropriated funds are available or additional revenue measures have been enacted. Federal funds received by the State are continually appropriated in the exact amounts and for the purposes authorized and directed by the awarding federal agency.

The budgetary basis of accounting required by state law differs materially from the basis used to report revenues and expenditures in accordance with generally accepted accounting principles (GAAP). In addition, the fund structure utilized to implement the annual budget differs extensively from the fund structure presented in these financial statements.

The separately issued Report of the State Auditor for Georgia is issued annually. The sole purpose of the Report of the State Auditor is to provide the General Assembly with information concerning financial compliance with the Amended Appropriations Act for the fiscal year. In contrast to issuing financial statements in accordance with generally accepted accounting principles, the financial statements presented in the Report of the State Auditor are reported in conformity with statutory requirements.

FACTORS AFFECTING FINANCIAL CONDITION

Cash Management. The State Depository Board is designated by State law as the oversight Board for Georgia's cash management and investment policies. The Office of Treasury and Fiscal Services ("OTFS") acts as the administrative agent of the Board. As more fully discussed in Notes 1 and 3 to the Basic Financial Statements, OTFS invests temporarily idle cash in statewide investment pools. All such funds are invested considering first the probable safety of capital and then probable income, while meeting daily cash flow requirements and conforming to all statutes governing the investment of public funds.

Debt Administration. The Georgia State Financing and Investment Commission, an agency of the State, is empowered by law to receive the proceeds from the issuance of State of Georgia general obligation and guaranteed revenue 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. Under the Constitution of the State of Georgia, the highest aggregate annual debt service (principal and interest) for all outstanding general obligation and guaranteed revenue debt may not exceed 10 percent of the previous fiscal year's revenue collections. The highest total annual commitments at June 30, 2004, were 6.51 percent of the 2003 revenue collections. At June 30, 2004, outstanding general obligation debt issues of the State of Georgia totaled \$6,513,380,000 and outstanding guaranteed revenue bonds issued by certain discretely presented component units were \$726,322,403.

At June 30, 2004, the State of Georgia maintained the following investment service bond ratings:

Moody's Investors Service	Aaa
Standard & Poor's Corporation	AAA
Fitch's Investor's Service, Incorporated	AAA

Further detailed information on outstanding bonds is reflected in the Financial Section, Notes to the Financial Statements and Statistical Section of this report.

Pension Trust Funds. Total net assets of the State's pension plans reached \$57,077,989,675 at June 30, 2004. Of the State's fifteen (15) pension trust funds, the Employees' Retirement System and the Teachers' Retirement System represent more than 96% of the total net assets. Financial activities of the pension trust funds are presented in fund level financial statements for fiduciary funds. Additional disclosures relating to the State's pension funds are provided in Note 15 to the basic financial statements.

Risk Management. The State is self-insured against certain property and liability claims, including workers' compensation and unemployment compensation. The Risk Management Funds accumulate reserves and, for certain property and liability risks, pay for commercial insurance coverage. Revenues are generated from premiums charged to state and local government organizations. Various risk control techniques are utilized to minimize accident-related losses; risk managers also identify unique loss exposures and develop strategies to reduce the cost of risk associated with individual business operations.

Economic Conditions and Outlook. Fiscal Year 2004 has been a year of improving economic conditions both in the U. S. and in Georgia. Since the trough in the third quarter of 2001, the national economy has achieved positive rates of growth in each subsequent quarter. Georgia's economy has grown in synch with that of the United States. In addition, Georgia saw healthy job gains in fiscal year 2004. Georgia's growth in non-farm employment has generally followed rising U. S. employment trends, albeit at lower rates of growth than for the nation as a whole. Georgia added in excess of 53,000 non-farm jobs in fiscal year 2004, after a decline in employment levels of about 42,000 jobs in fiscal year 2003.

Georgia's economic outlook translates into a forecast of continued real growth in personal income and in non-farm employment. While employment is expected to grow, it is likely that employment growth will continue to lag that of the nation. Several of Georgia's key employment segments are expected to grow slowly due to sector specific factors. In travel, transportation & utilities, growth is expected to be supported by growth in demand for air cargo, trucking and rail services. However, employment in Georgia's passenger air segment is expected to suffer as Delta Air Lines struggles with its high cost structure in the face of mounting competition from discount carriers. In information, consolidation among telecommunications services providers is expected to constrain near-term growth potential. Finally, business and professional services employment is expected to grow slowly as professional services providers have faced slowing demand for their services.

Given the economic outlook for fiscal year 2005, State revenues are projected to grow 6.1% with tax collections increasing approximately 6.5%.

MAJOR INITIATIVES

Fiscal Policy. In order to better manage the finances of the State of Georgia, the Governor has employed a new financial organization headed by a Chief Financial Officer. The Governor has also organized three councils to inform and advise the administration on financial management issues.

Commission for a New Georgia. The Commission for a New Georgia was created in June 2003 as part of the Governor's desire to improve the culture of State government. The Commission is an innovative public-private partnership formed to create breakthrough ideas to help Georgia become a better-managed state and to envision Georgia's strategic future. The Commission brings together some of Georgia's best and brightest to create innovative solutions that will help Georgians save money, grow the State's economy, and make Georgia's residents healthier, safer, and well-educated.

State Accounting Office. The State Accounting Officer was appointed and the State Accounting Office was created in October of 2004. The State Accounting Office worked together with the Department of Audits and Accounts to prepare this report. Future Comprehensive Annual Financial Reports will be prepared by the State Accounting Office and will be audited independently by the Department of Audits and Accounts. This will remedy the situation requiring the independence qualification in this and previous years' Auditor's Reports.

CONCLUSION

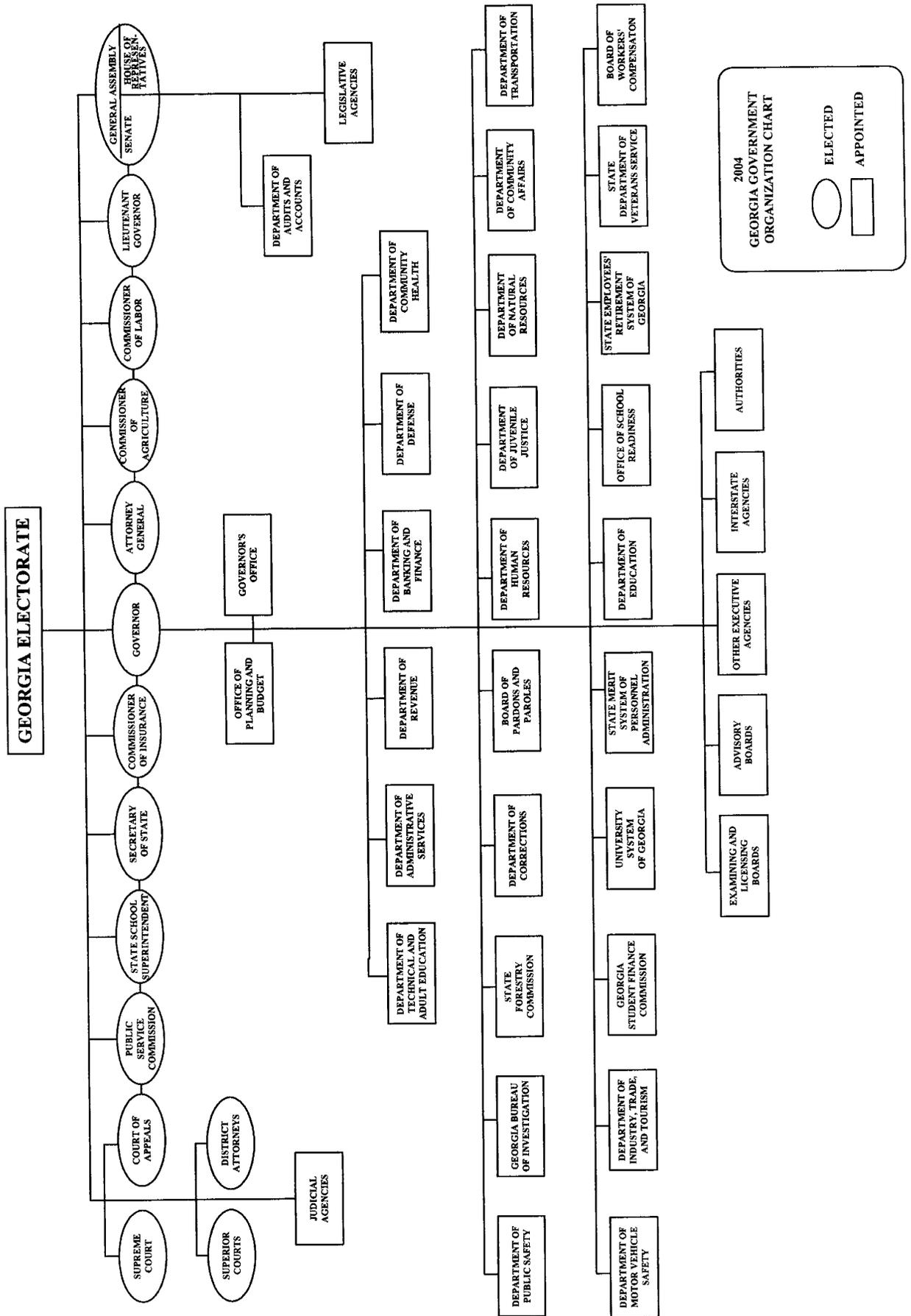
Compilation of Transmittal Letter

This transmittal letter has been compiled utilizing information contributed by various State management sources. We express our appreciation to the Department of Audits and Accounts for their dedicated efforts in assisting us in the preparation of this report.

Respectfully submitted,



Lynn H. Vellinga, CPA
State Accounting Officer



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State of Georgia

Principal State Officials

June 30, 2004

Executive:

Sonny Perdue
Governor

Cathy Cox
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

H. Doug Everett, Chairman
Robert "Bobby" Baker, Jr.
David L. Burgess
Angela Elizabeth Speir
Stan Wise
Public Service Commission

Legislative:

Mark Taylor
Lieutenant Governor/President of the Senate

Terry Coleman
Speaker of the House of Representatives

Judicial:

Norman S. Fletcher
Chief Justice of the Supreme Court

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FINANCIAL SECTION



DEPARTMENT OF AUDITS AND ACCOUNTS

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

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 were engaged to audit the accompanying statement of activities of the governmental activities and the statement of revenues, expenditures, and changes in fund balance of the general fund. These financial statements are the responsibility of management of the State of Georgia.

We have audited the accompanying statement of net assets of the governmental activities and the general fund balance sheet and the accompanying financial statements of the business-type activities, the aggregated discretely presented component units, the major governmental fund - Georgia State Financing and Investment Commission, each major proprietary fund – enterprise fund, and the aggregated remaining fund information of the State of Georgia as of and for the year ended June 30, 2004 which collectively comprise the State's basic financial statements as listed in the table of contents. These financial statements are the responsibility of management of the State of Georgia. 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	17%	22%
Business-Type Activities	8%	31%
Aggregate Discretely Presented Component Units	89%	93%
Governmental Fund - General Fund	18%	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	91%	56%

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 it relates to the amounts included for those financial statements, is based solely upon the reports of the other auditors.

Except as discussed in the following paragraphs, 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 General Assembly and the Georgia Lottery Corporation 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 examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinions.

Georgia statutes, in addition to audit responsibilities, entrust other responsibilities to the Department of Audits and Accounts. Those responsibilities included the maintenance of the *Accounting Procedures Manual for the State of Georgia* and service by the State Auditor on the governing boards of various agencies, authorities, commissions, and component units of the State of Georgia. Except for the State Depository Board, which is the oversight board for the Office of Treasury and Fiscal Services, 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.

Constitutional and statutory provisions of the State of Georgia did not provide for a position or organizational unit responsible for the preparation of statewide financial statements during fiscal year 2004. However, an Executive Order, issued on October 6, 2004, authorized the establishment of duties within the executive branch to prepare statewide financial statements. During the transition of the responsibility for the preparation of the statewide financial statements, it remained necessary for staff of the Department of Audits and Accounts to participate in the consolidation of financial information presented in individual organization financial statements and to assist in the preparation of adjusting journal entries necessary for the production of the fiscal year 2004 basic financial statements. We are therefore not independent with regard to the preparation of accounting entries required to convert the consolidated budgetary financial statements to basic financial statements prepared in accordance with accounting principles generally accepted in the United States of America. On July 1, 2005, statutory provisions of the State of Georgia became effective establishing the State Accounting Office whose duties included the preparation of consolidated financial statements for the State of Georgia and maintenance of the *Accounting Procedures Manual for the State of Georgia*.

As discussed in Notes 8 and 9 to the basic financial statements, the State of Georgia did not maintain adequate systems to identify, classify, and report leases as operating or capital leases in conformity with accounting principles generally accepted in the United States of America. We were unable to determine the effect these limitations had on the financial statements.

As discussed in Note 1F to the basic financial statements, the State of Georgia did not maintain adequate systems to document and report the cost of state-owned land in conformity with accounting principles generally accepted in the United States of America. We were unable to determine the effect these limitations had on the financial statements.

The major proprietary fund - Unemployment Compensation Fund, maintained by the Georgia Department of Labor, has excluded from liabilities certain deferred revenues in the accompanying balance sheet that should be recorded in order to conform with accounting standards generally accepted in the United States of America. Liabilities existed at June 30, 2004 as a result of overpayments and/or pre-payments of unemployment compensation taxes remitted by various employers. The amount by which this omission would affect liabilities, net assets, and revenues of the major proprietary fund type - Unemployment Compensation Fund is not reasonably determinable.

The State of Georgia (Department of Community Health) implemented a new MultiHealthNetwork (MHN) system during fiscal year 2003. The new system administers the payment of claims, as well as provides customer service and health information for Medicaid and PeachCare recipients. All internal controls and processes necessary to ensure proper claims processing were not in place and operating effectively during the fourth quarter of fiscal year 2003. As a result, there was a lack of evidential matter in support of recorded transactions and management of the Department of Community Health was unable to furnish other auditors with knowledgeable representation of facts and circumstances regarding certain transactions and financial activities occurring during fiscal year 2003. Accordingly, we were unable to express an opinion on the financial statements of the governmental activities and the general fund of the State of Georgia as of and for the year ended June 30, 2003. Since the amounts reported in the statement of net assets of the governmental activities and the balance sheet of the general fund as of June 30, 2003 materially affect the amounts reported in the statement of activities of the governmental activities and the statement of revenues, expenditures and changes in fund balances for the general fund for the year ended June 30, 2004, the scope of our work and the work of other auditors was not sufficient to enable us to express, and we do not express, an opinion on the statement of activities of the governmental activities and the statement of revenues, expenditures, and changes in fund balances of the general fund for the year ended June 30, 2004.

In our opinion, based on our audit and the reports of other auditors, except for the effects of not maintaining adequate systems to account for leases and land as described in aforementioned paragraphs, the statement of net assets for governmental activities referred to in the second paragraph presents fairly, in all material respects, the financial position of the governmental activities of the State of Georgia as of June 30, 2004, in conformity with accounting principles generally accepted in the United States of America.

In our opinion, based on our audit and the reports of other auditors, the statement of net assets for the general fund referred to in the second paragraph presents fairly, in all material respects, the financial position of the general fund of the State of Georgia as of June 30, 2004, in conformity with accounting principles generally accepted in the United States of America.

In our opinion, except for the effects of the exclusion from liabilities certain deferred revenues as described in an aforementioned paragraph, the financial statements referred to in the second paragraph present fairly, in all material respects, the financial position of the major proprietary fund – Unemployment Compensation Fund as of June 30, 2004, and the respective changes in financial position and cash flows thereof for the year ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to in the second paragraph present fairly, in all material respects, the financial position of the business-type activities, the aggregated discretely presented component units, the Georgia State Financing and Investment Commission, State Employees' Health Benefit Plan, Higher Education Fund, and the aggregated remaining fund information of the State of Georgia as of June 30, 2004, 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 \$718,312,215 which represents the State of Georgia's liability for teachers salaries earned before June 30, 2004, but not paid until July and August, 2004. State appropriations for the subsequent fiscal year were available for obligation even though the period to which the appropriation applied had not begun. The recognition of this liability at June 30, 2004, 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.

As discussed in Note 2 to the basic financial statements, the State of Georgia implemented GASB Statement Number 39, *Determining Whether Certain Organizations Are Component Units*.

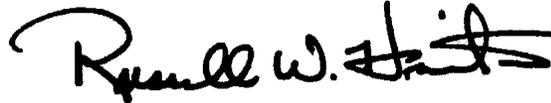
In accordance with *Government Auditing Standards*, we have also issued a report dated July 6, 2005, on our consideration of the State of Georgia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis on pages 7 through 17, the schedule of funding progress for the Employees' Retirement System of Georgia on page 89, and the budgetary comparison schedule and accompanying notes on pages 90 through 94 are not required parts of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. 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 combining statements and schedules as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining statements and schedules have 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, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The Introductory and Statistical Sections as listed in the table of contents have not been subjected to the auditing procedures applied by us and the other auditors 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

July 6, 2005

**MANAGEMENT'S
DISCUSSION AND ANALYSIS**

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MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2004. 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

Government-Wide

The assets of the State exceeded its liabilities at the close of the fiscal year by \$19 billion (reported as "*net assets*"). Of this amount, \$1.9 billion (reported as "*unrestricted net assets*") may be used to meet the State's ongoing obligations to citizens and creditors. Component units of the State reported net assets of \$4.4 billion for the fiscal year ended June 30, 2004. The State's total net assets (including restatement of the prior year balance) decreased by \$710 million.

Fund Level

Governmental Funds – As of the close of the current fiscal year, the State's governmental funds reported a combined ending fund balance of \$4.8 billion, with \$1.3 billion of this total available for spending at the government's discretion (*unreserved fund balance*). At the end of the fiscal year, unreserved fund balance for the general fund was \$31 million, or 0.13 percent of total general fund expenditures.

Proprietary Funds – Net assets at the end of fiscal year 2004 totaled \$6.9 billion. Total net assets for the Enterprise Funds (including restatement of the prior year balance) increased by \$253 million during the fiscal year; Internal Service Funds decreased by \$51 million.

Long-term Liabilities

The State's long-term liabilities totaled \$7.4 billion at June 30, 2004. General obligation debt is the major component comprising 87% of these liabilities.

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 three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains required supplementary information in addition to the basic financial statements.

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. The government-wide financial statements include two statements:

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 whether the State's financial position is improving or deteriorating.

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 program revenues for each function of the State.

Both of the above financial statements report three activities:

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.

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 Contributions and Benefits 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 Georgia Department of Technical and Adult Education).

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 Facilities Authority, Georgia Housing and Finance Authority, Georgia Lottery Corporation, Georgia Tech Foundation, Incorporated, and the State Road and Tollway Authority.

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.

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. They also focus on the balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the government's short-term financing requirements. This approach is known as using 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 funds and the governmental activities. These reconciliations are presented on the page immediately following each governmental fund financial statement.

The State of Georgia maintains eight 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 six governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major 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 statements.

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 four enterprise funds and six 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. 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 statements, but more detail is provided for each of these funds in the proprietary fund statements. Conversely, all six internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal services 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 included 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.

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 Trust Funds (fifteen separate retirement plans for employees), 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) a budgetary comparison schedule and accompanying reconciliation to the governmental fund financial statements, and (2) pension funding information.

Combining Statements

The combining statements referred to earlier in connection with non-major governmental funds, internal service funds, and fiduciary funds are presented following the required supplementary information. The total columns of these combining financial statements carry 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 billion at the end of fiscal year 2004.

**State of Georgia
Net Assets as of June 30, 2004 and 2003**

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2004	2003	2004	2003	2004	2003
Current and Other						
Non-current Assets	\$ 8,902,740,907	\$ 9,120,143,727	\$ 2,637,831,157	\$ 2,819,005,416	\$ 11,540,572,064	\$ 11,939,149,143
Net Capital Assets	14,813,652,946	15,400,364,888	4,331,341,093	3,703,718,320	19,144,994,039	19,104,083,208
Total Assets	\$ 23,716,393,853	\$ 24,520,508,615	\$ 6,969,172,250	\$ 6,522,723,736	\$ 30,685,566,103	\$ 31,043,232,351
Non-current Liabilities	\$ 6,811,312,051	\$ 6,422,827,170	\$ 637,171,719	\$ 342,055,036	\$ 7,448,483,770	\$ 6,764,882,206
Other Liabilities	3,284,334,989	3,425,098,549	607,715,673	640,044,306	3,892,050,662	4,065,142,855
Total Liabilities	\$ 10,095,647,040	\$ 9,847,925,719	\$ 1,244,887,392	\$ 982,099,342	\$ 11,340,534,432	\$ 10,830,025,061
Net Assets						
Invested in Capital Assets, net of related debt	\$ 10,073,116,534	\$ 10,494,764,447	\$ 3,849,934,815	\$ 3,517,357,655	\$ 13,923,051,349	\$ 14,012,122,102
Restricted	2,166,593,614	1,292,107,012	1,269,662,551	1,313,230,522	3,436,256,165	2,605,337,534
Unrestricted	1,381,036,665	2,885,711,437	604,687,492	710,036,217	1,985,724,157	3,595,747,654
Total Net Assets	\$ 13,620,746,813	\$ 14,672,582,896	\$ 5,724,284,858	\$ 5,540,624,394	\$ 19,345,031,671	\$ 20,213,207,290

The largest portion of the State of Georgia's net assets (72 percent) reflects its investment in capital assets (e.g., land, buildings, machinery and equipment, infrastructure) less any related debt used to acquire those assets that is still outstanding. The State uses these 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.

An additional portion of the State's net assets (18 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets may 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.

At the end of the current fiscal year, the State is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

Changes in Net Assets

The revenues and expenses information, shown in the table on the following page, was derived from the government-wide Statement of Activities and reflects how the State's net assets changed during the fiscal year. The State of Georgia earned program revenues of \$18.1 billion and general revenues of \$15.1 billion, totaling \$33.2 billion during Fiscal Year 2004. Expenses for the State during Fiscal Year 2004 were \$33.9 billion.

The State's net assets (including restatement of the prior year balance) decreased by \$710 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.

State of Georgia
Changes in Net Assets for the Years Ended June 30, 2004 and 2003

	Governmental		Business-Type		Total Primary	
	Activities		Activities		Government	
	2004	2003	2004	2003	2004	2003
Revenues:						
Program Revenues:						
Charges for Services	\$ 2,256,765,248	\$ 2,587,077,357	\$ 2,079,339,180	\$ 1,546,888,906	\$ 4,336,104,428	\$ 4,133,966,263
Operating Grants and Contributions	10,278,522,740	8,674,420,677	3,330,386,346	3,224,704,736	13,608,909,086	11,899,125,413
Capital Grants and Contributions	7,100,353	621,391,293	148,406,860	28,932	155,507,213	621,420,225
General Revenues:						
Taxes	13,734,734,437	12,960,192,619	-	-	13,734,734,437	12,960,192,619
Grants and Contributions	176,603	336,793	-	-	176,603	336,793
Unrestricted Investment Income	116,615,258	260,409,399	58,646,464	107,562,266	175,261,722	367,971,665
Unclaimed Property	54,073,941	43,718,971	-	-	54,073,941	43,718,971
Other	1,094,273,034	8,819,960	-	-	1,094,273,034	8,819,960
Total Revenues	\$ 27,542,261,614	\$ 25,156,367,069	\$ 5,616,778,850	\$ 4,879,184,840	\$ 33,159,040,464	\$ 30,035,551,909
Expenses:						
General Government	\$ 1,900,816,188	\$ 1,411,121,239	\$ -	\$ -	\$ 1,900,816,188	\$ 1,411,121,239
Education	8,007,435,032	7,942,981,306	-	-	8,007,435,032	7,942,981,306
Health and Welfare	11,370,543,257	10,299,189,336	-	-	11,370,543,257	10,299,189,336
Transportation	1,844,280,801	1,096,837,030	-	-	1,844,280,801	1,096,837,030
Public Safety	1,712,345,630	1,779,431,612	-	-	1,712,345,630	1,779,431,612
Economic Development and Assistance	738,424,900	729,877,988	-	-	738,424,900	729,877,988
Culture and Recreation	237,830,704	199,872,826	-	-	237,830,704	199,872,826
Conservation	49,089,414	57,885,080	-	-	49,089,414	57,885,080
Interest and Other Charges on Long-Term Debt	319,033,931	342,747,642	-	-	319,033,931	342,747,642
Georgia Technology Authority	-	-	198,937,289	207,164,956	198,937,289	207,164,956
Higher Education Fund	-	-	4,762,819,609	4,640,361,002	4,762,819,609	4,640,361,002
State Employees' Health Benefit Fund	-	-	1,850,125,373	1,677,981,448	1,850,125,373	1,677,981,448
Unemployment Compensation	-	-	877,555,002	995,169,112	877,555,002	995,169,112
Total Expenses	\$ 26,179,799,857	\$ 23,859,944,059	\$ 7,689,437,273	\$ 7,520,676,518	\$ 33,869,237,130	\$ 31,380,620,577
Increase (Decrease) in Net Assets Before Transfers and Special Items	\$ 1,362,461,757	\$ 1,296,423,010	\$ (2,072,658,423)	\$ (2,641,491,678)	\$ (710,196,666)	\$ (1,345,068,668)
Transfers	(2,294,450,061)	(2,132,445,683)	2,294,450,061	2,132,445,683	-	-
Special Item	-	(906,725)	-	-	-	(906,725)
Change in Net Assets	\$ (931,988,304)	\$ (836,929,398)	\$ 221,791,638	\$ (509,045,995)	\$ (710,196,666)	\$ (1,345,975,393)
Net Assets, July 1 - Restated	14,552,735,117	15,509,512,294	5,502,493,220	6,049,670,389	20,055,228,337	21,559,182,683
Net Assets, June 30	\$ 13,620,746,813	\$ 14,672,582,896	\$ 5,724,284,858	\$ 5,540,624,394	\$ 19,345,031,671	\$ 20,213,207,290

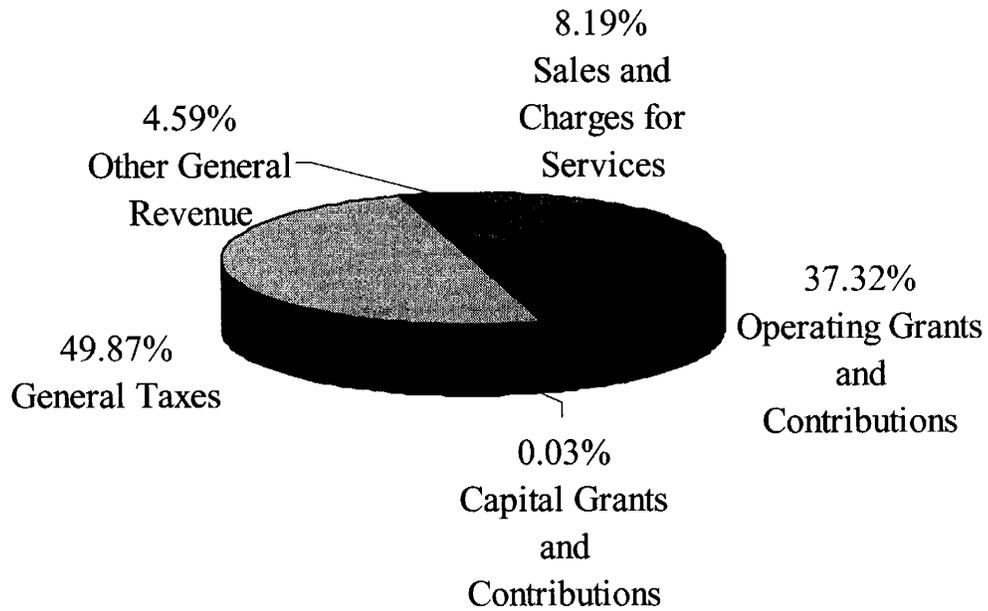
Governmental Activities

Governmental activities reduced the State's net assets (including restatement of the prior year balance) by \$932 million. The significant components of this change were the decrease in capital assets, net of accumulated depreciation and the increase in general obligation debt. The State's capital assets, net of accumulated depreciation decreased from the prior year largely because depreciation expense for infrastructure assets exceeded the amount of infrastructure asset additions during the year. A major portion of the increase in general obligation debt was used to finance construction projects for local educational agencies, which are not part of the State's reporting entity.

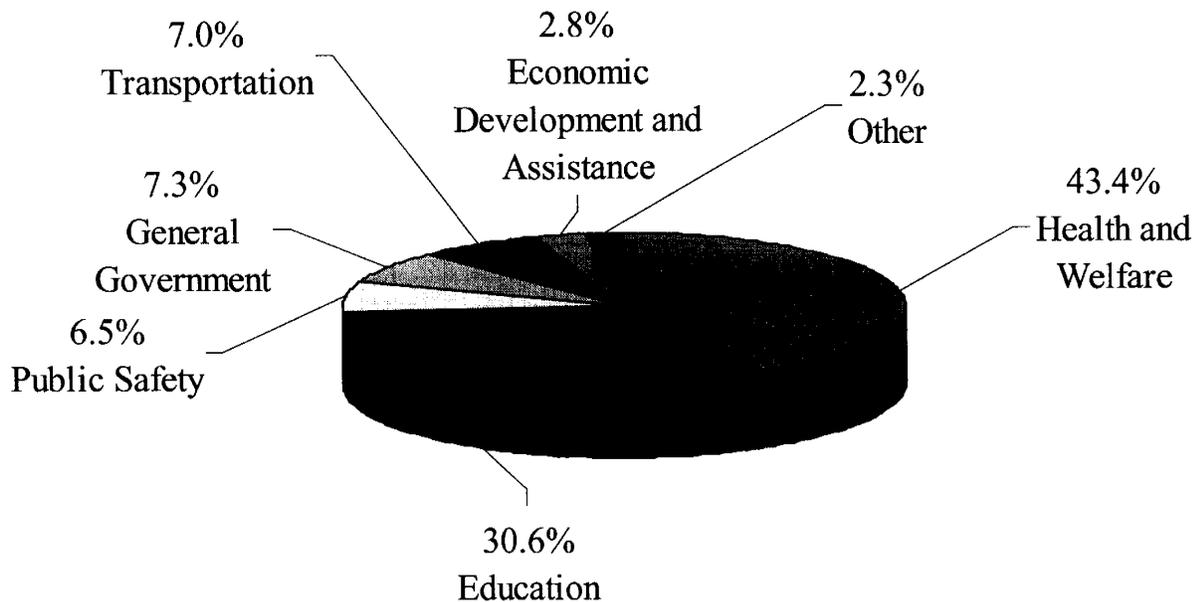
Governmental revenues account for approximately 83 percent of total revenue. Approximately 50 percent of governmental revenue came from taxes, while 37 percent resulted from grants and contributions (mostly federal revenue). Charges for various goods and services provided 8 percent of the revenues. The State's expenses cover a range of services. The largest expenses were for education and health and welfare, which combined, accounted for 74 percent of total governmental activity expenses. In fiscal year 2004, governmental activity expenses and

transfers were funded 44.0 percent, or \$12.5 billion, from program revenues and 52.7 percent, or \$15 billion, from general revenues (mostly taxes).

Governmental Activities - Sources of Revenue



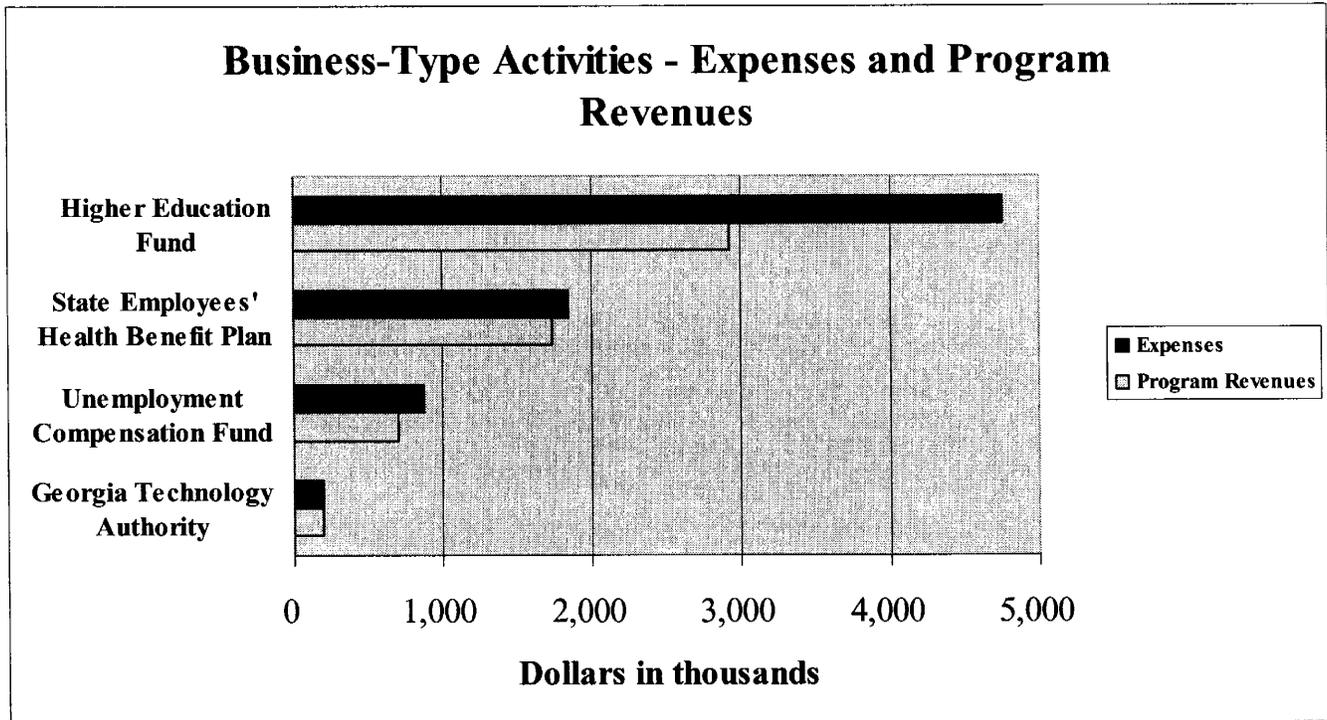
Governmental Activities - Expenses by Program



Business-Type Activities

Business-type activities increased the State of Georgia’s net assets (including restatement of the prior year balance) by \$222 million. Additions to the facilities of various colleges and universities account for this change. Operating Grants and Contracts accounted for 59 percent of revenues and Higher Education and State Employees’ Health Benefit Plan accounted for 86 percent of expense.

In fiscal year 2004, business-type activities expenses were funded 72.3 percent, or \$5.6 billion, from program revenues; 0.8 percent, or \$59 million, from general revenues; and 29.8 percent, or \$2.3 billion, from transfers from governmental activities to fund higher education.



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 2004, the State of Georgia’s governmental funds reported combined ending fund balances of \$4.8 billion, a decrease of \$73.6 million in comparison with the prior fiscal year (including restatement of the prior year balance). Approximately one-fourth of this total amount (\$1.3 billion) constitutes *unreserved fund balance*, which is available for spending at the State’s discretion. The remainder of fund balance is *reserved* to indicate that it is not available for new spending because it has already been committed 1) to liquidate contracts and purchase orders (\$749 million), 2) to provide and maintain an adequate system of public roads and bridges in the State (\$1.34 billion appropriated to the Georgia Department of Transportation (GDOT), \$45 million committed to subsequent appropriation to GDOT), 3) to administer education programs funded by the State’s lottery (\$576 million) or for a variety of other restricted purposes (\$810 million).

The General Fund is the chief operating fund of the State. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$31 million, while total fund balance reached \$3.5 billion. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 0.13 percent of total General Fund expenditures, while total fund balance represents 14.3 percent of that same amount.

The fund balance (including restatement of the prior year balance) of the State's General Fund increased by \$161 million, primarily as a result of higher tax collections and recovery of the economy. By the end of the year, fund balance had grown 4.8 percent from the prior year restated balance.

The capital projects fund, in total, has a fund balance of \$1.24 billion, most of which is designated for future capital outlay. The State has five capital projects funds, with one being considered a major fund for presentation purposes for fiscal year 2004. The major capital projects fund, as mentioned earlier, is the Georgia State Financing and Investment Commission (GSFIC); the total fund balance for GSFIC is \$1.23 billion. The total net decrease in fund balance during the current year in the capital projects fund was \$120 million due primarily to decreases in investment income and increases in expenditures for construction and equipment.

Proprietary Funds

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

BUDGETARY HIGHLIGHTS

The final budget exceeded original appropriations by approximately \$8.4 billion. This increase resulted from \$2.4 billion in funds carried forward from the prior year, \$3.6 billion of federal revenues and \$2.5 billion of other revenues being amended into the budget by the State organizations that anticipated earning the funds. Additionally, the State's Supplementary Appropriations Act decreased budgeted state general revenues by \$95 million.

At fiscal year end, funds available were approximately \$3.1 billion less than final budgetary estimates and expenditures were approximately \$4.8 billion less than final budgetary estimates, resulting in an excess of funds available over expenditures of approximately \$1.7 billion.

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, 2004, was \$28.8 billion, less accumulated depreciation of \$9.7 billion (net book value of \$19.1 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.

The total increase in the State of Georgia's investment in capital assets (including restatement of the prior year balance) for the current fiscal year was \$1.3 billion, or 4.8 percent (a 2.3 percent increase for governmental activities and a 13.8 percent increase for business-type activities). Accumulated depreciation increased \$1.3 billion or 13.2 percent (a 15.1 percent increase for governmental activities and an 8.0 percent increase for business-type activities).

State of Georgia
Capital Assets, net of depreciation as of June 30, 2004 and 2003

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2004	2003	2004	2003	2004	2003
Land	\$ 416,058,860	\$ 418,727,327	\$ 162,155,934	\$ 142,354,526	\$ 578,214,794	\$ 561,081,853
Buildings and Building Improvements	1,799,542,010	1,771,773,041	3,073,587,030	2,649,723,831	4,873,129,040	4,421,496,872
Improvements Other Than Buildings	34,917,561	38,825,894	148,954,507	124,292,154	183,872,068	163,118,048
Machinery and Equipment	247,352,384	274,222,374	509,169,622	457,591,616	756,522,006	731,813,990
Software	19,936,806	27,091,474	6,265,306	14,131,094	26,202,112	41,222,568
Library Collections	-	-	148,328,710	147,671,309	148,328,710	147,671,309
Works of Art and Collections	6,312,608	6,312,608	16,449,274	14,661,108	22,761,882	20,973,716
Infrastructure	10,131,421,381	11,329,688,501	85,539,499	79,729,031	10,216,960,880	11,409,417,532
Construction in Progress	2,158,111,336	1,533,723,669	180,891,211	735,636,511	2,339,002,547	1,607,287,320
Total	\$ 14,813,652,946	\$ 15,400,364,888	\$ 4,331,341,093	\$ 3,703,718,320	\$ 19,144,994,039	\$ 19,104,083,208

Additional information on the State's capital assets can be found in Note 5 to the financial statements of this report.

Debt Administration

At the end of the current fiscal year, the State had total bonded debt outstanding of \$6.51 billion. As illustrated below, substantially all of this amount is backed by the full faith and credit of the government (*general obligation debt*). \$15,505 represents bonds that are past maturity, but have not been presented for redemption to date (*general state debt*).

The most current bond ratings for Moody's Investors Service, Fitch Investors Service, L.P., and Standard and Poor's Corporation are Aaa, AAA and AAA, respectively. Under the State's Constitution the highest aggregate annual debt may not exceed 10 percent of the previous fiscal year's revenue collections.

State of Georgia
Outstanding Bond Debt as of June 30, 2004 and 2003

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2004	2003	2004	2003	2004	2003
General Obligation Bonds	\$ 6,513,380,000	\$ 6,083,975,000	-	-	\$ 6,513,380,000	\$ 6,083,975,000
General State Bond Debt	15,505	15,505	-	-	15,505	15,505
Total	\$ 6,513,395,505	\$ 6,083,990,505	-	-	\$ 6,513,395,505	\$ 6,083,990,505

The State of Georgia's total long-term liabilities increased by \$661 million (9.7 percent) during the current fiscal year. The key factor in this increase was issuance of \$936 million of general obligation bonds to fund construction of facilities of higher education institutions, local school districts and other state organizations.

Additional information on the State of Georgia's long-term debt can be found in Note 10 of the notes to the financial statements of this report.

ECONOMIC FACTORS

The trend for economic recovery in the U. S. has been similar for the State of Georgia. On June 6, 2005, the Department of Revenue announced that net revenue collections for the first 11 months of fiscal year 2005 increased approximately 7.9% when compared to the same period in fiscal year 2004. This announcement also indicated that May 2005 collections increased 3.8% from collections one year ago.

The Georgia Department of Labor's quarterly report of economic indicators for the first quarter of calendar year 2005 reported a modest start for the year's economic indicators. Unemployment increased from 4.4% to 5.1% from the same quarter of the prior calendar year. The report indicated, however, that it was too early to verify whether conditions are trending down, as opposed to indicating a slow patch through which the economy is moving.

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

State of Georgia

Statement of Net Assets June 30, 2004

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
Assets				
Cash and Cash Equivalents	\$ 2,119,079,541	\$ 1,615,642,206	\$ 3,734,721,747	\$ 695,309,576
Investments	3,741,596,325	597,612,247	4,339,208,572	2,515,859,256
Accounts Receivable (Net of Allowances for Uncollectibles)				
Interest and Dividends	32,131,594	—	32,131,594	9,571,427
Notes and Loans	1,148,672	48,028,942	49,177,614	341,474,253
Taxes	829,832,445	—	829,832,445	266,459
Other	509,941,658	219,938,973	729,880,631	738,982,042
Internal Balances	40,666,759	(40,666,759)	0	—
Due From Primary Government	—	—	0	2,706,929
Due From Component Units	48,475,046	29,800,498	78,275,544	—
Intergovernmental Receivables	1,443,647,879	84,940,158	1,528,588,037	8,915,606
Inventories	53,652,706	25,178,835	78,831,541	15,041,740
Prepaid Items	30,456,426	45,506,563	75,962,989	2,683,834
Other Assets	20,258,178	6,055,906	26,314,084	223,842,186
Restricted Assets				
Cash and Cash Equivalents	—	5,793,588	5,793,588	150,270,026
Investments	—	—	0	745,934,320
Receivables				
Loans (Net)	—	—	0	1,275,014,024
Interest and Dividends	—	—	0	6,180,898
Other	—	—	0	142,750
Advances to Component Units	31,853,678	—	31,853,678	—
Deferred Charges	—	—	0	18,419,120
Capital Assets (Net of Accumulated Depreciation)	14,813,652,946	4,331,341,093	19,144,994,039	1,924,136,542
Total Assets	\$ 23,716,393,853	\$ 6,969,172,250	\$ 30,685,566,103	\$ 8,674,750,988
Liabilities				
Accounts Payable and Other Accruals	\$ 1,383,031,653	\$ 83,259,984	\$ 1,466,291,637	\$ 249,907,755
Due to Primary Government	—	—	0	78,275,544
Due to Component Units	2,245,304	461,625	2,706,929	—
Salaries/Withholdings Payable	5,565,882	9,778,748	15,344,630	4,509,658
Benefits Payable	903,008,991	192,550,631	1,095,559,622	—
Accrued Interest Payable	111,400,636	227,410	111,628,046	4,389,199
Contracts Payable	36,138,902	2,194,055	38,332,957	1,496,186
Undistributed Local Government Sales Tax	76,200,000	—	76,200,000	—
Funds Held for Others	101,812,030	46,148,595	147,960,625	29,170,812
Deferred Revenue	207,526,017	235,133,844	442,659,861	360,600,209
Deposits	330,754	30,426,398	30,757,152	—
Claims and Judgments Payable	381,993,897	—	381,993,897	—
Liabilities Payable from Restricted Assets	—	—	0	35,979,080
Other Liabilities	75,080,923	7,534,383	82,615,306	153,241,460
Noncurrent Liabilities:				
Due within one year	598,667,991	105,974,422	704,642,413	161,182,374
Due in more than one year	6,212,644,060	531,197,297	6,743,841,357	3,188,293,174
Total Liabilities	\$ 10,095,647,040	\$ 1,244,887,392	\$ 11,340,534,432	\$ 4,267,045,451

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

State of Georgia

Statement of Net Assets June 30, 2004

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
Net Assets				
Invested in Capital Assets, Net of Related Debt	\$ 10,073,116,534	\$ 3,849,934,815	\$ 13,923,051,349	\$ 994,197,018
Restricted for:				
Bond Covenants/Debt Service	—	—	0	47,450,333
Construction	—	—	0	30,231,937
Distance Learning and Telemedicine	—	17,666,055	17,666,055	—
Guaranteed Revenue Debt Common Reserve Fund	71,831,065	—	71,831,065	—
Hazardous Waste Trust Fund	17,910,923	—	17,910,923	—
Loan and Grant Programs	—	—	0	28,954,353
Lottery for Education	576,281,229	—	576,281,229	—
Motor Fuel Tax Funds	1,382,843,466	—	1,382,843,466	—
Permanent Trusts:				
Nonexpendable	—	110,673,394	110,673,394	822,498,948
Expendable	—	216,599,410	216,599,410	618,181,752
Underground Storage Trust Fund	68,064,451	—	68,064,451	—
Unemployment Compensation Benefits	—	875,924,570	875,924,570	—
Other Purposes	49,662,480	48,799,122	98,461,602	4,799,499
Unrestricted	1,381,036,665	604,687,492	1,985,724,157	1,861,391,697
Total Net Assets	\$ 13,620,746,813	\$ 5,724,284,858	\$ 19,345,031,671	\$ 4,407,705,537

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, 2004

	Program		
	Expenses	Sales and Charges for Services	Operating Grants and Contributions
Functions/Programs			
Primary Government			
Governmental Activities:			
General Government	\$ 1,900,816,188	\$ 214,580,288	\$ 226,623,765
Education	8,007,435,032	29,225,977	1,330,345,024
Health and Welfare	11,370,543,257	1,198,093,607	7,087,301,903
Transportation	1,844,280,801	50,302,550	821,352,575
Public Safety	1,712,345,630	395,988,387	128,573,560
Economic Development and Assistance	738,424,900	234,846,192	623,563,836
Culture and Recreation	237,830,704	128,473,995	52,849,017
Conservation	49,089,414	5,254,252	7,913,060
Interest and Other Charges on Long-Term Debt	319,033,931	—	—
Total Governmental Activities	<u>\$ 26,179,799,857</u>	<u>\$ 2,256,765,248</u>	<u>\$ 10,278,522,740</u>
Business-Type Activities:			
Georgia Technology Authority	\$ 198,937,289	\$ 198,869,244	\$ —
Higher Education Fund	4,762,819,609	1,349,989,153	1,424,325,342
State Employees' Health Benefit Plan	1,850,125,373	—	1,729,565,583
Unemployment Compensation Fund	877,555,002	530,480,783	176,495,421
Total Business-Type Activities	<u>\$ 7,689,437,273</u>	<u>\$ 2,079,339,180</u>	<u>\$ 3,330,386,346</u>
Total primary government	<u>\$ 33,869,237,130</u>	<u>\$ 4,336,104,428</u>	<u>\$ 13,608,909,086</u>
Component Units			
Environmental Facilities Authority	\$ 36,781,473	\$ 28,976,108	\$ 32,791,109
Georgia Tech Foundation, Incorporated	101,924,000	—	54,923,000
Housing and Finance Authority	79,409,920	51,520,182	24,237,084
Lottery Corporation	2,554,443,000	2,554,261,000	—
Road and Tollway Authority	173,332,177	20,717,976	—
Nonmajor Component Units	1,692,948,739	808,871,559	774,993,091
Total Component Units	<u>\$ 4,638,839,309</u>	<u>\$ 3,464,346,825</u>	<u>\$ 886,944,284</u>

General Revenues:

Taxes
Grants and Contributions not restricted to specific programs
Contributions to Permanent Endowments
Unrestricted Investment Income
Unclaimed Property
Other
Payments from the State of Georgia
Transfers
Total General Revenues, Special Items, and Transfers
Change in Net Assets
Net Assets - Beginning - Restated
Net Assts - Ending

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

Revenues	Net (Expense) Revenue and Changes in Net Assets			
	Capital Grants and Contributions	Primary Government		Component Units
		Governmental Activities	Business-Type Activities	
\$ 6,904,355	\$ (1,452,707,780)	\$ —	\$ (1,452,707,780)	\$ —
—	(6,647,864,031)	—	(6,647,864,031)	—
—	(3,085,147,747)	—	(3,085,147,747)	—
—	(972,625,676)	—	(972,625,676)	—
48,598	(1,187,735,085)	—	(1,187,735,085)	—
5,472	119,990,600	—	119,990,600	—
—	(56,507,692)	—	(56,507,692)	—
141,928	(35,780,174)	—	(35,780,174)	—
—	(319,033,931)	—	(319,033,931)	—
<u>\$ 7,100,353</u>	<u>\$ (13,637,411,516)</u>	<u>\$ —</u>	<u>\$ (13,637,411,516)</u>	<u>\$ —</u>
\$ 149,384	\$ —	\$ 81,339	\$ 81,339	\$ —
148,257,476	—	(1,840,247,638)	(1,840,247,638)	—
—	—	(120,559,790)	(120,559,790)	—
—	—	(170,578,798)	(170,578,798)	—
<u>\$ 148,406,860</u>	<u>\$ —</u>	<u>\$ (2,131,304,887)</u>	<u>\$ (2,131,304,887)</u>	<u>\$ —</u>
<u>\$ 155,507,213</u>	<u>\$ —</u>	<u>\$ (2,131,304,887)</u>	<u>\$ (15,768,716,403)</u>	<u>\$ —</u>
\$ 56,203,502	\$ —	\$ —	\$ —	\$ 81,189,246
—	—	—	—	(47,001,000)
—	—	—	—	(3,652,654)
—	—	—	—	(182,000)
—	—	—	—	(152,614,201)
49,539,850	—	—	—	(59,544,239)
<u>\$ 105,743,352</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ (181,804,848)</u>
\$ 13,734,734,437	\$ —	\$ —	\$ 13,734,734,437	\$ 21,665,769
176,603	—	—	176,603	—
—	—	—	0	39,254,993
116,615,258	58,646,464	—	175,261,722	233,991,935
54,073,941	—	—	54,073,941	—
1,094,273,034	—	—	1,094,273,034	29,639,601
—	—	—	0	183,654,004
<u>(2,294,450,061)</u>	<u>2,294,450,061</u>	<u>—</u>	<u>0</u>	<u>—</u>
<u>\$ 12,705,423,212</u>	<u>\$ 2,353,096,525</u>	<u>\$ —</u>	<u>\$ 15,058,519,737</u>	<u>\$ 508,206,302</u>
\$ (931,988,304)	\$ 221,791,638	\$ —	\$ (710,196,666)	\$ 326,401,454
14,552,735,117	5,502,493,220	—	20,055,228,337	4,081,304,083
<u>\$ 13,620,746,813</u>	<u>\$ 5,724,284,858</u>	<u>\$ —</u>	<u>\$ 19,345,031,671</u>	<u>\$ 4,407,705,537</u>

State of Georgia

Balance Sheet Governmental Funds June 30, 2004

	General Fund	Georgia State Financing and Investment Commission	Nonmajor Funds	Total
Assets				
Cash and Cash Equivalents	\$ 1,987,548,494	\$ 20,175,372	\$ 5,177,480	\$ 2,012,901,346
Investments	1,224,001,756	1,325,108,616	2,551,866	2,551,662,238
Receivables (Net of Allowances for Uncollectibles)				
Taxes	829,832,445	—	—	829,832,445
Interest and Dividends	32,131,594	—	—	32,131,594
Notes and Loans	1,148,672	—	—	1,148,672
Other	497,512,988	—	1,203,256	498,716,244
Due from Component Units	44,944,002	—	—	44,944,002
Intergovernmental Receivables	1,443,647,879	—	—	1,443,647,879
Inventories	46,871,535	—	—	46,871,535
Prepaid Items	30,241,202	—	—	30,241,202
Other Assets	20,258,178	—	—	20,258,178
Total Assets	\$ 6,158,138,745	\$ 1,345,283,988	\$ 8,932,602	\$ 7,512,355,335
Liabilities and Fund Balances				
Liabilities:				
Accounts Payable and Other Accruals	\$ 1,298,841,178	\$ 78,868,942	\$ —	\$ 1,377,710,120
Due to Other Funds	8,952,446	1,500,000	—	10,452,446
Due to Component Units	2,245,304	—	—	2,245,304
Salaries/Withholdings Payable	5,474,000	—	—	5,474,000
Benefits Payable	903,008,991	—	—	903,008,991
Contracts Payable	8,236	36,103,426	—	36,111,662
Undistributed Local Government Sales Tax	76,200,000	—	—	76,200,000
Funds Held for Others	101,812,030	—	—	101,812,030
Deferred Revenue	206,340,609	—	—	206,340,609
Other Liabilities	6,978,873	—	—	6,978,873
Total Liabilities	\$ 2,609,861,667	\$ 116,472,368	\$ 0	\$ 2,726,334,035
Fund Balances:				
Reserved for Debt Service	\$ 2,498,172	\$ —	\$ —	\$ 2,498,172
Reserved for Encumbrances	749,322,821	—	—	749,322,821
Reserved for Guaranteed Revenue Debt Common Reserve Fund	71,831,065	—	—	71,831,065
Reserved for Hazardous Waste Trust Fund	17,910,923	—	—	17,910,923
Reserved for Inventories	46,864,145	—	—	46,864,145
Reserved for Lottery for Education	576,281,229	—	—	576,281,229
Reserved for Midyear Adjustment	145,846,447	—	—	145,846,447
Reserved for Motor Fuel Tax Funds	1,382,843,466	—	—	1,382,843,466
Reserved for Revenue Shortfall	51,577,479	—	—	51,577,479
Reserved for Tobacco Settlement Funds	171,309,903	—	—	171,309,903
Reserved for Underground Storage Trust Fund	68,064,451	—	—	68,064,451
Reserved for Unissued Debt	18,912,320	—	—	18,912,320
Reserved for Other Specific Purposes	213,585,294	—	1,638,622	215,223,916
Unreserved, Designated				
Designated for Capital Outlay	880,986	1,228,811,620	—	1,229,692,606
Designated for Liability Trust Fund	12,711,845	—	—	12,711,845
Unreserved, Undesignated, Reported in				
General Fund	17,836,532	—	—	17,836,532
Capital Projects Funds	—	—	7,293,980	7,293,980
Total Fund Balances	\$ 3,548,277,078	\$ 1,228,811,620	\$ 8,932,602	\$ 4,786,021,300
Total Liabilities and Fund Balances	\$ 6,158,138,745	\$ 1,345,283,988	\$ 8,932,602	\$ 7,512,355,335

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

State of Georgia

Reconciliation of the Balance Sheet – Governmental Funds To the Statement of Net Assets June 30, 2004

Total Fund Balances - Governmental Funds		\$	4,786,021,300
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	\$	393,855,763	
Buildings and Building Improvements		2,294,706,382	
Improvements Other Than Buildings		54,706,376	
Equipment		678,659,694	
Infrastructure		16,009,878,617	
Construction in Progress		2,158,111,336	
Works of Art		5,073,033	
Software		67,604,488	
Library Books		3,200,000	
Accumulated Depreciation		<u>(7,074,331,218)</u>	14,591,464,471
Certain long-term assets are not current available financial resources and, therefore, are not reported in the funds.			37,890,337
Certain liabilities are not accrued in governmental funds until they are due and payable, but must be recognized in the Statement of Net Assets.			(179,502,687)
Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of a majority of the internal service funds are included in governmental activities in the Statement of Net Assets.			1,192,135,078
Certain long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.			
General Obligation Bonds	\$	(6,513,380,000)	
General State Bonds		(15,505)	
Capital Leases		(4,891,164)	
Compensated Absences		(243,028,794)	
Long-Term Notes		(2,505,615)	
Contracts Payable		(27,498,257)	
Arbitrage Rebate		<u>(15,942,351)</u>	<u>(6,807,261,686)</u>
Total Net Assets - Governmental Activities		\$	<u><u>13,620,746,813</u></u>

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, 2004

	General Fund	Georgia State Financing and Investment Commission	Nonmajor Funds	Total
Revenues:				
Taxes	\$ 13,734,734,437	\$ —	\$ —	\$ 13,734,734,437
Licenses and Permits	452,008,366	—	—	452,008,366
Intergovernmental - Federal	10,226,522,178	—	—	10,226,522,178
Sales and Services	1,657,988,958	—	—	1,657,988,958
Fines and Forfeits	238,662,387	—	—	238,662,387
Interest and Other Investment Income	25,957,576	10,241,092	227,972	36,426,640
Rents and Royalties	18,914,313	—	64,825	18,979,138
Contributions and Donations	53,239,450	—	—	53,239,450
Penalties and Interest on Taxes	4,826,548	—	—	4,826,548
Unclaimed Property	54,073,942	—	—	54,073,942
Lottery Proceeds	801,381,437	—	—	801,381,437
Nursing Home Provider Fees	92,767,929	—	—	92,767,929
Other	30,606,348	157	1,000,948	31,607,453
Total Revenues	\$ 27,391,683,869	\$ 10,241,249	\$ 1,293,745	\$ 27,403,218,863
Expenditures:				
Current:				
General Government	\$ 977,503,673	\$ 1,100,000	\$ 62,346	\$ 978,666,019
Education	8,014,841,057	—	556	8,014,841,613
Health and Welfare	11,374,110,593	—	—	11,374,110,593
Transportation	1,701,666,289	—	—	1,701,666,289
Public Safety	1,692,289,175	—	—	1,692,289,175
Economic Development and Assistance	728,330,262	—	—	728,330,262
Culture and Recreation	240,503,897	—	—	240,503,897
Conservation	48,623,984	—	—	48,623,984
Capital Outlay	—	836,843,084	1,061,234	837,904,318
Debt Service	—	—	507,109,825	507,109,825
Principal	—	—	343,488,808	343,488,808
Interest	—	—	371,297	371,297
Accrued Interest on Bonds Retired in Advance	—	—	(8,479,950)	(8,479,950)
Discount on Bonds Retired in Advance	—	—	—	—
Other Debt Service Charges	—	11,911,113	—	11,911,113
Total Expenditures	\$ 24,777,868,930	\$ 849,854,197	\$ 843,614,116	\$ 26,471,337,243
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ 2,613,814,939	\$ (839,612,948)	\$ (842,320,371)	\$ 931,881,620
Other Financing Sources (Uses):				
Proceeds from Issuance of General Obligation Bonds	\$ —	\$ 955,394,848	\$ —	\$ 955,394,848
Proceeds from Disposition of General Capital Assets	2,191,243	—	—	2,191,243
Proceeds from Capital Leases	323,063	—	—	323,063
Transfers In	211,398,480	5,117,358	727,202,798	943,718,636
Transfers Out	(2,666,214,688)	(240,458,910)	—	(2,906,673,598)
Net Other Financing Sources (Uses)	\$ (2,452,301,902)	\$ 720,053,296	\$ 727,202,798	\$ (1,005,045,808)
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	\$ 161,513,037	\$ (119,559,652)	\$ (115,117,573)	\$ (73,164,188)
Fund Balances, July 1 (Restated)	3,387,225,445	1,348,371,272	124,050,175	4,859,646,892
Decrease in Inventories	(461,404)	—	—	(461,404)
Fund Balances, June 30	\$ 3,548,277,078	\$ 1,228,811,620	\$ 8,932,602	\$ 4,786,021,300

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, 2004

Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses - Governmental Funds \$ (73,164,188)

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.	\$ 552,916,383	
Depreciation expense	<u>(985,696,760)</u>	(432,780,377)

Collection of long-term receivables is reported as revenue in governmental funds, but the collection reduces the receivable in the Statement of Net Assets. (3,496,340)

Bond proceeds provide current financial resources to governmental funds; however, issuing debt increases long-term liabilities in the Statement of Net Assets. (955,394,848)

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. (323,063)

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	\$ 507,045,000	
Contracts	13,288,709	
Notes	64,825	
Capital Leases	<u>2,670,508</u>	523,069,042

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. (19,644,932)

Inventories accounted for using the purchases method are reported in the governmental funds. In the Statement of Net Assets, such amounts are reported as assets until the inventory is consumed. (461,404)

Some items reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds. This adjustment combines the net changes in the following balances:		
Compensated Absences	\$ 1,950,469	
Accrued Interest	3,355,807	
Arbitrage Rebate	<u>24,901,530</u>	<u>30,207,806</u>

Change in Net Assets - Governmental Activities \$ (931,988,304)

State of Georgia

Statement of Net Assets Proprietary Funds June 30, 2004

	Business-Type Activities		
	Major Funds		
	Higher Education Fund	State Employees' Health Benefit Plan	Unemployment Compensation Fund
Assets			
Current Assets:			
Cash and Cash Equivalents	\$ 433,121,793	\$ 277,230,823	\$ 852,675,228
Investments	160,686,248	69,759,720	—
Accounts Receivable (Net of Allowances for Uncollectibles)	162,660,195	28,300,441	23,042,619
Due From Other Funds	—	—	—
Due From Component Units	29,797,489	—	—
Intergovernmental Receivables	84,693,032	—	208,075
Inventories	23,659,108	—	—
Prepaid Items	45,489,699	—	—
Other Assets	6,055,906	—	—
Noncurrent Assets:			
Cash and Cash Equivalents	5,793,588	—	—
Investments	158,507,756	186,831,608	—
Notes Receivable	48,028,942	—	—
Capital Assets:			
Land	162,124,736	—	—
Buildings and Building Improvements	4,276,975,851	—	—
Improvements Other Than Buildings	240,675,083	—	—
Machinery and Equipment	1,183,458,967	—	—
Software	—	—	—
Library Collections	556,922,308	—	—
Works of Art and Collections	17,080,359	—	—
Infrastructure	130,700,231	—	—
Construction in Progress	180,891,211	—	—
Accumulated Depreciation	(2,448,540,572)	—	—
Total Assets	\$ 5,458,781,930	\$ 562,122,592	\$ 875,925,922

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

<u>- Enterprise Funds</u>			<u>Governmental</u>
<u>Nonmajor</u>			<u>Activities -</u>
<u>Fund</u>		<u>Total</u>	<u>Internal</u>
<u>Georgia</u>			<u>Service</u>
<u>Technology</u>			<u>Funds</u>
<u>Authority</u>			
\$ 52,541,547	\$ 1,615,569,391	\$ 106,251,010	
21,455,442	251,901,410	46,115,528	
5,922,065	219,925,320	7,558,684	
9,328,088	9,328,088	1,163,000	
3,009	29,800,498	—	
39,051	84,940,158	—	
1,516,238	25,175,346	6,784,660	
16,864	45,506,563	215,225	
—	6,055,906	—	
—	5,793,588	—	
371,473	345,710,837	1,143,818,559	
—	48,028,942	—	
31,198	162,155,934	22,203,097	
1,020,441	4,277,996,292	306,928,783	
—	240,675,083	4,918,817	
70,019,760	1,253,478,727	25,526,346	
39,328,938	39,328,938	—	
—	556,922,308	—	
—	17,080,359	1,239,575	
—	130,700,231	—	
—	180,891,211	—	
<u>(79,359,248)</u>	<u>(2,527,899,820)</u>	<u>(138,616,313)</u>	
\$ <u>122,234,866</u>	\$ <u>7,019,065,310</u>	\$ <u>1,534,106,971</u>	

(continued)

State of Georgia

Statement of Net Assets Proprietary Funds (continued) June 30, 2004

	Business-Type Activities		
	Major Funds		
	Higher Education Fund	State Employees' Health Benefit Plan	Unemployment Compensation Fund
Liabilities			
Current Liabilities:			
Accounts Payable and Other Accruals	\$ 80,339,369	\$ 1,521,160	\$ 1,352
Due to Other Funds	233,045	—	—
Due to Component Units	461,625	—	—
Salaries/Withholdings Payable	9,733,307	2,289	—
Benefits Payable	26,506,140	166,044,491	—
Accrued Interest Payable	—	—	—
Contracts Payable	2,194,055	—	—
Funds Held for Others	46,148,595	—	—
Deferred Revenue	185,518,396	47,900,448	—
Deposits	30,426,398	—	—
Claims and Judgments Payable	—	—	—
Compensated Absences Payable - Current	87,479,061	95,503	—
Capital Leases/Installment Purchases Payable - Current	13,357,154	—	—
Notes Payable - Current	376,531	—	—
Other Current Liabilities	7,862,257	—	—
Noncurrent Liabilities:			
Deferred Revenue	1,715,000	—	—
Compensated Absences Payable	63,744,924	100,332	—
Capital Leases/Installment Purchases Payable	461,304,442	—	—
Notes Payable	1,670,218	—	—
Other Noncurrent Liabilities	137,734	—	—
Total Liabilities	\$ 1,019,208,251	\$ 215,664,223	\$ 1,352
Net Assets			
Invested in Capital Assets, Net of Related Debt	\$ 3,823,492,519	\$ —	\$ —
Restricted for:			
Distance Learning and Telemedicine	—	—	—
Permanent Trusts:			
Nonexpendable	110,673,394	—	—
Expendable	216,599,410	—	—
Unemployment Compensation Benefits	—	—	875,924,570
Other Purposes	48,799,122	—	—
Unrestricted	240,009,234	346,458,369	—
Total Net Assets	\$ 4,439,573,679	\$ 346,458,369	\$ 875,924,570

Adjustment to reflect the consolidation of Internal Service Fund activities related to Enterprise Funds.

Net Assets of Business-Type Activities

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

- Enterprise Funds

Nonmajor Fund <u>Georgia Technology Authority</u>	<u>Total</u>	Governmental Activities - <u>Internal Service Funds</u>
\$ 1,188,159	\$ 83,050,040	\$ 4,031,477
—	233,045	130,829
—	461,625	—
43,152	9,778,748	91,882
—	192,550,631	—
227,410	227,410	—
—	2,194,055	27,240
—	46,148,595	—
—	233,418,844	1,185,408
—	30,426,398	330,754
—	0	381,993,897
2,093,383	89,667,947	2,755,267
2,244,916	15,602,070	1,149
—	376,531	—
—	7,862,257	—
—	1,715,000	—
1,873,940	65,719,196	1,293,949
2,365,707	463,670,149	—
—	1,670,218	—
—	137,734	—
<u>\$ 10,036,667</u>	<u>\$ 1,244,910,493</u>	<u>\$ 391,841,852</u>
\$ 26,430,466	\$ 3,849,922,985	\$ 222,199,156
17,666,055	17,666,055	—
—	110,673,394	—
—	216,599,410	—
—	875,924,570	—
—	48,799,122	1,409,572
<u>68,101,678</u>	<u>654,569,281</u>	<u>918,656,391</u>
<u>\$ 112,198,199</u>	<u>\$ 5,774,154,817</u>	<u>\$ 1,142,265,119</u>
	<u>\$ (49,869,959)</u>	
	<u>\$ 5,724,284,858</u>	

State of Georgia

Statement of Revenues, Expenses, and Changes in Fund Net Assets Proprietary Funds For the Fiscal Year Ended June 30, 2004

	Business-Type Activities		
	Major Funds		
	Higher Education Fund	State Employees' Health Benefit Plan	Unemployment Compensation Fund
Operating Revenues:			
Grants and Contributions/Premiums	\$ 1,257,218,585	\$ 1,729,565,583	\$ 706,854,752
Rents and Royalties	1,862,661	—	—
Sales and Services	1,204,069,267	—	—
Other	144,057,225	—	121,452
Total Operating Revenues	\$ 2,607,207,738	\$ 1,729,565,583	\$ 706,976,204
Operating Expenses:			
Personal Services	\$ 2,778,194,090	\$ 3,337,039	\$ —
Services and Supplies	1,679,781,728	516,632,605	—
Benefits	—	1,330,155,729	877,555,002
Claims and Judgments	—	—	—
Depreciation	233,340,818	—	—
Total Operating Expenses	\$ 4,691,316,636	\$ 1,850,125,373	\$ 877,555,002
Operating Income (Loss)	\$ (2,084,108,898)	\$ (120,559,790)	\$ (170,578,798)
Nonoperating Revenues (Expenses):			
Grants and Contributions	\$ 167,106,757	\$ —	\$ —
Interest and Other Investment Income	11,648,307	5,345,181	40,945,956
Interest Expense	(22,701,940)	—	—
Other	(21,224,127)	—	—
Total Nonoperating Revenues (Expenses)	\$ 134,828,997	\$ 5,345,181	\$ 40,945,956
Income (Loss) Before Contributions and Transfers	\$ (1,949,279,901)	\$ (115,214,609)	\$ (129,632,842)
Capital Contributions	\$ 490,648,028	\$ —	\$ —
Transfers:			
Transfers In	\$ 1,934,003,047	\$ 34,000,000	\$ —
Transfers Out	(14,484,772)	—	—
Net Transfers	\$ 1,919,518,275	\$ 34,000,000	\$ 0
Change in Net Assets	\$ 460,886,402	\$ (81,214,609)	\$ (129,632,842)
Net Assets, July 1 (Restated)	3,978,687,277	427,672,978	1,005,557,412
Net Assets, June 30	\$ 4,439,573,679	\$ 346,458,369	\$ 875,924,570

Adjustment to reflect the consolidation of Internal Service Fund activities related to Enterprise Funds.

Change in Net Assets of Business-Type Activities

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

- Enterprise Funds

Nonmajor Fund Georgia Technology Authority	Total	Governmental Activities - Internal Service Funds
\$ —	\$ 3,693,638,920	\$ 49,921,775
—	1,862,661	37,040,218
198,869,244	1,402,938,511	56,434,220
—	144,178,677	12,543,756
<u>\$ 198,869,244</u>	<u>\$ 5,242,618,769</u>	<u>\$ 155,939,969</u>
\$ 48,856,599	\$ 2,830,387,728	\$ 43,747,393
129,026,057	2,325,440,390	86,440,969
—	2,207,710,731	23,261,000
—	0	131,539,668
18,605,265	251,946,083	15,300,257
<u>\$ 196,487,921</u>	<u>\$ 7,615,484,932</u>	<u>\$ 300,289,287</u>
<u>\$ 2,381,323</u>	<u>\$ (2,372,866,163)</u>	<u>\$ (144,349,318)</u>
\$ —	\$ 167,106,757	\$ —
707,020	58,646,464	80,188,618
(257,636)	(22,959,576)	—
(781,822)	(22,005,949)	2,616,369
<u>\$ (332,438)</u>	<u>\$ 180,787,696</u>	<u>\$ 82,804,987</u>
<u>\$ 2,048,885</u>	<u>\$ (2,192,078,467)</u>	<u>\$ (61,544,331)</u>
<u>\$ 149,384</u>	<u>\$ 490,797,412</u>	<u>\$ 5,394,674</u>
\$ 21,171,786	\$ 1,989,174,833	\$ 35,090,645
(20,448,100)	(34,932,872)	(29,755,188)
<u>\$ 723,686</u>	<u>\$ 1,954,241,961</u>	<u>\$ 5,335,457</u>
\$ 2,921,955	\$ 252,960,906	\$ (50,814,200)
<u>109,276,244</u>		<u>1,193,079,319</u>
<u>\$ 112,198,199</u>		<u>\$ 1,142,265,119</u>
	<u>(31,169,268)</u>	
<u>\$ 221,791,638</u>		

State of Georgia

Statement of Cash Flows Proprietary Funds For the Fiscal Year Ended June 30, 2004

	Business-Type Activities	
	Major Funds	
	Higher Education Fund	State Employees' Health Benefit Plan
Cash Flows from Operating Activities:		
Cash Received from Customers	\$ 1,239,569,701	\$ —
Cash Received from Grants and Required Contributions/Premiums	1,284,350,508	1,736,147,229
Cash Paid to Vendors	(2,050,320,021)	(522,379,170)
Cash Paid to Employees	(2,357,641,770)	(3,318,287)
Cash Paid for Benefits	—	(1,337,895,160)
Cash Paid for Claims and Judgments	—	—
Cash Paid for Scholarships, Fellowships and Loans	(236,712,508)	—
Other Operating Items (Net)	314,935,878	—
Net Cash Provided by (Used in) Operating Activities	\$ (1,805,818,212)	\$ (127,445,388)
Cash Flows from Noncapital Financing Activities:		
Transfers from Other Funds	\$ 1,934,003,047	\$ 34,000,000
Transfers to Other Funds	(14,484,772)	—
Other Noncapital Items (Net)	157,873,092	—
Net Cash Provided by (Used in) Noncapital Financing Activities	\$ 2,077,391,367	\$ 34,000,000
Cash Flows from Capital and Related Financing Activities:		
Capital Contributions	\$ 100,756,345	\$ —
Proceeds from Issuance of Capital Debt	59,595	—
Proceeds from Sale of Capital Assets	852,898	—
Acquisition and Construction of Capital Assets	(246,413,683)	—
Principal Paid on Capital Debt	(13,026,386)	—
Interest Paid on Capital Debt	(22,532,279)	—
Net Cash Used in Capital and Related Financing Activities	\$ (180,303,510)	\$ 0
Cash Flows from Investing Activities:		
Purchase of Investments (Net)	\$ (75,578,903)	\$ 22,039,303
Interest and Dividends Received	9,283,022	7,509,658
Net Cash Provided by Investing Activities	\$ (66,295,881)	\$ 29,548,961
Net Increase (Decrease) in Cash and Cash Equivalents	\$ 24,973,764	\$ (63,896,427)
Cash and Cash Equivalents, July 1	413,941,617	341,127,250
Cash and Cash Equivalents, June 30	\$ 438,915,381	\$ 277,230,823

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

- Enterprise Funds

Unemployment Compensation Fund	Nonmajor Fund Georgia Technology Authority	Total	Governmental Activities - Internal Service Funds
\$ —	\$ 193,980,871	\$ 1,433,550,572	\$ 102,160,062
702,996,279	—	3,723,494,016	52,500,960
—	(127,930,784)	(2,700,629,975)	(88,598,845)
—	(49,072,314)	(2,410,032,371)	(43,993,581)
(877,555,002)	—	(2,215,450,162)	(23,261,000)
—	—	0	(106,464,109)
—	—	(236,712,508)	—
—	—	314,935,878	5,870,048
\$ (174,558,723)	\$ 16,977,773	\$ (2,090,844,550)	\$ (101,786,465)
\$ —	\$ 21,171,786	\$ 1,989,174,833	\$ 39,147,319
—	(20,448,100)	(34,932,872)	(33,811,862)
—	—	157,873,092	188,556
\$ 0	\$ 723,686	\$ 2,112,115,053	\$ 5,524,013
\$ —	\$ —	\$ 100,756,345	\$ 5,259,547
—	—	59,595	—
—	—	852,898	11,162,918
—	(9,413,531)	(255,827,214)	(8,527,984)
—	(2,130,291)	(15,156,677)	—
—	(362,709)	(22,894,988)	—
\$ 0	\$ (11,906,531)	\$ (192,210,041)	\$ 7,894,481
\$ —	\$ (10,786,622)	\$ (64,326,222)	\$ 138,812
40,945,956	709,753	58,448,389	33,579,795
\$ 40,945,956	\$ (10,076,869)	\$ (5,877,833)	\$ 33,718,607
\$ (133,612,767)	\$ (4,281,941)	\$ (176,817,371)	\$ (54,649,364)
986,287,995	56,823,488	1,798,180,350	160,900,374
\$ 852,675,228	\$ 52,541,547	\$ 1,621,362,979	\$ 106,251,010

(continued)

State of Georgia

Statement of Cash Flows Proprietary Funds (continued) For the Fiscal Year Ended June 30, 2004

	Business-Type Activities	
	Major Funds	
	State	
	Higher Education Fund	Employees' Health Benefit Plan
Operating Income (Loss)	\$ (2,084,108,898)	\$ (120,559,790)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:		
Depreciation Expense	233,340,818	—
Changes in Assets and Liabilities:		
Decrease (Increase) in Accounts Receivable	16,011,632	1,683,683
Decrease (Increase) in Due From Other Funds	—	—
Increase in Due From Component Units	—	—
Decrease (Increase) in Intergovernmental Receivables	—	—
Decrease (Increase) in Inventories	4,597,961	—
Decrease (Increase) in Prepaid Items	86,951	—
Increase in Other Assets	(775,809)	—
Decrease in Notes Receivable	655,101	—
Increase (Decrease) in Accounts Payable and Other Accruals	7,983,711	(5,746,565)
Decrease in Due to Other Funds	121,699	—
Increase (Decrease) in Salaries/Withholdings Payable	1,228,658	(4,418)
Increase (Decrease) in Benefits Payable	5,949,792	(7,739,431)
Increase (Decrease) in Contracts Payable	(41,338)	—
Increase in Deferred Revenue	(36,293,940)	4,897,963
Decrease in Customer Deposits	—	—
Increase in Claims and Judgments Payable	—	—
Increase (Decrease) in Compensated Absences Payable	2,935,218	23,170
Increase in Other Liabilities	42,490,232	—
Net Cash Provided by (Used) in Operating Activities	<u>\$ (1,805,818,212)</u>	<u>\$ (127,445,388)</u>
Noncash Investing, Capital, and Financing Activities:		
Acquisition of Capital Assets through Capital Leases	\$ 287,496,600	\$ —
Donation of Capital Assets	371,149,743	—
Net Increase (Decrease) in Fair Value of Investments	1,107,432	(2,164,477)
Other	—	—

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

- Enterprise Funds

Unemployment Compensation Fund	Nonmajor Fund Georgia Technology Authority	Total	Governmental Activities - Internal Service Funds
\$ (170,578,798)	\$ 2,381,323	\$ (2,372,866,163)	\$ (144,349,318)
—	18,605,265	251,946,083	15,300,257
(5,328,617)	(1,266,549)	11,100,149	(571,318)
—	(3,740,040)	(3,740,040)	2,848,149
—	49,217	49,217	—
1,615,225	68,999	1,684,224	—
—	640,143	5,238,104	1,176,840
—	(16,864)	70,087	(59,668)
—	—	(775,809)	—
—	—	655,101	—
(266,533)	471,994	2,442,607	430,370
—	—	121,699	(175,896)
—	(11,985)	1,212,255	(63,742)
—	—	(1,789,639)	—
—	—	(41,338)	—
—	—	(31,395,977)	(1,045,772)
—	—	0	(169,480)
—	—	0	25,075,559
—	(203,730)	2,754,658	(182,446)
—	—	42,490,232	—
\$ (174,558,723)	\$ 16,977,773	\$ (2,090,844,550)	\$ (101,786,465)
\$ —	\$ —	\$ 287,496,600	\$ —
—	149,384	371,299,127	—
—	(2,733)	(1,059,778)	46,534,737
—	—	0	—

State of Georgia

Statement of Fiduciary Net Assets Fiduciary Funds June 30, 2004

	Pension Trust	Investment Trust	Private Purpose Trust	Agency	Total
Assets					
Cash and Cash Equivalents	\$ 34,333,738	\$ 2,351,986,374	\$ 8,172,619	\$ 239,583,608	\$ 2,634,076,339
Receivables					
Interest and Dividends	249,132,165	—	—	—	249,132,165
Due from Brokers for Securities Sold	38,913,259	—	—	—	38,913,259
Other	162,733,286	—	32,225	5,120,174	167,885,685
Due from Other Funds	1,500,000	—	—	—	1,500,000
Investments, at Fair Value					
Certificates of Deposit	—	—	—	3,015,489	3,015,489
Investment Accounts	59,196,332	—	—	—	59,196,332
Pooled Investments	13,446,998,672	1,485,983,708	3,538,115	189,713,177	15,126,233,672
Mutual Funds	119,613,882	—	—	—	119,613,882
Repurchase Agreements	683,532,000	—	—	—	683,532,000
U. S. Government Securities and Corporate Obligations	16,801,906,858	—	—	—	16,801,906,858
Stocks	25,512,799,673	—	—	—	25,512,799,673
Real Estate/Mortgages	47,135,542	—	—	—	47,135,542
Capital Assets					
Land	133,656	—	—	—	133,656
Buildings	414,020	—	—	—	414,020
Software	10,468,350	—	—	—	10,468,350
Machinery and Equipment	1,618,628	—	150,643	—	1,769,271
Construction in Progress	20,077	—	—	—	20,077
Accumulated Depreciation	(953,349)	—	(108,097)	—	(1,061,446)
Other Assets	—	—	—	90	90
Total Assets	\$ 57,169,496,789	\$ 3,837,970,082	\$ 11,785,505	\$ 437,432,538	\$ 61,456,684,914
Liabilities					
Accounts Payable and Other Accruals	\$ 16,587,702	\$ —	\$ —	\$ —	\$ 16,587,702
Due to Other Funds	1,174,768	—	—	—	1,174,768
Due to Brokers for Securities Purchased	73,560,807	—	—	—	73,560,807
Salaries/Withholdings Payable	151,379	—	—	—	151,379
Funds Held for Others	—	—	—	437,432,538	437,432,538
Deferred Revenue	7,982	—	—	—	7,982
Compensated Absences Payable	24,476	—	91,885	—	116,361
Total Liabilities	\$ 91,507,114	\$ 0	\$ 91,885	\$ 437,432,538	\$ 529,031,537
Net Assets					
Held in Trust for:					
Pension Benefits	\$ 57,077,989,675	\$ —	\$ —	\$ —	\$ 57,077,989,675
Pool Participants	—	3,837,970,082	—	—	3,837,970,082
Other Purposes	—	—	11,693,620	—	11,693,620
Total Net Assets	\$ 57,077,989,675	\$ 3,837,970,082	\$ 11,693,620	\$ 0	\$ 60,927,653,377

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, 2004

	Pension Trust	Investment Trust	Private Purpose Trust	Total
Additions:				
Contributions/Assessments				
Employer	\$ 1,029,866,956	\$ —	\$ —	\$ 1,029,866,956
Plan Members/Participants	528,407,891	—	27,380,634	555,788,525
Other Contributions				
Fines and Bond Forfeitures	17,930,078	—	—	17,930,078
Insurance Company Premium Taxes	17,960,915	—	—	17,960,915
Other Fees	2,571,363	—	—	2,571,363
Interest and Other Investment Income				
Dividends and Interest	1,279,661,775	52,026,118	715,161	1,332,403,054
Net Appreciation (Depreciation) in Fair Value of Investments	3,890,465,697	(12,439,354)	—	3,878,026,343
Less: Investment Expense	(51,580,562)	(979,809)	—	(52,560,371)
Pool Participant Deposits	—	4,763,356,637	—	4,763,356,637
Other				
Transfers from Other Funds	3,377,544	—	—	3,377,544
Miscellaneous	543,355	—	91,117	634,472
Total Additions	\$ 6,719,205,012	\$ 4,801,963,592	\$ 28,186,912	\$ 11,549,355,516
Deductions:				
General and Administrative Expenses	\$ 26,745,451	\$ —	\$ 2,294,225	\$ 29,039,676
Benefits	2,391,024,679	—	102,235,105	2,493,259,784
Pool Participant Withdrawals	—	4,795,080,840	—	4,795,080,840
Refunds	58,346,925	—	—	58,346,925
Total Deductions	\$ 2,476,117,055	\$ 4,795,080,840	\$ 104,529,330	\$ 7,375,727,225
Change in Net Assets Held in Trust for:				
Pension Benefits	\$ 4,243,087,957	\$ —	\$ —	\$ 4,243,087,957
Pool Participants	—	6,882,752	—	6,882,752
Other Purposes	—	—	(76,342,418)	(76,342,418)
Net Assets, July 1	52,834,901,718	3,831,087,330	88,036,038	56,754,025,086
Net Assets, June 30	\$ 57,077,989,675	\$ 3,837,970,082	\$ 11,693,620	\$ 60,927,653,377

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

State of Georgia

Combining Statement of Net Assets Component Units June 30, 2004

	Environmental Facilities Authority	Georgia Tech Foundation, Incorporated	Housing and Finance Authority
Assets			
Current Assets:			
Cash and Cash Equivalents	\$ 177,869,767	\$ 3,043,000	\$ 28,988,486
Investments	73,387,631	9,276,000	8,332,844
Receivables			
Accounts (Net)	7,649,905	9,657,746	—
Taxes	—	—	—
Interest and Dividends	5,854,695	—	451,387
Notes and Loans	—	4,172,573	—
Due from Primary Government	146,855	—	1,115,864
Intergovernmental Receivables	—	—	—
Inventories	—	—	—
Prepaid Items	—	—	—
Other Current Assets	—	—	4,267,568
Noncurrent Assets:			
Investments	182,834,758	881,268,000	62,495,845
Receivables (Net)			
Notes and Loans	—	2,230,427	164,904,733
Other	—	198,770,254	—
Restricted Assets			
Cash and Cash Equivalents	7,467,113	—	115,101,141
Investments	—	—	18,592,669
Receivables			
Loans (Net)	683,157,229	—	591,856,795
Interest and Dividends	—	—	6,180,898
Other	—	—	—
Deferred Charges	—	—	14,308,441
Capital Assets:			
Land	—	2,553,000	800,000
Buildings and Building Improvements	—	38,051,000	3,865,000
Improvements Other Than Buildings	—	—	1,434,847
Machinery and Equipment	45,638	6,511,000	865,338
Software	—	—	—
Works of Art and Collections	—	—	—
Infrastructure	—	—	—
Construction in Progress	—	—	—
Accumulated Depreciation	(28,056)	(2,434,000)	(3,205,436)
Other Noncurrent Assets	2,012,289	8,284,000	—
Total Assets	\$ 1,140,397,824	\$ 1,161,383,000	\$ 1,020,356,420

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

Lottery Corporation	Road and Tollway Authority	Nonmajor Component Units	Total
\$ 698,631	\$ 16,392,897	\$ 468,316,795	\$ 695,309,576
—	6,280,325	274,542,365	371,819,165
84,573,000	79,833	217,993,845	319,954,329
—	—	266,459	266,459
—	—	3,265,345	9,571,427
—	—	83,027,864	87,200,437
—	—	1,444,210	2,706,929
—	—	8,915,606	8,915,606
—	—	15,041,740	15,041,740
1,216,000	—	1,467,834	2,683,834
—	—	95,598,035	99,865,603
—	—	1,017,441,488	2,144,040,091
—	—	87,138,656	254,273,816
—	—	220,257,459	419,027,713
120,000	23,765,984	3,815,788	150,270,026
213,168,000	463,981,026	50,192,625	745,934,320
—	—	—	1,275,014,024
—	—	—	6,180,898
—	—	142,750	142,750
—	4,110,679	—	18,419,120
—	10,415,915	247,871,095	261,640,010
2,365,000	4,938,197	1,169,846,286	1,219,065,483
—	2,484,921	226,501,144	230,420,912
13,326,000	4,562,050	468,585,709	493,895,735
392,000	680,714	13,991	1,086,705
—	—	201,048	201,048
—	—	154,464,102	154,464,102
—	—	297,185,079	297,185,079
(14,262,000)	(8,193,894)	(705,699,146)	(733,822,532)
—	40,158,879	73,521,415	123,976,583
<u>\$ 301,596,631</u>	<u>\$ 569,657,526</u>	<u>\$ 4,481,359,587</u>	<u>\$ 8,674,750,988</u>

(continued)

State of Georgia

Combining Statement of Net Assets Component Units (continued) June 30, 2004

	Environmental Facilities Authority	Georgia Tech Foundation, Incorporated	Housing and Finance Authority
Liabilities			
Current Liabilities:			
Accounts Payable and Other Accruals	\$ 2,912,970	\$ 13,148,292	\$ 8,210,324
Due to Primary Government	—	—	930
Salaries/Withholdings Payable	—	—	—
Accrued Interest Payable	1,252,113	—	3,137,086
Contracts Payable	—	—	—
Funds Held for Others	—	—	—
Deferred Revenue	7,271,926	—	—
Compensated Absences Payable - Current	—	260,557	—
Capital Leases/Installment Purchases Payable - Current	—	—	—
Notes and Loans Payable - Current	—	20,767,000	—
Revenue Bonds Payable - Current	6,215,000	4,005,000	20,721,000
Grand Prizes Payable - Current	—	—	—
Other Current Liabilities	—	2,420,971	22,417,166
Current Liabilities Payable from Restricted Assets:			
Accrued Interest Payable	—	—	—
Deferred Revenue	—	—	—
Revenue Bonds Payable - Current	—	—	—
Other	—	—	—
Noncurrent Liabilities:			
Deferred Revenue	—	—	173,707,497
Compensated Absences Payable	228,799	—	—
Capital Leases/Installment Purchases Payable	—	—	—
Notes and Loans Payable	—	20,500,000	—
Revenue/Mortgage Bonds Payable	49,149,107	222,055,000	673,034,913
Grand Prizes Payable	—	—	—
Advances from Primary Government	—	—	—
Other Noncurrent Liabilities	—	65,408,180	—
Total Liabilities	\$ 67,029,915	\$ 348,565,000	\$ 901,228,916
Net Assets			
Invested in Capital Assets, Net of Related Debt	\$ 17,582	\$ 4,489,148	\$ 3,759,749
Restricted for:			
Bond Covenants/Debt Service	23,762,496	—	—
Construction	—	—	—
Higher Education			
Expendable	—	247,591,719	—
Nonexpendable	—	278,048,767	—
Loan and Grant Programs	28,954,353	—	—
Other Purposes	—	—	—
Unrestricted	1,020,633,478	282,688,366	115,367,755
Total Net Assets	\$ 1,073,367,909	\$ 812,818,000	\$ 119,127,504

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

Lottery Corporation	Road and Tollway Authority	Nonmajor Component Units	Total
\$ 56,158,000	\$ 1,197,763	\$ 168,531,560	\$ 250,158,909
29,433,631	15,511,625	33,329,358	78,275,544
—	—	4,509,658	4,509,658
—	—	—	4,389,199
—	—	1,496,186	1,496,186
—	—	28,911,587	28,911,587
—	—	121,936,627	129,208,553
230,000	—	12,002,788	12,493,345
—	—	2,406,088	2,406,088
—	—	29,973,343	50,740,343
—	41,473,906	10,377,562	82,792,468
11,146,000	—	—	11,146,000
—	—	41,274,788	66,112,925
—	10,820,129	4,943,009	15,763,138
—	3,082,648	—	3,082,648
—	10,910,072	6,000,000	16,910,072
—	223,222	—	223,222
—	—	57,684,159	231,391,656
1,475,000	—	4,605,752	6,309,551
—	—	27,542,567	27,542,567
—	—	71,050,864	91,550,864
—	697,582,403	1,089,134,786	2,730,956,209
193,814,000	—	—	193,814,000
—	—	31,853,678	31,853,678
247,000	—	129,351,861	195,007,041
<u>\$ 292,503,631</u>	<u>\$ 780,801,768</u>	<u>\$ 1,876,916,221</u>	<u>\$ 4,267,045,451</u>
\$ 1,821,000	\$ 14,887,903	\$ 969,221,636	\$ 994,197,018
—	—	23,687,837	47,450,333
—	—	30,231,937	30,231,937
—	—	370,590,033	618,181,752
—	—	544,450,181	822,498,948
—	—	—	28,954,353
120,000	—	4,679,499	4,799,499
7,152,000	(226,032,145)	661,582,243	1,861,391,697
<u>\$ 9,093,000</u>	<u>\$ (211,144,242)</u>	<u>\$ 2,604,443,366</u>	<u>\$ 4,407,705,537</u>

State of Georgia

Combining Statement of Activities Component Units For the Fiscal Year Ended June 30, 2004

	Environmental Facilities Authority	Georgia Tech Foundation, Incorporated	Housing and Finance Authority
Expenses	\$ 36,781,473	\$ 101,924,000	\$ 79,409,920
Program Revenues:			
Sales and Charges for Services	\$ 28,976,108	\$ —	\$ 51,520,182
Operating Grants and Contributions	32,791,109	54,923,000	24,237,084
Capital Grants and Contributions	56,203,502	—	—
Total Program Revenues	\$ 117,970,719	\$ 54,923,000	\$ 75,757,266
Net (Expenses) Revenue	\$ 81,189,246	\$ (47,001,000)	\$ (3,652,654)
General Revenues:			
Taxes	\$ —	\$ —	\$ —
Unrestricted Investment Income	227,499	123,573,000	8,745,464
Payments from the State of Georgia	—	—	—
Permanent Endowment Contributions	—	—	—
Other	102,535	15,695,000	—
Total General Revenues	\$ 330,034	\$ 139,268,000	\$ 8,745,464
Change in Net Assets	\$ 81,519,280	\$ 92,267,000	\$ 5,092,810
Net Assets, July 1	991,848,629	—	114,034,694
Change in Accounting Principle	—	720,551,000	—
Correction of Prior Year Errors	—	—	—
Capital Assets	—	—	—
Accumulated Depreciation	—	—	—
Net Assets, June 30	\$ 1,073,367,909	\$ 812,818,000	\$ 119,127,504

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

Lottery Corporation	Road and Tollway Authority	Nonmajor Component Units	Total
\$ 2,554,443,000	\$ 173,332,177	\$ 1,692,948,739	\$ 4,638,839,309
\$ 2,554,261,000	\$ 20,717,976	\$ 808,871,559	\$ 3,464,346,825
—	—	774,993,091	886,944,284
—	—	49,539,850	105,743,352
\$ 2,554,261,000	\$ 20,717,976	\$ 1,633,404,500	\$ 4,457,034,461
\$ (182,000)	\$ (152,614,201)	\$ (59,544,239)	\$ (181,804,848)
\$ —	\$ —	\$ 21,665,769	\$ 21,665,769
(15,506,000)	10,613,089	106,338,883	233,991,935
—	49,322,488	134,331,516	183,654,004
—	—	39,254,993	39,254,993
—	1,708,103	12,133,963	29,639,601
\$ (15,506,000)	\$ 61,643,680	\$ 313,725,124	\$ 508,206,302
\$ (15,688,000)	\$ (90,970,521)	\$ 254,180,885	\$ 326,401,454
24,781,000	(120,173,721)	1,003,488,703	2,013,979,305
—	—	1,345,842,067	2,066,393,067
—	—	2,340,319	2,340,319
—	—	(1,408,608)	(1,408,608)
\$ 9,093,000	\$ (211,144,242)	\$ 2,604,443,366	\$ 4,407,705,537

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State of Georgia

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State of Georgia

Notes to the Financial Statements For the Year Ended June 30, 2004

Note 1. Summary of Significant Accounting Policies

A. Basis of Presentation

With the exception of the departures from generally accepted accounting principles (GAAP) disclosed in the following paragraphs, the financial statements of the State of Georgia have been prepared in conformity with GAAP as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles, which are set forth in the GASB's Codification of Governmental Accounting and Financial Reporting Standards (GASB Codification).

B. Financial Reporting Entity

In evaluating how to define the government for financial reporting purposes, management has considered both the organizations that comprise the primary government and potential 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 funds that are not legally separate are, for financial reporting purposes, considered part of the primary government. In addition, included within the primary government are organizations which are legally separate but so intertwined with the primary government that they are, in substance, part of the primary government.

The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in Section 2100 of the GASB Codification. This Section defines a component unit as a legally separate organization for which the primary government is financially accountable and other organizations for which the primary government is not accountable, but for which the nature and the significance of the relationship with the primary government, including the ongoing financial support of the primary government or its other component units, are such that exclusion would cause the financial statements to be misleading or incomplete.

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.

In addition, organizations that are fiscally dependent upon the primary government were considered as potential component units.

Blended Component Units

As required by GAAP, these financial statements present the government and its component units. Blended component units, although legally separate entities are, in substance, part of the government's operations and therefore data from these units are combined with that of the primary government. The blended component units are as follows:

Capital Projects Funds

Georgia Building Authority (Hospital).
Georgia Building Authority (Markets)
Georgia Building Authority (Penal)
Georgia Education Authority (University)

Enterprise Funds

Higher Education Fund
Georgia Military College
Georgia Technology Authority

Internal Service Funds

Georgia Building Authority
Georgia Correctional Industries Administration

Discretely Presented Component Units

Discrete presentation entails reporting component unit financial data in columns separate from the financial data of the primary government. The discretely presented component units 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 Education Authority (Schools)
Georgia Environmental Facilities Authority
Georgia Golf Hall of Fame Authority
Georgia Higher Education Assistance Corporation
Georgia Highway Authority
Georgia Housing and Finance Authority
Georgia International and Maritime Trade Center Authority
Georgia Lottery Corporation
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

State of Georgia

Notes to the Financial Statements For the Year Ended June 30, 2004

Note 1. Summary of Significant Accounting Policies (continued)

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
State Road and Tollway Authority
Stone Mountain Memorial Association
Superior Court Clerks' Cooperative Authority

Higher Education Foundations and Similar Organizations

Abraham Baldwin Agricultural College Foundation,
Incorporated
Albany Technical College Foundation
Appalachian Technical College Foundation
Armstrong Atlantic State University Educational
Properties, Incorporated
Armstrong Atlantic State University Foundation,
Incorporated
Athens Technical College Foundation
Augusta State University Athletic Association
Augusta State University Foundation
Augusta Technical College Foundation
Cartersville/Bartow College Foundation, Incorporated
(Floyd College)
Chattahoochee Technical College Foundation
Clayton College and State University Foundation,
Incorporated
Coastal Georgia Community College Foundation,
Incorporated
Columbus State University Alumni Association,
Incorporated
Columbus State University Athletic Fund, Incorporated
Columbus State University Foundation, Incorporated
Columbus Technical College Foundation
Dalton State College Foundation
Darton College Foundation, Incorporated
East Central Technical College Foundation
East Georgia College Foundation
Flint River Technical College Foundation
Floyd College Foundation, Incorporated
Foundation Properties, Incorporated (Columbus State
University)

Gainesville College Foundation, Incorporated
Georgia College and State University Alumni Association
Georgia College and State University Foundation
Georgia Military College Foundation, Incorporated
Georgia Southern University Foundation, Incorporated
Georgia Southern University Housing Foundation,
Incorporated
Georgia Southern University Research and Service
Foundation, Incorporated
Georgia Southwestern Foundation, Incorporated
Georgia Southwestern Research and Development
Corporation, Incorporated
Georgia State University Foundation
Georgia State University Research Foundation,
Incorporated
Georgia Tech Alumni Association
Georgia Tech Athletic Association
Georgia Tech Facilities, Incorporated
Georgia Tech Foundation, Incorporated
Georgia Tech Research Corporation
Gordon College Foundation
Kennesaw State University Foundation, Incorporated
Macon State College Foundation, Incorporated
Medical College of Georgia Dental Foundation
Medical College of Georgia Foundation, Incorporated
Medical College of Georgia Health, Incorporated
Medical College of Georgia Physicians Practice Group
Foundation
Medical College of Georgia Research Institute
Middle Georgia College Foundation
North Georgia College and State University Foundation,
Incorporated
Northwestern Technical College Foundation
Okefenokee Technical College Foundation
South Georgia College Foundation, Incorporated
South Georgia Technical College Foundation
Southeastern Technical College Foundation
Southern Boosters, Incorporated (Georgia Southern
University)
Southern Polytechnic State University Foundation,
Incorporated
State University of West Georgia Foundation
Swainsboro Technical College Foundation
University of Georgia Athletic Association, Incorporated
University of Georgia Foundation
University of Georgia Research Foundation, Incorporated
Valdosta State University Foundation, Incorporated
Valdosta Technical College Foundation
The Walter and Emilie Spivey Foundation, Incorporated
(Clayton College and State University)
Waycross College Foundation

State of Georgia

Notes to the Financial Statements For the Year Ended June 30, 2004

Note 1. Summary of Significant Accounting Policies (continued)

Fiduciary Component Units

Fiduciary component units are required by GAAP 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 fiduciary component units are as follows:

Pension Trust Funds

District Attorneys' Retirement Fund
Employees' Retirement System of Georgia
Georgia Class Nine Fire Department Pension Fund
Georgia Defined Contribution Plan
Georgia Firefighters' Pension Fund
Georgia Judicial Retirement System
Georgia Military Pension Fund
Judges of the Probate Courts Retirement Fund of Georgia
Legislative Retirement System
Peace Officers' Annuity and Benefit Fund of Georgia
Public School Employees Retirement System
Sheriffs' Retirement Fund of Georgia
Superior Court Clerks' Retirement Fund of Georgia
Superior Court Judges Retirement Fund
Teachers Retirement System of Georgia

The State's significant component units issue their own 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, 270 Washington Street, S.W., Suite 1-156, Atlanta, Georgia 30334. 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, 270 Washington Street, S.W., Atlanta, Georgia 30334.

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 revenue.

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.

State of Georgia

Notes to the Financial Statements For the Year Ended June 30, 2004

Note 1. Summary of Significant Accounting Policies (continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when susceptible to accrual (i.e., 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. Principal revenue sources that are susceptible to accrual include income taxes, sales and use taxes, federal grants and shared revenues. Expenditures generally are recorded when the related fund liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due or 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 are reported as nonoperating revenues and expenses.

As allowed by GASB Statement No. 20, the State's proprietary funds follow FASB Statements and Interpretations issued on or before November 30, 1989, Accounting Principles Board Opinions, and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements.

The State reports the following major governmental funds:

The **General Fund** is used to account for all financial transactions not required to be accounted for in another fund. These transactions relate to resources obtained and used for services traditionally provided by a state government.

The **Georgia State Financing and Investment Commission (Capital Projects Fund)** accounts for the construction of projects for state agencies financed through the issuance of public debt, including educational facilities for county and independent school systems.

The State reports the following major enterprise funds:

The **Higher Education Fund** accounts for the operations of State colleges and universities and State technical colleges.

The **State Employees' Health Benefit Plan** is 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.

The **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 Fund Types:

Debt Service Funds – Used to 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, which is administered by the Office of Treasury and Fiscal Services. The Debt Sinking Fund is responsible for the accumulation of resources for the payment of principal and interest on general obligation bonds.

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

Permanent Funds – 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.

Proprietary Fund Types:

Enterprise Funds – Used to account for those activities for which the intent of management is to recover, primarily through user charges, the cost of providing goods or services to the general public, or where sound financial management dictates that periodic determination of results of operations are appropriate.

Internal Service Funds - Used to 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.

State of Georgia

Notes to the Financial Statements For the Year Ended June 30, 2004

Note 1. Summary of Significant Accounting Policies (continued)

Fiduciary Fund Types:

Pension Trust Funds – Used to account for the Employees' Retirement System and its blended plans in the primary government and the eight individual retirement plans that meet the definition of a component unit of the State.

Investment Trust Funds – Used to account for external portions of government-sponsored investment pools.

Private Purpose Trust Funds – Used to report resources of all other trust arrangements in which principal and income benefit individuals, private organizations, or other governments.

Agency Funds - Used to report assets and liabilities for deposits and investments entrusted to the State as an agent for others.

Discretely Presented Component Units:

The combining component unit financial statements are presented in order to provide information on each of the major component units included in the component units column of the government-wide statements. The component unit financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. The information is presented in order to be consistent with the government-wide statements, and is less detailed than the presentation in each component unit's separately issued financial statements. The component units, other than certain higher education foundations and similar organizations, follow all GASB pronouncements, and all FASB pronouncements issued on or before November 30, 1989, except those that conflict with a GASB pronouncement.

Certain higher education foundations and similar organizations report under FASB standards; including FASB Statement No. 117, *Financial Reporting for Not-for Profit Organizations*. 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.

E. Budgets

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. 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 level. The appropriated budget covers most governmental funds included in the State reporting entity but excludes the capital projects funds and certain debt service funds that are not subject to appropriation. The budget includes certain proprietary funds, the Higher Education Fund, and the administrative costs of operating certain public employee retirement systems. 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.

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.

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

Cash and Cash Equivalents

Cash and cash equivalents include currency on hand and demand deposits with banks and other financial institutions. Cash and cash equivalents also include short-term, highly liquid investments with maturity dates within three months of the date acquired, with the exception of the Higher Education Fund and higher education foundations and similar organizations, which report all time deposits as cash.

Investments

Investments are defined as those financial instruments with terms in excess of three months from the date of purchase and certain other securities held for the production of revenue.

State of Georgia

Notes to the Financial Statements For the Year Ended June 30, 2004

Note 1. Summary of Significant Accounting Policies (continued)

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 (Official Code of Georgia Annotated [OCGA] 50-17-51). 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 Director 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 Director of the Office of Treasury and Fiscal Services for the purpose of pooled investment (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.

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's 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.

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. The pool'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 such as U. S. Treasury obligations, securities issued or guaranteed as to principal and interest by the U. S. Government or any of its agencies or instrumentalities, banker's acceptances, corporate obligations and repurchase agreements.

The Secondary Liquidity Portfolio consists of certificates of deposit with average investment duration of .17 years.

The Georgia Extended Asset Pool is part of the Extended Term Portfolio. It 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. 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, which at June 30, 2004, was \$1.99 per share. 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. The average investment duration at June 30, 2004, was 0.78 years.

The Extended Term Portfolio includes two other funds: one consisting generally of repurchase agreements and certain U. S. Government Securities with an average investment duration at June 30, 2004, of 1.57 years; and a second fund consisting generally of commercial mortgage-backed securities issued by U. S. corporations, repurchase agreements and certain U.S. Government Securities, which include mortgage-backed securities such as collateralized mortgage obligations and adjustable rate mortgages. These mortgage-backed securities are reported as U. S. Government Securities and Corporate Obligations in the disclosure of custodial credit risk (see Note 3). Investments in this second fund are transacted by an external investment management firm under direction of an investment advisory agreement executed between the Office of Treasury and Fiscal Services and the investment management firm. The

State of Georgia

Notes to the Financial Statements For the Year Ended June 30, 2004

Note 1. Summary of Significant Accounting Policies (continued)

agreement directs the investment firm to utilize the Merrill Lynch 1-3 year Treasury Index in managing the average duration of the overall portfolio, excluding cash, to within plus or minus six months of the duration of the Index. The average investment duration for this fund on June 30, 2004, was 1.55 years. The agreement also places limitations on individual security purchases and holdings. As of June 30, 2004, the State had \$44,808,803 invested in U. S. agency mortgage-backed securities and \$31,950,211 invested in commercial mortgage-backed securities in this fund.

The Risk Management Fund Portfolio consists of shares in Georgia Fund 1, the Georgia Extended Asset Pool and separately managed portfolios. The investments of the separately managed portfolios are transacted by external management firms under direction of advisory agreements executed between the Office of Treasury and Fiscal Services and the investment management firms. The external investment firms employ the following indices: Merrill Lynch 1-5 Government Corporate A rated and above index, Lehman Brothers Aggregate High Quality Index, Lehman Long Government/Credit Index and Merrill Lynch Investment Grade Convertible Index. The separately managed portfolios consist of U. S. government securities, corporate bonds, commercial paper, prime bankers acceptances, primary debt obligations, asset-backed securities, commercial mortgage-backed securities, convertible bonds, agency mortgage-backed securities and dollar denominated Eurobonds that meet certain statutory requirements. As of June 30, 2004, the State had \$51,894,054 invested in U. S. Agency mortgage-backed securities and \$28,065,127 invested in commercial mortgage-backed securities in this fund.

Other organizations in the reporting entity invest in a variety of financial instruments. These investments may include brokered certificates of deposit, commercial paper, convertible bonds, corporate bonds, notes and obligations, foreign bonds, investment agreements, mortgages, municipal bonds, mutual funds, real estate, real estate mortgages and notes, real estate investment trust limited partnerships, repurchase agreements, short-term investments, stocks, and U. S. Treasury bonds, notes, and bills. Investments of other organizations are reported at fair value at June 30, 2004.

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, 2004, the Department held surety bonds in the amount of \$37,530,926, and cash bonds in the amount of \$14,538,347. These bonds are not recorded on the Balance Sheet.

Securities are held pursuant to statutes that require licensed insurance companies to deposit securities with the Department of Insurance prior to issuance of a certificate of authority to transact insurance by the Commissioner of 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 is allowed as long as the required levels of deposits are maintained. At June 30, 2004, securities valued at \$204,180,868 were held by the Department of Insurance. These securities are not recorded on the Balance Sheet.

Construction contracts awarded by the Department of Transportation usually include provisions to withhold a percentage of the payments until the project reaches a specified state of completion. Georgia law requires that these funds be deposited in a state or national bank chartered within this State. The State controls only the release of these funds; the assets in the accounts are considered to be the property of the contractor. Therefore, no assets and liabilities for these escrow accounts have been included in these financial statements. At June 30, 2004, \$1,783,968 in escrow deposits was administered by the Department of Transportation.

Receivables

Receivables in the State's governmental funds pertain primarily to Federal revenues and revenues applicable to charges for services. Receivables in all other funds have arisen in the ordinary course of business. Receivables are recorded when either the asset or revenue recognition criteria (See Note 1-D) have been met. Estimates of allowances for uncollectible receivables have not been made for the majority of receivables included within the financial statements.

Due To/From Other Funds

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

State of Georgia

Notes to the Financial Statements For the Year Ended June 30, 2004

Note 1. Summary of Significant Accounting Policies (continued)

Advances

Noncurrent portions of long-term interfund loans receivable are reported as advances and are offset equally by a fund balance reserve account that indicates that they do not constitute expendable available financial resources and therefore are not available for appropriation.

Inventories

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.

Under the purchase method, a portion of the fund balance is reserved for inventories to indicate that it is not available for appropriation. Organizations under the consumption method normally reserve a portion of fund balance equal to the average monthly inventories on hand for the fiscal year.

Prepaid Items

Payments made to vendors and local government organizations for services that will benefit periods beyond June 30, 2004, are recorded as prepaid items.

Restricted Assets

Certain proceeds of enterprise fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants.

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. Donated capital assets are stated at fair market value at the time of donation. All land and non-depreciable land improvements are capitalized regardless of cost. Buildings and Improvements Other Than Buildings are capitalized when the cost or value exceeds \$100,000. Machinery and Equipment is capitalized when costs or value exceeds

\$5,000. The State's bridges and roadways included in the state highway system are capitalized regardless of cost. All other infrastructure assets are capitalized when project costs exceed \$1,000,000, except for infrastructure assets reported by the Higher Education Fund, which are capitalized when costs are greater than \$100,000. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets 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 the collections 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.

All depreciable capital assets are depreciated on the straight-line basis over the following useful lives:

Infrastructure	10-100 years
Buildings and Building Improvements	5-40 years
Improvements Other Than Buildings	15-50 years
Machinery and Equipment	3-20 years
Software	3-10 years
Library Collections	10 years

Due to the lack of complete and accurate inventory records applicable to State-owned land, and the lack of historical cost values for certain parcels of land, the amount reported as land does not represent a comprehensive valuation of the assets owned by the State of Georgia.

Certain capital assets acquired through capital leases in prior years have not been recorded on the financial statements at the net present value of the minimum lease payments as is required by GAAP.

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.

State of Georgia

Notes to the Financial Statements For the Year Ended June 30, 2004

Note 1. Summary of Significant Accounting Policies (continued)

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 nonvesting accumulating rights to receive sick pay benefits.

Deferred Revenue

In the government-wide statements, proprietary fund statements, and fiduciary fund statements, deferred revenue is recorded when cash or other assets are received prior to being earned. In the governmental fund statements, deferred revenue is recorded when revenue is either unearned or unavailable.

Mortgage Loans Under Repurchase Agreements

At June 30, 2004, mortgage loans totaling \$9,347,633 have been transferred and assigned to lenders under repurchase agreements by the Georgia Development Authority (Component Units). The agreements give the lenders the option to have the Authority repurchase the mortgage loans for an amount equal to the then outstanding balance of principal and interest due during a specified period of time.

In addition, the Authority guarantees the principal and interest payment by the borrower to the lender within thirty (30) days of the due date. Any payment not received within thirty (30) days is considered advanced to the borrower and paid to the lender by the Authority. The Authority then charges the borrower interest on these advances for the period outstanding at a penalty rate agreed upon at the loan origination date.

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 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.

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 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.

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.

G. Revenues

Federal grants include nonmonetary transactions for food and vaccine commodities. Commodities revenue and expenditures are recorded at their federally reported value. Commodity inventories of \$2,859,721 are reported on the Balance Sheet. For the fiscal year ended June 30, 2004, revenues of \$62,582,101 and expenditures of \$62,086,165 for commodities are reported in the General Fund.

State of Georgia

Notes to the Financial Statements For the Year Ended June 30, 2004

Note 1. Summary of Significant Accounting Policies (continued)

H. Interfund Activity and Balances

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 a requirement for repayment. In addition, transfers are recorded when a fund receiving revenue provides it to the fund which expends the resources. Transfers and 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.

I. Fiscal Reporting Periods

The fiscal year end for the primary government and component units is June 30, except for the Stone Mountain Memorial Association, whose fiscal year end is December 31.

Note 2. Accounting Changes

In fiscal year 2004, implementation of GASB Statement 39, *Determining Whether Certain Organizations Are Component Units – an amendment of GASB Statement No. 14* required that certain higher education foundations and similar organizations be reported as component units. The beginning net assets of the component units have been increased by \$2,066,393,067 to reflect implementation of GASB Statement 39.

Prior to fiscal year 2004, the State of Georgia did not report the value of inventory received for donated goods for its use and distribution to other qualifying organizations outside the State reporting entity in the financial statements. As described in Note 1G, during fiscal year 2004, donated commodities inventories, revenues and expenditures were recorded in the general fund. The beginning net assets of the general fund have been increased for this change in accounting principle.

The following tables summarize the changes in fund equities as previously reported for the funds and activities at June 30, 2003, including correction of prior year errors as indicated.

State of Georgia

Notes to the Financial Statements For the Year Ended June 30, 2004

	June 30, 2003 As Previously Reported	Adjustments	June 30, 2003 (Restated)
Governmental Funds and Activities			
Major Funds:			
General Fund	\$ 3,366,696,915		
Commodities Inventories		\$ 2,363,785	
Correction of Prior Year Errors		18,164,745	\$ 3,387,225,445
Georgia State Financing and Investment Commission	1,348,371,272	—	1,348,371,272
Nonmajor Funds:			
Debt Service Fund	115,081,862	—	115,081,862
Capital Projects Funds	8,954,813	—	8,954,813
Permanent Fund	13,500	—	13,500
Total Governmental Funds	\$ 4,839,118,362	\$ 20,528,530	\$ 4,859,646,892
Capital Assets, net of depreciation	15,162,792,682	(138,547,834)	15,024,244,848
Other Noncurrent Assets	41,386,677	—	41,386,677
Long-Term Liabilities	(6,418,581,189)	(1,828,475)	(6,420,409,664)
Other Liabilities	(163,913,646)	—	(163,913,646)
Inclusion of Internal Service Funds in Governmental Activities	1,211,780,010	—	1,211,780,010
Total Governmental Funds and Activities	\$ 14,672,582,896	\$ (119,847,779)	\$ 14,552,735,117
Proprietary Funds and Business-Type Activities			
Major Funds:			
Higher Education Fund	\$ 4,017,718,869		
Correction of Prior Year Errors		\$ (39,031,592)	\$ 3,978,687,277
State Employees' Health Benefit Plan	427,672,978	—	427,672,978
Unemployment Compensation Fund	1,005,557,412	—	1,005,557,412
Nonmajor Funds:			
Enterprise Fund	108,375,826		
Correction of Prior Year Errors		900,418	109,276,244
Internal Service Funds	1,193,079,319	—	1,193,079,319
Internal Service Funds Look-Back Adjustments			
Removal of Internal Service Funds Relating to Governmental Activities	(1,211,780,010)	—	(1,211,780,010)
Total Proprietary Funds and Business-Type Activities	\$ 5,540,624,394	\$ (38,131,174)	\$ 5,502,493,220
Fiduciary Funds			
Pension Trust Funds	\$ 52,834,901,718	—	\$ 52,834,901,718
Investment Trust Funds	3,831,087,330	—	3,831,087,330
Private Purpose Trust Funds	88,036,038	—	88,036,038
Total Fiduciary Funds	\$ 56,754,025,086	\$ 0	\$ 56,754,025,086
Discretely Presented Component Units			
Inclusion of Higher Education Foundations and Similar Organizations	\$ 2,013,979,305		\$ 2,013,979,305
Correction of Prior Year Errors		\$ 2,066,393,067	2,066,393,067
		931,711	931,711
Total Discretely Presented Component Units	\$ 2,013,979,305	\$ 2,067,324,778	\$ 4,081,304,083

State of Georgia

Notes to the Financial Statements For the Year Ended June 30, 2004

Note 3. Deposits and Investments

A. Deposits

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

- 6) Guarantee or insurance of accounts provided by the Federal Deposit Insurance Corporation.

As authorized in OCGA 50-17-53, the State Depository Board has adopted policies that allow agencies of the State of Georgia the option of exempting demand deposits from the collateral requirements.

Primary Government

At year-end, the carrying amounts of the State's deposits were \$798,762,624, and the bank balances were \$1,554,095,882. The amounts of these bank balances are classified into three categories of credit risk: (1) cash that is insured (e.g., Federal depository insurance) or collateralized with securities held by the State or by its agent in the State's name, (2) cash collateralized with securities held by the pledging financial institution's trust department or agent in the State's name and (3) uncollateralized bank accounts. The State's deposits were classified as follows at June 30, 2004:

Risk Category	Bank Balance
1	\$ 511,121,723
2	108,454,030
3	<u>934,520,129</u>
Total Deposits	\$ <u>1,554,095,882</u>

State of Georgia

Notes to the Financial Statements For the Year Ended June 30, 2004

Note 3. Deposits and Investments (continued)

Component Units

At year-end, the component units' deposits were classified as follows:

	Risk Categories			Bank Balance	Funds Held by	Carrying Amount
	1	2	3		Primary Government	
Environmental Facilities Authority	\$ 10,239,439	\$ —	\$ —	\$ 10,239,439	\$ 433,540,703	\$ 10,239,439
Housing and Finance Authority	10,313,903	—	119,486,302	129,800,205	21,359,644	129,800,205
All Other Component Units	<u>15,656,573</u>	<u>119,848,011</u>	<u>236,537,983</u>	<u>372,042,567</u>	<u>262,208,784</u>	<u>422,932,457</u>
Total Deposits - Component Units	<u>\$ 36,209,915</u>	<u>\$ 119,848,011</u>	<u>\$ 356,024,285</u>	<u>\$ 512,082,211</u>	<u>\$ 717,109,131</u>	<u>\$ 562,972,101</u>

B. Investments

Investments are stated at fair value, and are summarized and classified as to risk in the following three categories: (1) insured or registered, or securities held by the State or its agent in the State's name, (2) uninsured or unregistered, with securities held by the counterparty's trust department or

agent in the State's name or (3) uninsured or unregistered, with securities held by the counterparty, or by its trust department or agent but not in the State's name. The carrying amounts and risk categories applicable to the State's investments are listed below:

State of Georgia

Notes to the Financial Statements For the Year Ended June 30, 2004

Note 3. Deposits and Investments (continued)

Primary Government

<u>Type of Investment</u>	<u>Risk Categories</u>			<u>Carrying Amount</u>
	<u>1</u>	<u>2</u>	<u>3</u>	
Bankers' Acceptances	\$ —	\$ 357,308,669	\$ —	\$ 357,308,669
Commercial Paper	4,243,554	—	—	4,243,554
Corporate Bonds	121,062,699	9,154,296	16,964,710	147,181,705
Investment Accounts	80,066,522	—	—	80,066,522
Municipal Bonds	1,067,154	—	—	1,067,154
Notes	4,533,996	—	—	4,533,996
Repurchase Agreements	3,233,569,669	—	4,834,000	3,238,403,669
Stocks	33,922,468,998	7,884,475	64,215,985	33,994,569,458
U.S. Government Securities and Corporate Obligations	<u>29,462,757,424</u>	<u>303,224,797</u>	<u>104,260,899</u>	<u>29,870,243,120</u>
Totals by Risk Categories	\$ <u>66,829,770,016</u>	\$ <u>677,572,237</u>	\$ <u>190,275,594</u>	\$ 67,697,617,847
<i>Unclassified</i>				
Real Estate/Mortgages				47,902,469
Mutual Funds				128,156,348
Georgia Pooled Index Fund				75,243,287
Other				7,848
Unemployment Compensation Funds Pooled with the U.S. Treasury				<u>856,926,152</u>
Total Investments - Primary Government				\$ <u>68,805,853,951</u>

State of Georgia

Notes to the Financial Statements For the Year Ended June 30, 2004

Note 3. Deposits and Investments (continued)

Component Units

	<u>Type of Investment</u>	<u>Risk Categories</u>			<u>Carrying Amount</u>
		<u>1</u>	<u>2</u>	<u>3</u>	
Georgia Tech Foundation, Incorporated	<i>Unclassified</i> Securities on Hand				\$ <u>890,544,000</u>
State Road and Tollway Authority	Repurchase Agreements	\$ —	\$ 428,755,318	\$ —	\$ 428,755,318
	U.S. Government Securities and Corporate Obligations	—	33,755,106	—	33,755,106
Total State Road and Tollway Authority		\$ —	\$ 462,510,424	\$ —	\$ <u>462,510,424</u>
University of Georgia Foundation	Split Interest Investments	\$ <u>815,441</u>	\$ <u>6,525,667</u>	\$ <u>3,587,656</u>	\$ 10,928,764
	<i>Unclassified</i> Real Estate/Mortgages				19,498,544
	Long-Term Investment Pool				352,841,793
	Mutual Funds				1,995,561
	Other				<u>9,032,504</u>
Total University of Georgia Foundation					\$ <u>394,297,166</u>
All Other Component Units	U.S. Government Securities and Corporate Obligations	\$ 184,700,364	\$ 102,968,280	\$ 99,679,954	\$ 387,348,598
	Common Stocks	10,529,810	12,350,596	125,466,081	148,346,487
	Corporate Bonds	7,521,979	15,861,322	18,507,835	41,891,136
	Other	<u>62,709,771</u>	<u>371,134</u>	<u>2,870,184</u>	<u>65,951,089</u>
		\$ <u>265,461,924</u>	\$ <u>131,551,332</u>	\$ <u>246,524,054</u>	\$ 643,537,310
	<i>Unclassified</i> Securities on Hand				208,948,138
	Mutual Funds				178,141,070
	Other				<u>50,948,491</u>
Total All Other Component Units					\$ <u>1,081,575,009</u>

State of Georgia

Notes to the Financial Statements For the Year Ended June 30, 2004

Note 3. Deposits and Investments (continued)

C. Investments Lending Program

The State is presently involved in a securities lending program 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. 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 \$20,983,958,751 at June 30, 2004, and the collateral value was equal to 104.8%. The loaned securities are classified as category 1 investments based on the custodial arrangements for the collateral securities. Loaned securities are included in the accompanying Statement of Net Assets since 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.

State of Georgia

Notes to the Financial Statements For the Year Ended June 30, 2004

Note 3. Deposits and Investments (continued)

D. 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, 2004, and related categorization of investments are as follows:

<u>Georgia Fund 1</u> <u>Statement of Net Assets</u> <u>June 30, 2004</u>		<u>Georgia Fund 1</u> <u>Statement of Changes in Net Assets</u> <u>For the Fiscal Year Ended June 30, 2004</u>	
<u>Assets</u>		<u>Additions</u>	
Cash and Cash Equivalents	\$ 4,210,523,113	Pool Participant Deposits	\$ 21,071,307,220
Investments	<u>2,081,085,847</u>	Investment Income	64,734,821
Net Assets	<u>\$ 6,291,608,960</u>	Less: Investment Expense	<u>(1,406,154)</u>
		Total Additions	\$ 21,134,635,887
		<u>Deductions</u>	
		Pool Participant Withdrawals	<u>20,644,265,886</u>
		Net Increase	\$ 490,370,001
<u>Distribution of Net Assets</u>		<u>Net Assets</u>	
External Participant Account Balances	\$ 3,085,408,483	July 1, 2003	<u>5,801,238,959</u>
Internal Participant Account Balances	<u>3,206,200,477</u>	June 30, 2004	<u>\$ 6,291,608,960</u>
	<u>\$ 6,291,608,960</u>		

Because the State does not maintain separate bank accounts for Georgia Fund 1, a separate risk categorization for the Fund's deposits cannot be presented. The carrying amount of Georgia Fund 1 deposits as of June 30, 2004, was \$205,052,161. This amount is included in the categorization of deposits of the Primary Government. Investments of Georgia Fund 1 are categorized below. These amounts are included in the categorization of investments of the Primary Government.

<u>Type of Investment</u>	<u>Risk Categories</u>			<u>Carrying Amount</u>
	<u>1</u>	<u>2</u>	<u>3</u>	
Bankers' Acceptances	\$ —	\$ 307,351,766	\$ —	\$ 307,351,766
Repurchase Agreements	1,621,932,746	—	—	1,621,932,746
U.S. Government Securities and Corporate Obligations	<u>4,157,272,287</u>	<u>—</u>	<u>—</u>	<u>4,157,272,287</u>
	<u>\$ 5,779,205,033</u>	<u>\$ 307,351,766</u>	<u>\$ 0</u>	<u>\$ 6,086,556,799</u>

State of Georgia

Notes to the Financial Statements For the Year Ended June 30, 2004

Note 3. Deposits and Investments (continued)

D. Investment Pools

<u>Georgia Extended Asset Pool</u> <u>Statement of Net Assets</u> <u>June 30, 2004</u>		<u>Georgia Extended Asset Pool</u> <u>Statement of Changes in Net Assets</u> <u>For the Fiscal Year Ended June 30, 2004</u>	
<u>Assets</u>		<u>Additions</u>	
Cash and Cash Equivalents	\$ 523,444,629	Pool Participant Deposits	\$ 393,958,749
Investments	<u>844,946,831</u>	Investment Income	<u>7,591,690</u>
Net Assets	<u>\$ 1,368,391,460</u>	Total Additions	\$ 401,550,439
		<u>Deductions</u>	
<u>Distribution of Net Assets</u>		Pool Participant Withdrawals	<u>355,631,930</u>
External Participant Account Balances	\$ 752,561,599	Net Increase	\$ 45,918,509
Internal Participant Account Balances	<u>615,829,861</u>	<u>Net Assets</u>	
	<u>\$ 1,368,391,460</u>	July 1, 2003	<u>1,322,472,951</u>
		June 30, 2004	<u>\$ 1,368,391,460</u>

Investments of Georgia Extended Asset Pool are categorized below. These amounts are included in the categorization of investments of the Primary Government.

<u>Type of Investment</u>	<u>Risk Categories</u>			<u>Carrying Amount</u>
	<u>1</u>	<u>2</u>	<u>3</u>	
Bankers' Acceptances	\$ —	\$ 49,956,903	\$ —	\$ 49,956,903
Repurchase Agreements	298,317,703	—	—	298,317,703
U.S. Government Securities and Corporate Obligations	<u>1,020,116,854</u>	<u>—</u>	<u>—</u>	<u>1,020,116,854</u>
	<u>\$ 1,318,434,557</u>	<u>\$ 49,956,903</u>	<u>\$ 0</u>	<u>\$ 1,368,391,460</u>

State of Georgia

Notes to the Financial Statements For the Year Ended June 30, 2004

Note 4. Receivables

Receivables at June 30, 2004, consisted of the following:

	<u>Gross Receivables</u>	<u>Allowance For Uncollectibles</u>	<u>Allowance For Possible Loan Losses</u>	<u>Allowance For Service Repayments</u>	<u>Deferred Loan Fees</u>	<u>Net Total Receivables</u>
Governmental Activities:						
General Fund	\$ 2,856,098,035	\$ (51,824,457)	—	\$ —	\$ —	\$ 2,804,273,578
Nonmajor Governmental	<u>1,203,256</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>1,203,256</u>
Total Governmental Funds	\$ 2,857,301,291	\$ (51,824,457)	—	\$ —	\$ —	\$ 2,805,476,834
Internal Service Funds	7,758,799	(202,000)	—	—	—	7,556,799
Long-Term Lease Receivable	2,505,615	—	—	—	—	2,505,615
Receivables from Fiduciary Funds	<u>1,163,000</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>1,163,000</u>
Total Governmental Activities	<u>\$ 2,868,728,705</u>	<u>\$ (52,026,457)</u>	<u>—</u>	<u>\$ —</u>	<u>\$ —</u>	<u>2,816,702,248</u>
Business-type Activities:						
Higher Education Fund	\$ 302,457,761	\$ (7,075,592)	—	\$ —	\$ —	\$ 295,382,169
State Employees' Health Benefit Plan	32,457,997	(4,157,556)	—	—	—	28,300,441
Unemployment Compensation Fund	23,250,694	—	—	—	—	23,250,694
Georgia Technology Authority	5,961,116	—	—	—	—	5,961,116
Internal Service Funds	1,885	—	—	—	—	1,885
Receivables from Fiduciary Funds	<u>11,768</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>11,768</u>
Total Business-type Activities	<u>\$ 364,141,221</u>	<u>\$ (11,233,148)</u>	<u>—</u>	<u>\$ —</u>	<u>\$ —</u>	<u>352,908,073</u>
Component Units	<u>\$ 2,436,799,293</u>	<u>\$ (8,227,136)</u>	<u>(1,929,099)</u>	<u>\$ (45,898,969)</u>	<u>\$ (196,630)</u>	<u>\$ 2,380,547,459</u>

State of Georgia

Notes to the Financial Statements For the Year Ended June 30, 2004

Note 5. Capital Assets

Primary Government

Capital asset activity for the year ended June 30, 2004, was as follows:

	Balance July 1, 2003	Retroactive Restatement of Prior Year Balances	Increases	Decreases	Balance June 30, 2004
Governmental Activities:					
Capital Assets Not Being Depreciated:					
Land	\$ 418,727,327	\$ 1,144,280	\$ 2,031,749	\$ (5,844,496)	\$ 416,058,860
Works of Art and Collections	6,312,608	—	—	—	6,312,608
Construction in Progress	1,533,723,669	490,064,117	1,392,453,242	(1,258,129,692)	2,158,111,336
Total capital assets, not being depreciated	<u>\$ 1,958,763,604</u>	<u>\$ 491,208,397</u>	<u>\$ 1,394,484,991</u>	<u>\$ (1,263,974,188)</u>	<u>\$ 2,580,482,804</u>
Capital Assets Being Depreciated:					
Infrastructure	\$ 16,175,030,714	\$ (493,904,117)	\$ 328,752,020	\$ —	\$ 16,009,878,617
Buildings	2,551,851,541	19,455,351	64,839,618	(34,511,345)	2,601,635,165
Improvements Other Than Buildings	59,654,699	—	5,760	(35,266)	59,625,193
Machinery and Equipment	695,878,644	(539,817)	49,379,622	(41,118,673)	703,599,776
Software	67,254,535	—	349,953	—	67,604,488
Library Collections	3,200,000	—	—	—	3,200,000
Total Capital Assets Being Depreciated	<u>\$ 19,552,870,133</u>	<u>\$ (474,988,583)</u>	<u>\$ 443,326,973</u>	<u>\$ (75,665,284)</u>	<u>\$ 19,445,543,239</u>
Less Accumulated Depreciation For:					
Infrastructure	\$ (4,845,342,213)	\$ (126,977,738)	\$ (906,137,285)	\$ —	\$ (5,878,457,236)
Buildings	(780,078,500)	(11,179,924)	(35,297,784)	24,463,053	(802,093,155)
Improvements Other Than Buildings	(20,828,805)	(3,126,528)	(773,458)	21,159	(24,707,632)
Machinery and Equipment	(421,656,270)	(13,483,458)	(51,282,179)	30,174,515	(456,247,392)
Software	(40,163,061)	—	(7,504,621)	—	(47,667,682)
Library Collections	(3,200,000)	—	—	—	(3,200,000)
Total Accumulated Depreciation	<u>\$ (6,111,268,849)</u>	<u>\$ (154,767,648)</u>	<u>\$ (1,000,995,327)</u>	<u>\$ 54,658,727</u>	<u>\$ (7,212,373,097)</u>
Total Capital Assets Being Depreciated, Net	<u>\$ 13,441,601,284</u>	<u>\$ (629,756,231)</u>	<u>\$ (557,668,354)</u>	<u>\$ (21,006,557)</u>	<u>\$ 12,233,170,142</u>
Governmental activities capital assets, net	<u><u>\$ 15,400,364,888</u></u>	<u><u>\$ (138,547,834)</u></u>	<u><u>\$ 836,816,637</u></u>	<u><u>\$ (1,284,980,745)</u></u>	<u><u>\$ 14,813,652,946</u></u>

State of Georgia

Notes to the Financial Statements For the Year Ended June 30, 2004

Note 5. Capital Assets (continued)

Primary Government (continued)

	Balance July 1, 2003	Retroactive Restatement of Prior Year Balances	Increases	Decreases	Balance June 30, 2004
Business-type Activities:					
Capital Assets Not Being Depreciated:					
Land	\$ 142,354,526	\$ 38,698	\$ 19,762,710	\$ —	\$ 162,155,934
Works of Art and Collections	13,919,985	—	1,808,869	—	15,728,854
Construction in Progress	73,563,651	2,430,056	169,254,428	(64,356,924)	180,891,211
Total capital assets, not being depreciated	<u>\$ 229,838,162</u>	<u>\$ 2,468,754</u>	<u>\$ 190,826,007</u>	<u>\$ (64,356,924)</u>	<u>\$ 358,775,999</u>
Capital Assets Being Depreciated:					
Infrastructure	\$ 121,372,403	\$ —	\$ 9,327,828	\$ —	\$ 130,700,231
Buildings	3,773,447,041	(27,139,367)	546,241,037	(14,552,419)	4,277,996,292
Improvements Other Than Buildings	209,015,223	(166,433)	31,956,636	(130,343)	240,675,083
Machinery and Equipment	1,146,311,562	4,516,045	161,010,888	(57,773,504)	1,254,064,991
Software	39,328,938	—	—	—	39,328,938
Library Collections	527,099,745	(423,978)	33,062,664	(2,816,123)	556,922,308
Works of Art and Collections	1,321,239	—	75,006	(44,740)	1,351,505
Total Capital Assets Being Depreciated	<u>\$ 5,817,896,151</u>	<u>\$ (23,213,733)</u>	<u>\$ 781,674,059</u>	<u>\$ (75,317,129)</u>	<u>\$ 6,501,039,348</u>
Less Accumulated Depreciation For:					
Infrastructure	\$ (41,643,372)	\$ —	\$ (3,517,360)	\$ —	\$ (45,160,732)
Buildings	(1,123,723,210)	6,212,740	(97,934,835)	11,036,043	(1,204,409,262)
Improvements Other Than Buildings	(84,723,069)	100,166	(7,229,959)	132,286	(91,720,576)
Machinery and Equipment	(688,719,946)	1,025,219	(108,204,456)	51,003,814	(744,895,369)
Software	(25,197,844)	—	(7,865,788)	—	(33,063,632)
Library Collections	(379,428,436)	(4,364,830)	(27,136,637)	2,336,305	(408,593,598)
Works of Art and Collections	(580,116)	—	(58,738)	7,769	(631,085)
Total Accumulated Depreciation	<u>\$ (2,344,015,993)</u>	<u>\$ 2,973,295</u>	<u>\$ (251,947,773)</u>	<u>\$ 64,516,217</u>	<u>\$ (2,528,474,254)</u>
Total Capital Assets Being Depreciated, Net	<u>\$ 3,473,880,158</u>	<u>\$ (20,240,438)</u>	<u>\$ 529,726,286</u>	<u>\$ (10,800,912)</u>	<u>\$ 3,972,565,094</u>
Business-type activities capital assets, net	<u>\$ 3,703,718,320</u>	<u>\$ (17,771,684)</u>	<u>\$ 720,552,293</u>	<u>\$ (75,157,836)</u>	<u>\$ 4,331,341,093</u>

As noted in the Summary of Significant Accounting Policies (Note 1), the State does not maintain complete and accurate inventory records applicable to State-owned land, nor are there historical cost values for certain parcels of land;

therefore, the table above does not represent a comprehensive valuation of the assets owned by the State of Georgia.

State of Georgia

Notes to the Financial Statements For the Year Ended June 30, 2004

Note 5. Capital Assets (continued)

Primary Government (continued)

Current period depreciation expense was charged to functions of the primary government as follows:

General government	\$	9,309,479
Education		2,589,636
Health and Welfare		14,971,917
Transportation		916,857,714
Public Safety		20,739,576
Economic Development		11,965,724
Culture and Recreation		5,542,275
Conservation		3,720,439
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)		<u>15,298,567</u>
Depreciation Expense - Governmental Activities	\$	<u><u>1,000,995,327</u></u>

Component Units

Capital asset activity for the year ended June 30, 2004, was as follows:

	Balance July 1, 2003	Retroactive Restatement of Prior Year Balances	Increases	Decreases	Balance June 30, 2004
Capital Assets Not Being Depreciated:					
Land	\$ 200,560,839	\$ 2,450,319	\$ 12,008,965	\$ (64,000)	\$ 214,956,123
Works of Art and Collections	201,048	—	—	—	201,048
Construction in Progress	47,903,983	88,571,849	64,436,863	(116,424,473)	84,488,222
Total Capital Assets, Not Being Depreciated	\$ <u>248,665,870</u>	\$ <u>91,022,168</u>	\$ <u>76,445,828</u>	\$ <u>(116,488,473)</u>	\$ <u>299,645,393</u>
Capital Assets Being Depreciated:					
Infrastructure	\$ 153,441,160	\$ 951,261	\$ 709,807	\$ (1,138,841)	\$ 153,963,387
Buildings	551,355,873	187,201,333	105,874,136	(831,880)	843,599,462
Improvements Other Than Buildings	210,726,100	8,633,981	11,550,632	(489,801)	230,420,912
Machinery and Equipment	290,815,050	122,990,205	69,622,893	(21,155,454)	462,272,694
Software	629,675	—	493,039	(50,000)	1,072,714
Total Capital Assets Being Depreciated	\$ <u>1,206,967,858</u>	\$ <u>319,776,780</u>	\$ <u>188,250,507</u>	\$ <u>(23,665,976)</u>	\$ <u>1,691,329,169</u>
Less Accumulated Depreciation For:					
Infrastructure	\$ (62,296,097)	\$ (63,418)	\$ (3,805,612)	\$ 686,237	\$ (65,478,890)
Buildings	(164,736,560)	(44,978,243)	(19,643,830)	4,890,649	(224,467,984)
Improvements Other Than Buildings	(77,168,682)	(3,307,217)	(7,410,022)	4,000	(87,881,921)
Machinery and Equipment	(215,407,664)	(79,356,564)	(34,965,046)	19,235,553	(310,493,721)
Total Accumulated Depreciation	\$ <u>(519,609,003)</u>	\$ <u>(127,705,442)</u>	\$ <u>(65,824,510)</u>	\$ <u>24,816,439</u>	\$ <u>(688,322,516)</u>
Capital Assets, Net (GASB presentation)	\$ <u><u>936,024,725</u></u>	\$ <u><u>283,093,506</u></u>	\$ <u><u>198,871,825</u></u>	\$ <u><u>(115,338,010)</u></u>	\$ <u><u>1,302,652,046</u></u>

State of Georgia

Notes to the Financial Statements For the Year Ended June 30, 2004

Note 5. Capital Assets (continued)

Component Units (continued)

Certain higher education foundations and other similar organizations utilize FASB standards; therefore, only the June 30, 2004, balances are available as follows:

Capital Assets Not Being Depreciated:	
Land	\$ 46,683,887
Construction in Progress	212,696,857
Total Capital Assets, Not Being Depreciated	<u>\$ 259,380,744</u>
Capital Assets Being Depreciated:	
Infrastructure	\$ 500,715
Buildings	375,466,021
Machinery and Equipment	31,623,041
Software	13,991
Total Capital Assets Being Depreciated	<u>\$ 407,603,768</u>
Less: Accumulated Depreciation	<u>\$ (45,500,016)</u>
Capital Assets, Net (FASB presentation)	<u>\$ 621,484,496</u>
Total Capital Assets, Net - All Component Units	<u>\$ 1,924,136,542</u>

State of Georgia

Notes to the Financial Statements For the Year Ended June 30, 2004

Note 6. Risk Management

A. Public Entity Risk Pool

The Department of Community Health administers the State's 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 Georgia General Assembly. The Department of Community Health has contracted with Blue Cross Blue Shield of Georgia as the claims processing agent for the State Employees' Health Benefit Plan.

A reconciliation of total claims liabilities for fiscal years ended June 30, 2004 and 2003, is shown below:

	Fiscal Year Ended June 30, 2004	Fiscal Year Ended June 30, 2003
Unpaid Claims and Claim Adjustments July 1	\$ 173,783,922	\$ 162,472,969
Incurring Claims and Claim Adjustment Expenses - Provisions for Insured Events of the Current Year	1,330,155,729	1,248,883,503
Payments - Claims and Claim Adjustment Expenses Attributable to Insured Events of the Current Year and of Prior Years	<u>(1,337,895,160)</u>	<u>(1,237,572,550)</u>
Unpaid Claims and Claim Adjustments June 30	<u>\$ 166,044,491</u>	<u>\$ 173,783,922</u>

B. Board of Regents Employee Health Benefits Plan

The Board of Regents of the University System of Georgia maintains a program of health and dental 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 to process all claims in accordance with medical coverage guidelines as established by the Board of Regents.

A reconciliation of total claims liabilities for fiscal years ended June 30, 2004, and 2003, is shown below:

	Fiscal Year Ended June 30, 2004	Fiscal Year Ended June 30, 2003
Unpaid Claims and Claim Adjustments July 1	\$ 20,556,348	\$ 29,277,958
Incurring Claims and Claim Adjustment Expenses - Provisions for Insured Events of the Current Year	221,832,435	179,559,292
Payments - Claims and Claim Adjustment Expenses Attributable to Insured Events of the Current Year and of Prior Years	<u>(215,882,643)</u>	<u>(188,280,902)</u>
Unpaid Claims and Claim Adjustments June 30	<u>\$ 26,506,140</u>	<u>\$ 20,556,348</u>

State of Georgia

Notes to the Financial Statements For the Year Ended June 30, 2004

Note 6. Risk Management (continued)

C. Other Risk Management

The Department of Administrative Services (DOAS) has the responsibility for the State of Georgia of 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' 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 the State agencies by DOAS to provide claims servicing and claims payment.

A reconciliation of total claims liabilities for fiscal years ended June 30, 2004, and 2003, is shown below:

	Fiscal Year Ended <u>June 30, 2004</u>	Fiscal Year Ended <u>June 30, 2003</u>
Unpaid Claims and Claim Adjustments July 1	\$ 356,918,338	\$ 353,034,255
Incurred Claims and Claim Adjustment Expenses - Provisions for Insured Events of the Current Year	131,539,668	104,952,614
Payments - Claims and Claim Adjustment Expenses Attributable to Insured Events of the Current Year and of Prior Years	<u>(106,464,109)</u>	<u>(101,068,531)</u>
Unpaid Claims and Claim Adjustments June 30	<u>\$ 381,993,897</u>	<u>\$ 356,918,338</u>

Note 7. Construction and Other Significant Commitments

Primary Government

The Georgia State Financing and Investment Commission has entered into agreements with various State departments and agencies for the expenditure of bond sale proceeds and cash supplements (provided by the department or agency involved) to acquire and construct capital projects. At June 30, 2004, the undisbursed balance remaining on these agreements was \$1,252,507,223.

At June 30, 2004, the Department of Transportation had contractual commitments of \$2,388,743,083 for construction of various highway projects. Funding of these future expenditures is expected to be provided from federal grants, motor fuel tax funds and general obligation bond proceeds.

Note 8. Operating Leases

A. Lessee

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. Certain organizations within the State's reporting entity do not maintain adequate systems for recording lease commitments in accordance with GAAP.

Total lease payments for the State's governmental activities, business-type activities, and component units were \$116,492,255, \$30,681,845, and \$5,004,749, respectively, for the year ended June 30, 2004. Future minimum commitments for operating leases as of June 30, 2004, are listed below. Amounts are included for renewable leases for which the option to renew for the subsequent fiscal year has been exercised.

State of Georgia

Notes to the Financial Statements For the Year Ended June 30, 2004

Note 8. Operating Leases (continued)

<u>Fiscal Year Ended June 30</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Component Units</u>
2005	\$ 75,189,425	\$ 22,517,519	\$ 5,180,021
2006	27,668,030	8,173,389	4,976,772
2007	24,133,483	6,676,238	4,049,995
2008	21,894,674	4,359,124	3,209,594
2009	19,895,559	3,448,279	2,375,027
2010-2014	65,885,888	10,393,781	11,403,000
2015-2019	7,289,181	1,050	—
2020-2024	6,192,557	—	—
2025-2029	41,938	—	—
2030-2034	41,938	—	—
2035-2039	41,938	—	—
2040-2044	41,938	—	—
2045-2049	41,938	—	—
2050-2054	41,938	—	—
2055-2059	41,938	—	—
2060-2064	25,162	—	—
	<u>\$ 248,467,525</u>	<u>\$ 55,569,380</u>	<u>\$ 31,194,409</u>
Less: Sublease Revenues	<u>—</u>	<u>—</u>	<u>(2,541,000)</u>
Total Minimum Commitments	<u>\$ 248,467,525</u>	<u>\$ 55,569,380</u>	<u>\$ 28,653,409</u>

State of Georgia

Notes to the Financial Statements For the Year Ended June 30, 2004

Note 8. Operating Leases (continued)

B. Lessor

The State leases certain of its facilities for use by others for terms varying from 1 to 65 years, with the majority of leases controlled by the State Properties Commission. These 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 facilities for the State's

governmental activities and component units were \$45,186,579, and \$12,420,911, respectively for the year ended June 30, 2004. Minimum future revenues and rentals to be received under operating leases as of June 30, 2004, are as follows:

<u>Fiscal Year Ended June 30</u>	<u>Governmental Activities</u>	<u>Component Units</u>
2005	\$ 15,328,888	\$ 11,822,883
2006	15,877,022	10,940,149
2007	15,536,159	10,345,223
2008	15,329,174	10,127,640
2009	15,263,677	9,205,526
2010-2014	58,926,981	21,642,650
2015-2019	49,041,316	13,721,650
2020-2024	13,391,486	6,675,650
2025-2029	3,606,651	1,137,650
2030-2034	3,306,705	1,045,650
2035-2039	4,047,960	1,045,650
2040-2044	4,268,614	1,045,650
2045-2049	485,769	—
2050-2054	3,333	—
Total Minimum Commitments	<u>\$ 214,413,735</u>	<u>\$ 98,755,971</u>

State of Georgia

Notes to the Financial Statements For the Year Ended June 30, 2004

Note 9. 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 noncancellable for financial reporting purposes.

As noted in the Summary of Significant Accounting Policies (Note 1F), capital lease transactions have not been consistently recorded in conformity with GAAP. Capital assets in prior years have not been recorded at the net present value of the minimum payments nor has the long-term liability applicable to capital leases been consistently recorded. Also, the State does not record expenditures and other financing sources in the governmental fund types when capitalized leases are entered into as required by GAAP. At June 30, 2004, future commitments under capital leases were as follows:

<u>Fiscal Year Ended June 30</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Component Units</u>
2005	\$ 1,865,141	\$ 41,899,362	\$ 3,355,901
2006	940,996	41,122,020	6,330,754
2007	621,840	37,377,129	2,261,674
2008	485,048	36,617,252	12,599,593
2009	436,767	35,918,349	1,216,116
2010-2014	822,497	182,605,610	5,898,342
2015-2019	—	188,536,520	4,197,039
2020-2024	—	169,954,451	—
2025-2029	—	119,909,257	—
2030-2034	—	52,591,646	—
Total Capital Lease Payments	\$ 5,172,289	\$ 906,531,596	\$ 35,859,419
Less: Interest	(279,976)	(427,259,377)	(5,910,764)
Present Value of Capital Lease Payments	\$ 4,892,313	\$ 479,272,219	\$ 29,948,655

State of Georgia

Notes to the Financial Statements For the Year Ended June 30, 2004

Note 10. Long-Term Liabilities

Primary Government

Changes in long-term liabilities for the fiscal year ended June 30, 2004, is shown in the table below:

	Balance	Retroactive Restatement			Balance	Amounts Due
	July 1, 2003	of Prior Year Balance	Increases	Decreases	June 30, 2004	Within One Year
Governmental activities:						
Compensated Absences Payable	\$ 249,210,925	\$ —	\$ 117,362,080	\$ (119,494,995)	\$ 247,078,010	\$ 77,032,322
Capital Lease Obligations	5,424,453	1,828,475	323,063	(2,683,678)	4,892,313	1,736,836
Contracts Payable	40,786,966	—	—	(13,288,709)	27,498,257	13,628,972
Notes and Loans Payable	2,570,440	—	—	(64,825)	2,505,615	68,440
General State Bond Debt	15,505	—	—	—	15,505	15,505
General Obligation Bonds Payable	6,083,975,000	—	936,450,000	(507,045,000)	6,513,380,000	500,270,000
Other	40,843,881	—	39,035	(24,940,565)	15,942,351	5,915,916
	<u>\$ 6,422,827,170</u>	<u>\$ 1,828,475</u>	<u>1,054,174,178</u>	<u>\$ (667,517,772)</u>	<u>\$ 6,811,312,051</u>	<u>\$ 598,667,991</u>
Business-type activities:						
Compensated Absences Payable	\$ 152,632,486	\$ —	\$ 110,544,582	\$ (107,789,925)	\$ 155,387,143	\$ 89,667,947
Capital Lease Obligations	186,427,483	20,359,490	287,496,600	(15,011,354)	479,272,219	15,602,070
Notes and Loans Payable	2,845,067	—	59,595	(392,305)	2,512,357	704,405
Other	150,000	—	—	(150,000)	—	—
	<u>\$ 342,055,036</u>	<u>\$ 20,359,490</u>	<u>398,100,777</u>	<u>\$ (123,343,584)</u>	<u>\$ 637,171,719</u>	<u>\$ 105,974,422</u>

The governmental funds in which the leases are recorded will liquidate the capital lease obligations for governmental activities. The compensated absences liabilities will be liquidated by the applicable funds that account for the salaries and wages of the related employees.

All General State Bonds of the State of Georgia have matured, but have not been presented for redemption. This obligation will be liquidated if and when the matured outstanding bonds and coupons are presented. Unredeemed General State Bonds at June 30, 2004, were \$15,505 with accumulated interest of \$11,475.

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 and pledge the full faith and credit of the State. General obligation bonds currently outstanding are as follows:

Purpose	Interest Rates	Amount
General Government	1.25% - 7.70%	\$ 6,193,020,000
General Government - Refunding	4.75% - 6.30%	<u>320,360,000</u>
		<u>\$ 6,513,380,000</u>

State of Georgia

Notes to the Financial Statements For the Year Ended June 30, 2004

Note 10. Long-Term Liabilities (continued)

Annual debt service requirements to maturity for general obligation bonds are as follows:

Year	Principal	Interest	Total
2005	\$ 500,270,000	\$ 341,660,720	\$ 841,930,720
2006	535,060,000	313,705,844	848,765,844
2007	540,910,000	284,500,317	825,410,317
2008	471,635,000	254,872,749	726,507,749
2009	467,200,000	227,707,576	694,907,576
2010-2014	2,097,585,000	746,427,769	2,844,012,769
2015-2019	1,356,050,000	281,303,037	1,637,353,037
2020-2024	544,670,000	44,270,005	588,940,005
	<u>\$ 6,513,380,000</u>	<u>\$ 2,494,448,017</u>	<u>\$ 9,007,828,017</u>

Component Units

Changes in long-term liabilities for the year ended June 30, 2004, was as follows:

	Balance		Retroactive Restatement		Balance		Amounts Due
	Balance	Balance	of Prior		Balance	Within One Year	
	July 1, 2003	Year Balance	Year Balance	Increases	Decreases	June 30, 2004	
Compensated Absences Payable	\$ 7,721,819	\$ 9,682,249	\$ 4,953,382	\$ (3,554,554)	\$ 18,802,896	\$ 12,493,345	
Capital Lease Obligations	2,679,101	28,696,905	1,819,286	(3,246,637)	29,948,655	2,406,088	
Notes and Loans Payable	57,322,260	62,889,927	89,535,853	(67,456,833)	142,291,207	50,740,343	
Prizes Payable	195,432,000	—	19,034,000	(9,506,000)	204,960,000	11,146,000	
Revenue/Mortgage Bonds Payable	1,507,939,016	793,930,584	745,619,337	(216,830,188)	2,830,658,749	99,702,540	
Other	66,197,887	50,179,369	38,592,527	(11,714,626)	143,255,157	5,135,174	
	<u>\$ 1,837,292,083</u>	<u>\$ 945,379,034</u>	<u>\$ 899,554,385</u>	<u>\$ (312,308,838)</u>	<u>\$ 3,369,916,664</u>	<u>\$ 181,623,490</u>	

The Georgia Development Authority reported two long-term notes payable to banks with a combined outstanding balance at June 30, 2004, of \$30,644,760. One note, secured by LIBOR mortgage loans financed through the note, is payable in semi-annual payments of \$384,615 that includes interest at LIBOR plus one percent, and has an outstanding balance at June 30, 2004, of \$5,769,232. The other note, secured by various fixed rate mortgage loans financed through the note, bears interest at a rate of 6.8% per annum, and has an outstanding balance at June 30, 2004, of \$24,875,528.

Revenue/mortgage bonds outstanding at June 30, 2004, consisted of: mortgage bonds 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; and revenue bonds issued by the State Road and

Tollway Authority for the financing of certain construction projects within the State's highway system. The significant revenue and mortgage bonds outstanding at June 30, 2004, consist of the following:

	Georgia Housing and Finance Authority	State Road and Tollway Authority
Interest Rates	1.100% - 11.25%	2.50% - 5.375%
Bonds Outstanding	\$ 693,921,977	\$ 721,085,000
Unamortized Premium (Discount)	(166,064)	31,567,218
Deferred Amount for Refunding	—	(2,685,836)
Net	<u>\$ 693,755,913</u>	<u>\$ 749,966,382</u>

State of Georgia

Notes to the Financial Statements For the Year Ended June 30, 2004

Note 10. Long-Term Liabilities (continued)

Annual debt service requirements to maturity:

Year	Georgia Housing and Finance Authority			State Road and Tollway Authority		
	Principal	Interest	Total	Principal	Interest	Total
2005	\$ 20,721,000	\$ 35,639,000	\$ 56,360,000	\$ 51,960,000	\$ 34,560,872	\$ 86,520,872
2006	22,133,000	34,475,000	56,608,000	29,790,000	33,131,689	62,921,689
2007	26,232,000	33,386,000	59,618,000	31,085,000	31,844,087	62,929,087
2008	26,513,000	32,171,000	58,684,000	32,520,000	30,378,711	62,898,711
2009	24,218,000	30,999,000	55,217,000	34,030,000	28,889,101	62,919,101
2010-2014	130,095,000	136,334,000	266,429,000	179,130,000	117,508,697	296,638,697
2015-2019	141,479,000	100,970,000	242,449,000	199,585,000	70,418,633	270,003,633
2020-2024	129,963,000	66,249,000	196,212,000	162,985,000	18,230,894	181,215,894
2025-2029	114,801,000	34,644,000	149,445,000	—	—	—
2030-2034	65,505,000	7,367,000	72,872,000	—	—	—
2035-2038	485,000	11,000	496,000	—	—	—
Future Accretion - Capital Appreciation Bonds	(8,389,000)	8,389,000	—	—	—	—
	\$ <u>693,756,000</u>	\$ <u>520,634,000</u>	\$ <u>1,214,390,000</u>	\$ <u>721,085,000</u>	\$ <u>364,962,684</u>	\$ <u>1,086,047,684</u>

Various series of bonds under Resolution 1 and 3 at Georgia Housing and Finance Authority include capital appreciation bonds that require no payments of principal or interest until maturity. Capital appreciation bonds accrete to their maturity values at effective yields ranging from 7.10% to 11.25%.

Note 11. Interfund Balances

Due To/From Other Funds at June 30, 2004, consist of the following:

Due From:	Due To:			Total Due To
	Nonmajor Enterprise Fund	Internal Service Funds	Fiduciary Funds	
General Fund	\$ 8,952,446	\$ —	\$ —	\$ 8,952,446
Georgia State Financing and Investment Commission	—	—	1,500,000	1,500,000
Higher Education Fund	233,045	—	—	233,045
Internal Service Fund	130,829	—	—	130,829
Fiduciary Funds	11,768	1,163,000	—	1,174,768
Total Due From	\$ <u>9,328,088</u>	\$ <u>1,163,000</u>	\$ <u>1,500,000</u>	\$ <u>11,991,088</u>

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

State of Georgia

Notes to the Financial Statements For the Year Ended June 30, 2004

Note 11. Interfund Balances (continued)

Interfund transfers at June 30, 2004, consist of the following:

	Transfers Out:					
	Governmental Funds		Enterprise Funds			
	General Fund	Georgia State Financing and Investment Commission	Higher Education Fund	Nonmajor Enterprise Fund	Internal Service Funds	Total Transfers In
Transfers In:						
General Fund	\$ —	\$ 176,582,564	\$ 14,484,772	\$ 16,865,100	\$ 3,466,044	\$ 211,398,480
Georgia State Financing and Investment Commission	—	—	—	—	5,117,358	5,117,358
Nonmajor Governmental Funds	663,326,452	63,876,346	—	—	—	727,202,798
Higher Education Fund	1,930,420,047	—	—	3,583,000	—	1,934,003,047
State Health Benefit Plan	34,000,000	—	—	—	—	34,000,000
Nonmajor Enterprise Fund	—	—	—	—	21,171,786	21,171,786
Internal Service Funds	35,090,645	—	—	—	—	35,090,645
Fiduciary Funds	3,377,544	—	—	—	—	3,377,544
Total Transfers Out	\$ 2,666,214,688	\$ 240,458,910	\$ 14,484,772	\$ 20,448,100	\$ 29,755,188	\$ 2,971,361,658

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 use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

State of Georgia

Notes to the Financial Statements For the Year Ended June 30, 2004

Note 12. Nonmonetary Transactions

Primary Government

The Georgia Department of Administrative Services operates the Donation of Federal Surplus Personal Property program for the purpose of distributing surplus properties made available by the General Services Administration to eligible institutions, organizations and agencies. The value of surplus property received and distributed is not reported as revenues and expenses on the combined statement of revenues, expenditures and changes in fund balances, and the inventory on hand at June 30, 2004, is not reported on the combined balance sheet. The changes in Federal surplus personal property inventory during the fiscal year ended June 30, 2004, were as follows:

Balance July 1, 2003	\$	6,867,219
Additions		
Property Received		<u>12,454,508</u>
	\$	19,321,727
Deductions		
Property Donated and Other Distributions		<u>9,979,280</u>
Balance June 30, 2004	\$	<u><u>9,342,448</u></u>

Note 13. Contingencies

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. The State believes that such disallowances, if any, will be immaterial to its overall financial position.

B. Litigation

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

A suit has been filed against the Georgia Technology Authority (GTA) and the Department of Motor Vehicle Services (DMVS) to contest the award of a contract for "digitized drivers license system" to a vendor. In the event the contract was terminated in order to issue a new procurement, the vendor demanded \$8.5 million for its work on the contract. GTA and DMVS settled with the vendor July 20, 2004, for a termination of convenience of the disputed contract with DMVS paying the vendor \$2,500,000 for its cost in performing the contract and with the vendor transferring to DMVS, equipment valued at approximately \$0.5 million. However, to avoid unfair advantage to the vendor, the Court ruled on cross motions for summary judgment that the settlement with the vendor could not be enforced except for the provision under which DMVS would pay the vendor \$500,000 for new equipment the vendor purchased to perform the contract. The vendor appealed the Court's Order, but the Supreme Court dismissed the vendor's direct appeal. After dismissal of the appeal, on May 31, 2005, the vendor sent a demand to GTA and DMVS for \$8.2 million, its alleged costs for performance on the terminated contract, contending that as a result of the disallowance of the \$2 million payment, it did not receive the benefit of the bargain. On June 7, 2005, GTA and DMVS responded that any payment to the vendor for work on the aborted contract would violate the Superior Court's Order. GTA and DMVS believe they have good and valid defenses to the asserted claim and will continue to assert their positions vigorously.

A civil action has been filed against the Teachers' Retirement System seeking additional benefits retroactive to the time of each individual plaintiffs' respective retirement dates for a class of those retirees who elected survivorship options and who retired between 1983 and February 1, 2003, in the retirement plan administered by the Teachers' Retirement System of Georgia (TRS). Plaintiffs' motion for class certification is pending. Plaintiffs allege that they are due such additional benefits for monies lost due to TRS' allegedly inappropriate use of option factors to calculate retirees' monthly benefits. TRS contends that it has good and adequate defenses and intends to defend the suit vigorously. Cross motions for summary judgment remain pending, after a hearing held on May 4, 2005.

A suit has been filed against the Georgia State Financing and Investment Commission (GSFIC) involving a third-party action by the joint venture construction manager for the Georgia World Congress Center (GWCC) phase IV expansion project for indemnity from a number of subcontractors' claims based upon differing construction conditions. Currently, filings of direct claims between GSFIC and the construction manager relating to the contract

State of Georgia

Notes to the Financial Statements For the Year Ended June 30, 2004

Note 13. Contingencies (continued)

are due to the Court on May 9, 2005, with cross and counterclaims due June 6, 2005. The construction manager has concluded arbitration proceedings with the claiming subcontractors. The subcontractors' aggregate claims of \$50,000,000 were significantly reduced on April 21, 2005, to an aggregate award of \$5,000,000. While GSFIC anticipates that any arbitration awards against the construction manager might be amended into the lawsuit by the construction manager, only two subcontractors have indicated that they may appeal the adverse decision on their claims on theory that the arbitrators acted "with manifest disregard of the law." The Court has issued a discovery scheduling order, calling for a status conference in September, 2005. GSFIC has completed document discovery and has made a preliminary determination of GWCC's direct claims against the construction manager. Decisions adverse to GSFIC on all asserted claims could have resulted in payments of as much as \$70 million; however, with the arbitration awards issued, GSFIC reasonably believes that the likelihood of payments are substantially less than \$25,000,000 and that it has good and valid defenses as to many if not all of the asserted claims. GSFIC intends to continue to defend its position and pursue counterclaims vigorously.

C. Guaranteed Loans

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, until the State's rate of annual losses (defaults) exceeded five percent (5%). In the event of future adverse loss experience, the State could be liable for up to (1) twenty percent (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) twenty-two percent (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.

Note 14. Subsequent Events

Primary Government

General Obligation Bonds Issued

The State issued General Obligation Bonds in the amount of \$665,480,000 on July 1, 2004 (Series 2004C and 2004D).

Proceeds from these bonds will be used to finance various capital outlay projects.

Note 15. Retirement Systems

The retirement systems described below, with the exceptions of Regents Retirement Plan and Teachers' Retirement System of Georgia are administered by the Employees' Retirement System of Georgia (ERS). The significant accounting policies applicable to these ERS-administered plans are as follows:

Summary of Significant Accounting Policies

The financial statements are prepared on the accrual basis of accounting. Contributions from the employer (where applicable) and members are recognized in the period in which the members provide services. Benefit and refund payments are recognized when due and payable in accordance with the terms of the plan. 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.

Georgia Defined Contribution Plan

Plan Description

The Georgia Defined Contribution Plan ("GDGP") is a single-employer, defined contribution plan established by the Georgia General Assembly in July 1992 for the purpose of providing retirement allowances for State employees who are not members of a public retirement or pension system. GDGP is administered by the Employees' Retirement System (ERS) Board of Trustees. ERS issues a publicly available financial report that includes the financial statements and disclosures applicable to GDGP. The report may be obtained at the ERS offices.

Membership

As of June 30, 2004, participation in GDGP was as follows:

Active plan members	32,593
Terminated employees entitles to benefits but not yet receiving benefits	<u>83,289</u>
Total	<u><u>115,882</u></u>
Employers	<u><u>296</u></u>

District Attorneys' Retirement Fund

Plan Description

The District Attorneys' Retirement Fund ("DARF") is a single-employer, defined benefit pension plan established by the Georgia General Assembly in 1949 for the purpose of

State of Georgia

Notes to the Financial Statements For the Year Ended June 30, 2004

Note 15. Retirement Systems (continued)

providing retirement benefits to the district attorneys of the State of Georgia. DARF is directed by its own Board of Trustees. The Boards of Trustees for ERS and DARF entered into a contract for ERS to administer the plan effective July 1, 1995. ERS issues a publicly available financial report that includes the financial statements and disclosures applicable to DARF. The report may be obtained at the ERS offices.

Benefits

Persons appointed as district attorney emeritus shall receive an annual benefit of \$15,000 or one-half of the State salary received by such person as a district attorney for the calendar year immediately prior to the person's retirement, whichever is greater.

Funding Policy

Member contributions were five percent (5.0%) of their annual salary plus an additional two and one-half percent (2.5%) for the spousal coverage benefit if elected. The State paid member contributions of five percent (5.0%) of the member's annual salary. Additional employer contributions are not actuarially determined but are provided on an as-needed basis to fund current benefits.

Employees' Retirement System of Georgia

Plan Description

Employees' Retirement System of Georgia ("ERS") is a single-employer, defined benefit pension plan 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 issues a publicly available financial report that includes the applicable financial statements and required supplementary information. The report may be obtained at the ERS offices.

On November 20, 1997, the Board created the Supplemental Retirement Benefit Plan ("SRBP") of ERS. SRBP 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 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 whenever their benefits under ERS exceed the limitation on benefits imposed by IRC Section 415.

Benefits

The benefit structure of ERS was significantly modified on July 1, 1982. 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. All other members are "new plan" members subject to the modified plan provisions.

Under both the old and new plans, a member may retire and receive normal retirement benefits after completion of ten (10) years of creditable service and attainment of age sixty-five (65). Additionally, there are certain provisions allowing for retirement after twenty-five (25) years of creditable service regardless of age.

Retirement benefits paid to members are based upon the monthly average of the member's highest twenty-four (24) consecutive calendar months multiplied by the number of years of creditable service multiplied by the applicable benefit factor. Post-retirement cost-of-living adjustments are also made to members' benefits. 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.

Funding Policy

Member contributions under the old plan are four percent (4.0%) of annual compensation up to \$4,200 plus six percent (6.0%) of annual compensation in excess of \$4,200. Under the old plan, the State pays member contributions in excess of one and one-fourth percent (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 are one and one-fourth percent (1.25%) of annual compensation. The State is required to contribute at a specified percentage of active member payroll determined annually by actuarial valuation.

Annual Pension Cost

The required contribution for 2004 was determined as part of the June 30, 2003, actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included (a) seven and one-quarter percent (7.25%) investment rate of return, (b) projected salary increases due to inflation of three and three-quarters percent (3.75%) per year, and (c) projected salary increases due to seniority/merit raises of five and forty-five one-hundredths percent (5.45%) to nine and one-quarter percent (9.25%) per year. The actuarial

State of Georgia

Notes to the Financial Statements For the Year Ended June 30, 2004

Note 15. Retirement Systems (continued)

value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period. ERS' actuarial funding excess is being amortized as a level percentage of projected payroll on an open basis. The employer contributions are projected to liquidate the actuarial accrued funding excess within ten (10) years based upon the actuarial valuation at June 30, 2003.

Three-Year Trend Information for ERS (in thousands):

Fiscal Year Ended June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2001	315,505	100%	0
2002	233,229	100%	0
2003	246,172	100%	0

Georgia Judicial Retirement System

Plan Description

The Georgia Judicial Retirement System ("GJRS") is a system created to serve the members and beneficiaries of the Trial Judges and Solicitors Retirement Fund, the Superior Court Judges Retirement System and the District Attorneys' Retirement System (collectively the "Predecessor Retirement Systems"). As of June 30, 1998, any person who was an active, inactive or retired member or beneficiary of the Predecessor Retirement Systems was transferred to GJRS in the same status effective July 1, 1998. All assets of the Predecessor Retirement Systems were transferred to GJRS as of July 1, 1998.

GJRS is a multiple-employer cost-sharing defined benefit pension plan established by the Georgia General Assembly for the purpose of providing retirement allowances for trial judges and solicitors of certain courts in Georgia, and their survivors and other beneficiaries, superior court judges of the State of Georgia, and district attorneys of the State of Georgia. GJRS is administered by the ERS Board of Trustees and three (3) other trustees not on the ERS Board. ERS issues a publicly available financial report that includes the financial statements and required supplementary information applicable to GJRS. The report may be obtained at the ERS offices.

Benefits

The normal retirement for GJRS is age sixty (60) with sixteen (16) years of creditable service; however, a member

may retire at age sixty (60) with a minimum of ten (10) years of creditable service.

Retirement benefits paid to members are computed as sixty-six and two-thirds percent (66 2/3%) of annual salary plus one percent (1%) for each year of credited service over sixteen (16) years, not to exceed twenty-four (24) years. Early retirement benefits paid to members are computed as the pro rata portion of the normal retirement benefit, based on service not to exceed sixteen (16) years. Death, disability, and spousal benefits are also available.

Funding Policy

Members are required to contribute seven and one-half percent (7.5%) of their annual salary plus an additional two and one-half percent (2.5%) if spousal benefit is elected. Employer contributions are actuarially determined and approved and certified by the GJRS Board of Trustees.

Legislative Retirement System

Plan Description

Legislative Retirement System ("LRS") is a cost-sharing multiple employer, defined benefit plan established by the Georgia General Assembly in 1979 for the purpose of providing retirement allowances for all members of the Georgia General Assembly. LRS is administered by the ERS Board of Trustees. ERS issues a publicly available financial report that includes the applicable financial statements and required supplementary information. The report may be obtained at the ERS offices.

Benefits

A member's normal retirement is after eight (8) years of creditable service and attainment of age sixty-five (65), or eight (8) years of membership service (4 legislative terms) and attainment of age sixty-two (62). A member may retire early and elect to receive a monthly retirement benefit after completion of eight (8) years of membership service and attainment of age sixty (60); however, the retirement benefit is reduced by five percent (5.0%) for each year the member is under age sixty-two (62).

Upon retirement, the member will receive a monthly service retirement allowance of \$32 multiplied by the number of years of creditable service reduced by age reduction factors, if applicable. Death, disability, and spousal benefits are also available through the plan.

Funding Policy

Member contributions are eight and one-half percent (8.5%) of annual salary. The State pays member contributions in excess of four and three-quarters percent (4.75%) of annual compensation. Employer contributions are actuarially determined and approved and certified by the Board.

State of Georgia

Notes to the Financial Statements For the Year Ended June 30, 2004

Note 15. Retirement Systems (continued)

Annual Pension Cost

The required contribution for 2004 was determined as part of the June 30, 2003, actuarial valuation using the unit credit actuarial cost method. The actuarial assumptions included (a) seven and one-quarter percent (7.25%) investment rate of return, and (b) three percent (3%) annual post-retirement cost-of-living adjustment. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period. LRS' actuarial funding excess is being amortized using the level dollar method on an open basis.

Three-Year Trend Information for LRS (in thousands):

Fiscal Year Ended June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2001	-	N/A	(219,000)
2002	1	7000%	(288,000)
2003	2	2150%	(329,000)

Georgia Military Pension Fund

Plan Description

The Georgia Military Pension Fund ("GMPF") is a defined benefit pension plan established by the Georgia General Assembly in 2002 for the purpose of providing retirement allowances and other benefits for members of the Georgia National Guard ("National Guard"). The GMPF is administered by the Employees Retirement System Board of Trustees.

Benefits

A member becomes eligible for benefits upon attainment of age 60 with 20 or more years of creditable service (including at least 15 years of service as a member of the National Guard), having served at least 10 consecutive years as a member of the National Guard immediately prior to discharge, and having received an honorable discharge from the National Guard.

The retirement allowance is payable for life in the amount of \$50 per month plus \$5 per month for each year of creditable service in excess of 20 years. The maximum benefit is \$100 per month.

Funding Policy

Employer contributions are actuarially determined and approved and certified by the ERS Board of Trustees. There are no member contributions required.

Superior Court Judges Retirement Fund

Plan Description

The Superior Court Judges Retirement Fund ("SCJRF") is a single-employer, defined benefit pension plan established by the Georgia General Assembly in 1945 for the purpose of providing retirement benefits to the superior court judges of the State of Georgia. SCJRF is directed by its own Board of Trustees. The Boards of Trustees for ERS and SCJRF entered into a contract for ERS to administer the Plan effective July 1, 1995. ERS issues a publicly available financial report that includes the financial statements and disclosures applicable to SCJRF. The report may be obtained at the ERS offices.

Benefits

The normal retirement for SCJRF is age sixty-eight (68) with nineteen (19) years of creditable service with a benefit of two-thirds the salary paid to superior court judges. A member may also retire at age sixty-five (65) with a minimum of ten (10) years of creditable service with a benefit of one-half the salary paid to superior court judges. Death, disability, and spousal benefits are also available.

Funding Policy

Member contributions are five percent (5.0%) of their salary plus an additional two and one-half percent (2.5%) for the spousal coverage benefit if elected. The State pays member contributions of five percent (5.0%) of the member's annual salary. Additional employer contributions are not actuarially determined but are provided on an as-needed basis to fund current benefits.

Regents Retirement Plan

Plan Description

The Regents Retirement Plan, a single-employer defined contribution plan, is an optional retirement plan established and administered by the Board of Regents of the University System of Georgia (Higher Education Fund), under which it may purchase annuity contracts for the purpose of providing retirement and death benefits for eligible faculty and principal administrators.

State of Georgia

Notes to the Financial Statements For the Year Ended June 30, 2004

Note 15. Retirement Systems (continued)

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

Member contributions are five percent (5.0%) of the earnable compensation, as established by the Board of Trustees of the Teachers' Retirement System. Employer contributions are ten and three one-hundredths percent (10.03%) of the participating employee's earnable compensation. Employer contributions are established by statute and may be amended only by the General Assembly of the State of Georgia. Amounts attributable to all plan contributions are fully vested and non-forfeitable. In 2004, employer and employee contributions were (in thousands) \$60,320 and \$30,047, respectively.

Teachers' Retirement System of Georgia

Plan Description

The Teachers' Retirement System of Georgia ("TRS") is a cost-sharing multiple-employer 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. TRS issues a publicly available financial report that includes the applicable financial statements and required supplementary information. The report may be obtained at the TRS offices.

On October 25, 1996, the Board created the Supplemental Retirement Benefit Plan of the Georgia Teachers ("SRBP"). SRBP 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 the SRBP 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 whenever their benefits under TRS exceed the IRC Section 415 imposed limitation on benefits.

Benefits

A member is eligible for normal service retirement after thirty (30) years of creditable service, regardless of age, or after ten (10) years of service and attainment of age sixty (60). A member is eligible for early retirement after twenty-five (25) years of creditable service.

Normal retirement (pension) benefits paid to members are equal to two percent (2.0%) of the average of the member's two (2) highest paid consecutive years of service multiplied by the number of years of creditable service up to forty (40) years. Early retirement benefits are reduced by the lesser of one-twelfth (1/12) of seven percent (7.0%) for each month the member is below age sixty (60), or by seven percent (7.0%) for each year or fraction thereof by which the member has less than thirty (30) years of service. It is also assumed that certain cost-of-living adjustments, based on the CPI, will be made in future years. Retirement benefits are payable monthly for life. Death, disability and spousal benefits are also available.

Summary of Significant Accounting Policies

The financial statements of TRS are prepared on the accrual basis of accounting. Contributions from the employers and members are recognized in the period in which the members provide services. Benefit and refund payments are recognized when due and payable in accordance with the terms of the plan. 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.

Funding Policy

TRS is funded by member and employer contributions as adopted and amended by the Board of Trustees. Member contributions are five percent (5%) of annual salary, and employer contributions are nine and twenty-four one-hundredths percent (9.24%), as required by the annual actuarial valuation. The State's contributions to TRS for the years ending June 30, 2004 and 2003 were (in thousands) \$123,832 and \$123,023, respectively, and were equal to the required contributions for each year.

State of Georgia

Notes to the Financial Statements For the Year Ended June 30, 2004

Note 16. Postemployment Benefits

In addition to the pension benefits described in Note 15, the State of Georgia provides postretirement health care benefits through the State Health Benefit Plan to retirees pursuant to Title 45, Chapter 18 of the OCGA. An individual eligible for these benefits must have been a full time employee at the time of retirement of either the State of Georgia or a county social service agency and must be receiving monthly retirement benefits from either the Employees' Retirement System of Georgia or a county employees' retirement system. The State Health Benefit Plan is a public entity risk pool funded by employee and employer contributions. Employees and retirees subject to the Plan contribute amounts determined by the State Personnel Board for various health insurance plans. The various agencies of the State contribute to the health insurance fund based upon amounts recommended by the State Personnel Board and set forth in the Appropriations Act. The State Health Benefit Plan is funded on a "pay-as-you-go" basis. Expenses of the Plan include provisions for incurred but not reported claims.

As of June 30, 2004, there were 68,079 employees who had retired and were receiving postretirement health care benefits through the State Health Benefit Plan. For the fiscal year ended June 30, 2004, the State recognized expenditures of \$371,675,020, which was net of retiree contributions of \$122,499,834.

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 funds) 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. Employees who are eligible for retirement or disability under the criteria established by the Teachers Retirement System and who have at least ten years of service with the University System are eligible for these postemployment health and life insurance benefits. The University System pays the employer portion for group insurance for affected individuals. For the fiscal year ended June 30, 2004, the University System recognized expenditures of \$46,384,965, which was net of participant contributions of \$17,503,404.

Note 17. Deficit Fund Balance/Net Assets

The following organizations had deficit balances at June 30, 2004.

Primary Government

Internal Service Funds

Agency for Removal of Hazardous Materials – At June 30, 2004, the agency had an unrestricted net assets deficit of \$131,755.

Internal Service Funds – Risk Management

Unemployment Compensation Fund - At June 30, 2004, the Fund had an unrestricted net assets deficit of \$12,308,150.

Workers' Compensation Fund – At June 30, 2004, the Fund had an unrestricted net assets deficit of \$45,384,454.

Component Units

Lake Lanier Islands Development Authority - At June 30, 2004, the Authority had an unrestricted net assets deficit of \$10,516,659.

Road and Tollway Authority – At June 30, 2004, the Authority had an unrestricted net assets deficit of \$226,032,145.

Columbus State University Athletic Fund, Incorporated – At June 30, 2004, the Fund had an unrestricted net assets deficit of \$77,525.

Georgia Tech Alumni Association – At June 30, 2004, the Association had an unrestricted net assets deficit of \$87,823.

Georgia Tech Facilities, Incorporated – At June 30, 2004, the Corporation had an unrestricted net assets deficit of \$383,000.

Southern Polytechnic State University Foundation, Incorporated – At June 30, 2004, the Foundation had an unrestricted net assets deficit of \$20,975,017.

REQUIRED SUPPLEMENTARY INFORMATION

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State of Georgia

Required Supplementary Information For the Fiscal Year Ended June 30, 2004

Employees' Retirement System of Georgia

Schedule of Funding Progress (dollars in thousands)

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability ("AAL") - Entry Age (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]
6/30/01	11,750,624	11,557,255	(193,369)	101.7%	2,397,169	(8.1%)
6/30/02	12,124,414	11,994,850	(129,564)	101.1%	2,408,306	(5.4%)
6/30/03	12,428,736	12,370,563	(58,173)	100.5%	2,489,490	(2.3%)

State of Georgia

Required Supplementary Information Budgetary Comparison Schedule Budget Fund For the Fiscal Year Ended June 30, 2004

	Budgeted Amounts		Actual Amounts	Variance
	Original	Final		Positive (Negative)
Funds Available (inflows)				
Revenues:				
State Appropriation				
Regular	\$ 15,307,459,296	\$ 15,203,968,291	\$ 15,196,160,335	\$ (7,807,956)
Lottery Proceeds	691,795,656	700,839,757	700,839,757	0
Tobacco Settlement Funds	175,080,760	174,384,699	174,384,699	0
Federal Revenues	7,152,378,659	10,770,534,647	9,377,124,385	(1,393,410,262)
Other Revenues Retained	5,165,293,804	7,651,867,389	6,737,635,564	(914,231,825)
Total Revenues	\$ 28,492,008,175	\$ 34,501,594,783	\$ 32,186,144,740	\$ (2,315,450,043)
Carry-Over from Prior Year:				
Transfer from Fund Balance	1,799,747	2,394,524,163	1,611,803,883	(782,720,280)
Total Funds Available	\$ 28,493,807,922	\$ 36,896,118,946	\$ 33,797,948,623	\$ (3,098,170,323)
Expenditures (outflows)				
Administrative Services, Department of	\$ 61,518,992	\$ 62,774,189	\$ 53,166,536	\$ 9,607,653
Agricultural Exposition Authority	6,544,347	6,839,017	6,844,235	(5,218)
Agriculture, Department of	50,938,013	53,569,522	53,524,487	45,035
Agrirama Development Authority	1,889,316	1,192,687	1,215,685	(22,998)
Audits and Accounts, Department of	30,885,636	29,118,037	28,421,966	696,071
Banking and Finance, Department of	10,724,849	10,456,726	10,218,591	238,135
Building Authority	46,217,112	46,916,011	56,160,161	(9,244,150)
Community Affairs, Department of	175,653,264	277,989,805	269,489,160	8,500,645
Community Health, Department of	7,407,061,015	10,716,755,730	9,643,005,514	1,073,750,216
Corrections, Department of	942,684,234	1,011,433,127	943,850,733	67,582,394
Defense, Department of	44,876,731	39,932,274	38,702,661	1,229,613
Education, Department of	7,007,154,994	7,596,421,974	7,321,334,382	275,087,592
Employees' Retirement System -				
Administrative Expense Fund	10,207,623	12,352,153	10,730,182	1,621,971
Financing and Investment Commission, Georgia State	0	0	12,337,137	(12,337,137)
Forestry Commission	40,626,619	44,308,009	43,747,641	560,368
General Assembly	35,126,970	36,545,405	30,221,482	6,323,923
General Obligation Debt Sinking Fund	778,531,879	685,707,114	675,479,942	10,227,172
Governor, Office of the	48,327,412	224,691,431	187,320,796	37,370,635
Guaranteed Revenue Debt Common Reserve Fund				0
Human Resources, Department of	2,601,847,745	3,363,928,337	3,071,861,742	292,066,595
Industry, Trade and Tourism, Department of	46,472,976	36,990,015	36,436,915	553,100
Insurance, Department of	17,885,229	17,545,768	16,665,237	880,531
Investigation, Georgia Bureau of	92,569,746	147,835,559	125,774,022	22,061,537
Judicial Branch	143,155,238	149,406,774	149,730,105	(323,331)
Juvenile Justice, Department of	300,094,868	317,217,020	304,127,062	13,089,958
Labor, Department of	353,739,570	433,753,539	422,680,697	11,072,842
Law, Department of	36,426,278	49,787,282	49,716,215	71,067
Motor Vehicle Safety, Department of	90,332,695	95,990,406	94,213,592	1,776,814
Natural Resources, Department of	145,758,281	268,843,052	258,780,523	10,062,529
Pardons and Paroles, State Board of	47,497,086	48,243,000	47,434,075	808,925
Personnel Board, State - Merit System of				
Personnel Administration	15,573,656	16,600,233	12,708,550	3,891,683
Public Safety, Department of	101,594,695	130,787,817	113,408,899	17,378,918
Public School Employees' Retirement System	11,220,726	1,420,696	1,420,696	0
Public Service Commission	9,301,164	9,167,822	9,041,114	126,708
Public Telecommunications Commission	36,381,667	33,927,733	30,284,013	3,643,720
Regents of the University System of Georgia, Board of	4,082,450,885	4,462,384,340	3,821,347,517	641,036,823

State of Georgia

Required Supplementary Information Budgetary Comparison Schedule Budget Fund For the Fiscal Year Ended June 30, 2004

	Budgeted Amounts		Actual Amounts	Variance
	Original	Final		Positive (Negative)
Revenue, Department of	\$ 494,120,702	\$ 492,415,958	\$ 487,253,123	\$ 5,162,835
School Readiness, Office of	327,902,374	345,169,453	342,994,293	2,175,160
Secretary of State	35,626,421	40,176,801	39,772,073	404,728
Soil and Water Conservation Commission	3,915,069	5,482,634	5,461,690	20,944
Student Finance Commission	480,164,062	483,285,298	471,021,478	12,263,820
Teachers' Retirement System - Expense Fund	23,965,826	26,319,868	24,834,063	1,485,805
Technical and Adult Education, Department of	389,518,684	510,412,900	488,097,911	22,314,989
Technology Authority	198,494,046	228,881,971	199,666,302	29,215,669
Transportation, Department of	1,658,455,340	4,271,846,867	2,054,085,377	2,217,761,490
Veterans Service, Department of	33,363,216	33,827,021	33,421,671	405,350
Workers' Compensation, State Board of	17,010,671	17,467,571	15,621,902	1,845,669
	<u>\$ 28,493,807,922</u>	<u>\$ 36,896,118,946</u>	<u>\$ 32,113,632,148</u>	<u>\$ 4,782,486,798</u>
Excess of Funds Available over Expenditures			<u>\$ 1,684,316,475</u>	<u>\$ 1,684,316,475</u>

State of Georgia

Required Supplementary Information Budgetary Comparison Schedule Budget-To-GAAP Reconciliation For the Fiscal Year Ended June 30, 2004

	<u>General Fund</u>
Sources/Inflows of Resources	
Actual amounts (budgetary basis) "Total Funds Available" from the budgetary comparison schedule	\$ 33,797,948,623
Differences - budget to GAAP:	
Revenues of nonbudgeted funds included within the State's reporting entity, and shown in General Fund for financial reporting purposes.	15,693,965,695
Revenues of budgeted funds included in the Budget Fund, but removed from the General Fund for financial reporting purposes.	(4,607,640,076)
Budgeted Carry-Over Funds from Prior Year Fund Balances shown as Funds Available in Budget Fund, but removed for financial reporting purposes.	(1,611,803,883)
Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes.	(22,336,035)
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.	(169,102,668)
Accrual of taxpayer assessed receivables and revenues .	32,451,911
Proceeds from the sale of land and equipment are budgetary resources but are regarded as other financing sources under GAAP.	(2,191,242)
State appropriation revenues are budgetary resources, but are netted with the State's treasury disbursements for GAAP purposes.	(16,071,384,791)
Budget Fund reserves federal financial assistance, but these funds are not earned at year end, and are shown as deferred revenue for GAAP purposes.	38,887,118
Intrafund revenues are budgetary revenues, but are not revenue for GAAP reporting purposes.	(517,220,666)
Fund balance adjustments are not inflows of budgetary resources, but are current year revenues for GAAP reporting purposes.	(1,496,503)
Change in revenue accrual for nonbudgetary medicaid claims.	(17,011,714)
Change in revenue accrual for nonbudgetary food stamp program.	890,887,918
Change in revenue accrual for nonbudgetary donated commodities.	62,582,101
Change in pooled investments to show at fair value.	(16,450,121)
Other net accrued receivables and revenues.	<u>(88,401,798)</u>
Total revenues as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	\$ <u>27,391,683,869</u>

State of Georgia

Required Supplementary Information Budgetary Comparison Schedule Budget-To-GAAP Reconciliation For the Fiscal Year Ended June 30, 2004

	<u>General Fund</u>
Uses/Outflows of Resources	
Actual amounts (budgetary basis) "Total Expenditures" from the budgetary comparison schedule	\$ 32,113,632,148
Differences - budget to GAAP:	
Expenditures of Nonbudgeted Funds included within the State's reporting entity, and shown in General Fund for financial reporting purposes.	64,049,036
Expenses of Budgeted Funds included in the Budget Fund, but removed from the General Fund for financial reporting purposes.	(6,680,974,658)
Transfers to other funds are outflows of budgetary resources but are not expenditures for GAAP reporting purposes.	(700,474,461)
Encumbrances 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 and equipment are received for GAAP reporting.	(219,774,320)
Intrafund expenditures are budgetary expenditures, but are not expenditures for GAAP reporting purposes.	(339,450,080)
Fund balance adjustments are not outflows of budgetary resources, but are current year expenditures for GAAP reporting purposes.	(363,918,582)
Change in expenditure accrual for nonbudgetary food stamp program.	890,887,918
Change in expenditure accrual for nonbudgetary donated commodities.	62,086,165
Change in expenditure accrual for nonbudgetary teacher salaries.	(24,676,816)
Capital lease acquisitions are not outflows of budgetary resources, but are recorded as current expenditures and other financing sources for GAAP reporting	323,063
Other net accrued liabilities and expenditures.	<u>(23,840,483)</u>
Total Expenditures as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	\$ <u><u>24,777,868,930</u></u>

State of Georgia

Notes to Required Supplementary Information For the Fiscal Year Ended June 30, 2004

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 must submit estimates of the financial requirements for the subsequent fiscal year to the Office of Planning and Budget, which operates under the direction of the Governor. Budget estimates relative to the legislative and judicial branches of State government are provided to the Office of Planning and Budget for the purpose of estimating the total financial needs of the State, but are not subject to revision or review by the Office of Planning and Budget.

The Governor, through the Office of Planning and Budget, 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 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 4, the General Assembly is prohibited from appropriating funds for any given fiscal year which, in the aggregate, exceeds the amount of unappropriated surplus funds expected to have accrued at the beginning of the subsequent fiscal year together with the total estimated amount of receipts from existing revenue sources, less refunds, anticipated to be collected in the subsequent fiscal year. The Constitution further authorizes the passage of additional Supplementary Appropriation Acts for specific purposes, provided sufficient unappropriated funds are available or additional revenue measures have been enacted. Federal funds received by the State are continually appropriated in the exact amounts and for the purposes authorized and directed by the awarding federal agency.

Internal transfers within a budget unit and between objects of functional or activity budget units are subject to the condition that no State funds shall be transferred for the purpose of initiating a new program area not currently having a State funds appropriation.

The Governor, through the Office of Planning and Budget, requires each budget unit, other than those of the legislative and judicial branches, to submit an annual operating budget based on the activities and functions set forth in the Appropriations Act. Budget units submit quarterly 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 the Office of Planning and Budget.

Budget units (i.e., agencies, commissions) 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 object class level. Due to the complex nature of the State appropriated budget, a separate budgetary report entitled, "Report of the State Auditor of Georgia," is published each year. This report includes a listing of State organizations (appropriation units) which incurred expenditures in excess of amounts budgeted by object class.

The appropriated budget covers the majority of the governmental funds included within the State of Georgia reporting entity, but excludes the debt service fund and capital projects funds, which are not subject to appropriation. The budget does include certain proprietary funds, the higher education funds, and the administrative costs of operating various public employee retirement systems.

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 necessary adjustments to convert the Budget Fund into governmental funds, proprietary funds, and fiduciary funds, as required by generally accepted accounting principles (GAAP).

COMBINING AND INDIVIDUAL
FUND STATEMENTS

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NONMAJOR GOVERNMENTAL FUNDS

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State of Georgia

Nonmajor Governmental Funds

DEBT SERVICE FUND

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

CAPITAL PROJECTS FUNDS

The Capital Projects Funds account for the acquisition or construction of governmental capital assets. The State's nonmajor capital projects funds are described below:

Georgia Building Authority (Hospital) accounts for the acquisition, construction, repair, maintenance, improvement, operation and management of self-liquidating projects on property owned by the authority. These projects include hospitals, health care facilities, dormitories and housing accommodations for patients, officers and employees of institutions controlled by state agencies.

Georgia Building Authority (Markets) accounts for the construction and renovation of farmers markets and related facilities.

Georgia Building Authority (Penal) accounts for the acquisition, construction, repair, maintenance, improvement, operation and management of buildings, facilities, equipment and services for the State penal system.

Georgia Education Authority (University) accounts for the construction and improvement of buildings and facilities of institutions under the authority of the Board of Regents of the University System of Georgia.

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, 2004

	<u>Debt Service</u>	<u>Georgia Building Authority (Hospital)</u>
Assets		
Cash and Cash Equivalents	\$ —	\$ 2,595,798
Investments	—	1,284,286
Receivables (Net of Allowances for Uncollectibles)		
Other	—	—
	<hr/>	<hr/>
Total Assets	\$ <u>0</u>	\$ <u>3,880,084</u>
Fund Balances		
Reserved for Other Specific Purposes	\$ —	\$ —
Unreserved, Undesignated	—	3,880,084
	<hr/>	<hr/>
Total Fund Balances	\$ <u>0</u>	\$ <u>3,880,084</u>

Capital Projects

<u>Georgia Building Authority (Markets)</u>	<u>Georgia Building Authority (Penal)</u>	<u>Georgia Education Authority (University)</u>	<u>Permanent Fund</u>	<u>Total</u>
\$ 155,460	\$ 1,231,062	\$ 1,181,660	\$ 13,500	\$ 5,177,480
76,318	609,039	582,223	—	2,551,866
—	—	1,203,256	—	1,203,256
<u>231,778</u>	<u>1,840,101</u>	<u>2,967,139</u>	<u>13,500</u>	<u>8,932,602</u>
\$ —	\$ 1,625,122	\$ —	\$ 13,500	\$ 1,638,622
231,778	214,979	2,967,139	—	7,293,980
<u>231,778</u>	<u>1,840,101</u>	<u>2,967,139</u>	<u>13,500</u>	<u>8,932,602</u>

State of Georgia

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances Nonmajor Governmental Funds For the Fiscal Year Ended June 30, 2004

	<u>Debt Service</u>	<u>Georgia Building Authority (Hospital)</u>
Revenues:		
Interest and Other Investment Income	\$ —	\$ 40,793
Rents and Royalties	—	—
Other	—	—
	<u>0</u>	<u>40,793</u>
Total Revenues	\$ 0	\$ 40,793
Expenditures:		
General Government	\$ —	\$ 3,897
Education	—	—
Capital Outlay	—	—
Debt Service		
Principal	507,045,000	—
Interest	343,348,313	—
Accrued Interest on Bonds Retired in Advance	371,297	—
Discount on Bonds Retired in Advance	(8,479,950)	—
	<u>842,284,660</u>	<u>3,897</u>
Total Expenditures	\$ 842,284,660	\$ 3,897
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ (842,284,660)	\$ 36,896
Other Financing Sources:		
Operating Transfers In	\$ 727,202,798	\$ —
Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	\$ (115,081,862)	\$ 36,896
Fund Balances, July 1	<u>115,081,862</u>	<u>3,843,188</u>
Fund Balances, June 30	<u>\$ 0</u>	<u>\$ 3,880,084</u>

Capital Projects

<u>Georgia Building Authority (Markets)</u>	<u>Georgia Building Authority (Penal)</u>	<u>Georgia Education Authority (University)</u>	<u>Permanent Fund</u>	<u>Total</u>
\$ 2,908	\$ 19,356	\$ 164,359	\$ 556	\$ 227,972
—	—	64,825	—	64,825
—	—	1,000,948	—	1,000,948
<u>\$ 2,908</u>	<u>\$ 19,356</u>	<u>\$ 1,230,132</u>	<u>\$ 556</u>	<u>\$ 1,293,745</u>
\$ 53,674	\$ 4,126	\$ 649	\$ —	\$ 62,346
—	—	—	556	556
—	—	1,061,234	—	1,061,234
—	—	64,825	—	507,109,825
—	—	140,495	—	343,488,808
—	—	—	—	371,297
—	—	—	—	(8,479,950)
<u>\$ 53,674</u>	<u>\$ 4,126</u>	<u>\$ 1,267,203</u>	<u>\$ 556</u>	<u>\$ 843,614,116</u>
<u>\$ (50,766)</u>	<u>\$ 15,230</u>	<u>\$ (37,071)</u>	<u>\$ 0</u>	<u>\$ (842,320,371)</u>
<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 727,202,798</u>
\$ (50,766)	\$ 15,230	\$ (37,071)	\$ 0	\$ (115,117,573)
<u>282,544</u>	<u>1,824,871</u>	<u>3,004,210</u>	<u>13,500</u>	<u>124,050,175</u>
<u><u>\$ 231,778</u></u>	<u><u>\$ 1,840,101</u></u>	<u><u>\$ 2,967,139</u></u>	<u><u>\$ 13,500</u></u>	<u><u>\$ 8,932,602</u></u>

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INTERNAL SERVICE FUNDS

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State of Georgia

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, printing, motor pool and building space management.

The **Georgia Building Authority** is primarily responsible for constructing and maintaining State office buildings, maintaining the grounds within the State Capitol complex, maintaining the Governor's Mansion and operating parking facilities.

The **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 **Merit System of Personnel Administration** provides a career service to the classified employees in the executive branch based on the principles of merit, equal opportunity and freedom from political influence.

The **Agency for Removal of Hazardous Materials** administers a program for the abatement and removal of asbestos and other hazardous materials from the premises of the State, state authorities, counties, municipal corporations, local and independent school systems, and other units and authorities of government.

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 Employees' Assurance Department** is used to account for the accumulation of funds for the purpose of providing survivors' benefits for eligible members of the Employees' Retirement System.

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.

State of Georgia

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.

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State of Georgia

Combining Statement of Net Assets Internal Service Funds June 30, 2004

	Administrative Services, Department of	Building Authority, Georgia	Correctional Industries Administration	Merit System of Personnel Administration
Assets				
Current Assets:				
Cash and Cash Equivalents	\$ 2,516,072	\$ 14,929,675	\$ 14,091,650	\$ 110,653
Investments	1,537,000	7,345,069	5,050,772	—
Accounts Receivable (Net of Allowances for Uncollectibles)	318,340	3,051,467	1,635,535	2,053,849
Due from Other Funds	358,906	—	—	—
Inventories	95,021	223,559	6,462,591	—
Prepaid Items	141,742	20,340	53,143	—
Noncurrent Assets:				
Investments	689,935	5,054	—	—
Capital Assets:				
Land	—	22,158,665	44,432	—
Buildings and Building Improvements	9,399,603	286,832,856	10,696,324	—
Improvements Other Than Buildings	—	4,918,817	—	—
Machinery and Equipment	4,532,523	2,516,145	17,124,507	766,907
Works of Art and Collections	—	1,239,575	—	—
Accumulated Depreciation	(3,487,848)	(116,090,124)	(17,780,865)	(683,042)
Total Assets	\$ 16,101,294	\$ 227,151,098	\$ 37,378,089	\$ 2,248,367
Liabilities				
Current Liabilities:				
Accounts Payable and Other Accruals	\$ 166,026	\$ 2,868,613	\$ 145,013	\$ 18,958
Due to Other Funds	22,814	107,715	—	300
Salaries/Withholdings Payable	115	11,437	80,327	3
Contracts Payable	—	27,240	—	—
Deferred Revenue	798,412	—	303,713	390
Customer Deposits	—	330,754	—	—
Claims and Judgments Payable	—	—	—	—
Compensated Absences Payable - Current	756,341	1,271,197	332,567	395,162
Capital Leases/Installment Purchases Payable	1,149	—	—	—
Noncurrent Liabilities:				
Compensated Absences Payable	596,057	—	366,753	331,139
Total Liabilities	\$ 2,340,914	\$ 4,616,956	\$ 1,228,373	\$ 745,952
Net Assets				
Invested in Capital Assets, Net of Related Debt	\$ 10,443,129	\$ 201,575,934	\$ 10,084,398	\$ 83,865
Restricted for:				
Surplus Property Working Capital	1,409,572	—	—	—
Unrestricted	1,907,679	20,958,208	26,065,318	1,418,550
Total Net Assets	\$ 13,760,380	\$ 222,534,142	\$ 36,149,716	\$ 1,502,415

Removal of Hazardous Materials, Agency for	Risk Management	Total Before Eliminations	Eliminations	Total
\$ 72,815	\$ 74,530,145	\$ 106,251,010	\$ —	\$ 106,251,010
—	32,182,687	46,115,528	—	46,115,528
1,885	497,608	7,558,684	—	7,558,684
—	1,163,000	1,521,906	(358,906)	1,163,000
3,489	—	6,784,660	—	6,784,660
—	—	215,225	—	215,225
—	1,143,123,570	1,143,818,559	—	1,143,818,559
—	—	22,203,097	—	22,203,097
—	—	306,928,783	—	306,928,783
—	—	4,918,817	—	4,918,817
586,264	—	25,526,346	—	25,526,346
—	—	1,239,575	—	1,239,575
(574,434)	—	(138,616,313)	—	(138,616,313)
<u>\$ 90,019</u>	<u>\$ 1,251,497,010</u>	<u>\$ 1,534,465,877</u>	<u>\$ (358,906)</u>	<u>\$ 1,534,106,971</u>
\$ 209,944	\$ 622,923	\$ 4,031,477	\$ —	\$ 4,031,477
—	358,906	489,735	(358,906)	130,829
—	—	91,882	—	91,882
—	—	27,240	—	27,240
—	82,893	1,185,408	—	1,185,408
—	—	330,754	—	330,754
—	381,993,897	381,993,897	—	381,993,897
—	—	2,755,267	—	2,755,267
—	—	1,149	—	1,149
—	—	1,293,949	—	1,293,949
<u>\$ 209,944</u>	<u>\$ 383,058,619</u>	<u>\$ 392,200,758</u>	<u>\$ (358,906)</u>	<u>\$ 391,841,852</u>
\$ 11,830	\$ —	\$ 222,199,156	\$ —	\$ 222,199,156
—	—	1,409,572	—	1,409,572
(131,755)	868,438,391	918,656,391	—	918,656,391
<u>\$ (119,925)</u>	<u>\$ 868,438,391</u>	<u>\$ 1,142,265,119</u>	<u>\$ 0</u>	<u>\$ 1,142,265,119</u>

State of Georgia

Combining Statement of Net Assets Internal Service Funds Risk Management June 30, 2004

	Liability Insurance Fund	Property Insurance Fund	State Employees' Assurance Department
Assets			
Current Assets:			
Cash and Cash Equivalents	\$ 39,987,935	\$ 3,464,334	\$ —
Investments	11,701,330	1,013,739	10,347,228
Accounts Receivable (Net of Allowances for Uncollectibles)	234,313	263,295	—
Due From Other Funds	—	—	1,163,000
Noncurrent Assets:			
Investments	166,297,290	14,407,079	832,801,772
Total Assets	\$ 218,220,868	\$ 19,148,447	\$ 844,312,000
Liabilities			
Current Liabilities:			
Cash Overdraft	\$ —	\$ —	\$ 90,000
Accounts Payable and Other Accruals	—	—	275,000
Due to Other Funds	58,959	36,383	—
Deferred Revenue	—	82,893	—
Claims and Judgments Payable	147,823,000	13,774,064	—
Total Liabilities	\$ 147,881,959	\$ 13,893,340	\$ 365,000
Net Assets			
Unrestricted	\$ 70,338,909	\$ 5,255,107	\$ 843,947,000

State Indemnification Fund	Supplemental Pay Fund	Teacher Indemnification Fund	Unemployment Compensation Fund	Workers' Compensation Fund	Total
\$ 86,103	\$ 1,061,341	\$ 141,238	\$ —	\$ 30,767,265	\$ 75,508,216
25,196	310,571	41,329	(259,870)	9,003,164	32,182,687
—	—	—	—	—	497,608
—	—	—	—	—	1,163,000
<u>358,075</u>	<u>4,413,787</u>	<u>587,360</u>	<u>(3,693,209)</u>	<u>127,951,416</u>	<u>1,143,123,570</u>
\$ <u>469,374</u>	\$ <u>5,785,699</u>	\$ <u>769,927</u>	\$ <u>(3,953,079)</u>	\$ <u>167,721,845</u>	\$ <u>1,252,475,081</u>
\$ —	\$ —	\$ —	\$ 888,071	\$ —	\$ 978,071
—	—	—	—	347,923	622,923
188	—	—	—	263,376	358,906
—	—	—	—	—	82,893
<u>434,833</u>	<u>—</u>	<u>—</u>	<u>7,467,000</u>	<u>212,495,000</u>	<u>381,993,897</u>
\$ <u>435,021</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>8,355,071</u>	\$ <u>213,106,299</u>	\$ <u>384,036,690</u>
\$ <u>34,353</u>	\$ <u>5,785,699</u>	\$ <u>769,927</u>	\$ <u>(12,308,150)</u>	\$ <u>(45,384,454)</u>	\$ <u>868,438,391</u>

State of Georgia

Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets Internal Service Funds For the Fiscal Year Ended June 30, 2004

	Administrative Services, Department of	Building Authority, Georgia	Correctional Industries Administration
Operating Revenues:			
Contributions/Premiums	\$ —	\$ —	\$ —
Rents and Royalties	—	37,038,218	—
Sales and Services	12,966,062	8,327,898	23,969,380
Other	309,603	6,446,998	—
Total Operating Revenues	\$ 13,275,665	\$ 51,813,114	\$ 23,969,380
Operating Expenses:			
Personal Services	\$ 12,899,956	\$ 14,755,044	\$ 7,591,410
Services and Supplies	7,536,817	38,777,582	15,939,706
Benefits	—	—	—
Claims and Judgments	—	—	—
Depreciation	3,904,153	9,297,881	2,088,490
Total Operating Expenses	\$ 24,340,926	\$ 62,830,507	\$ 25,619,606
Operating Income (Loss)	\$ (11,065,261)	\$ (11,017,393)	\$ (1,650,226)
Nonoperating Revenues (Expenses):			
Interest and Other Investment Income	\$ 17,559	\$ 227,149	\$ 192,332
Other	(218,594)	2,666,312	169,728
Total Nonoperating Revenues (Expenses)	\$ (201,035)	\$ 2,893,461	\$ 362,060
Income (Loss) Before Contributions and Transfers	\$ (11,266,296)	\$ (8,123,932)	\$ (1,288,166)
Capital Contributions	\$ 135,127	\$ 5,259,547	\$ —
Transfers:			
Transfers In	\$ 35,090,645	\$ 3,964,049	\$ —
Transfers Out	(26,493,088)	(5,117,358)	—
Net Transfers	\$ 8,597,557	\$ (1,153,309)	\$ 0
Change in Net Assets	\$ (2,533,612)	\$ (4,017,694)	\$ (1,288,166)
Net Assets, July 1	16,293,992	226,551,836	37,437,882
Net Assets, June 30	\$ 13,760,380	\$ 222,534,142	\$ 36,149,716

Merit System of Personnel Administration	Removal of Hazardous Materials, Agency for	Risk Management	Total Before Eliminations	Eliminations	Total
\$ —	\$ —	\$ 49,921,775	\$ 49,921,775	\$ —	\$ 49,921,775
2,000	—	—	37,040,218	—	37,040,218
14,683,269	17,133	—	59,963,742	(3,529,522)	56,434,220
—	—	5,787,155	12,543,756	—	12,543,756
<u>\$ 14,685,269</u>	<u>\$ 17,133</u>	<u>\$ 55,708,930</u>	<u>\$ 159,469,491</u>	<u>\$ (3,529,522)</u>	<u>\$ 155,939,969</u>
\$ 8,500,983	\$ —	\$ —	\$ 43,747,393	\$ —	\$ 43,747,393
4,047,686	257,421	23,411,279	89,970,491	(3,529,522)	86,440,969
—	—	23,261,000	23,261,000	—	23,261,000
—	—	131,539,668	131,539,668	—	131,539,668
8,043	1,690	—	15,300,257	—	15,300,257
<u>\$ 12,556,712</u>	<u>\$ 259,111</u>	<u>\$ 178,211,947</u>	<u>\$ 303,818,809</u>	<u>\$ (3,529,522)</u>	<u>\$ 300,289,287</u>
<u>\$ 2,128,557</u>	<u>\$ (241,978)</u>	<u>\$ (122,503,017)</u>	<u>\$ (144,349,318)</u>	<u>\$ 0</u>	<u>\$ (144,349,318)</u>
\$ —	\$ —	\$ 79,751,578	\$ 80,188,618	\$ —	\$ 80,188,618
(1,077)	—	—	2,616,369	—	2,616,369
<u>\$ (1,077)</u>	<u>\$ 0</u>	<u>\$ 79,751,578</u>	<u>\$ 82,804,987</u>	<u>\$ 0</u>	<u>\$ 82,804,987</u>
<u>\$ 2,127,480</u>	<u>\$ (241,978)</u>	<u>\$ (42,751,439)</u>	<u>\$ (61,544,331)</u>	<u>\$ 0</u>	<u>\$ (61,544,331)</u>
<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 5,394,674</u>	<u>\$ —</u>	<u>\$ 5,394,674</u>
\$ —	\$ 92,625	\$ —	\$ 39,147,319	\$ (4,056,674)	\$ 35,090,645
(2,201,416)	—	—	(33,811,862)	4,056,674	(29,755,188)
<u>\$ (2,201,416)</u>	<u>\$ 92,625</u>	<u>\$ 0</u>	<u>\$ 5,335,457</u>	<u>\$ 0</u>	<u>\$ 5,335,457</u>
\$ (73,936)	\$ (149,353)	\$ (42,751,439)	\$ (50,814,200)	\$ 0	\$ (50,814,200)
1,576,351	29,428	911,189,830	1,193,079,319	0	1,193,079,319
<u>\$ 1,502,415</u>	<u>\$ (119,925)</u>	<u>\$ 868,438,391</u>	<u>\$ 1,142,265,119</u>	<u>\$ 0</u>	<u>\$ 1,142,265,119</u>

State of Georgia

Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets Internal Service Funds Risk Management For the Fiscal Year Ended June 30, 2004

	Liability Insurance Fund	Property Insurance Fund	State Employees' Assurance Department	State Indemnification Fund
Operating Revenues:				
Contributions/Premiums	\$ 8,290,030	\$ 16,440,341	\$ 9,223,000	\$ —
Other	10	5,000,000	—	—
Total Operating Revenues	<u>\$ 8,290,040</u>	<u>\$ 21,440,341</u>	<u>\$ 9,223,000</u>	<u>\$ 0</u>
Operating Expenses:				
Services and Supplies	\$ 7,902,917	\$ 8,415,647	\$ 937,024	\$ 3,526
Benefits	—	—	23,261,000	—
Claims and Judgments	<u>36,011,685</u>	<u>18,356,316</u>	<u>—</u>	<u>141,346</u>
Total Operating Expenses	<u>\$ 43,914,602</u>	<u>\$ 26,771,963</u>	<u>\$ 24,198,024</u>	<u>\$ 144,872</u>
Operating Income (Loss)	\$ (35,624,562)	\$ (5,331,622)	\$ (14,975,024)	\$ (144,872)
Nonoperating Revenues (Expenses):				
Interest and Other Investment Income	<u>1,825,947</u>	<u>64,206</u>	<u>76,131,024</u>	<u>2,438</u>
Change in Net Assets	\$ (33,798,615)	\$ (5,267,416)	\$ 61,156,000	\$ (142,434)
Net Assets, July 1	<u>104,137,524</u>	<u>10,522,523</u>	<u>782,791,000</u>	<u>176,787</u>
Net Assets, June 30	<u>\$ 70,338,909</u>	<u>\$ 5,255,107</u>	<u>\$ 843,947,000</u>	<u>\$ 34,353</u>

<u>Supplemental Pay Fund</u>	<u>Teacher Indemnification Fund</u>	<u>Unemployment Compensation Fund</u>	<u>Workers' Compensation Fund</u>	<u>Total</u>
\$ —	\$ 334,728	\$ 3,170,508	\$ 12,463,168	\$ 49,921,775
<u>—</u>	<u>—</u>	<u>—</u>	<u>787,145</u>	<u>5,787,155</u>
\$ 0	\$ 334,728	\$ 3,170,508	\$ 13,250,313	\$ 55,708,930
\$ 8,898	\$ 803	\$ 3,433	\$ 6,139,031	\$ 23,411,279
<u>2,324</u>	<u>—</u>	<u>14,151,910</u>	<u>62,876,087</u>	<u>23,261,000</u>
\$ 11,222	\$ 803	\$ 14,155,343	\$ 69,015,118	\$ 178,211,947
\$ (11,222)	\$ 333,925	\$ (10,984,835)	\$ (55,764,805)	\$ (122,503,017)
<u>46,485</u>	<u>1,429</u>	<u>66,118</u>	<u>1,613,931</u>	<u>79,751,578</u>
\$ 35,263	\$ 335,354	\$ (10,918,717)	\$ (54,150,874)	\$ (42,751,439)
<u>5,750,436</u>	<u>434,573</u>	<u>(1,389,433)</u>	<u>8,766,420</u>	<u>911,189,830</u>
\$ <u>5,785,699</u>	\$ <u>769,927</u>	\$ <u>(12,308,150)</u>	\$ <u>(45,384,454)</u>	\$ <u>868,438,391</u>

State of Georgia

Combining Statement of Cash Flows Internal Service Funds For the Fiscal Year Ended June 30, 2004

	Administrative Services, Department of	Building Authority, Georgia
Cash Flows from Operating Activities:		
Cash Received from Customers	\$ 12,876,191	\$ 50,994,870
Cash Received from Required Contributions/Premiums	—	—
Cash Paid to Vendors	(7,965,412)	(37,924,778)
Cash Paid to Employees	(12,976,426)	(14,845,746)
Cash Paid for Benefits	—	—
Cash Paid for Claims and Judgments	—	—
Other Operating Items (Net)	—	—
Net Cash Provided by (Used in) Operating Activities	\$ (8,065,647)	\$ (1,775,654)
Cash Flows from Noncapital Financing Activities:		
Transfers from Other Funds	\$ 35,090,645	\$ 3,964,049
Transfers to Other Funds	(26,493,088)	(5,117,358)
Other Noncapital Items (Net)	—	—
Net Cash Provided by (Used in) Noncapital Financing Activities	\$ 8,597,557	\$ (1,153,309)
Cash Flows from Capital and Related Financing Activities:		
Capital Contributions	\$ —	\$ 5,259,547
Proceeds from Sale of Capital Assets	—	11,162,918
Acquisition and Construction of Capital Assets	(709,155)	(6,862,336)
Net Cash Provided by (Used in) Capital and Related Financing Activities	\$ (709,155)	\$ 9,560,129
Cash Flows from Investing Activities:		
Purchase of Investments (Net)	\$ (856,644)	\$ (4,437,523)
Interest and Dividends Received	36,374	227,186
Net Cash Provided by (Used in) Investing Activities	\$ (820,270)	\$ (4,210,337)
Net Increase (Decrease) in Cash and Cash Equivalents	\$ (997,515)	\$ 2,420,829
Cash and Cash Equivalents, July 1	3,513,587	12,508,846
Cash and Cash Equivalents, June 30	\$ 2,516,072	\$ 14,929,675

Correctional Industries Administration	Merit System of Personnel Administration	Removal of Hazardous Materials, Agency for	Risk Management	Total
\$ 24,182,138	\$ 14,089,730	\$ 17,133	\$ —	\$ 102,160,062
—	—	—	52,500,960	52,500,960
(15,027,380)	(4,311,895)	(342,765)	(23,026,615)	(88,598,845)
(7,710,890)	(8,460,519)	—	—	(43,993,581)
—	—	—	(23,261,000)	(23,261,000)
—	—	—	(106,464,109)	(106,464,109)
—	—	—	5,870,048	5,870,048
<u>\$ 1,443,868</u>	<u>\$ 1,317,316</u>	<u>\$ (325,632)</u>	<u>\$ (94,380,716)</u>	<u>\$ (101,786,465)</u>
\$ —	\$ —	\$ 92,625	\$ —	\$ 39,147,319
—	(2,201,416)	—	—	(33,811,862)
188,556	—	—	—	188,556
<u>\$ 188,556</u>	<u>\$ (2,201,416)</u>	<u>\$ 92,625</u>	<u>\$ 0</u>	<u>\$ 5,524,013</u>
\$ —	\$ —	\$ —	\$ —	\$ 5,259,547
—	—	—	—	11,162,918
(956,493)	—	—	—	(8,527,984)
<u>\$ (956,493)</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 7,894,481</u>
\$ (1,999,860)	\$ —	\$ —	\$ 7,432,839	\$ 138,812
192,332	—	—	33,123,903	33,579,795
<u>\$ (1,807,528)</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 40,556,742</u>	<u>\$ 33,718,607</u>
\$ (1,131,597)	\$ (884,100)	\$ (233,007)	\$ (53,823,974)	\$ (54,649,364)
15,223,247	994,753	305,822	128,354,119	160,900,374
<u>\$ 14,091,650</u>	<u>\$ 110,653</u>	<u>\$ 72,815</u>	<u>\$ 74,530,145</u>	<u>\$ 106,251,010</u>

(continued)

Correctional Industries Administration	Merit System of Personnel Administration	Removal of Hazardous Materials, Agency for	Risk Management	Total
\$ (1,650,226)	\$ 2,128,557	\$ (241,978)	\$ (122,503,017)	\$ (144,349,318)
\$ 2,088,490	\$ 8,043	\$ 1,690	\$ —	\$ 15,300,257
959,325	(594,679)	—	(130,160)	(571,318)
—	—	—	2,709,345	2,848,149
1,080,977	—	51	—	1,176,840
(39,328)	—	—	—	(59,668)
(129,323)	(264,509)	203,073	235,000	430,370
—	300	(288,468)	149,664	(175,896)
(63,610)	(232)	—	—	(63,742)
(746,567)	(860)	—	82,893	(1,045,772)
—	—	—	—	(169,480)
—	—	—	25,075,559	25,075,559
(55,870)	40,696	—	—	(182,446)
\$ 3,094,094	\$ (811,241)	\$ (83,654)	\$ 28,122,301	\$ 42,562,853
\$ 1,443,868	\$ 1,317,316	\$ (325,632)	\$ (94,380,716)	\$ (101,786,465)
\$ —	\$ —	\$ —	\$ 46,553,589	\$ 46,534,737

State of Georgia

Combining Statement of Cash Flows Internal Service Funds Risk Management For the Fiscal Year Ended June 30, 2004

	Liability Insurance Fund	Property Insurance Fund	State Employees' Assurance Department
Cash Flows from Operating Activities:			
Cash Received from Required Contributions/Premiums	\$ 8,156,855	\$ 16,206,748	\$ 11,855,000
Cash Paid to Vendors	(7,935,922)	(8,398,695)	(702,024)
Cash Paid for Benefits	—	—	(23,261,000)
Cash Paid for Claims and Judgments	(27,940,685)	(10,315,659)	—
Other Operating Items (Net)	10	5,082,893	—
Net Cash Provided by (Used in) Operating Activities	<u>\$ (27,719,742)</u>	<u>\$ 2,575,287</u>	<u>\$ (12,108,024)</u>
Cash Flows from Noncapital Financing Activities:			
Other	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 90,000</u>
Cash Flows from Investing Activities:			
Purchase of Investments (Net)	\$ (3,971,749)	\$ (3,883,948)	\$ (7,146,930)
Interest on Investments	<u>7,196,336</u>	<u>477,547</u>	<u>19,160,954</u>
Net Cash Provided by (Used in) Investing Activities	<u>\$ 3,224,587</u>	<u>\$ (3,406,401)</u>	<u>\$ 12,014,024</u>
Net Increase (Decrease) in Cash and Cash Equivalents	\$ (24,495,155)	\$ (831,114)	\$ (4,000)
Cash and Cash Equivalents, July 1	<u>64,483,090</u>	<u>\$ 4,295,448</u>	<u>\$ 4,000</u>
Cash and Cash Equivalents, June 30	<u>\$ 39,987,935</u>	<u>\$ 3,464,334</u>	<u>\$ 0</u>
Operating Income (Loss)	<u>\$ (35,624,562)</u>	<u>\$ (5,331,622)</u>	<u>\$ (14,975,024)</u>
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	\$ (210,520)	\$ (233,593)	\$ —
Decrease in Due from Other Funds	77,345	—	2,632,000
Increase in Accounts Payable and Other Accruals	—	—	235,000
Increase (Decrease) in Due to Other Funds	(33,005)	16,952	—
Increase in Deferred Revenue	—	82,893	—
Increase (Decrease) in Claims and Judgments Payable	<u>8,071,000</u>	<u>8,040,657</u>	<u>—</u>
Total Adjustments	<u>\$ 7,904,820</u>	<u>\$ 7,906,909</u>	<u>\$ 2,867,000</u>
Net Cash Provided by (Used in) Operating Activities	<u>\$ (27,719,742)</u>	<u>\$ 2,575,287</u>	<u>\$ (12,108,024)</u>
Noncash Investing Activities:			
Net Increase (Decrease) in Fair Value of Investments	<u>\$ (5,369,207)</u>	<u>\$ (413,341)</u>	<u>\$ 56,970,070</u>

State Indemnification Fund	Supplemental Pay Fund	Teacher Indemnification Fund	Unemployment Compensation Fund	Workers' Compensation Fund	Total
\$ —	\$ —	\$ 334,728	\$ 3,170,508	\$ 12,777,121	\$ 52,500,960
(3,338)	(8,898)	(803)	(3,433)	(5,973,502)	(23,026,615)
(440,444)	(2,324)	—	(10,347,910)	(57,417,087)	(106,464,109)
—	—	—	—	787,145	5,870,048
<u>\$ (443,782)</u>	<u>\$ (11,222)</u>	<u>\$ 333,925</u>	<u>\$ (7,180,835)</u>	<u>\$ (49,826,323)</u>	<u>\$ (94,380,716)</u>
<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 888,071</u>	<u>\$ —</u>	<u>\$ 978,071</u>
\$ 270,995	\$ (629,211)	\$ (323,454)	\$ 5,663,135	\$ 17,454,001	\$ 7,432,839
18,091	181,325	15,864	28,484	6,045,302	33,123,903
<u>\$ 289,086</u>	<u>\$ (447,886)</u>	<u>\$ (307,590)</u>	<u>\$ 5,691,619</u>	<u>\$ 23,499,303</u>	<u>\$ 40,556,742</u>
\$ (154,696)	\$ (459,108)	\$ 26,335	\$ (601,145)	\$ (26,327,020)	\$ (52,845,903)
<u>\$ 240,799</u>	<u>\$ 1,520,449</u>	<u>\$ 114,903</u>	<u>\$ 601,145</u>	<u>\$ 57,094,285</u>	<u>\$ 128,354,119</u>
<u>\$ 86,103</u>	<u>\$ 1,061,341</u>	<u>\$ 141,238</u>	<u>\$ 0</u>	<u>\$ 30,767,265</u>	<u>\$ 75,508,216</u>
<u>\$ (144,872)</u>	<u>\$ (11,222)</u>	<u>\$ 333,925</u>	<u>\$ (10,984,835)</u>	<u>\$ (55,764,805)</u>	<u>\$ (122,503,017)</u>
\$ —	\$ —	\$ —	\$ —	\$ 313,953	\$ (130,160)
—	—	—	—	—	2,709,345
—	—	—	—	—	235,000
188	—	—	—	165,529	149,664
—	—	—	—	—	82,893
<u>(299,098)</u>	<u>—</u>	<u>—</u>	<u>3,804,000</u>	<u>5,459,000</u>	<u>25,075,559</u>
<u>\$ (298,910)</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 3,804,000</u>	<u>\$ 5,938,482</u>	<u>\$ 28,122,301</u>
<u>\$ (443,782)</u>	<u>\$ (11,222)</u>	<u>\$ 333,925</u>	<u>\$ (7,180,835)</u>	<u>\$ (49,826,323)</u>	<u>\$ (94,380,716)</u>
<u>\$ (15,653)</u>	<u>\$ (134,840)</u>	<u>\$ (14,435)</u>	<u>\$ (37,634)</u>	<u>\$ (4,431,371)</u>	<u>\$ 46,553,589</u>

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FIDUCIARY FUNDS

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State of Georgia

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 TRUST FUNDS

Pension Trust Funds are used to account for activities of the public employee retirement systems. The State's pension trust funds are described below:

The **Class Nine Fire Department Pension Fund** is used to account for the accumulation of resources for the purpose of paying retirement and death benefits to volunteer firefighters of the State of Georgia.

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.

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 **Firefighter's Pension Fund** is used to account for the accumulation of resources for the purpose of paying retirement benefits to the firemen 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 paying retirement 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 General Assembly.

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.

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.

State of Georgia

Fiduciary Funds

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 the public schools and the University System of Georgia.

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.

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 **Keds Corporation Settlement Fund** is responsible for the direct delivery of services to women between fifteen and forty-four years of age with specific priority being given to job training in non-traditional employment fields.

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.

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State of Georgia

Combining Statement of Fiduciary Net Assets Pension Trust Funds June 30, 2004

	Class Nine Fire Department Pension Fund	Defined Contribution Plan	District Attorneys Retirement Fund	Employees' Retirement System	Firefighters' Pension Fund	Georgia Judicial Retirement System	Georgia Military Pension Fund
Assets							
Cash and Cash Equivalents	\$ 66,880	\$ 464,556	\$ 1,000	\$ 17,353,050	\$ 201,148	\$ 243,510	\$ 50,000
Receivables							
Interest and Dividends	—	64,000	—	62,314,000	1,251,615	—	—
Due from Brokers for Securities Sold	—	—	—	12,302,000	—	—	—
Other	—	940,165	—	15,688,065	—	665,930	—
Due from Other Funds	—	—	—	—	1,500,000	—	—
Investments							
Investment Accounts	2,151,439	—	—	—	31,728,252	—	—
Pooled Investments	—	40,197,673	—	12,318,741,484	—	239,194,822	1,230,000
Mutual Funds	—	—	—	—	112,364,387	—	—
Repurchase Agreements	—	6,673,000	—	—	—	—	—
U. S. and Foreign Government Obligations	—	9,952,000	—	—	78,505,970	—	—
Corporate Bonds/Notes/Debentures	—	—	—	—	58,381,513	—	—
Stocks	—	—	—	—	187,348,373	—	—
Mortgage Investments	—	—	—	3,744,000	39,647,542	—	—
Capital Assets							
Land	—	—	—	—	128,656	—	—
Buildings	—	—	—	—	108,724	—	—
Software	—	—	—	—	—	—	—
Machinery and Equipment	—	—	—	316,000	104,690	—	—
Construction in Progress	—	—	—	—	20,077	—	—
Accumulated Depreciation	—	—	—	(73,000)	(188,742)	—	—
Total Assets	\$ 2,218,319	\$ 58,291,394	\$ 1,000	\$ 12,430,385,599	\$ 511,102,205	\$ 240,104,262	\$ 1,280,000
Liabilities							
Accounts Payable and Other Accruals	\$ —	\$ 310,000	\$ 1,000	\$ 12,920,655	\$ 71,170	\$ 128,000	\$ —
Due to Other Funds	—	—	—	1,145,768	—	20,000	—
Due to Brokers for Securities Purchased	—	—	—	19,957,000	—	—	—
Salaries/Withholdings Payable	—	—	—	41,433	—	—	—
Deferred Revenue	—	—	—	—	—	—	—
Compensated Absences Payable	—	—	—	—	12,489	—	—
Total Liabilities	\$ 0	\$ 310,000	\$ 1,000	\$ 34,064,856	\$ 83,659	\$ 148,000	\$ 0
Net Assets							
Held in Trust for Pension Benefits	\$ 2,218,319	\$ 57,981,394	\$ 0	\$ 12,396,320,743	\$ 511,018,546	\$ 239,956,262	\$ 1,280,000

Judges of the Probate Courts Retirement Fund	Legislative Retirement System	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
\$ 214,189	\$ 26,704	\$ 8,781,840	\$ 208,000	\$ 52,789	\$ 300,134	\$ 101,000	\$ 6,268,938	\$ 34,333,738
---	---	---	---	316,247	414,303	---	184,772,000	249,132,165
---	---	490,259	---	---	---	---	26,121,000	38,913,259
---	---	---	2,000	---	323,259	---	145,113,867	162,733,286
---	---	---	---	---	---	---	---	1,500,000
4,059,627	---	20,616,583	---	640,431	---	---	---	59,196,332
---	27,069,216	70,012,424	723,394,000	---	26,101,053	1,058,000	---	13,446,998,672
---	---	---	---	7,249,495	---	---	---	119,613,882
---	---	---	---	---	---	---	676,859,000	683,532,000
3,147,062	---	65,126,724	---	13,170,480	33,642,355	---	11,323,649,000	11,527,193,591
17,281,065	---	44,784,347	---	8,510,342	---	---	5,145,756,000	5,274,713,267
29,571,131	---	146,382,652	---	28,871,517	---	---	25,120,626,000	25,512,799,673
---	---	---	---	---	---	---	3,744,000	47,135,542
---	---	5,000	---	---	---	---	---	133,656
---	---	305,296	---	---	---	---	---	414,020
---	---	---	---	---	---	---	10,468,350	10,468,350
---	---	142,588	---	---	---	---	1,055,350	1,618,628
---	---	---	---	---	---	---	---	20,077
---	---	(248,907)	---	---	---	---	(442,700)	(953,349)
<u>\$ 54,273,074</u>	<u>\$ 27,095,920</u>	<u>\$ 356,398,806</u>	<u>\$ 723,604,000</u>	<u>\$ 58,811,301</u>	<u>\$ 60,781,104</u>	<u>\$ 1,159,000</u>	<u>\$ 42,643,990,805</u>	<u>\$ 57,169,496,789</u>
\$ ---	\$ 20,000	\$ ---	\$ 533,000	\$ ---	\$ 9,936	\$ 39,000	\$ 2,554,941	\$ 16,587,702
---	9,000	---	---	---	---	---	---	1,174,768
---	---	357,807	---	---	---	---	53,246,000	73,560,807
82	---	---	---	---	---	---	109,864	151,379
---	---	---	---	---	7,982	---	---	7,982
---	---	---	---	11,987	---	---	---	24,476
<u>\$ 82</u>	<u>\$ 29,000</u>	<u>\$ 357,807</u>	<u>\$ 533,000</u>	<u>\$ 11,987</u>	<u>\$ 17,918</u>	<u>\$ 39,000</u>	<u>\$ 55,910,805</u>	<u>\$ 91,507,114</u>
<u>\$ 54,272,992</u>	<u>\$ 27,066,920</u>	<u>\$ 356,040,999</u>	<u>\$ 723,071,000</u>	<u>\$ 58,799,314</u>	<u>\$ 60,763,186</u>	<u>\$ 1,120,000</u>	<u>\$ 42,588,080,000</u>	<u>\$ 57,077,989,675</u>

State of Georgia

Combining Statement of Changes in Fiduciary Net Assets Pension Trust Funds For the Fiscal Year Ended June 30, 2004

	Class Nine Fire Department Pension Fund	Defined Contribution Plan	District Attorneys Retirement Fund	Employees' Retirement System	Firefighters' Pension Fund	Georgia Judicial Retirement System	Georgia Military Pension Fund
Additions:							
Contributions							
Employer	\$ —	\$ —	\$ 98,000	\$ 244,771,000	\$ —	\$ 1,558,000	\$ 617,000
Plan Members	38,530	13,886,000	—	54,166,000	2,035,632	3,848,000	—
Other Contributions							
Fines and Bond Forfeitures	—	—	—	—	—	—	—
Insurance Company Premium Taxes	553,381	—	—	—	17,407,534	—	—
Other Fees	—	—	—	—	—	—	—
Interest and Other Investment Income							
Dividends and Interest	—	1,163,570	—	283,927,958	6,345,002	5,415,674	22,609
Net Increase (Depreciation) in Fair Value of Investments	—	2,523,760	—	844,188,878	63,488,585	16,102,443	67,231
Less: Investment Expense	—	(43,545)	—	(12,447,460)	(917,139)	(205,279)	(3,840)
Other							
Transfers from Other Funds	—	—	—	617,000	—	—	—
Miscellaneous	101	—	—	—	(108,931)	175,000	—
Total Additions	\$ 592,012	\$ 17,529,785	\$ 98,000	\$ 1,415,223,376	\$ 88,250,683	\$ 26,893,838	\$ 703,000
Deductions:							
General and Administrative Expenses	\$ —	\$ 310,000	\$ —	\$ 8,474,000	\$ 654,636	\$ 175,000	\$ —
Benefits	—	3,000	98,000	702,314,000	17,675,146	7,042,000	49,000
Refunds	2,025	8,984,000	—	5,819,000	136,025	307,000	—
Total Deductions	\$ 2,025	\$ 9,297,000	\$ 98,000	\$ 716,607,000	\$ 18,465,807	\$ 7,524,000	\$ 49,000
Change in Net Assets Held in Trust for Pension Benefits	\$ 589,987	\$ 8,232,785	\$ 0	\$ 698,616,376	\$ 69,784,876	\$ 19,369,838	\$ 654,000
Net Assets, July 1	1,628,332	49,748,609	0	11,697,704,367	441,233,670	220,586,424	626,000
Net Assets, June 30	\$ 2,218,319	\$ 57,981,394	\$ 0	\$ 12,396,320,743	\$ 511,018,546	\$ 239,956,262	\$ 1,280,000

Judges of the Probate Courts Retirement Fund	Legislative Retirement System	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
\$ —	\$ 52,000	\$ —	\$ 836,000	\$ —	\$ —	\$ 1,807,000	\$ 780,127,956	\$ 1,029,866,956
160,343	293,000	3,362,858	1,317,000	86,228	104,300	181,000	448,929,000	528,407,891
502,344	—	14,086,736	—	2,400,655	940,343	—	—	17,930,078
—	—	—	—	—	—	—	—	17,960,915
161,324	—	—	—	—	2,410,039	—	—	2,571,363
1,373,385	622,120	10,130,803	16,813,254	1,662,541	4,056,996	22,863	948,105,000	1,279,661,775
3,700,138 (364,352)	1,849,922 (28,122)	21,920,551 (1,088,052)	49,997,627 (661,881)	4,371,575 (237,011)	— (15,031)	67,987 (9,850)	2,882,187,000 (35,559,000)	3,890,465,697 (51,580,562)
—	—	—	587,500	—	—	—	2,173,044	3,377,544
186,745	110,000	146,817	—	3,623	—	30,000	—	543,355
<u>\$ 5,719,927</u>	<u>\$ 2,898,920</u>	<u>\$ 48,559,713</u>	<u>\$ 68,889,500</u>	<u>\$ 8,287,611</u>	<u>\$ 7,496,647</u>	<u>\$ 2,099,000</u>	<u>\$ 5,025,963,000</u>	<u>\$ 6,719,205,012</u>
\$ 57,788	\$ 110,000	\$ 564,563	\$ 587,500	\$ 273,905	\$ 130,059	\$ 30,000	\$ 15,378,000	\$ 26,745,451
1,989,729	1,323,000	14,375,943	39,646,000	3,009,055	3,060,806	1,972,000	1,598,467,000	2,391,024,679
8,521	14,000	193,914	294,000	786	7,654	—	42,580,000	58,346,925
<u>\$ 2,056,038</u>	<u>\$ 1,447,000</u>	<u>\$ 15,134,420</u>	<u>\$ 40,527,500</u>	<u>\$ 3,283,746</u>	<u>\$ 3,198,519</u>	<u>\$ 2,002,000</u>	<u>\$ 1,656,425,000</u>	<u>\$ 2,476,117,055</u>
\$ 3,663,889	\$ 1,451,920	\$ 33,425,293	\$ 28,362,000	\$ 5,003,865	\$ 4,298,128	\$ 97,000	\$ 3,369,538,000	\$ 4,243,087,957
50,609,103	25,615,000	322,615,706	694,709,000	53,795,449	56,465,058	1,023,000	39,218,542,000	52,834,901,718
<u>\$ 54,272,992</u>	<u>\$ 27,066,920</u>	<u>\$ 356,040,999</u>	<u>\$ 723,071,000</u>	<u>\$ 58,799,314</u>	<u>\$ 60,763,186</u>	<u>\$ 1,120,000</u>	<u>\$ 42,588,080,000</u>	<u>\$ 57,077,989,675</u>

State of Georgia

Combining Statement of Fiduciary Net Assets Investment Trust Funds June 30, 2004

	Georgia Extended Asset Pool	Georgia Fund 1	Total
	<u> </u>	<u> </u>	<u> </u>
Assets			
Cash and Cash Equivalents	\$ 287,874,005	\$ 2,064,112,369	\$ 2,351,986,374
Investments, at Fair Value			
Pooled Investments	<u>464,687,594</u>	<u>1,021,296,114</u>	<u>1,485,983,708</u>
Net Assets			
Held in Trust for Pool Participants	<u>\$ 752,561,599</u>	<u>\$ 3,085,408,483</u>	<u>\$ 3,837,970,082</u>

State of Georgia

Combining Statement of Changes in Fiduciary Net Assets Investment Trust Funds For the Fiscal Year Ended June 30, 2004

	Georgia Extended Asset Pool	Georgia Fund 1	Total
Additions:			
Pool Participant Deposits	\$ 341,115,860	\$ 4,422,240,777	\$ 4,763,356,637
Interest and Other Investment Income			
Dividends and Interest	16,371,097	35,655,021	52,026,118
Net Depreciation in Fair Value of Investments	(12,439,354)	—	(12,439,354)
Less: Investment Expense	—	(979,809)	(979,809)
 Total Additions	<u>\$ 345,047,603</u>	<u>\$ 4,456,915,989</u>	<u>\$ 4,801,963,592</u>
 Deductions:			
Pool Participant Withdrawals	<u>\$ 62,901,744</u>	<u>\$ 4,732,179,096</u>	<u>\$ 4,795,080,840</u>
 Change in Net Assets Held in Trust for Pool Participants	\$ 282,145,859	\$ (275,263,107)	\$ 6,882,752
 Net Assets, July 1	<u>470,415,740</u>	<u>3,360,671,590</u>	<u>3,831,087,330</u>
 Net Assets, June 30	<u>\$ 752,561,599</u>	<u>\$ 3,085,408,483</u>	<u>\$ 3,837,970,082</u>

State of Georgia

Combining Statement of Fiduciary Net Assets Private Purpose Trust Funds June 30, 2004

	Auctioneers Recovery Fund	Keds Corporation Settlement Fund	Real Estate Recovery Fund	Subsequent Injury Trust Fund	Total
Assets					
Cash and Cash Equivalents	\$ 386,909	\$ —	\$ 1,501,017	\$ 6,284,693	\$ 8,172,619
Receivables (Net of Allowances for Uncollectibles)					
Other	—	—	32,225	—	32,225
Investments, at Fair Value					
Pooled Investments	—	—	610,837	2,927,278	3,538,115
Capital Assets					
Machinery and Equipment	—	—	—	150,643	150,643
Accumulated Depreciation	—	—	—	(108,097)	(108,097)
Total Assets	\$ 386,909	\$ 0	\$ 2,144,079	\$ 9,254,517	\$ 11,785,505
Liabilities					
Compensated Absences Payable	—	—	—	91,885	91,885
Net Assets					
Held in Trust for Other Purposes	\$ 386,909	\$ 0	\$ 2,144,079	\$ 9,162,632	\$ 11,693,620

State of Georgia

Combining Statement of Changes in Fiduciary Net Assets Private Purpose Trust Funds For the Fiscal Year Ended June 30, 2004

	Auctioneers Recovery Fund	Keds Corporation Settlement Fund	Real Estate Recovery Fund	Subsequent Injury Trust Fund	Total
Additions:					
Contributions/Assessments					
Participants	\$ 27,201	\$ —	\$ 286,800	\$ 27,066,633	\$ 27,380,634
Interest and Other Investment Income					
Dividends and Interest	5,685	—	18,789	690,687	715,161
Other					
Miscellaneous	—	90,997	—	120	91,117
Total Additions	<u>\$ 32,886</u>	<u>\$ 90,997</u>	<u>\$ 305,589</u>	<u>\$ 27,757,440</u>	<u>\$ 28,186,912</u>
Deductions:					
General and Administrative Expenses	\$ 64	\$ 155,996	\$ 167,547	\$ 1,970,618	\$ 2,294,225
Benefits	—	—	—	102,235,105	102,235,105
Total Deductions	<u>\$ 64</u>	<u>\$ 155,996</u>	<u>\$ 167,547</u>	<u>\$ 104,205,723</u>	<u>\$ 104,529,330</u>
Change in Net Assets Held in Trust for Other Purposes	\$ 32,822	\$ (64,999)	\$ 138,042	\$ (76,448,283)	\$ (76,342,418)
Net Assets, July 1	<u>354,087</u>	<u>64,999</u>	<u>2,006,037</u>	<u>85,610,915</u>	<u>88,036,038</u>
Net Assets, June 30	<u>\$ 386,909</u>	<u>\$ 0</u>	<u>\$ 2,144,079</u>	<u>\$ 9,162,632</u>	<u>\$ 11,693,620</u>

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STATISTICAL SECTION

State of Georgia

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State of Georgia

General Governmental Expenditures by Function For the Last Ten Fiscal Years Table 1

	2004	2003	2002 (2)	2001 (1)
Expenditures by Function				
General Government	\$ 978,666,019	\$ 997,061,176	\$ 839,638,787	\$ 788,458,919
Education	8,014,841,613	7,948,434,294	7,567,495,024	7,752,818,250
Health and Welfare	11,374,110,593	10,249,540,459	10,090,828,968	8,300,962,838
Transportation	1,701,666,289	1,681,771,067	1,716,885,005	1,626,360,119
Public Safety	1,692,289,175	1,755,103,118	1,686,970,829	1,587,054,229
Economic Development and Assistance	728,330,262	742,168,497	708,073,548	455,033,691
Culture and Recreation	240,503,897	236,630,788	235,249,403	205,578,201
Conservation	48,623,984	56,667,758	86,890,618	84,148,200
Capital Outlay	837,904,318	825,244,881	761,809,692	522,931,260
Debt Service	854,401,093	849,930,526	766,751,641	704,233,985
Total General Governmental Expenditures	\$ 26,471,337,243	\$ 25,342,552,564	\$ 24,460,593,515	\$ 22,027,579,692

- (1) Prior to fiscal year 2002, this summary included expenditures of the State's governmental fund types which included the General Fund, Capital Projects Funds, and the Debt Service Fund. The General fund reported expenditures in the Education function for funds that were reclassified due to the implementation of Governmental Accounting Standards Board (GASB) Statement No. 34.
- (2) Beginning in fiscal year 2002, this summary includes expenditures of the State's major and nonmajor governmental funds. These changes were necessary because of implementing GASB Statement 34. The comparability of 2002 expenditure amounts to the 2001 and prior period amounts is affected.

	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>	<u>1996</u>	<u>1995</u>
\$	822,268,403	\$ 744,530,087	\$ 653,302,692	\$ 637,247,287	\$ 471,240,748	\$ 539,762,518
	6,957,849,312	6,531,830,567	6,155,220,908	5,700,389,994	4,998,994,142	4,625,591,699
	7,498,521,721	6,786,022,660	6,479,723,177	6,796,847,561	6,558,077,298	5,693,088,331
	1,581,318,460	1,638,089,933	1,385,250,996	1,113,788,591	1,287,172,005	1,401,010,780
	1,443,073,761	1,333,092,110	1,193,748,916	1,124,542,047	1,104,443,315	1,030,957,652
	453,860,928	347,537,124	264,913,965	263,090,507	294,112,317	190,029,084
	203,220,402	192,199,439	185,622,125	170,667,100	169,961,642	156,234,675
	49,256,757	51,118,994	45,865,385	48,769,799	46,557,857	45,875,856
	337,817,613	392,319,581	346,296,387	373,677,146	391,876,879	493,326,267
	<u>702,751,701</u>	<u>681,973,633</u>	<u>645,791,398</u>	<u>629,588,332</u>	<u>571,524,445</u>	<u>537,800,975</u>
\$	<u>20,049,939,058</u>	<u>18,698,714,128</u>	<u>17,355,735,949</u>	<u>16,858,608,364</u>	<u>15,893,960,648</u>	<u>14,713,677,837</u>

State of Georgia

General Governmental Revenues by Source For the Last Ten Fiscal Years Table 2

	2004	2003	2002 (2)	2001 (1)
Revenues by Source				
Taxes	\$ 13,734,734,437	\$ 12,960,192,619	\$ 12,896,370,809	\$ 13,695,968,855
Licenses and Permits	452,008,366	425,769,954	448,262,755	440,808,678
Intergovernmental	10,226,522,178	8,905,213,549	8,189,311,370	7,279,299,131
Sales and Services	1,657,988,958	1,148,834,792	1,678,090,064	565,762,607
Fines and Forfeits	238,662,387	270,340,895	257,484,265	214,379,855
Interest and Other Investment Income	36,426,640	191,236,678	244,858,100	502,015,939
Rents and Royalties	18,979,138	16,352,572	15,674,924	17,355,972
Contributions and Donations	53,239,450	322,726,754	229,162,798	206,596,674
Penalties and Interest on Taxes	4,826,548	7,750,152	6,457,440	9,684,355
Unclaimed Property	54,073,942	43,718,971	40,658,447	41,157,538
Lottery Proceeds	801,381,437	751,557,000	726,202,000	(1)
General Obligation Bond Proceeds	955,394,848	552,513,811	1,229,428,392	567,363,080
Nursing Home Provider Fees	92,767,929	(3)	(3)	(3)
Other Revenue	31,607,453	(2,299,410)	75,385,885	26,408,330
Total General Governmental Revenues	\$ 27,403,218,863	\$ 25,593,908,340	\$ 26,037,347,252	\$ 23,566,801,017

- (1) Prior to fiscal year 2002, this summary included revenues of the State's governmental fund types which included the General Fund, Capital Projects Funds, the Debt Service Fund and proceeds from the issuance of general obligation bonds. The General Fund reported revenues for funds that were reclassified due to the implementation of Governmental Accounting Standards Board (GASB) Statement No. 34.
- (2) Beginning in fiscal year 2002, this summary includes revenues of the State's major and nonmajor governmental funds and proceeds from the issuance of general obligation bonds. These changes were necessary because of implementing GASB Statement No. 34. The comparability of 2002 revenue amounts to the 2001 and prior period amounts is affected.
- (3) Beginning in fiscal year 2004, the State's General Governmental Revenues include Nursing Home Provider Fees. Nursing homes meeting certain criteria were assessed a provider fee pursuant to OCGA 31-8-164.

	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>	<u>1996</u>	<u>1995</u>
\$	12,966,453,323	\$ 12,021,751,940	\$ 11,439,170,422	\$ 10,483,497,704	\$ 9,891,126,837	\$ 9,068,979,799
	410,024,861	397,962,567	346,081,148	351,181,927	343,118,630	335,061,015
	6,499,451,114	5,923,606,145	5,617,029,811	5,549,805,877	5,457,487,877	4,837,628,972
	629,416,207	581,123,782	536,827,964	513,909,314	363,320,801	339,380,452
	246,188,571	41,657,448	49,204,317	50,426,165	32,022,270	34,043,976
	348,716,046	300,699,674	275,999,300	239,306,741	242,059,488	184,686,971
	15,555,365	16,872,007	13,920,492	9,992,943	17,600,277	17,733,647
	274,246,976	187,061,598	192,209,388	190,841,985	169,020,652	170,464,588
	8,045,497	5,991,314	9,485,653	6,699,639	9,082,163	8,282,630
	45,530,760	26,104,874	20,690,958	20,118,021	25,809,698	19,815,272
	(1)	(1)	(1)	(1)	(1)	(1)
	794,815,522	720,607,460	257,123,411	373,248,075	960,650,338	727,775,339
	(3)	(3)	(3)	(3)	(3)	(3)
	14,876,905	7,209,322	5,409,857	32,522,511	6,781,951	24,833,072
	<u>22,253,321,150</u>	<u>20,230,648,134</u>	<u>18,763,152,724</u>	<u>17,821,550,905</u>	<u>17,518,080,985</u>	<u>15,768,685,736</u>

State of Georgia

State Tax Revenues by Source – All Governmental Funds For the Last Ten Fiscal Years Table 3

	2004	2003	2002	2001
Source:				
Income (2) (3)	\$ 7,346,739,705	\$ 6,833,114,887	\$ 7,149,142,900	\$ 7,473,304,675
General Sales (1)	4,799,239,558	4,933,003,788	4,563,023,950	5,127,697,977
Selective Sales				
Motor Fuel (1)	731,367,774	465,171,917	458,562,074	444,185,975
Alcoholic Beverages	149,561,385	139,729,491	143,088,389	139,642,983
Cigars/Cigarettes	229,443,238	111,322,327	83,501,666	81,777,839
Insurance Premium	317,462,533	299,341,515	277,703,346	223,190,967
Estate	65,674,480	88,496,147	123,033,505	126,114,453
Property	63,524,662	61,078,969	55,635,434	49,042,785
Corporation Net Worth (2)	30,645,073	27,868,334	29,346,195	20,371,629
Other (3)	1,076,030	1,065,244	13,333,350	10,639,572
Total Tax Revenues - All Governmental Funds	<u>\$ 13,734,734,437</u>	<u>\$ 12,960,192,619</u>	<u>\$ 12,896,370,809</u>	<u>\$ 13,695,968,855</u>

(1) Prepaid Motor fuel Sales Tax is included in Selective Sales - Motor Fuel effective 2004 (reported as General Sales prior to 2004).

(2) Amounts restated between revenue functions are due to prior errors of adjusting certain tax revenue against Corporation Net Worth. (1995-2000)

(3) Financial Institution Business Occupation Tax is included in Income Tax effective 2003 (reported as Other prior to 2003)

Source: Georgia Comprehensive Annual Financial Report

Note: Governmental Funds are described in the Notes to the Financial Statements.

	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>	<u>1996</u>	<u>1995</u>
\$	7,108,385,607	\$ 6,646,175,462	\$ 6,218,387,032	\$ 5,490,241,749	\$ 4,962,182,220	\$ 4,502,308,762
	4,709,213,152	4,323,189,194	4,238,397,531	4,062,494,318	3,954,442,920	3,651,583,790
	447,580,578	428,150,221	405,269,766	387,418,653	391,550,566	379,119,386
	139,189,273	132,903,384	126,825,895	124,667,603	121,702,379	114,681,538
	83,012,695	87,355,714	80,051,470	76,391,777	91,248,012	86,176,720
	239,710,645	211,908,338	212,839,904	204,744,512	196,508,650	187,190,136
	148,254,987	111,192,262	84,808,642	60,295,856	66,538,071	73,607,282
	44,606,200	40,727,315	36,021,442	35,630,751	33,091,530	31,106,689
	33,317,137	25,388,604	24,013,610	22,491,188	23,722,938	21,931,918
	13,183,049	14,761,446	12,555,130	19,121,297	50,139,551	21,273,578
\$	<u>12,966,453,323</u>	<u>12,021,751,940</u>	<u>11,439,170,422</u>	<u>10,483,497,704</u>	<u>9,891,126,837</u>	<u>9,068,979,799</u>

State of Georgia

Principal Nongovernmental Employers

June 30, 2004

Table 4

Company	Number of Employees
Wal-Mart Stores, Incorporated	49,600
Delta Air Lines, Incorporated *	27,292
Publix Super Markets, Incorporated	20,000
The Kroger Company	20,000
Shaw Industries, Incorporated *	19,000
Mohawk Industries Incorporated *	17,186
BellSouth Corporation *	17,000
United Parcel Service Incorporated *	13,000
The Home Depot Incorporated*	12,740
The Southern Company/Georgia Power Company *	12,661
Cox Enterprises, Incorporated *	10,518
Georgia-Pacific Corporation *	10,200
Target Corporation	10,000
WellStar Health System	9,900
Emory System of Health Care*	8,400

* Indicates Georgia Headquarters

Source: Georgia Department of Economic Development, May, 2005

State of Georgia

Computation of Legal Debt Margin

June 30, 2004

Table 5

Treasury Receipts - Fiscal Year Ended June 30, 2003 (1)	\$ <u>14,737,541,220</u>
Legal Debt Margin:	
Highest Annual Commitments Permitted Under Constitutional Limitation (10% of above)	\$ <u>1,473,754,122</u>
Highest Total Annual Commitments in any Fiscal Year (Highest FY 2005)	\$ 959,876,954
As a Percentage of FY 2003 State Treasury Receipts	6.51%
As a Percentage of FY 2004 State Treasury Receipts	6.21%

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

Source: Georgia State Financing and Investment Commission

Ratio of Annual Debt Service Expenditures For General Obligation Debt to Total General Governmental Expenditures (1) For the Last Ten Fiscal Years

Table 6

Fiscal Year	General Bonded Debt			General Governmental Expenditures (1)	Ratio of Debt Service to General Governmental Expenditures
	Principal	Interest and Other Fiscal Charges	Total Debt Service		
2004	\$ 507,045,000	\$ 335,239,660	\$ 842,284,660	\$ 26,471,337,243	3.18%
2003	510,945,000	332,934,059	843,879,059	25,342,552,564	3.33%
2002	449,200,000	310,626,904	759,826,904	24,460,593,515	3.11%
2001	395,515,000	292,821,352	688,336,352	22,027,579,692	3.12%
2000	434,875,000	260,790,770	695,665,770	20,049,939,058	3.47%
1999	448,960,000	230,772,839	679,732,839	18,698,714,128	3.64%
1998	387,030,000	258,317,069	645,347,069	17,355,735,949	3.72%
1997	392,165,000	236,835,498	629,000,498	16,858,608,364	3.73%
1996	352,300,000	218,523,118	570,823,118	15,893,960,648	3.59%
1995	350,385,000	186,826,275	537,211,275	14,713,677,837	3.65%

(1) See Table 1, Total General Governmental Expenditures

Source: Georgia Comprehensive Annual Financial Report

State of Georgia

Demographic Statistics For the Last Ten Calendar Years Table 7

Calendar Year	Population	Per Capita Personal Income	Public School Enrollment	Unemployment Rate
2004	8,829,383	30,051	1,544,044	4.70%
2003	8,684,715	29,442	1,486,694	4.00%
2002	8,560,310	28,821	1,496,012	5.10%
2001	8,383,915	28,523	1,470,634	4.00%
2000	8,186,453	28,103	1,444,937	3.70%
1999	7,788,240	26,536	1,422,941	4.00%
1998	7,642,207	25,447	1,401,291	4.20%
1997	7,486,242	23,911	1,346,761	4.50%
1996	7,353,225	23,055	1,311,126	4.60%
1995	7,102,000	21,806	1,271,903	4.90%

Source: Population - U. S. Department of Commerce, Bureau of the Census
 Per Capita Income - U. S. Department of Commerce, Bureau of Economic Analysis
 Public School Enrollment - Georgia Department of Education
 Unemployment Rate - Georgia Department of Labor

Schedule of Bank Deposits For the Last Ten Years (Dollars in Thousands) Table 8

Fiscal Year	Commercial Banks	Savings and Loan Associations	Total Deposits
2004	\$ 126,884,144	\$ 5,156,601	\$ 132,040,745
2003	119,436,825	5,445,457	124,882,282
2002	103,777,634	5,567,504	109,345,138
2001	107,703,666	4,815,840	112,519,506
2000	92,541,946	3,995,466	96,537,412
1999	44,295,000	4,600,000	48,895,000
1998	77,505,212	4,191,658	81,696,870
1997	42,235,312	4,798,940	47,034,252
1996	91,933,990	4,640,878	96,574,868
1995	66,895,898	5,107,013	72,002,911

Source: Federal Reserve Bank of Atlanta, Research Department

State of Georgia

Miscellaneous Statistics

June 30, 2004

Table 9

Date Entered Union	January 2, 1788
Form of Government	Legislative-Executive-Judicial
Miles of State Highway	18,084
Land Area	59,441 Square Miles

State Colleges and Universities:

Number of Separate Institutions	34
Number of Active Educators	8,981
Number of Students	247,020

Recreation:

Number of State Parks	48
Number of Historic Sites	15
Area of State Parks and Historic Sites	72,835 Acres

Sources: Facts About the States, 1989 - Kane, Anzovin, Podell
Georgia Descriptions in Data, 1988 - Georgia Office of Planning and Budget
State and Metropolitan Area Data Book, 1991 - U. S. Department of Commerce
Georgia Department of Transportation
Georgia Department of Public Safety
Board of Regents of the University System of Georgia
Georgia Department of Natural Resources