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FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT

GEORGIA HOUSING AND FINANCE AUTHORITY
(a component unit of the State of Georgia)

JUNE 30, 2012 AND 2011

Georgia Housing and Finance Authority
(a component unit of the State of Georgia)

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
Georgia Housing and Finance Authority

We have audited the accompanying statements of net assets of the Georgia Housing and Finance Authority (the Authority), a component unit of the State of Georgia, as of June 30, 2012 and 2011 and the related statements of revenues, expenses and changes in net assets, and cash flows for the years then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Georgia Housing and Finance Authority as of June 30, 2012 and 2011, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated September 27, 2012, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audits.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 13 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be

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an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audits were conducted for the purpose of forming an opinion on the Authority's basic financial statements taken as a whole. The supplemental information on pages 54 through 58 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audits of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Reznick Group, P.C.

Atlanta, Georgia
September 27, 2012

As management of the Georgia Housing and Finance Authority, (GHFA or the Authority), we offer readers of GHFA's financial statements this narrative overview and analysis of the financial activities of GHFA for the fiscal years ended June 30, 2012 and 2011. We encourage readers to read the information presented here in conjunction with additional information we have furnished in the Authority's financial statements, which follow this narrative.

Affordable, quality housing builds strong communities and a strong economy provides the cornerstone of family life. This statement is management's belief and as the State of Georgia's housing agency, GHFA works to ensure that Georgians have the housing they need. GHFA is charged with the responsibility for financing affordable housing development, providing homeownership education and financing for home buyers, and providing financial assistance to local governments for housing activities designed to benefit low and moderate-income Georgians. In addition, through multiple housing programs, GHFA provides funding to non-profit organizations and local governments to enable them to provide supportive housing shelter and other essential services to the difficult to house and homeless. Funding for single-family loans program is through the issuance of tax-exempt revenue bonds. The affordable housing initiatives and supportive housing programs are funded primarily by federal and state grants.

During the year ended June 30, 2012, GHFA awards and expenditures that benefited residents of Georgia included:

- GHFA's "Georgia Dream" first mortgage program which provided $94.9 million in single family home loans, allowing 1,053 households to achieve homeownership, most of them for the first time.

- Approximately $21 million in federal and state Low Income Tax Credits which will provide 2,327 affordable rental units in the state.

- GHFA completed one development through the Permanent Supportive Housing Program that used $4,860,372 in Federal and State HOME funds and $206,000 in monies from the State Housing Trust Fund for the Homeless. This development created 48 units of supportive housing for 48 formerly homeless individuals with a disability. GHFA also issued reservation of funds for seven projects that will create 307 units of supportive housing using $26.9 million. Additionally, one loan totaling $818,864, was closed through the Neighborhood Stabilization I Program, that will rehabilitate 7 units to create supportive housing in Augusta.

- GHFA awarded funding under the HOME Rental Housing Loan Program for six (6) developments totaling $12,861,000 in HOME awards and creating 221 units of affordable housing.

- GHFA made 12 grants through the Community HOME Investment Program (CHIP) to local governments and nonprofit organizations to implement down payment assistance and home owner rehabilitation programs in their community/service area.

- GHFA awarded one predevelopment loan totaling $30,000 to assist a Community Housing Development Organization with capital necessary to develop a complete application for HOME funding through GHFA.

- GHFA awarded one operating assistance grant totaling $30,000 to help build and expand the capacity of Community Housing Development Organizations that have successfully implemented HOME-funded development activities through GHFA.

- GHFA, through the State Housing Trust Fund for the Homeless, provided $3.7 million in Federal and State funding through 206 programs to providers of shelter and services that assisted an estimated 50,000 individuals.

- GHFA distributed $1.75 million through the Housing Opportunities for Persons with AIDS (HOPWA) program to seven organizations to provide rental assistance to individuals living with HIV/AIDS and their families.

- GHFA utilized $579,885 in Federal Funds towards implementation of a comprehensive Homeless Management Information System (HMIS).

- GHFA's Shelter Plus Care program provided $9.8 million in funding that provided rental assistance to 1,461 units to enable individuals who are homeless and have a disability to obtain permanent housing with supportive services.

- GHFA completed implementation of a 151-county Homelessness Prevention and Rapid Re-Housing Program authorized through the American Recovery and Reinvestment Act (ARRA). During fiscal year 2012, $3.4 million was disbursed to seven organizations. All funds were expended as of June 30, 2012. Over its 3-year implementation term, 16,819 persons within 5,678 households were served.

- GHFA disbursed approximately $194,985,129 through the Tax Credit Exchange Program to 45 projects to help them move forward.

Fiscal Year 2012 FINANCIAL HIGHLIGHTS

- Total assets increased $171,982,623
- Investments increased $31,489,012
- HOME program loans increased by $50,253,710
- Mortgage loans net of premiums and discounts increased by $36,031,465
- Loan loss reserves increased by $2,400,000
- Mortgage bonds net of premiums and discounts increased by $80,039,061
- Total net assets increased $3,313,278

OVERVIEW OF THE FINANCIAL STATEMENTS

The Georgia Housing and Finance Authority, a corporate body and instrumentality of the State of Georgia, is a public purpose financial enterprise and uses enterprise fund accounting. These annual financial statements consist of two parts: Management's Discussion and Analysis, (this section) and the basic financial statements. The financial statements of GHFA report information using methods similar to those used by private-sector companies. These statements provide both long-term and short-term information about the Authority's overall financial status. The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements. Financial statements by program are presented as supplementary information.

REQUIRED FINANCIAL STATEMENTS

The ***Statements of Net Assets*** presents information on all of the GHFA's assets and liabilities, with the difference between the two reported as net assets. This statement provides information about the nature and amounts of investments in resources (assets) and the obligations to the Authority's creditors (liabilities). It provides one way to measure the financial health of GHFA by providing the basis for evaluating the capital structure and assessing the liquidity and financial flexibility. However, one will need to consider other non-financial factors such as changes in economic conditions and new or changed government legislation.

All of the current year's revenue and expenses are accounted for in the ***Statements of Revenues, Expenses, and Changes in Net Assets.*** This statement measures the success of GHFA's operations over the past year and can be used to determine whether the Authority has successfully recovered its cost as well as assessing credit worthiness.

The final required financial statement is the ***Statements of Cash Flows***. This statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing and financing activities. The statement provides answers to such questions as "where did the cash come from, what was the cash used for, and what was the change in cash balance during the reporting Period?"

Management believes that the Authority's financial condition is stable. GHFA's strength is also reflected in the continued AAA rating assigned by Standard and Poor's Rating Services, a division of McGraw Hill Companies. FHA has recognized GHFA for distinction in loss mitigation and HUD has assigned the Authority a Tier 2 rating in loss mitigation efforts. GHFA is operating well within financial policies and guidelines set by the Board. Adequate liquid asset levels, good mortgage portfolio performance and a substantial increase in the level of unrestricted net assets at June 30, 2012 exhibit GHFA's financial strength.

FINANCIAL ANALYSIS

During fiscal year 2012, the Authority's total net assets increased by $3.3 million or 1.8 percent. The follow table summarizes the changes in combined net assets between June 30, 2012 and 2011:

Net Assets

(Dollars in Millions)

	2012	2011	Increase (Decrease) Amount	Increase (Decrease) %
Cash and investments	261.7	212.4	49.3	23.2%
Accrued interest receivable	17.0	9.8	7.2	73.5%
Other current assets	58.6	53.2	5.4	10.2%
Total current assets	337.3	275.4	61.9	22.5%
Net mortgage loans receivable	741.4	705.3	36.1	5.1%
Investments	257.5	230.8	26.7	11.6%
Other assets	649.5	602.3	47.2	7.8%
Total Assets	1,985.7	1,813.8	171.9	9.5%
A/P and accrued expenses	21.2	30.4	(9.2)	-30.3%
Other current liabilities	137.7	100.6	37.1	36.9%
Total current liabilities	158.9	131.0	27.9	21.3%
Bonds payable	1,000.0	910.0	90.0	9.9%
Deferred revenue & grants	641.5	590.8	50.7	8.6%
Total liabilities	1,800.4	1,631.8	168.6	10.3%
Net assets				
Reserved	3.5	3.6	(0.1)	-2.8%
Unreserved	181.8	178.4	3.4	1.9%
Total Net Assets	185.3	182.0	3.3	1.8%

Mortgage loan activity increased during the 2012 fiscal year. Bonds totaling $253,610,000 were issued during the fiscal year 2012 as compared to $194,235,000 in fiscal year 2011.

The allowance for possible losses on mortgage loans receivable increased by $2,400,000 portfolio in 2012 to a balance of $6,500,000. The allowance for possible losses on other loans receivable decreased from $4,562,507 in 2011 to $4,440,707 in 2012.

During fiscal year 2011, the Authority's total net assets increased $6.8 million or 3.9 percent. The following table summarizes the changes in combined net assets between June 30, 2011 and 2010:

Net Assets
(Dollars in Millions)

	2011	2010	Increase (Decrease) Amount	Increase (Decrease) %
Cash and investments	212.4	292.7	(80.3)	-27.4%
Accrued interest receivable	9.8	8.4	1.4	16.7%
Other current assets	53.2	34.3	18.9	55.1%
Total current assets	275.4	335.4	(60.0)	-17.9%
Net mortgage loans rec	705.3	609.1	96.2	15.8%
Investments	230.8	239.9	(9.1)	-3.8%
Other assets	602.3	423.2	179.1	42.3%
Total Assets	1,813.8	1,607.6	206.2	12.8%
A/P and accrued expenses	30.4	31.2	(0.8)	-2.6%
Other current liabilities	100.6	81.2	19.4	23.9%
Total current liabilities	131.0	112.4	18.6	16.5%
Bonds payable	910.0	913.7	(3.7)	-0.4%
Deferred revenue and grants	590.8	406.3	184.5	45.4%
Total liabilities	1,631.8	1,432.4	199.4	13.9%
Net assets				
Reserved	3.6	3.8	(0.2)	-5.3%
Unreserved	178.4	171.4	7.0	4.1%
Total Net Assets	182.0	175.2	6.8	3.9%

The following table shows a summary of changes in revenues, expenses and changes in net assets between June 30, 2012 and 2011:

Changes in Net Assets
(Dollars in Millions)

	2012	2011	Increase (Decrease) Amount	Increase (Decrease) %
Revenues:				
Interest on loans	41.8	39.0	2.8	7.2%
Interest on investments	12.4	11.2	1.2	10.7%
State assist and bond sales	17.1	15.2	1.9	12.5%
Federal and State grants	82.7	214.9	(132.2)	-61.5%
Other	2.0	1.6	0.4	25.0%
Total revenues	156.0	281.9	(125.9)	-44.7%
Expenses:				
Interest on bonds	39.3	38.3	1.0	2.6%
Mortgage servicing	10.7	6.1	4.6	75.4%
Administrative	19.7	16.1	3.6	22.4%
Grant expense	79.1	211.4	(132.3)	-62.6%
Professional fees	1.3	1.3	-	0.0%
Other	2.6	2.0	0.6	30.0%
Total expenses	152.7	275.2	(122.5)	-44.5%
Change in net assets	3.3	6.7	(3.4)	-50.7%
Net assets beginning	182.0	175.3	6.7	3.8%
Net assets end of year	185.3	182.0	3.3	1.8%

Interest on investments increased from the prior year's level. This was due to overall increase in the fair market value of the investment portfolio from the prior year.

The following table shows a summary of changes in revenues, expenses and changes in net assets between June 30, 2011 and 2010:

Changes in Net Assets
(Dollars in Millions)

	2011	2010	Increase (Decrease) Amount	Increase (Decrease) %
Revenues:				
Interest on loans	39.0	37.0	2.0	5.4%
Interest on investments	11.2	21.9	(10.7)	-48.9%
State assist and bond sales	15.2	11.4	3.8	33.3%
Federal and State grants	214.9	139.3	75.6	54.3%
Other	1.6	1.7	(0.1)	-5.9%
Total revenues	281.9	211.3	70.6	33.4%
Expenses:				
Interest on bonds	38.3	37.6	0.7	1.9%
Mortgage servicing	6.1	6.1	-	0.0%
Administrative	16.1	11.5	4.6	40.0%
Grant expense	211.4	141.0	70.4	49.9%
Professional fees	1.3	1.0	0.3	30.0%
Other	2.0	1.2	0.8	66.7%
Total expenses	275.2	198.4	76.8	38.7%
Change in net assets	6.7	12.9	(6.2)	-48.1%
Net assets beginning	175.3	162.3	13.0	8.0%
Net assets end of year	182.0	175.2	6.8	3.9%

CAPITAL ASSETS AND LONG TERM DEBT ACTIVITY

At June 30, 2012, the Authority had $3.5 million invested in capital assets consisting primarily of an office building, capital and leasehold improvements to the building, computer equipment and vehicles. Depreciation expense for the year totaled $261,131.

During fiscal year 2012, GHFA issued $253.6 million in serial and term bonds at rates between .300% and 4.125%. During fiscal year 2012, bonds in the amount of $174.2 million either matured or were called for a net increase of $79.4 million of bonds outstanding. At June 30, 2012, $1,024.4 million in revenue bonds was outstanding. Debt service schedules extend to the year 2043.

During fiscal year 2011, GHFA issued $194.2 million in serial and term bonds at rates between .375% and 5.000%. During fiscal year 2011, bonds in the amount of $188.9 million either matured or were called for a net increase of $5.3 million of bonds outstanding. At June 30, 2011, $944.4 million in revenue bonds was outstanding. Debt service schedules extend to the year 2043.

CONTACTING GHFA'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, customers, investors and creditors with a general overview of GHFA's finances and to demonstrate accountability for the money it receives. If you have questions about this report or need additional information, contact:

Georgia Housing and Finance Authority
Attn: Finance Division
60 Executive Park South NE
Atlanta, Georgia 30329

Georgia Housing and Finance Authority
(a component unit of the State of Georgia)

STATEMENTS OF NET ASSETS

	June 30, 2012	June 30, 2011
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 261,740,980	$ 212,479,723
Short-term investment securities	17,002,046	12,217,079
Mortgage loans receivable, current portion	16,785,242	16,881,081
Accrued interest receivable	10,683,539	9,763,488
Mortgage escrow deposits	19,446,585	15,441,012
Other current assets	11,665,962	8,694,900
Total current assets	337,324,354	275,477,283
NONCURRENT ASSETS		
Long-term investment securities	257,475,516	230,771,471
Mortgage loans receivable, net	741,416,320	705,289,016
HOME program loans receivable	615,450,951	565,197,241
Other loans receivable, net	15,893,883	19,288,419
Capital assets, net	3,533,862	3,577,804
Bond issuance costs, net	14,650,960	14,161,989
Total noncurrent assets	1,648,421,492	1,538,285,940
Total assets	$ 1,985,745,846	$ 1,813,763,223

(continued)

Georgia Housing and Finance Authority
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STATEMENTS OF NET ASSETS - CONTINUED

	June 30, 2012	June 30, 2011
LIABILITIES		
CURRENT LIABILITIES		
Mortgage bonds payable, current maturities	$ 24,375,000	$ 34,400,000
Accrued interest on bonds	3,422,254	3,282,334
Accounts payable and accrued expenses	21,148,473	30,378,381
Mortgage escrow deposits held	19,446,585	15,441,012
Deferred revenue, current maturities	2,251,946	2,124,564
Other, principally unexpended grant funds	88,241,765	45,362,000
Total current liabilities	158,886,023	130,988,291
NONCURRENT LIABILITIES		
Mortgage bonds payable, net	1,000,026,405	909,962,344
Refundable program grants	615,450,951	565,197,241
Deferred revenue	26,114,698	25,660,856
Total noncurrent liabilities	1,641,592,054	1,500,820,441
Total liabilities	1,800,478,077	1,631,808,732
NET ASSETS		
Invested in capital assets	3,533,862	3,577,804
Unrestricted	181,733,907	178,376,687
Total net assets	185,267,769	181,954,491
Total liabilities and net assets	$ 1,985,745,846	$ 1,813,763,223

See notes to financial statements

Georgia Housing and Finance Authority
(a component unit of the State of Georgia)

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

	Years ended June 30,	
	2012	2011
Operating revenues:		
Interest on loans	$ 41,836,751	$ 39,036,905
Interest on investment securities	12,500,288	13,287,766
Net decrease in fair value of investments	(124,876)	(2,097,005)
Administrative fees:		
Federal and state assistance programs	15,186,344	13,597,764
Single family trustee	1,932,630	1,589,053
Federal and State grant income	82,738,592	214,913,785
Other miscellaneous income	2,014,005	1,546,854
Total operating revenues	156,083,734	281,875,122
Operating expenses:		
Interest on bonds	39,363,920	38,310,939
Mortgage servicing	10,685,922	6,058,683
Administrative	19,687,346	16,050,263
Federal and State grant expense	79,082,585	211,393,202
Professional fees	1,354,195	1,328,107
Other	2,596,488	2,020,039
Total operating expenses	152,770,456	275,161,233
Change in net assets	3,313,278	6,713,889
Total net assets at beginning of year	181,954,491	175,240,602
Total net assets at end of year	$ 185,267,769	$ 181,954,491

See notes to financial statements

Georgia Housing and Finance Authority
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STATEMENTS OF CASH FLOWS

	Years ended June 30,	
	2012	2011
Cash flows from operating activities:		
Receipts from loans and investments	$ 114,450,694	$ 97,401,411
Payments to purchase and service mortgage loans	(106,831,042)	(150,540,035)
Interest payments to bond holders	(37,886,489)	(36,269,682)
Payments to employees and suppliers	(18,895,662)	(15,329,573)
Federal and State grants	82,738,592	214,913,785
Other receipts (payments)	32,809,153	(5,850,977)
Purchases of other loans	(60,938,713)	(183,586,629)
Principal repayments on other loans	11,144,366	3,926,916
Net cash provided by (used in) operating activities	16,590,899	(75,334,784)
Cash flows from investing activities:		
Purchases of investment securities	(81,428,355)	(58,101,001)
Proceeds from sales and maturities of investment securities	49,814,467	60,267,998
Purchase of capital assets, net	(217,189)	-
Net cash (used in) provided by investing activities	(31,831,077)	2,166,997
Cash flows from noncapital financing activities:		
Proceeds from issuance of bonds, net of discount	254,238,370	195,360,005
Reverse repurchase agreements repaid, net	(13,670,000)	(4,495,000)
Principal repayment of bonds, net of discount	(174,160,000)	(188,945,000)
Cost of bonds issued	(1,906,935)	(1,618,682)
Net cash provided by financing activities	64,501,435	301,323
Net increase (decrease) in cash and cash equivalents	49,261,257	(72,866,464)
Cash and cash equivalents at beginning of year	212,479,723	285,346,187
Cash and cash equivalents at end of year	$ 261,740,980	$ 212,479,723

(continued)

Georgia Housing and Finance Authority
(a component unit of the State of Georgia)

STATEMENTS OF CASH FLOWS - CONTINUED

	Years ended June 30, 2012	Years ended June 30, 2011
Reconciliation of change in net assets to net cash provided by (used in) operating activities:		
Change in net assets	$ 3,313,278	$ 6,713,889
Adjustment to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	261,131	259,688
Amortization of mortgage loan premiums and discounts	(62,860)	(39,730)
Amortization of bond issuance costs	1,400,371	1,831,260
Net (increase) decrease in fair value of investments	124,876	2,097,005
Net (increase) decrease in capital appreciation bonds	(39,309)	2,176
Increase in loan loss reserves	2,400,000	674,000
Bond issuance costs on retired bonds	80,453	57,902
Change in assets and liabilities:		
Issuance of mortgage loans	(98,545,120)	(145,155,352)
Principal repayment of mortgage loans	60,113,655	45,076,740
Purchases of other loans	(60,938,713)	(183,586,629)
Principal repayments on other loans	11,144,366	3,926,916
Accrued interest receivable	(920,051)	(1,340,286)
Other assets	(2,971,062)	(2,078,558)
Refundable HOME program grants	53,188,883	180,846,454
Accounts payable, accrued expenses, and other liabilities	4,440,092	11,546,238
Accrued interest on bonds	139,920	249,727
Deferred revenue	43,460,989	3,583,776
Net cash provided by (used in) operating activities	$ 16,590,899	$ (75,334,784)

See notes to financial statements

NOTE 1 - ORGANIZATION AND ACTIVITIES

The Georgia Housing and Finance Authority (the Authority) was created in 1991 as a body corporate and politic and is deemed an instrumentality of the State of Georgia (the State) and a public corporation performing an essential governmental function. The Authority was created to replace the Georgia Residential Finance Authority and to assume all operations, rights, powers, duties, obligations and liabilities of the Georgia Residential Finance Authority, which was created in 1974. Under the Authority's enabling legislation (the Act), the purposes of the Authority, among others, are the provision of public financing and financial assistance for (i) work designed or financed for the primary purpose of providing safe, decent, energy efficient, appropriate, and affordable dwelling accommodations for persons and families of low or moderate income and (ii) the financing of mortgage loans made for the purposes described in clause (i) or participations therein and the underwriting, servicing and administration of mortgage loans made for the purposes described in clause (i) or participations therein.

The Authority has the power, among others, to purchase notes evidencing loans which are secured by mortgages, to make loans, to acquire and contract to acquire mortgages, to service mortgages, and to make and execute contracts for the servicing of mortgages made or acquired by the Authority, to borrow money and to issue notes, bonds and other obligations subject to the approval of the Georgia State Financing and Investment Commission, and to do any and all things necessary or convenient to carry out its purposes and exercise the powers given and granted to the Authority by the Act.

The Act provides, for administrative purposes only, that the Authority is assigned to the Department of Community Affairs (DCA), which is a legislatively created executive branch department of the State. The members of the Authority's board are the same persons who comprise the DCA Board, who are appointed by the Governor. Except for the authorization of the issuance of bonds, the Authority may delegate to its executive director such powers and duties as it may deem proper. The commissioner of DCA is the executive director of the Authority. The Authority may contract with DCA for professional, technical, clerical and administrative support and for any purpose necessary or incidental to carrying out the duties, responsibilities or functions of the Authority. No funds or assets of the Authority will be distributed to DCA or any other department, authority or agency of the State unless otherwise provided by law, except that the Authority may pay reasonable compensation for services rendered and may reimburse expenses incurred and except as may be deemed necessary or desirable by the Authority to fulfill its purposes under the Act.

The powers of the Authority are vested in eighteen (18) members who also comprise the board of DCA. Board members are appointed by the Governor and are composed of one member from each United States Congressional District in the State (currently thirteen) plus five additional members from the State at large, and include elected officials of counties or municipalities, individuals with an interest or expertise in community or economic development, environmental issues, housing development or finance or citizens who in the judgment and discretion of the Governor would enhance the DCA board.

NOTE 2 - HOUSING PROGRAMS

The following business-type activities of the Authority are classified as proprietary:

Administrative Program

The Administrative Program activities include income not directly related to the repayment of specific notes or bonds and includes expenses related to the Authority's administrative functions. Administrative Program activities include, but are not limited to, services related to the State's allocation and monitoring of Federal and State low-income housing tax credits (LIHTC). The Administrative Activities program includes the following programs:

Low-Income State Housing Tax Credit

In 1986, the Authority was designated by the Governor as the State's allocating agency for the Low-Income Housing Tax Credit (LIHTC) program. The program was established to promote the development of low-income rental housing through tax incentives, rather than direct subsidies. The LIHTC is a ten-year Federal tax credit against a taxpayer's ordinary income tax liability which is available (directly or through partnerships) to individuals and corporations who acquire or develop and own qualified low-income rental housing.

Multi-Family Mortgage Revenue Program

The Multi-Family Mortgage Revenue Program accounts for proceeds of multi-family mortgage bonds issued to finance the purchase of multi-family mortgage loans to provide affordable housing to eligible persons and families of low and moderate income within the State of Georgia.

Single-Family Mortgage Revenue Program

The Single-Family Mortgage Revenue Program accounts for proceeds of single-family mortgage bonds issued to finance the purchase of single-family mortgage loans for eligible persons and families of low and moderate income within the State of Georgia.

Substantially all single-family mortgage loans made or purchased by the Authority are insured under programs offered by the Federal Housing Administration (FHA) or Veteran's Administration (VA). The Authority also makes or purchases loans with conventional insurance and has a small group of uninsured loans. The Single-Family Mortgage Revenue Program includes the Home Buyer Program described below:

The Georgia Dream Program

The Georgia Dream Program enables the Authority to finance the purchase of housing by Georgia families of low or moderate income. The Authority is authorized to issue low interest rate, tax-exempt revenue bonds to raise funds the proceeds of which are used to provide below market interest rate loans to eligible families. The bonds are to be repaid from collections of scheduled repayments and prepayments of mortgage loans. The bonds are direct obligations of the Authority and not a debt of the State or any political subdivision thereof. The Authority's bond issuance capacity at June 30, 2012 was $1,300,000,000 in connection with the Georgia Dream Program.

Hospital Finance Authority Program

The Hospital Equipment Financing Authority (HEFA) was established in 1984 by the Georgia General Assembly under the provisions of the Hospital Equipment Financing Act (the Hospital Act). The Hospital Act empowered HEFA, among other authorized activities, to finance the purchase of hospital equipment by not-for-profit Georgia hospitals. During 1990, the Hospital Act was amended such that HEFA was empowered to finance the acquisition and construction of hospital facilities as well as hospital equipment, and the name of HEFA was also changed to the Hospital Financing Authority (HFA). HFA issued low interest rate, tax-exempt revenue bonds to raise funds which are used to provide below market interest rate loans to eligible hospitals. HFA has no taxing power.

Effective April 9, 1993, the Georgia General Assembly amended the Hospital Act which governs the operations of HFA. This amendment dissolved HFA as a separate legal entity and merged its operations into the Authority. As of April 9, 1993, all assets and liabilities of HFA were transferred to the Authority. The Authority's bond issuance capacity at June 30, 2012 was $30,000,000 in connection with the Hospital Finance Authority Program. During 2012 and 2011, there was no activity in the Hospital Finance Authority Program.

Other Programs

Georgia Housing and Finance Authority Affordable Housing, Inc.

The Georgia Housing and Finance Authority Affordable Housing, Inc. (AHI) was organized to promote nonprofit affordable housing and a system of affordable housing financing for persons in Georgia of low and moderate income or of special housing needs including, but not limited to, the elderly and the mentally and physically disabled. The program provides financial assistance in the form of low interest rate loans and limited assistance to qualified sponsors in the form of grants.

The following programs are included in AHI:

Loan Program

The board of directors may authorize the disbursement of available money from AHI for residential housing projects sponsored by a qualified organization. AHI may consult, as appropriate, with person with interests in housing in order to acquaint them with AHI and to solicit information relating to housing needs, residential housing projects, and criteria for the selection of residential housing projects The criteria for making disbursement decisions include, but are not limited to, the following:

a. The number of persons assisted;
b. The leveraging of money or in-kind services by a qualified sponsor;
c. The geographic distribution of residential housing projects;
d. The availability of other forms of assistance; and
e. Any and all other factors bearing upon the advisability and necessity of the residential housing project.

Funds may also be disbursed from AHI to pay expenses of the board of directors, to pay any and all operating expenses, and to pay for professional, technical, and clerical services provided to the board of directors.

Hardest Hit Fund Program

AHI's Hardest Hit Fund (HHF) program provides loans to unemployed and substantially under-employed homeowners to help them remain in their homes and prevent avoidable foreclosures despite loss of income due to involuntary job loss. The HHF program funds loans to be used to pay mortgage payments, including escrowed items, while the homeowner seeks employment or completes training for a new career. The goal is to provide assistance over the next 5 years to 18,300 homeowners to prevent foreclosures.

Georgia Housing and Finance Authority Economic Development Financing, Inc.

The Georgia Housing and Finance Authority Economic Development Financing, Inc. (EDF) was organized to administer the Loans for Rural Industry Program (LFRI), which offers financial assistance to businesses in Georgia's rural areas. The U.S. Department of Agriculture's Rural Development Office provided program capitalization.

The following programs are included in EDF:

LFRI Program

Under its enabling resolution, EDF administered the Loans For Rural Industry (LFRI) Program, which offers low-cost, medium-term financing to businesses located or expanding into Georgia's smaller populated communities. LFRI loans may be made to businesses engaged in manufacturing, production, warehousing or distribution. Loan proceeds may be used for a variety of purposes including building acquisition or expansion, leasehold improvements, or equipment purchases. The loans can range in size from $10,000 to $150,000 and cannot exceed 50 percent of the total project costs. Loan terms will range from one to ten years with an interest rate fixed at the time of closing that will usually be 2 percent below the prime rate. Job creation and retention is the central focus of the LFRI program. Capital for this revolving loan program is provided by Rural Economic and Community Development, a division of the United States Department of Agriculture. There were no outstanding loans under the LFRI program at June 30, 2012 or 2011.

State Small Business Credit Initiative

The State Small Business Credit Initiative (SSBCI) is a small business loan program created by the Small Business Jobs Act of 2010. The State of Georgia was allocated $47,808,507 in federal funds to increase access to capital for small businesses in Georgia.

Following is a list of the three Georgia SSBCI programs and the dollar amounts allocated to each: 1) Georgia Capital Access Program (GCAP), a portfolio insurance program - $10 million; 2) Georgia Small Business Credit Guarantee (SBCG), a loan guarantee program with a conversion option to a risk reserve pool - $17,808,507; and, 3) Georgia Funding for CDFIs, a loan participation program which provides financing to underserved businesses through Community Development Financial Institutions (CDFIs).

All participating lenders in the Georgia SSBCI program must submit an application to be vetted and approved, prior to enrolling loans in the program. Approved lenders then sign a Program Participation Agreement. Although eligibility requirements vary slightly between the three programs, the Georgia SSBCI is primarily designed to serve businesses with 500 or fewer employees, and the target participation amount for SSBCI funds is $500,000 or less. Eligible loan uses include start-up costs, working capital, business acquisition and expansions; franchise financing; equipment; inventory financing; commercial real estate acquisitions, etc.

Federal and State Assistance Programs

The Federal Assistance Programs account for revenue and expenditures of the following assistance programs:

Emergency Shelter Grant Program

The Authority receives an annual allocation of federal Emergency Shelter Grant Program funds to provide shelter and essential services to eligible homeless individuals and families. The Authority utilizes these federal funds to provide grants to eligible nonprofit and local government providers serving the 152 counties.

Shelter Plus Care Program

The Authority competes annually for an award of funds under the Shelter Plus Care Program that can provide housing and supportive services on a long-term basis for homeless persons and their families. The federal award of funds may be used for rental assistance by specific project sponsors that, in return, match the federal rental assistance with service funding for the beneficiaries. Upon award of the federal funds to GHFA, the Authority enters into grant agreements with each project sponsor to implement the program.

HOME Investment Partnership Program

The Authority administers the HOME Investment Partnership Program (HOME) for the State. Under the HOME Program, the Authority receives and approves applications for Federal affordable housing funds available under the Federal HOME Program provisions of the 1990 National Affordable Housing Act. The Authority receives Federal grant HOME program proceeds, for the purpose of funding loans and grants to qualified applicants. The Authority is responsible for each HOME loan and grant recipient maintaining compliance with affordability requirements of the HOME program. The HOME loans are to be repaid out of a portion of the borrowers net cash flow, as defined. Any repayments on HOME loans received by the Authority are required to be used to fund additional HOME activities prior to the draw of additional federal funds from the US Treasury.

Housing Opportunities for Persons with AIDS Program

The Authority receives an annual allocation of federal Housing Opportunities for Persons with AIDS Program funds to provide supportive housing and services to persons living with AIDS and related diseases. The Authority utilizes these funds to provide grants within the state's 127 county entitlement jurisdiction to eligible nonprofit organizations whose mission incorporates the provision of housing and supportive services to persons with AIDS and related diseases.

Homelessness Prevention and Rapid Re-Housing Program

In fiscal year 2010, the Authority implemented the Homelessness Prevention and Rapid Re-Housing program (HPRP). This program provides financial and other assistance to prevent individuals and families becoming homeless and help those who are experiencing homelessness to be quickly re-housed and stabilized. The Authority enters into grant agreements with each project sponsor to implement the program.

Tax Credit Assistance Program

In fiscal year 2010, the Authority implemented the Tax Credit Assistance program (TCAP). This program provides assistance to eligible low-income housing tax credit projects which are subject to the same limitations as required by the State housing credit agency with respect to an award of low-income housing credits under section 42 of the IRC of 1986.

Neighborhood Stabilization Program

In fiscal year 2010, the Authority implemented the Neighborhood Stabilization program. This program assists in the development of viable urban communities by providing decent housing, a suitable living environment, and expanding economic opportunities, principally for low and moderate income.

Tax Credit Exchange Program

In fiscal year 2010, the Authority implemented the Tax Credit Exchange Program (TCEP) is administered by the Treasury Department and is designed to help stalled LIHTC programs move forward. This program allows the Authority to exchange up to 40 percent of their 2009 LIHTC allocation for cash grants from the Treasury Department.

The State Assistance Programs account for revenue and expenditures of the following assistance programs:

Incentive Loans for Industry

The Authority administers the Incentive Loans for Industry (ILFI) program, which offers low-cost, medium-term financing to businesses located in Georgia’s economically distressed counties as defined by the U.S. Economic Development Administration. ILFI loans may be made to businesses engaged in manufacturing, production, warehousing, or distribution. Loan proceeds may be used for a variety of purposes, including building acquisition or expansion, leasehold improvements, or equipment purchases. The loans can range in size from $20,000 to a maximum of $300,000, and cannot exceed 33 percent of the total project costs. Loan terms range from one to ten years with an interest rate fixed at the time of closing at a rate below the prime rate. Job creation and retention is the central focus of the program.

Downtown Development Revolving Loan

The purpose of the Downtown Development Revolving Loan Fund (DD RLF) is to assist cities, counties and development authorities in their efforts to revitalize and enhance downtown areas by providing below-market rate financing to fund capital projects in core historic downtown areas and adjacent historic neighborhoods where DD RLF will spur commercial redevelopment.

Eligible applicants under this program are municipalities with a population of 100,000 or less, counties with a population of 100,000 or less proposing projects in a core historic commercial area, and development authorities proposing projects in a core historic commercial area in municipalities or counties with a population of 100,000 or less.

The ultimate user of funds may be a private business or a public entity such as a city or development authority. Applicants must demonstrate that they have a viable downtown development project and clearly identify the proposed uses of the loan proceeds. The maximum loan is $250,000 per project, which must leverage private and/or other public financing. Funds for the DD RLF Program were authorized by the Georgia General Assembly beginning in fiscal year 2000. The program has been sustained by loan repayments and interest income.

Export Finance Assistance

The Authority administers jointly with the Georgia Department of Economic Development the Export Finance Assistance Program, which is offered through the City State Program and the Georgia Export Finance Fund. These programs provide improved access to affordable working capital for export sales. Working capital loans supported by these programs are made by private lenders.

Regional Economic Business Assistance

REBA is an incentive program that is used to help "close the deal" when companies are considering Georgia and another state or country for their location or expansion. REBA funds may be used to finance various fixed-asset needs of a company including infrastructure, real estate acquisition, construction, or machinery and equipment. A local development authority must be the applicant for a REBA application and the application must be supported by a recommendation letter from a state agency, typically the Georgia Department of Economic Development. The funds for the program are appropriated annually by the Georgia General Assembly. REBA funds may be specified as a grant or a loan, depending upon the letter of recommendation. The recommendation will also authorize the amount of REBA funds available for the project.

Life Sciences Facilities Fund

LSFF is an incentive program that provides low-cost loan assistance for the purchase of fixed assets to assist with the expansion, retention or relocation of life-science companies targeted by Georgia. The Facilities Fund is intended to be used as an incentive when needed to retain or recruit life-science companies in and to Georgia, or to fill a financing gap that is unmet by the private sector. Funds for the LSFF Program were authorized by the Georgia General Assembly in fiscal year 2005.

State Home Mortgage

State Home Mortgage was created by the Authority in 1994 to provide in-house loan servicing capabilities for Authority financed single-family and multifamily mortgage loans. As of June 30, 2012 and 2011, State Home Mortgage was servicing approximately, 9,415 and 8,837 loans, respectively, or 84 percent and 82 percent, respectively, of the Authority's total single-family and multifamily mortgage loan portfolio.

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNT POLICIES

The following summarizes the significant accounting policies of the Authority:

Financial Statement Presentation

As defined by accounting principles generally accepted in the United States of America established by the Governmental Accounting Standards Board (GASB), the criteria for determining the programs, organizations, and functions of government included in the accompanying basic financial statements are as follows: oversight responsibility, including selection of governing authority, designation of management, and ability to significantly influence operations; accountability for fiscal matters, including budgets, surplus and deficits, debt, fiscal management, and revenue characteristics; scope of public service; and special financing relationships.

For financial reporting purposes, the Authority is a component unit of the State of Georgia. The financial statements of the Authority include the blended component units AHI and EDF which are reported as other programs in the supplemental Schedule of Program Net Assets and Schedule of Program Revenues, Expenses, and Changes in Net Assets.

Basis of Accounting

The financial statements are prepared in accordance with GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, No. 37 *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments: Omnibus* and No. 38 *Certain Financial Statement Note disclosures*.

The Authority maintains its accounting records and prepares its financial statements using the accrual basis of accounting. The Authority's proprietary activities are accounted for on the flow of economic resources measurement focus. This measurement focus emphasizes the determination of changes in net assets. Under this method, revenue is recorded when earned, and expenses, including compensated absences, are recognized when the liability is incurred.

In accordance with GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the Authority has elected to apply all Financial Accounting Standards Board (FASB) pronouncements issued prior to November 30, 1989, that are not inconsistent with GASB pronouncements. Subsequent to this date, the Authority accounts for its proprietary funds as required by GASB.

Cash and Cash Equivalents and Investments Securities

Cash and cash equivalents, as reported in the statements of net assets, include short-term investment securities with original maturities of three months or less, local government investment pools, repurchase agreements, money market accounts, mutual funds, and investment agreements under which funds can be withdrawn at any time without penalty. Investment securities are carried at fair value based on quoted market prices. Amounts reported as cash and cash equivalents include amounts that are restricted for use under state grants and bond resolutions as shown in Note 4.

Short term investment securities include investment securities with maturities less than twelve months. Long-term investment securities include investment securities with maturities greater than twelve months.

The credit risk associated with the Authority's investments is primarily due to its reliance upon securities of the U.S. Government and its agencies by the Authority. As with any fixed income portfolio, there exists market price risk in a changing interest rate environment, and some of the Authority's investments are subject to decline in fair value as interest rates increase. This exposure is focused largely within certain classes of mortgage-backed securities, such as collateralized mortgage obligations. The Authority invests in these securities in part to maximize yields and in part to hedge against a rise in interest rates. These securities are based on cash flows from interest payments on underlying mortgages. Therefore, they are sensitive to prepayments by mortgagees, which may result from a decline in interest rates. The mortgage-backed securities are reported in aggregate as mortgage-backed securities in the disclosure of investments.

Mortgage and Other Loans Receivable

Mortgage loans and other loans receivable are stated at their unpaid principal balance less loan discounts. The discounts are amortized using a method approximating a level yield over the estimated average life of the loans. Costs associated with the mortgage loans, including purchased servicing costs, are amortized over the expected average life of the outstanding mortgage loan, which is estimated to be seven years.

Mortgage loans are classified as foreclosures (nonperforming loans) when collection of principal and accrued interest in accordance with the stated terms of the agreement is unlikely. Interest income recognition is discontinued once a loan is considered non-performing which occurs when the loan is placed in foreclosure.

Mortgage Escrow Deposits

In connection with the mortgage loans, the Authority holds various trustee bank accounts on behalf of the mortgagors which consist of escrow deposits for taxes and insurance, replacement reserves, and operating deficit reserves. A corresponding liability is recorded upon receipt by the Authority of the mortgagors' escrow deposits.

HOME Loans

HOME loans are recorded at amounts drawn from the Federal HOME program and subsequently loaned to the borrower. A liability is recorded to reflect the Authority's obligation to either re-loan or return to the Federal government any HOME loan repayments. Because the obligation amount is dependent on the actual HOME loan repayments, no valuation reserve is recorded.

ARRA Loans

ARRA loans are recorded at amounts drawn from the TCAP, TCEP, and HPRP programs and subsequently loaned to the borrower. Loans made to borrowers under such programs are subject to certain compliance regulations, which must be maintained during the term of the loan. A liability is recorded to reflect the Authority's obligation to return to the Federal government any loan repayments which is included in Refundable HOME program grants on the Statement of Net Assets.

Provision for Possible Loan Losses

The majority of the Authority's mortgage loans are FHA insured, VA guaranteed, or USDA/RD guaranteed, and the remainder is largely covered by mortgage insurance and/or pool insurance. A small group loans in the amount of $18,532,406 are uninsured and dependent on the value of underlying real estate collateral. A provision for possible losses on delinquent loans is made when, in the opinion of management, the loan balance exceeds the net realizable value of the underlying collateral, including Federal and mortgage pool insurance. Based on the Authority's experience, insured loans have not resulted in any significant losses to the Authority beyond the administrative costs of foreclosure. Collateralized loans historically have not resulted in losses. However, since 2007 the Authority has incurred an increase in significant losses due to the depressed housing market. In addition, the Authority has experienced increases in delinquencies. As a result the Authority has increased its reserve for loan losses related to its uninsured loans in recent years. The allowance for possible losses on mortgage loans receivable as of June 30, 2012 and 2011 totaled $6,500,000 and $4,100,000, respectively. The allowance includes a provision for accrued interest on foreclosed loans. The allowance for possible losses on other loans receivable as of June 30, 2012 and 2011 totaled $4,440,707 and $4,562,507, respectively. The provision for possible losses recognized during the years ended June 30, 2012 and 2011 totaled $5,376,300 and $2,763,964, respectively.

Capital Assets

Capital assets are stated at cost. Depreciation on property and equipment is calculated on the straight-line method over the estimated useful lives of the assets. Repairs and maintenance are expensed as incurred. In accordance with the Authority's capitalization policy, capital assets under $5,000 are expensed.

Building	40 years
Capital Improvements	10 years
Vehicles	4 years
Equipment, Computers, and Software	2-5 years

Impairment of Long-Lived Assets

The Authority reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. Management evaluates possible impairment events on whether the service utility or use of the long-lived assets decline significantly and unexpectedly. No impairment loss has been recognized during the years ended June 30, 2012 and 2011.

Bond Premiums, Discounts, and Issuance Costs and Amortization

Bond premiums, discounts, and issuance costs are amortized over the term of the obligations using a method which approximates the effective interest method. Bond premiums and discounts are included in the net balance for bonds payable. Issuance cost is shown as a separate intangible in the Statements of Net Assets. Amortization expense for the years ended June 30, 2012 and 2011 was $1,417,963 and $1,848,852, respectively. Estimated amortization expense for each of the next five ensuing years is approximately $1,600,000. Accretion income for the years ended June 30, 2012 and 2011 was $80,452 and $57,322, respectively. Estimated accretion income for each of the next five ensuing years is approximately $68,000.

Arbitrage

The Authority periodically monitors for the existence of any rebatable arbitrage interest, in accordance with IRS regulations, associated with its tax-exempt debt. The rebate is based on the differential between the interest earnings from the investment of tax-exempt bond proceeds as compared to the interest expense associated with the respective bonds. Arbitrage rebates are expensed when paid or when, upon determination by management, an arbitrage rebate liability is estimated.

Net Assets

Net assets are classified and displayed in three categories in the financial statements.

Invested in capital assets, net of related debt consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted net assets consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributions, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

Unrestricted net assets consists of all other net assets that do not meet the definition of restricted or invested in capital assets, net of related debt.

As of June 30, 2012 and 2011, the Authority's net assets are classified into two categories which are invested in capital assets and unrestricted net assets.

Program Revenues and Expenses

HOME loan program revenue and a corresponding expense are recognized at the time the HOME loan is closed.

Purchased servicing rights are related to mortgage loans and are deferred and recognized over the estimated seven-year term that the mortgages are expected to be outstanding.

Unexpended grant funds received under grant awards are deferred until the related program expenditures are incurred.

Deferred Revenue

Deferred revenue represents fees received in connection with the LIHTC and Multi-Family (MF) program for compliance monitoring and asset management. The Authority on behalf of the IRS is responsible for monitoring compliance with IRS Section 42 by Georgia participants in the LIHTC and MF program. Such monitoring includes performing periodic site visits, property inspections, and tenant eligibility verifications, which are required to be performed annually over the compliance period. Participants are required to maintain compliance with Section 42 for a minimum of 15 years for the LIHTC program and a minimum of 30 years for the MF program. Participants are required to pay the entire amount of compliance monitoring fees at inception. The prepaid amount of fees received are deferred and amortized into income using on the straight-line method over the applicable compliance periods.

Participants who receive ARRA funds are also required to pay an asset management fee to the Authority at inception for oversight services in connection with administering the funds over a 14.5 year term. These fees will be amortized into income, using the straight-line method over the service period.

Estimated amortization of all deferred revenue over the next five years as follows:

Year	Amount
2013	$ 2,251,946
2014	1,842,610
2015	2,129,924
2016	2,018,555
2017	2,112,530
Thereafter	18,011,079
Total	$ 28,366,644

Unexpended Grant Funds

The Authority has a liability for unexpended grant funds received as of June 30, 2012 and 2011 of $88,241,765 and $45,487,636, respectively. These funds are included in the balance of cash and cash equivalents and investments as shown on the Statements of Net Assets. The liability will be settled as the Authority expends the funds in accordance with the applicable grant requirements. Any unexpended grant proceeds could be returned to the granting authority under terms of the grants. As of June 30, 2012 and 2011, the unexpended grant funds by program are as follows:

		June 30,	
Program	Source	2012	2011
Life Science	State of Georgia	$ 4,286,522	$ 4,286,522
Downtown Development	State of Georgia	9,985,937	9,985,937
REBA	State of Georgia	19,299,886	10,557,022
Housing Trust Fund	State of Georgia	11,897,809	11,162,343
Hardest Hit Fund	US Department of Treasury	25,563,812	7,187,006
State Small Business Credit Initiative	US Department of Treasury	15,478,231	-
Other	State of Georgia	1,729,568	2,183,170
		$ 88,241,765	$ 45,362,000

Use of Estimates

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

Reclassifications

Reclassifications have been made to the prior year balances to conform to the current year presentation.

Other Loans Receivable, net

Other loans receivable includes loans to various non-profits and municipalities as well as advances from loan service agreements and miscellaneous receivables.

Investment in Georgia HAP Administrators, Inc.

The Authority has a nine percent investment interest in Georgia HAP Administrators Inc. (Georgia HAP). The Authority accounts for its investment using the cost method. Under the cost method, the Authority recognizes income on its investment as cash is received. In addition, the Authority earns incentive management fees from Georgia HAP. Total earnings received from Georgia HAP during 2012 and 2011 were $865,196 and $1,146,627, respectively which is included in administrative fees-state assistance programs on the statement of revenues, expenses and changes in net assets.

Income Taxes

Income received or generated by the Authority is not subject to federal income tax, pursuant to Internal Revenue Code Section 115. The Authority is exempt from state and local property taxes. Interest paid on obligations issued by the Authority is excludable from the gross income of the recipients, pursuant to Section 103(a) of the Internal Revenue Code of 1986, as amended. Contributions to the Authority are tax deductible contributions, pursuant to Sections 170(b)(1)(A)(v) and 170 (c)(1) of the Internal Revenue Code of 1986, as amended.

NOTE 4 - CASH AND CASH EQUIVALENTS AND INVESTMENT SECURITIES

Investment of Funds

The Act authorizes the Authority to invest in obligations of the U.S. Treasury, its agencies, and instrumentalities; obligations of the State of Georgia; certificates of deposit of financial institutions within the State of Georgia insured by Federal or state depository insurance, interest-bearing time deposits, repurchase agreements, reverse repurchase agreements, or other similar banking arrangements; and any and all other obligations of investment grade quality, as defined.

Cash and cash equivalents and investments as of June 30, 2012 and 2011 are presented in the financial statements as follows:

	June 30, 2012	June 30, 2011
Cash and cash equivalents:		
Cash	$ 18,743,105	$ 17,256,485
Georgia Fund 1	11,810,783	18,458,718
Money market accounts	6,350,953	6,640,835
Cash resticted under grant programs	44,078,585	17,524,676
Assets restricted under revenue bond resolutions:		
Money market accounts	180,757,554	152,599,009
Total cash and cash equivalents	261,740,980	212,479,723
Short-term investment securities:		
US Government and agency securities	5,908,454	10,259,584
Corporate bonds	1,837,760	1,608,951
Foreign bonds	822,604	-
Agency mortgage-backed securities	-	348,544
Non-purpose investments	8,433,228	-
Total short-term investment securties	17,002,046	12,217,079
Long-term investment securities:		
Mortgage-backed securities	63,001,409	19,890,695
U.S. Government and agency securities	32,082,869	33,910,499
Corporate MBS/ABS	17,396,462	19,602,556
Foreign bonds	9,063,938	7,027,842
Corporate bonds	15,196,747	20,560,321
Assets restricted under revenue bond resolutions:		
Investment agreements	37,078,259	36,642,198
Agency mortgage-backed securities	78,997,997	79,327,143
U.S.Government and agency securities	4,657,835	13,810,217
Total long-term investment securties	257,475,516	230,771,471
Total cash and cash equivalents and investment securities	$ 536,218,542	$ 455,468,273

Deposits

As of June 30, 2012 and 2011, the Authority's cash and cash equivalent deposits are categorized below to give an indication of the level of custodial risk and collateralization provided to the Authority in connection with its cash and cash equivalents. Category 1 includes deposits insured by Federal depository insurance or collateralized with securities held by the Authority or by its agent in the Authority's name. Category 2 includes deposits collateralized with securities held by the pledging financial institution's trust department or agent in the Authority's name. Category 3 represents uncollateralized deposits including bank balances collateralized with securities held by the pledging financial institution, or by its trust department or agent. Georgia Fund I is the combined State general fund and local government investment pool managed by the Office of Treasury and Fiscal Services. Georgia Fund I is a money market fund rated AAA by Standard & Poor's.

2012	Category 1	Category 2	Category 3	Bank balance	Carrying amount
Cash	$ 62,821,690	$ -	$ -	$ 62,917,845	$ 62,821,690
Money market accounts	-	-	187,108,507	187,108,507	187,108,507
	$ 62,821,690	$ -	$ 187,108,507	$ 250,026,352	249,930,197
Georgia Fund 1					11,810,783
					$ 261,740,980

2011	Category 1	Category 2	Category 3	Bank balance	Carrying amount
Cash	$ 27,549,967	$ -	$ -	$ 27,876,302	$ 27,549,967
Money market accounts	-	-	166,471,038	166,471,038	166,471,038
	$ 27,549,967	$ -	$ 166,471,038	$ 194,347,340	194,021,005
Georgia Fund 1					18,458,718
					$ 212,479,723

Investment Securities

The Authority's investment securities are carried at fair value based on quoted market prices in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and External Investment Pools*.

As of June 30, 2012 and 2011, the Authority's investments are categorized below to give an indication of the level of collateralization provided to the Authority. Category 1 includes investments that are insured, registered, or for which the securities are held by the Authority or its agent in the Authority's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the broker's or dealer's agent in the Authority's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the broker, dealer, or their agent but not in the Authority's name.

	Category			Fair
2012	1	2	3	value
U.S. Government and agency securities	$ 42,649,158	$ -	$ -	$ 42,649,158
Mortgage-backed securities	141,999,406	-	-	141,999,406
Corporate MBS/ABS	17,396,462	-	-	17,396,462
Foreign bonds	9,886,542	-	-	9,886,542
Investment agreements	-	-	37,078,259	37,078,259
Non-purpose investments	-	8,433,228	-	8,433,228
Corporate bonds	17,034,507	-	-	17,034,507
	$ 228,966,075	$ 8,433,228.00	$ 37,078,259	$ 274,477,562

	Category			Fair
2011	1	2	3	value
U.S. Government and agency securities	$ 57,980,300	$ -	$ -	$ 57,980,300
Mortgage-backed securities	99,566,382	-	-	99,566,382
Corporate MBS/ABS	19,602,556	-	-	19,602,556
Foreign bonds	7,027,842	-	-	7,027,842
Investment agreements	-	-	36,642,198	36,642,198
Corporate bonds	22,169,272	-	-	22,169,272
	$ 206,346,352	$ -	$ 36,642,198	$ 242,988,550

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. The Authority manages interest rate risk by attempting to match investment maturities and interest payment terms with expected cash requirements and maturities of the related bond series. Negative amounts represent net short position for securities purchased, but not yet settled. The maturities of investments as of June 30, 2012 are as follows:

		Investment maturities as of June 30, 2012				
	Total Fair Value	Less than 3 Months	4 - 12 Months	1 - 5 Years	6 - 10 Years	More than 10 Years
Cash and cash equivalents:						
Cash	$ 18,743,105	$ 18,743,105	$ -	$ -	$ -	$ -
Georgia Fund 1	11,810,783	11,810,783	-	-	-	-
Money market accounts	6,350,953	6,350,953	-	-	-	-
Cash resticted under State grant programs	44,078,585	44,078,585	-	-	-	-
Assets restricted under revenue bond resolutions:						
Cash	-	-	-	-	-	-
Georgia Fund 1	-	-	-	-	-	-
Money market accounts	180,757,554	180,757,554	-	-	-	-
Total cash and cash equivalents	$ 261,740,980	$ 261,740,980	$ -	$ -	$ -	$ -
Short-term investment securities:						
U.S. Government and agency securities	$ 5,908,454	$ 3,001,140	$ 2,907,314	$ -	$ -	$ -
Corporate bonds	1,837,760	150,275	1,687,485	-	-	-
Foreign bonds	822,604	-	822,604	-	-	-
Agency mortgage-backed securities	-	-	-	-	-	-
Non-purpose investments	8,433,228	-	8,433,228	-	-	-
Total short-term investment securities	$ 17,002,046	$ 3,151,415	$ 13,850,631	$ -	$ -	$ -
Long-term investment securities:						
Mortgage-backed securities	$ 63,001,409	$ -	$ -	$ -	$ 4,836,230	$ 58,165,179
U.S. Government and agency securities	32,082,869	-	-	15,938,742	9,237,957	6,906,170
Corporate MBS/ABS	17,396,462	-	-	8,275,921	1,829,371	7,291,170
Foreign bonds	9,063,938	-	-	7,282,679	1,781,259	-
Municipal bonds	-	-	-	-	-	-
Corporate bonds	15,196,747	-	-	10,116,798	4,401,126	678,823
Assets restricted under revenue bond resolutions:						
Investment agreements	37,078,259	-	-	-	2,808,226	34,270,033
Agency mortgage-backed securities	78,997,997	-	-	-	2,339,621	76,658,376
U.S. Government and agency securities	4,657,835	-	-	2,842,896	1,814,939	-
Total long-term investment securities	$ 257,475,516	$ -	$ -	$ 44,457,036	$ 29,048,729	$ 183,969,751

Credit Quality Risk and Concentration of Credit Risk

Credit quality risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Some investments, such as U.S. Treasuries and GNMA securities, are guaranteed by the United States government and are considered to have no minimal credit risk. Other investments are in corporate debt securities, which have been categorized based on the sponsoring entity's credit rating by Standard & Poor's. Generally, the debt securities are not collateralized. However, the Authority has selected high quality corporate debt investments in order to minimize its exposure to loss due to credit risk. The Authority maintains its cash in bank deposit accounts which, at times may exceed federally insured limits. The Authority has not experienced any losses in connection with its investments as a result of credit risk. The exposure of the Authority's debt securities to credit quality risk as of June 30, 2012 is as follows:

	Total	Government	Standard & Poor's Credit Rating as of June 30, 2011						
	Fair Value	securities	AAA	AA	A	BBB	BB	CCC	Not Rated
Cash and cash equivalents:									
Cash	$ 18,743,105	$ -	$ 18,408,312	$ -	$ -	$ -	$ -	$ -	$ 334,793
Georgia Fund 1	11,810,783	-	11,810,783	-	-	-	-	-	-
Money market accounts	6,350,953	-	1,540,231	-	-	-	-	-	4,810,722
Cash resticted under State grant programs	44,078,585	-	44,078,585	-	-	-	-	-	-
Assets restricted under revenue bond resolutions:									
Cash	-	-	-	-	-	-	-	-	-
Georgia Fund 1	-	-	-	-	-	-	-	-	-
Money market accounts	180,757,554	-	180,757,554	-	-	-	-	-	-
Total cash and cash equivalents	$ 261,740,980	$ -	$ 256,595,465	$ -	$ -	$ -	$ -	$ -	$ 5,145,515
Short-term investment securities:									
U.S. agency securities	$ 5,908,454	$ -	$ -	$ 5,116,250	$ 792,204	$ -	$ -	$ -	$ -
Corporate bonds	1,837,760	-	-	948,660	795,329	93,771	-	-	-
Foreign bonds	822,604	-	-	-	412,488	410,116	-	-	-
Agency mortgage-backed securities	-	-	-	-	-	-	-	-	-
Non-purpose investments	8,433,228	-	-	-	-	-	-	-	8,433,228
Total short-term investment securities	$ 17,002,046	$ -	$ -	$ 6,064,910	$ 2,000,021	$ 503,887	$ -	$ -	$ 8,433,228
Long-term investment securities:									
Mortgage-backed securities	$ 63,001,409	$ -	$ -	$ 63,001,409	$ -	$ -	$ -	$ -	$ -
U.S. agency securities	32,082,869	-	-	31,385,779	697,090	-	-	-	-
Corporate MBS/ABS	17,396,462	-	12,641,468	3,753,670	885,011	58,041	58,272	-	-
Foreign bonds	9,063,938	-	5,600,478	513,670	1,950,766	752,690	246,334	-	-
Municipal bonds	-	-	-	-	-	-	-	-	-
Corporate bonds	15,196,747	-	717,753	1,026,678	7,382,204	5,786,016	284,096	-	-
Assets restricted under revenue bond resolutions:	-								
Investment agreements	37,078,259	-	27,624,789	8,593,240	860,230	-	-	-	-
Agency mortgage-backed securities	78,997,997	-	-	78,997,997	-	-	-	-	-
U.S. agency securities	4,657,835	-	-	4,657,835	-	-	-	-	-
Total long-term investment securities	$ 257,475,516	$ -	$ 46,584,488	$ 191,930,278	$ 11,775,301	$ 6,596,747	$ 588,702	$ -	$ -

Reverse Repurchase Agreements

The Authority's "General Fund Investment Policy" permits it to enter into reverse repurchase agreements as part of its investment strategy. A reverse repurchase agreement is a sale of securities with a simultaneous agreement to repurchase them in the future at the same price plus a contract rate of interest. As a "Housing Associate of the Federal Home Loan Bank of Atlanta (FHLB), the Authority routinely enters into reverse repurchase agreements with the FHLB, which refers to such agreements as FHLB Advances. All such Advances are obtained in accordance with the on-going "Advances and Security Agreement" between the Authority and the FHLB. During the years ended June 30, 2012 and 2011, the Authority utilized Advances from the FHLB totaling $82,065,000 and $81,570,000, respectively. The interest rate incurred on these advances range from .18 percent to .43 percent. The maturity period for the agreements ranges from 15 to 45 days. The reverse repurchase agreements are collateralized by United States Treasury Bond, Fannie Mae, and Freddie Mac securities with various maturity dates and market values of $41,383,397 and $15,134,873 at June 30, 2012 and 2011, respectively. At June 30, 2012 and 2011, the outstanding balance on these advances totaled $- and $13,670,000, respectively, which is collateralized by securities in the same amount, and is included in accounts payable and accrued expenses in the statements of net assets.

NOTE 5 - MORTGAGE LOANS RECEIVABLE

The Authority's single-family bond programs are designed to provide mortgage loans to qualified home-buyers within the State of Georgia. The Authority's guidelines generally require the mortgage loans to be either FHA insured, guaranteed by the Department of Veterans Affairs or conventionally financed with traditional primary mortgage insurance; and, in the case of pre-1987 single-family programs, insured with mortgage pool policies. A small portion of the Authority's mortgage loans are uninsured. However, uninsured loans are collateralized with a first mortgage on the underlying real estate. Interest on mortgage loans receivable range from 3.25% to 10.75% per annum as of June 30, 2012. As of June 30, 2012 and 2011, interest income from mortgage loans receivable totals $41,836,751 and $39,036,905, respectively, and accrued interest outstanding totals $9,704,997 and $8,647,494, respectively. Mortgage loans receivable, net consist of the following at June 30, 2012 and 2011:

	June 30, 2012	June 30, 2011
Single-family mortgage loans (3.25% to 10.75%):		
Conventional insured	$ 80,753,975	$ 87,749,350
FHA insured	646,153,135	601,090,730
VA insured	19,262,046	21,595,745
Conventional uninsured	18,532,406	15,834,272
	764,701,562	726,270,097
Less allowance for loan losses	(6,500,000)	(4,100,000)
	758,201,562	722,170,097
Less current portion of mortgage loan receivable	(16,785,242)	(16,881,081)
Long-term portion of mortgage loans receivable, net	$ 741,416,320	$ 705,289,016

In connection with the mortgage loans, the Authority holds various trustee bank accounts on behalf of the mortgagors which consist of escrow deposits for taxes and insurance, replacement reserves, and operating deficit reserves. A corresponding liability is recorded upon receipt by the Authority of the mortgagors' escrow deposits. As of June 30, 2012 and 2011, amount held in such escrows total $16,024,538 and $13,491,463, respectively.

NOTE 6 - HOME LOANS RECEIVABLE AND REFUNDABLE HOME GRANT PROCEEDS

The Authority acts as an intermediary on behalf of the Federal government under the HOME Program provisions of the 1990 National Affordable Housing Act. Applicants include entities developing multifamily low-income housing properties. Qualified applicants are issued loans using grant proceeds the Authority receives from the Federal government. These loans generally do not have required scheduled payments of principal or interest. Instead, the loans require payment of interest to the extent of a portion of net cash flows, as defined, of the borrowers. These loans generally are nonrecourse and are collateralized by a subordinated mortgage on the underlying property of the borrower. Any repayments the Authority receives on these loans are required to be repaid to the Federal government or used to fund new HOME loans. The Authority accounts for the loans receivable at the face value of the loans. A corresponding liability is recorded in the same amount to reflect the Authority's obligation to the Federal government. In the event the loans receivable are not repaid, the Authority will not incur any loss and the refundable grant proceeds liability will not be required to be repaid. In the event the borrower fails to comply with the affordability requirements of the HOME Program, any HOME funds invested must be repaid. During the years ended June 30, 2012 and 2011, the Authority made HOME loans to applicants totaling $104,227,043 and $183,586,629, respectively, which are included with the Federal and State grant income and expense on the statements of revenues, expense and changes in net assets. HOME loans and refundable HOME grant proceeds liability outstanding as of June 30, 2012 and 2011, totaled $615,450,951 and $565,197,241, respectively.

In connection with the mortgage loans, the Authority holds various trustee bank accounts on behalf of the mortgagors which consist of escrow deposits for taxes and insurance, replacement reserves, and operating deficit reserves. A corresponding liability is recorded upon receipt by the Authority of the mortgagors' escrow deposits. As of June 30, 2012 and 2011, amount held in such escrows total $19,446,585 and $15,441,012, respectively.

ARRA Loans Receivable

The Authority has received $56,481,680 under the Tax Credit Assistance Program (TCAP) funding award from HUD pursuant to the American Recovery and Reinvestment Tax Act of 2009 (Act). By statute, projects eligible to receive TCAP assistance are rental housing projects that received an award of LIHTCs under Section 42(h) of the Internal Revenue Code of 1986, as amended, (IRC) (26 U.S.C. 42), during the period from October 1, 2006 to September 30, 2009 (federal fiscal years 2007, 2008 or 2009). The Authority expended 100 percent of TCAP funds by February 16, 2012. As of June 30, 2012, no committed funds are undrawn.

TCAP loan payments will be based on projected cash flow, as defined. The permanent loans are non-recourse and collateralized by a subordinated mortgage on the underlying property of the borrower. Per HUD guidance, any program income earned after the grant period must be used to develop or operate affordable housing.

The Authority has also received a total of $195,011,506 in Tax Credit Exchange Program (Exchange) grant awards from the US Department of Treasury under Section 1602 of the Act. The Exchange funds are to finance construction or acquisition and rehabilitation of qualified low-income projects. The Authority disbursed grant funds to subawardees in 2010 and 2011. Any funds not disbursed to the subawardee by December 31, 2011 had to be returned to the U.S. Department of Treasury on January 1, 2012. The Authority spent $194,985,130 by December 31, 2011 and $26,376 was returned to Treasury. As of June 30, 2012, no committed funds are undrawn.

There is no principal and interest payment on Exchange funds. However a compliance reserve account will be established for each Exchange subaward by generally requiring each subawardee to contribute 50 percent of a project's annual net cash flow, as defined, throughout the 15-year compliance period. Such compliance reserve will be used to pay the US Treasury if a recapture event occurs or to replenish the operating deficit reserve and/or replacement reserve account. Any funds remaining in the compliance reserve account will be returned to the subawardee after the compliance period ends.

The subawards are not required to be repaid unless a recapture event occurs during the 15 year compliance period with respect to a qualified low-income building. In the event of a recapture event, the debt is owed to the US Department of Treasury.

NOTE 7 - CAPITAL ASSETS

Capital assets consisted of the following as of June 30, 2012 and 2011:

	July 1, 2011	2012 Additions	2012 Deletions	June 30, 2012
Land	$ 800,000	$ -	$ -	$ 800,000
Building	3,865,000	-	-	3,865,000
Capital improvements	2,514,111	217,189	-	2,731,300
Vehicles	378,755	-	-	378,755
Equipment, computers and software	389,457	-	-	389,457
	7,947,323	217,189	-	8,164,512
Less accumulated depreciation	(4,369,519)	(261,131)	-	(4,630,650)
Capital assets, net	$ 3,577,804	$ (43,942)	$ -	$ 3,533,862

	July 1, 2010	2011 Additions	2011 Deletions	June 30, 2011
Land	$ 800,000	$ -	$ -	$ 800,000
Building	3,865,000	-	-	3,865,000
Capital improvements	2,514,111	-	-	2,514,111
Vehicles	378,755	-	-	378,755
Equipment, computers and software	389,457	-	-	389,457
	7,947,323	-	-	7,947,323
Less accumulated depreciation	(4,109,831)	(259,688)	-	(4,369,519)
Capital assets, net	$ 3,837,492	$ (259,688)	$ -	$ 3,577,804

NOTE 8 - MORTGAGE BONDS PAYABLE

The principal long-term obligations of the Authority are single-family mortgage bonds payable out of the Authority’s revenue, monies, or assets legally available there from. The bonds are issued to finance the purchase of single-family mortgage loans for eligible persons and families of low and moderate income within the State of Georgia.

As provided in the bond resolutions, the bonds are secured by certain assets authorized for that purpose and any interest earned thereon. These assets include mortgage loans purchased and certain cash and cash equivalents and investment securities in mortgage bond accounts restricted in prescribed amounts as required by Revenue Bond Resolutions. Reserve balances included in the restricted assets under revenue bond resolutions investment accounts which are included in investment securities on the Statement of Net Assets were as follows at June 30, 2012 and 2011:

	2012	2011
Capital reserve for debt service	$ 25,484,579	$ 24,579,322
Mortgage reserve for debt service and potential loan losses	1,711,770	2,008,598
Total	$ 27,196,349	$ 26,587,920

Tables reflecting Mortgage Bond activity during fiscal years 2012 and 2011 as well as general information about each bond issue follow:

	Net bonds outstanding June 30, 2010	Less Matured called, or redeemed	Issued	Net change unamortized bond premium (discount)	Net bonds outstanding June 30, 2011	Less Matured called, or redeemed	Issued	Net change unamortized bond premium (discount)	Net bonds outstanding June 30, 2012
Resolution 1 Series:									
1997A	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
1997B	630,000	630,000	-	-	-	-	-	-	-
1997C	395,000	395,000	-	-	-	-	-	-	-
1997D	16,427,750	9,570,000	-	-	6,857,750	2,560,000	-	-	4,297,750
1998A	6,607,250	6,605,000	-	-	2,250	-	-	-	2,250
1998B	7,160,000	6,110,000	-	-	1,050,000	425,000	-	-	625,000
1998C	220,000	220,000	-	-	-	-	-	-	-
1999A	18,739,175	8,225,000	-	8,839	10,523,014	435,000	-	1,217.00	10,089,231
1999B	4,565,000	1,530,000	-	-	3,035,000	1,215,000	-	-	1,820,000
2000A	-	-	-	-	-	-	-	-	-
2000B	1,015,000	650,000	-	-	365,000	365,000	-	-	-
2000C	1,155,000	585,000	-	-	570,000	570,000	-	-	-
2000D	11,383,544	1,885,000	-	(5,122)	9,493,422	5,120,000	-	(7,778.00)	4,365,644
2001A	1,200,000	705,000	-	-	495,000	495,000	-	-	-
2001B	21,270,000	1,485,000	-	-	19,785,000	8,545,000	-	-	11,240,000
2001C	11,170,000	5,970,000	-	-	5,200,000	3,645,000	-	-	1,555,000
2002A	26,700,000	14,835,000	-	-	11,865,000	9,625,000	-	-	2,240,000
2002B	28,650,000	685,000	-	-	27,965,000	17,725,000	-	-	10,240,000
2002C	23,265,000	985,000	-	-	22,280,000	1,035,000	-	-	21,245,000
2003A	38,855,000	1,455,000	-	-	37,400,000	1,435,000	-	-	35,965,000
2004A	27,920,000	1,085,000	-	-	26,835,000	875,000	-	-	25,960,000
2004B	81,160,000	3,030,000	-	-	78,130,000	4,205,000	-	-	73,925,000
2005A	36,765,000	970,000	-	-	35,795,000	4,385,000	-	-	31,410,000
2006A	61,430,000	1,140,000	-	-	60,290,000	1,230,000	-	-	59,060,000
2006B	44,360,000	3,445,000	-	-	40,915,000	790,000	-	-	40,125,000
2006C	56,635,000	1,655,000	-	-	54,980,000	1,330,000	-	-	53,650,000
2007A	46,907,444	750,000	-	(1,541)	46,155,903	790,000	-	(1,517.00)	45,364,386
2007C	55,685,000	2,150,000	-	-	53,535,000	820,000	-	-	52,715,000
2007D	58,065,000	5,380,000	-	-	52,685,000	4,080,000	-	-	48,605,000
2009A	24,745,000	260,000	-	-	24,485,000	2,670,000	-	-	21,815,000
2009B	29,865,000	515,000	-	-	29,350,000	655,000	-	-	28,695,000
2009C	195,000,000	103,200,000	-	-	91,800,000	91,800,000	-	-	-
2010A	-	2,435,000	68,235,000	249,704	66,049,704	4,715,000	-	(7,693.00)	61,327,011
2010B	-	405,000	60,000,000	467,987	60,062,987	870,000	-	(12,405.00)	59,180,582
2011A	-	-	66,000,000	407,314	66,407,314	910,000	-	(11,133.00)	65,486,181
2011B	-	-	-	-	-	585,000	70,000,000	391,038.00	69,806,038
2011C	-	-	-	-	-	255,000	83,000,000	237,332.00	82,982,332
2012A	-	-	-	-	-	-	100,610,000	-	100,610,000
Total Resolution 1	937,945,163	188,945,000	194,235,000	1,127,181	944,362,344	174,160,000	253,610,000	589,061	1,024,401,405
Total all series	$ 937,945,163	$ 188,945,000	$ 194,235,000	$ 1,127,181	$ 944,362,344	$ 174,160,000	$ 253,610,000	$ 589,061	$ 1,024,401,405

Original issue amounts, interest rates, and amounts outstanding as of June 30, 2012 and 2011 follow:

	Original issue amount	Interest rates	2012 Amount outstanding	2011 Amount outstanding
Resolution 1 Series:				
1997D	$ 30,000,000	3.70 - 5.35%	$ 4,300,000	$ 6,860,000
1998B	32,095,000	3.50 - 5.20%	625,000	1,050,000
1999A	35,000,000	3.00 - 5.20%	10,100,000	10,535,000
1999B	65,770,000	3.85 - 6.00%	1,820,000	3,035,000
2000B	40,000,000	4.50 - 6.15%	-	365,000
2000C	25,000,000	4.60 - 5.25%	-	570,000
2000D	57,800,000	4.40 - 5.75%	4,355,000	9,475,000
2001A	30,000,000	3.45 - 5.70%	-	495,000
2001B	51,185,000	2.50 - 5.40%	11,240,000	19,785,000
2001C	30,000,000	2.80 - 5.625%	1,555,000	5,200,000
2002A	35,000,000	2.40 - 5.60%	2,240,000	11,865,000
2002B	33,000,000	2.00 - 5.50%	10,240,000	27,965,000
2002C	30,000,000	2.00 - 5.30%	21,245,000	22,280,000
2003A	48,995,000	1.10 - 5.00%	35,965,000	37,400,000
2004A	32,210,000	1.125 - 4.60%	25,960,000	26,835,000
2004B	91,715,000	1.450 - 4.80%	73,925,000	78,130,000
2005A	40,000,000	2.60 - 4.875%	31,410,000	35,795,000
2006A	70,000,000	3.45 - 4.90%	59,060,000	60,290,000
2006B	50,000,000	3.95 - 5.15%	40,125,000	40,915,000
2006C	60,000,000	3.375 - 4.60%	53,650,000	54,980,000
2007A	50,000,000	3.70 - 4.85%	45,340,000	46,130,000
2007C	60,000,000	3.75 - 5.15%	52,715,000	53,535,000
2007D	60,000,000	3.25 - 5.25%	48,605,000	52,685,000
2009A	25,000,000	0.95 - 5.375%	21,815,000	24,485,000
2009B	30,000,000	0.35 - 4.625%	28,695,000	29,350,000
2009C	195,000,000	0.0015 - 0.150%	-	91,800,000
2010A	118,070,000	0.4000 - 5.000%	61,085,000	65,800,000
2010B	96,000,000	0.4500 - 5.000%	58,725,000	59,595,000
2011A	105,600,000	0.3750 - 5.000%	65,090,000	66,000,000
2011B	98,000,000	0.3000 - 4.000%	69,415,000	-
2011C	116,200,000	0.3500 - 4.125%	82,745,000	-
2012A	47,955,000	0.6500 - 4.050%	100,610,000	-
Total Resolution 1	1,889,595,000		1,022,655,000	943,205,000
Total Bonds	$ 1,889,595,000		1,022,655,000	943,205,000
Plus Unamortized Premium (Discount)			1,746,405	1,157,344
Net Bonds Payable			$ 1,024,401,405	$ 944,362,344

Future debt service requirements are set forth below:

Year ending June 30,	Future Debt Service Required — Resolution 1 Principal	Interest	Total
2013	$ 24,375,000	$ 40,929,000	$ 65,304,000
2014	28,150,000	40,230,000	68,380,000
2015	24,965,000	39,510,000	64,475,000
2016	28,915,000	38,754,000	67,669,000
2017	36,500,000	37,738,000	74,238,000
2017-2022	173,870,000	168,440,000	342,310,000
2022-2027	181,355,000	129,517,000	310,872,000
2027-2032	197,350,000	87,580,000	284,930,000
2032-2037	213,015,000	43,187,000	256,202,000
2037-2042	111,575,000	8,875,000	120,450,000
2042-2043	2,585,000	56,000	2,641,000
Totals	$ 1,022,655,000	$ 634,816,000	$ 1,657,471,000

Various series of bonds issued under Resolution 1 include capital appreciation bonds which require no payments of principal or interest until maturity. Interest is payable on all other bonds on June 1 and December 1 of each year. Capital appreciation bonds accrete to their maturity values at effective yield of 8 percent. Various issues of bonds outstanding are all subject to mandatory redemptions. All bonds are callable by the Authority without penalty prior to their scheduled maturity under certain conditions. The Authority's management believes that they are in compliance as of June 30, 2012 and 2011.

NOTE 9 – BOND ISSUANCE AND REDEMPTIONS

Bond premiums and discounts are amortized over the life of the bond using the effective yield method which is reflected as a component of interest expense.

During 2012 and 2011, the Authority issued $253,610,000 and $194,235,000 of single-family mortgage bonds payable, respectively. In 2012 and 2011, the Authority redeemed approximately $174,160,000 and $188,945,000, respectively, of outstanding bonds from the proceeds of mortgage loan repayments, prepayments and issuance of new bond refundings.

NOTE 10 - RELATED PARTY TRANSACTIONS

The Authority leases office space to DCA, a related party. This leasing agreement is renewable every year and is applicable for the date of July 1 through June 30. Rental income for the years ended June 30, 2012 and 2011 approximated $1,289,000 and $1,289,000, respectively.

Costs incurred by DCA for the administration of all Authority programs are reimbursed monthly by the Authority. Costs include salaries and benefits and other program expenditures. For the years ended June 30, 2012 and 2011, reimbursement to DCA for the above described costs incurred on behalf of the Authority totaled $17,021,827 and $12,839,842, respectively.

NOTE 11 - RETIREMENT PLAN

All personnel of the Authority are employees of DCA and not of the Authority. DCA employees participate in a State sponsored retirement plan. The plan is a defined benefit plan that is administered by the Employees' Retirement System of Georgia. The Authority is not responsible for contributions to the Plan but rather funds a portion of the Plan's cost through cost reimbursement payments to DCA for DCA employees utilized by the Authority. During 2012 and 2011, reimbursements to DCA for Plan costs totaled $203,981 and $162,418, respectively. The DCA Plan is a nondiscriminatory program that provides service retirements, death benefits, and disability benefits. Full-time employees of DCA who work for the Authority are required to become members as a condition of employment. Employee and employer contributions are paid into the Plan for the welfare of members and their beneficiaries. All benefits are paid out of this Plan.

An actuarial firm prepares an annual evaluation on the ability of the Plan to meet future obligations, and every five years performs an actuarial experience study. A Board of Trustees is responsible for the administration of the Employees' Retirement System of Georgia. A copy of the Employees' Retirement System Audit can be located at http://www.ers.ga.gov/formspubs/formspubs.aspx.

NOTE 12 - COMMITMENTS AND CONTINGENCIES

The Authority participated in a number of Federal and State financial assistance programs. These programs are subject to independent financial and compliance audits by grantor agencies. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the Authority expects such amounts, if any, to be immaterial.

In addition to specific program compliance requirements, the Authority is also required to comply with general compliance requirements and is subject to the provisions of OMB Circular A-133.

Bond Resolutions

The use of assets of each of the programs is restricted by the related bond resolutions of the Authority. Certain amounts in the programs are considered subject to the restriction that they be applied to the financing of housing for the respective program purposes or to the retirement of obligations issued for such purposes; these amounts may include certain investment earnings attributable to the respective fund net assets.

Financial Contingencies

The Authority's business operations include significant lending and borrowing arrangements. Borrowings are made in the form of bonds. Proceeds from these bonds are mainly used to finance home mortgage loans to qualifying borrowers. The ultimate source of repayment of these borrowings and the related interest is return of principal and interest on the loans. The Authority invests proceeds from borrowings prior to their use. It also invests funds from repayments received on its loans. These investments usually consist of various debt securities. The Authority generally does not invest in equity securities. A majority of the Authority's loans are insured by FHA. A minor portion of its loans are uninsured. The Authority is subject to credit risks related to its cash balances and its investments in debt securities. It is also subject to the risk that the underlying value of the collateral on its uninsured loans declines. Currently, the Authority has cash balances with financial institutions that are either insured by Federal Deposit Insurance Corporation (FDIC) or collateralized by government securities held at Georgia Bankers bank and the state of Georgia's collateral pool. The Authority maintains its cash in bank deposit accounts that, at times, may exceed federally insured limited. As of June 30, 2012,the Authority has not experience any losses associated with these deposits. If the Authority were to incur significant losses in connection with the above cash balances and debt investments, it would impair the Authority's ability to service its debt obligations as they become due.

Additionally, as described above, the Authority has uninsured single-family mortgage loans of $18,532,406 as of June 30, 2012. All of these loans are for home mortgages in the state of

Georgia. Current economic conditions in Georgia have declined since their peak in 2006 as a result of a general economic decline nationwide. One impact of these conditions has been a decline in housing values and an increase in unemployment and underemployment. The Authority has incurred a higher rate of foreclosure and a higher rate of loss on foreclosed loans as a result of the impact of their economic factors and the decline in the value of its underlying collateral on uninsured loans. If the economy continues to decline and, as a result, the Authority experiences a dramatic increase in foreclosures, it is possible that the combination of such an increase combined with lower housing prices could result in increased losses of loan assets that could have adverse impacts on the Authority's ability to repay its outstanding bonds.

NOTE 13 - SEGMENT INFORMATION

The Authority issued revenue bonds to finance the purchase of single-family mortgage loans for eligible persons and families of low and moderate income within the State. Investors in the revenue bonds rely solely on the revenue generated by the individual activities for repayment. Summary financial information for the single-family program is included in the Supplemental Information.

NOTE 14 - INSURED MORTGAGES AND NET WORTH REQUIREMENT

A significant portion of the Authority's mortgage loans are insured by FHA/VA. The Authority acts as a nonsupervised mortgagee in connection with these loans and, as such, is required to comply with certain mortgage lending guidelines as set forth in the applicable HUD regulations. Included in these guidelines is the requirement to maintain a minimum net worth requirement of $250,000. As of June 30, 2012 and 2011, the Authority was in compliance with these requirements.

NOTE 15 - SUBSEQUENT EVENTS

Events that occur after the balance sheet date but before the financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the balance sheet date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the balance sheet date, require disclosure in the accompanying notes. Management evaluated the activity of the Authority through September 27, 2012 and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosure in the Notes to the Financial Statements.

SUPPLEMENTAL INFORMATION

Georgia Housing and Finance Authority
(a component unit of the State of Georgia)

SCHEDULE OF PROGRAM NET ASSETS

June 30, 2012

	Administrative Program	Single Family Mortgage Revenue Programs	Other Programs	Federal & State Assistance Programs	Total
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents	$ 27,832,056	$ 180,515,911	$ 43,058,952	$ 10,334,061	$ 261,740,980
Short-term investment securities	7,068,248	8,433,228	-	1,500,570	17,002,046
Mortgage loans receivable, current maturities	-	16,785,242	-	-	16,785,242
Accrued interest receivable	502,525	10,127,487	2,140	51,387	10,683,539
Mortgage escrow deposits	19,446,585	-	-	-	19,446,585
Interfund receivable (payable)	(5,649,127)	760,138	111,748	4,777,241	-
Other current assets	11,266,423	4,001	161,240	234,298	11,665,962
Total current assets	60,466,710	216,626,007	43,334,080	16,897,557	337,324,354
NONCURRENT ASSETS					
Long-term investment securities	110,651,576	120,975,754	1,264,966	24,583,220	257,475,516
Mortgage loans receivable, net	553,760	740,259,613	-	602,947	741,416,320
HOME program loans receivable, net	-	-	-	615,450,951	615,450,951
Other loans receivable	58,659	-	9,258,436	6,576,788	15,893,883
Capital assets, net	3,533,862	-	-	-	3,533,862
Bond issuance costs, net	-	14,650,960	-	-	14,650,960
Total noncurrent assets	114,797,857	875,886,327	10,523,402	647,213,906	1,648,421,492
Total assets	$ 175,264,567	$ 1,092,512,334	$ 53,857,482	$ 664,111,463	$ 1,985,745,846

Georgia Housing and Finance Authority
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SCHEDULE OF PROGRAM NET ASSETS - CONTINUED

June 30, 2012

	Administrative Program	Single Family Mortgage Revenue Programs	Other Programs	Federal & State Assistance Programs	Total
LIABILITIES					
CURRENT LIABILITIES					
Mortgage bonds payable, current maturities	$ -	$ 24,375,000	$ -	$ -	$ 24,375,000
Accrued interest on bonds	-	3,422,254	-	-	3,422,254
Accounts payable and accrued expenses	19,998,458	981,574	169,440	(999)	21,148,473
Mortgage escrow deposits held	19,446,585	-	-	-	19,446,585
Deferred revenue, current maturities	2,251,946	-	-	-	2,251,946
Other, principally unexpended grant funds	1,246,906	-	41,167,679	45,827,180	88,241,765
Total current liabilities	42,943,895	28,778,828	41,337,119	45,826,181	158,886,023
NONCURRENT LIABILITIES					
Mortgage bonds payable, net	-	1,000,026,405	-	-	1,000,026,405
Refundable program grants	-	-	8,516,456	606,934,495	615,450,951
Deferred revenue	20,332,357	-	-	5,782,341	26,114,698
Total non-current liabilities	20,332,357	1,000,026,405	8,516,456	612,716,836	1,641,592,054
Total liabilities	63,276,252	1,028,805,233	49,853,575	658,543,017	1,800,478,077
NET ASSETS					
Invested in capital assets	3,533,862	-	-	-	3,533,862
Unrestricted	108,454,453	63,707,101	4,003,907	5,568,446	181,733,907
Total net assets	111,988,315	63,707,101	4,003,907	5,568,446	185,267,769
Total liabilities and net assets	$ 175,264,567	$ 1,092,512,334	$ 53,857,482	$ 664,111,463	$ 1,985,745,846

Georgia Housing and Finance Authority
(a component unit of the State of Georgia)

SCHEDULE OF PROGRAM REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

Year ended June 30, 2012

	Administrative Program	Single Family Mortgage Revenue Programs	Other Programs	Federal & State Assistance Programs	Total
OPERATING REVENUES					
Interest on loans	$ 149,654	$ 41,389,876	$ -	$ 297,221	$ 41,836,751
Interest on investment securities	5,061,393	7,185,545	56,748	196,602	12,500,288
Net increase (decrease) in fair value of investments	649,496	(541,270)	(49,552)	(183,550)	(124,876)
Administrative fees:					
Federal and state assistance programs	11,305,815	252,141	3,600,733	27,655	15,186,344
Single family trustee	1,932,630	-	-	-	1,932,630
Federal and State grant income	3,907,500	-	8,604,324	70,226,768	82,738,592
Other miscellaneous income	1,746,492	263,046	875	3,592	2,014,005
Total operating revenues	24,752,980	48,549,338	12,213,128	70,568,288	156,083,734
OPERATING EXPENSES					
Interest on bonds	-	39,363,920	-	-	39,363,920
Mortgage servicing	1,224,153	7,316,851	-	2,144,918	10,685,922
Administrative	13,840,164	1,954,167	3,768,192	124,823	19,687,346
Federal and state grant expense	675,622	-	8,604,324	69,802,639	79,082,585
Professional fees	513,429	739,930	-	100,836	1,354,195
Other	2,230,447	-	1,693	364,348	2,596,488
Total operating expenses	18,483,815	49,374,868	12,374,209	72,537,564	152,770,456
Change in net assets	6,269,165	(825,530)	(161,081)	(1,969,276)	3,313,278
Total net assets at beginning of year	109,607,836	60,639,590	4,164,988	7,542,077	181,954,491
Operating transfers	(3,888,686)	3,893,041	-	(4,355)	-
Total net assets at end of year	$ 111,988,315	$ 63,707,101	$ 4,003,907	$ 5,568,446	$ 185,267,769

Georgia Housing and Finance Authority
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SCHEDULE OF ADJUSTED NET WORTH AND
GINNIE MAE REQUIRED NET WORTH

June 30, 2012

Calculation of Adjusted net worth:	
Total net assets per financial statements at June 30, 2012	$ 185,267,769
Less unacceptible assets for computation of adjusted net worth as set forth in Appendix I of the Audit Guide	-
Adjusted net worth at June 30, 2012 as defined by the Audit Guide	$ 185,267,769
Required net worth:	
Unpaid principal balance and securities outstanding	$ -
Outstanding balance and commitments authority issued and requested	-
Ginnie Mae required net worth for issuers with "Issuer Program Type" of 1	250,000
Total required net worth	$ 250,000
Excess of net worth	$ 185,017,769

Georgia Housing and Finance Authority
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SCHEDULE OF REQUIRED INSURANCE CALCULATION

June 30, 2012

Identification of Affiliated Ginnie Mae Issuers

Affiliated Ginnie Mae Issuers:
Georgia Housing and Finance Authority 58-1222605

Affiliated Issuers on same Insurance Policies:
None

Required Insurance Calculation

Servicing portfolio:	
Ginnie Mae	$ -
Fannie Mae	80,006,789
Conventional (other)	664,901,885
Ginnie Mae subservicing	-
Total servicing portfolio	$ 744,908,674
Required Fidelity Bond Coverage	$ 1,206,136
Required Mortgage Servicing Errors and Omissions Coverage	$ 1,206,136

Verification of Insurance Coverage

Fidelity Bond Coverage	$ 1,250,000
Mortgage Servicing Errors and Omissions Coverage	$ 1,250,000

Excess Insurance Coverage

Fidelity Bond Coverage	$ 43,864
Mortgage Servicing Errors and Omissions Coverage	$ 43,864

Ginnie Mae Loss Payable Endorsement

Fidelity Bond Coverage	YES
Mortgage Servicing Errors and Omissions Coverage	YES