A CALLED MEETING
of the
GEORGIA HIGHER EDUCATION FACILITIES AUTHORITY

December 18, 2013

The Georgia Higher Education Facilities Authority ("GHEFA") held a called board meeting on December 18 at 1:00 PM in the offices of the Georgia State Financing and Investment Commission, 270 Washington Street, Suite 2141, Atlanta, Georgia. Members Kevin Clark and Tommy David were present in person and members Dick Anderson and Gary Bishop participated in the meeting via telephone. Others in attendance were: Diana Pope, Lee McElhannon, and Angela Jackson with the Georgia State Financing and Investment Commission ("GSFIC"); and, Susan Ridley, Cynthia Alexander, and Ron Reed with the Board of Regents ("BOR").

Call to Order and Election of Officers for FY 2014 and FY 2015

The meeting was called to order at approximately 1:03 PM by Chair Kevin Clark. Mr. Clark welcomed Mr. Tommy David as the new GHEFA board member appointed by Speaker of the House David Ralston. Mr. Clark stated that Mr. David is from Statesboro, is a member of the Board of the Technical College System of Georgia, and that Mr. David was instrumental in setting up the Ogeechee Technical College Foundation.

Mr. Clark presented the next agenda item, the election of officers. Mr. Clark nominated himself as Chair. Mr. Anderson seconded that motion. Mr. Clark then called for nominations for Vice Chair. Mr. Clark asked Board Member Gary Bishop if he'd like to volunteer. Mr. Bishop agreed. Mr. David nominated Mr. Bishop. Mr. Anderson seconded that motion. Mr. Clark went on to the election for Secretary/Treasurer. He stated that Ms. Pope has served in the role in the past but he would like to nominate Lee McElhannon as Secretary/Treasurer. Mr. Bishop seconded that motion. Mr. Clark went over the new officers; Mr. Clark will serve as Chair, Mr. Bishop will serve as Vice Chairman, and Mr. McElhannon will serve as Secretary/Treasurer. A vote was taken and the motion to approve the officers for Fiscal Years 2014-2015 passed unanimously.

Adoption of the Minutes from the March 27, 2013 Meeting

Mr. Clark stated that the next order of business was to adopt the minutes from the March 27, 2013 meeting. There was no discussion on the minutes. Mr. Anderson made a motion to adopt the minutes, and Mr. David seconded the motion. A vote was taken and the motion to approve the minutes passed unanimously.

FY 2013 Revenue, Expenses, and Enrollment Reports for GHEFA Series 2008, 2009A, and 2010A

Mr. Clark stated that the next item on the agenda was a presentation by Cynthia Alexander with the Board of Regents. Ms. Alexander provided an overview of the FY2012 revenue, expense and enrollment reports for the GHEFA Series 2008, 2009A and 2010A projects (using the attached Power Point Presentation). Ms. Alexander began by stating that BOR continues to experience enrollment decline (page 2) which has presented many challenges especially for the fee supported projects which include some of the GHEFA projects. Affordability also continues to be an issue as well as a priority of the University System of Georgia. Therefore, solutions will not only include fee increases, but also will include alternative strategies for funding rental payments such as cross-subsidy from other auxiliaries, expense reductions, and use of the project's reserves. Third, the pro forma continues to be used as a basis of comparison for the projects. The net results for Fiscal Year 2013 show that 11 projects met the self-liquidating ratio requirement of at least 1.0. Five projects were below that standard and will require fee increases or other strategies in order to get them back into a self-sufficient category. All lease payments were paid in full and on time pursuant to all of the financial and legal documents.

Ms. Alexander mentioned that there are two projects underway that will improve the accuracy, consistency and timeliness of their reporting system. One is an implementation of PeopleSoft based reporting which is a way of tracking the numbers that are provided by the institutions. Previously, there was no way of verifying this information. Second is the construction of a web based database system similar to GSFIC's eBonds system which will track all of the debt and lease obligations.

Ms. Alexander moved on to page 3 of the presentation, which begins the overview of all three GHEFA series, beginning with GHEFA 2008. Ms. Alexander pointed out the two institutions with less than a 1.0 coverage ratio: Fort Valley State University and Georgia College & State University. Fort Valley is at a 0.56 coverage ratio. A non-mandatory transfer from their housing fund will be used to address the revenue shortfall. Georgia College & State University is a theater/bookstore. They were at 0.80 coverage ratio. A non-mandatory transfer from their dining auxiliary will be used to cover the shortfall.

Ms. Alexander discussed page 4 of the presentation. Dalton State College outperformed what was anticipated in the pro forma. Their self-liquidating ratio is a 1.24. This project continues to perform well. Overall, the headcount enrollment is below what the original pro forma had projected, but they are still able to meet the obligation.

Moving on to the Darton State College student center (page 5) - their self-liquidating ratio is a 1.29. They have improved from last year's ratio of 0.99. Some of the challenges in the past had to do with how the institution was accounting for and managing the project. BOR has spent a great deal of time during FY 2013 reviewing their accounting procedures and making sure that all students that should be paying the fees actually were being charged. On the expense side, BOR worked with Darton to be sure they are accurately reporting the expenses related to running the facility. There is additional work that needs to be done, but in 2014 they expect this project to continue to improve.

Fiscal Year 2013 for Fort Valley was very challenging (page 6). A large portion of their challenges are associated with their declining enrollment and this impacts other operations on the campus. This particular project was originally underwritten with multiple sources of revenue to support the lease payment, including student fees and revenues from a dining auxiliary. The institution currently has a five year contract with Sudexo for the dining operations. Unfortunately, this contract has not generated the profit they had originally anticipated. Fort Valley did a non-mandatory transfer from their housing fund to cover the deficit. The plan going forward includes a fee increase of $22 per semester per student which will fill only part of the gap. To fill the rest of the gap, the institution is re-negotiating their dining operations contract. With additional resources, they will be able to have a contract that will show some profitability. With these two strategies, the institution is hoping to get back on track in FY 2014.

Mr. David asked if the fee had to be approved by BOR and the students. Ms. Alexander stated that the fee had to be approved by both BOR and the students. The students have approved the fee increase. The fee request just came in as a part of the normal approval process for BOR. It will be reviewed internally, and in March 2014 it will go before the board.

Mr. David asked if the fees are in line with their enrollment. Ms. Ridley stated that they are in line with their peer institutions and it is primarily because of their athletic program. That is why the fee increase is only $22 instead of an increase that will fill the entire gap. BOR is very sensitive to the affordability issue at Fort Valley. Another thing Fort Valley is doing on the affordability issue is keeping their housing rents flat which will help offset this fee increase.

Ms. Alexander went on to the Gainesville State College/University of North Georgia project (page 7). For FY 2013, their coverage ratio is 1.00. The question always has been how they achieved a perfect 1.00 coverage ratio. As a part of the consolidation between North Georgia and Gainesville, there are multiple campuses and the entire fee structure was evaluated and analyzed. For the parking deck, the students attending the Gainesville, Oconee and Cummings campuses all are charged a fee of $65 per student per semester. The university then takes whatever is necessary to cover the lease obligation and operating expenses. Going forward, it will be a perfect 1.00 coverage ratio. It is a little hard to track enrollment numbers because the original pro forma included only the Gainesville campus. BOR will continue to monitor the numbers and believe that the campus will be able to meet its obligation.

Ms. Alexander went on to the Georgia College & State University projects (page 8). This project was able to achieve only a 0.80 coverage ratio which is lower than the FY 2012 coverage ratio of 1.27. The campus experienced an enrollment decrease and it impacted the bookstore auxiliary funds. They are anticipating enrollment to trend upward and they are monitoring the bookstore sales. They are comfortable that a fee increase is not necessary and that this was a one-time occurrence for them. A non-mandatory transfer from the auxiliary fund will be used to cover the deficit. Going forward, they expect there will be more than enough funds to ensure that a 1.0 coverage ratio is achieved.

Ms. Alexander then presented the Georgia State University project (page 9), a student housing project in downtown Atlanta, which includes a dining facility. As was the case for the past two years, this project continues to exceed the projections. Their occupancy rate is surpassing the projected 95%.

Southern Polytechnic is another parking decking project (page 10). There is an overall fee that is charged and then that fee is prorated between the GHEFA project and their overall transportation needs. Georgia Highland students that attend classes on the Southern Polytechnic campus also pay the parking fee, but they are not included in the enrollment numbers. $80 of the $105 fee is applied to the GHEFA parking deck project. A 1.07 coverage ratio was achieved for fiscal year 2013.

GHEFA II has three projects (page 11). Of the three projects, the only one to experience a shortage was Bainbridge College (page 12). They were able to achieve only a 0.74 coverage ratio. The shortage was funded by prior year cash reserves. The institution has experienced two consecutive years of enrollment decline. The institution believes the cash reserves are sufficient to provide any needed subsidy for FY 2014. For FY 2015, they are seeking a $25 - $50 student fee increase.

Columbus State University is a student center project (page 13). They were able to achieve a 1.01 coverage ratio. The last GHEFA 2009 project was the Southern Polytechnic housing and dining project (page 14). There were challenges in FY 2011 and 2012 with occupancy in the housing portion of the project. They have been working with BOR to ensure this project stays full. They have benefited from having students from Georgia Highland taking classes on their campus. The enrollment headcount is exclusively Southern Polytechnic students.

The projects that were challenging for the GHEFA 2010 series were Coastal College and Savannah State projects (page 15). The Coastal Georgia student center (page 16) had a 0.67 coverage ratio. The challenge here was due to enrollment declines and an increase in online students. This project had multiple sources of revenue including the auxiliary funds which fell short. The institution is seeking a $25 fee increase for FY 2015. It has been approved by the student body.

Mr. David asked if the online students were charged fees. Ms. Ridley stated that most of the institutions do not charge fees to online students, just the flat tuition rate.

The second project at Coastal Georgia is the student housing (page 17). They continue to be oversubscribed in their housing. They were able to get up to 99% occupancy. They are at a 1.01 coverage ratio.

Mr. Clark asked if there was some reason why the revenue didn't match the projections. Ms. Ridley stated that the pro forma included 50% occupancy in the summer, but that did not materialize.

The East Georgia housing project (page 18) continues to be oversubscribed and is tracking accordingly.

Ms. Alexander moved on to the wellness and recreation center project at Georgia College & State University (page 19), which benchmarked to a 1.00 coverage ratio exactly.

Page 20 provides information for the student center and stadium project at Savannah State, which ended FY2013 with a .85 coverage ratio. According to the institution, they did not allocate electrical charges properly. Cash reserves were used to cover the deficit.

Ms. Alexander moved on to the University of West Georgia (page 21). It is underwritten based on revenues from the bookstore. The bookstore auxiliary is in the positive and seems to be tracking well. They achieved a 1.05 coverage ratio.

Ms. Alexander went on to explain the financial reporting enhancements for fiscal year 2014 (page 22). The goal is to enable pro-active intervention strategies for under-performing projects and the objective is to improve timeliness, accuracy and consistency of PPV reporting. This includes establishing a PeopleSoft based PPV reporting system. This will establish project level accounting of actual revenue and expenses. There will be Phase I in fiscal year 2014 and Phase II in fiscal year 2015. BOR continues to enhance its reporting capabilities, with plans to construct a comprehensive database to track and record debt service schedules, rental payments, pro forma to actual enrollment, fees, rents, and occupancy levels, and actual project expenses and revenues.

Update on the University of North Georgia-Gainesville Parking Deck

Mr. Reed spoke regarding the challenges that occurred with design and construction of several parking deck projects. An issue of defective work was reported regarding the parking deck located on the Gainesville/University of North Georgia campus (page 23). Over the summer, the campus reported a significant amount of cracks in the precast shear walls of the parking decking. The design-build contractor, HJ Russell, immediately began an analysis of the parking deck. They recommended closing the parking deck until the source of the cracking could be determined and corrective action performed. Structural engineer Uzun+Case ("U+C") was hired by the Foundation to review and provide advice on the remediation effort by HJ Russell. U+C and HJ Russell are nearing an agreed upon solution. They anticipate that the corrective work would begin in late December 2013 and the parking deck will reopen in January 2014. Mr. Reed also mentioned that when the cracks were discovered at Gainesville, they decided to inspect the parking decks at Dalton State College and Southern Polytechnic, too, and discovered a few cracks at each project, which were found to be relatively minor and. HJ Russell has completed repairs to both of those decks at their expense.

Mr. Clark asked if there had been any revenue loss due to these defects. Ms. Ridley stated that the University of North Georgia continued to charge a fee to the students because they were still being provided a service. HJ Russell provided shuttle bus service to/from an alternative parking lot. The bond insurer has been comfortable with BOR's approach to correcting the situation. According to the statute of limitations, even if HJ Russell had not been cooperative, they would have been legally responsible for the repairs.

Fort Valley Bond Rating and New Issuance Outlook

Ms. Ridley went on to page 24 of the presentation. She mentioned that there was a call with Moody's regarding Fort Valley State University. The call was related to Moody's rating update on the housing operations, not the GHEFA student center project, but because Fort Valley is a member of the GHEFA pool, its rating has an overall impact on the GHEFA rating. Confirmation was received that Moody's has affirmed the existing rating. It is the lowest of all of the member institutions: BAA1 with a negative outlook. The primary reason for the low rating is that the institution was downgraded when SACS put it on notice of accreditation watch and it experienced both academic and financial challenges. The institution continues to stay on negative outlook because of a decline in enrollment. Because of these factors, Moody's did not believe that Fort Valley would be taken off of negative outlook at this time. BOR will work very closely with the campus to ensure that it can remove that negative outlook next fall.

Mr. David asked if the USG schools are audited by the state auditor. Ms. Ridley stated that the state auditor does serve as the auditor for the institutions, but each institution does not receive a full audit each year.

Ms. Ridley next discussed the plans for any request for new GHEFA bond issuance for BOR projects. There are no issuances planned for fiscal year 2014 and they do not expect any for fiscal year 2015.

Board of Regents Housing P3 Initiative

Ms. Ridley then went on to agenda item 7, which is the Board of Regents Housing P3 Initiative. The PPV program has grown from a program that initially benefited just a small number of campuses. Primarily the program was designed for things like the Coverdell Center at UGA and the neuroscience building at Georgia Tech, but over the years it grew into a large scale program that helped meet the institution's needs for new facilities. Due to the recession, cuts to state appropriations, reduction in the HOPE scholarship program, and the overall competitive environment, the Chancellor is taking a very proactive approach to more closely manage the portfolio by putting some limits on new debt.

As reflected on page 2 of the P3 presentation, new PPV issuances have declined greatly since 2008. BOR has had only one PPV issuance this year and that was for the Gordon recreation center in Barnesville, which is the only PPV planned for this fiscal year. It is too early to project what the PPV program will look like going forward. The BOR debt management plan will be presented to the BOR first, then GSFIC. The gray bars on the chart are capital lease payments. Even though enrollment is flat those are trending upwards and will continue to do so until 2044. Ms. Ridley mentioned that one of the reasons she was brought on board at BOR was to find an alternative financing solution for meeting the system's needs for facilities. The system has been approached by several investors in the housing market offering to buy all the system's housing. BOR has been working with their real estate advisors, Jones Lange LaSalle, and have conducted some advance studies in the housing market and are exploring a portfolio sale of several of their student housing facilities along with rights to develop new housing (page 3). The investor profile being sought is for stable, well established firms that have institutional experience and a track record of holding assets for the long term (page 4). Page 5 of the presentation shows the 8 campuses that have been identified for the program. Three of the campuses are GHEFA projects: College of Coastal Georgia, East Georgia College, and Georgia State University. The Coastal College sale would involve the sale of their existing beds (just over 350) and rights to develop 200 additional beds on campus. The East Georgia sale would involve the sale of 200 beds and rights to develop 200 additional beds to come on-line for the fall of 2016. The Georgia State sale would involve the sale of Patton Hall (GHEFA) and the Piedmont Ellis facility plus the rights to develop 700 new beds. This program also would involve the defeasance of the outstanding bonds behind these projects. The current structure involves a long term ground lease in the form of giving the private entity leasehold interest to the facility, but no BOR rental agreement. BOR would have operating agreements with the individual campuses.

Mr. David asked how BOR selected facilities for the portfolio sale.

Ms. Ridley stated that they started with just 4 campuses that were already in the pipeline for a PPV project. Jones Lang Lasalle advised that they would need more beds and an Atlanta presence to attract national/international investors. The addition of the other four campuses greatly expanded the investors' interest in the project.

Ms. Ridley mentioned that they have encountered the need for legislation which has required a step back to address what is needed for the General Assembly before releasing a request for qualifications ("RFQ").

Ms. Ridley went on to page 6 of the presentation. The whole concept of P3 is shared risk and shared reward. The developer will be assuming the risk for institution consolidation going forward, including any drops in enrollment, decline in occupancy, etc., and that the BOR will not guarantee occupancy. BOR wants to ensure that residency requirements are driven by academic needs and not financing needs for the facilities. The developer will be at risk on the housing that they purchase and for maintaining the existing condition of that housing. It will be sold "as is." The developer will be responsible for maintenance and operations, utilities, insurance, etc. BOR will have final approval on site and design of new facilities. There will be termination for cause in case of bankruptcy. BOR expects revenue sharing with the private operator. It is expected that there will be a ground rent payment and revenue sharing with the private operator once they achieve certain benchmarks. BOR will have a shared decision making process with the campus and the developer on the rental rates to ensure affordability for the students. The campus will continue to market the housing as "institution provided" housing.

Ms. Ridley stated that it was brought to their attention that legislative approval was required to ensure that property owned by BOR would retain its ad valorem property tax exemption under this structure. A two-thirds vote of both houses and a question on the ballot in November is required to pass this legislation. Ms. Ridley noted that it is not a constitution amendment; but rather a voter referendum.

Mr. David commented that municipalities would not be in favor of the property tax exemption. Ms. Ridley stated that their key selling point is that the property is not being taxed now, so the cities and counties will not be losing any revenue. BOR will retain the title; no ownership is released. It will continue to be occupied by students. The property will continue to be used to meet the higher education needs of the state. One way to look at it is BOR will be outsourcing the maintenance and operations.

Ms. Ridley noted that one reason for mentioning this to the GHEFA Board is not only are there three GHEFA projects affected by the current plans, but they are looking at two structural options (page 7). BOR has the statutory authority to enter into a lease for up to 99 years with a private developer. BOR can do this deal today without legislation or the cooperation of GHEFA; however, what BOR cannot do in a direct lease with a private developer is provide any financial covenants on the part of BOR. The limiting factor with GHEFA is that an intergovernmental agreement can be only up to 50 years. Some of the developers look at a 65-75 year time horizon, so these developers would like something a little longer than 50 years. Until there is an RFQ, it is hard to determine what is more important to the most competitive bidders - the length of the term, or the financial covenants. BOR would like to have both options on the table.

Ms. Pope mentioned that GSFIC indirectly factors in the PPV program in putting together the State's debt management plan. It doesn't limit the State's G.O. capacity, but it does limit the State's overall debt service capability. From a statewide prospective, it makes sense to look at this option.

Mr. McElhannon stated that the property tax fix will be needed for either structuring options. Ms. Ridley confirmed this statement.

Ms. Ridley continued that at closing the developer will provide the funding needed to defease the bonds. The foundations would terminate their current ground lease with the BOR. When that is done, the property reverts back to BOR. Then BOR would enter into a lease with GHEFA and a sub-lease would be entered into by GHEFA with the private developer. The students would continue to pay rent to the institutions.

Mr. David asked for some clarity on the upside to the investor. Ms. Ridley said they see upside with the existing revenue streams on the campuses.

Ms. Ridley stated that page 8 shows the components of rent coming from the developers to the institutions: base rent, additional rent, and contingent rent.

Mr. David asked who will be responsible for utilities. Ms. Ridley said that ultimately the developers will be responsible.

Ms. Ridley said that page 9 of the presentation shows a schedule of the timeline, which anticipates releasing the RFQ for developers in April 2014.

Mr. David asked if there will be issues with HOPE. Ms. Ridley stated that currently HOPE doesn't pay for housing.

Ms. Ridley closed by saying that it doesn't appear that the GHEFA Board will need to act until the closing; however, prior to then, BOR will share with the GHEFA Board what the deal looks like and exactly what the terms are. Dick Anderson stated that this was a very innovative and needed approach.

Approval of Amended FY 2014 and FY 2015 GHEFA Budgets

Ms. Pope went on to the next agenda item, which is the approval of the amendment to the FY 2014 GHEFA budget, to include an additional $3,000 in post-issuance items for legal costs. In discussions with BOR, they have agreed to pay the first two-thirds of any post-issuance legal costs; the Authority will pay the remaining one-third. Ms. Pope mentioned that this will increase the Authority's annual budget to $15,500. The majority of the fees are related to the annual audit of the financial statements. The FY 2015 budget is the same as for FY 2014. Mr. Anderson made a motion to approve both budgets; Mr. David seconded the motion. A vote was taken and the motion to approve the amended budget for FY 2014 and the budget for FY 2015 was approved unanimously.

Information Items

Ms. Pope made reference that the FY 2013 GHEFA Audit and the FY 2013 Continuing Disclosure items for all three issues are all available on the eBoard system. There was no further discussion on the informational item.

Adjournment

The members did not have any additional business to discuss and Mr. Clark made a motion to adjourn the meeting; Mr. David seconded the motion. The meeting was adjourned at approximately 2:53P.M.

Kevin Clark
Chair

Lee McElhannon
Secretary and Treasurer

REPORT TO GEORGIA HIGHER EDUCATION FACILITIES AUTHORITY BOARD – FISCAL YEAR 2013

GHEFA I, II & III – 2008, 2009 & 2010 BOND ISSUANCES

Office of Fiscal Affairs – Board of Regents University System of Georgia December 2013

FISCAL YEAR 2013 Financial Performance Summary

- Continued **enrollment declines** present significant challenges for fee-supported projects throughout the PPV portfolio, including GHEFA projects.

Enrollment Declines Present Challenge

- **Affordability** continues to be a priority of the USG. As a result, alternative strategies for funding rental payments – such as cross-subsidy from other auxiliaries, expense reductions, and use of prior year project reserves – are pursued to minimize need for fee increases.

Minimize Fee Increases

- Using the pro-forma as basis for comparison, 11 Projects Met **Self-Liquidating** Requirement at or above 1.0 Coverage Ratio; 5 Projects were below 1.0. Fee increases and other strategies being considered for projects below 1.0 Coverage Ratio for FY 2015.

11 Projects Self- liquidating

- All **Leases Payments Paid** in Full and On Time Pursuant to All Legal and Financial Documents

Lease Payments Paid in Full

- Two projects underway to improve **accuracy, consistency and timeliness** of reporting:
  - Phase I implementation of PeopleSoft-based reporting
  - Construction of web-based database

System Enhancements

GHEFA I - 2008 Bond Issuances

Fiscal Year 2013 Revenue and Expenses Performance Summary

GHEFA I - Series 2008

Office of Fiscal Affairs

Board of Regents of The University System of Georgia

Campus/Project	Net Operating Income Before Lease Payment	Lease Payment	Net Cash Flow After Lease Payment	Cumulative Cash Flow	Self-Liquidating Ratio	FY 2014 Lease Payment	COMMENTS
Dalton State College/Parking Structure	$702,272	($565,396)	$136,876	$1,433,479	**1.24**	$567,043	-
Darton College/Student Center	$1,788,754	($1,383,302)	$405,452	$2,536,317	**1.29**	$1,424,167	-
Ft. Valley State University/Student Center-Stadium	$693,030	($1,241,938)	($548,908)	$0	**0.56**	$1,278,615	Non-Mandatory Transfer from Housing Fund 12210 = $548,908
Gainesville State College/ University of North Georgia/Parking Structure	$435,835	($435,834)	$1	$1,034,847	**1.00**	$439,523	-
Georgia College & State University/Theater-Bookstore	$435,885	($546,994)	($111,109)	$0	**0.80**	$562,268	Non-Mandatory transfer from Dining Auxiliary
Georgia State University/Student Housing	$1,756,015	($1,386,183)	$369,832	$2,634,317	**1.27**	$1,386,183	-
Southern Polytechnic State University/Parking Deck	$1,215,833	($1,140,378)	$75,455	$1,332,834	**1.07**	$1,174,007	-

Footnote(A) Self-Liquidating Ratio is Calculated as Net Operating Income Before Lease Payment divided by Lease Payment.

GHEFA I – Series 2008 Challenges

- Ft. Valley - .56 coverage. Non-mandatory transfer from Auxiliary used to address revenue shortfall. FY 2013 enrollment decrease.
- Georgia College - .80 coverage. Non-mandatory transfer from Auxiliary used to address temporary revenue shortfall. Temporary reduction in bookstore auxiliary funds.

GHEFA I - 2008 Bond Issuances

DALTON STATE COLLEGE

Fiscal Year 2013 Revenue and Expenses Performance Summary — FY 2013 Fee: $65

PARKING STRUCTURE	Revenue	Expenses	Net Operating Income Before Lease Payment	Lease Payment	Net Cash Flow After Lease Payment	Cumulative Cash Flow	Self-Liquidating Ratio	FY 2014 Lease Payment
Proforma	$ 858,583	$ (111,288)	$ 747,295	$ (565,396)	$ 181,899	$ 1,955,254		$ 567,043
Actual	**$ 733,746**	**$ (31,474)**	**$ 702,272**	**$ (565,396)**	**$ 136,876**	**$ 1,433,479**	**1.24**	
Variance	$ (124,837)	$ 79,814	$ (45,023)	$ -	$ (45,023)	$ (521,775)		

FY 2012 Self-Liquidating Ratio: 1.22

Headcount enrollment information for the fall semesters of the academic years 2009-2014

2009	2010	2011	2012	2013
5,722	5,988	5,485	5,047	5,015

FY 2013 Enrollment

Summer 2012	Fall 2012	Spring 2013	TOTAL	Proforma	Variance	Fall 2013
1,980	5,047	4,633	11,660	13,209	(1,549)	5,015

GHEFA I - 2008 Bond Issuances

Fiscal Year 2013 Revenue and Expenses Performance Summary FY 2013 Fee: $200

STUDENT CENTER	Revenue	Expenses	Net Operating Income Before Lease Payment	Lease Payment	Net Cash Flow After Lease Payment	Cumulative Cash Flow	Self-Liquidating Ratio	FY 2014 Lease Payment
Proforma	$ 1,436,937	$ (45,321)	$ 1,391,616	$ (1,383,302)	$ 8,314	$ 2,564,486		$ 1,424,167
Actual	$ 1,802,585	$ (13,831)	$ 1,788,754	$ (1,383,302)	$ 405,452	$ 2,536,317	**1.29**	
Variance	$ 365,648	$ 31,490	$ 397,138	$ -	$ 397,138	$ (28,169)		

***$140 of the $200 fee applied to Lease Payment and the remaining $60 used to fund Student Activities**

FY 2012 Self-Liquidating Ratio: **0.99**

Headcount enrollment information for the fall semesters of the academic years 2009-2014

2009	2010	2011	2012	2013
5,854	5,879	6,097	6,396	6,195

FY 2013 Enrollment

Summer 2012	Fall 2012	Spring 2013	TOTAL	Proforma	Variance	Fall 2013
3,922	6,396	6,012	16,330	14,369	1,961	6,195

GHEFA I - 2008 Bond Issuances

FT. VALLEY STATE UNIVERSITY

Fiscal Year 2013 Revenue and Expenses Performance Summary FY 2013 Fee: $128

STUDENT CENTER/STADIUM	Revenue	Expenses	Net Operating Income Before Lease Payment	Lease Payment	Net Cash Flow After Lease Payment	Cumulative Cash Flow	Self-Liquidating Ratio	FY 2014 Lease Payment
Proforma	$ 1,263,695	$ (12,338)	$ 1,251,357	$ (1,241,939)	$ 9,418	$ 2,287,531		$ 1,278,615
Actual	**$ 718,688**	**$ (25,658)**	**$ 693,030**	**$ (1,241,938)**	**$ (548,908)**	**$ -**	**0.56**	
Variance	$ (545,007)	$ (13,320)	$ (558,327)	$ 1	$ (558,326)	$(2,287,531)		

FY 2012 Self-Liquidating Ratio: **1.01**

FY 2013 Challenges:

* Institution experienced enrollment decline and reduction in dining revenue which was proforma as additional source of revenue to support the project.
* Non-mandatory transfer from Auxiliary (Housing Fund 12210) of $548,908 used to address FY2013 revenue shortfall.

FY 2014/FY2015 Strategies:

* Institution seeking $22 fee increase for FY 2015 bringing total fee to $150
* Institution to re-negotiate dining contract

Headcount enrollment information for the fall semesters of the academic years 2009-2014

2009	2010	2011	2012	2013
3,553	3,728	3,896	3,568	3,180

FY 2013 Enrollment

Summer 2012	Fall 2012	Spring 2013	TOTAL	Proforma	Variance	Fall 2013
1,089	3,568	3,193	7,850	9,015	(1,165)	3,180

GAINESVILLE STATE COLLEGE/UNIVERSITY OF NORTH GEORGIA

Fiscal Year 2013 Revenue and Expenses Performance Summary FY 2013 Fee: $65

PARKING DECK	Revenue	Expenses	Net Operating Income Before Lease Payment	Lease Payment	Net Cash Flow After Lease Payment	Cumulative Cash Flow	Self-Liquidating Ratio	FY 2014 Lease Payment
Proforma	$ 576,874	$ (83,484)	$ 493,390	$ (435,834)	$ 57,556	$ 1,104,228		$ 439,523
Actual	**$ 496,161**	**$ (60,326)**	**$ 435,835**	**$ (435,834)**	**$ 1**	**$ 1,034,847**	**1.00**	
Variance	$ (80,713)	$ 23,158	$ (57,555)	$ -	$ (57,555)	$ (69,381)		

* Fee only applies to students attending Gainesville, Oconee and Cumming campuses. Fee is a transportation fee and applies to all transportation and parking needs.

FY 2012 Self-Liquidating Ratio: **1.00**

Headcount enrollment information for the fall semesters of the academic years 2009-2014

2009	2010	2011	2012	2013
8,801	8,883	8,569	8,659	15,455

FY 2013 Enrollment

Summer 2012	Fall 2012	Spring 2013	TOTAL	Proforma	Variance	Fall 2013
3,557	8,659	7,969	20,185	16,482	3,703	15,455

* Fall 2013 enrollment statistic represents all students enrolled at the University of North Georgia (consolidation of North Georgia College and Gainesville College).

GEORGIA COLLEGE & STATE UNIVERSITY

Fiscal Year 2013 Revenue and Expenses Performance Summary

THEATER BOOKSTORE	Revenue	Expenses	Net Operating Income Before Lease Payment	Lease Payment	Net Cash Flow After Lease Payment	Cumulative Cash Flow	Self-Liquidating Ratio	FY 2014 Lease Payment
Proforma	$ 607,775	$ (57,985)	$ 549,790	$ (546,993)	$ 2,797	$ 1,048,912		$ 562,268
Actual	**$ 546,047**	**$ (110,162)**	**$ 435,885**	**$ (546,994)**	**$ (111,109)**	**$ -**	**0.80**	
Variance	$ (61,728)	$ (52,177)	$ (113,905)	$ (1)	$ (113,906)	$ (1,048,912)		

FY 2012 Self-Liquidating Ratio: 1.27

FY 2013 Challenges:

- * Institution experienced decrease in bookstore auxiliary funds due to decline in enrollment. Bookstore auxiliary funds used to support project per proforma.
- * Non-mandatory transfer from auxiliary used to cover $111,109 revenue shortfall.

FY 2014/2015 Strategies:

- * Campus developing strategies to improve revenue at bookstore.
- * Other auxiliary revenue sufficient to provide subsidy for FY 2014 to the extent needed.
- * Institution experienced increase in enrollment for Fall 2013.

Headcount enrollment information for the fall semesters of the academic years 2009-2014

2009	2010	2011	2012	2013
6,633	6,737	6,636	6,444	6,551

FY 2013 Enrollment

Summer 2012	Fall 2012	Spring 2013	TOTAL	Proforma	Variance	Fall 2013
3,154	6,444	6,144	15,742	N/A	N/A	**6,551**

GHEFA I - 2008 BOND ISSUANCES

GEORGIA STATE UNIVERSITY

Fiscal Year 2013 Revenue and Expenses Performance Summary

STUDENT HOUSING	Revenue	Expenses	Net Operating Income Before Lease Payment	Lease Payment	Net Cash Flow After Lease Payment	Cumulative Cash Flow	Self-Liquidating Ratio	FY 2014 Lease Payment
Proforma	$ 2,185,337	$ (729,942)	$ 1,455,395	$ (1,386,183)	$ 69,212	$ 1,439,990		$ 1,386,183
Actual	**$ 2,181,684**	**$ (425,669)**	**$ 1,756,015**	**$ (1,386,183)**	**$ 369,832**	**$ 2,634,317**	**1.27**	
Variance	$ (3,653)	$ 304,273	$ 300,620	$ -	$ 300,620	$ 1,194,327		

FY 2012 Self-Liquidating Ratio: **1.19**

Headcount enrollment information for the fall semesters of the academic years 2009-2014

2009	2010	2011	2012	2013
30,427	31,533	32,022	32,087	32,165

FY 2013 Enrollment

	Summer 2012	Fall 2012	Spring 2013	TOTAL	Proforma	Variance	Fall 2013
	14,840	32,087	30,889	77,816	N/A	**N/A**	32,165
Housing Occupancy					95%		100%

GHEFA I - 2008 Bond Issuances

Fiscal Year 2013 Revenue and Expenses Performance Summary FY 2013 Fee: $105

PARKING DECK	Revenue	Expenses	Net Operating Income Before Lease Payment	Lease Payment	Net Cash Flow After Lease Payment	Cumulative Cash Flow	Self-Liquidating Ratio	FY 2014 Lease Payment
Proforma	$ 1,213,659	$ (67,898)	$ 1,145,761	$ (1,140,378)	$ 5,383	$ 1,734,439		$ 1,174,007
Actual	**$ 1,317,156**	**$ (101,323)**	**$ 1,215,833**	**$ (1,140,378)**	**$ 75,455**	**$ 1,332,834**	**1.07**	
Variance	$ 103,497	$ (33,425)	$ 70,072	$ -	$ 70,072	$ (401,605)		

*$80 of the $105 transportation fee applied to parking deck.

FY 2012 Self-Liquidating Ratio: **1.23**

Headcount enrollment information for the fall semesters of the academic years 2009-2014

2009	2010	2011	2012	2013
5,183	5,514	5,799	6,202	6,549

FY 2013 Enrollment

	Summer 2012	Fall 2012	Spring 2013	TOTAL	Proforma	Variance	Fall 2013
Parking Deck	2,529	6,202	5,988	14,719	15,171	(452)	6,549

*** Georgia Highland students that attend classes on the campus of Southern Polytechnic also pay the parking fee. They are not included in the enrollment statistics.**

GHEFA II – 2009 Bond Issuances

Fiscal Year 2013 Revenue and Expenses Performance Summary

GHEFA II - Series 2009

Office of Fiscal Affairs

Board of Regents of The University System of Georgia

Campus/Project	Net Operating Income Before Lease Payment	Lease Payment	Net Cash Flow After Lease Payment	Cumulative Cash Flow	Self-Liquidating Ratio	FY 2014 Lease Payment	COMMENTS
Bainbridge College/Student Recreation Center	$1,071,068	($1,454,868)	($383,800)	$1,598,240	**0.74**	$1,484,714	Funded using $383,800 from prior year cash reserves.
Columbus State University/Student Recreation Center	$2,499,307	($2,464,967)	$34,340	$2,270,672	**1.01**	$2,468,086	
Southern Polytechnic State University/Student Housing and Dining	$3,382,615	($3,204,344)	$178,271	$0	**1.06**	$3,217,255	

Footnote(A) Self-Liquidating Ratio is Calculated as Net Operating Income Before Lease Payment divided by Lease Payment.

GHEFA II –Series 2009 Challenges

- Bainbridge - .74 coverage. Project cash reserves used to address temporary revenue shortfall.
- School experienced enrollment decrease during fiscal year 2013.

GHEFA II - 2009 Bond Issuances

BAINBRIDGE COLLEGE

Fiscal Year 2013 Revenue and Expenses Performance Summary — FY 2013 Fee: $146

STUDENT RECREATION CENTER	Revenue	Expenses	Net Operating Income Before Lease Payment	Lease Payment	Net Cash Flow After Lease Payment	Cumulative Cash Flow	Self-Liquidating Ratio	FY 2014 Lease Payment
Proforma	$ 1,620,151	$ (84,872)	$ 1,535,279	$ (1,454,868)	$ 80,411	$ 2,027,752		$ 1,484,714
Actual	**$ 1,133,738**	**$ (62,670)**	**$ 1,071,068**	**$ (1,454,868)**	**$ (383,800)**	**$ 1,598,240**	**0.74**	
Variance	$ (486,413)	$ 22,202	$ (464,211)	$ -	$ (464,211)	$ (429,512)		

*Total $146 in fees consist of $125 Student Wellness Center Fee, $7 Student Activity Fee and $14 Technology Fee.

FY 2012 Self-Liquidating Ratio: **1.17**

FY 2013 Challenges:

* Institution experienced two consecutive years of enrollment decline.
* Project cash reserves used to cover $383,800 revenue shortfall.

FY 2014/FY2015 Strategies:

* Project cash reserves sufficient to provide subsidy for FY 2014 to the extent needed.
* Institution seeking $25-50 fee increase bringing total fee to $150-175 for FY 2015.

Headcount enrollment information for the fall semesters of the academic years 2009-2014

2009	2010	2011	2012	2013
3,558	3,736	3,734	2,939	2,699

FY 2013 Enrollment

Summer 2012	Fall 2012	Spring 2013	TOTAL	Proforma	Variance	Fall 2013
2,187	2,939	2,595	7,721	8,821	(1,100)	2,699

GHEFA II - 2009 BOND ISSUANCES

Fiscal Year 2013 Revenue and Expenses Performance Summary FY 2013 Fee: $170

STUDENT RECREATION CENTER	Revenue	Expenses	Net Operating Income Before Lease Payment	Lease Payment	Net Cash Flow After Lease Payment	Cumulative Cash Flow	Self-Liquidating Ratio	FY 2014 Lease Payment
Proforma	$ 2,723,212	$ (103,968)	$ 2,619,244	$ (2,464,967)	$ 154,277	$ 4,181,127		$ 2,468,086
Actual	**$ 2,979,932**	**$ (480,625)**	**$ 2,499,307**	**$ (2,464,967)**	**$ 34,340**	**$ 2,270,672**	**1.01**	
Variance	$ 256,720	$ (376,657)	$ (119,937)	$ -	$ (119,937)	$ (1,910,455)		

FY 2012 Self-Liquidating Ratio: **1.01**

Headcount enrollment information for the fall semesters of the academic years 2009-2014

2009	2010	2011	2012	2013
8,178	8,298	8,307	8,239	8,156

FY 2013 Enrollment

Summer 2012	Fall 2012	Spring 2013	TOTAL	Proforma	Variance	Fall 2013
3,750	8,239	7,683	19,672	21,785	(2,113)	8,156

GHEFA II - 2009 BOND ISSUANCES

SOUTHERN POLYTECNIC STATE UNIVERSITY

Fiscal Year 2013 Revenue and Expenses Performance Summary

STUDENT HOUSING & DINING	Revenue	Expenses	Net Operating Income Before Lease Payment	Lease Payment	Net Cash Flow After Lease Payment	Cumulative Cash Flow	Self-Liquidating Ratio	FY 2014 Lease Payment
Proforma	$ 4,909,760	$ (1,536,183)	$ 3,373,577	$ (3,204,344)	$ 169,233	$ 1,684,079		$ 3,217,255
Actual	**$ 4,444,105**	**$ (1,061,490)**	**$ 3,382,615**	**$ (3,204,344)**	**$ 178,271**	**$ -**	**1.06**	
Variance	$ (465,655)	$ 474,693	$ 9,038	$ -	$ 9,038	$ (1,684,079)		

FY 2012 Self-Liquidating Ratio: **0.82**

Headcount enrollment information for the fall semesters of the academic years 2009-2014

2009	2010	2011	2012	2013
5,183	5,514	5,799	6,202	6,549

FY 2013 Enrollment

	Summer 2012	Fall 2012	Spring 2013	TOTAL	Proforma	Variance	Fall 2013
Dining	2,529	6,202	5,988	14,719	13,037	1,682	6,549
Housing Occupancy					95%		94%

GHEFA III - 2010 Bond Issuances

Fiscal Year 2013 Revenue and Expenses Performance Summary

GHEFA III - Series 2010

Office of Fiscal Affairs

Board of Regents of The University System of Georgia

Campus/Project	Net Operating Income Before Lease Payment	Lease Payment	Net Cash Flow After Lease Payment	Cumulative Cash Flow	Self-Liquidating Ratio	FY 2014 Lease Payment	COMMENTS
College of Coastal Georgia -(Student Center)	$607,945	($909,625)	($301,680)	$596,070	**0.67**	$911,093	Funded using $301,680 from prior year cash reserves
College of Coastal Georgia - (Student Housing)	$1,073,868	($1,065,448)	$8,420	$23,317	**1.01**	$1,067,351	
East Georgia College - Student Housing	$687,535	($620,850)	$66,685	$429,739	**1.11**	$621,932	
Georgia College & State University - (Student Wellness & Recreation Center)	$2,128,822	($2,119,673)	$9,149	$1,075,790	**1.00**	$2,122,807	
Savannah State University - (Student Center/Stadium)	$1,090,145	($1,283,400)	($193,255)	$325,976	**0.85**	$1,285,254	Funded using $193,255 from prior year cash reserves
University of West Georgia - (Bookstore)	$444,028	($424,232)	$19,796	$28,135	**1.05**	$424,958	

Footnote(A) Self-Liquidating Ratio is Calculated as Net Operating Income Before Lease Payment divided by Lease Payment.

GHEFA III – Series 2010 Challenges

- College of Coastal GA - .67 coverage. Project cash reserves used to address revenue shortfall.
- Savannah State - .85 coverage. Project cash reserves used to address temporary revenue shortfall.

GHEFA III - 2010 Bond Issuances

COLLEGE OF COASTAL GEORGIA

Fiscal Year 2013 Revenue and Expenses Performance
Summary

FY 2013 Fee: $100

STUDENT CENTER	Revenue	Expenses	Net Operating Income Before Lease Payment	Lease Payment	Net Cash Flow After Lease Payment	Cumulative Cash Flow	Self-Liquidating Ratio	FY 2014 Lease Payment
Proforma	$ 998,746	$ (48,925)	$ 949,821	$ (909,625)	$ 40,196	$ 836,396		$ 911,093
Actual	$ 678,546	$ (70,601)	$ 607,945	$ (909,625)	$ (301,680)	$ 596,070	0.67	
Variance	$ (320,200)	$ (21,676)	$ (341,876)	$ -	$ (341,876)	$ (240,326)		

FY 2012 Self-Liquidating Ratio: **1.38**

FY 2013 Challenges:

* Institution experienced enrollment decline.
* Project cash reserves used to cover $301,680 revenue shortfall.

FY 2014/FY2015 Strategies:

* Project cash reserves sufficient to fund any shortfall for FY 2014 to the extent needed.
* Institution seeking a $25 fee increase which will bring total fee to $125.

Headcount enrollment information for the fall semesters of the academic years 2009-2014

2009	2010	2011	2012	2013
3,080	3,438	3,474	3,156	2,987

FY 2013 Enrollment

Summer 2012	Fall 2012	Spring 2013	TOTAL	Proforma	Variance	Fall 2013
1,177	3,156	2,916	7,249	7,649	(400)	2,987

GHEFA III - 2010 Bond Issuances

Fiscal Year 2013 Revenue and Expenses Performance Summary

STUDENT HOUSING	Revenue	Expenses	Net Operating Income Before Lease Payment	Lease Payment	Net Cash Flow After Lease Payment	Cumulative Cash Flow	Self-Liquidating Ratio	FY 2014 Lease Payment
Proforma	$ 1,804,529	$ (652,608)	$ 1,151,921	$ (1,065,448)	$ 86,473	$ 655,680		$ 1,067,351
Actual	**$ 1,692,568**	**$ (618,700)**	**$ 1,073,868**	**$ (1,065,448)**	**$ 8,420**	**$ 23,317**	**1.01**	
Variance	$ (111,961)	$ 33,908	$ (78,053)	$0	$ (78,053)	$ (632,363)		

FY 2012 Self-Liquidating Ratio: **1.03**

Headcount enrollment information for the fall semesters of the academic years 2009-2014

2009	2010	2011	2012	2013
3,080	3,438	3,474	3,156	2,987

FY 2013 Enrollment

	Summer 2012	Fall 2012	Spring 2013	TOTAL	Proforma	Variance	Fall 2013
	1,177	3,156	2,916	7,249	N/A	N/A	2,987
Housing Occupancy					95%		99%

EAST GEORGIA COLLEGE

Fiscal Year 2013 Revenue and Expenses Performance Summary

STUDENT HOUSING	Revenue	Expenses	Net Operating Income Before Lease Payment	Lease Payment	Net Cash Flow After Lease Payment	Cumulative Cash Flow	Self-Liquidating Ratio	FY 2014 Lease Payment
Proforma	$ 1,050,600	$ (370,800)	$ 679,800	$ (620,850)	$ 58,950	$ 383,350		$ 621,932
Actual	**$ 1,095,749**	**$ (408,214)**	**$ 687,535**	**$ (620,850)**	**$ 66,685**	**$ 429,739**	**1.11**	
Variance	$ 45,149	$ (37,414)	$ 7,735	$ -	$ 7,735	$ 46,389		

FY 2012 Self-Liquidating Ratio: **2.04**

Headcount enrollment information for the fall semesters of the academic years 2009-2014

2009	2010	2011	2012	2013
2,754	3,063	3,435	2,944	2,857

FY 2013 Enrollment

	Summer 2012	Fall 2012	Spring 2013	TOTAL	Proforma	Actual	Fall 2013
	922	2,944	2,670	6,536	N/A	N/A	2,857
Housing Occupancy					95%		100%

GEORGIA COLLEGE & STATE UNIVERSITY

Fiscal Year 2013 Revenue and Expenses Performance Summary FY 2013 Fee: $175

STUDENT WELLNESS & RECREATION CENTER	Revenue	Expenses	Net Operating Income Before Lease Payment	Lease Payment	Net Cash Flow After Lease Payment	Cumulative Cash Flow	Self-Liquidating Ratio	FY 2014 Lease Payment
Proforma	$ 2,314,118	$ (104,473)	$ 2,209,645	$ (2,119,673)	$ 89,972	$ 1,382,081		$ 2,122,807
Actual	**$ 2,412,853**	**$ (284,031)**	**$ 2,128,822**	**$ (2,119,673)**	**$ 9,149**	**$ 1,075,790**	**1.00**	
Variance	$ 98,735	$ (179,558)	$ (80,823)	$ -	$ (80,823)	$ (306,291)		

FY 2012 Self-Liquidating Ratio: **1.22**

Headcount enrollment information for the fall semesters of the academic years 2009-2014

2009	2010	2011	2012	2013
6,633	6,737	6,636	6,444	6,551

FY 2013 Enrollment

Summer 2012	Fall 2012	Spring 2013	TOTAL	Proforma	Variance	Fall 2013
3,154	6,444	6,144	15,742	13,000	2,742	6,551

GHEFA III - 2010 BOND ISSUANCES

Fiscal Year 2013 Revenue and Expenses Performance Summary — FY 2013 Fee: $170

STUDENT CENTER/ STADIUM FACILITY	Revenue	Expenses	Net Operating Income Before Lease Payment	Lease Payment	Net Cash Flow After Lease Payment	Cumulative Cash Flow	Self-Liquidating Ratio	FY 2014 Lease Payment
Proforma	$ 1,583,411	$ (244,617)	$ 1,338,794	$ (1,283,400)	$ 55,394	$ 1,699,524		$ 1,285,254
Actual	**$ 1,682,323**	**$ (592,178)**	**$ 1,090,145**	**$ (1,283,400)**	**$ (193,255)**	**$ 325,976**	**0.85**	
Variance	$ 98,912	$ (347,561)	$ (248,649)	$ -	$ (248,649)	$ (1,373,548)		

FY 2012 Self-Liquidating Ratio: **1.68**

FY 2013 Challenges:

* Project cash reserves used to address temporary revenue shortfall due to electrical expense not being allocated.

FY 2014 Strategies:

* Project anticipated to be self-liquidating in FY 2014 without fee increase due to enrollment growth and expense allocation and reduction.

Headcount enrollment information for the fall semesters of the academic years 2009-2014

2009	2010	2011	2012	2013
3,820	4,080	4,552	4,582	4,772

FY 2013 Enrollment

Summer 2012	Fall 2012	Spring 2013	TOTAL	Proforma	Variance	Fall 2013
1,264	4,582	4,326	10,172	8,962	1,210	4,772

Fiscal Year 2013 Revenue and Expenses Performance Summary

BOOKSTORE	Revenue	Expenses	Net Operating Income Before Lease Payment	Lease Payment	Net Cash Flow After Lease Payment	Cumulative Cash Flow	Self-Liquidating Ratio	FY 2014 Lease Payment
Proforma	$ 465,095	$ (24,182)	$ 440,913	$ (424,323)	$ 16,681	$ 25,019		$ 424,958
Actual	**$ 465,101**	**$ (21,073)**	**$ 444,028**	**$ (424,323)**	**$ 19,796**	**$ 28,135**	**1.05**	
Variance	$ 6	$ 3,109	$ 3,115	$ -	$ 3,115	$ 3,116		

FY 2012 Self-Liquidating Ratio: **1.04**

Headcount enrollment information for the fall semesters of the academic years 2009-2014

2009	2010	2011	2012	2013
11,500	11,283	11,646	11,769	11,929

FY 2013 Enrollment

Summer 2012	Fall 2012	Spring 2013	TOTAL	Proforma	Variance	Fall 2013
5,189	11,769	10,923	27,881	N/A	N/A	**11,929**

FISCAL YEAR 2014: Financial Reporting Enhancements

Goal: Enable pro-active intervention strategies for under-performing projects

Objective: Improve timeliness, accuracy and consistency of PPV reporting

FY 2014: Phase I PeopleSoft-based PPV reporting

- Establishes project-level accounting of actual expenses and revenues
- Seven institutions participating: GCSU, GGC, GPC, GSoU, GSU, SSU, UNG
- Institutions participating in review of new guidelines around allocation methods and definitions of "project" expense and revenue

FY 2015: Phase II roll-out anticipated to include all campuses except GaTech and UGA

Objective: Enhance reporting capabilities

FY 2014-2015: Construct comprehensive database to track and record project-based data by campus.

- Debt service schedules
- Rental payment schedules
- Pro forma to actual enrollment, fees, rents, and occupancy levels
- Actual project expense and revenue

FISCAL YEAR 2014: Report of an Issue of Defective Work

Issue: An issue of defective work was reported regarding the parking deck located on the University of North Georgia – Gainesville Campus

Update:

- This parking deck was constructed in 2009 as part of the GHEFA program. In June 2013 UNG-Gainesville reported a significant amount of cracks in the precast shearwalls of the parking deck. HJ Russell (HJR), the design builder, immediately began analysis of the parking deck design and recommended the closure of the deck until the source of the cracking could be determined and corrective action performed. Structural engineer Uzun+Case (U+C) was hired by the USG Real Estate Foundation to review and advise on the remediation effort by HJR. U+C and HJR are nearing an agreed solution and it is anticipated that the corrective work will begin in December 2013 and the parking deck will reopen for the Spring Semester in January 2014. HJR has agreed to pay for all direct and incidental costs associated with the deck remediation.

- Parking decks located on the campuses of Dalton State College (DSC) and Southern Polytechnic State University (SPSU) were also constructed in 2009 by the same design build team, HJ Russell. After learning of the issues at UNG-Gainesville, BOR staff requested that the DSC and SPSU decks be inspected for construction defects. HJR's inspection identified some isolated cracks and spalling at each of the decks, but they were found to be relatively minor and not a threat to safety. Uzun + Case concurred in this finding. Neither of the decks were required to be vacated. HJR has completed repairs to each deck at their own expense.

GHEFA I, II & III – 2008, 2009 & 2010 Bond Issuances

BOND RATING AND NEW ISSUANCE UPDATE

- 12-5-13: Fort Valley Moody's review
- No GHEFA issuance planned for FY 2014

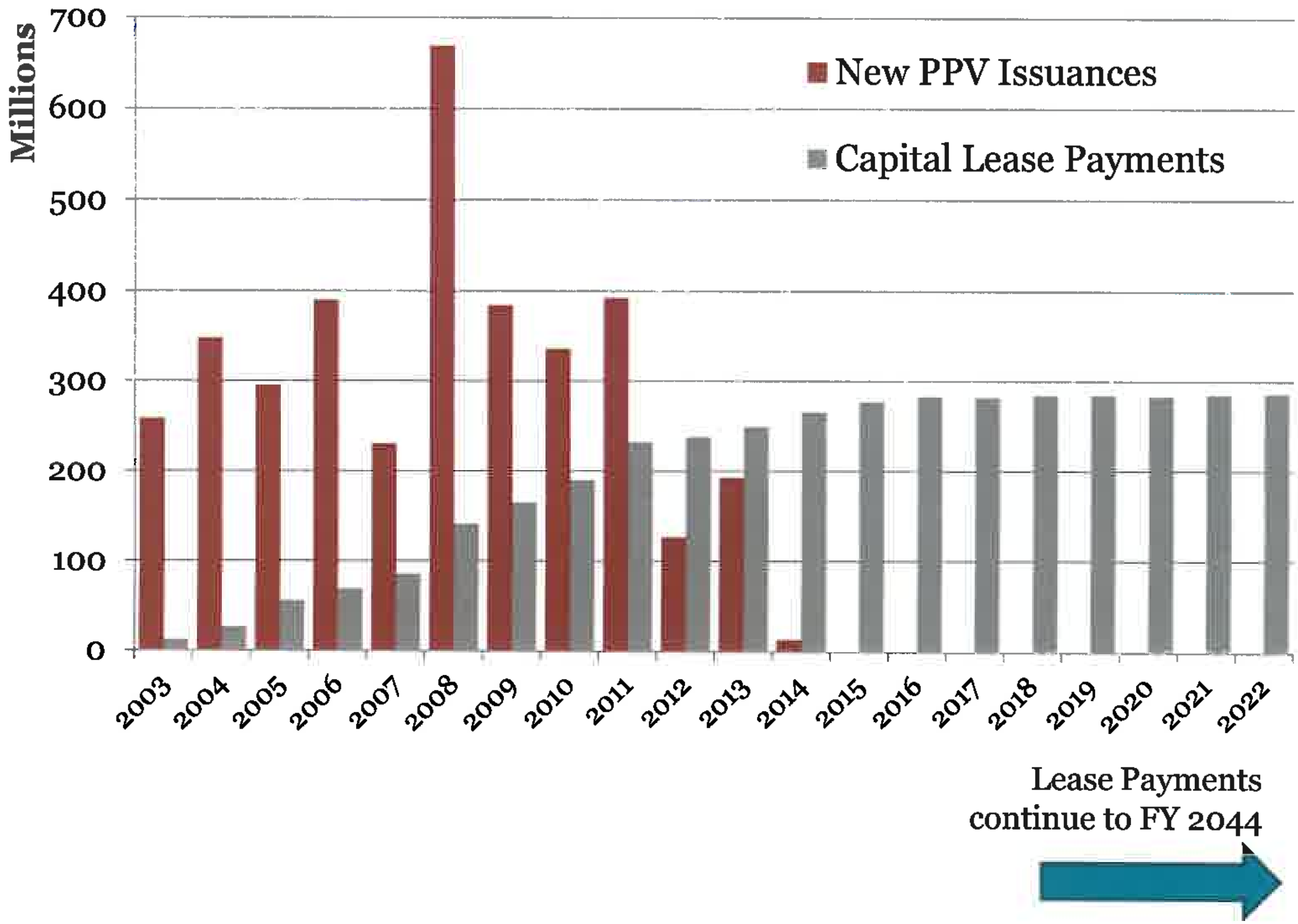
Board of Regents Housing P3 Initiative

Briefing for the GHEFA Board
December 2013

Limited Capacity for Additional PPVs

$3.8 Billion Outstanding

FY14 PPV Lease Payments = $265 Million



Market for Student Housing Strong

- An unpredictable economy, coupled with an unprecedented capital markets environment, has moved yield driven investors into private vehicles providing stable yields
- A low interest rate environment has allowed investors to optimally leverage their investments.
- REITs are still under great pressure to quickly redeploy a large amount of money in order to generate the yields investors are seeking

➢ Remarkable amounts of capital are currently seeking immediate placement and real estate principals are willing to price acquisitions aggressively to ensure timely deployment

Investor Profile

The investor/owner/operator profile being sought is for stable, well established firms with a track record of holding assets for the long term. Firms will be required to have institutional experience and a business objective of partnership with institutions.

- Major student housing developers
- Public and private REITs
- Private equity
- National non-profits
- Life insurance companies
- Multi-family developers

Phase I P3 - Possible Participants

BOR anticipates a portfolio sale of several existing dormitories to a private developer together with rights to develop new housing for Fall of 2016 and rights to maintain and operate over a 50-65 year agreement. A sale would involve the defeasance of the outstanding bonds and a transfer of ownership (leasehold interest) from the various Foundation LLCs to the private developer. Three GHEFA projects are included for consideration.

Initial Campuses Identified (May)	Existing Beds for sale	Potential New Beds	Possible Beds in Transaction
College of Coastal Georgia (GHEFA III)	352	200	552
Columbus State University	444	500	944
Dalton State College	0*	300	300
East Georgia State College (GHEFA III)	200	200	400
Additional Campuses Identified (August)			
Armstrong Atlantic State University	1,239	0	1,239
Abraham Baldwin Agricultural College	1,324	0	1,324
Georgia State University (GHEFA I)	2,322	700	3,022
University of North Georgia	314	400	714
Total	6,195	2,300	8,495

The contemplated financing structure involves a long-term ground lease with private ownership in the form of a leasehold interest of facility, no BOR rental agreement or financial guaranty, and various operating agreements with the campus.

Key Business Terms

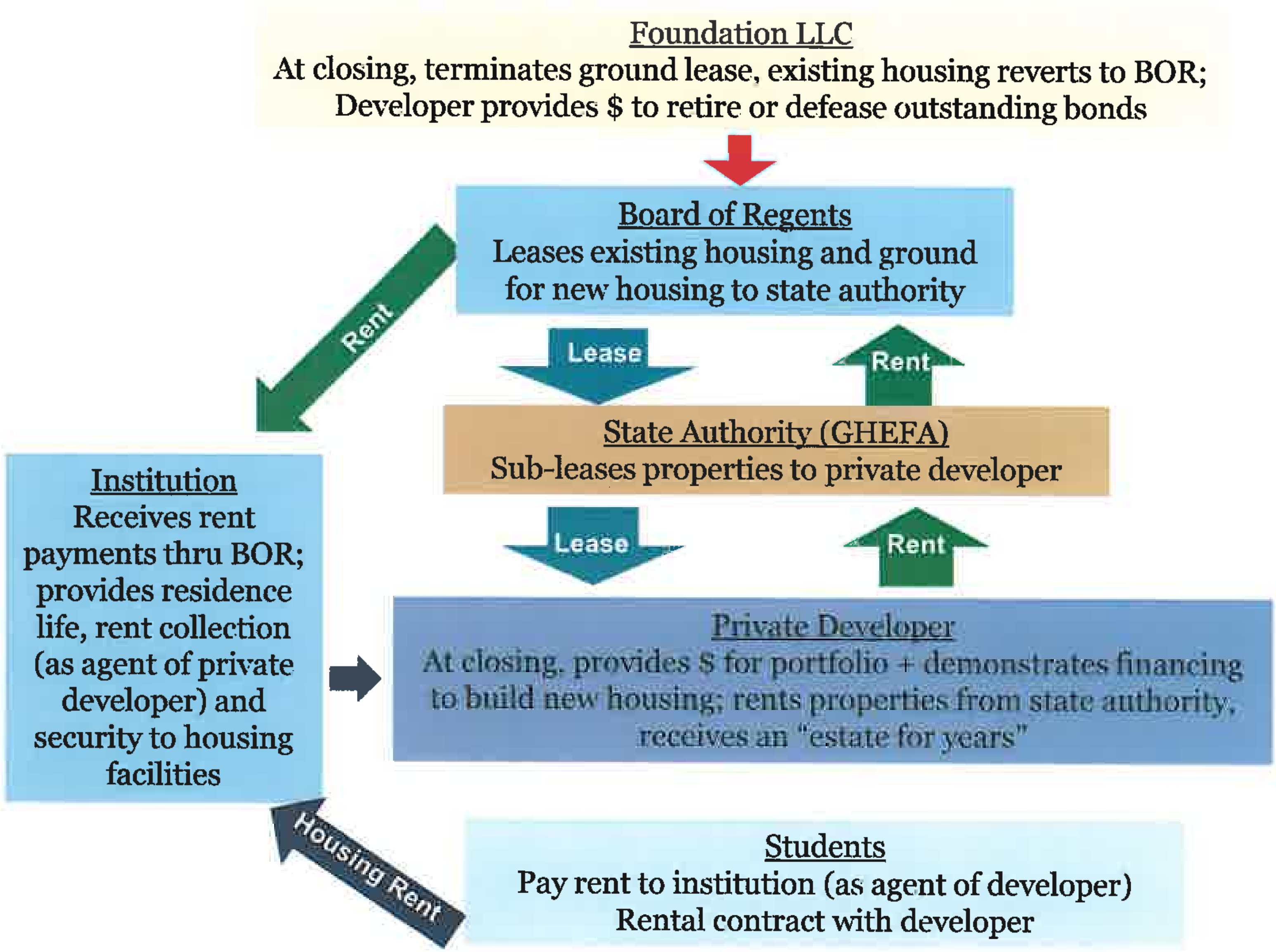
<u>Developer At-Risk</u>

- Campus consolidation
- Enrollment
- Housing occupancy
- Residency requirements
- Condition of existing housing

<u>Lease Terms</u>

- Shared decision-making on rental rates to students
- Marketing of housing by campus
- Compensation to BOR for provision of housing programming by campus (resident life, rent collection, security)
- Occupancy limited to BOR
- Developer responsible for maintenance and renewal, utilities, and insurance
- Financial penalties for failure to meet performance standards
- BOR has final approval on site and design of new housing
- Termination for cause
- Parking easements provided by BOR
- Revenue Sharing
- Property Taxes

Transaction Structure: Option including GHEFA



Components of Rent

- <u>Base Rent</u>
  - Pre-paid up-front base rent (an amount equal to or exceeding the amount necessary to defease or retire the outstanding debt on the existing properties).
  - Periodic base rent (the annual rent for the dirt), escalates 1% a year.

- <u>Additional Rent</u>:
  the amount paid by the developer for "pass-thru costs" or operating expenses that will be incurred by the campus for the services we elect to retain (resident life, rent collection, security) or the services the developer elects to contract with a campus (perhaps maintenance), escalates 3% a year.

- <u>Contingent Rent</u>: the revenue sharing component of rent, contingent upon profits exceeding the developer's pre-determined margin.

Phase I P3 Transaction
Current Timeline

	Activity
May-August	Due Diligence on initial campuses seeking new housing Request for Proposals for Advisors
	Hired Anderson + Strickler to conduct housing market demand studies
	Initiated 3rd party facilities assessments
	Met with campus leadership
	Engaged Jones Lang Lasalle as real estate advisor, McKenna Long Aldridge as legal counsel
September	Briefed the respective foundation boards
September-October	Real estate advisor due diligence, identification of additional campuses, discussion with campus leadership of 4 additional campuses
October	CBO work sessions; Board of Regents update
November - December	CBO work sessions, kick-off of proposed RFQ to housing community Discussion, briefing re legislation Decision to delay RFQ and new housing construction to fall 2016
January – March 2014	Pursue Legislation Identify and assess potential for portfolio expansion
April 2014	Release RFQ for developers
Summer 2014-January 20215	Procurement process; specific timing dependent upon outcome of legislation
August 2016	New housing complete

Georgia Higher Education Facilities Authority

Fiscal Years 2014-2015
Budget

Georgia Higher Education Facilities Authority
FY2014 Budget (Amendment)

Revenues		
Fund Balance-Unrestricted	$	523,104
Interest earnings from investments (GA Fund 1)		785
Application Fees (0.015 bps - $0 par)		
Total Revenues	$	523,889
Annual Expenses - Ongoing		
Audit	$	9,500
Board Member Per Diem		1,000
Fees, Supplies, and Shipping Expenses		1,000
Post Issuance Items		**3,300**
Travel - Board Members		700
Total Annual Expenses	$	15,500
Net Revenues	**$**	**508,389**

Changes from previous budget presented	
Fund Balance - Unrestricted (increase to 6/30/2013 actuals)	$327
Fees, Supplies, and Shipping Expenses (increase from $1,000 to 7,000)	$3,300

Georgia Higher Education Facilities Authority
FY2015 Budget

Revenues		
Fund Balance-Unrestricted	$	514,579
Interest earnings from investments (GA Fund 1)		772
Application Fees (0.015 bps - $0 par)		
Total Revenues	$	515,351
Annual Expenses - Ongoing		
Audit	$	9,500
Board Member Per Diem		1,000
Fees, Supplies, and Shipping Expenses		1,000
Post Issuance Items		3,300
Travel - Board Members		700
Total Annual Expenses	$	15,500
Net Revenues	**$**	**499,851**

GEORGIA HIGHER EDUCATION FACILITIES AUTHORITY

(A Component Unit of the State of Georgia)

Financial Statements

June 30, 2013

GEORGIA HIGHER EDUCATION FACILITIES AUTHORITY
(A Component Unit of the State of Georgia)

FINANCIAL REPORT
JUNE 30, 2013

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MAULDIN
& JENKINS
CERTIFIED PUBLIC ACCOUNTANTS, LLC

INDEPENDENT AUDITOR'S REPORT

The Members
Georgia Higher Education
Facilities Authority
Atlanta, Georgia

Report on the Financial Statements

We have audited the accompanying financial statements of the **Georgia Higher Education Facilities Authority** (the "Authority"), a component unit of the State of Georgia, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Georgia Higher Education Facilities Authority as of June 30, 2013, and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 6 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 20, 2013 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Mauldin & Jenkins, LLC

Atlanta, Georgia
September 20, 2013

Management's discussion and analysis of the financial performance of the Georgia Higher Education Facilities Authority (the "Authority") is intended to provide the readers of these financial statements with an overview of the Authority's financial activities for the year ended June 30, 2013.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements. The Authority's basic financial statements comprise two components: 1) financial statements and 2) notes to the financial statements.

Financial Statements

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

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

The basic financial statements can be found on pages 7-9 of this report.

Notes to the Financial Statements

The Notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The Notes to the financial statements can be found on pages 10-16 of this report.

Financial Analysis

Summary of the Authority's Net Position
June 30, 2013 and 2012

	2013	2012
Assets:		
Current and other assets	$ 290,732,196	$ 294,919,345
Total assets	290,732,196	294,919,345
Liabilities:		
Long-term liabilities	279,864,199	284,008,189
Other liabilities	4,834,848	4,560,733
Total liabilities	284,699,047	288,568,922
Net position:		
Unrestricted	6,033,149	6,350,423
Total net position	$ 6,033,149	$ 6,350,423

The net position of a governmental entity may serve as an indicator of the entity's financial position. The Authority's net position at June 30, 2013 was $6.0 million as compared to June 30, 2012 when it was $6.4 million. The Authority was created by the State legislature in 2006 and began operations in fiscal year 2008. The Authority's purpose is to finance eligible construction, renovation, improvement, rehabilitation or restoration projects for the Board of Regents and the Technical College System of Georgia through the issuance of revenue bonds.

During fiscal year 2013, the Authority did not issue any revenue bonds. The legislation that created the Authority limited the amount of outstanding principal that could be outstanding at any one point in time. During its 2012 session, the General Assembly of Georgia approved legislation which was signed into law for the Governor to increase the amount of outstanding debt that the Authority can have outstanding at any point in time from $300 million to $500 million.

Summary of Changes in the Authority's Net Position
Years ended June 30, 2013 and 2012

	2013	2012
Operating Revenues:		
Financing income on notes receivable from:		
USG Real Estate Foundation I, LLC	$ 5,575,611	$ 5,830,908
USG Real Estate Foundation II, LLC	5,105,875	5,366,923
USG Real Estate Foundation III, LLC	4,330,223	4,558,946
Total operating revenues	15,011,709	15,756,777
Operating Expenses:		
Interest on bonds payable	15,011,709	15,756,777
Amortization	309,582	311,444
Other services and charges	8,509	8,153
Total operating expenses	15,329,800	16,076,374
Interest income	817	641
Change in net position	(317,274)	(318,956)
Net position, beginning of year	6,350,423	6,669,379
Net position, end of year	$ 6,033,149	$ 6,350,423

As noted previously, the fiscal year 2013 activity did not include any issuance of revenue bonds. The majority of net positions are attributed to deferred bond issuance costs and discount or premium on bonds payable. These assets will be amortized over the life of the bonds.

Budgetary Highlights

The Authority adopted a management budget for its administrative functions. Budgetary expenses for fiscal year 2013 were $11,200 while actual expenses for administration (classified as other services and charges) were $8,509.

Requests for Information

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

GEORGIA HIGHER EDUCATION FACILITIES AUTHORITY

Statement of Net Position

June 30, 2013

Assets	
Current assets:	
Cash and cash equivalents	$ 426
Investment in Georgia Fund 1	522,678
Note receivable from USG Real Estate Foundation I, LLC, current portion	830,000
Note receivable from USG Real Estate Foundation II, LLC, current portion	1,685,000
Note receivable from USG Real Estate Foundation III, LLC, current portion	1,700,000
Interest receivable from USG Real Estate Foundation I, LLC	231,231
Interest receivable from USG Real Estate Foundation II, LLC	210,810
Interest receivable from USG Real Estate Foundation III, LLC	177,807
Total current assets	5,357,952
Noncurrent assets:	
Debt issuance costs	4,214,244
Note receivable from USG Real Estate Foundation I, LLC, noncurrent portion	97,340,000
Note receivable from USG Real Estate Foundation II, LLC, noncurrent portion	94,465,000
Note receivable from USG Real Estate Foundation III, LLC, noncurrent portion	89,355,000
Total noncurrent assets	285,374,244
Total assets	290,732,196
Liabilities	
Current liabilities:	
Bonds payable, current portion	4,215,000
Accrued interest payable	619,848
Total current liabilities	4,834,848
Noncurrent liabilities:	
Bonds payable, noncurrent portion, net of unamortized premium/discount of $1,295,801	279,864,199
Total noncurrent liabilities	279,864,199
Total liabilities	284,699,047
Net Position	
Unrestricted	6,033,149
Total net position	$ 6,033,149

See accompanying notes to financial statements.

GEORGIA HIGHER EDUCATION FACILITIES AUTHORITY

Statement of Revenues, Expenses and Changes in Net Position

Year ended June 30, 2013

Operating revenue		
Financing income on notes receivable from:		
USG Real Estate Foundation I, LLC	$	5,575,611
USG Real Estate Foundation II, LLC		5,105,875
USG Real Estate Foundation III, LLC		4,330,223
Total operating revenues		15,011,709
Operating expenses:		
Interest on bonds payable		15,011,709
Amortization		309,582
Other services and charges		8,509
Total operating expenses		15,329,800
Operating loss		(318,091)
Non-operating income		
Interest income		817
Total non-operating income		817
Change in net position		(317,274)
Net position at beginning of year		6,350,423
Net position at end of year	$	6,033,149

See accompanying notes to financial statements.

GEORGIA HIGHER EDUCATION FACILITIES AUTHORITY
Statement of Cash Flows
Year ended June 30, 2013

Cash flows from operating activities:		
Financing income on direct financing lease	$	15,017,594
Interest paid on revenue bonds		(15,017,594)
Other operating cash payments		(8,509)
Net cash used by operating activities		(8,509)
Cash flows from investing activities:		
Interest Income		817
Net cash provided by investing activities		817
Net change in cash		(7,692)
Cash and cash equivalents at beginning of year		530,796
Cash and cash equivalents at end of year	$	523,104
Classified on Statement of Net Position as:		
Cash and cash equivalents	$	426
Investment in Georgia Fund 1		522,678
Cash and cash equivalents for cash flow statement	$	523,104
Reconciliation of operating loss to net cash used by operating activities:		
Operating loss	$	(318,091)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Amortization		309,582
Net cash used by operating activities	$	(8,509)

See accompanying notes to financial statements.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Reporting Entity:

The Georgia Higher Education Facilities Authority (the "Authority") was created by legislation enacted by the 2006 General Assembly of Georgia and is a component unit of the State of Georgia.

Pursuant to the legislation establishing the Authority, the primary purpose of the Authority is to finance eligible construction, renovation, improvement, rehabilitation or restoration projects for the Board of Regents and the Technical College System of Georgia through the issuance of revenue bonds.

The accounting policies of the Authority conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the more significant accounting policies.

(b) Basis of Presentation:

In accounting and reporting for its proprietary fund-type operations, the Authority applies all Governmental Accounting Standards Board (GASB) pronouncements.

The accrual basis of accounting and economic resources measurement focus are utilized by the Authority. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. Revenues and expenses associated with the Authority's central purpose of financing the eligible construction, renovation, improvement, rehabilitation or restoration projects for the Board of Regents and the Technical College System for the State of Georgia are considered to be operating revenues and expenses.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Note Receivable:

The note receivable is the total of the principal payments from the USG Real Estate Foundation I, LLC, USG Real Estate Foundation II, LLC and USG Real Estate Foundation III, LLC under loan agreements between the parties.

(d) Debt Issuance Costs:

Debt issuance costs comprising principally underwriting, legal, and printing are recorded as assets and amortized over the term of the debt using the effective interest method.

(e) Bond Discounts:

Bond discounts are presented as a reduction of the face amount of bonds payable and amortized over the term of the debt using the effective interest method.

(f) Bond Premiums:

Bond premiums are presented as an addition of the face amount of bonds payable and amortized over the term of the debt using the effective interest method.

(g) Deferred Outflows/Inflows of Resources:

The Authority implemented GASB Statements No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position as of July 1, 2012. This new standard establishes accounting and financial reporting for deferred outflows / inflows of resources and the concept of net position as the residual of all other elements presented in a statement of net position.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Related Party Transactions:

During the normal course of business, the Authority provides services to the Board of Regents and Technical College System of Georgia and enters into loan and leasing arrangements with entities related to the Board of Regents and Technical College System of Georgia. The relationship with these entities is so pervasive that disclosure of the relationship alone is sufficient and significant transactions with the entities are noted throughout the financial statements and the notes.

(i) Economic Dependency:

The Authority provides services to the Board of Regents and the Technical College System of Georgia. Substantially all of the Authority's revenues are from these entities.

(j) Management Estimates:

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

NOTE 2. DEPOSITS AND INVESTMENTS

The bank balance of cash deposits at year end, which totaled $426, was insured by FDIC insurance. The carrying amount of these deposits was $426. Investments are carried at fair value. The investment in the Georgia Fund 1 represents the Authority's portion of a pooled investment account operated by the Office of the State Treasurer. The pool consists of U.S. treasury obligations, securities issued or guaranteed by the U.S. Government or any of its agencies or instrumentalities, banker's acceptances, overnight and term repurchase agreements with highly rated counterparties, and collateralized bank accounts. The Georgia Fund 1 is an external investment pool that is not registered with the Securities and Exchange Commission (SEC) but does operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. Accordingly, the investments in the Georgia Fund 1 are valued at amortized cost which translates into a stable $1 share price. The investment in the Georgia Fund 1 was $522,678 as of June 30, 2013.

Credit risk:

State statutes authorize the Authority to invest in obligations of the State of Georgia or other states; obligations issued by the U.S. government; obligations fully insured or guaranteed by the U.S. government or by a government agency of the United States; obligations of any corporation of the U.S. government; prime banker's acceptances; the local government investment pool established by state law; repurchase agreements; and obligations of other political subdivisions of the State of Georgia. As of June 30, 2013, the Authority's investment in the Georgia Fund 1 was rated AAAf by Standard & Poor's.

At June 30, 2013, the Authority had the following investments:

Investment	Maturities	Fair Value
Georgia Fund 1	43 day weighted average	$ 522,678
Total		$ 522,678

NOTE 2. DEPOSITS AND INVESTMENTS (Continued)

Interest rate risk:

The Authority does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Custodial credit risk – deposits:

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

NOTE 3. NOTES RECEIVABLE

On November 1, 2008, the Authority entered into a loan agreement with the USG Real Estate Foundation I, LLC, for several projects located on campuses across the State of Georgia with the Board of Regents of the University System of Georgia for $99,855,000. The loan payments to be received by the Authority follow the same debt service requirements of the 2008 Bonds.

On July 23, 2009, the Authority entered into a loan agreement with the USG Real Estate Foundation II, LLC, for several projects located on campuses across the State of Georgia with the Board of Regents of the University System of Georgia for $100,850,000. The loan payments to be received by the Authority follow the same debt service requirements of the 2009A Bonds.

On August 12, 2010, the Authority entered into a loan agreement with the USG Real Estate Foundation III, LLC, for several projects located on campuses across the State of Georgia with the Board of Regents of the University System of Georgia for $94,210,000. The loan payments to be received by the Authority follow the same debt service requirements of the 2010A Bonds.

NOTE 3. NOTES RECEIVABLE (Continued)

As of June 30, 2013, the estimated annual payments to be received under these notes receivable are as follows:

Year ending June 30,	Principal	Interest	Total
2014	$ 4,215,000	$ 14,876,344	$ 19,091,344
2015	4,535,000	14,707,744	19,242,744
2016	4,875,000	14,508,594	19,383,594
2017	5,245,000	14,294,944	19,539,944
2018	5,595,000	14,098,069	19,693,069
2019-2023	34,745,000	66,277,931	101,022,931
2024-2028	46,850,000	56,518,756	103,368,756
2029-2033	61,270,000	42,725,863	103,995,863
2034-2038	80,715,000	23,898,888	104,613,888
2039-2041	37,330,000	3,329,463	40,659,463
Total	$ 285,375,000	$ 265,236,596	$ 550,611,596

NOTE 4. LONG-TERM DEBT

The following is a summary of long-term debt activity for the year ended June 30, 2013:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Revenue bonds payable	$ 289,310,000	$ -	$ (3,935,000)	$ 285,375,000	$ 4,215,000
Plus: Premium on bonds	1,934,768	-	(104,140)	1,830,628	-
Less: Discount on bonds	(3,301,579)	-	175,150	(3,126,429)	-
Total revenue bonds payable	$ 287,943,189	$ -	$ (3,863,990)	$ 284,079,199	$ 4,215,000

Revenue Bonds. In November 1, 2008, the Authority issued revenue bonds, Series 2008, in the principal amount of $99,855,000 with semi-annual installments due beginning June 15, 2009 through June 15, 2040 at an interest rate ranging from 4.00% to 6.25%. Proceeds will be used to acquire, construct, and equip several projects on college campuses throughout the State. The bonds are secured solely by the related Security Deed and related Assignment of Contract Documents.

NOTE 4. LONG-TERM DEBT (Continued)

On July 23, 2009, the Authority issued revenue bonds, Series 2009A, in the principal amount of $100,850,000 with semi-annual installments due beginning December 15, 2009 through June 15, 2039 at an interest rate ranging from 3.00% to 5.50%. Proceeds will be used to acquire, construct, and equip several projects on college campuses throughout the State. The bonds are secured solely by the related Security Deed and related Assignment of Contract Documents.

On August 12, 2010, the Authority issued revenue bonds, Series 2010A, in the principal amount of $94,210,000 with semi-annual installments due beginning December 15, 2010 through June 15, 2041 at an interest rate ranging from 3.00% to 5.00%. Proceeds will be used to acquire, construct, and equip several projects on college campuses throughout the State. The bonds are secured solely by the related Security Deed and related Assignment of Contract Documents.

The Authority's debt service requirements to maturity on the revenue bonds are as follows:

Year ending June 30,	Principal	Interest	Total
2014	$ 4,215,000	$ 14,876,344	$ 19,091,344
2015	4,535,000	14,707,744	19,242,744
2016	4,875,000	14,508,594	19,383,594
2017	5,245,000	14,294,944	19,539,944
2018	5,595,000	14,098,069	19,693,069
2019-2023	34,745,000	66,277,931	101,022,931
2024-2028	46,850,000	56,518,756	103,368,756
2029-2033	61,270,000	42,725,863	103,995,863
2034-2038	80,715,000	23,898,888	104,613,888
2039-2041	37,330,000	3,329,463	40,659,463
Total	$ 285,375,000	$ 265,236,596	$ 550,611,596

MAULDIN & JENKINS
CERTIFIED PUBLIC ACCOUNTANTS, LLC

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

The Members
Georgia Higher Education
Facilities Authority
Atlanta, Georgia

We have audited, 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, the financial statements of the Georgia Higher Education Facilities Authority (the "Authority"), a component unit of the State of Georgia, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated September 20, 2013.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting ("internal control") to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Mauldin & Jenkins, LLC

Atlanta, Georgia
September 20, 2013

GEORGIA HIGHER EDUCATION FACILITIES AUTHORITY
(A Component Unit of the State of Georgia)

SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2013

Section I – Summary of Auditor's Results

Financial Statements

Type of auditor's report issued	Unmodified
Internal control over financial reporting:	
Material weaknesses identified?	____ yes __X__ no
Significant deficiencies identified?	____ yes __X__ none reported
Noncompliance material to financial statements noted?	____ yes __X__ no

Federal Awards

There was not an audit of major federal award programs as of June 30, 2013 due to the Georgia Higher Education Facilities Authority not receiving any federal awards for the year then ended June 30, 2013.