

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

**Financial Statements**

**June 30, 2011**

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

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

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## INDEPENDENT AUDITOR'S REPORT

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**The Members  
Georgia Higher Education  
Facilities Authority**

We have audited the accompanying basic 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, 2011 as listed in the table of contents. 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 audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2011, and the changes in its financial position and its cash flows for the year 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, 2011 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* and should be considered in assessing the results of our audit.

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Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 5 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.

*Mauldin & Jenkins, LLC*

Atlanta, Georgia  
September 27, 2011

**GEORGIA HIGHER EDUCATION FACILITIES AUTHORITY**  
**(A Component Unit of the State of Georgia)**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

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Management's discussion and analysis of the financial performance of the Georgia 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, 2011.

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

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

The basic financial statements can be found on pages 6-8 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 9-14 of this report.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### Financial Analysis

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

June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
<b>Assets:</b>		
Current and other assets	\$ <u>298,772,094</u>	\$ <u>204,439,474</u>
Total assets	\$ <u>298,772,094</u>	\$ <u>204,439,474</u>
<b>Liabilities:</b>		
Long-term liabilities	\$ 287,872,254	\$ 195,045,136
Other liabilities	<u>4,230,461</u>	<u>2,455,724</u>
Total liabilities	\$ <u>292,102,715</u>	\$ <u>197,500,860</u>
<b>Net assets:</b>		
Unrestricted	<u>6,669,379</u>	<u>6,938,614</u>
Total net assets	\$ <u><u>6,669,379</u></u>	\$ <u><u>6,938,614</u></u>

The net assets of a governmental entity may serve as an indicator of the entity's financial position. The Authority's net assets at June 30, 2011 were \$6.7 million as compared to June 30, 2010 when they were \$6.9 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 2011, the Authority issued its third series of revenue bonds (the "Series 2010A Bonds"). Proceeds of the Series 2010A Bonds will be used by the USG Real Estate Foundation III, LLC for the purpose of providing funds to (1) finance the following projects: (a) student housing and student center on the campus of College of Coastal Georgia, (b) student housing on the campus of East Georgia College, (c) wellness and recreation center on the campus of Georgia College & State University, (d) stadium and student center on the campus of Savannah State University, (e) bookstore on the campus of University of West Georgia, (2) fund capitalized interest on the Series 2010A Bonds, (3) fund the Debt Service Reserve Fund and (4) pay the costs of issuance of the Series 2010A Bonds.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### Summary of Changes in the Authority's Net Assets Years ended June 30, 2011 and 2010

	<b>2011</b>	<b>2010</b>
Operating Revenues:		
Financing income on notes receivable from:		
USG Real Estate Foundation I, LLC	\$ 5,850,216	\$ 5,850,983
USG Real Estate Foundation II, LLC	5,415,198	4,868,193
USG Real Estate Foundation III, LLC	3,867,592	—
Intergovernmental revenue	36,335	2,602,535
Charges for services	14,333	15,128
Total operating revenues	\$ 15,183,674	\$ 13,336,839
Operating Expenses:		
Interest on bonds payable	\$ 15,133,006	\$ 10,719,176
Amortization	312,894	297,995
Other services and charges	7,953	6,587
Total operating expenses	\$ 15,453,853	\$ 11,023,758
Interest income	944	1,375
Change in net assets	\$ (269,235)	\$ 2,314,456
Net assets, beginning of year	6,938,614	4,624,158
Net assets, end of year	\$ 6,669,379	\$ 6,938,614

As noted previously, the fiscal year 2011 activity included the issuance of the 2010A Bonds, its third bond issuance since the initial start up of the Authority in fiscal year 2006. The intergovernmental revenue and resulting majority of net assets 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 2011 were \$12,700 while actual expenses for administration (classified as other services and charges) were \$7,953.

#### **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 Assets  
June 30, 2011

**Assets**

Current assets:

Cash and cash equivalents	\$	384
Investment in Georgia Fund 1		537,924
Note receivable from USG Real Estate Foundation I, LLC, current portion		545,000
Note receivable from USG Real Estate Foundation II, LLC, current portion		1,540,000
Note receivable from USG Real Estate Foundation III, LLC, current portion		1,515,000
Interest receivable from USG Real Estate Foundation I, LLC		233,273
Interest receivable from USG Real Estate Foundation II, LLC		214,754
Interest receivable from USG Real Estate Foundation III, LLC		<u>182,434</u>
Total current assets		<u>4,768,769</u>

Noncurrent assets:

Note receivable from USG Real Estate Foundation I, LLC, noncurrent portion		98,850,000
Note receivable from USG Real Estate Foundation II, LLC, noncurrent portion		97,765,000
Note receivable from USG Real Estate Foundation III, LLC, noncurrent portion		92,695,000
Debt issuance costs		<u>4,693,325</u>
Total noncurrent assets		<u>294,003,325</u>
Total assets		<u>298,772,094</u>

**Liabilities**

Current liabilities:

Bonds payable, current portion		3,600,000
Accrued interest payable		<u>630,461</u>
Total current liabilities		<u>4,230,461</u>

Noncurrent liabilities:

Bonds payable, noncurrent portion, net of unamortized premium/discount of \$1,437,746		<u>287,872,254</u>
Total noncurrent liabilities		<u>287,872,254</u>
Total liabilities		<u>292,102,715</u>

**Net Assets**

Unrestricted		<u>6,669,379</u>
Total net assets	\$	<u><u>6,669,379</u></u>

See accompanying notes to financial statements.

**GEORGIA HIGHER EDUCATION FACILITIES AUTHORITY**  
**Statement of Revenues, Expenses and Changes in Net Assets**  
**Year ended June 30, 2011**

Operating revenue	
Financing income on notes receivable from:	
USG Real Estate Foundation I, LLC	\$ 5,850,216
USG Real Estate Foundation II, LLC	5,415,198
USG Real Estate Foundation III, LLC	3,867,592
Intergovernmental revenue	36,335
Charges for services	<u>14,333</u>
Total operating revenues	<u>15,183,674</u>
Operating expenses:	
Interest on bonds payable	15,133,006
Amortization	312,894
Other services and charges	<u>7,953</u>
Total operating expenses	<u>15,453,853</u>
Operating loss	<u>(270,179)</u>
Non-operating income	
Interest income	<u>944</u>
Total non-operating income	<u>944</u>
Change in net assets	(269,235)
Net assets at beginning of year	<u>6,938,614</u>
Net assets at end of year	<u>\$ 6,669,379</u>

**See accompanying notes to financial statements.**

# GEORGIA HIGHER EDUCATION FACILITIES AUTHORITY

## Statement of Cash Flows Year ended June 30, 2011

Cash flows from operating activities:	
Financing income on direct financing lease	\$ 14,502,546
Interest paid on revenue bonds	(14,502,546)
Other operating cash receipts	50,633
Other operating cash payments	(7,953)
Net cash provided by operating activities	<u>42,680</u>
Cash flows from investing activities:	
Interest Income	<u>944</u>
Net cash provided by investing activities	<u>944</u>
Cash flows from noncapital and related financing activities:	
Proceeds from bond issuance	96,338,571
Payments to lessee in direct financing lease	(94,173,666)
Bond issuance costs	(2,164,905)
Net cash used in noncapital and related financing activities	<u>-</u>
Net change in cash	43,624
Cash and cash equivalents at beginning of year	<u>494,684</u>
Cash and cash equivalents at end of year	<u>\$ 538,308</u>
Classified on Statement of Net Assets as:	
Cash and cash equivalents	\$ 384
Investment in Georgia Fund 1	<u>537,924</u>
Cash and cash equivalents for cash flow statement	<u>\$ 538,308</u>
Reconciliation of operating loss to net cash provided by operating activities:	
Operating loss	\$ (270,179)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Intergovernmental revenue related to financing activities	(36,335)
Amortization	312,894
Increase in accounts receivable	36,300
Net cash provided by operating activities	<u>\$ 42,680</u>

**See accompanying notes to financial statements.**

**GEORGIA HIGHER EDUCATION FACILITIES AUTHORITY**  
**(A Component Unit of the State of Georgia)**  
**NOTES TO FINANCIAL STATEMENTS**

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**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, and all Financial Accounting Standards Board (FASB) pronouncements and interpretations issued on or before November 30, 1989. Such FASB statements are applied unless they conflict or contradict GASB pronouncements. The Authority has elected not to apply any FASB pronouncements issued after November 30, 1989 as allowed under GASB Statement No. 20.

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.

## NOTES TO FINANCIAL STATEMENTS

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### 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 deferred charges 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) 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.

#### **(h) 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.

## NOTES TO FINANCIAL STATEMENTS

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

#### (i) 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 \$384, was insured by FDIC insurance. The carrying amount of these deposits was \$384. 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 \$537,924 as of June 30, 2011.

#### 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, 2011, the Authority's investment in the Georgia Fund 1 was rated AAAM by Standard & Poor's.

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

<u>Investment</u>	<u>Maturities</u>	<u>Fair Value</u>
Georgia Fund 1	59 day weighted average	\$ 537,924
Total		<u>\$ 537,924</u>

## NOTES TO FINANCIAL STATEMENTS

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### **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.

## NOTES TO FINANCIAL STATEMENTS

### NOTE 3. NOTES RECEIVABLE (Continued)

As of June 30, 2011, the estimated annual payments to be received under these notes receivable are as follows:

Year ending June 30,	Principal	Interest	Total
2012	\$ 3,600,000	\$ 15,131,044	\$ 18,731,044
2013	3,935,000	15,017,594	18,952,594
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
2017-2021	30,185,000	69,146,656	99,331,656
2022-2026	42,045,000	60,821,681	102,866,681
2027-2031	54,920,000	48,829,712	103,749,712
2032-2036	72,335,000	32,032,043	104,367,043
2037-2041	72,265,000	10,313,819	82,578,819
Total	<u>\$ 292,910,000</u>	<u>\$ 295,385,231</u>	<u>\$ 588,295,231</u>

### NOTE 4. LONG-TERM DEBT

The following is a summary of long-term debt activity for the year ended June 30, 2011:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental Activities:</b>					
Revenue bonds payable	\$ 200,705,000	\$ 94,210,000	\$ (2,005,000)	\$ 292,910,000	\$ 3,600,000
Plus: Premium on bonds	-	2,128,571	(88,571)	2,040,000	-
Less: Discount on bonds	(3,654,864)	-	177,118	(3,477,746)	-
Total revenue bonds payable	<u>\$ 197,050,136</u>	<u>\$ 96,338,571</u>	<u>\$ (1,916,453)</u>	<u>\$ 291,472,254</u>	<u>\$ 3,600,000</u>

**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.

## NOTES TO FINANCIAL STATEMENTS

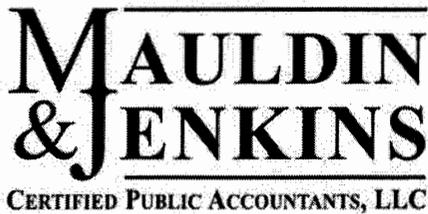
### NOTE 4. LONG-TERM DEBT (Continued)

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 <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 3,600,000	\$ 15,131,044	\$ 18,731,044
2013	3,935,000	15,017,594	18,952,594
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
2017-2021	30,185,000	69,146,656	99,331,656
2022-2026	42,045,000	60,821,681	102,866,681
2027-2031	54,920,000	48,829,712	103,749,712
2032-2036	72,335,000	32,032,043	104,367,043
2037-2041	72,265,000	10,313,819	82,578,819
Total	<u>\$ 292,910,000</u>	<u>\$ 295,385,231</u>	<u>\$ 588,295,231</u>



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

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**The Members  
Georgia Higher Education  
Facilities Authority**

We have audited the basic 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, 2011, and have issued our report thereon dated September 27, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control over Financial Reporting**

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

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

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

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**Compliance and Other Matters**

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

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

*Mauldin & Jenkins, LLC*

Atlanta, Georgia  
September 27, 2011

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

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

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

**Financial Statements**

Type of auditor’s report issued	Unqualified
Internal control over financial reporting:	
Material weaknesses identified?	_____ yes <u>  X  </u> no
Significant deficiencies identified not considered to be material weaknesses?	_____ yes <u>  X  </u> none reported
Noncompliance material to financial statements noted?	_____ yes <u>  X  </u> no

**Federal Awards**

There was not an audit of major federal award programs as of June 30, 2011 due to the Georgia Higher Education Facilities Authority not receiving any federal awards for the year then ended June 30, 2011.