

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

Financial Statements

June 30, 2015

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

FINANCIAL REPORT
JUNE 30, 2015

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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, 2015, 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, 2015, 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 22, 2015 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.

A handwritten signature in black ink that reads "Mauldin & Jenkins, LLC". The signature is written in a cursive, flowing style.

Atlanta, Georgia
September 22, 2015

GEORGIA HIGHER EDUCATION FACILITIES AUTHORITY

(A Component Unit of the State of Georgia)

MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2015.

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, deferred outflows of resources, and liabilities, with the difference between these 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Financial Analysis

Summary of the Authority's Net Position

June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Assets:		
Current and other assets	\$ 244,056,889	\$ 282,730,173
Total assets	<u>244,056,889</u>	<u>282,730,173</u>
Deferred outflow of resources:		
Deferred charges on refunding	<u>4,302,998</u>	<u>-</u>
Total deferred outflow of resources:	<u>4,302,998</u>	<u>-</u>
Liabilities:		
Long-term liabilities	242,327,162	275,400,633
Other liabilities	<u>4,783,033</u>	<u>5,147,938</u>
Total liabilities	<u>247,110,195</u>	<u>280,548,571</u>
Net position:		
Unrestricted	<u>1,249,692</u>	<u>2,181,602</u>
Total net position	<u>\$ 1,249,692</u>	<u>\$ 2,181,602</u>

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, 2015 was \$1.2 million as compared to June 30, 2014 when it was \$2.2 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 2015, the Authority issued refunding revenue bonds, refinancing the series 2008 bonds. The legislation that created the Authority limited the amount of outstanding principal that could be outstanding at any one point in time to \$300 million. During its 2012 session, the General Assembly of Georgia approved legislation which was signed into law by the Governor to increase the amount of outstanding debt that the Authority can have outstanding at any point in time by \$200 million to \$500 million.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Summary of Changes in the Authority's Net Position

Years ended June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Operating Revenues:		
Financing income on notes receivable from:		
USG Real Estate Foundation I, LLC	\$ 5,289,520	\$ 5,548,160
USG Real Estate Foundation II, LLC	4,989,094	5,056,636
USG Real Estate Foundation III, LLC	4,151,108	4,264,522
Total operating revenues	<u>14,429,722</u>	<u>14,869,318</u>
Operating Expenses:		
Interest on bonds payable	14,429,722	14,869,318
Bond issuance costs	903,750	-
Bond insurance	99,200	25,474
Amortization	(79,537)	71,435
Other services and charges	9,267	11,367
Total operating expenses	<u>15,326,402</u>	<u>14,977,594</u>
Interest income	<u>770</u>	<u>616</u>
Change in net position	(931,910)	(107,660)
Net position, beginning of year	2,181,602	2,289,262
Net position, end of year	<u>\$ 1,249,692</u>	<u>\$ 2,181,602</u>

As noted previously, refunding revenue bonds were issued in fiscal year 2015 resulting in the bond issuance costs which were not incurred in the prior year. The majority of net position is attributed to prepaid bond insurance, a deferred loss on the refunding of bonds, and the net premium on bonds payable. These amounts 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 2015 were \$18,200, while actual expenses for administration (classified as other services and charges) were \$9,267.

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
(A Component Unit of the State of Georgia)

Statement of Net Position
June 30, 2015

Assets

Current assets:

Cash and cash equivalents	\$ 477
Investment in Georgia Fund 1	503,379
Note receivable from USG Real Estate Foundation I, LLC, current portion	1,050,000
Note receivable from USG Real Estate Foundation II, LLC, current portion	1,865,000
Note receivable from USG Real Estate Foundation III, LLC, current portion	1,380,000
Interest receivable from USG Real Estate Foundation I, LLC	156,256
Interest receivable from USG Real Estate Foundation II, LLC	205,052
Interest receivable from USG Real Estate Foundation III, LLC	126,725
	<hr/>
Total current assets	5,286,889

Noncurrent assets:

Note receivable from USG Real Estate Foundation I, LLC, noncurrent portion	84,520,000
Note receivable from USG Real Estate Foundation II, LLC, noncurrent portion	90,830,000
Note receivable from USG Real Estate Foundation III, LLC, noncurrent portion	63,420,000
	<hr/>
Total noncurrent assets	238,770,000
	<hr/>
Total assets	244,056,889

Deferred Outflows of Resources

Deferred charges on refunding	4,302,998
	<hr/>
Total deferred outflows of resources	4,302,998

Liabilities

Current liabilities:

Bonds payable, current portion	4,295,000
Accrued interest payable	488,033
	<hr/>
Total current liabilities	4,783,033

Noncurrent liabilities:

Bonds payable, noncurrent portion, net of unamortized premium/discount of \$3,557,162	242,327,162
	<hr/>
Total noncurrent liabilities	242,327,162
	<hr/>
Total liabilities	247,110,195

Net Position

Unrestricted	1,249,692
	<hr/>
Total net position	\$ 1,249,692

See accompanying notes to financial statements.

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

Statement of Revenues, Expenses and Changes in Net Position
Year ended June 30, 2015

Operating revenue	
Financing income on notes receivable from:	
USG Real Estate Foundation I, LLC	\$ 5,289,520
USG Real Estate Foundation II, LLC	4,989,094
USG Real Estate Foundation III, LLC	<u>4,151,108</u>
Total operating revenues	<u>14,429,722</u>
Operating expenses:	
Interest on bonds payable	14,429,722
Bond issuance costs	903,750
Bond insurance	99,200
Amortization	(79,537)
Other services and charges	<u>9,267</u>
Total operating expenses	<u>15,362,402</u>
Operating loss	<u>(932,680)</u>
Non-operating income	
Interest income	<u>770</u>
Total non-operating income	<u>770</u>
Change in net position	(931,910)
Net position at beginning of year	<u>2,181,602</u>
Net position at end of year	<u><u>\$ 1,249,692</u></u>

See accompanying notes to financial statements.

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

Statement of Cash Flows
Year ended June 30, 2015

Cash flows from operating activities:

Other operating cash payments	\$ (9,383)
Net cash used by operating activities	<u>(9,383)</u>

Cash flows from noncapital financing activities:

Principal payments paid on revenue bonds	(43,465,000)
Proceeds from the issuance of refunding bonds	88,939,086
Payments to escrow agent to defease bonds	(93,476,840)
Payments of bond issuance costs	(903,750)
Interest paid on revenue bonds	<u>(14,554,512)</u>
Net cash used by noncapital financing activities	<u>(63,461,016)</u>

Cash flows from investing activities:

Principal payments received on direct financing lease	48,906,504
Financing income on direct financing lease	14,554,512
Interest Income	<u>770</u>
Net cash provided by investing activities	<u>63,461,786</u>

Net change in cash (8,613)

Cash and cash equivalents at beginning of year 512,469

Cash and cash equivalents at end of year \$ 503,856

Classified on Statement of Net Position as:

Cash and cash equivalents	\$ 477
Investment in Georgia Fund 1	<u>503,379</u>
Cash and cash equivalents for cash flow statement	<u><u>\$ 503,856</u></u>

Reconciliation of operating loss to net cash used by operating activities:

Operating loss	\$ (932,680)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Amortization	(79,537)
Bond issuance costs	903,750
Decrease in prepaid bond insurance	99,200
Decrease in accounts payable	<u>(116)</u>
Net cash used by operating activities	<u><u>\$ (9,383)</u></u>

See accompanying notes to financial statements.

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

(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) 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.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) 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.

(f) Deferred Outflows of Resources:

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The Authority has one type of item that qualifies for reporting in this category. This item is the deferred charge on refunding reported in the statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded debt or the refunding debt.

(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.

(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, deferred outflows of resources, 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.

NOTES TO FINANCIAL STATEMENTS

NOTE 2. DEPOSITS AND INVESTMENTS

The bank balance of cash deposits at year end, which totaled \$477, was insured by FDIC insurance. The carrying amount of these deposits was \$477. 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 investment in the Georgia Fund 1 is valued at fair market value. The investment in the Georgia Fund 1 was \$503,379 as of June 30, 2015.

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, 2015, the Authority's investment in the Georgia Fund 1 was rated AA+ by Standard & Poor's.

At June 30, 2015, the Authority had the following investments:

<u>Investment</u>	<u>Maturities</u>	<u>Fair Value</u>
Georgia Fund 1	56 day weighted average	\$ 503,379
Total		<u>\$ 503,379</u>

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.

NOTES TO FINANCIAL STATEMENTS

NOTE 2. DEPOSITS AND INVESTMENTS (Continued)

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 followed the same debt service requirements of the 2008 Bonds. On June 5, 2015, this loan agreement was replaced with a new loan agreement due to the issuance of refunding revenue bonds in the amount of \$80,200,000. The new loan payments to be received by the Authority follow the same debt service requirements of the 2015 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, 2015, the estimated annual payments to be received under these notes receivable are as follows:

Year ending June 30,	Principal	Interest	Total
2016	\$ 4,295,000	\$ 11,712,804	\$ 16,007,804
2017	4,645,000	11,427,231	16,072,231
2018	4,975,000	11,255,881	16,230,881
2019	5,340,000	11,052,381	16,392,381
2020	6,090,000	10,785,381	16,875,381
2021-2025	37,240,000	49,044,213	86,284,213
2026-2030	47,695,000	39,337,776	87,032,776
2031-2035	61,010,000	26,637,945	87,647,945
2036-2040	67,555,000	10,213,544	77,768,544
2041	4,220,000	200,450	4,420,450
Total	<u>\$ 243,065,000</u>	<u>\$ 181,667,606</u>	<u>\$ 424,732,606</u>

NOTE 4. LONG-TERM DEBT

The following is a summary of long-term debt activity for the year ended June 30, 2015:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Revenue bonds payable	\$ 281,160,000	\$ 85,570,000	\$ (123,665,000)	\$ 243,065,000	\$ 4,295,000
Plus: Premium on bonds	1,728,064	3,369,086	(570,884)	4,526,266	-
Less: Discount on bonds	<u>(2,952,431)</u>	<u>-</u>	<u>1,983,327</u>	<u>(969,104)</u>	<u>-</u>
Total revenue bonds payable	<u>\$ 279,935,633</u>	<u>\$ 88,939,086</u>	<u>\$ (122,252,557)</u>	<u>\$ 246,622,162</u>	<u>\$ 4,295,000</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 were 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)

Revenue Bonds (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 were 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 were 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 May 14, 2015, the Authority legally defeased the outstanding portion of the Series 2008 Bonds allocable to the Georgia State housing project (\$17,140,000) and the outstanding portions of the Series 2010A Bonds allocable to the Coastal College of Georgia housing project (\$14,795,000) and the East Georgia College housing project (\$8,450,000). Proceeds for the defeasance were provided to the Authority by USG Real Estate Foundation I, LLC and USG Real Estate Foundation III, LLC. Those entities received funds for the defeasance from Corvias Campus Living who was selected by the Board of Regents as its partner for the initial phase of the University System's Public-Private Partnership initiative for on-campus student housing.

On June 9, 2015, the Authority issued refunding revenue bonds, Series 2015, in the principal amount of \$85,570,000, with semi-annual installments due beginning June 15, 2016 through June 15, 2040 at an interest rate ranging from 2.00% to 5.00%. The bonds are secured solely by the related Security Deed and related Assignment of Contract Documents. Proceeds, along with cash received from the USG Real Estate Foundation I, LLC, were used to refund all of the outstanding Revenue Bonds, Series 2008 through a deposit into an escrow account which will be used to pay all debt service on the refunded bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the Authority's financial statements.

At June 30, 2015, \$96,350,000 of bonds outstanding are considered defeased. The net present value cash-flow savings resulting from this transaction was determined to be \$6,436,242. The difference between the cash flows required to service the old debt (refunded debt) and cash flows required to service the new debt (refunding debt) and complete the refunding was determined to be \$12,494,524.

NOTES TO FINANCIAL STATEMENTS

NOTE 4. LONG-TERM DEBT (Continued)

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>
2016	\$ 4,295,000	\$ 11,712,804	\$ 16,007,804
2017	4,645,000	11,427,231	16,072,231
2018	4,975,000	11,255,881	16,230,881
2019	5,340,000	11,052,381	16,392,381
2020	6,090,000	10,785,381	16,875,381
2021-2025	37,240,000	49,044,213	86,284,213
2026-2030	47,695,000	39,337,776	87,032,776
2031-2035	61,010,000	26,637,945	87,647,945
2036-2040	67,555,000	10,213,544	77,768,544
2041	4,220,000	200,450	4,420,450
Total	<u>\$ 243,065,000</u>	<u>\$ 181,667,606</u>	<u>\$ 424,732,606</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

The Members
Georgia Higher Education
Facilities Authority
Atlanta, Georgia

We have audited, in accordance with the 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, 2015, 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 22, 2015.

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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in dark ink that reads "Mauldin & Jenkins, LLC". The signature is written in a cursive, flowing style.

Atlanta, Georgia
September 22, 2015

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

SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2015

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, 2015 due to the Georgia Higher Education Facilities Authority not expending any federal awards for the year then ended June 30, 2015.