

FINANCIAL REPORT

Georgia Student Finance Authority

(A component unit of the Georgia Student Finance Commission)

Year ended June 30, 2008

with Independent Auditor's Report

Georgia Student Finance Authority

Financial Report

Year ended June 30, 2008

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Independent Auditor's Report

To the Board of Commissioners
Georgia Student Finance Authority
Tucker, Georgia

We have audited the accompanying financial statements of the major fund and the aggregate remaining fund information of the Georgia Student Finance Authority (the "Authority"), a component unit of the Georgia Student Finance Commission, as of and for the year ended June 30, 2008 which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express opinions 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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the major fund and the aggregate remaining fund information of the Georgia Student Finance Authority, as of June 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 22, 2008, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3 through 8 and the Schedule of Funding Progress for the Retirement System on page 34 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Mauldin & Jenkins, LLC

Macon, Georgia
September 22, 2008

Georgia Student Finance Authority

Management's Discussion and Analysis

June 30, 2008

This section of the Georgia Student Finance Authority's (the "Authority") financial statements presents management's analysis of the Authority's financial performance during the fiscal year that ended June 30, 2008. Please read it in conjunction with the financial statements, which follow this section.

Financial Highlights

2008

- Net income of \$2.5 million
- \$52.3 million in Federal Family Education Loan Program (FFELP) principal disbursed through cash portfolio, 17% increase over prior year
- Yearend total loan portfolio (owned & serviced) balance of \$161.7 million in principal, 12% increase over prior yearend
- Approximately \$39.1 million in student loan principal sold in fiscal year 2008
- Servicing of \$14.0 million Edsouth portfolio began June 2008
- Average effective yield on cash portfolio of 5.67%

Overview of the Financial Statements

The Financial Statements consist of two parts: Management's Discussion and Analysis and the Basic Financial Statements. The Basic Financial Statements also include notes and required supplementary information that explain in more detail some of the information in the financial statements.

Georgia Student Finance Authority

Management's Discussion and Analysis (continued)

June 30, 2008

Required Basic Financial Statements

The Authority utilizes two different funds to account for its activities: an enterprise fund, which reports information about the general operations of the Authority, and an agency fund, which reports information about the transactions entered into by the Authority on behalf of those outside of the Authority. The Authority's agency fund includes student loans serviced for other entities, scholarships and grants disbursed on behalf of the State of Georgia, and scholarships disbursed on behalf of a private organization. For information regarding the agency fund of the Authority, see the *Statement of Fiduciary Assets and Liabilities – Agency Fund* in the Financial Statements.

The Enterprise Fund Financial Statements of the Authority report information about the Authority using accounting methods similar to those used by private sector companies. These statements offer financial information about the Authority's activities. The Statement of Net Assets includes all of the Authority's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations to Authority creditors (liabilities). The assets and liabilities are presented in order of liquidity. It also provides the basis for computing rate of return, evaluating the capital structure of the Authority and assessing the liquidity and financial flexibility of the Authority.

All of the current year's revenues and expenses are accounted for in the Statement of Revenues, Expenses and Changes in Net Assets. This statement measures the operating activities of the Authority's operations over the past year and can be used to determine whether the Authority has successfully recovered all of its costs through its services provided, as well as its profitability, and credit worthiness.

The final required financial statement is the Statement of Cash Flows. The primary purpose of this statement is to provide information about the Authority's cash receipts and cash payments during the reporting period. The statement reports cash receipts, cash payments, and net changes in cash resulting from operating, investing, non-capital financing and financing activities and provides information regarding the sources and uses of cash and the change in the cash balance during the reporting period.

Georgia Student Finance Authority

Management's Discussion and Analysis (continued)

June 30, 2008

Financial Analysis

Our analysis of the Enterprise Fund Financial Statements of the Authority begins below. One of the most important questions asked about the Authority's finances is "Is the Authority as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Revenues, Expenses and Changes in Net Assets report information about the Authority's activities in a way that will help answer this question. These two statements report the net assets of the Authority and changes in them. You can think of the Authority's net assets – the difference between assets and liabilities – as one way to measure financial health or financial position. Over time, increases or decreases in the Authority's net assets are one indicator of whether its financial health is improving or deteriorating. However, you will need to consider other non-financial factors such as changes in economic conditions, regulations and new or changed government legislation.

Net Assets

To begin our analysis, a summary of the Authority's Enterprise Fund Statement of Net Assets is presented in Table A-1.

Table A-1

Condensed Statement of Net Assets – Enterprise Fund (In thousands of dollars)

	FY 2008	FY 2007	Dollar Change	Percentage Change
Cash & Cash Equivalents	\$ 2,692	\$ 653	\$ 2,039	312.3%
Receivables, Net	97,862	94,507	3,355	3.6%
Pledged Receivables	14,018	0	14,018	
Other Assets	392	373	19	5.1%
Capital Assets	2,968	3,317	(349)	(10.5)%
Total Assets	\$ 117,932	\$ 98,850	\$ 19,082	19.3%
Total Liabilities	\$ 56,925	\$ 40,315	\$ 16,610	41.2%
Total Net Assets	\$ 61,007	\$ 58,535	\$ 2,472	4.2%

As shown in Table A-1, total assets increased \$19.1 million from fiscal year 2007. The predominant factor in the increase was the addition of the pledged receivables of \$14.0 million. Net assets increased \$2.5 million.

Georgia Student Finance Authority

Management's Discussion and Analysis (continued)

June 30, 2008

Net Assets (continued)

Table A-2

Condensed Statement of Revenues, Expenses and Changes in Net Assets (In thousands of dollars)

	FY 2008	FY 2007	Dollar Change	Percentage Change
Operating Revenues	<u>\$ 26,127</u>	<u>\$ 26,921</u>	<u>\$ (794)</u>	(2.9)%
General and Administrative Expenses	<u>6,635</u>	<u>6,120</u>	<u>515</u>	8.4%
Other Expenses	<u>18,574</u>	<u>17,201</u>	<u>1,373</u>	8.0%
Total Operating Expenses	<u>25,209</u>	<u>23,321</u>	<u>1,888</u>	8.1%
Income from Operations	<u>918</u>	<u>3,600</u>	<u>(2,682)</u>	(74.5)%
Non-operating Revenues, Net	<u>1,554</u>	<u>1,597</u>	<u>(43)</u>	(2.7)%
Change in Net Assets	<u>2,472</u>	<u>5,197</u>	<u>(2,725)</u>	(52.4)%
Beginning Net Assets	<u>58,535</u>	<u>53,338</u>	<u>5,197</u>	9.7%
Ending Net Assets	<u>\$ 61,007</u>	<u>\$ 58,535</u>	<u>\$ 2,472</u>	4.2%

As can be seen in Table A-2 above, operating revenues declined \$.8 million. This decline was due predominantly to a \$1.2 million drop in the federal interest benefits earned and a \$.7 million decline in loan servicing fees combined with a \$1.3 million increase in service cancelable loan revenue. Federal interest benefits declined as the company's interest rates on many of its loans exceeded the current market rate. Loan servicing fees declined due to the discontinuation of the servicing of the Sallie Mae loan portfolio. Service cancelable loan revenue increased due to increased disbursements.

General and administrative expense increased \$.5 million predominantly as a result of higher salaries expense and related benefits. Other expenses increased in total \$1.4 million. The major factor was a \$1.1 million increase in service cancelable loan repayment expense, corresponding with the increased disbursements. Bad debt expense also increased \$.7 million over the prior year due predominantly to a fiscal year 2007 adjustment to the reserve percentage applied to the insured pool, resulting in a reduction to the reserve of \$.3 million for that fiscal year. Offsetting these increases was a decline in interest expense of \$.4 million due to a reduction in rates.

Georgia Student Finance Authority

Management's Discussion and Analysis (continued)

June 30, 2008

Capital Assets and Debt Financing

Capital Assets

As of June 30, 2008, the Authority had approximately \$3.0 million invested in a variety of capital assets, as reflected in Table A-3 below, which represents a net decrease (additions, deductions and depreciation) of \$349 thousand or 10.5% in comparison to the end of last year.

Table A-3

Capital Assets (In thousands of dollars)

	FY 2008	FY 2007
Land	\$ 374	\$ 374
Buildings	519	635
Building Improvements	726	591
Equipment	510	782
Furniture & Fixtures	808	777
Capital Assets in Process	31	158
Total Capital Assets	<u>\$ 2,968</u>	<u>\$ 3,317</u>

Depreciable capital assets are shown net of accumulated depreciation in the table above.

Georgia Student Finance Authority

Management's Discussion and Analysis (continued)

June 30, 2008

Debt Financing

The Authority had a \$50.0 million financing arrangement with a financial institution as of June 30, 2008 for the purpose of originating and refinancing loans made under the Guaranteed Student Loan program. From July 1, 2007 through February 26, 2008 this promissory note had a variable interest rate calculated as the British Banker's Association (BBA) London Interbank Offered Rate (LIBOR) daily overnight rate plus 22 basis points. From February 27, 2008 through June 30, 2008 this note carried the 30-day BBA LIBOR for two business days prior plus 35 basis points and the rate changed daily. The note was collateralized by loans of the Authority. The principal amount outstanding at June 30, 2008 was \$21.4 million.

As of July 1, 2008 the Authority ended its \$50.0 million financing arrangement and entered into a new agreement with another financial institution. This agreement afforded the Authority a \$75.0 million line of credit with an interest rate calculated as the 30-day BBA LIBOR for the two business days prior to the start of the calendar month. The rate remains constant for that calendar month and 37.5 basis points (.375%) are added. This agreement matures on June 30, 2009.

For more detailed information regarding the Authority's capital assets and debt financing, please refer to the notes to the financial statements.

Economic Factors

There are no known major changes anticipated for the coming fiscal year ended June 30, 2009.

Requests for Information

This financial report is designed to provide a general overview of the Authority's financial position for all those with an interest in the Authority's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Executive Vice President of Finance, 2082 East Exchange Place, Tucker, Georgia 30084.

Component Unit Basic Financial Statements

Georgia Student Finance Authority
Statement of Net Assets
Enterprise Fund

June 30, 2008

Assets

Current assets:

Cash and cash equivalents	\$ 2,691,688
Student loans (net of allowance for doubtful accounts of \$1,629,763)	90,295,828
Student loans - service repayable (net of allowance for doubtful accounts of \$1,517,893 and allowance for service repayments of \$44,505,240)	4,634,143
Accrued interest receivable on student loans	2,316,519
Student loans receivable, pledged	14,018,233
Due from U.S. Department of Education	45,359
Due from Georgia Higher Education Assistance Corporation	512,779
Due from Nonpublic Postsecondary Education Commission	56,966
Other assets	<u>392,411</u>

Total current assets \$ 114,963,926

Noncurrent assets:

Capital assets	
Nondepreciable	405,197
Depreciable (net of accumulated depreciation of \$6,938,679)	<u>2,563,376</u>

Total assets \$ 117,932,499

Liabilities and net assets

Liabilities:

Revolving note payable	\$ 21,400,000
Accounts payable and accrued expenses	2,524,834
Due to Georgia Student Finance Commission	399,451
Deferred revenue	2,783,173
Due to agency fund	13,645,824
Collateralized borrowing-- due to Edsouth	14,018,233
Capital leases payable	94,219
Other liabilities	<u>2,059,639</u>

Total liabilities 56,925,373

Net assets:

Invested in capital assets	2,874,354
Unrestricted	<u>58,132,772</u>

Total net assets 61,007,126

Total liabilities and net assets \$ 117,932,499

The accompanying notes are an integral part of these financial statements.

Georgia Student Finance Authority
Statement of Revenues, Expenses and Changes in Net Assets
Enterprise Fund

	<u>Year ended June 30, 2008</u>
Operating revenues	
Federal interest benefits	\$ 1,923,002
Interest on student loan payments	5,345,269
Late fees	274,525
Premium on sale of loans	1,484,722
Loan servicing fees	5,079
Service cancelable loans	17,069,842
Other operating revenues	<u>24,290</u>
Total operating revenues	<u>26,126,729</u>
Operating expenses	
General administrative expenses	6,634,924
Service cancelable loans repayment expense	14,526,830
Depreciation expense	668,633
Bad debt expense	397,229
Interest expense	1,054,090
Lender fees	607,896
Borrower benefits	<u>1,319,209</u>
Total operating expenses	<u>25,208,811</u>
Income from operations	917,918
Non-operating revenues	
Interest earned on investments	56,628
Funds transferred from general loan fund	521,301
Rental income	<u>976,262</u>
Total non-operating revenues	<u>1,554,191</u>
Change in net assets	2,472,109
Net assets at beginning of year	<u>58,535,017</u>
Net assets at end of year	<u><u>\$ 61,007,126</u></u>

The accompanying notes are an integral part of these financial statements.

Georgia Student Finance Authority
Statement of Cash Flows
Enterprise Fund

	<u>Year ended June 30, 2008</u>
Cash flows from operating activities	
Cash received from student loan repayments	\$ 11,059,833
Cash received from other governments	59,863,371
Cash received from loan sales	41,281,747
Grants & scholarships disbursements	(33,602,819)
Loan disbursements	(70,644,304)
Cash paid to other governments	(334,301)
Cash paid to vendors	(5,645,518)
Cash paid to employees	(8,863,885)
Reimbursement for salaries allocated to other entities as part of administrative expenses	<u>5,495,609</u>
Net cash used for operating activities	(1,390,267)
Cash flows from non-capital financing activities	
Net borrowings on line of credit	<u>2,100,000</u>
Net cash provided by non-capital financing activities	2,100,000
Cash flows from capital financing activities	
Purchase of property and equipment	(213,519)
Principal portion of capital lease payments	<u>(12,242)</u>
Net cash used for capital financing activities	(225,761)
Cash flows from investing activities	
Interest earned on investments	56,628
Rental and other income	976,262
Funds transferred to the general fund	<u>521,301</u>
Net cash provided by investing activities	1,554,191
Increase in cash and cash equivalents	2,038,163
Cash and cash equivalents at beginning of year	<u>653,525</u>
Cash and cash equivalents at end of year	<u><u>\$ 2,691,688</u></u>
Schedule of noncash transactions	
Acquisition of leased copiers	<u><u>\$ 106,461</u></u>

The accompanying notes are an integral part of these financial statements.

Georgia Student Finance Authority
Statement of Cash Flows (continued)
Enterprise Fund

	<u>Year ended June 30, 2008</u>
Reconciliation of income from operations to net cash used for operating activities	
Income from operations	\$ 917,918
Adjustments to reconcile income from operations to net cash used for operating activities:	
Depreciation	668,633
Bad debt expense	397,229
Changes in operating assets and liabilities	
Student loans	(4,783,670)
Accrued interest receivable on student loans	(140,135)
Pledged student loan receivables	(14,018,233)
Due from U.S. Department of Education	887,482
Due from Georgia Higher Education Assistance Corporation	283,451
Due to Georgia Student Finance Commission	(786,543)
Due from Nonpublic Postsecondary Education Commission	307
Other assets	(19,720)
Accounts payable and accrued expenses	(358,874)
Deferred revenue	(263,374)
Due to agency fund	1,807,029
Due to Edsouth	14,018,233
Net cash used for operating activities	<u><u>\$ (1,390,267)</u></u>

The accompanying notes are an integral part of these financial statements.

Georgia Student Finance Authority
Statement of Fiduciary Assets and Liabilities
Agency Fund

	<u>June 30, 2008</u>
Assets	
Cash and cash equivalents	\$ 73,428
Due from enterprise fund	13,645,824
Student loans receivable	5,198,318
Accrued interest receivable on student loans	<u>48</u>
Total assets	<u><u>\$ 18,917,618</u></u>
Liabilities	
Undisbursed student grants and scholarships	\$ 13,645,824
Funds due to others	73,428
Fund held for others-serviced loans	<u>5,198,366</u>
Total liabilities	<u><u>\$ 18,917,618</u></u>

The accompanying notes are an integral part of these financial statements.

Georgia Student Finance Authority

Notes to Basic Financial Statements

June 30, 2008

1. Summary of Significant Accounting Policies

Reporting Entity

The Georgia Student Finance Authority (the “Authority”) is a public authority and deemed to be an instrumentality and nonprofit public corporation of the State of Georgia, created for the purpose of providing educational scholarship, grant and loan assistance to eligible students and parents.

The Authority is governed by and all of its corporate powers, duties, and functions are exercised by a board of commissioners. The board of commissioners consists of thirteen members, one selected from each congressional district. The members are appointed by the Governor and are subject to confirmation by the Senate. Each member serves for a term of six years and is eligible for reappointment to successive terms. Members must be twenty-one years of age, citizens of the United States, and a resident of Georgia for at least two years at the time of their appointment. Members of the board of commissioners are not eligible to become an officer or employee of the Authority for a period of one year after expiration of the member’s period of service. The president of the Georgia Student Finance Commission (the “Commission”) serves as an ex officio member of the board of commissioners.

Inasmuch as the Authority’s management is vested in the Commission, the Authority is considered a component unit of the State of Georgia for financial reporting purposes as defined in Governmental Accounting Standards Board (“GASB”) Statement No. 14, *The Financial Reporting Entity*, amended by GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units*.

Basis of Presentation – Fund Accounting

The Authority uses fund accounting to report on its financial position and the results of its operations determined in conformity with accounting principles generally accepted in the United States. A fund is a separate accounting entity with a self-balancing set of accounts.

Georgia Student Finance Authority

Notes to Basic Financial Statements (continued)

June 30, 2008

1. Summary of Significant Accounting Policies (continued)

Basis of Presentation – Fund Accounting (continued)

The funds presented in this report are as follows:

Proprietary Fund Type

Enterprise Fund – The fund is used to account for operations that are financed and operated in a manner similar to private business enterprises. A fund of this type is entitled Enterprise Fund in accordance with terminology set forth in accounting principles generally accepted in the United States. This fund represents the operating fund of the Authority.

Fiduciary Fund Type

Agency Fund – The fund is used to account for assets held for other entities, funds, governments, or individuals. A fund of this type is entitled Agency Fund in accordance with terminology set forth in accounting principles generally accepted in the United States.

Basis of Accounting

In its accounting and financial reporting, the Authority follows the pronouncements of the GASB. In addition, the Authority follows the pronouncements of all applicable Financial Accounting Standards Board (the “FASB”) Statements and Interpretations, Accounting Principles Board (the “APB”) Opinions, and Accounting Research Bulletins (the “ARB”) of the Committee on Accounting Procedure issued on or before November 30, 1989, unless they conflict with or contradict GASB pronouncements.

Enterprise Fund

The Authority maintains its Enterprise Fund in accordance with the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned. Further, the accrual basis of accounting requires expenses to be recorded in the period incurred.

Georgia Student Finance Authority

Notes to Basic Financial Statements (continued)

June 30, 2008

1. Summary of Significant Accounting Policies (continued)

Basis of Accounting (continued)

Agency Fund

An Agency Fund is custodial in nature in that assets are equally offset by liabilities to other entities, funds, governmental units, or individuals. The Authority's Agency Fund includes student loans serviced for other entities, grants and scholarships disbursed on behalf of the State of Georgia and a private organization.

Budget

The Authority prepares an internal operations budget for management purposes, which is not subject to State approval but is approved by the Board of Commissioners. Budget requests for major categories of educational assistance are submitted through the Commission for approval by the Legislature and the Governor.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management of the Authority to make estimates and assumptions that affect amounts reported in the financial statements and accompanying notes. Actual results could differ from these estimates.

Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the Authority considers unrestricted short-term investments that have original maturities of three months or less to be cash equivalents.

Capital Assets

Capital assets are stated at cost. Depreciation is computed over the estimated useful lives of the assets using the straight-line method. Assets with an original cost of \$5,000 or greater at the date of acquisition are capitalized by the Authority. The useful lives assigned to assets are as follows:

Georgia Student Finance Authority

Notes to Basic Financial Statements (continued)

June 30, 2008

1. Summary of Significant Accounting Policies (continued)

Capital Assets (continued)

<u>Fixed Asset Category</u>	<u>Useful Life</u>
Buildings	30 years
Building Improvements	15 years
Equipment	3-5 years
Furniture & Fixtures	10 years

Other Liabilities

Other liabilities consist of an allowance for previously serviced loans and currently serviced loans, of third parties, in which the Authority is obligated to repurchase from these third parties any of these loans in which the federal guarantee is lost and a cure is not established within one year of guarantee loss. The Authority's obligation for previously serviced loans relates to an approximately \$154,400,000 loan portfolio as of May 1, 2007, the point at which servicing was discontinued, and it is in effect until August 12, 2028. The Authority is also obligated to make like repurchases on the approximately \$14,018,000 of pledged receivables shown on its statement of net assets. The liability related to the \$14.0 million is in effect until 10 years after the termination or expiration of the current servicing agreement which currently ends May 31, 2011. The following allowance is reserved for these potential liabilities:

<u>Description of Account</u>	<u>2008</u>
Allowance for serviced loans of a third party	<u>\$ 2,059,639</u>
Total other liabilities	<u>\$ 2,059,639</u>

See Note 16 (Guarantees to Repurchase Receivables) for additional information.

Georgia Student Finance Authority

Notes to Basic Financial Statements (continued)

June 30, 2008

1. Summary of Significant Accounting Policies (continued)

Grants and Other Intergovernmental Revenue

Grants and other intergovernmental revenues and expenses are recorded when disbursed. The earnings process is considered complete when appropriated funds have been disbursed as intended by the related state or federal program requirements. Therefore, unexpended appropriations as of year-end are recorded as deferred revenue.

Operating versus Nonoperating Revenues and Expenses

The Enterprise Fund distinguishes *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services in connection with the Authority's principal ongoing operations. The principal operating revenues of the Authority are from interest on student loans, origination of student loans, processing and servicing loans, premiums from loan sales and grants and scholarship administration. Operating expenses include service cancelable loans repayment expense, depreciation expense, certain loan related expenses and general and administrative expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Georgia Student Finance Authority

Notes to Basic Financial Statements (continued)

June 30, 2008

2. Deposits and Investments

Total deposits and investments as of June 30, 2008 are summarized as follows:

	<u>2008</u>
As reported in the Statement of Net Assets:	
Enterprise Fund	
Cash and cash equivalents	\$ 2,691,688
Agency Fund	
Cash and cash equivalents	<u>73,428</u>
Cash deposited with financial institutions	<u>\$ 2,765,116</u>

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, 2008, the Authority did not have any investments.

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. As of June 30, 2008, the Authority did not have any balances exposed to custodial credit risk as uninsured and uncollateralized as defined by GASB pronouncements.

Georgia Student Finance Authority

Notes to Basic Financial Statements (continued)

June 30, 2008

3. Student Loans (Enterprise Fund)

Student loans represent loans to students pursuing post-secondary education. These loans are funded from net assets, a commercial line of credit and appropriations from the State of Georgia. The guaranteed loans are guaranteed by the Georgia Higher Education Assistance Corporation (the "Corporation"). Loans first disbursed prior to October 1, 1993 are 100% insured, and loans first disbursed on or after October 1, 1993 through June 30, 2006 are 98% insured against borrower defaults. Loans first disbursed on or after July 1, 2006 are 97% insured against borrower defaults. Current guidelines, effective October 1, 2007 through the College Cost Reduction and Access Act of 2007, state that loans disbursed on or after October 1, 2012 will be 95% insured against borrower defaults. The Authority's allowance for doubtful accounts provides for uninsured loans and the uninsured amount on insured loans. As of June 30, 2008, the Authority has established an allowance of \$1,629,763.

Student loans – service repayable represent loans made to students pursuing post-secondary education in a specified approved field of study which may be repaid by specific service performance. The loan balance is reduced ratably through service performed. If the service requirements are not fully met, the remaining loan balance is repayable in cash with interest. Some of the service repayable loans are insured by the Corporation and qualify for the service cancelable option. Those loans have the added benefit of guaranteed status. The Authority has established an allowance for estimated future reductions attributed to services performed in the amount of \$44,505,240, since there is no discernible future value to the Authority associated with loans repaid by service. The Authority has also established an allowance for doubtful accounts in the amount of \$1,517,893 for the uninsured portion of loans that are insured by the Corporation and for uninsured loans.

The Authority's loans are fully guaranteed by the Department of Education and are carried at fair market value. Concentrations of credit risk with respect to student loans are limited due to the large number of students comprising the Authority's balances and their dispersion across the State of Georgia.

Georgia Student Finance Authority

Notes to Basic Financial Statements (continued)

June 30, 2008

4. Student Loans Receivable, Pledged

In June 2008, the Authority sold to Edsouth student loans totaling \$14,013,196 in principal and interest combined. The sale agreement did not meet the sale requirements as set forth in GASB No. 48 since the Authority has retained significant control over these assets. The Authority has therefore reflected this transaction in the statement of net assets as a collateralized borrowing. As of June 30, 2008, \$14,018,233 is recorded within the Authority's statement of net assets as a pledged student loans receivable which is offset by an equal liability due to Edsouth.

5. Other Assets

Other assets at June 30 are summarized as follows:

Description of Account	2008
Fees receivable	\$ 202,298
Prepayments	181,092
Miscellaneous accounts receivable	9,016
Due from State Medical Education Board	5
Total other assets	<u>\$ 392,411</u>

Georgia Student Finance Authority

Notes to Basic Financial Statements (continued)

June 30, 2008

6. Capital Assets

Capital asset activity for the year ended June 30, 2008 is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 373,750	\$ 0	\$ 0	\$ 373,750
Capital assets in process	158,296	0	126,849	31,447
Total	<u>532,046</u>	<u>0</u>	<u>126,849</u>	<u>405,197</u>
Capital assets, being depreciated:				
Buildings	3,462,757		0	3,462,757
Building improvements	795,016	193,668	0	988,684
Equipment	3,823,713	118,425	0	3,942,138
Furniture and fixtures	973,741	134,735	0	1,108,476
Total	<u>9,055,227</u>	<u>446,828</u>	<u>0</u>	<u>9,502,055</u>
Less accumulated depreciation for:				
Buildings	2,827,917	115,425	0	2,943,342
Building improvements	203,932	59,078	0	263,010
Equipment	3,041,876	390,020	0	3,431,896
Furniture and fixtures	196,321	104,110	0	300,431
Total	<u>6,270,046</u>	<u>668,633</u>	<u>0</u>	<u>6,938,679</u>
Total capital assets, being depreciated, net	<u>2,785,181</u>	<u>(221,805)</u>	<u>0</u>	<u>2,563,376</u>
Total capital assets, net	<u>\$3,317,227</u>	<u>\$ (221,805)</u>	<u>\$ 126,849</u>	<u>\$2,968,573</u>

Georgia Student Finance Authority

Notes to Basic Financial Statements (continued)

June 30, 2008

7. Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses at June 30 are summarized as follows:

Description of Account	2008
Accrued accounts payable	\$ 1,528,950
Accrued compensated absences	886,796
Prepaid equipment rental	47,933
Other accrued liabilities	61,155
	<u>\$ 2,524,834</u>

8. Deferred Revenue

Deferred revenue at June 30 is summarized as follows:

Description of Account	2008
North Georgia Military Scholarship	\$ 1,903,400
Other Service Cancelable Loans	297,135
LEAP Scholarships	582,638
	<u>\$ 2,783,173</u>

9. Due to Agency Fund

Due to the Agency Fund at June 30 is summarized as follows:

Description of Account	2008
Tuition Equalization Grant	\$ 8,856,298
Governor's Scholarship	2,452,601
BYRD Scholarship	1,929,783
Other	407,142
	<u>\$ 13,645,824</u>

Georgia Student Finance Authority

Notes to Basic Financial Statements (continued)

June 30, 2008

10. Long-term Liabilities

The following is a summary of long-term liability activity for the year ended June 30, 2008:

	<u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u>	<u>One Year</u>
Capital leases payable	\$ -	\$ 106,461	\$ (12,242)	\$ 94,219	\$ 25,362
Guarantees to repurchase receivables	2,059,639	-	-	2,059,639	-
Collateralized borrowing	-	14,018,233	-	14,018,233	-
Total long-term liabilities	<u>\$ 2,059,639</u>	<u>\$ 14,124,694</u>	<u>\$ (12,242)</u>	<u>\$ 16,172,091</u>	<u>\$ 25,362</u>

Capital Leases

The Authority entered into a lease agreement in January 2008 as lessee for financing the acquisition of 11 copiers. The lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of the future minimum lease payments as of the date of inception. The following is an analysis of leased assets under capital leases as of June 30, 2008:

Equipment	\$ 106,461
Less: Accumulated depreciation	<u>(12,242)</u>
	<u>\$ 94,219</u>

The following is a schedule of future minimum lease payments together with the present value of net minimum lease payments as of June 30, 2008:

Fiscal year ending June 30	
2009	\$ 29,244
2010	29,244
2011	29,244
2012	<u>14,622</u>
Total minimum lease payments	102,354
Less: Amount representing interest	<u>8,135</u>
Present value of future minimum lease payments	<u>\$ 94,219</u>

Georgia Student Finance Authority

Notes to Basic Financial Statements (continued)

June 30, 2008

10. Long-term Liabilities (continued)

Guarantees to Repurchase Receivables and Collateralized Borrowing

Additional information regarding the Guarantees to Repurchase Receivables can be found in Note 4. Additional information regarding the Collateralized Borrowing can be found in Note 16.

11. Promissory Note Payable

On February 27, 2006, the Authority entered into a \$50 million financing agreement with a financial institution for the purpose of originating and refinancing loans made under the Guaranteed Student Loan Program. This agreement was renewed on February 27, 2007 and February 27, 2008 and was in effect until June 30, 2008. The interest rate in effect from contract inception to February 26, 2008 was the daily overnight BBA (British Bankers' Association) LIBOR (London Interbank Offered Rate) plus .22% (or 22 basis points), and the interest was paid quarterly, with the quarters being defined as January through March and following. The unused line fee (75 basis points on any unused portion of the line when the line was less than 50% utilized) was also paid quarterly. From February 27, 2008 through June 30, 2008, the interest rate incurred was the 30-day BBA LIBOR two business days prior plus .35% (or 35 basis points), and the rate changed daily. The unused line fee increased to 10 basis points or (.10%) and applied to the entire unused portion of the line.

The note was collateralized by insured loans of the Authority. The average monthly interest rate in effect for the fiscal year ended June 30, 2008 was 4.25%. Activity related to this promissory note is summarized as follows:

	Balance at July 1, 2007	Borrowings	Repayments	Balance at June 30, 2008
Fiscal year 2008	\$19,300,000	\$87,500,000	\$(85,400,000)	\$21,400,000

Georgia Student Finance Authority

Notes to Basic Financial Statements (continued)

June 30, 2008

11. Promissory Note Payable (continued)

The Authority entered into a new \$75 million financing agreement with another financial institution on July 1, 2008. In this agreement the interest rate incurred will be the 30-day BBA LIBOR for the two business days prior to the start of the calendar month plus 37.5 basis points (.375%), and the rate will remain constant for that calendar month. A rate of .075% or 7.5 basis points will be applied to any unused line balance. Both the interest expense and the unused line fee are payable quarterly based on calendar quarters. This agreement matures on June 30, 2009.

12. Related Party Transactions

The Authority pays administrative expenses that are subsequently charged to and reimbursed by the Georgia Higher Education Assistance Corporation (the "Corporation"), the Commission (Georgia Student Finance Commission) and the Nonpublic Postsecondary Education Commission. At June 30, 2008, amounts owed to the Authority for unreimbursed expenses by the Commission, the Corporation, and the Nonpublic Postsecondary Education Commission were \$0, \$512,779 and \$56,966, respectively. The balance the Commission owed the Authority at June 30, 2008 was zero because the amount owed was offset by a payable the Authority owed the Commission for undisbursed fiscal year 2008 service cancelable program dollars funded by the Georgia State Lottery Program. This resulted in a \$399,451 payable that the Authority owed the Commission. The Commission ultimately returns these funds to the Office of Treasury and Fiscal Services.

The Authority participates as a lender in the Corporation's disbursement system and pays a per loan fee to the Corporation. During fiscal year 2008, the Authority incurred expenses totaling \$166,896 for loans originated through this system.

During fiscal year 2008, the Authority purchased rehabilitated loans from the Corporation in the amount of \$93,667.

The Authority rents office space and certain operating equipment to the Corporation, the Commission (Georgia Student Finance Commission) and the Nonpublic Postsecondary Education Commission. During fiscal year 2008, the Authority recorded \$501,222 in rental income from the Corporation, \$443,148 in rental income from the Commission, and \$31,892 from the Nonpublic Postsecondary Education Commission. The Georgia Student Finance Commission's actual expense recognized in the fiscal year was \$64,594 less because certain equipment rentals were prepaid to the Authority.

Georgia Student Finance Authority

Notes to Basic Financial Statements (continued)

June 30, 2008

13. Pension Plan – Merit Employees

Employees' Retirement System of Georgia:

Plan Description:

The Authority participates in the Employees' Retirement System of Georgia ("ERS"); a single-employer, defined benefit plan established by the Georgia General Assembly for the purpose of providing retirement allowances for employees of the State of Georgia. Financial statements and required information for ERS may be obtained from the Employees' Retirement System of Georgia by writing to Employees' Retirement System of Georgia, Two Northside 75, Atlanta, Georgia 30318, or by calling 404-350-6300.

Benefits:

The benefit structure of ERS was significantly modified on July 1, 1982. Unless elected otherwise, an employee who currently maintains membership with ERS based upon state employment that started prior to July 1, 1982, is an "old Plan" member subject to the Plan provisions in effect prior to July 1, 1982. All other members are "new Plan" members subject to the modified Plan provisions.

Under both the old and new Plans, a member may retire and receive normal retirement benefits after completion of 10 years of creditable service and attainment of age 65 or 30 years of creditable service regardless of age. Retirement benefits paid to members are based upon the monthly average of the member's highest eight consecutive calendar quarters multiplied by the number of years of creditable service. Post-retirement cost of living adjustments are also made to members' benefits. The normal retirement pension is payable monthly for life; however, options are available for distribution of the member's monthly pension at reduced rates to a designated beneficiary upon the member's death. Death and disability benefits are also available through ERS. If 10 years of service is completed and age 60 is attained, the member may retire with a reduced benefit. Additionally, there are certain provisions allowing for early retirement after 25 years of service regardless of age.

Georgia Student Finance Authority

Notes to Basic Financial Statements (continued)

June 30, 2008

13. Pension Plan – Merit Employees (continued)

Employees' Retirement System of Georgia (continued)

Contributions Required and Contributions Made:

Member contributions under the old Plan are four percent (4%) of annual compensation up to \$4,200 plus six percent (6%) of annual compensation in excess of \$4,200. Under the old Plan, the Authority pays members' contributions in excess of 1.25% of annual compensation. The Authority contributions are included in the members' accounts for refund purposes. Member contributions under the new Plan are 1.25% of annual compensation. The Authority is required to contribute at a specified percentage of active member payroll determined annually by actuarial valuation. For the fiscal year ended June 30, 2008, the required ERS employer contribution rate for the Authority was 10.41% for old and new Plan employees. These same rates are the required ERS employer contribution rates for the Authority for the fiscal year ended June 30, 2009.

Members become vested after 10 years of creditable service. Upon termination of employment, members' contributions with accumulated interest are refundable upon request by the member. However, if an otherwise vested member terminates and withdraws his or her member contributions, the member forfeits all rights to retirement benefits.

The Authority's total contributions for the fiscal year ended June 30, 2008, amounted to \$319,260 of which \$38,855 was made by employees. These contributions met the requirements of the Plan.

Funding Status and Progress, Pension Benefit Obligation:

The amount shown as the pension benefit obligation is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases and step rate benefits estimated to be payable in the future as a result of employee service to date. The measure is intended to help users assess the funding status of ERS on a going concern basis, assess progress made in accumulating sufficient assets to pay benefits when due and make comparisons among employers. The measure is the actuarial present value of credited projected benefits and is independent of the funding method used to determine contributions to the Plan.

Georgia Student Finance Authority

Notes to Basic Financial Statements (continued)

June 30, 2008

13. Pension Plan – Merit Employees (continued)

Employees' Retirement System of Georgia (continued)

Funding Status and Progress, Pension Benefit Obligation: (continued)

The pension benefit obligation was computed as part of an actuarial valuation performed as of June 30, 2007. Significant actuarial assumptions used in the valuation include the following:

- The present value of future pension benefits paid was computed using a discounted rate of 7.5%. This rate is also the same rate assumed to be earned on investments in the Plan in future years.
- Future pension payments reflect the following assumed salary increases as a result of inflation and merit increases:

<u>Age</u>	<u>Percentage</u>
20	9.25%
25	8.25%
30	6.25%
35	5.75%
40 to 65	5.45%

The total actuarial accrued liability of ERS as of June 30, 2007, (the latest annual actuarial valuations) is as follows:

Actuarial accrued liability	\$ 14,885,179,000
Actuarial value of assets	<u>13,843,689,000</u>
Unfunded actuarial accrued liability	<u><u>\$ 1,041,490,000</u></u>

The measurement of the actuarial accrued liability is based on an actuarial valuation as of June 30, 2007. Net assets available for benefits were valued as of the same date. ERS does not make separate measurements of assets and accrued liability obligations for individual employers.

Georgia Student Finance Authority

Notes to Basic Financial Statements (continued)

June 30, 2008

13. Pension Plan – Merit Employees (continued)

Employees' Retirement System of Georgia (continued)

Funding Status and Progress, Pension Benefit Obligation: (continued)

Funding Policy:

The ERS funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual payroll, are sufficient to accumulate necessary assets to pay benefits when due. Level percentage of payroll employer contribution rates are determined using the entry age funding method. ERS also uses the level percentage of payroll method to amortize the unfunded liability within approximately 20 years following the valuation date.

Total contributions from all employers to ERS for the fiscal year ended June 30, 2007, were \$270,141,000. The Authority's contribution represented 0.10% of total contributions made by all participating employers for the fiscal year ended June 30, 2007. The amount of total contributions to ERS for the fiscal year ended June 30, 2008, was not available at the date of this report.

Historical trend information is presented in the financial report of ERS for the year ended June 30, 2007. This information gives an indication of the progress made in accumulating sufficient assets to pay benefits when due.

Other Deferred Compensation

Merit employees may also participate in 401(K) and 457 plans. During fiscal year 2008, Authority employees contributed \$197,199 combined for these two plans. Additionally, merit employees have a Teachers Retirement Program available. In fiscal year 2008, Authority employer contributions were \$13,760 and employee contributions were \$7,414.

Georgia Student Finance Authority

Notes to Basic Financial Statements (continued)

June 30, 2008

14. Pension Plan – Non-Merit Employees

The Authority sponsors a 401(K) defined contribution plan (the “Plan”) for all of its non-merit employees. The Plan was established by the Board of Commissioners and can only be amended by the Board. All non-merit employees are eligible to participate in the Plan upon reaching 21 years of age and completing one month of service. For calendar years 2007 and 2008 eligible employees may contribute up to \$15,500 of compensation to the Plan if the employee is less than 50 years of age and up to \$20,500 of compensation to the Plan if the employee is greater than 50 years of age, not to exceed the maximum limits permitted by the law. Beginning January 1, 2006, employees receive a 100% match on the first 3% of pay that is deferred plus an additional 50% match on the next 2% of pay that is deferred. The maximum match is 4% of pay for employees who defer 5% or more of their pay. All employer safe harbor contributions are 100% vested when made, and may not be withdrawn from the plan for reasons of hardship.

As of January 1, 2006, all matching contributions allocated prior to 2006 were 100% vested regardless of the employee’s years of service. Prior to January 1, 2006, 3% of pay deferred by an employee was matched by the Authority.

Beginning January 1, 2007, the Authority instituted a discretionary contribution for all plan members. In calendar year 2007 and 2008, a contribution of 3% of earnings has been approved. These monies are not automatically 100% vested but are vested based upon length of employment.

During fiscal year 2008, the Authority contributed \$377,478 (\$183,904 of matching contributions and \$193,574 of discretionary contributions) and the employees contributed \$331,201 to the Plan.

Georgia Student Finance Authority

Notes to Basic Financial Statements (continued)

June 30, 2008

15. Georgia Retiree Health Benefit Fund

Plan Description:

The Authority contributes to the Georgia Retiree Health Benefit Fund (“GRHBF”), a cost-sharing multiple-employer defined benefit postemployment healthcare plan administered by the Department of Community Health. GRHBF provides health insurance benefits to eligible retirees and their qualified beneficiaries. Pursuant to Title 45, Chapter 18 of the Official Code of Georgia Annotated, the authority to establish and amend the benefit provisions of the plan is assigned to the Board of Community Health. The Department of Community Health issues a publicly available financial report that includes financial statements and required supplementary information for GRHBF. That report may be obtained from the Department of Community Health at 2 Peachtree Street, Atlanta, Georgia 30303.

Funding Policy:

The contribution requirements of plan members and participating employers are established and may be amended by the Board of Community Health. Contributions of plan members or beneficiaries receiving benefits vary based on plan election, dependent coverage, and Medicare eligibility and election. On average, plan members pay approximately twenty-five percent (25%) of the cost of health insurance coverage.

Participating State employers are statutorily required to contribute in accordance with the employer contribution rate established by the Board. This contribution rate is established to fund both the active and retired employee health insurance plans based on projected pay-as-you-go financing requirements. The combined rate for the active and retiree plans (pay-as-you go basis) for the fiscal year ended June 30, 2008, was 18.534% of covered payroll. An additional contribution of 4.309% of covered payroll based on available funding as set forth in the Appropriation Act was required by the Board for fiscal year 2008; eleven months of this additional contribution will be deposited into the OPEB fund to prefund retiree benefits (such additional contribution amounts are determined annually). The *Authority's* contribution to the health insurance plans for the fiscal year ended June 30, 2008, was \$516,543, which equaled the required contribution.

Georgia Student Finance Authority

Notes to Basic Financial Statements (continued)

June 30, 2008

16. Guarantees to Repurchase Receivables

The Authority has guarantees with certain lenders under a loan servicing agreement to repurchase loans on which the federal guarantee is lost and on which a cure is not established within one year of guarantee loss. Effective May 1, 2007, the Authority's loan servicing agreement ended with one particular lender whose portfolio was approximately \$154,400,000 at the time. The Authority is no longer servicing these loans; however, the Authority's guarantee is still in effect for these prior serviced loans until August 12, 2028. The Authority is equally responsible for the approximately \$14,029,000 in pledged receivables currently on its statement of net assets. The Authority is obligated in regards to these assets until 10 years after the termination or expiration of the servicing agreement which is currently May 31, 2011. Based on the Authority's claim denial rate history, \$2,059,639 has been reserved for these future liabilities.

17. Insurance Coverage

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. All insurance coverage, other than crime, is held and issued by the Department of Administrative Services - Risk Management Services. Insurance coverage for crime is held and issued by a commercial carrier. No settlement in excess of coverage has been incurred during the past three fiscal years.

Required Supplementary Information

Georgia Student Finance Authority

Schedule of Funding Progress for the Retirement System
(Dollar amounts in thousands)

June 30, 2008

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded/ (Funding Excess) - AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a) / c)
6/30/05	13,134,472	13,512,773	378,301	97.2%	2,514,430	15.0%
6/30/06	13,461,132	14,242,845	781,713	94.5%	2,630,167	29.7%
6/30/07	13,843,689	14,885,179	1,041,490	93.0%	2,680,972	38.8%



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*

To the Board of Commissioners
Georgia Student Finance Authority
Tucker, Georgia

We have audited the financial statements of the major fund and the aggregate remaining fund information of the Georgia Student Finance Authority (the "Authority"), a component unit of the Georgia Student Finance Commission, as of and for the year ended June 30, 2008, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated September 22, 2008. 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

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 control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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.

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*.

We noted certain matters that we reported to management of the Authority in a separate letter dated September 22, 2008.

This report is intended solely for the information and use of management, the Board of Commissioners, others within the Authority, the U.S. Department of Education and the State of Georgia, and is not intended to be and should not be used by anyone other than these specified parties.

Mauldin & Jenkins, LLC

Macon, Georgia
September 22, 2008

Georgia Student Finance Authority
Schedule of Findings and Responses

Year ended June 30, 2008

**SECTION I
SUMMARY OF AUDIT RESULTS**

Financial Statements

Type of auditor's report issued

Unqualified

Internal control over financial reporting:

Material weaknesses identified?

___ yes ___ X no

Significant deficiencies identified not considered
to be material weaknesses?

___ yes ___ X none reported

Noncompliance material to financial statements noted?

___ yes ___ X no

Federal Awards

Not applicable as a single audit was not performed for the year ended June 30, 2008 due to the Authority not expending \$500,000 or more of federal funds.

**SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES**

None

**SECTION III
FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS**

Not applicable.