

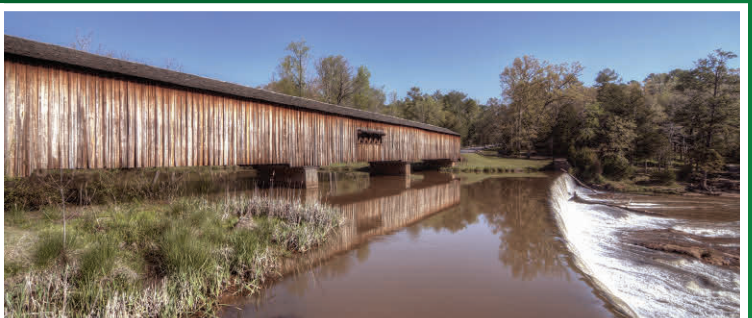
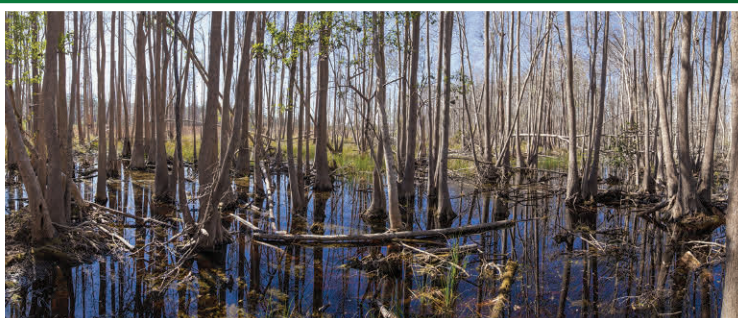
GEORGIA ENVIRONMENTAL FINANCE AUTHORITY

A COMPONENT UNIT OF THE STATE OF GEORGIA



COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2019



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GEORGIA ENVIRONMENTAL FINANCE AUTHORITY
A COMPONENT UNIT OF THE STATE OF GEORGIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2019



Prepared By:
Fiscal Services Division

Kevin Clark
Executive Director

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GEORGIA ENVIRONMENTAL FINANCE AUTHORITY
(A Component Unit of the State of Georgia)
COMPREHENSIVE ANNUAL FINANCIAL REPORT
Fiscal Year Ended June 30, 2019

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September 30, 2019

To the Honorable Members of the Board, our Executive Director, and Citizens of the State of Georgia:

We are pleased to present the Georgia Environmental Finance Authority's (the "Authority") Comprehensive Annual Financial Report (the "CAFR") for the fiscal year ended June 30, 2019. The financial statements included in this report conform with generally accepted accounting principles (GAAP) and are audited by a firm of licensed certified public accountants in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

The Fiscal Services Division prepared this report. Responsibility for the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the Authority's management. Management has established internal controls to ensure that the Authority fulfills its responsibility as custodian of public funds. The purpose of internal controls is to provide reasonable, but not absolute, assurance that Authority assets are safeguarded against loss through unauthorized use or disposition. The concept of reasonable assurance recognizes that the cost of controls should not exceed the benefits likely to be derived and the valuation of costs and benefits requires estimates and judgements by management.

The Authority's financial statements have been audited by Mauldin and Jenkins, Certified Public Accountants, LLC for the year. The goal of an independent audit is to provide reasonable assurance the financial statements of the Authority are free of material misstatement. The independent auditors concluded, based upon the audit, that there was a reasonable basis for issuing an unmodified ("clean") opinion on the Authority's financial statements for the fiscal year ended June 30, 2019. The independent auditor's report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the Authority was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are available in the Single Audit section of the CAFR for the Georgia Environmental Finance Authority.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and



Analysis (MD&A). The MD&A contains a narrative overview and analysis of the financial activities of the Authority. The Authority's MD&A can be found immediately following the independent auditors' report. This transmittal letter, which is designed to assist users in assessing the government's financial condition, should complement the MD&A and should be read from that perspective and in conjunction with all other sections of the Authority's CAFR.

PROFILE OF THE AUTHORITY

In 1983, the Governor and the Georgia General Assembly, acting on the 1982 recommendations of the Environmental Facilities Study Commission, created the Environmental Facilities Program and placed it in an existing agency called the Georgia Development Authority. The findings of the study commission identified the widening gap between local environmental infrastructure needs and the financial resources to pay for them. The Georgia General Assembly created the Georgia Environmental Facilities Authority in 1986 and transferred all the environmental facilities program assets and functions from the Georgia Development Authority to the Georgia Environmental Facilities Authority. In FY 2010, the Georgia General Assembly renamed the Georgia Environmental Facilities Authority to the Georgia Environmental Finance Authority.

The Authority is a public corporation and an instrumentality of Georgia state government. There is an eleven-member board, eight appointed by the Governor and three who serve ex-officio. Three of the eight appointees are municipal officials, three are county officials and two are appointed from the state at large. The three ex-officio members are the Commissioner of the Georgia Department of Economic Development, the Commissioner of the Georgia Department of Community Affairs and the State Auditor.

The Authority is organized under the Official Code of Georgia Annotated (the "OCGA"), Title 50, Chapter 23 ("The Georgia Environmental Finance Authority Act"). The Authority's stated purpose is "to assist local governments in constructing, extending, rehabilitating, repairing and renewing environmental facilities, and to assist in the financing of such needs by providing grants, loans, bonds and other assistance to local governments" and eligible local authorities. Initially, the Authority was only authorized to make loans for water supply or wastewater treatment and related facilities. In 1989, legislation was passed that allowed the Authority to also make loans to fund solid waste management facilities.

In 2010, legislation was passed to allow the Authority to create a subsidiary organization for the purposes of carrying out certain powers of the Authority. As a result of this change, the Authority created the Georgia Environmental Loan Acquisition Corporation (the "Corporation"), a nonprofit organization, to purchase tax-exempt loans from the Authority through a loan securitization transaction. Proceeds from the sale, in conjunction with cash reserves, were used to remit funds back to the state treasury at the voluntary option of the Authority's board of directors. The Corporation is a component unit of the Authority and is discretely presented within the Authority's financial statements.

The Authority is comprised of two primary divisions: Water Resources (WRD) and Energy Resources (ERD). The divisions provide a wide range of services including loans, grants and subsidies to jurisdictions throughout the state for water supply and wastewater improvements, grants for energy conservation and household energy efficiency restorations, services for remediation of underground storage tanks, and grants or loans for conservation of land resources. Administrative divisions of the Authority also exist to support initiatives of these primary divisions.

OUTCOMES AND INITIATIVES

The WRD executed 76 contracts and modifications to existing grants and loans for water, sewer, land conservation and solid waste projects valued at over \$267 million during fiscal year 2019. These projects served 61 different communities. Furthermore, the Authority grew its customer base by serving four first-time customers during the year. It is projected these projects will provide financial savings of over \$46 million over time, typically a 20-year payback period as well as have an environmental impact on approximately 1.8 million Georgians.

In the upcoming fiscal year, the WRD plans to focus on measures that will enhance the Authority's ability to provide interest rate concessions for eligible borrowers or projects that address conservation of the state's natural resources, protect public health, and implement water system management best practices. Moreover, there are plans to develop mechanisms to provide risk and resiliency assessment technical assistance for public water systems.

The ERD continued the exercise of existing programs: Charge Georgia, Solar for Schools, Georgia Solar, Building Operator Certification, and State Energy Code Update. Total assistance provided for these initiatives was approximately \$457 thousand. These programs help to achieve energy efficiency and increase awareness of energy efficient measures for businesses and consumers in Georgia.

During FY 20, the ERD has embarked on an initiative to install alternative fuel generators for water utility resilience to deploy mobile propane and natural gas generators to utilities in Georgia and neighboring states during emergencies.

For additional information regarding activities of the Authority, refer to the Statistical Section of this CAFR which provides specific outcomes of many of these program initiatives.

AWARDS AND ACKNOWLEDGEMENTS

Certificate of Achievement for Excellence in Financial Reporting. The Government Finance Officers Association of the United States and Canada (the "GFOA") awarded a Certificate of Achievement for Excellence in Financial Reporting to the Authority for its CAFR for the fiscal year ended June 30, 2018.

To be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized CAFR. This report must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year. We anticipate this year's CAFR will also qualify for this distinguished award.

Acknowledgements. This report could not have been prepared without the support and encouragement of the Authority's management, staff and members of its board. We are very appreciative for their dedication to sound responsible financial operations. In addition, any financial report is only as good as the accounting and financial records that supply its supporting data. The Authority's fiscal services division deserves special recognition for their dedication, knowledge, perseverance and attention to detail. Lastly, we would like to give a special thanks to the division directors; the administrative team for its contributions in the preparation of the CAFR and to our independent auditors, Mauldin and Jenkins, Certified Public Accountants LLC, for their expertise, professionalism and dedication to ensure our audit was completed efficiently and timely.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "J. Harden", with a stylized flourish at the end.

Jammie Z. Harden, CGFM
Director of Fiscal Services



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**Georgia Environmental
Finance Authority**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

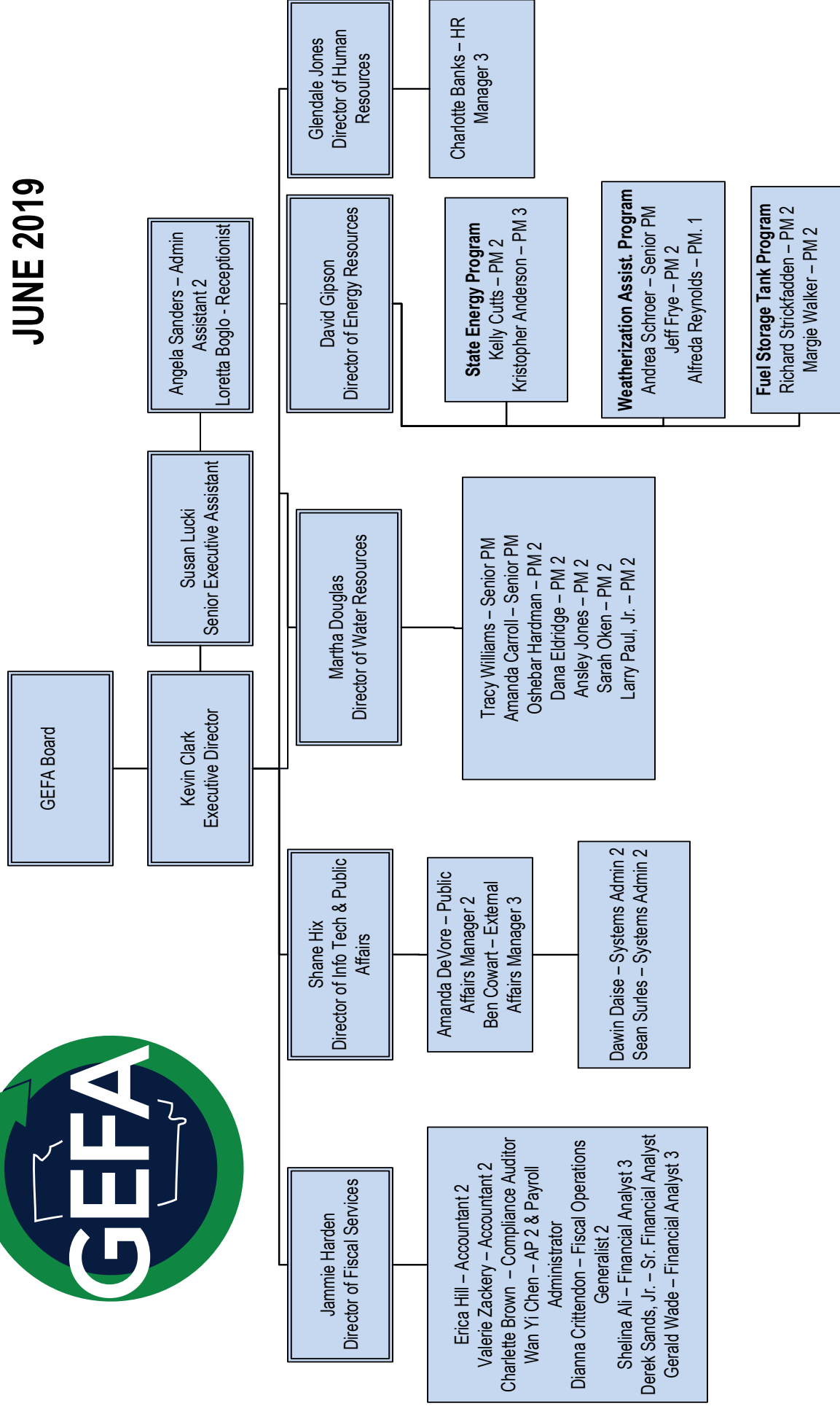
June 30, 2018

Christopher P. Morrell

Executive Director/CEO



JUNE 2019



GEORGIA ENVIRONMENTAL FINANCE AUTHORITY

(A Component Unit of the State of Georgia)

LIST OF PRINCIPAL OFFICIALS AND KEY AUTHORITY PERSONNEL

As of June 30, 2019

BOARD OF DIRECTORS

Travis Turner	Chairman
George McIntosh	Vice Chairman (At-Large Member)
Greg Griffin	Secretary (Ex-Officio)
Jimmy Andrews	City Member
Boyd Austin	City Member
Pat Wilson	Ex-Officio Member
Christopher Nunn	Ex-Officio Member
Stephen Gray	At-Large Member
Grady Thompson, Jr.	County Member
Jason Winters	County Member

EXECUTIVE MANAGEMENT

Kevin Clark	Executive Director
Martha Douglas	Director of Water Resources
David Gipson	Director of Energy Resources
Jammie Harden	Director of Fiscal Services
Shane Hix	Director of Info Tech & Public Affairs
Glendale Jones	Director of Human Resources
Susan Lucki	Senior Executive Assistant

FISCAL SERVICES

Shelina Ali	Financial Analyst III
Charlette Brown	Compliance Auditor
Wan Yi Chen	AP II & Payroll Administrator
Dianna Crittendon	Financial Operations Generalist 2
Erica Hill	Accountant II
Derek Sands, Jr.	Senior Financial Analyst
Gerald Wade	Financial Analyst III
Valerie Zackery	Accountant II

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INDEPENDENT AUDITOR'S REPORT

**The Members of the
Georgia Environmental Finance Authority
Atlanta, Georgia**

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the **Georgia Environmental Finance Authority** (the "Authority"), a component unit of the State of Georgia, as of and for the year ended June 30, 2019, 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 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 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 opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Georgia Environmental Finance Authority, as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof 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, the pension liability and contribution schedules, and the OPEB liability and contribution schedules on pages 4 through 16, 59 through 61, and 62 through 67, respectively, 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 Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The combining non-major fund financial statements; the Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*; and the introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining non-major fund financial statements and the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining non-major fund financial statements and the Schedule of Expenditures of Federal Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2019 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 solely 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 effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Mauldin & Jenkins, LLC

Atlanta, Georgia
September 30, 2019

GEORGIA ENVIRONMENTAL FINANCE AUTHORITY
(A Component Unit of the State of Georgia)

Management's Discussion and Analysis

(Unaudited)

The management of the Georgia Environmental Finance Authority (the "Authority") offers this narrative overview and analysis of the financial activities of the Authority for the fiscal year (FY) ended June 30, 2019. This discussion and analysis examines in further detail the Authority's financial performance as a whole. Readers of this report are also encouraged to review the financial statements and notes to the financial statements to enhance their understanding of business activities conducted by the Authority.

Financial Highlights

Key financial highlights for the year ended June 30, 2019 include:

- Total assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$2.4 billion (net position). Of this amount, \$47.3 million was from governmental activities and \$2.4 billion was from business-type activities.
- Total long-term liabilities experienced a net decrease of \$1.7 million during 2019, all within governmental activities. The decrease was mostly attributable to the changes in the Authority's proportionate shares of Net OPEB and Net Pension Liabilities.
- The Authority's total net position increased by \$107.5 million. The net position in governmental activities increased by \$5.7 million while the net position of business-type activities increased \$101.9 million, resulting in an overall \$21.8 million increase over the increase experienced in 2018.
- Total governmental revenues increased by \$3.9 million from 2018. The increased revenue is mostly attributable to increase in operating grants and contributions because of increased grant funding for program operations.
- Charges for services within business-type activities continued to experience a decline, albeit not as substantial as previous years declining only by approximately \$159 thousand. The reduction in income loss is due partly to a slight interest rate increase implemented mid-year.

The above financial highlights are explained further in the "financial analysis" section of this document.

Overview of the Financial Statements

This discussion and analysis section is intended to serve as an introduction to the Authority's basic financial statements. The Authority's financial statements contain three components: government-wide statements, fund financial statements and notes to the basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

GEORGIA ENVIRONMENTAL FINANCE AUTHORITY
(A Component Unit of the State of Georgia)

Management's Discussion and Analysis

(Unaudited)

Government-wide Financial Statements

The Authority's comprehensive annual financial report includes two government-wide financial statements. These statements are intended to provide a broad overview of both long-term and short-term information about the Authority's overall financial position. Financial reporting at this level uses a financial perspective similar to that found in the private sector with its basis in accrual accounting and elimination or reclassification of activities between funds.

The first government-wide statement is the ***Statement of Net Position***, which is the government-wide statement that presents information that includes all of the Authority's assets, deferred outflows or resources, liabilities and deferred inflows of resources, 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, as a whole, is improving or deteriorating. Evaluation of the overall fiscal health of the Authority would extend to other nonfinancial factors such as new or changes in legislation over which the Authority has no direct control, changes in levels of federal or state funding, or a change in management's programmatic focus, in addition to the financial information provided in this report.

The second government-wide statement is the ***Statement of Activities***, which reports how the Authority's net position changed during the reported fiscal period. All current year's revenues and expenses are accounted for regardless of when cash is received or paid. Thus, revenues and expenses are reported in this statement that will result in cash flows in future fiscal periods. One important purpose of the statement of activities is to show the financial reliance of the Authority's distinct activities or functions on the revenues provided by the state of Georgia and federal grantors, as well as that on the revenue streams from repayment of loans from our ever-growing customer base.

Both government-wide financial statements distinguish governmental activities of the Authority that are principally supported by federal or state appropriated grants from business-type activities that are intended to recover all or a significant portion of their costs through user fees and charges. Governmental activities include general administrative operations of the Authority and those costs incurred for expenditure-driven grant programs, such as those incurred by the Energy Resources Division as well as those costs associated with administering the federal state revolving loan programs. Business-type activities include all operations of the Authority's lending programs, as well as activities associated with its fuel storage tank maintenance program. The government-wide financial statements are presented on pages 17 and 18 of this report.

Fund Financial Statements

A fund is an accounting unit used to maintain control over resources segregated for specific activities or objectives. The Authority uses funds to ensure and demonstrate compliance with finance-related laws and regulations. Within the basic financial statements, fund financial statements focus on the Authority's most significant funds rather than the Authority as a whole. Major funds are separately reported while all other (nonmajor) funds are combined into a single, aggregated presentation. Individual fund data for nonmajor funds is provided in the form of combining statements in a later section of this report.

GEORGIA ENVIRONMENTAL FINANCE AUTHORITY
(A Component Unit of the State of Georgia)

Management's Discussion and Analysis

(Unaudited)

All of the funds of the Authority can be divided into two categories: governmental funds and proprietary funds.

Governmental funds are reported in the fund financial statements and include the same functions reported as governmental activities in the government-wide financial statements. However, the focus is different with fund financial statements providing a varied view of the Authority's governmental funds. These statements report short-term fiscal accountability focusing on the use of the spendable resources. They account for items using the current financial resources measurement focus and the modified accrual basis of accounting which measures cash and all other financial assets that can readily be converted to cash. They are useful in evaluating annual financing requirements of governmental programs and the Authority's ability to commit spendable resources for near-term expenditures.

Since the government-wide focus includes the long-term view, comparisons between these two outlooks may provide insight into the long-term impact of short-term spending decisions. For this particular reason, reconciliation between the governmental activities (shown in the Statement of Net Position and Statement of Activities) and the governmental funds is provided at the bottom of the fund financial statements.

The Authority maintains eleven (11) individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Weatherization Assistance Program Fund, Clean Water SRF Administration Fund, Drinking Water SRF State Program Setasides, Drinking Water SRF Local Assistance Setasides Fund, the Drinking Water SRF Administration Fund, and the Appalachian Regional Commission Fund, which are considered major funds and are presented on pages 19-21 of this report. Data from other governmental funds are combined into a single, aggregated presentation. Individual data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

Proprietary funds are reported in the fund financial statements and generally report those activities for which the Authority charges its customers a fee for the use of its financial resources or technical expertise. The Authority's proprietary funds are classified as enterprise funds. These enterprise funds essentially are the same as the business-type activities reported in the government-wide statements but provide more detail and additional information, such as cash flows associated with these distinct programs.

The Authority maintains seven (7) individual enterprise funds. Information is presented separately in the enterprise fund statement of net position and in the enterprise fund statement of revenues, expenses, and changes in net position for the Georgia Fund, Georgia Reservoir Fund, Clean Water State Revolving Loan Fund, Clean Water State Match Revolving Loan Fund, Drinking Water State Revolving Loan Fund, and Drinking Water State Match Revolving Loan Fund, all of which are considered major funds of the Authority and are presented on pages 22-24 of this report. Individual fund data for the nonmajor enterprise fund is provided in the form of a combining statement elsewhere in this report.

GEORGIA ENVIRONMENTAL FINANCE AUTHORITY
(A Component Unit of the State of Georgia)

Management's Discussion and Analysis

(Unaudited)

Notes to the Basic Financial Statements

The accompanying notes to the financial statements provide information necessary for a full understanding of the government-wide and fund financial statements. The notes to the financial statements begin on page 25 of this report.

Supplementary information

In addition to the basic financial statements and accompanying note disclosures, this report also presents certain supplementary information concerning the Authority's funds. As mentioned previously, the Authority reports major funds in the basic financial statements. Combining and individual statements and schedules for nonmajor funds are presented in this section of this report beginning on page 68.

Government-wide Financial Analysis of the Authority

Year-to-year financial changes in net position trend information is accumulated on a consistent basis. This information trend will be observed, analyzed and used to discuss the financial position of the Authority as a whole. Net position over time may serve as a useful indicator of the Authority's financial position. Net position of the Authority was \$2.4 billion at year-end, increasing by 4.6 percent. The major contributing factor to changes in the net position at year-end is increases in federal grant revenues program activity. The following table presents a summary of the Authority's net position:

GEFA Net Position							
	Primary Government						Increase
	Governmental activities		Business-type activities		Total		(Decrease)
	2019	2018	2019	2018	2019	2018	%
Current and other assets	\$ 57,043,023	51,790,435	2,389,574,849	2,287,106,493	2,446,617,872	2,338,896,928	4.6%
Capital assets	216,060	287,852	—	—	216,060	287,852	(24.9%)
Total assets	57,259,083	52,078,287	2,389,574,849	2,287,106,493	2,446,833,932	2,339,184,780	4.6%
Deferred Outflows of resources	1,457,741	1,199,341	—	—	1,457,741	1,199,341	21.5%
Long-term liabilities outstanding	7,109,104	8,782,591	—	—	7,109,104	8,782,591	(19.1%)
Other liabilities	2,556,171	1,857,141	2,496,696	1,915,669	5,052,867	3,772,810	33.9%
Total liabilities	9,665,275	10,639,732	2,496,696	1,915,669	12,161,971	12,555,401	(3.1%)
Deferred Inflows of resources	1,793,136	1,040,092	—	—	1,793,136	1,040,092	72.4%
Net position:							
Investment in capital assets	216,060	287,852	—	—	216,060	287,852	(24.9%)
Restricted	41,709,504	37,160,595	1,803,070,372	1,717,827,489	1,844,779,876	1,754,988,084	5.1%
Unrestricted	5,332,849	4,149,357	584,007,781	567,363,335	589,340,630	571,512,692	3.1%
Total net position	\$ 47,258,413	41,597,804	2,387,078,153	2,285,190,824	2,434,336,566	2,326,788,628	4.6%

The Authority's investment in capital assets comprises expenditures made for securing computer equipment and furniture and fixtures. The Authority made substantially less investments in capital assets during 2019, spending only \$25.4 thousand. However, \$97.2 thousand in depreciation expense

GEORGIA ENVIRONMENTAL FINANCE AUTHORITY
(A Component Unit of the State of Georgia)

Management's Discussion and Analysis

(Unaudited)

was incurred reducing the Authority's net investment in capital assets. The significant increase in depreciation was stemmed from the increased investment made in capital assets in 2018. Thus, the Authority's investment in capital assets of \$216.1 thousand at fiscal year year-end is not available for future spending.

There was an increase in restricted net position of the Authority's governmental activities of approximately \$4.5 million.

- Total restricted for grant programs increased by \$102.6 thousand.
- Total restricted for loan programs increased by \$4.4 million.

There was an increase in restricted net position of the Authority's business-type activities of approximately \$85.2 million, an increase of \$5.9 million from the prior year's increase of \$79.3 million, which was all held for the use of the Authority's federal loan programs.

In addition, unrestricted net position increased for the Authority as follows:

- Unrestricted net position for governmental activities increased by \$1.2 million.
- Unrestricted net position for business-type activities increased by \$16.6 million.

The following table provides a summary of the changes in net position, with comparative data for the current and prior fiscal years:

GEFA Changes in Net Position							
	Primary Government				Total		Increase (Decrease) %
	Governmental activities		Business-type activities				
	2019	2018	2019	2018	2019	2018	
Revenues:							
Program revenues:							
Charges for services	\$ 2,537,389	2,364,541	30,130,879	30,289,832	32,668,268	32,654,373	0.0%
Operating grants and contributions	25,419,314	22,249,900	92,313,110	63,842,000	117,732,424	86,091,900	36.8%
General revenues:							
Unrestricted investment earnings	1,138,063	608,836	—	—	1,138,063	608,836	86.9%
Other income	122,086	114,624	1,747	3,475	123,833	118,099	4.9%
Total revenues	29,216,852	25,337,901	122,445,736	94,135,307	151,662,588	119,473,208	26.9%
Expenses (net of indirect costs):							
General government	5,262,199	6,394,339	—	—	5,262,199	6,394,339	(17.7%)
Water & wastewater	8,319,314	8,587,806	22,094,234	12,186,247	30,413,548	20,774,053	46.4%
Land conservation	29,391	763	—	—	29,391	763	3,752.0%
Energy & environment	7,585,937	5,681,449	—	—	7,585,937	5,681,449	33.5%
Storage tank maintenance	—	—	731,863	581,179	731,863	581,179	25.9%
General & administrative	—	—	91,712	323,937	91,712	323,937	(71.7%)
Total expenses	21,196,841	20,664,357	22,917,809	13,091,363	44,114,650	33,755,720	30.7%
Increase in net position before transfers	8,020,011	4,673,544	99,527,927	81,043,944	107,547,938	85,717,488	25.5%
Transfers	(2,359,402)	(1,106,700)	2,359,402	1,106,700	—	—	—
Increase (decrease) in net position	5,660,609	3,566,844	101,887,329	82,150,644	107,547,938	85,717,488	25.5%
Net position - July 1	41,597,804	38,030,960	2,285,190,824	2,203,040,180	2,326,788,628	2,241,071,140	3.8%
Net position - June 30	\$ 47,258,413	41,597,804	2,387,078,153	2,285,190,824	2,434,336,566	2,326,788,628	4.6%

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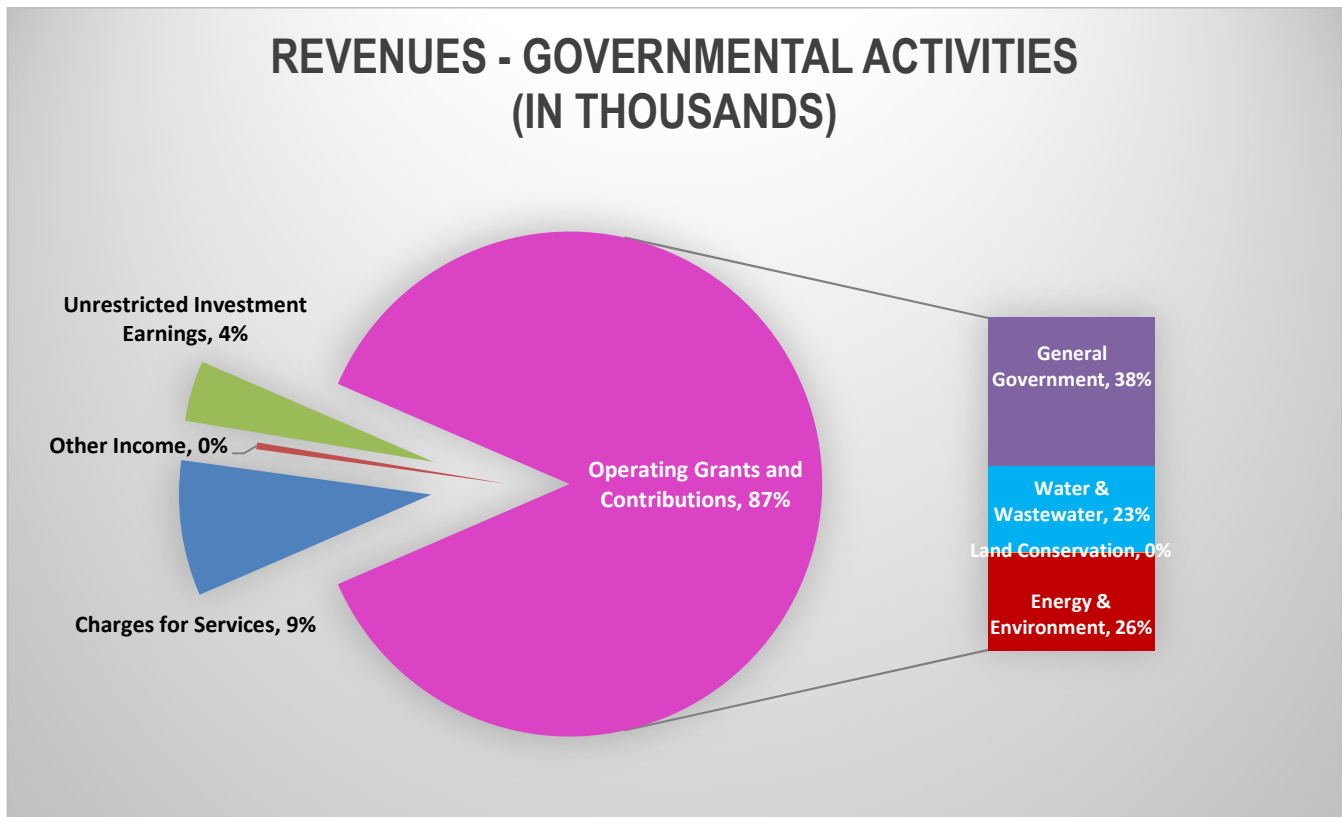
Management's Discussion and Analysis

(Unaudited)

Governmental Revenues

Charges for services within governmental activities modestly increased by approximately 7 percent, \$172.8 thousand. These charges are for administrative fees retained outside of loan programs and are earned based on the value of loans executed during the fiscal year. The value of loans executed during 2019 remained relatively the same as the value of loans executed in 2018 and thus the increase was not as significant as the 113 percent increase in 2018.

Operating grants and contributions of the Authority increased by \$3.2 million. The majority of this increase was experienced within expenditure-driven grant programs for the Weatherization Assistance Program and Appalachian Regional Commission Program. During 2019, the expenditures for these programs increased due to additional grant funding provided to the Weatherization Assistance Program and increased activity associated within the Appalachian Regional Commission Program. The graph below provides an illustration of governmental funds revenues:



Unrestricted investment earnings of \$1.1 million within governmental activities were reported during the year, up from \$608.8 thousand in 2018. The near doubling in investment earnings in governmental activities stems from the Authority's change to a new investment portfolio classification within state treasury funds, coupled with an increase in interest yields experienced in 2019.

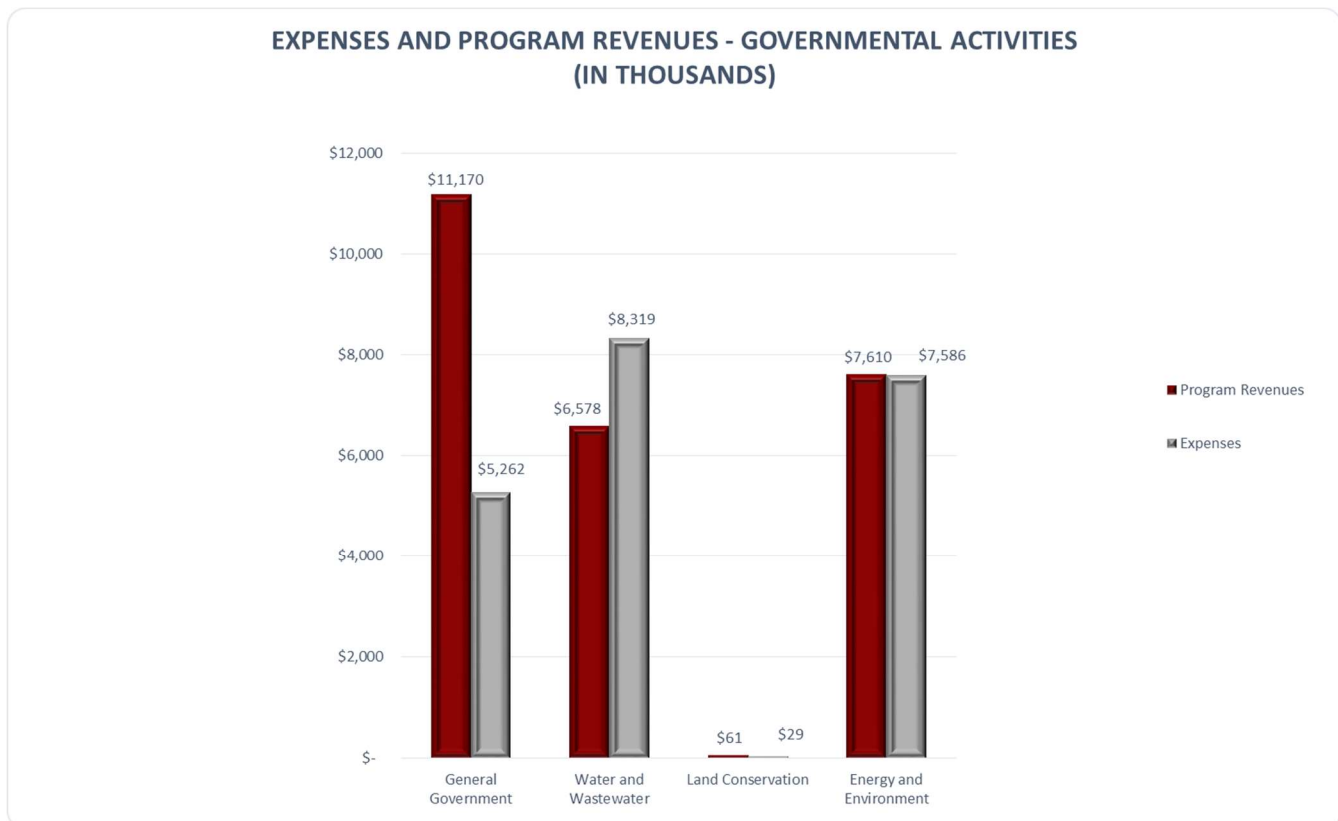
GEORGIA ENVIRONMENTAL FINANCE AUTHORITY
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Management's Discussion and Analysis

(Unaudited)

Governmental Functional Expenses

Expenses within the general government function decreased by nearly \$1.1 million. This decrease is mostly related to lower personnel cost, reduction in investment management fees, reduction in information technology charges, and a decrease in contractual services for the administration of the Authority's federal loan programs. An illustration of governmental functional expenses is below:



Additionally, there was a slight decrease in the water and wastewater program function expenses of governmental activities. The decrease of \$268 thousand is attributable to year-over-year fluctuations within expense categories and differences in initiatives and strategies taken by program personnel.

During 2019, the land conservation function financed one project experiencing an increase of \$28.6 thousand. As noted in the 2018 fiscal year, there was pending legislation that voters of the state of Georgia decided in November 2018 to establish the Georgia Outdoor Stewardship Act. This program transfers the program administration of the land conservation function to another state agency. However, the Authority will have some administrative duties for the program in conjunction with the newly awarded state agency, but will no longer exercise decision-making responsibilities for this function.

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Management's Discussion and Analysis

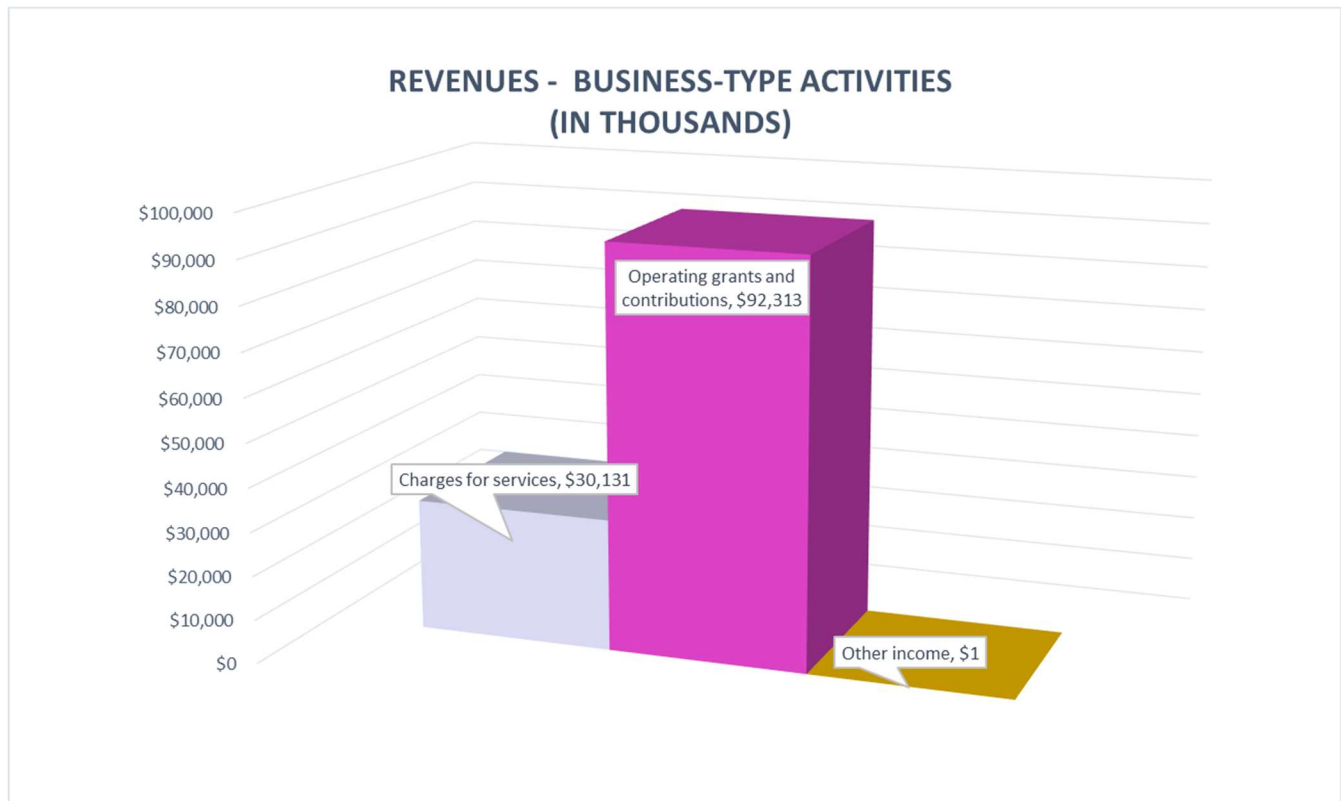
(Unaudited)

The energy and environment function had an increase in expenses of \$1.9 million. The increase was within the Weatherization Assistance Program due to more grant program activity during the year and increased funding provided by grantors.

Business-type Activities: Revenues vs Expenses

Revenues

Total revenue for the business-type activities for the Authority for the current fiscal year were \$122.4 million, increasing by \$28.3 million. Revenues within charges for services declined by \$159 thousand as opposed to the decrease of \$523.4 thousand in the prior year. The rate of decrease was mostly attributed to fewer loans paying off early which lengthens the duration of interest collections, as well as an increase in interest rates charged on loans. Conversely, there was an increase in operating grants and contributions revenue of over \$28.5 million mostly stemming from increased activity within the Drinking Water SRF Federal loan program. An illustration below depicts revenues within business-type activities:



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Management's Discussion and Analysis

(Unaudited)

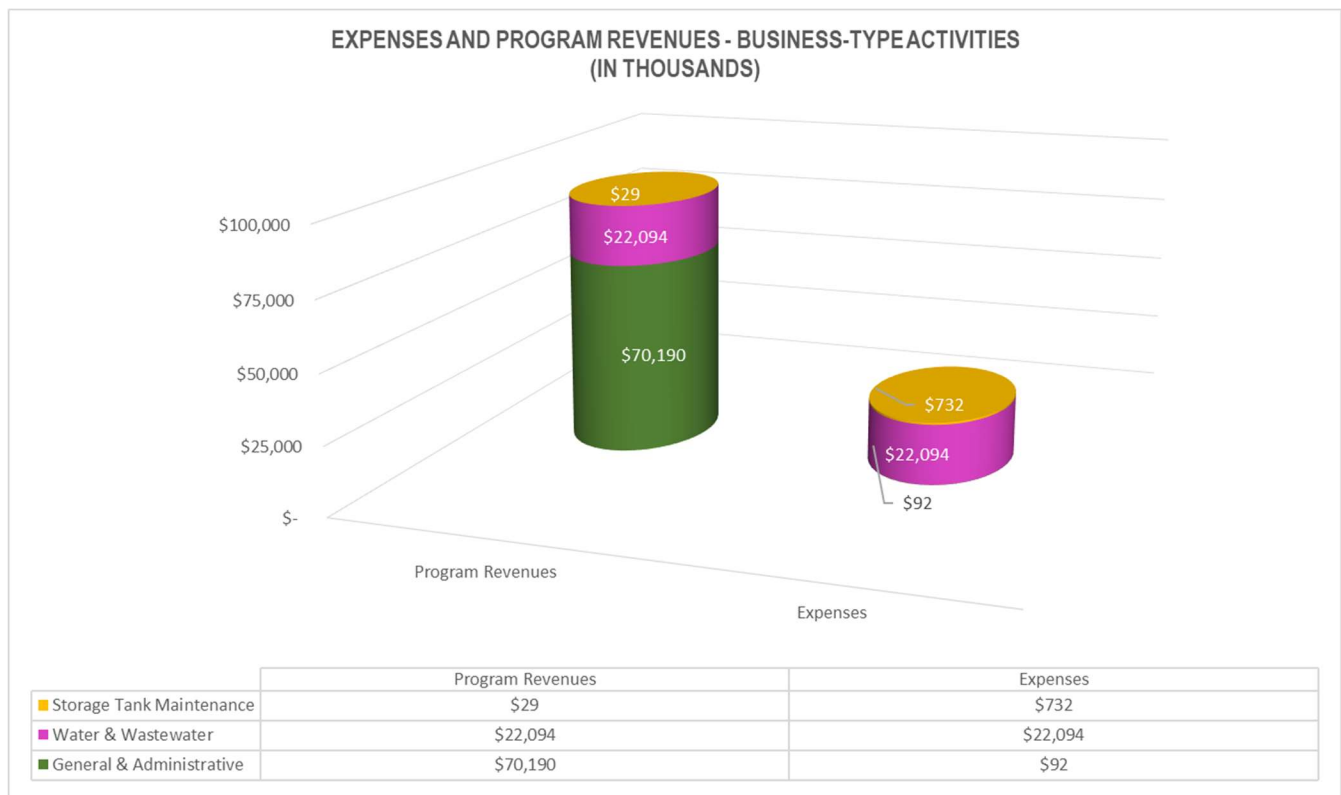
Expenses

Expenses within the Authority's business-type activities increased by \$9.8 million during the current fiscal year within water and wastewater programs. The state direct investment program within the Georgia Reservoir Fund had a significant increase in activity during 2019 resulting in a near \$7 million increase over 2018. Principal forgiveness and subsidies provided on loans within the Clean Water SRF Revolving Loan Funds and Drinking Water SRF Revolving Loan Funds experienced an increase of \$2.5 million over the 2018 amount.

The storage tank maintenance program expenses increased by \$150.7 thousand over 2018 expenses. The 26 percent increase was due to increased inspection and repair activity for tanks.

General and administrative services reflect those expenses incurred by the Authority to execute its business-type activities. These expenses decreased by 72 percent from those of the prior year, down by \$232.2 thousand due to decreased investment management fees.

The above details are illustrated in the following graph:



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Management's Discussion and Analysis

(Unaudited)

Financial Analysis of the Authority's Funds

Governmental Funds

As noted earlier, the focus of the Authority's governmental funds is to provide information on short-term inflows and outflows of spendable resources. This information is useful in assessing reserves available at the end of the year in comparison to upcoming financing requirements. Governmental funds reported ending fund balances of \$54.1 million in fiscal year 2019, compared to \$49.6 million in fiscal year 2018. Of these year-end totals, \$12.4 million for fiscal year 2018 was unassigned and available for continued financing by the Authority.

The total ending fund balances of governmental funds show an increase of \$4.5 million, compared to the increase experienced in fiscal year 2018 of \$2.6 million. This change is primarily due to increased transfer activities within governmental funds as well as transfers between governmental and proprietary funds for various purposes.

Major Governmental Funds

The General Fund is the Authority's primary operating fund and the source of daily administrative operations. The General Fund's fund balance increased by \$6.4 million in fiscal year 2019 as compared to the \$2 million increase from the previous year. The portion of fund balance obligated in the General Fund at year-end was \$11.5 million, up from \$5.1 million in fiscal year 2018. The majority of these decreases can be attributed to increased activity levels in match-related expenditures for the federal loan programs.

The General Fund's ending unassigned portion of fund balance of \$12.4 million. The Authority's year-round cash flow within the General Fund is generally consistent with increased activity occurring at each quarter's end. The Authority relies very little on the unassigned portion of fund balance because administrative expenditures of the Authority are satisfied by either direct grants or contracts from federal and state sources or transfers from repayments streams of other funds that could statutorily satisfy administrative costs of the Authority. The Clean Water State Revolving Administration Fund, Drinking Water State Revolving Administrative Fund and the Georgia Fund are the Authority's resources to cover administrative expenditures incurred within certain programs which are not directly funded by a dedicated revenue source, financing contract or grant. In addition, based on guidance from the programs, the Clean Water State Revolving Fund and Drinking Water State Revolving Funds may pay for administrative costs of the Authority for purposes that support their respective programs.

The Weatherization Assistance Program Fund serves as a special revenue fund to provide federal grant funds to nonprofit organizations throughout the state of Georgia in an effort to assist low income households achieve energy efficiencies in their homes. Revenues and expenditures typically net to zero as the funding is expenditure-driven and thus little fund balance had been reported for previous fiscal years. In FY 19, the Authority recognized \$6.8 thousand in program income from the sale of a vehicle returned to the program and that amount has been restricted to fund additional expenditures for the program. Total expenditures reported within this fund were \$7.1 million. At the end of the fiscal year, \$43.3 thousand remained as fund balance for future supplemental expenditures for the program.

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The Clean Water State Revolving Administration Fund is a special revenue fund to report operations for revenues received for the ongoing administrative efforts of the Clean Water State Revolving Loan Fund. These funds are used to support general operations of the Authority and are received primarily from loan recipients, rather than a direct contribution from federal or state governments. Another source of income within this fund is income received from investments. The reported fund balance within this fund was \$22 million and is restricted for use. Total expenditures for this fund were \$82.6 thousand. To finance loan program costs, \$4.8 million was transferred to the Clean Water Match State Revolving Loan Fund to support loan disbursements associated with its federal Clean Water State Revolving Loan Fund program.

The Drinking Water SRF State Program Setasides Fund serves as a special revenue fund for programs providing federal grant funds for state's operations for oversight provided to various drinking water projects. The Authority reported \$1.6 million in expenditure-driven grant funds, for which revenue and expenditure activity typically nets to zero, and therefore no fund balance has been reported for fiscal year 2019.

The Drinking Water SRF Local Assistance Setasides Fund serves as a special revenue fund for programs providing federal grant funds for various drinking water projects for the state's local assistance to various private and public contractors. The Authority reported \$2.1 million in expenditure-driven grant funds, for which revenue and expenditure activity typically nets to zero, and therefore no fund balance has been reported for fiscal year 2019.

The Drinking Water State Revolving Administration Fund is a special revenue fund to report operations for revenues received for the ongoing administrative efforts of the Drinking Water State Revolving Loan Fund. These funds are used to support general operations of the Authority and are received primarily from loan recipients, rather than a direct contribution from federal or state governments. Another source of income within this fund is income received from investments. The reported fund balance within this fund was \$3.5 million and is restricted for use. Total expenditures for this fund were \$121.7 thousand. To finance general administrative costs, \$46.4 thousand was transferred to the General Fund to support charges of the Authority associated with its federal Drinking Water State Revolving Loan Fund program.

The Appalachian Regional Commission Fund serves as a special revenue fund for programs providing federal grant funds for various infrastructure projects within the Appalachian Region of Georgia. The Authority reported \$2.6 million in expenditure-driven grant funds, for which revenue and expenditure activity typically nets to zero, and therefore no fund balance has been reported for fiscal year 2019.

The Proprietary Funds

The proprietary funds' statements share the same focus as the government-wide statements, reporting both short-term and long-term information about financial status. Each of the fund statements gives detailed information about the fund's financial condition. The viability of the Authority's loan and fuel storage tank maintenance programs is evident by this year-end's changes in net position detailed below.

The Authority's proprietary funds report the activities of the loan and fuel storage tank maintenance programs. The net position of the proprietary funds increased \$101.9 million from business

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Management's Discussion and Analysis

(Unaudited)

operations. The total interest income from loans for proprietary funds with a lending component for 2019 was \$28.9 million, a one percent increase from the previous year. The increase is mostly attributed to a decrease in early payoffs received and slightly higher interest rates charged on loans.

The fuel storage tank maintenance program had total revenues of approximately \$1.1 million primarily from fees charged customers for the maintenance of state-owned equipment.

Net position of the Authority's proprietary funds for federal programs are restricted for their respective purposes and are recycled into resources available to fund their core missions. Net position of the Authority's proprietary funds for state programs are typically unrestricted and can be used for the purposes they are held for, as authorized through current legislation, and recycled into resources available to fund their core missions.

Budgetary Information

The Authority does not have a budget directly approved by citizens of the State of Georgia. Instead, its appropriation is included in the State of Georgia's budget as a line item request within the Georgia Department of Community Affairs budget under the Authority's enabling legislation. Regardless, the Authority's management does utilize a budget across all funds and programs for financial analysis purposes throughout the year.

Capital Assets and Debt Administration

Capital Assets

The Authority's investment in capital assets for its governmental activities as of June 30, 2019 amounts to \$216.1 thousand (net of accumulated depreciation). This investment in capital assets includes equipment, furniture and fixtures. As of the close of the fiscal year, the Authority had no investment in capital assets of business-type activities because those activities are dedicated to the financing of loan and certain grant or subsidized projects and hold no depreciable assets. Additional information regarding the Authority's capital assets can be found in Note 7, page 43.

Long-term Debt

As of June 30, 2019, as demonstrated in the table below, the Authority had a total of \$7.1 million in outstanding long-term liabilities, an increase of approximately \$1.7 million. Of this amount, approximately \$101.3 thousand is due within one year.

GEORGIA ENVIRONMENTAL FINANCE AUTHORITY
(A Component Unit of the State of Georgia)

Management's Discussion and Analysis

(Unaudited)

GEFA
Long-term Debt Obligations

<u>Governmental Activities</u>	Balance at June 30, 2019	Percentage of Total	Due Within One Year
Compensated absences	\$ 405,151	6%	\$ 101,288
Net OPEB liability	2,264,366	32%	—
Net pension liability	4,439,587	62%	—
Governmental long-term liabilities	<u>\$ 7,109,104</u>		<u>\$ 101,288</u>

Additional information regarding the Authority's long-term debt can be found in Note 5, pages 40-42 and Note 8, pages 44-49.

Requests for Information

This financial report is designed to provide a general overview of the Authority's finances, comply with finance-related laws and regulations, and demonstrate the Authority's commitment to public accountability to all parties with an interest in its financial activities. Questions concerning any of the information provided in this report or requests for additional information should be addressed to: Georgia Environmental Finance Authority, Director, Fiscal Services Division, 233 Peachtree Street, NE, Harris Tower, Suite 900, Atlanta, Georgia 30303-1506.

GEORGIA ENVIRONMENTAL FINANCE AUTHORITY
(A Component Unit of the State of Georgia)

Statement of Net Position

June 30, 2019

	Primary Government			Component Unit
	Governmental activities	Business-type activities	Total	Ga. Environ. Loan Acq. Corp.
Assets				
Cash	\$ 564,612	3,625,665	4,190,277	111,544
Cash with fiscal agent	—	—	—	1,072,342
Investments	50,301,405	947,541,783	997,843,188	68,954,712
Investments with fiscal agent	—	—	—	4,924,589
Due from other governments	4,054,148	1,981,186	6,035,334	—
Internal balances	1,779,699	(1,779,699)	—	—
Accrued interest receivable	—	3,222,554	3,222,554	176,636
Loans receivable	—	1,434,983,360	1,434,983,360	38,406,022
Other assets	20	—	20	—
Net OPEB asset	343,139	—	343,139	—
Capital assets, net of accumulated depreciation	216,060	—	216,060	—
Total assets	57,259,083	2,389,574,849	2,446,833,932	113,645,845
Deferred Outflows of Resources				
Related to other postemployment benefits	486,423	—	486,423	—
Related to pensions	971,318	—	971,318	—
Total deferred outflows of resources	1,457,741	—	1,457,741	—
Liabilities				
Accounts payable and accrued liabilities	2,553,037	1,408,158	3,961,195	10,328
Accrued payroll	904	—	904	—
Due to other governments	2,230	3,075	5,305	—
Accrued interest payable	—	—	—	69,070
Retainage payable	—	1,085,463	1,085,463	—
Compensated absences, current	101,288	—	101,288	—
Securitization bonds payable, current	—	—	—	2,025,000
Long-term liabilities:				
Compensated absences, net of current portion	303,863	—	303,863	—
Net OPEB liability	2,264,366	—	2,264,366	—
Net pension liability	4,439,587	—	4,439,587	—
Securitization bonds payable, net of current portion and unamortized bond discount	—	—	—	30,215,366
Total liabilities	9,665,275	2,496,696	12,161,971	32,319,764
Deferred Inflows of Resources				
Related to other postemployment benefits	1,413,877	—	1,413,877	—
Related to pensions	379,259	—	379,259	—
Total deferred inflows of resources	1,793,136	—	1,793,136	—
Net Position				
Investment in capital assets	216,060	—	216,060	—
Restricted for:				
Debt service	—	—	—	81,326,081
Grant programs	4,727,010	—	4,727,010	—
Loan programs	36,982,494	1,803,070,372	1,840,052,866	—
Unrestricted	5,332,849	584,007,781	589,340,630	—
Total net position	\$ 47,258,413	2,387,078,153	2,434,336,566	81,326,081

See accompanying notes to basic financial statements.

GEORGIA ENVIRONMENTAL FINANCE AUTHORITY
(A Component Unit of the State of Georgia)

Statement of Activities

Year ended June 30, 2019

Functions/Programs:	Program revenues			Net (expense) revenue and changes in net position		
	Expenses	Charges for services	Operating grants and contributions	Capital grants and contributions	Governmental activities	Business-type activities
Governmental activities:						
General government	\$ 5,262,199	—	11,170,444	—	5,908,245	—
Water & wastewater	8,319,314	2,537,389	6,577,943	—	796,018	—
Land conservation	29,391	—	61,248	—	31,857	—
Energy & environment	7,585,937	—	7,609,679	—	23,742	—
Total governmental activities	21,196,841	2,537,389	25,419,314	—	6,759,862	—
Business-type activities:						
Water & wastewater	22,094,234	—	22,094,234	—	—	—
Storage tank maintenance	731,863	1,097,275	28,708	—	—	394,120
General & administrative	91,712	29,033,604	70,190,168	—	—	99,132,060
Total business-type activities	22,917,809	30,130,879	92,313,110	—	—	99,526,180
Total primary government	\$ 44,114,650	32,668,268	117,732,424	—	6,759,862	99,526,180
Component Unit:						
Georgia Environmental Loan Acquisition Corporation	\$ 1,924,380	1,564,334	1,851,379	—	—	—
Total Component Units	\$ 1,924,380	1,564,334	1,851,379	—	—	—
General revenues:						
Unrestricted investment earnings					\$ 1,138,063	—
Miscellaneous					122,086	1,747
Transfers					(2,359,402)	2,359,402
					(1,099,253)	2,361,149
Total general revenues and transfers					\$ 5,660,609	101,887,329
Change in net position					41,597,804	2,285,190,824
Net position – July 1					\$ 47,258,413	2,387,078,153
Net position – June 30					—	—
					1,138,063	1,497,010
					123,833	1,497,010
					—	79,829,071
					2,434,336,566	81,326,081

See accompanying notes to basic financial statements.

GEORGIA ENVIRONMENTAL FINANCE AUTHORITY

(A Component Unit of the State of Georgia)

Balance Sheet Governmental Funds

June 30, 2019

Assets	General	Weatherization Assistance Program	Clean Water SRF Administration	Drinking Water SRF State Program Set-asides	Drinking Water SRF Local Assist Set-asides	Drinking Water SRF Administration	Appalachian Regional Commission	Total Nonmajor Governmental Funds	Total Governmental Funds
Cash	\$ 423,510	—	—	—	—	—	—	141,102	564,612
Investments	21,033,822	—	21,479,076	—	—	3,253,013	—	4,535,494	50,301,405
Due from other governments	403,906	1,642,229	577,090	395,507	350,988	230,607	250,587	143,234	4,054,148
Due from other funds	2,752,899	—	—	—	—	47,980	—	56,720	2,857,599
Other assets	20	—	—	—	—	—	—	—	20
Total assets	\$ 24,614,157	1,642,229	22,056,166	395,507	350,988	3,591,600	250,587	4,876,550	57,777,784
Liabilities and Fund Balances									
Liabilities:									
Accounts payable and accrued liabilities	\$ 582,101	813,095	—	395,507	350,988	17,425	250,587	143,334	2,553,037
Accrued payroll	904	—	—	—	—	—	—	—	904
Due to other funds	87,454	785,856	62,517	—	—	94,819	—	47,254	1,077,900
Due to other governments	—	—	—	—	—	—	—	2,230	2,230
Total liabilities	670,459	1,598,951	62,517	395,507	350,988	112,244	250,587	192,818	3,634,071
Fund balances:									
Restricted for grant programs	—	43,278	—	—	—	—	—	4,683,732	4,727,010
Restricted for loan programs	11,509,489	—	21,993,649	—	—	3,479,356	—	—	36,982,494
Unassigned	12,434,209	—	—	—	—	—	—	—	12,434,209
Total fund balances	23,943,698	43,278	21,993,649	—	—	3,479,356	—	4,683,732	54,143,713
Total liabilities and fund balances	\$ 24,614,157	1,642,229	22,056,166	395,507	350,988	3,591,600	250,587	4,876,550	
Amounts reported for governmental activities in the statement of net position are different because:									
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the funds.									216,060
Deferred outflows of resources used as contributions related to other postemployment benefits are not reported in governmental funds									486,423
Deferred outflows of resources used as contributions related to pensions are not reported in governmental funds									971,318
Deferred inflows of resources used to accumulate other postemployment benefits valuation changes are not reported in governmental funds									(1,413,877)
Deferred inflows of resources used to accumulate pension valuation changes are not reported in governmental funds									(379,259)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds:									
Net OPEB asset									343,139
Compensated absences									(405,151)
Net OPEB liability									(2,264,366)
Net pension liability									(4,439,587)
Net position of governmental activities									\$ 47,258,413

See accompanying notes to basic financial statements.

GEORGIA ENVIRONMENTAL FINANCE AUTHORITY

(A Component Unit of the State of Georgia)

Statement of Revenues, Expenditures, and Changes in Fund Balances

Governmental Funds

Year ended June 30, 2019

	General	Weatherization Assistance Program	Clean Water SRF Administration	Drinking Water SRF State Program Set-asides	Drinking Water SRF Local Assist Set-asides	Drinking Water SRF Administration	Appalachian Regional Commission	Total Nonmajor Governmental Funds	Total Governmental Funds
Revenues:									
State appropriations	\$ 788,495	—	—	—	—	—	—	—	788,495
State general obligation bond proceeds	8,000,000	—	—	—	—	—	—	—	8,000,000
Administrative fees	15,590	—	1,640,709	—	—	881,090	—	—	2,537,389
Grant revenues	2,381,949	7,085,248	—	1,611,379	2,091,899	—	2,579,315	753,104	16,502,894
Public donations	—	—	—	—	—	—	—	61,248	61,248
Interest income on investments	496,159	—	534,062	—	—	71,094	—	103,425	1,204,740
Miscellaneous	122,086	—	—	—	—	—	—	—	122,086
Total revenues	11,804,279	7,085,248	2,174,771	1,611,379	2,091,899	952,184	2,579,315	917,777	29,216,852
Expenditures:									
Current:									
General government	6,348,489	—	—	—	—	—	—	—	6,348,489
Water and wastewater programs	1,537,114	—	82,602	1,611,379	2,091,899	121,655	2,579,315	295,350	8,319,314
Land conservation programs	—	—	—	—	—	—	—	29,391	29,391
Energy programs	—	7,110,777	—	—	—	—	—	475,160	7,585,937
Capital outlay:									
General government	25,410	—	—	—	—	—	—	—	25,410
Total expenditures	7,911,013	7,110,777	82,602	1,611,379	2,091,899	121,655	2,579,315	799,901	22,308,541
Excess of revenues over expenditures	3,893,266	(25,529)	2,092,169	—	—	830,529	—	117,876	6,908,311
Other Financing Sources (Uses):									
Transfers in	9,164,069	—	—	—	—	—	—	15,971	9,180,040
Transfers out	(6,666,405)	—	(4,820,920)	—	—	(46,362)	—	(5,755)	(11,539,442)
Total other financing sources and uses	2,497,664	—	(4,820,920)	—	—	(46,362)	—	10,216	(2,359,402)
Net change in fund balances	6,390,930	(25,529)	(2,728,751)	—	—	784,167	—	128,092	4,548,909
Fund balances – July 1	17,552,768	68,807	24,722,400	—	—	2,695,189	—	4,555,640	49,594,804
Fund balances – June 30	\$ 23,943,698	43,278	21,993,649	—	—	3,479,356	—	4,683,732	54,143,713

See accompanying notes to basic financial statements.

GEORGIA ENVIRONMENTAL FINANCE AUTHORITY
(A Component Unit of the State of Georgia)

Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances of Governmental Funds to the Statement of Activities

Year ended June 30, 2019

Net change in fund balances - total governmental funds \$ 4,548,909

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay	\$ 25,410	
Depreciation Expense	<u>(97,202)</u>	(71,792)

Expenses related to the change in accrued vacation reported in the governmental activities do not require the use of current financial resources and therefore are not reported as expenditures for governmental funds. 94,948

Repayment of long-term debt is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the statement of net position. In the current year, these amounts consist of:

Changes in the other postemployment benefits liability and related amounts	693,378	
Changes in the net pension liability and related amounts	<u>395,166</u>	
Change in net position of governmental activities		<u><u>\$ 5,660,609</u></u>

See accompanying notes to basic financial statements.

GEORGIA ENVIRONMENTAL FINANCE AUTHORITY
(A Component Unit of the State of Georgia)

Statement of Net Position

Enterprise Funds

June 30, 2019

Assets	Georgia Fund	Georgia Reservoir Fund	Clean Water State Revolving Loan Fund	Clean Water State Match Revolving Loan Fund	Drinking Water State Revolving Loan Fund	Drinking Water State Match Revolving Loan Fund	Nonmajor Enterprise Fund	Total
Current assets:								
Cash	—	—	1,083,594	1,520,707	1,020,376	—	988	3,625,665
Investments	177,674,220	8,273,697	434,889,834	138,904,047	130,219,218	56,531,251	1,049,516	947,541,783
Due from other governments	1,400	1,923,419	—	—	—	—	56,367	1,981,186
Due from other funds	750	—	29,698	165,760	9,776	—	—	205,984
Accrued interest receivable	1,199,000	181,065	1,362,596	202,468	228,837	48,588	—	3,222,554
Total current assets	178,875,370	10,378,181	437,365,722	140,792,982	131,478,207	56,579,839	1,106,871	956,577,172
Noncurrent assets:								
Loans receivable	309,840,186	86,448,331	734,148,807	90,696,176	174,246,124	39,603,736	—	1,434,983,360
Total noncurrent assets	309,840,186	86,448,331	734,148,807	90,696,176	174,246,124	39,603,736	—	1,434,983,360
Total assets	488,715,556	96,826,512	1,171,514,529	231,489,158	305,724,331	96,183,575	1,106,871	2,391,560,532
Liabilities								
Accounts payable and accrued liabilities	109,044	574,670	301,433	—	329,307	—	93,704	1,408,158
Due to other funds	474,588	263,286	332,413	—	877,832	236	37,328	1,985,683
Retainage payable	—	1,085,463	—	—	—	—	—	1,085,463
Due to other governments	—	—	—	—	—	—	3,075	3,075
Total liabilities	583,632	1,923,419	633,846	—	1,207,139	236	134,107	4,482,379
Net Position								
Restricted	—	—	1,170,880,683	231,489,158	304,517,192	96,183,339	—	1,803,070,372
Unrestricted	488,131,924	94,903,093	—	—	—	—	972,764	584,007,781
Total net position	488,131,924	94,903,093	1,170,880,683	231,489,158	304,517,192	96,183,339	972,764	2,387,078,153

See accompanying notes to basic financial statements.

GEORGIA ENVIRONMENTAL FINANCE AUTHORITY (A Component Unit of the State of Georgia)

Enterprise Funds

Statement of Revenues, Expenses, and Changes in Net Position Year ended June 30, 2019

	Georgia Fund	Georgia Reservoir Fund	Clean Water State Revolving Loan Fund	Clean Water State Match Revolving Loan Fund	Drinking Water State Revolving Loan Fund	Drinking Water State Match Revolving Loan Fund	Nonmajor Enterprise Fund	Total Enterprise Funds
Operating Revenues:								
Charges for services – interest income on loans receivable	\$ 6,979,921	319,129	16,042,224	2,498,469	2,516,341	567,220	—	28,923,304
Administrative and preventative maintenance fees	105,300	5,000	—	—	—	—	1,097,275	1,207,575
State contract revenues	—	12,325,464	—	—	—	—	—	12,325,464
Miscellaneous	—	—	—	—	1,699	48	—	1,747
Total operating revenue	7,085,221	12,649,593	16,042,224	2,498,469	2,518,040	567,268	1,097,275	42,458,090
Operating Expenses:								
Water and wastewater programs	447,505	12,325,464	3,968,156	—	5,353,109	—	—	22,094,234
Storage tank maintenance programs	74,463	4,831	37	7,980	180	3,602	731,863	731,863
General and administrative	521,968	12,330,295	3,968,193	7,980	5,353,289	3,602	619	91,712
Total operating expenses	6,563,253	319,298	12,074,031	2,490,489	(2,835,249)	563,666	732,482	22,917,809
Operating income (loss)	—	—	27,138,000	—	22,428,231	—	364,793	19,540,281
Nonoperating Revenues:								
Federal grant contributions	8,000,000	—	—	—	—	—	—	49,566,231
State general obligation bond proceeds	4,484,638	222,378	10,067,324	3,247,821	3,044,057	1,326,489	28,708	8,000,000
Interest income on investments	12,484,638	222,378	37,205,324	3,247,821	25,472,288	1,326,489	28,708	22,421,415
Total nonoperating revenue	19,047,891	541,676	49,279,355	5,738,310	22,637,039	1,890,155	393,501	79,987,646
Income before transfers	(2,914,524)	—	(1,475,552)	(4,822,012)	1,265,999	(1,265,999)	(424,098)	99,527,927
Transfers in	16,133,367	541,676	47,804,895	6,410,150	23,903,026	7,124,812	(30,597)	13,261,599
Transfers out	471,998,557	94,361,417	1,123,075,788	225,079,008	280,614,166	89,058,527	1,003,361	101,887,329
Changes in net position	—	—	—	—	—	—	—	2,285,190,824
Total net position – July 1	488,131,924	94,903,093	1,170,880,683	231,489,158	304,517,192	96,183,339	972,764	2,387,078,153
Total net position – June 30	—	—	—	—	—	—	—	—

See accompanying notes to basic financial statements.

GEORGIA ENVIRONMENTAL FINANCE AUTHORITY

(A Component Unit of the State of Georgia)

Statement of Cash Flows - Proprietary Fund Types - Enterprise Funds

Year ended June 30, 2019

	Georgia Fund	Georgia Reservoir Fund	Clean Water State Revolving Loan Fund	Clean Water State Revolving Loan Fund	Drinking Water State Revolving Loan Fund	Drinking Water State Revolving Loan Fund	Nonmajor Enterprise Fund	Total
Cash flows from operating activities:								
Interest payments received on loans receivable	\$ 6,709,195	181,423	16,063,501	2,510,497	2,499,873	564,268	—	28,528,757
Administrative fee receipts	103,900	5,000	—	—	—	—	1,044,990	1,153,890
State contract receipts	—	12,476,082	—	—	—	—	—	12,476,082
Payments to service providers	(470,497)	(12,480,913)	(3,688,967)	(8,404)	(5,023,983)	(3,602)	(680,415)	(22,336,781)
Internal activity – payments from other funds	—	—	595,120	—	—	1,274,248	129,590	1,998,958
Internal activity – payments to other funds	(4,969,574)	—	—	(641,229)	(340,599)	—	(132,563)	(6,083,965)
Miscellaneous receipts	—	—	—	—	1,699	48	—	1,747
Net cash provided by (used in) operating activities	1,373,024	181,592	12,989,654	1,860,864	(2,863,010)	1,834,962	361,602	15,738,688
Cash flows from noncapital financing activities:								
Federal grant contributions	—	—	27,138,000	—	22,428,231	—	—	48,566,231
State contributions	8,000,000	—	—	—	—	—	—	8,000,000
Transfers in	—	—	1,092	5,493,852	1,265,999	6,500,656	—	13,261,599
Transfers out	(2,914,524)	—	(1,475,552)	(4,822,012)	(12)	(1,265,999)	(424,098)	(10,902,197)
Net cash provided by (used in) noncapital financing activities	5,085,476	—	25,663,540	671,840	23,694,218	5,234,657	(424,098)	59,925,633
Cash flows from investing activities:								
Interest income on investments	4,484,638	222,378	10,067,324	3,247,821	3,044,057	1,326,489	28,708	22,421,415
Originations of and advances on loans receivable	(40,861,928)	(4,804,279)	(64,753,053)	(24,536,518)	(6,514,934)	(6,514,934)	—	(141,470,712)
Principal payments received on loans receivable	17,533,312	394,754	50,993,469	6,356,783	11,126,282	2,597,797	—	89,002,397
Net cash provided by (used in) investing activities	(18,843,978)	(4,187,147)	(3,692,260)	9,604,604	(10,366,179)	(2,590,648)	28,708	(30,046,900)
Net in(decrease in cash and cash equivalents	(12,385,478)	(4,005,555)	34,960,934	12,137,308	10,465,029	4,478,971	(33,788)	45,617,421
Cash and cash equivalents at beginning of year	190,059,698	12,279,252	401,012,494	128,287,446	120,774,565	52,052,280	1,084,292	905,560,027
Cash and cash equivalents at end of year	\$ 177,674,220	8,273,697	435,973,428	140,424,754	131,239,594	56,531,251	1,050,504	951,167,448
Reconciliation to the statement of net position:								
Cash	—	—	1,083,594	1,520,707	1,020,376	—	988	3,625,665
Investments	177,674,220	8,273,697	434,889,834	138,904,047	130,219,218	56,531,251	1,049,516	947,541,783
	\$ 177,674,220	8,273,697	435,973,428	140,424,754	131,239,594	56,531,251	1,050,504	951,167,448
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:								
Change in assets and liabilities:								
Operating income (loss)	\$ 6,563,253	319,298	12,074,031	2,490,489	(2,835,249)	563,666	364,793	19,540,281
Change in assets and liabilities:								
Accrued interest receivable	(1,400)	—	—	—	—	—	(52,285)	(63,685)
Accrued interest payable	(270,726)	(137,706)	21,277	12,028	(16,469)	(2,952)	(394,548)	(394,548)
Due from other funds	(4,969,574)	—	595,120	(641,229)	(340,599)	1,274,248	129,590	1,998,958
Due to other funds	51,471	—	299,226	(424)	329,307	—	(132,563)	(6,083,965)
Accrued liabilities	—	—	—	—	—	—	52,067	731,647
Net cash provided by (used in) operating activities	\$ 1,373,024	181,592	12,989,654	1,860,864	(2,863,010)	1,834,962	361,602	15,738,688

See accompanying notes to basic financial statements.

GEORGIA ENVIRONMENTAL FINANCE AUTHORITY

(A Component Unit of the State of Georgia)

Notes to Basic Financial Statements

June 30, 2019

(1) Summary of Significant Accounting Policies

(a) Organization

The Georgia Environmental Finance Authority (the "Authority") was created by an Act of the State of Georgia (the "State") in 1986 as the successor agency to the Georgia Development Authority Environmental Facilities Program. The primary mission of the Authority is to provide funding to eligible municipalities, counties, water and sewer authorities, and solid waste authorities in the state for construction and expansion of public water, sewer, and solid waste facilities.

The Governor of the State of Georgia appoints eight members of the Authority's Board and three ex-officio members are designated by the Authority's enabling legislation. Due to the extent of its fiscal dependency on the State, the Authority is considered a component unit of the State.

The Authority has control over the Division of Energy Resources (the "DOER"), which provides administration for statewide energy conservation programs including weatherization of homes for low income citizens and retrofitting of HVAC systems for schools and other state facilities.

Additionally, the Authority has control over the Clean Water and Drinking Water State Revolving Loan Fund (the "SRF"), which was previously administered by the Georgia Environmental Protection Division (the "EPD"). EPD retained compliance responsibility for capitalization grants issued by the United States Environmental Protection Agency (the "EPA") applicable to Federal fiscal years 1988-1993 until such grants were fully expended. The Authority is the recipient of and is responsible for the administration of capitalization grants applicable to Federal fiscal years 1994 and beyond. The Authority and EPD have signed a reciprocal agreement concerning technical and financial administration of the SRF. This agreement places ownership of the fund with the Authority in accordance with Sections 12-5-38.1 and 50-23-5 of the *Official Code of Georgia Annotated* (the "OCGA"). As a result, the full amount of assets, liabilities, and net position of the fund are included in the financial statements of the Authority in the Clean Water SRF and in the Drinking Water SRF.

The SRF was initially established for the purpose of making loans to local governments for construction of publicly owned wastewater treatment facilities and was funded through capitalization grants from EPA under the authority of the Clean Water Act. In 1996, the U.S. Congress passed the Safe Drinking Water Act and added a Drinking Water SRF program. The program was established for the purpose of making loans to local governments for construction of publicly owned water supply facilities and is funded through capitalization grants from the EPA under the authority of the Safe Drinking Water Act. To receive capitalization grants from both of these programs, a recipient state must agree to provide state funds for qualifying projects equal to 20% of the capitalization grant amount. In order to provide the matching requirement for the Clean Water SRF program, the Authority has dedicated qualifying loans from its existing state funded loan portfolio and certain interest

GEORGIA ENVIRONMENTAL FINANCE AUTHORITY
(A Component Unit of the State of Georgia)

Notes to Basic Financial Statements

June 30, 2019

earnings on loan repayments and transferred these loans and interest earnings to the SRF. In some instances, the matching requirement is met by amounts appropriated, and paid, by the state, the Authority's current method for meeting the 20% match requirement. The results of these transactions are displayed on the financial statements of the major enterprise funds – the Clean Water State Revolving Loan Fund, the Clean Water State Match Revolving Loan Fund, the Drinking Water State Revolving Loan Fund and the Drinking Water State Match Revolving Loan Fund.

Effective July 1, 1995, the Fuel Storage Tank Management Group (the "FST") formerly part of the EPD was brought under the control of the Authority. This unit is engaged in the disposal and/or remediation of state owned fuel tanks to mandated EPA standards. Therefore, local governments do not benefit directly from this program. Pursuant to the bond issuance from which the proceeds to fund FST remediation efforts were derived, the Authority is not authorized to receive and expend bond funds for the program. Thus, the Authority has entered into an agreement with the Georgia State Financing and Investment Commission (the "GSFIC") and the Georgia Building Authority (the "GBA") to act as agents to receive and expend funds under this program. However, the Authority administers this program and determines fund recipients. GSFIC and GBA only act as receiving and paying agents. Therefore, the only activity reflected on the Authority's books is for the cost of the operation of the unit. FST bond funds received by GSFIC and expended by GBA were not accounted for on the Authority's books prior to fiscal year 2009. Effective fiscal year 2009, the Authority began reporting activity of the FST and that activity is reflected in the nonmajor enterprise fund – Storage Tank Maintenance Fund.

In 2010, the Authority's governing legislation was amended to provide for the creation of subsidiary corporations to carry out any of its corporate purposes and to permit it to transfer to the State of Georgia any funds not needed for its corporate purposes. In July 2010, the Authority created the Georgia Environmental Loan Acquisition Corporation (the "Corporation") as a subsidiary organization pursuant to such provisions of law for the purpose of acquiring a portion of the Authority's loan portfolio and issuing bonds secured by the acquired loans to finance their purchase.

During fiscal year 2015, the Authority agreed to become the Registered State Basic Agency (RSBA) for the U. S. Appalachian Regional Commission (ARC). Under this agreement, the Authority receives federal funds to make grants to local governments for construction of or upgrades to wastewater treatment facilities specifically in the Appalachia region of Georgia.

Reporting Entity – Component units are legally separate organizations for which the State's or Authority's elected or appointed officials are financially accountable. In accordance with criteria in GASB Statements Nos. 14, 39 and 61, the Authority qualifies for treatment as a component unit of the State of Georgia; therefore, the Authority's financial statements are included in the State of Georgia's combined financial statements as a discretely presented component unit.

GEORGIA ENVIRONMENTAL FINANCE AUTHORITY
(A Component Unit of the State of Georgia)

Notes to Basic Financial Statements

June 30, 2019

Discretely Presented Component Unit

Financial accountability is the ability of the Authority to appoint a voting majority of an organization's governing board and to impose its will upon the organization or when there exists the potential for the organization to provide specific financial benefits or impose specific financial burdens on the primary government. When the Authority does not appoint a voting majority of organization's governing body, GASB standards require inclusion in the financial reporting entity if an organization is fiscally dependent upon the Authority, its resources are held for the direct benefit of the Authority or can be accessed by the Authority, and a potential financial benefit or burden relationship exists or the relationship is such that it would be misleading to exclude it. In accordance with GASB Statements No. 14 and 61, the Corporation qualifies for treatment as a component unit because it is a legally separate, tax-exempt organization, the majority of whose board is appointed by the Authority, for which the Authority can impose its will on the Corporation by virtue of having the same management personnel, and whose economic resources are directly accessible by the Authority. As such, the Authority presents within these statements the Corporation as a discretely presented component unit.

The Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position of the Corporation are reported discretely in the Authority's financial statements as required by government accounting standards. Complete separate financial statements for the Corporation may be obtained at Director, Fiscal Services Division, 233 Peachtree Street, NE, Harris Tower, Suite 900, Atlanta, GA 30303-1506.

(b) Government-Wide and Fund Financial Statements

The Authority presents government-wide financial statements which are prepared using the accrual basis of accounting and the economic resources measurement focus. Government-wide financial statements (i.e. the statement of net position and the statement of activities) do not provide information by fund, but distinguish between the Authority's governmental activities and business type activities. Significantly, the statement of net position includes noncurrent assets and liabilities and the government-wide statement of activities reflects depreciation expenses on the Authority's capital assets and changes in long-term liabilities. Also, for the most part, the effect of the interfund activity is removed from these statements. Net position in the statement of net position is distinguished between amounts invested in capital assets (net of any related debt), amounts that are restricted for use by third parties or outside requirements, and amounts that are unrestricted.

The statement of activities demonstrates the degree to which direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers who purchase, use, or benefit from the services provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment, and 3) interest income that is restricted for use on a particular function or segment. Unrestricted interest

GEORGIA ENVIRONMENTAL FINANCE AUTHORITY

(A Component Unit of the State of Georgia)

Notes to Basic Financial Statements

June 30, 2019

income and other items not properly included among program revenues are reported as general revenues.

In addition to the government-wide financial statements, the Authority has prepared separate financial statements for governmental funds and proprietary funds. Governmental fund financial statements use the modified accrual basis of accounting and the current financial resources measurement focus and proprietary fund financial statements use the accrual basis of accounting and the economic resources measurement focus.

(c) *Measurement Focus, Basis of Accounting, and Financial Statement Presentation*

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are considered measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Authority considers revenues to be available if they are collected within 90 days of the end of the current fiscal year. Expenditures generally are recorded when a liability is incurred, as under usual accrual accounting. Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant certifications and requirements have been met.

The Authority reports the following major governmental funds:

General Fund – The General Fund is the general operating fund of the Authority. It is used to account for all financial resources except those required to be accounted for in another fund.

Weatherization Assistance Program Fund – This fund is used to account for the Authority's grants to local governments and nonprofit entities to be used for the weatherization of low and moderate income citizen's homes, as well as provide assistance in paying utility bills for these citizens. Part of this program is known as the Integrated Resources Program (the "IRP") and is funded by contributions from the Georgia Power Company pursuant to an order of the Georgia Public Service Commission. Other financing is provided by Federal grants from the Department of Energy and the Department of Health and Human Services and petroleum violation escrow funds.

Clean Water SRF Administration Fund – This fund is used to account for assets held by the Authority for the future administration of the Clean Water State Revolving Loan

GEORGIA ENVIRONMENTAL FINANCE AUTHORITY

(A Component Unit of the State of Georgia)

Notes to Basic Financial Statements

June 30, 2019

Fund program. The assets were collected from loan origination fees and are to be used to administer the monitoring of projects funded by loans to local governments for waste water treatment plants.

Drinking Water SRF State Program Setasides Fund - This fund is used to account for the Authority's "set aside" grants used for various safe drinking water projects. Financing is provided through the Federal Drinking Water capitalization grant. States are allowed to use 10% of their capitalization grants to provide funding for certain activities that provide assistance to state programs such as administration of the Public Water Supervision Program (the "PWSS").

Drinking Water SRF Local Assistance Setasides Fund - This fund is used to account for the Authority's "set aside" grants used for various safe drinking water projects. Financing is provided through the Federal Drinking Water capitalization grant. States may provide assistance, including technical assistance, to public water systems as part of a capacity development strategy under Section 1420 (c) of the Act. States may use up to 15% of the capitalization grant amount for these activities, provided not more than 10% of the capitalization grant amount is used for any one activity. This fund accounts for local assistance to various private and public contractors.

Drinking Water SRF Administration Fund – This fund is used to account for assets held by the Authority for the future administration of the Drinking Water State Revolving Loan Fund program. The assets were collected from loan origination fees and are to be used to administer the monitoring of projects funded by loans to local governments for water supply projects.

Appalachian Regional Commission Fund – This fund is used to account for federal funds awarded to recipients in the State of Georgia's high priority Appalachia development area. Projects must meet or address certain specific program goals to: (1) increase job opportunities and per capita income in Appalachia to reach parity with the nation; (2) strengthen the capacity of the people of Appalachia to compete in the global economy; (3) develop and improve Appalachia's infrastructure to make the Region economically competitive; and (4) build the Appalachian Development Highway System to reduce Appalachia's isolation.

The Authority reports the following major enterprise funds:

Georgia Fund – This fund is used to account for loans to local governments for water, sewer, and solid waste improvements. Its revenues are derived from interest income on loans receivable and interest income on investments. The original funding for these loans is provided through state appropriations or general obligation bonds.

Georgia Reservoir Fund - This fund is used to account for activities and monies associated with grants and loans to governments specific to the construction of reservoirs and other eligible water supply operations and systems. Its revenues are derived from the interest income on loans receivable and interest income on

GEORGIA ENVIRONMENTAL FINANCE AUTHORITY

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Notes to Basic Financial Statements

June 30, 2019

investments. The original funding for these grants and loans is provided through state appropriations or general obligation bonds.

Clean Water State Revolving Loan Fund – This fund is used to account for loans to local governments for wastewater treatment projects. The original funding for these loans is provided through federal capitalization grants. The fund's revenues are derived from interest income on loans receivable and interest income on investments.

Clean Water State Match Revolving Loan Fund – This fund is used to account for the state's matching portion to provide for loans for wastewater treatment projects similar to the Clean Water State Revolving Loan Fund. The federal government requires the state to match 20% of the funds contributed to the Clean Water SRF in order to receive the full funding available for wastewater treatment projects. The original funding for these loans is provided by the State. The fund's revenues are derived from interest income on loans receivable and interest income on investments.

Drinking Water State Revolving Loan Fund – This fund is used to account for loans to local governments for water supply projects. These loans are intended to primarily fund projects which promote compliance with the Safe Drinking Water Act. The original funding for these loans is provided through federal capitalization grants. The fund's revenues are derived from interest income on loans receivable and interest income on investments.

Drinking Water State Match Revolving Loan Fund - This fund is used to account for the state's matching portion to provide for loans for drinking water treatment projects similar to the Drinking Water State Revolving Loan Fund. The federal government requires the state to match 20% of the funds contributed to the Drinking Water State Revolving Loan Fund in order to receive the full funding available for drinking water treatment projects. The original funding for these loans is provided by the state. The fund's revenues are derived from interest income on loans receivable and interest income on investments.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements, except for the net activity between the governmental and business-type activities.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the proprietary fund's principal ongoing operations. The principal operating revenue of each of the Authority's enterprise funds is interest income on loans outstanding and fee charges for providing training and technical assistance to UST and AST operators. Operating expenses for the enterprise funds include direct general and administrative expenses of administering the programs. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. General administrative overhead expenses are recorded in the general government function within the governmental activities.

GEORGIA ENVIRONMENTAL FINANCE AUTHORITY

(A Component Unit of the State of Georgia)

Notes to Basic Financial Statements

June 30, 2019

When multiple resources are available for use, it is the Authority's policy to use resources in the following order: (1) restricted, (2) committed, (3) assigned, and (4) unassigned, for those items recorded within the governmental funds. For net position, restricted resources are used when available, prior to unrestricted resources. Nonspendable resources are utilized in accordance with requirements for those resources to be expended, i.e. billing terms, normal consumption or payment schedules.

(d) Cash Equivalents

For purposes of the statement of cash flows, all investments with original maturity dates of three months or less are considered cash equivalents.

(e) Loans Receivable

Loans receivable are stated at their unpaid principal balance less undisbursed portion of loans in process. Additionally, certain loan programs utilized by the Authority allow for forgiveness of a certain portion of the principal amount of the loan or provide a subsidized portion of the loan to communities who meet eligibility criteria to qualify as "disadvantaged" communities under federal poverty guidelines. The expected forgiven amount or subsidized portion has been expensed by the Authority as the overall loans are disbursed and this amount is not included in the loans receivable at year end.

The evaluation of the need for an allowance for loan losses is based on management's evaluation of the loan portfolio, current economic conditions, payment history and other such factors which, in management's judgment, deserve recognition in estimating loan losses. As of June 30, 2019, the Authority does not have a basis for establishing such a provision based on these criteria.

(f) Interfund Activity

All outstanding balances between funds are reported as due from/to other funds in the fund financial statements. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

(g) Due from Other Governments

Due from other governments includes the following:

as of June 30, 2019	
Entity or Entity Type	Amount
State of Georgia Local Governments	\$ 869,590
State of Georgia State Organizations	3,449,247
U. S. Appalachian Regional Commission	298,365
U. S. Department of Energy	446,406
U. S. Environmental Protection Agency	971,726
Total	\$ 6,035,334

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(h) *Capital Assets*

General capital assets are those assets not specifically related to activities reported in proprietary funds. These assets generally result from expenditures of governmental funds. The Authority reports these assets in the governmental activities column of government-wide statement of net position but does not report these assets in the Authority's fund financial statements. All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The Authority's capital assets include various types of computer equipment and furniture and fixtures and are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Authority as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Contributions or donations of capital assets received from federal, state or local resources are recorded as contributions when received and are stated at acquisition value. Additions, improvements and expenditures that significantly extend the useful life of an asset are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are expensed and therefore not capitalized.

Capital assets of the Authority are depreciated using the straight line method over the following estimated useful lives:

Asset	Years
Computer equipment	5
Furniture and fixtures	5

(i) *Investments*

Investments consist of funds on deposit in the Georgia Fund 1 and the Georgia Fund 1 Plus, which are State of Georgia investment pools. The Georgia Fund 1 and Georgia Fund 1 Plus are external investment pools managed by the State of Georgia's Office of the State Treasurer. The Georgia Fund 1 and Georgia Fund 1 Plus, created by OCGA 36-83-8, are stable asset value investment pools, which follow Standard and Poor's criteria for AAf rated money market funds and are regulated by the Georgia Office of the State Treasurer. The pools are not registered with the SEC as an investment company. The pools' primary objectives are safety of capital, investment income, liquidity and diversification while maintaining principal (\$1 per share value). The asset value is calculated weekly to ensure stability. The pools distribute earnings (net of management fees) on a monthly basis and determine participants' shares sold and redeemed based on \$1 per share. The pools also adjust the values of their investments to fair value as of year-end, and the Authority's investments in the Georgia Fund 1 and Georgia Fund 1 Plus are reported at fair value.

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(j) Income Taxes

The Authority is exempt from Federal income taxes as an integral part of a state government. Accordingly, no provision for income taxes has been recorded in the accompanying financial statements.

(k) Compensated Absences

It is the Authority's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. No liability is reported for unpaid accumulated sick leave because the payment of the benefits is contingent upon any future illness of an employee. No cash payments for accumulated sick leave are made to employees upon their retirement or termination of employment.

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time-off or some other means. All compensated absence liabilities include salary-related payments, where applicable.

The total compensated absence liability is reported on the government-wide financial statements. Proprietary funds report the total compensated liability in each individual fund at the fund reporting level. Governmental funds report the compensated absence liability at the fund reporting level only "when due."

(l) Risk Management

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; workers' compensation; and natural disasters.

The Authority is a member of the State of Georgia Insurance Fund, a public entity risk pool currently operating as a common risk management and insurance program for various state agencies. The Authority pays an annual premium to the state for its insurance coverage. For the year ended June 30, 2019, the Authority paid premiums totaling \$31,782, which included premiums for cyber insurance.

(m) Fund Equity

(1) Government-wide statements – Equity is classified as net position and displayed in three components:

- (a) Investment in capital assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other debt attributable to the acquisition, construction or improvement of those assets, if any.

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- (b) Restricted net position – Consists of net position with constraints placed on the use either by (a) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (b) law through constitutional provisions or enabling legislation.
 - (c) Unrestricted net position – All other assets that do not meet the definition of “restricted” or “investment in capital assets.”
- (2) Fund financial statements - Governmental fund equity is classified as fund balance. Fund balance can have one of five primary classifications: (1) nonspendable, (2) restricted, (3) committed, (4) assigned or (5) unassigned. Nonspendable fund balance includes amounts that cannot be spent and are, therefore, not included in the current year appropriation. Restricted fund balance includes amounts that are restricted to very specific purposes and cannot be redeployed for other purposes. The Authority considers restricted first and then unrestricted amounts spent when expenditures have been incurred for purposes for which both restricted and unrestricted fund balance is available. These restrictions are either externally imposed by outside parties or by constitutional provisions or enabling legislation. Committed fund balance represents amounts that have internally imposed restrictions mandated by formal action of the Authority’s Board, with removal of the commitment only if by formal action of the Authority’s Board. Assigned fund balance represents amounts that are constrained by the Authority’s intent that they will be used for specific purposes which may be so designated by the Authority’s Executive Director, as appointed by the Board, or governing Board. The Authority fund equity balances are comprised of restricted and unassigned amounts. Amounts restricted represent appropriated amounts provided by the State to execute certain grant programs of the Authority and general obligation bond proceeds of the state provided to be a match resource to the federally funding state revolving loan funds. Unassigned fund balance represents residual amounts that are available for further appropriation and expenditure for general governmental purposes. Unassigned fund balance is only available for the Authority’s General Fund. Proprietary fund equity is classified the same as in the government-wide statements.

(n) Management Estimates

The preparation of financial statements in conformity with accounting principles generally accepted within the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities and deferred inflows of resource and the reported amount of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

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(o) Future Accounting Pronouncements

The Authority and its component unit will adopt the following new accounting pronouncements in future years, if applicable:

- Statement No. 84, *Fiduciary Activities*, effective for the Authority's year ending June 30, 2020.
- Statement No. 87, *Leases*, effective for the Authority's year ending June 30, 2021.
- Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, effective for the Authority's year ending June 30, 2021.
- Statement No. 90, *Majority Equity Interests – an amendment of GASB Statements No. 14 and No. 61*, effective for the Authority's year ending June 30, 2020.
- Statement No. 91, *Conduit Debt Obligations*, effective for the Authority's year ending June 30, 2022.

Management is in the process of determining the effect, if any, that the adoption of these Statements will have on the Authority's or its component unit's financial position or the disclosures in its financial statements.

(p) Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Employees' Retirement System (ERS) and additions to/deductions from ERS's fiduciary net position have been determined on the same basis as they are reported by ERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

(q) Other Post-employment Benefits

For purposes of measuring the net OPEB liability (asset), deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Georgia State Employees Postemployment Benefit Fund (State OPEB Fund) and the State Employees' Assurance Department Retired and Vested Inactive Members Trust Fund (SEAD-OPEB) and additions to/deductions from the State OPEB Fund's and SEAD-OPEB's fiduciary net position have been determined on the same basis as they are reported by the State OPEB Fund and SEAD-OPEB. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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(2) Budgetary Information

The Authority does not have a budget directly approved by citizens of the State of Georgia. Instead, its appropriation is included in the State of Georgia's budget as a line item request within the Department of Community Affairs budget under the Authority's enabling legislation. However, the Authority's management does utilize a budget for its General Fund to be used for financial analysis purposes throughout the year. The Authority received a state appropriation of \$788,495 and general obligation bond proceeds of \$8,000,000 for fiscal year 2019 which were collected in their entirety and expended or obligated for the state and federal loan programs.

(3) Deposits and Investments

Primary Government

Custodial Credit Risk – Custodial credit risk is the risk that, in the event of bank failure, the Authority's deposits may not be returned to it. The Authority has a formal deposit policy with its selected custodian, or an agent acting on behalf of the custodian, for custodial credit risk as required by the State of Georgia which insures balances over the FDIC insurance at 110% of that overage. The Authority's bank balances at June 30, 2019 of \$4,190,277 were entirely insured by FDIC insurance or collateralized by investment securities held by the Authority's agent in the Authority's name.

Investments

Credit Risk - Statutes authorize the Authority to invest in obligations of the State of Georgia, obligations of the U.S. Treasury and U.S. Agencies, certificates of deposit, repurchase agreements, reverse repurchase agreements, rate guarantee agreements, and State operated investment pools. The State operated investment pool is authorized to invest in the same types of securities.

As shown below, the Authority's investments at June 30, 2019 were categorized by credit risk as follows:

Investment	Fair Value	Duration (Years)	Credit Quality
Georgia Fund 1	\$244,452,784	0.11	AAAf
Georgia Fund 1 Plus	753,390,404	0.16	AAAkf
Total fair value	\$997,843,188		

Interest Rate Risk – Interest rate risk is associated with changes in interest rates that adversely affect an investment's fair value. Since the price of a bond fluctuates inversely with market interest rates, the price of the bond held in a portfolio will decline if market interest rates rise. At June 30, 2019, interest rate risk is represented in the above table as "Duration (Years)" for each investment classification. The Authority's Investment Policy has been developed around those policies set forth by the State of Georgia. The Authority has structured its investment portfolio with investments having maturity dates at or prior to the time cash is prudently projected to be required to meet disbursement needs, thereby avoiding the need to sell securities prior to their maturity. This structure has been achieved by providing investments in the Georgia Fund 1 and

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Georgia Fund 1 Plus. The Authority's investment policy further outlines that the portfolio for investments in U.S. Treasuries and U.S. Agencies are limited to maturities with a maximum of five years from the date of purchase, although the Authority did not have any long-term investments at June 30, 2019.

Fair Value Measurements – Generally accepted accounting principles establish a fair value hierarchy based on the valuation inputs used to measure the fair value of an asset. The Georgia Fund 1 and Georgia Fund 1 Plus are investment pools that do not meet the criteria of GASB Statement No. 79 and are thus valued at fair value in accordance with GASB Statement No. 31. As a result, the Authority does not disclose the investment in the Georgia Fund 1 or Georgia Fund 1 Plus within the fair value hierarchy.

Component Unit

Custodial Credit Risk

The Corporation maintains cash balances in bank accounts at multiple banks. These balances, at times, may exceed federal insured limits. Custodial credit risk is the risk that, in the event of bank failure, the Corporation's deposits may not be returned to it. The Corporation has a formal deposit policy with its selected custodian, or an agent acting on behalf of the custodian, for custodial credit risk as required by the State of Georgia which insures balances over the FDIC insurance at 110% of that overage. The Corporation's bank balances of \$111,544 at June 30, 2019 were entirely insured by FDIC insurance or collateralized by investment securities held by the Corporation's agent in the Corporation's name.

As of June 30, 2019, cash held with fiscal agent in the amount of \$1,072,342 is considered fully secured by nature of the trustee agreement. In the event of any losses, the Corporation's trustee, Bank of New York Mellon, would be required to return those losses to the Corporation.

Investments

Credit Risk – Statutes authorize the Corporation to invest in obligations of the State of Georgia, obligations of the U.S. Treasury and U.S. Agencies, certificates of deposit, repurchase agreements, rate guarantee agreements, and State operated investment pools. The operated investment pool is authorized to invest in the same types of securities.

As shown below, the Corporation's investments at June 30, 2019 were categorized by credit risk as follows:

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Investment	Fair Value	Duration (Years)	Credit Quality
Federal agency securities	\$4,924,589	3.63	AA+, Aaa
Georgia Fund 1	1,171,815	0.11	AAAf
Georgia Fund 1 Plus	67,782,897	0.16	AAAkf
Total fair value	\$73,879,301		

Interest Rate Risk – Interest rate risk is associated with changes in interest rates that adversely affect an investment's fair value. Since the price of a bond fluctuates inversely with market interest rates, the price of the bond held in a portfolio will decline if market interest rates rise. At June 30, 2019, interest rate risk is represented in the above table as "Duration (Years)" for each investment classification. The Corporation's Investment Policy has been developed around those policies set forth by the State of Georgia. The Corporation has structured its investment portfolio with investments having maturity dates at or prior to the time cash is prudently projected to be required to meet disbursement needs, thereby avoiding the need to sell securities prior to their maturity. This structure has been achieved by providing investments in the Georgia Fund 1 and Georgia Fund 1 Plus. The Corporation's investment policy further outlines that the portfolio for investments in U.S. Treasuries and U.S. Agencies are limited to maturities with a maximum of five years from the date of purchase.

The Loan Pool Series 2011 Securitization Bond proceeds may be invested by the Corporation in such investments as permitted by applicable state law. These proceeds are at Bank of New York Mellon in the investment type shown below. All investments of this type were rated AA+ by Standard and Poor's and Aaa by Moody's Investors Service. The interest receivable as of June 30, 2019 was \$27,153.

Fair Value Measurements – Generally accepted accounting principles establish a fair value hierarchy based on the valuation inputs used to measure the fair value of an asset. The Georgia Fund 1 and Georgia Fund 1 Plus are investment pools that do not meet the criteria of GASB Statement No. 79 and are thus valued at fair value in accordance with GASB Statement No. 31. As a result, the Corporation does not disclose the investment in the Georgia Fund 1 or Georgia Fund 1 Plus within the fair value hierarchy.

The Corporation categorizes its fair value measurements for the Loan Pool Series 2011 Securitization Bond proceeds held at Bank of New York Mellon within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

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The Corporation has the following recurring fair value measurements as of June 30, 2019:

		Fair Value Measurements Using		
		Quoted prices in active markets for identical assets	Significant other observable inputs	Significant unobservable inputs
Investment	Valuation at 6/30/19	Level 1	Level 2	Level 3
Debt securities				
Federal agency securities	\$4,924,589	\$3,700,324	\$1,224,265	\$ —
Total investments measured at fair value	\$4,924,589	\$3,700,324	\$1,224,265	\$ —
Investments not subject to level disclosure:				
Georgia Fund 1	1,171,815			
Georgia Fund 1 Plus	67,782,897			
Total investments	\$73,879,301			

(4) Loans Receivable

Loans receivable at June 30, 2019 are summarized as follows:

Classification	Amount
Water and wastewater facility and conservation loans	\$1,921,042,151
Undisbursed portion of loans in process	(\$486,058,791)
Unpaid principal balance	1,434,983,360

At June 30, 2019, the Authority had commitments to fund projects, excluding the undisbursed portion of loans in process, totaling \$65,761,000.

In accordance with certain loan programs, the Authority expensed a forgiven portion of loans in the amount of \$3,968,156 in the Clean Water State Revolving Loan Fund and \$5,353,109 in the Drinking Water State Revolving Loan Fund during fiscal year 2019.

Additionally, the Authority provided grant funds from the Appalachian Regional Commission in the amount of \$2,579,315 that were used partly in conjunction with loan projects of the Authority or stand-alone projects that have been environmentally approved as water infrastructure facilities projects. As these amounts are expensed and forgiven or granted, they are not included in the unpaid principal balance above.

Based on management's evaluation of the loan portfolio, current economic factors, past payment history and other relevant factors, including the borrowers' ability to repay and the Authority's remedies to enforce repayment, a provision for potential loan losses has not been provided. Such remedies include the ability of the Authority to compel rate and fee increases and/or the full faith and credit pledge of the borrower to be used at the Authority's discretion.

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(5) Bonds Payable and Other Long-Term Liabilities

Primary Government

Compensated Absences:

The Authority had \$43,737 in additions that were included in compensated absences representative of vacation pay earned by employees or addition of new staff and reductions of \$138,686 to compensated absences due to employee terminations or vacation hours used by employees. Compensated absences, as well as the net OPEB and pension liabilities, are liquidated by those funds that have salary and wage expenditures, typically the General Fund.

The Authority's long-term liabilities activity for the year ended June 30, 2019, was as follows:

Description	Balance June 30, 2018	Additions	Reductions	Balance June 30, 2019	Amount due within one year
Governmental activities					
Compensated absences	\$ 500,100	43,737	138,686	405,151	101,288
Net OPEB liability	3,640,710	—	1,376,344	2,264,366	—
Net pension liability	4,641,781	—	202,194	4,439,587	—
Total Governmental activities	<u>\$ 8,782,591</u>	<u>43,737</u>	<u>1,717,224</u>	<u>7,109,104</u>	<u>101,288</u>

Component Unit

The Corporation issued a series of local government loan securitization bonds for the Loan Pool (Series 2011) issued on March 30, 2011 with a maturity date of March 15, 2031. The proceeds of the sales of the Series 2011 Bonds were used to acquire certain local government loans from the Authority, to establish a debt service reserve, and to pay the costs of issuing the Series 2011 Bonds. The Series 2011 Bonds are payable primarily from and secured primarily by a pledge of repayments on the local government loans to be received over the duration of the bonds' maturity. The outstanding bonds bear an interest rate of 5.125%. The below table summarizes bonds payable outstanding:

	Original issue amount	Interest rates	Carrying value
Loan Pool, Series 2011	\$ 202,755,000	5.125%	32,345,000
Less bond discount			(104,634)
Outstanding principal, June 30, 2019			<u>\$ 32,240,366</u>

The Corporation has engaged the services of a trustee, Bank of New York Mellon, which is managing the debt service of the bonds. As a condition of trustee services, the Corporation has on deposit adequate debt service reserves as stipulated by bond

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resolutions. A portion of the cash and investments with fiscal agent constitutes the debt service reserve. As of June 30, 2019, the trustee had on hand for the Loan Pool, Series 2011 \$5,154,041, as the debt service reserve, which included \$202,295 in cash and \$27,153 in accrued interest. The balance of cash with fiscal agent, \$1,072,342 was held by the trustee for the payment of principal and interest at their scheduled due dates. In addition to these requirements, the bond resolutions require other areas of compliance such as the filing of a monthly debt servicer's report and the timely completion of an annual audit. As of June 30, 2019, the Corporation believes it has complied with all of the necessary requirements of the bond issuances. Future debt service requirements are as follows:

Future debt service requirements (in thousands)			
Loan Pool, Series 2011			Total
	Principal	Interest	Due
Years ending June 30:			
2020	\$ 2,025	1,572	3,597
2021	-	1,554	1,554
2022	-	1,554	1,554
2023	-	1,554	1,554
2024	-	1,554	1,554
2025-2029	-	7,770	7,770
2030-2031	30,320	2,719	33,039
Total	\$ 32,345	18,277	50,622

As a requirement of the Corporation's issuances, any principal retired early by the local governments constitutes a mandatory redemption of principal on its outstanding debt. Therefore, in fiscal year 2019, the Corporation retired \$3,885,000 more than its future debt service requirement from the prior year. The early retirement of debt by the Corporation is predicated on local governments' decisions to pay off their outstanding debt and is undeterminable as of June 30, 2019 as well as any reduction in interest amounts to be paid. Amounts due in 2020 above include known prepayments subsequent to June 30, 2019 that will be paid in FY 2020. The above future debt service requirements reflect the most accurate information based on information the Corporation has on hand. Any reduced interest payments as a result of the early retirements of debt will be considered a cost savings to the Corporation and are not reflected.

For the year ended June 30, 2019, the Corporation had the following activity within its long-term liabilities:

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Description	June 30, 2018	Additions	Reductions	June 30, 2019	Amount due within one year
Loan Pool, Series 2011	\$ 38,810,000	-	6,465,000	32,345,000	2,025,000
Unamortized Bond Discount	(162,707)	-	(58,073)	(104,634)	-
Total	<u>\$ 38,647,293</u>	<u>-</u>	<u>6,406,927</u>	<u>32,240,366</u>	<u>2,025,000</u>

The unamortized bond discounts were deferred and amortized over the life of the bonds using the effective interest method.

(6) Interfund Receivables, Payables and Transfers

Interfund activity as of June 30, 2019, is as follows:

Due from/to other funds:

Receivable Fund	Payable Fund	Amount
General Fund	Weatherization Assistance Program	\$ 785,856
	Clean Water SRF Administration	62,517
	Drinking Water SRF Administration	94,819
	Georgia Fund	464,373
	Georgia Reservoir Fund	263,286
	Clean Water State Revolving Loan Fund	166,652
	Drinking Water State Revolving Loan Fund	877,832
	Drinking Water State Match Revolving Loan Fund	236
	Nonmajor enterprise funds	37,328
Drinking Water SRF Administration	General Fund	47,980
Nonmajor governmental funds	Nonmajor governmental funds	46,504
	Georgia Fund	10,216
Georgia Fund	Nonmajor governmental funds	750
Clean Water State Revolving Loan Fund	General Fund	29,698
Clean Water State Match Revolving Loan Fund	Clean Water State Revolving Loan Fund	165,761
Drinking Water State Revolving Loan Fund	General Fund	9,776
Total		<u>\$ 3,063,584</u>

The outstanding balances between funds result mainly from the time lag between the dates that (1) Interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances".

Interfund transfers:

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Transfers-in Fund	Transfers-out Fund	Amount
General Fund	Drinking Water SRF Administration	\$ 46,362
	Georgia Fund	2,904,308
	Clean Water State Revolving Loan Fund	968,381
	Clean Water State Match Revolving Loan Fund	4,820,920
	Nonmajor enterprise funds	424,098
Nonmajor governmental funds	Nonmajor governmental funds	5,755
	Georgia Fund	10,216
Clean Water State Revolving Loan Fund	Clean Water State Match Revolving Loan Fund	1,092
Clean Water State Match Revolving Loan Fund	General Fund	165,761
	Clean Water SRF Administration	4,820,920
	Clean Water State Revolving Loan Fund	507,171
Drinking Water State Revolving Loan Fund	Drinking Water State Match Revolving Loan Fund	1,265,999
Drinking Water State Match Revolving Loan Fund	General Fund	6,500,644
	Drinking Water State Revolving Loan Fund	12
Total		\$ 22,441,639

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them or (2) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary operations, including amounts provided as matching funds for various grant and loan programs.

(7) Capital Assets

The Authority's capital asset activity for the year ended June 30, 2019 was as follows:

Asset category	Balance June 30, 2018	Additions	Deletions	Balance June 30, 2019
Cost:				
Computer equipment	\$ 434,944	25,410	—	460,354
Fixtures & office equipment	209,168	—	—	209,168
Total cost	644,112	25,410	—	669,522
Accumulated depreciation:				
Computer equipment	241,068	55,120	—	296,188
Fixtures & office equipment	115,192	42,082	—	157,274
Total accumulated depreciation	356,260	97,202	—	453,462
Total net capital assets	\$ 287,852	(71,792)	—	216,060

Depreciation expense of \$97,202 was charged to the general government function.

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(8) Retirement Plans

The Georgia Environmental Finance Authority participates in a retirement plan administered by the State of Georgia dependent upon employee eligibility: Employees' Retirement System of Georgia (the System). This system issues a separate, publicly available financial report that includes the applicable financial statements and required supplementary information. The report may be obtained by visiting the following website:

Employees' Retirement System - www.ers.ga.gov

The significant provisions of this retirement plan are described below. More detailed information can be found in the plan agreement and related legislation. The plan, including benefit and contribution provisions, was established and can be amended by State law.

Employees' Retirement System of Georgia

The System is comprised of individual retirement systems and plans covering substantially all employees of the State of Georgia except for teachers and other employees covered by the Teachers Retirement System. One of the plans within the System, the Employees' Retirement System of Georgia Plan (ERS), is a cost-sharing multiple-employer defined benefit pension plan that was established by the Georgia General Assembly during the 1949 Legislative Session for the purpose of providing retirement allowances for employees of the State and its political subdivisions. ERS is directed by a Board of Trustees and has the powers and privileges of a corporation. ERS acts pursuant to statutory direction and guidelines, which may be amended prospectively for new hires but for existing members and beneficiaries may be amended in some aspects only subject to potential application of certain constitutional restraints against impairment of contract. Title 47 of the OCGA assigns the responsibility to establish and amend the benefit provisions to the State Legislature.

The benefit structure of ERS is established by the Board of Trustees under statutory guidelines under three benefit tiers: Old Plan, New Plan, and Georgia State Employees' Pension and Savings Plan (GSEPS). Unless the employee elects 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. Members hired on or after July 1, 1982, but prior to January 1, 2009, are "new plan" members subject to the modified plan provisions. Effective January 1, 2009, newly hired State employees, as well as rehired State employees who did not maintain eligibility for the "old" or "new" plan, are members of the GSEPS. Members of the GSEPS plan may also participate in the GSEPS 401(k) defined contribution component described below. ERS members hired prior to January 1, 2009, also have the option to irrevocably change their membership to the GSEPS plan.

Under the old plan, new plan, and GSEPS, a member may retire and receive normal retirement benefits after completion of 10 years of creditable service and attainment of age 60 or 30 years of creditable service regardless of age. Additionally, there are some provisions allowing for early retirement after 25 years of creditable service for members under age 60.

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Retirement benefits paid to members are based upon a formula adopted by the Board of Trustees for such purpose. The formula considers the monthly average of the member's highest 24 consecutive calendar months of salary, the number of years of creditable service, and the member's age at retirement. Annually, postretirement cost-of-living adjustments may be made to members' benefits provided the members were hired prior to July 1, 2009. 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.

Member contribution rates are set by law. Member contributions under the old plan are 4% of annual compensation up to \$4,200 plus 6% of annual compensation in excess of \$4,200. Under the old plan, the Authority pays member contributions in excess of 1.25% of annual compensation. Under the old plan, these Authority contributions are included in the members' accounts for refund purposes and are used in the computation of the members' earnable compensation for the purpose of computing retirement benefits. Member contributions under the new plan and GSEPS are 1.25% of annual compensation. The Authority is required to contribute at a specified percentage of active member payroll established by the Board of Trustees and determined annually in accordance with an actuarial valuation and minimum funding standards as provided by law. These Authority contributions are not at any time refundable to the member or his/her beneficiary.

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

The Authority's contractually required contribution rate, actuarially determined annually, for the year ended June 30, 2019 was 24.78% of annual covered payroll for old and new plan members and 21.78% for GSEPS members. The Authority's contributions to ERS totaled \$624,077 for the year ended June 30, 2019. Contributions are expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2019, the Authority reported a liability for its proportionate share of the net pension liability in the amount of \$4,439,587. The net pension liability was measured as of June 30, 2018. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2017. An expected total pension liability as of June 30, 2018 was determined using standard roll-forward techniques. The Authority's proportion of the net pension liability was based on contributions to ERS during the fiscal year ended June 30, 2018. At June 30 2018, the Authority's proportion was 0.107992%, which was a decrease of .006300% from its proportion measured as of June 30, 2017.

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For the year ended June 30, 2019, the Authority recognized pension expense of \$243,943. At June 30, 2019, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 138,080	—
Changes of assumptions	209,161	—
Net difference between projected and actual earnings on pension plan investments	—	102,309
Changes in proportion and differences between Authority contributions and proportionate share of contributions	—	276,950
Employer contributions subsequent to measurement date	624,077	—
Total	<u>\$ 971,318</u>	<u>379,259</u>

Authority contributions subsequent to the measurement date of \$624,077 are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2020	\$115,201
2021	\$68,566
2022	(\$170,072)
2023	(\$45,713)
2024	\$0
Thereafter	\$0

Actuarial assumptions: The total pension liability as of June 30, 2018 was determined by an actuarial valuation as of June 30, 2017. Based on the funding policy adopted by the Board on March 15, 2018, the investment rate of return assumption will be changed to 7.30% in the June 30, 2018 actuarial valuation. Therefore, the investment rate of return used in the roll-forward of the total pension liability is 7.30% using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Salary increases	3.25 - 7.00%. Including inflation
Investment rate of return	7.30%, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2000 Combined Mortality Table with future mortality improvement projected to 2025 with the Society of Actuaries' projection scale BB and set forward two years for both males and females for service retirements and dependent beneficiaries. The RP-2000 Disabled Mortality Table with future mortality improvement projected to 2025 with Society of Actuaries' projection rate scale BB and set back seven years for males and set forward three years for females was used for death after disability retirement. There is a margin for future mortality improvement in the tables used by the System. Based on the results of the most recent experience study adopted by the Board on December 17, 2015, the numbers of

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expected future deaths are 9-12% less than the actual number of deaths that occurred during the study period for service retirements and beneficiaries and for disability retirements. Rates of mortality in active service were based on the RP-2000 Employee Mortality Table projected to 2025 with projection scale BB.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2009 – June 30, 2014.

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected nominal returns, net of pension plan investment expense and the assumed rate of inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset class	Target allocation	Long-term expected real rate of return*
Fixed income	30.00%	(0.50)%
Domestic large equities	37.20	9.00
Domestic mid equities	3.40	12.00
Domestic small equities	1.40	13.50
International developed market equities	17.80	8.00
International emerging market equities	5.20	12.00
Alternatives	5.00	10.50
Total	100.00%	

* Rates shown are net of the 2.75% assumed rate of inflation

Discount rate: The discount rate used to measure the total pension liability was 7.30 %. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that Authority and State of Georgia contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Authority's proportionate share of the net pension liability to changes in the discount rate: The following presents the Authority's proportionate share of the net pension liability calculated using the discount rate of 7.30 %, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount

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rate that is 1-percentage-point lower (6.30 %) or 1-percentage-point higher (8.30 %) than the current rate:

	<u>1% Decrease (6.30%)</u>	<u>Current Discount Rate (7.30%)</u>	<u>1% Increase (8.30%)</u>
Authority's proportionate share of the net pension liability	\$ 6,314,660	4,439,587	2,841,976

Pension plan fiduciary net position: Detailed information about the pension plan's fiduciary net position is available in the separately issued ERS financial report which is publicly available at www.ers.ga.gov/financials.

The Authority had \$52,714 payable to the pension plan as of June 30, 2019.

GSEPS 401(k) Defined Contribution Component of ERS

In addition to the ERS defined benefit pension described above, GSEPS members may also participate in the Peach State Reserves 401(k) defined contribution plan and receive an employer matching contribution. The 401(k) plan is administered by the System and was established by the Georgia Employee Benefit Plan Council in accordance with State law and Section 401(k) of the IRC. The GSEPS segment of the 401(k) plan was established by State law effective January 1, 2009. Plan provisions and contribution requirements specific to GSEPS can be amended by State law. Other general 401(k) plan provisions can be amended by the ERS Board of Trustees as required by changes in federal tax law or for administrative purposes. The State was not required to make significant contributions to the 401(k) plan prior to GSEPS because most members under other segments of the plan either were not State employees or were not eligible to receive employer contributions.

The GSEPS plan includes automatic enrollment in the 401(k) plan at a contribution rate of 5% of salary unless the participating member elects otherwise. The member may change such level of participation at any time. In addition, the member may make such additional contributions as he or she desires, subject to limitations imposed by federal law. The State will match 100% of the employee's initial 1% contribution and 50% of contribution elections of two through five percent. Therefore, the State will match 3% of salary when an employee contributes at least 5% to the 401(k) plan. Employee contributions greater than 5% of salary do not receive any matching funds.

GSEPS employer contributions are subject to a vesting schedule, which determines eligibility to receive all or a portion of the employer contribution balance at the time of any distribution from the account after separation from all State service. Vesting is determined based on the following schedule:

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Less than 1 year	0%
1 year	20%
2 years	40%
3 years	60%
4 years	80%
5 or more years	100%

Employee contributions and earnings thereon are 100% vested at all times. The 401(k) plan also allows participants to roll over amounts from other qualified plans to their respective account in the 401(k) plan on approval of the 401(k) plan administrator. Such rollovers are 100% vested at the time of transfer. Participant contributions are invested according to the participant's investment election. If the participant does not make an election, investments are automatically defaulted to a Lifecycle fund based on the participant's date of birth.

The participants may receive the value of their vested accounts upon attaining age 59.5, qualifying financial hardship, or retirement or other termination of service (employer contribution balances are only eligible for distribution upon separation from service). Upon the death of a participant, his or her beneficiary shall be entitled to the vested value of his or her accounts. Distributions are made in installments or in a lump sum.

The Authority's employer and employee GSEPS contributions were as follows for the last three years:

<u>Year</u>	<u>Annual Employer Contribution</u>	<u>Annual Employee Contribution</u>
2019	\$ 48,018	\$ 30,348
2018	25,010	65,294
2017	26,376	43,132

(9) Other Post-employment Benefits

The Authority participates in the following State of Georgia other postemployment benefit (OPEB) plans:

Administered by Department of Community Health (DCH):

Georgia State Employees Post-employment Health Benefit Fund (State OPEB Fund)

Administered by the System:

State Employees' Assurance Department (SEAD)

– For retired and vested inactive (SEAD-OPEB)

Effective July 1, 2017, the Authority implemented the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which

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significantly changed the Authority's accounting for OPEB amounts. The information disclosed in this note is presented in accordance with this new standard.

The net OPEB asset, net OPEB liability, and related deferred outflows of resources, deferred inflows of resources, and OPEB Expense for the plans are summarized below.

	State OPEB Fund	SEAD-OPEB	Total
Net OPEB asset	\$ —	(\$343,139)	(\$343,139)
Net OPEB liability	\$2,264,366	\$ —	\$2,264,366
Deferred outflows of resources related to OPEB	\$457,913	\$28,510	\$486,423
Deferred inflows of resources related to OPEB	\$1,357,150	\$56,727	\$1,413,877
OPEB Expense	(\$264,350)	(\$23,457)	(\$287,807)

Georgia State Employees Post-employment Health Benefit Fund (State OPEB Fund)
Plan Description:

Employees of State organizations as defined in §45-18-25 of the *Official Code of Georgia Annotated* (O.C.G.A.) are provided OPEB through the State OPEB Fund - a cost-sharing multiple-employer defined benefit postemployment healthcare plan, reported as an employee trust fund of the State of Georgia and administered by a Board of Community Health (Board). Title 45 of the O.C.G.A. assigns the authority to establish and amend the benefit terms of the group health plan to the Board. The State OPEB Fund is included in the State of Georgia Comprehensive Annual Financial Report which is publicly available and can be obtained at <https://sao.georgia.gov/comprehensive-annual-financial-reports>.

Benefits:

The State OPEB Fund provides healthcare benefits for retirees and their dependents due under the group health plan for employees of State organizations (including technical colleges) and other entities authorized by law to contract with the State of Georgia Department of Community Health (DCH) for inclusion in the plan. Retiree medical eligibility is attained when an employee retires and is immediately eligible to draw a retirement annuity from Employees' Retirement System (ERS), Georgia Judicial Retirement System (JRS), Legislative Retirement System (LRS), Teachers Retirement System (TRS) or Public School Employees Retirement System (PSERS). If elected, dependent coverage starts on the same day as retiree coverage. Medicare-eligible retirees are offered Standard and Premium Medicare Advantage plan options. Non-Medicare eligible retiree plan options include Health Reimbursement Arrangement (HRA), Health Maintenance Organization (HMO) and a High Deductible Health Plan (HDHP). The State OPEB Fund also pays for administrative expenses of the fund. By law, no other use of the assets of the State OPEB Fund is permitted.

Contributions:

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As established by the Board of Community Health, the State OPEB Fund is substantially funded on a pay-as-you-go basis; that is, annual cost of providing benefits will be financed in the same year as claims occur. Contributions required and made to the State OPEB Fund from the Authority were \$405,571 for the year ended June 30, 2019. Active employees are not required to contribute to the State OPEB Fund.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2019, the Authority reported a liability of \$2,264,366 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2018. The total OPEB liability used to calculate the net OPEB liability was based on an actuarial valuation as of June 30, 2017. An expected total OPEB liability as of June 30, 2018 was determined using standard roll-forward techniques. The Authority's proportion of the net OPEB liability was actuarially determined based on employer contributions to the State OPEB Fund during the fiscal year ended June 30, 2018. At June 30, 2018, the Authority's proportion was 0.086572%, which was a decrease of 3.12% (or 0.0027881%) from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the Authority recognized OPEB expense of (\$264,350). At June 30, 2019, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 178,093
Changes in plan assumptions	-	820,798
Net difference between projected and actual earnings on OPEB plan investments	52,342	-
Changes in proportion and differences between Authority contributions and proportionate share of contributions	-	358,259
Authority contributions subsequent to the measurement date	405,571	-
Total	<u>\$ 457,913</u>	<u>\$ 1,357,150</u>

Authority contributions subsequent to the measurement date of \$405,571 are reported as deferred outflows of resources and will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:	
2020	\$ (449,841)
2021	(449,841)
2022	(319,902)
2023	(85,224)
2024	-
Total	<u>\$ (1,304,808)</u>

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Actuarial assumptions:

The total OPEB liability as of June 30, 2018 was determined by an actuarial valuation as of June 30, 2017 using the following actuarial assumptions and other inputs, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2018:

Inflation	2.75%
Salary increases	3.25 - 7.00%. Including inflation
Long-term expected rate of return	7.30%, compounded annually, net of investment expense, and including inflation
Healthcare cost trend rate	Pre-Medicare Eligible - 7.50%
	Medicare Eligible - 5.50%
Ultimate trend rate	Pre-Medicare Eligible - 4.75%
	Medicare Eligible - 4.75%
Year of Ultimate trend rate	Pre-Medicare Eligible - 2028
	Medicare Eligible - 2022

Mortality rates were based on the RP-2000 Combined Mortality Table for Males or Females. The RP-2000 Combined Mortality Table projected to 2025 with projection scale BB and set forward 2 years for both males and females was used for the period after service retirement and for dependent beneficiaries. The RP-2000 Disabled Mortality Table projected to 2025 with projection scale BB and set back 7 years for males and set forward 3 years for females was used for the period after disability retirement. The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the ERS pension systems, which covered the five-year period ending June 30, 2014.

The remaining actuarial assumptions (e.g., initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the June 30, 2017 valuation were based on a review of recent plan experience done concurrently with the June 30, 2017 valuation.

Projection of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the Authority and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculation.

The long-term expected rate of return on OPEB plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected nominal returns, net of investment expense and the assumed rate of inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the

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target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset class	Target allocation	expected real rate of return*
Fixed income	30.00%	(0.50)%
Domestic large equities	37.20	9.00
Domestic mid equities	3.40	12.00
Domestic small equities	1.40	13.50
International developed market equities	17.80	8.00
International emerging market equities	5.20	12.00
Alternatives	5.00	10.50
Total	100.00%	

* Rates shown are net of inflation

Discount rate:

The discount rate has changed since the prior measurement date from 3.60% to 5.22%. In order to measure the total OPEB liability for the State OPEB Fund, a single equivalent interest rate of 5.22% was used as the discount rate. This is comprised mainly of the yield or index rate for 20 year tax-exempt general obligation municipal bonds with an average rating of AA or higher (3.87% per the Bond Buyer Index). The projection of cash flows used to determine the discount rate assumed that the current sharing of costs between the employer and the member will continue and that contributions from the employer will be made at the current level as averaged over the last five years, adjusted for annual projected changes in headcount. Projected future benefit payments for all current plan members were projected through 2118. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make OPEB payments for inactive employees through year 2040. Therefore, the long-term expected rate of return on OPEB plan investments was applied to discount projected benefit payments until 2040. The discount rate of 5.22% was the single rate which, when applied to all projected benefit payments, resulted in the same present value of benefit payments when the above discussed calculations are combined. The calculated discount rate of 5.22% was applied to all periods of projected benefit payments to determine the total OPEB liability.

Sensitivity of the Authority's proportionate share of the net OPEB liability to changes in the discount rate:

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The following presents the Authority's proportionate share of the net OPEB liability calculated using the discount rate of 5.22%, as well as what the Authority's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.22%) or 1-percentage-point higher (6.22%) than the current rate:

	<u>1% Decrease (4.22%)</u>	<u>Current discount rate (5.22%)</u>	<u>1% Increase (6.22%)</u>
Authority's proportionate share of the net OPEB liability	\$ 2,690,147	\$ 2,264,366	\$ 1,912,593

Sensitivity of the Authority's proportionate share of the net OPEB liability to changes in the healthcare cost trend rate:

The following presents the Authority's proportionate share of the net OPEB liability calculated, as well as what the Authority's proportionate share of the net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	<u>1% Decrease</u>	<u>Current Healthcare Cost Trend Rate</u>	<u>1% Increase</u>
Authority's proportionate share of the net OPEB liability	\$ 1,867,943	\$ 2,264,366	\$ 2,749,206

Detailed information about the OPEB plan's fiduciary net position is available in the Comprehensive Annual Financial Report (CAFR) which is publicly available at <https://sao.georgia.gov/comprehensive-annual-financial-reports>.

State Employees' Assurance Department Retired and Vested Inactive Members Trust Fund (SEAD-OPEB):

Plan Description:

SEAD-OPEB was created in 2007 by the Georgia General Assembly to amend Title 47 of the O.C.G.A., related to retirement, so as to establish a fund for the provision of term life insurance to retire and vested inactive members of ERS, LRS, and GJRS. The plan is a cost-sharing multiple-employer defined benefit other postemployment benefit plan. Title 47 of the O.C.G.A. assigns the authority to establish and amend the benefit terms to a Board of Trustees for the SEAD-OPEB. The SEAD-OPEB trust fund accumulates the premiums received from the aforementioned retirement plans, including interest earned on deposits and investments of such payments. The SEAD-OPEB trust fund is included in ERS financial statements which are publicly available and can be obtained at www.ers.ga.gov/formspubs/formspubs.

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Benefits:

Members in the ERS prior to January 1, 2009 and members in LRS or GJRS prior to July 1, 2009 are eligible for participation in the SEAD-OPEB plan. Effective July 1, 2009, no newly hired members of any Georgia public retirement system are eligible for term life insurance under the SEAD-OPEB. The amount of insurance for a retiree with creditable service prior to April 1, 1964 is the full amount of insurance in effect on the date of retirement. The amount of insurance for a service retiree with no creditable service prior to April 1, 1964 is 70% of the amount of insurance in effect at age 60 or at termination, if earlier. Life insurance proceeds are paid in a lump sum to the beneficiary upon death of the retiree.

Contributions:

Georgia law provides that employee contributions to the plan shall be in an amount established by the Board of Trustees not to exceed one-half of 1% of the member's earnable compensation. Georgia law also establishes that the Board of Trustees determines the amount of any required contributions from the employer. There were no employer contributions required or made for the fiscal year ended June 30, 2019.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2019, the Authority reported an asset of \$343,139 for its proportionate share of the net OPEB asset. The net OPEB asset was measured as of June 30, 2018. The total OPEB liability used to calculate the net OPEB asset was based on an actuarial valuation as of June 30, 2017. An expected total OPEB liability as of June 30, 2018 was determined using standard roll-forward techniques. The Authority's proportion of the net OPEB asset was actuarially determined based on member salaries reported to the SEAD-OPEB during the fiscal year ended June 30, 2018. At June 30, 2018, the Authority's proportion was 0.126785%, which was a decrease of 3.01% (or 0.003451) from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the Authority recognized OPEB expense of (\$23,457). At June 30, 2019, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

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	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 3,749	\$ -
Changes in plan assumptions	17,629	-
Net difference between projected and actual earnings on OPEB plan investments	-	56,727
Changes in proportion and differences between Authority contributions and proportionate share of contributions	7,132	-
Total	<u>\$ 28,510</u>	<u>\$ 56,727</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:	
2020	\$ 410
2021	(6,558)
2022	(17,330)
2023	(4,739)
2024	-
Thereafter	-
Total	<u>\$ (28,217)</u>

Actuarial assumptions:

The total OPEB liability as of June 30, 2018 was determined by an actuarial valuation as of June 30, 2017. Based on the funding policy adopted by the Board on March 15, 2018, the investment rate of return assumption will be changed to 7.30% in the June 30, 2018 actuarial valuation. Therefore, the investment rate of return used in the roll-forward of the total pension liability is 7.30% using the following actuarial assumptions and other inputs, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2018:

Inflation	2.75%
Salary increases	3.25 - 7.00%, including inflation
Investment rate of return	7.30%, net of pension plan investment expense, including inflation
Healthcare cost trend rate	N/A

Postemployment mortality rates were based on the RP-2000 Combined Mortality Table with future mortality improvement projected to 2025 with the Society of Actuaries' projection scale BB and set forward 2 years or both males and females for service retirements and dependent beneficiaries. The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the ERS pension system, which covered the five-year period ending June 30, 2014.

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Projection of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the Authority and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculation.

The long-term expected rate of return on OPEB plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected nominal returns, net of investment expense and the assumed rate of inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset class	Target allocation	Long-term expected real rate of return*
Fixed income	30.00%	(0.50%)
Domestic large equities	37.20	9.00
Domestic mid equities	3.40	12.00
Domestic small equities	1.40	13.50
International developed market equities	17.80	8.00
International emerging market equities	5.20	12.00
Alternatives	5.00	10.50
Total	100.00%	

* Rates shown are net of inflation of 2.75%

Discount rate:

The discount rate used to measure the total OPEB liability was 7.30%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer and State of Georgia contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Sensitivity of the Authority's proportionate share of the net OPEB liability to changes in the discount rate:

The following presents the Authority's proportionate share of the net OPEB liability (asset) calculated using the discount rate of 7.30%, as well as what the Authority's proportionate share

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of the net OPEB liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.30%) or 1-percentage-point higher (8.30%) than the current rate:

	1% Decrease (6.30%)	Current discount rate (7.30%)	1% Increase (8.30%)
Authority's proportionate share of the net OPEB liability	\$ (184,882)	\$ (343,139)	\$ (464,060)

Detailed information about the OPEB plan's fiduciary net position is available in the separately issued ERS comprehensive annual financial report which is publicly available at www.ers.ga.gov/financials.

(10) Lease Commitments

The Authority is obligated under certain noncancelable operating leases for office space. The following is a schedule of future minimum lease payments by year required under these leases as of June 30, 2019:

Lease Fiscal Year	Amount
2020	\$ 469,269
2021	481,109
Total	\$ 950,378

Total expenses for rental of office space for the year ended June 30, 2019 were \$457,885.

(11) Contingencies and Commitments on Liabilities & Violations of Finance-Related Legal or Contractual Provisions

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the Authority expects such amounts, if any, to be immaterial.

The Authority reviews all outstanding claims and judgments to determine if any estimated liabilities should be accrued at year-end. Based on management's past experience of the review of claims and judgments, it has been determined that there were no material claims and judgments outstanding at June 30, 2019. In addition, management believes there were no material violations of finance-related legal or contractual provisions by the Authority during the current fiscal year.

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GEORGIA ENVIRONMENTAL FINANCE AUTHORITY
(A Component Unit of the State of Georgia)
Required Supplementary Information
Schedule of Authority's Proportionate Share of the Net Pension Liability
Employees' Retirement System

	2019	2018	2017	2016	2015
Authority's proportion of the net pension liability	0.107992%	0.114292%	0.126735%	0.128659%	0.122178%
Authority's proportionate share of the net pension liability	\$4,439,587	\$4,641,781	\$5,995,098	\$5,212,488	\$4,582,430
Authority's covered payroll during the measurement period	\$2,893,545	\$2,928,171	\$3,077,893	\$3,074,356	\$2,902,532
Authority's proportionate share of the net pension liability as a percentage of its covered payroll	153.43%	158.52%	194.78%	169.55%	157.88%
Plan fiduciary net position as a percentage of the total pension liability	76.68%	76.33%	72.34%	76.20%	77.99%

Source: Employees' Retirement System of Georgia and the Authority's Fiscal Services Division.

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years will be provided as data becomes available.

GEORGIA ENVIRONMENTAL FINANCE AUTHORITY
(A Component Unit of the State of Georgia)
Required Supplementary Information
Schedule of Authority's Contributions
Employees' Retirement System

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Contractually required contributions	\$624,077	\$683,396	\$697,566	\$728,438	\$645,978	\$507,851	\$424,094	\$342,738	\$330,884	\$329,295
Contributions in relation to the contractually required contribution	\$624,077	\$683,396	\$697,566	\$728,438	\$645,978	\$507,851	\$424,094	\$342,738	\$330,884	\$329,295
Contribution deficiency (excess)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Authority's covered payroll during the current fiscal year	\$2,672,774	\$2,893,545	\$2,928,171	\$3,077,893	\$3,074,356	\$2,902,532	\$3,085,566	\$3,259,554	\$3,480,563	\$3,293,875
Contributions as a percentage of its covered-employee payroll	23.35%	23.62%	23.82%	23.67%	21.01%	17.50%	13.74%	10.51%	9.51%	10.00%

60 **Source: Employees' Retirement System of Georgia and the Authority's Fiscal Services Division**

GEORGIA ENVIRONMENTAL FINANCE AUTHORITY
(A Component Unit of the State of Georgia)
Notes to Required Supplementary Information
For the Year Ended June 30, 2019

Changes of benefit terms: A new benefit tier was added for members joining the System on and after July 1, 2009. A one-time 3% payment was granted to certain retirees and beneficiaries effective July 2016 and July 2017.

Changes of assumptions: On December 17, 2015, the Board adopted recommended changes to the economic and demographic assumptions utilized by the System. Primary among the changes were the updates to rates of mortality, retirement, disability, withdrawal and salary increases.

On March 15, 2018, the Board adopted a new funding policy. Because of this new funding policy, the assumed investment rate of return was reduced from 7.5% to 7.40% for June 30, 2017 actuarial valuation. In addition, based on the Board's new funding policy, the assumed investment rate of return was further reduced by 0.10% from 7.40% to 7.30% as of the June 30, 2018 Measurement Date.

GEORGIA ENVIRONMENTAL FINANCE AUTHORITY

REQUIRED SUPPLEMENTARY INFORMATION STATE OPEB FUND SCHEDULE OF THE AUTHORITY'S PROPORTIONATE SHARE OF NET OPEB LIABILITY (ASSET)

	2019	2018
Authority's proportion of the net OPEB liability (%)	0.086572%	0.089360%
Authority's proportion of the net OPEB liability (asset) (\$)	\$ 2,264,366	3,640,710
Authority's covered payroll	\$ 2,560,630	2,534,348
Authority's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	88.43%	143.65%
Plan fiduciary net position as a percentage of the total OPEB liability	31.48%	17.34%

Notes to the Schedule:

The schedule will present 10 years of information once it is accumulated.

GEORGIA ENVIRONMENTAL FINANCE AUTHORITY

REQUIRED SUPPLEMENTARY INFORMATION STATE OPEB FUND SCHEDULE OF CONTRIBUTIONS

	<u>2019</u>	<u>2018</u>
Contractually required contribution	\$ 405,571	434,224
Contributions in relation to the contractually required contribution	<u>405,571</u>	<u>434,224</u>
Contribution deficiency (excess)	\$ <u>-</u>	<u>-</u>
Authority's covered payroll	\$ 2,032,458	2,560,630
Contributions as a percentage of covered payroll	19.95%	16.96%

Notes to the Schedule:

The schedule will present 10 years of information once it is accumulated.

GEORGIA ENVIRONMENTAL FINANCE AUTHORITY

REQUIRED SUPPLEMENTARY INFORMATION STATE OPEB FUND NOTES TO THE SCHEDULE

Changes of benefit terms: In the June 30, 2010 actuarial valuation, there was a change of benefit terms to require Medicare-eligible recipients to enroll in a Medicare Advantage plan to receive the State subsidy.

Changes in assumptions: In the revised June 30, 2017 actuarial valuation, there was a change relating to employee allocation. Employees were previously allocated based on their Retirement System membership, and currently employees are allocated based on their current employer payroll location.

In the June 30, 2015 actuarial valuation, decremental and underlying inflation assumptions were changed to reflect the Retirement Systems' experience studies.

In the June 30, 2012 actuarial valuation, a data audit was performed and data collection procedures and assumptions were changed.

GEORGIA ENVIRONMENTAL FINANCE AUTHORITY

REQUIRED SUPPLEMENTARY INFORMATION

SEAD - OPEB

SCHEDULE OF THE COMMISSION'S PROPORTIONATE SHARE

OF NET OPEB LIABILITY (ASSET)

	<u>2019</u>	<u>2018</u>
Commission's proportion of the net OPEB liability (asset) (%)	0.126785%	0.130236%
Authority's proportion of the net OPEB liability (asset) (\$)	\$ (343,139)	(338,490)
Authority's covered payroll	\$ 1,755,181	1,896,579
Authority's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	-19.55%	-17.85%
Plan fiduciary net position as a percentage of the total OPEB liability	129.46%	130.17%

Notes to the Schedule:

The schedule will present 10 years of information once it is accumulated.

GEORGIA ENVIRONMENTAL FINANCE AUTHORITY

REQUIRED SUPPLEMENTARY INFORMATION

SEAD-OPEB

SCHEDULE OF CONTRIBUTIONS

	<u>2019</u>	<u>2018</u>
Contractually required contribution	\$ -	-
Contributions in relation to the contractually required contribution	-	-
Contribution deficiency (excess)	\$ -	-
Authority's covered payroll	\$ 1,398,220	1,755,181
Contributions as a percentage of covered payroll	0.00%	0.00%

Notes to the Schedule:

The schedule will present 10 years of information once it is accumulated.

GEORGIA ENVIRONMENTAL FINANCE AUTHORITY

REQUIRED SUPPLEMENTARY INFORMATION

SEAD-OPEB

NOTES TO THE SCHEDULE

Changes in assumptions: On December 17, 2015, the Board of Trustees of the SEAD-OPEB adopted recommended changes to the economic and demographic assumptions utilized by the Plan. Primary among the changes were the updates to rates of mortality, retirement, withdrawal and salary increases.

On March 15, 2018, the Board adopted a new funding policy. Because of this new funding policy, the assumed interest rate of return was reduced from 7.5% to 7.40% for June 30, 2017 actuarial valuation. In addition, based on the Board's new funding policy, the assumed investment rate of return was further reduced by 0.10% from 7.40% to 7.30% as of the June 30, 2018 Measurement Date.

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GEORGIA ENVIRONMENTAL FINANCE AUTHORITY
(A Component Unit of the State of Georgia)

Nonmajor Governmental Funds

Special Revenue Funds

Special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted for specified purposes.

State Energy Program Fund

This fund is used to account for the Authority's grants to other government agencies for projects working on the development of alternative sources of energy. Financing is provided through federal grants and petroleum violation fees.

Energy Investments Fund

This fund is used to account for the Authority's monies from previous years required to be used in each of the other energy related special revenue funds. Financing is provided through interest income on investments held by the Authority from collections of petroleum violation fees and public utility contributions in previous years.

State Land Conservation Fund

This fund is used to account for money awarded to recipients of funding to permanently protect land and water, or interests therein, that is undeveloped, natural state or that has been developed only to an extent that does not interfere with its conservation value. Original funding for these types of projects will be derived from state and private contributions restricted for these purposes.

Drinking Water SRF Small PWS Technical Assistance Fund

This fund is used to account for the Authority's "set-aside" grants used for various safe drinking water projects. Financing is provided through the Federal Drinking Water capitalization grant. States may provide assistance, including technical assistance, to public water systems as part of a capacity development strategy under Section 1420 (c) of the Act. States may use up to 2% of the capitalization grant amount for these activities. This fund accounts for technical assistance to smaller communities only.

GEORGIA ENVIRONMENTAL FINANCE AUTHORITY
(A Component Unit of the State of Georgia)

Combining Balance Sheet

Nonmajor Governmental Funds

June 30, 2019

	State Energy Program	Energy Investments	State Land Conservation Fund	Drinking Water SRF Small PWS Technical Assistance	Total Nonmajor Governmental Funds
Assets					
Cash	\$ 141,077	—	25	—	141,102
Investments	—	2,906,898	1,628,596	—	4,535,494
Due from other governments	69,396	—	—	73,838	143,234
Due from other funds	56,720	—	—	—	56,720
Total assets	\$ 267,193	2,906,898	1,628,621	73,838	4,876,550
Liabilities and Fund Balances					
Liabilities:					
Accounts payable and accrued liabilities	\$ 69,496	—	—	73,838	143,334
Due to other funds	—	47,254	—	—	47,254
Due to other governments	2,230	—	—	—	2,230
Total liabilities	71,726	47,254	—	73,838	192,818
Fund balances:					
Restricted for grant programs	195,467	2,859,644	1,628,621	—	4,683,732
Total fund balances	195,467	2,859,644	1,628,621	—	4,683,732
Total liabilities and fund balances	\$ 267,193	2,906,898	1,628,621	73,838	4,876,550

GEORGIA ENVIRONMENTAL FINANCE AUTHORITY

(A Component Unit of the State of Georgia)

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances

Nonmajor Governmental Funds

Year ended June 30, 2019

	State Energy Program	Energy Investments	State Land Conservation Fund	Drinking Water SRF Small PWS Technical Assistance	Total Nonmajor Governmental Funds
Revenues:					
Grant revenues	\$ 457,754	—	—	295,350	753,104
Public donations	—	—	61,248	—	61,248
Interest income on investments	—	66,677	36,748	—	103,425
Total revenues	457,754	66,677	97,996	295,350	917,777
Expenditures:					
Current:					
Water and wastewater programs	—	—	—	295,350	295,350
Land conservation programs	—	—	29,391	—	29,391
Energy programs	473,725	1,435	—	—	475,160
Total expenditures	473,725	1,435	29,391	295,350	799,901
Excess of revenues over expenditures	(15,971)	65,242	68,605	—	117,876
Other Financing Sources (Uses):					
Transfers in	15,971	—	—	—	15,971
Transfers out	—	(5,755)	—	—	(5,755)
Total other financing sources and uses	15,971	(5,755)	—	—	10,216
Net change in fund balances	—	59,487	68,605	—	128,092
Fund balances – July 1	195,467	2,800,157	1,560,016	—	4,555,640
Fund balances – June 30	\$ 195,467	2,859,644	1,628,621	—	4,683,732

GEORGIA ENVIRONMENTAL FINANCE AUTHORITY

(A Component Unit of the State of Georgia)

Nonmajor Proprietary Fund

Enterprise Fund

Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises – where the intent of the Authority is that the cost of providing services to the general public on a continuing basis be financed or recovered primarily through user charges, or where the Authority has decided that periodic determination of net income is appropriate for accountability purposes.

The following is a nonmajor enterprise fund maintained by the Authority:

Storage Tank Maintenance Fund

This fund is used to account for activities and monies associated with collection of fees charged state agencies for the ongoing preventative maintenance of fuel storage facilities. In addition, funding passed through the Georgia State Financing and Investment Commission for the removal or upgrading of the same such facilities. Its revenues are derived from the direct funding as mentioned and interest earnings on investments.

GEORGIA ENVIRONMENTAL FINANCE AUTHORITY
(A Component Unit of the State of Georgia)

Nonmajor Enterprise Fund

Combining Statement of Net Position

June 30, 2019

Assets	Storage Tank Maintenance Fund
Current assets:	
Cash	\$ 988
Investments	1,049,516
Due from other governments	56,367
Total current assets	<u>1,106,871</u>
Total assets	<u>1,106,871</u>
Liabilities	
Accounts payable and accrued liabilities	93,704
Due to other funds	37,328
Due to other governments	3,075
Total liabilities	<u>134,107</u>
Net Position	
Unrestricted	972,764
Total net position	<u>\$ 972,764</u>

GEORGIA ENVIRONMENTAL FINANCE AUTHORITY
(A Component Unit of the State of Georgia)

Nonmajor Enterprise Fund

Combining Statement of Revenues, Expenses, and Changes in Net Position

Year ended June 30, 2019

	Storage Tank Maintenance Fund
Operating Revenues:	
Administrative and preventative maintenance fees	\$ 1,097,275
Total operating revenue	1,097,275
Operating Expenses:	
Storage tank maintenance programs	731,863
General and administrative	619
Total operating expenses	732,482
Operating income	364,793
Nonoperating Revenues:	
Interest income on investments	28,708
Total nonoperating revenue	28,708
Income before transfers	393,501
Transfers out	(424,098)
Change in net position	(30,597)
Total net position – July 1	1,003,361
Total net position – June 30	\$ 972,764

GEORGIA ENVIRONMENTAL FINANCE AUTHORITY

(A Component Unit of the State of Georgia)

Statement of Cash Flows - Proprietary Fund Types - Nonmajor Enterprise Fund

Year ended June 30, 2019

	Storage Tank Maintenance Fund
Cash flows from operating activities:	
Administrative fee receipts	\$ 1,044,990
Payments to service providers	(680,415)
Internal activity – payments from other funds	129,590
Internal activity – payments to other funds	(132,563)
Net cash provided by operating activities	<u>361,602</u>
Cash flows from noncapital financing activities:	
Transfers out	(424,098)
Net cash used in noncapital financing activities	<u>(424,098)</u>
Cash flows from investing activities:	
Interest income on investments	<u>28,708</u>
Net cash provided by investing activities	<u>28,708</u>
Net decrease in cash and cash equivalents	(33,788)
Cash and cash equivalents at beginning of year	<u>1,084,292</u>
Cash and cash equivalents at end of year	\$ <u><u>1,050,504</u></u>
Reconciliation to the statement of net position:	
Cash	\$ 988
Investments	1,049,516
	\$ <u><u>1,050,504</u></u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 364,793
Change in assets and liabilities:	
Due from other governments	(52,285)
Due from other funds	129,590
Due to other funds	(132,563)
Accrued liabilities	52,067
Net cash provided by operating activities	\$ <u><u>361,602</u></u>

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GEORGIA ENVIRONMENTAL FINANCE AUTHORITY

Statistical Section

This part of the Georgia Environmental Facilities Authority's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the Authority's overall financial health. This information has not been audited by the independent auditor.

Contents

Page

Financial Trends

76 – 82

These schedules contain trend information to help the reader understand how the Authority's financial performance and well-being have changed over time.

Revenue Capacity

83 – 85

These schedules contain information to help the reader assess the Authority's most significant own-source revenue, interest income on loans receivable.

Debt Capacity

86 – 87

This schedule presents information to help the reader assess the affordability of the Authority's current levels of outstanding debt and the Authority's ability to issue additional debt in the future.

Demographic and Economic Information

88

This schedule offers demographic and economic indicators to help the reader understand the environment within which the Authority's financial activities take place for its most significant programs, the environmental loan programs.

Operating Information

89 – 91

These schedules contain information about the Authority's operations and resources to help the reader understand how the Authority's financial information relates to the services the Authority provides and the activities it performs.

Sources

Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

GEORGIA ENVIRONMENTAL FINANCE AUTHORITY
Government-wide Net Position by Category¹
Last Ten Fiscal Years
(accrual basis of accounting)

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Governmental Activities										
Net investment in capital assets	\$ 216,060	\$ 287,852	\$ 145,931	\$ 182,945	\$ 124,280	\$ 47,955	\$ 24,718	\$ 35,324	\$ 47,777	\$ 20,862
Restricted for:										
Loan programs	36,982,494	32,536,148	33,945,845	32,316,803	31,503,129	33,348,201	31,872,215	36,997,885	39,745,561	33,597,308
Grant programs	4,727,010	4,624,447	4,609,944	4,442,876	4,432,508	4,907,940	5,231,799	5,347,638	5,505,452	5,860,698
Unrestricted	5,332,849	4,149,357	3,297,732	3,272,896	2,920,761	3,286,716	3,492,204	3,324,198	4,806,058	4,881,713
Subtotal Governmental Activities Net Position	\$ 47,258,413	\$ 41,597,804	\$ 41,999,452	\$ 40,215,520	\$ 38,980,678	\$ 41,590,812	\$ 40,620,936	\$ 45,705,045	\$ 50,104,848	\$ 44,360,581
Business-type Activities										
Restricted for:										
Debt service or loan programs ²	\$ 1,803,070,372	\$ 1,717,827,489	\$ 1,638,492,840	\$ 1,576,901,260	\$ 1,512,084,168	\$ 1,446,699,238	\$ 1,383,034,270	\$ 1,254,229,701	\$ 1,154,326,566	\$ 1,525,477
Unrestricted	584,007,781	587,363,335	564,547,340	554,378,003	548,714,476	505,719,565	485,277,904	440,292,302	392,129,642	1,802,640,645
Subtotal Business-type Activities Net Position	\$ 2,387,078,153	\$ 2,285,190,824	\$ 2,203,040,180	\$ 2,131,279,263	\$ 2,060,798,644	\$ 1,952,418,803	\$ 1,868,312,174	\$ 1,694,522,003	\$ 1,546,456,208	\$ 1,804,166,122
Net Position										
Net investment in capital assets	\$ 216,060	\$ 287,852	\$ 145,931	\$ 182,945	\$ 124,280	\$ 47,955	\$ 24,718	\$ 35,324	\$ 47,777	\$ 20,862
Restricted for:										
Loan programs	36,982,494	32,536,148	33,945,845	32,316,803	31,503,129	33,348,201	31,872,215	36,997,885	39,745,561	33,597,308
Grant programs	4,727,010	4,624,447	4,609,944	4,442,876	4,432,508	4,907,940	5,231,799	5,347,638	5,505,452	5,860,698
Debt service or loan programs ²	1,803,070,372	1,717,827,489	1,638,492,840	1,576,901,260	1,512,084,168	1,446,699,238	1,383,034,270	1,254,229,701	1,154,326,566	1,525,477
Unrestricted	589,340,630	571,512,692	567,845,072	557,650,899	551,635,237	509,006,281	488,770,108	443,616,500	396,935,700	1,807,522,358
Total Net Position	\$ 2,434,336,566	\$ 2,326,788,628	\$ 2,245,039,632	\$ 2,171,494,783	\$ 2,099,779,322	\$ 1,994,009,615	\$ 1,908,933,110	\$ 1,740,227,048	\$ 1,596,561,056	\$ 1,848,526,703

Notes:

¹Accounting standards require that net position be reported in three components in the financial statements: net investment in capital assets; restricted; and unrestricted. Net position is considered restricted only when (1) an external party, such as the State of Georgia or the federal government, places a restriction on how the resources may be used, or (2) enabling legislation is passed by the Authority.

²In 2011, amounts previously classified as unrestricted were recategorized as restricted to clarify financial ownership from a grantor perspective.

GEORGIA ENVIRONMENTAL FINANCE AUTHORITY
Government-wide Expenses, Program Revenues, and
Net (Expense)/Revenue by Function/Program
Last Ten Fiscal Years
(accrual basis of accounting)

Functions/Programs	2019			2018			2017			2016			2015		
	Expenses	Program Revenues	Net (Expense)/Revenue ¹	Expenses	Program Revenues	Net (Expense)/Revenue ¹	Expenses	Program Revenues	Net (Expense)/Revenue ¹	Expenses	Program Revenues	Net (Expense)/Revenue ¹	Expenses	Program Revenues	Net (Expense)/Revenue ¹
Governmental Activities															
General Government	\$ 5,262,199	\$ 11,170,444	\$ 5,908,245	\$ 6,394,339	\$ 10,687,318	\$ 4,292,979	\$ 7,434,445	\$ 14,071,835	\$ 6,637,390	\$ 6,404,371	\$ 14,240,940	\$ 7,836,569	\$ 6,599,857	\$ 11,624,663	\$ 5,024,806
Water and wastewater programs	8,319,314	9,115,332	796,018	8,587,806	8,251,478	(336,328)	8,781,032	7,798,947	(982,085)	8,603,578	7,460,396	(1,143,182)	7,074,323	6,013,718	(1,060,605)
Solid waste and environmental programs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Land conservation programs	29,391	61,248	31,857	763	23,009	22,246	747	28,213	27,466	10,730	34,203	23,473	61,563	50,765	(10,798)
Energy programs ²	7,585,937	7,609,679	23,742	5,681,449	5,652,636	(28,813)	5,191,460	5,288,821	97,361	4,847,120	4,789,765	(57,355)	8,069,083	7,634,157	(434,926)
Interest on long-term debt ³	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Subtotal Governmental Activities	21,196,841	27,956,703	6,759,862	20,664,357	24,614,441	3,950,084	21,407,684	27,187,816	5,780,132	19,865,799	26,525,304	6,659,505	21,804,826	25,323,303	3,518,477
Business-type Activities															
Water and wastewater programs	22,094,234	22,094,234	-	12,186,247	12,186,247	-	10,202,019	10,202,019	-	9,907,354	9,907,354	-	6,561,895	6,561,895	-
Storage tank maintenance programs	731,863	1,125,983	394,120	581,179	1,130,014	548,835	613,774	981,211	367,437	594,788	984,480	388,692	528,171	976,237	448,066
General and administrative	91,712	99,223,772	99,132,060	323,937	80,815,571	80,491,634	190,514	67,183,829	66,993,315	787,360	65,253,611	64,466,251	379,229	107,530,161	107,150,932
Subtotal Business-type Activities	22,917,809	122,443,989	99,626,180	13,091,363	94,131,832	81,040,469	11,006,307	78,367,059	67,360,752	11,289,502	76,145,445	64,855,943	7,469,295	115,088,293	107,598,998
Total Governmental and Business-type Activities	\$ 44,114,650	\$ 150,400,692	\$ 106,286,042	\$ 33,755,720	\$ 118,746,273	\$ 84,990,553	\$ 32,413,991	\$ 105,554,875	\$ 73,140,884	\$ 31,155,301	\$ 102,670,749	\$ 71,515,448	\$ 29,274,121	\$ 140,391,596	\$ 111,117,475

GEORGIA ENVIRONMENTAL FINANCE AUTHORITY
Government-wide Expenses, Program Revenues, and
Net (Expense)/Revenue by Function/Program
Last Ten Fiscal Years
(accrual basis of accounting)

Functions/Programs	2014			2013			2012			2011			2010		
	Expenses	Program Revenues	Net (Expense)/Revenue ¹	Expenses	Program Revenues	Net (Expense)/Revenue	Expenses	Program Revenues	Net (Expense)/Revenue ¹	Expenses	Program Revenues	Net (Expense)/Revenue ¹	Expenses	Program Revenues	Net (Expense)/Revenue ¹
Governmental Activities															
General Government	\$ 7,170,623	\$ 13,490,023	\$ 6,319,400	\$ 9,005,073	\$ 14,934,860	\$ 5,929,787	\$ 9,022,959	\$ 19,458,277	\$ 10,435,318	\$ 11,763,760	\$ 8,187,693	\$ (3,576,057)	\$ 9,647,658	\$ 6,204,582	\$ (3,443,076)
Water and wastewater programs	6,914,660	6,306,689	(607,971)	8,496,123	5,827,054	(2,669,069)	8,799,184	6,950,325	(1,848,859)	12,382,414	28,575,001	16,132,587	10,646,079	20,225,973	9,579,894
Solid waste and environmental programs	-	-	-	-	-	-	-	-	-	1,680	1,680	-	267,030	145,738	(121,292)
Land conservation programs	8,665	54,789	46,124	41,733	39,251	(2,482)	59,061	55,909	(3,152)	60,212	86,321	26,109	6,651,892	61,551	(6,590,341)
Energy programs ²	7,368,927	7,063,716	(305,211)	18,322,583	18,232,444	(90,139)	91,335,755	91,025,543	(310,212)	109,506,743	108,704,970	(801,773)	41,919,198	41,575,413	(343,785)
Interest on long-term debt ³	-	-	-	-	-	-	78	-	(78)	619	-	(619)	1,995	-	(1,995)
Subtotal Governmental Activities	21,462,875	26,915,217	5,452,342	35,865,512	39,033,609	3,168,097	109,217,037	117,490,054	8,273,017	133,715,428	145,555,665	11,840,237	69,133,852	68,213,257	(920,595)
Business-type Activities															
Water and wastewater programs	5,392,431	5,392,431	-	8,437,183	8,437,183	-	13,768,944	13,768,944	-	31,435,363	24,586,564	(6,848,799)	59,286,970	4,010,035	(55,276,935)
Storage tank maintenance programs	591,872	999,046	407,174	800,089	1,000,451	200,362	1,357,477	1,224,663	(132,814)	1,232,599	1,951,923	719,324	2,135,141	2,559,757	424,616
General and administrative	411,274	79,545,992	79,134,718	348,463	165,431,763	165,083,300	697,685	135,757,916	135,060,231	2,319,969	113,604,026	111,284,057	2,188,780	163,952,695	161,763,915
Subtotal Business-type Activities	6,395,577	85,937,469	79,541,892	9,585,735	174,869,397	165,283,662	15,824,106	150,751,523	134,927,417	34,987,931	140,142,513	105,154,582	63,610,891	170,522,487	106,911,596
Total Governmental and Business-type Activities	\$ 27,858,452	\$ 112,852,686	\$ 84,994,234	\$ 45,451,247	\$ 213,903,006	\$ 168,451,759	\$ 125,041,143	\$ 268,241,577	\$ 143,200,434	\$ 168,703,359	\$ 285,698,178	\$ 116,994,819	\$ 132,744,743	\$ 238,735,744	\$ 105,991,001

Notes:

¹The fluctuations in net (expense)/revenue is attributed to variations in interest earnings rate experienced over the past three years, receipt (non-receipt) of contributions from external funders and changes in expense activity levels for supported programs.

²In FY 2010, the Energy and Water programs experienced a significant increase in expenditures due to new activity and/or expanded activities using funds awarded under the American Recovery and Reinvestment Act of 2009 (ARRA). In addition to expanding the Weatherization and SRF loan programs, ARRA funding also provided principal forgiveness subsidies for the SRF loan programs and thus a large increase in expenditures and the creation of four new Energy programs.

³The Authority entered into a computer financing agreement in fiscal year 2008 and thus, incurred interest expense on those leases. Because the governmental funds is based on current resources at the government-wide level, interest expense is reported separately to distinguish that there is a financing agreement (long-term). The lease was bought out in FY 2012.

GEORGIA ENVIRONMENTAL FINANCE AUTHORITY

Government-wide General Revenues and Other Changes in Net Position

Last Ten Fiscal Years

(accrual basis of accounting)

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Net (Expense), Total Governmental and Business-type Activities										
Governmental activities	\$ 6,759,862	\$ 3,950,084	\$ 5,780,132	\$ 6,659,505	\$ 3,518,477	\$ 5,452,342	\$ 3,168,097	\$ 8,273,017	\$ 11,840,236	\$ (920,595)
Business-type activities	99,526,180	81,040,469	67,360,752	64,855,943	107,598,998	79,541,892	165,283,662	134,927,417	105,154,580	106,911,596
Total Governmental and Business-type Activities	106,286,042	84,990,553	73,140,884	71,515,448	111,117,475	84,994,234	168,451,759	143,200,434	116,994,816	105,991,001
General revenues and other changes in net position										
Governmental Activities:										
Unrestricted investment earnings	1,138,063	608,836	256,976	123,269	68,853	54,419	65,912	68,914	93,018	106,246
Miscellaneous	122,086	114,624	60,451	18,533	3,862	12,768	26,621	32,922	17,338	12,764
Transfers to business-type activities ¹	(2,359,402)	(1,106,700)	(4,313,627)	(5,566,465)	(758,474)	(4,549,653)	(8,344,739)	(12,774,656)	(6,206,325)	(1,707,053)
Subtotal Governmental Activities	(1,099,253)	(383,240)	(3,996,200)	(5,424,663)	(685,759)	(4,482,466)	(8,252,206)	(12,672,820)	(6,095,969)	(1,588,043)
Business-type Activities:										
Miscellaneous	1,747	3,475	86,538	58,211	22,369	15,084	161,770	363,722	25,409	108,782
Special items ²	-	-	-	-	-	-	-	-	(369,096,228)	-
Transfers from governmental activities	2,359,402	1,106,700	4,313,627	5,566,465	758,474	4,549,653	8,344,739	12,774,656	6,206,325	1,707,053
Subtotal Business-type Activities	2,361,149	1,110,175	4,400,165	5,624,676	780,843	4,564,737	8,506,509	13,138,378	(362,864,494)	1,815,835
Changes in Net Position										
Governmental activities	5,660,609	3,566,844	1,783,932	1,234,842	2,832,718	969,876	(5,084,109)	(4,399,803)	5,744,267	(2,508,638)
Business-type activities ²	101,887,329	82,150,644	71,760,917	70,480,619	108,379,841	84,106,629	173,790,171	148,085,795	(257,709,914)	108,727,431
Total Changes in Net Position	\$ 107,547,938	\$ 85,717,488	\$ 73,544,849	\$ 71,715,461	\$ 111,212,559	\$ 85,076,505	\$ 168,706,062	\$ 143,685,992	\$ (251,965,647)	\$ 106,218,793

Notes:

¹Transfers to business-type activities is highly driven by activity of construction loan projects. Therefore, on a year-to-year basis fluctuations in amounts may occur.

²The Authority provided a planned one-time return of capital to the State of Georgia's treasury office. It is not expected that this will happen again in the near future. In addition, the Authority sold a portion of its loans receivable from the Georgia Fund to its subsidiary corporation, The Georgia Environmental Loan Acquisition Corporation, at a net loss. Both of these factors contributed to the large change in net position for business-type activities.

GEORGIA ENVIRONMENTAL FINANCE AUTHORITY

Fund Balances, Governmental Funds

Last Ten Fiscal Years

(modified accrual basis of accounting)

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
General Fund										
Nonspendable for prepaid items	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,624
Restricted for loan programs	11,509,489	5,118,559	7,115,935	5,833,708	5,083,096	4,915,251	4,372,360	8,927,355	11,639,738	3,959,426
Restricted for grant programs	-	-	-	-	-	-	25,445	100,000	180,722	332,340
Unassigned	12,434,209	12,434,209	8,434,209	8,434,209	8,434,208	3,851,778	3,851,778	3,828,466	5,362,428	5,328,658
Total general fund balance	\$ 23,943,698	\$ 17,552,768	\$ 15,550,144	\$ 14,267,917	\$ 13,517,304	\$ 8,767,029	\$ 8,249,583	\$ 12,855,821	\$ 17,182,888	\$ 9,627,048
Weatherization Assistance Program Fund										
Restricted for grant programs ¹	\$ 43,278	\$ 68,807	\$ 123,942	\$ 1,727	\$ 1,680	\$ 1,680	\$ -	\$ -	\$ -	\$ -
Total weatherization assistance program fund balance	\$ 43,278	\$ 68,807	\$ 123,942	\$ 1,727	\$ 1,680	\$ 1,680	\$ -	\$ -	\$ -	\$ -
Clean Water SRF Administration Fund										
Restricted for loan programs	\$ 21,993,649	\$ 24,722,400	\$ 23,066,886	\$ 22,868,087	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total clean water SRF administration fund balance	\$ 21,993,649	\$ 24,722,400	\$ 23,066,886	\$ 22,868,087	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Drinking Water SRF Administration Fund										
Restricted for loan programs	\$ 3,479,356	\$ 2,695,189	\$ 3,763,024	\$ 3,615,008	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total drinking water SRF administration fund balance	\$ 3,479,356	\$ 2,695,189	\$ 3,763,024	\$ 3,615,008	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Nonmajor Governmental Funds										
Restricted for loan programs	\$ -	\$ -	\$ -	\$ -	\$ 26,420,033	\$ 28,432,950	\$ 27,499,855	\$ 28,070,530	\$ 28,105,823	\$ 29,637,882
Restricted for grant programs	4,683,732	4,555,640	4,486,002	4,441,149	4,430,828	4,906,260	5,206,354	5,247,638	5,324,730	5,528,358
Total nonmajor governmental fund balance	\$ 4,683,732	\$ 4,555,640	\$ 4,486,002	\$ 4,441,149	\$ 30,850,861	\$ 33,339,210	\$ 32,706,209	\$ 33,318,168	\$ 33,430,553	\$ 35,166,240
Total governmental fund balances	\$ 54,143,713	\$ 49,594,804	\$ 46,989,998	\$ 45,193,888	\$ 44,369,845	\$ 42,107,919	\$ 40,955,792	\$ 46,173,989	\$ 50,613,441	\$ 44,793,288

Notes:

¹The Weatherization Assistance Fund, a major fund, did not have amounts reported as fund balance for years prior to 2014. This fund is typically an expenditure-driven fund and expenses typically equal revenues. The amount reported here will likely be consumed by additional expenditures, returning fund deficit to zero in the near future.

GEORGIA ENVIRONMENTAL FINANCE AUTHORITY
Changes in Fund Balances, Governmental Funds¹
Last Ten Fiscal Years
(modified accrual basis of accounting)

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Revenues										
State of Georgia appropriations	\$ 788,495	\$ 788,495	\$ 838,495	\$ 983,495	\$ 348,495	\$ 298,495	\$ -	\$ 283,495	\$ 15,286,358	\$ 8,099,808
State general obligation bond proceeds ²	8,000,000	8,000,000	10,000,000	10,000,000	8,600,000	9,200,000	9,600,000	12,000,000	-	-
Administrative fees	2,537,389	2,364,541	1,107,133	1,569,471	1,084,666	1,457,644	591,955	1,529,171	3,204,819	4,717,199
Grant revenues	16,502,894	13,399,323	15,196,649	13,929,568	15,233,946	15,898,923	28,794,201	103,618,950	126,972,560	55,326,931
Public donations	61,248	23,009	28,213	34,203	50,765	54,789	39,251	55,909	83,228	53,784
Interest income on investments	1,204,740	647,909	274,302	131,836	74,284	59,785	74,114	101,717	121,781	121,781
Miscellaneous	122,086	114,624	60,451	18,533	3,862	12,768	26,621	32,922	17,338	12,764
Total revenues	\$ 29,216,852	\$ 25,337,901	\$ 27,505,243	\$ 26,667,106	\$ 25,396,018	\$ 26,982,404	\$ 39,126,142	\$ 117,591,890	\$ 145,666,020	\$ 68,332,267
Expenditures										
General government	\$ 6,348,489	\$ 7,147,461	\$ 7,411,914	\$ 6,718,395	\$ 7,070,616	\$ 6,955,294	\$ 9,139,161	\$ 9,055,630	\$ 11,638,593	\$ 9,600,005
Water and wastewater programs	8,319,314	8,587,806	8,781,032	8,603,578	7,074,323	6,914,660	8,496,123	8,799,184	12,382,414	10,646,079
Solid waste and environmental programs	-	-	-	-	-	-	-	-	1,680	267,030
Land conservation programs ³	29,391	763	747	10,730	61,563	8,665	41,733	59,061	60,212	6,651,892
Energy programs ⁴	7,585,937	5,681,449	5,191,460	4,847,120	8,069,083	7,368,927	18,322,583	91,335,755	109,506,743	41,919,198
Capital outlay, general government	25,410	208,916	10,353	96,775	100,033	33,078	-	-	33,917	9,863
Debt Service:										
Principal reductions	-	-	-	-	-	-	-	6,978	15,364	25,637
Interest on long-term debt	-	-	-	-	-	-	-	78	619	1,995
Total expenditures	22,308,541	21,626,395	21,395,506	20,276,598	22,375,618	21,280,624	35,999,600	109,256,686	133,639,542	69,121,699
Excess of revenues over (under) expenditures	6,908,311	3,711,506	6,109,737	6,390,508	3,020,400	5,701,780	3,126,542	8,335,204	12,026,478	(789,432)
Other Financing Sources (Uses)										
Transfers in ⁵	\$ 9,180,040	\$ 10,208,556	\$ 5,328,291	\$ 4,482,282	\$ 10,362,126	\$ 4,516,124	\$ 5,921,622	\$ 3,721,382	\$ 3,315,777	\$ 3,564,712
Transfers out ⁵	(11,539,442)	(11,315,256)	(9,641,918)	(10,048,747)	(11,120,600)	(9,065,777)	(14,266,361)	(16,496,038)	(9,522,102)	(5,271,765)
Total other financing sources (uses)	(2,359,402)	(1,106,700)	(4,313,627)	(5,566,465)	(758,474)	(4,549,653)	(8,344,739)	(12,774,656)	(6,206,325)	(1,707,053)
Net change in fund balances ⁶	\$ 4,548,909	\$ 2,604,806	\$ 1,796,110	\$ 824,043	\$ 2,261,926	\$ 1,152,127	\$ (5,218,197)	\$ (4,439,452)	\$ 5,820,153	\$ (2,496,485)

Notes:

¹The Authority has no bond debt outstanding within the governmental funds and thus no debt service calculations as a percentage of noncapital expenditures.

²Prior to fiscal year 2012, The Authority previously reported these amounts as capital contributions. However, consistent with accounting guidelines, these amounts are now reported as operating grants because they are not used to construct or obtain capital assets for the Authority.

³In 2008, the Authority received additional appropriations in the amended budget for the State Land Conservation Fund in the amount of \$47.3 million which substantially increased funding over amounts received in prior years. This increase in revenues also allowed the Authority to incur more expenditures in fiscal year 2010.

⁴A significant increase in expenditures within Energy programs is explained by ongoing administration of programs associated with the American Recovery and Reinvestment Act of 2009 (ARRA) for fiscal years 2010 through 2013.

⁵Transfers-in and out are based on activity experienced within the match loan programs. Fluctuations are based on activity on a year-to-year basis.

⁶Fluctuations may occur year-to-year with net change in fund balance primarily due to loan program demand to match the federal loan programs. Monies are deposited into the general fund and held until the funds are needed to fund project disbursements. In addition, the level of funding provided by the State of Georgia for this same purpose may vary depending upon approved legislation for the respective fiscal period and receipt of those monies.

GEORGIA ENVIRONMENTAL FINANCE AUTHORITY
Government-wide Program Revenues¹ by Category
Last Ten Fiscal Years
(accrual basis of accounting)

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Governmental Activities										
Charges for Services	\$ 2,537,389	\$ 2,364,541	\$ 1,107,133	\$ 1,569,471	\$ 1,084,666	\$ 1,457,644	\$ 591,955	\$ 1,529,171	\$ 11,392,512	\$ 10,921,781
Operating Grants and Contributions ²	25,419,314	22,249,900	26,080,683	24,955,833	24,238,637	25,457,573	38,441,654	115,960,883	134,163,153	57,291,476
Subtotal Governmental Activities Program Revenues	27,956,703	24,614,441	27,187,816	26,525,304	25,323,303	26,915,217	39,033,609	117,490,054	145,555,665	68,213,257
Business-type Activities										
Charges for Services	30,130,879	30,289,832	30,813,230	32,743,403	34,437,124	36,517,062	69,972,715	38,459,360	44,905,397	49,014,313
Operating Grants and Contributions	92,313,110	63,842,000	47,553,829	43,402,042	80,631,169	49,420,407	104,896,682	112,292,163	1,543,109	2,510,024
Capital Grants and Contributions ³	-	-	-	-	-	-	-	-	93,694,007	118,998,150
Subtotal Business-type Activities Program Revenues	122,443,989	94,131,832	78,367,059	76,145,445	115,068,293	85,937,469	174,869,397	150,751,523	140,142,513	170,522,487
Governmental and Business-type Activities										
Charges for Services	32,668,268	32,654,373	31,920,363	34,312,874	35,521,790	37,974,706	70,564,670	39,988,531	56,297,909	59,936,094
Operating Grants and Contributions	117,732,424	86,091,900	73,634,512	68,357,875	104,869,806	74,877,980	143,338,336	228,253,046	135,706,262	59,801,500
Capital Grants and Contributions ³	-	-	-	-	-	-	-	-	93,694,007	118,998,150
Total Governmental and Business-type Activities Program Revenues	\$ 150,400,692	\$ 118,746,273	\$ 105,554,875	\$ 102,670,749	\$ 140,391,596	\$ 112,852,686	\$ 213,903,006	\$ 268,241,577	\$ 285,698,178	\$ 238,735,744

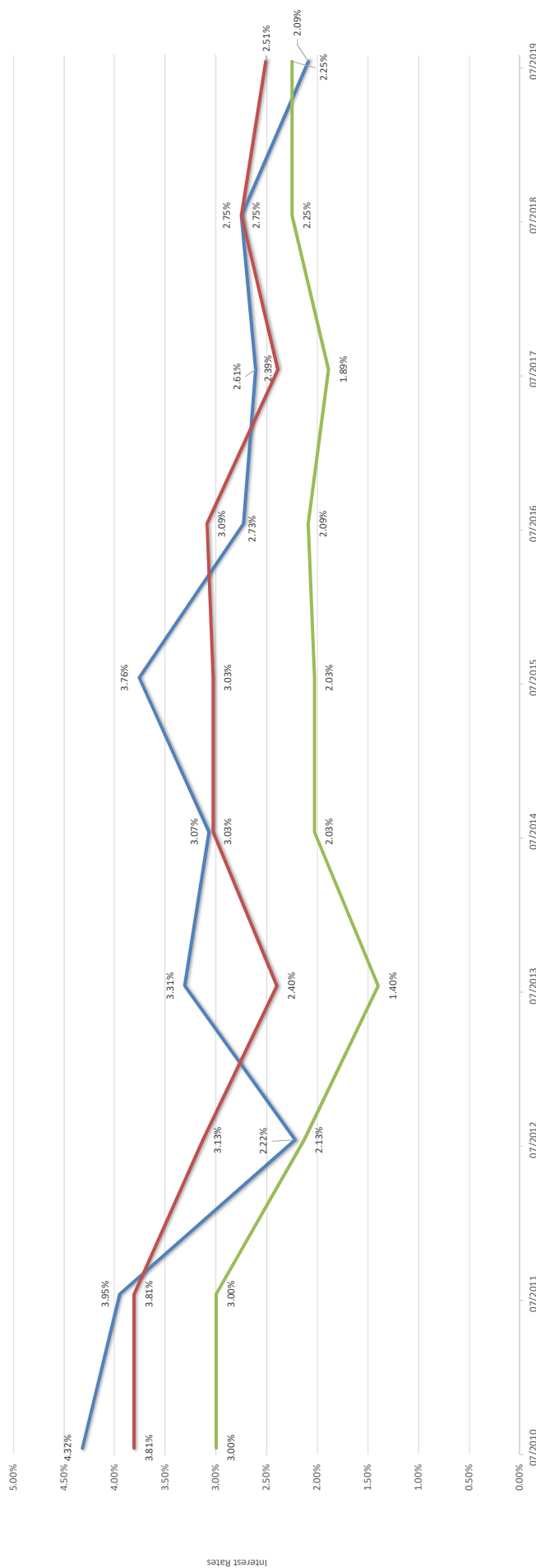
Notes:

¹Program revenues are related to specific activities of the Authority. Their sources are either fees, interest earnings, charges for services or grants/intergovernmental revenues restricted to a specific purpose.

² In FY 2010 through 2013, a significant increase in operating grants and contributions was due to increased expenditure-driven programs associated with the American Recovery and Reinvestment Act of 2009.

³In fiscal year 2012, these amounts are reported as operating grants because they are not used to construct or obtain capital assets for the Authority.

GEORGIA ENVIRONMENTAL FINANCE AUTHORITY Annual Loan Program Interest Rate History Last Ten Fiscal Years



Georgia Fund Loan Program			Bond Buyer Index		SRF Rate and Fee History		
Date	Interest Rate (%)	Closing Fee (%) ²	Year	Interest Rate (%)	Date	Interest Rate (%)	Closing Fee (%)
06/2019	2.09	1.00	06/2019	2.51	06/2019	2.25	1.00
06/2018	2.75	1.00	06/2018	2.75	06/2018	2.25	1.00
06/2017	2.39	1.00	06/2017	2.61	06/2017	1.89	1.00
06/2016	3.09	1.00	06/2016	2.73	06/2016	2.09	1.00
06/2015	3.03	1.00	06/2015	3.76	06/2015	2.03	1.00
06/2014	3.03	1.00	07/2014	3.07	06/2014	2.03	1.00
06/2013	2.40	1.00	07/2013	3.31	06/2013	1.40	1.00
06/2012	3.13	1.00	07/2012	2.22	06/2012	2.13	1.00
06/2011	3.81	1.00	07/2011	3.95	06/2011	3.00	2.00
06/2010	3.81	1.00	07/2010	4.32	06/2010	3.00	2.00

Sources:

The Authority's Water Resources Division and the Bond Buyer and Federal Reserve at: www.federalreserve.gov/releases/h15/data.htm

Note:

¹State fund loan rates are established at each state bond sale date.

²The closing fee was established to assist the Georgia Fund in offsetting certain general and administrative expenses associated with program management, as well as other originating, processing, underwriting and servicing loans for that program.

GEORGIA ENVIRONMENTAL FINANCE AUTHORITY
Principal Loans Receivable Payers
Fiscal Year 2019 and Nine Years Prior (2010)

	2019			2010		
	PRINCIPAL BALANCE OUTSTANDING ¹	RANK	% OF TOTAL PRINCIPAL BALANCE OUTSTANDING	PRINCIPAL BALANCE OUTSTANDING ¹	RANK	% OF TOTAL PRINCIPAL BALANCE OUTSTANDING
BORROWER						
ATLANTA	\$ 193,166,908	1	13.46%	\$ 145,353,021	1	12.02%
COBB COUNTY BOC	113,202,767	2	7.89%	88,242,857	4	7.30%
COLUMBUS WATER WORKS	-	-	-	55,971,761	5	4.63%
EFFINGHAM COUNTY BOC	-	-	-	33,421,092	8	2.76%
ETOWAH WSA	-	-	-	31,633,743	9	2.62%
GAINESVILLE	-	-	-	114,413,622	3	9.46%
GRIFFIN	33,580,594	8	2.34%	-	-	-
GWINNETT COUNTY	35,763,176	6	2.49%	53,629,409	6	4.43%
HALL COUNTY	-	-	-	29,162,116	10	2.41%
HENRY COUNTY WSA	40,103,840	5	2.79%	126,426,173	2	10.45%
HINESVILLE	34,221,947	7	2.38%	-	-	-
PAULDING COUNTY	64,911,300	4	4.52%	-	-	-
SAVANNAH	-	-	-	35,072,532	7	2.90%
THE NATURE CONSERVANCY	32,303,075	9	2.25%	-	-	-
VALDOSTA	73,694,312	3	5.14%	-	-	-
WALTON COUNTY WSA	27,922,734	10	1.95%	-	-	-
TOTAL PRINCIPAL PAYERS	\$ 648,870,653		45.22%	\$ 713,326,327		58.97%
ALL OTHER PAYERS	786,112,707		54.78%	496,224,498		41.03%
TOTAL PAYERS²	\$ 1,434,983,360		100.00%	\$ 1,209,550,825		100.00%

Source:

The Authority's Fiscal Services Division.

Notes:

¹ Loans principal balance represents principal amounts due the Authority. These totals exclude construction loan or construction loans in process balances which are included in the reported amount per fund financial statements. Construction loans and construction loans in process are adjusted at the time a loan becomes a permanent amortizing loan.

GEORGIA ENVIRONMENTAL FINANCE AUTHORITY

Interest Revenue by Fund¹

Last Ten Fiscal Years²

(accrual basis of accounting)

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Georgia Fund	\$ 6,979,921	\$ 6,900,559	\$ 7,612,073	\$ 8,602,541	\$ 8,084,771	\$ 8,289,718	\$ 9,124,014	\$ 8,961,789	\$ 16,617,343	\$ 22,746,277
Georgia Reservoir Fund	319,129	178,179	130,726	128,533	70,476	41,756	26,753	55,817	-	-
Clean Water State Revolving Loan Fund	16,042,224	16,109,771	16,252,646	16,832,178	18,436,384	20,032,718	22,380,926	23,052,731	22,746,784	21,818,551
Clean Water State Match Revolving Loan Fund ²	2,498,469	2,634,478	2,803,616	2,992,291	3,286,294	3,494,824	28,340,158	1,809,702	153,709	-
ARRA-Clean Water State Revolving Loan Fund	-	-	-	-	-	-	-	-	517,822	85,252
Drinking Water State Revolving Loan Fund	2,516,341	2,362,872	2,241,651	2,171,464	2,187,499	2,113,821	3,053,806	3,003,892	2,719,567	-
Drinking Water State Match Fund ³	567,220	565,433	622,967	726,294	795,366	778,140	5,278,657	311,768	-	-
ARRA-Drinking Water State Revolving Loan Fund	-	-	-	-	-	-	-	-	-	16,565
Nonmajor Enterprise Funds Operating Revenue	-	-	-	-	-	-	-	368,460	628,297	3,222,211
Total interest revenue	\$ 28,923,304	\$ 28,751,292	\$ 29,663,679	\$ 31,453,301	\$ 32,860,790	\$ 34,750,977	\$ 68,204,314	\$ 37,564,159	\$ 43,383,521	\$ 47,888,856

Source:

The Authority's Fiscal Services Division.

Notes:

¹Interest revenues are derived from charges for services relative to specific activities of the Authority. Their source is interest income on loan receivables.

²The Authority had deferred revenue until FY 2012 for the Clean Water State Match Revolving Loan Fund until federal match eligibility criteria has been satisfied. During fiscal year 2006, \$6,275,222 in prior year deferrals was appropriately recognized as revenue as required by the guidelines over the administration of the federal revolving loan programs. Again in 2011, The Authority recognized \$153,709 as revenue under the same principles.

³The Authority deferred revenue until FY 2012 for the Drinking Water State Match Revolving Loan Fund until federal match eligibility criteria has been satisfied. During fiscal year 2006, \$727,044 in prior year deferrals was appropriately recognized as revenue as required by the guidelines over the administration of the federal revolving loan programs.

GEORGIA ENVIRONMENTAL FINANCE AUTHORITY
Schedule of Revenue Bond Coverage
Last Ten Fiscal Years



10-year trend		2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Net Revenue		\$21,860,673	\$14,721,960	\$7,718,123	\$9,826,345	\$9,032,663	\$8,394,369	\$8,212,945	\$7,710,421	\$7,095,954	\$6,563,253
Debt Service		\$6,698,950	\$14,443,877	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Coverage		326%	102%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

GEORGIA ENVIRONMENTAL FINANCE AUTHORITY
Schedule of Revenue Bond Coverage
Last Ten Fiscal Years

<u>FISCAL YEAR</u>	<u>GROSS REVENUE¹</u>	<u>NET REVENUE AVAILABLE FOR DEBT SERVICE REQUIREMENTS</u>				<u>TOTAL</u>	<u>COVERAGE</u>	<u>OUTSTANDING DEBT²</u>
		<u>OPERATING EXPENSES¹</u>	<u>AVAILABLE FOR DEBT SERVICE</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>			
2019	\$7,085,221	\$521,968	\$6,563,253	-	-	-	0.00%	-
2018	\$7,324,549	\$228,595	\$7,095,954	-	-	-	0.00%	-
2017	\$7,797,172	\$86,751	\$7,710,421	-	-	-	0.00%	-
2016	\$8,929,377	\$716,432	\$8,212,945	-	-	-	0.00%	-
2015	\$8,706,259	\$311,890	\$8,394,369	-	-	-	0.00%	-
2014	\$9,365,501	\$332,838	\$9,032,663	-	-	-	0.00%	-
2013	\$10,127,628	\$301,283	\$9,826,345	-	-	-	0.00%	-
2012	\$9,377,023	\$1,658,901	\$7,718,122	-	-	-	0.00%	-
2011	\$16,979,614	\$2,257,654	\$14,721,960	\$14,255,000	\$188,877	\$14,443,877	101.93%	-
2010	\$23,109,147	\$1,248,474	\$21,860,673	\$6,035,000	\$663,950	\$6,698,950	326.33%	\$13,909,990

Source:

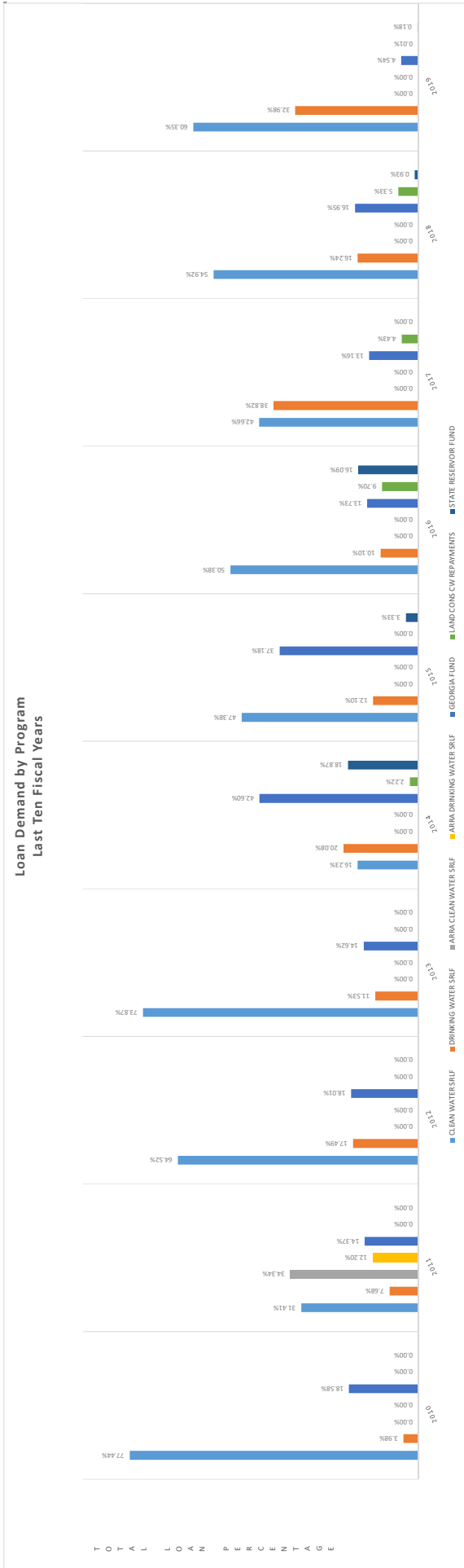
¹The repayment streams of the Georgia Fund, Series 1991 and Series 1992 Funds are pledged as collateral for debt service retirement on the Series 1997 Revenue Bonds. This schedule shows the coverage ratio based on the activities of these funds. Amount reported is net of bond premium amortization costs.

²Outstanding debt for 1997 reflects two outstanding issues, the Series 1991 and Series 1992 Revenue Bonds, at June 30, 1997 which were subsequently defeased during the 1998 year. Because of this subsequent year event, the change in outstanding balances from 1997 to 1998 was minimal. In FY 2011, the Authority opted for early redemption of its outstanding bonds.

GEORGIA ENVIRONMENTAL FINANCE AUTHORITY

Loan Demand by Program¹

Last Ten Fiscal Years



Loan Program

Year	State of Georgia Population Impacted	Number of Jurisdictions	Number of Projects	Clean Water State Revolving Loan Fund ²	Percent of Total	Drinking Water State Revolving Loan Fund ²	Percent of Total	ARRA ⁴ Clean Water State Revolving Loan Fund	Percent of Total	ARRA ⁴ Drinking Water State Revolving Loan Fund	Percent of Total	Georgia Fund	Percent of Total	Land Cons Clean Water Repayments	Percent of Total	State Reservoir Fund	Percent of Total	ARC Fund	Percent of Total	Totals
2019	10,627,767	1,816,835	70	\$ 164,070,900	60.35%	\$ 89,668,000	32.98%	\$ -	0.00%	\$ -	0.00%	\$ 12,330,000	4.54%	\$ 28,600	0.01%	\$ 500,000	0.18%	\$ 5,282,159	1.94%	\$ 271,879,659
2018	10,545,138	1,194,103	87	169,772,100	54.92%	50,205,000	16.24%	-	0.00%	-	0.00%	52,399,000	16.85%	16,477,000	5.33%	20,000,000	6.47%	300,000	0.09%	309,153,100
2017	10,429,379	752,328	74	54,896,370	42.66%	49,860,883	38.82%	-	0.00%	-	0.00%	16,933,851	13.16%	5,700,000	4.43%	-	0.00%	1,200,000	0.93%	128,691,104
2016	10,310,371	778,827	75	113,747,904	50.38%	22,803,361	10.10%	-	0.00%	-	0.00%	30,997,414	13.73%	21,892,562	9.70%	36,352,250	16.09%	-	0.00%	225,793,491
2015	10,214,860	824,474	75	50,696,415	26.05%	33,062,647	16.99%	-	0.00%	-	0.00%	73,798,585	37.92%	25,061,092	12.88%	12,000,000	6.16%	-	0.00%	194,618,739
2014	10,097,343	1,438,359	45	116,107,253	47.38%	29,657,680	12.10%	-	0.00%	-	0.00%	91,109,912	37.18%	8,201	0.00%	8,148,100	3.34%	-	0.00%	245,031,146
2013	10,038,171	1,481,117	49	30,746,147	16.23%	38,031,076	20.08%	-	0.00%	-	0.00%	80,674,911	42.60%	4,200,000	2.22%	35,737,466	18.87%	-	0.00%	189,389,600
2012	9,919,945	1,685,775	35	92,907,041	73.87%	14,498,683	11.53%	-	0.00%	-	0.00%	18,371,394	14.60%	-	0.00%	-	0.00%	-	0.00%	125,777,118
2011	9,815,210	2,153,049	56	124,855,163	64.52%	33,839,984	17.49%	-	0.00%	-	0.00%	34,824,107	17.99%	-	0.00%	-	0.00%	-	0.00%	193,519,254
2010	9,908,357	2,349,350	92	74,731,476	31.41%	18,281,324	7.68%	81,686,310	34.34%	29,030,750	12.20%	34,159,881	14.37%	-	0.00%	-	0.00%	-	0.00%	237,889,741

Source:

The Authority's Fiscal Services Division and Environment Departments. State of Georgia Population obtained from the State of Georgia's Comprehensive Annual Financial Report at: <https://sao.georgia.gov/comprehensive-annual-financial-reports>.

Notes:

¹GEFA is a component unit of the state of Georgia and does not have statutory taxing authority. Therefore, the demographic and economic information contained in the Authority's financial report does not encompass statistical data regarding the geographical area it serves; this information is contained in the State of Georgia's Comprehensive Annual Financial report at: www.audit.state.ga.us.

²Amounts presented include twenty percent allocated to their respective matching loan programs. Includes Land Conservation loans.

³In FY 2012, the Authority did not execute any contracts pertaining to the American Recovery and Investment Act (ARRA). As a result, no ARRA funding is disclosed since this period.

GEORGIA ENVIRONMENTAL FINANCE AUTHORITY
Full-time Equivalent State Authority Employees by Identifiable Activity
Last Ten Fiscal Years

Function/Program	Full-Time Equivalent Employees as of June 30									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Governmental activities:										
Executive Administration	3.5	5	5	5	5	5	5	6	6	6
Energy programs	6	6	6	6	6	7	8	13	16	16
Fuel storage tank and alternative fuels programs	2	2	3	2	2	2	2	3	3.5	3.5
Information technology	2.5	1	4	4	4	4	4	3	3	4
Accounting support	3.5	3	3	3	3	3	2	3	3	2
Other administrative support	5	5	4	4	4	4	4	5	5	5
Total FTE - Governmental Activities	22.5	22	25	24	24	25	25	33	37	37
Business-type activities:										
Waste and wastewater programs	8	7	9	10	15	15	8	8	6.5	8.5
Accounting and finance support	5.5	6	6	6	6	7	5	6	6	5
Other administrative support	0	0	0	0	0	0	0	0	0	0
Total FTE - Business Type Activities	13.5	13	15	16	20	22	13	14	13	14
Totals	36	35	40	40	44	47	38	47	49	50

Sources:

The Authority's Human Resources and Fiscal Services Divisions.

GEORGIA ENVIRONMENTAL FINANCE AUTHORITY

Operating Indicators by Function¹

Last Ten Fiscal Years

Function/Program	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Energy programs										
Clients served ³	1,069	745	1,309	1,170	1,420	2,339	2,741	13,072	9,703	2,451
Homes weatherized ³	643	458	752	814	1,358	1,537	2,027	5,381	7,273	1,353
Carbon dioxide (CO ₂) reductions (tons) ²	1,698	1,214	49,892	851	1,420	974	2,027	5,381	7,273	1,353
Energy saved (million BTU) ³	19,551	13,969	22,936	24,827	41,419	17,321	61,824	164,120	230,845	42,944
Loan activities										
Jobs created ⁴										
Construction	8,048	15,460	6,375	11,290	9,730	12,255	9,469	6,289	9,667	10,093
Permanent	4,185	8,039	3,315	5,871	5,060	6,373	3,788	2,516	3,870	4,037
Private wells eliminated	6,025	946	284	59	460	125	31	100	1,470	93
Sewer lines (linear feet):										
Added	121,840	56,400	95,544	5,200	139,800	72,746	22,900	18,253	46,140	772,360
Upgraded	68,600	105,761	83,694	100,000	39,268	62,646	18,400	5,000	137,860	290,585
Septic tanks removed	5	185	121	15	111	264	2	527	1,276	-
New customers added	114,370	2,313	906	101	1,578	15,423	13,073	17,534	275	88,455

Sources:

The Authority's Energy and Water Resources Divisions.

Notes:

¹Information presented is based on estimates.

²Per U. S. Department of Energy guidance, carbon dioxide emissions are reduced by an average of one metric ton per weatherized home.

³In 2010, production numbers significantly decreased in the Energy program due to a couple factors. First, increased production requirements associated with the American Reinvestment and Recovery Act (ARRA) caused a suspension with the non-ARRA contract to address production work issues. Secondly, the contract year typically begin in April. There was no intergovernmental agreement with one of our funding agencies until June 2010, which resulted in lowered production numbers for the last three months of the fiscal year. Energy savings continued to rise in FY 2011, due to increased efficiency measures provided by or estimated because of the investments made with ARRA funds..

⁴Jobs created for construction & permanent were derived from formula used by Water Resources Division which is listed below:

Number of construction jobs and number permanent jobs per \$1B in lending.

Total loan excursions per fiscal year/\$1 billion = multiplier

multiplier * total construction jobs = number of construction jobs

multiplier * total permanent jobs = number of permanent jobs

GEORGIA ENVIRONMENTAL FINANCE AUTHORITY

Capital Asset Statistics by Function

Last Ten Fiscal Years

Function/Program	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
General government										
Capital lease obligations ¹	-	-	-	-	-	-	-	-	15	43
Computer equipment ²	12	10	6	5	3	7	3	17	7	-
Furniture and Fixtures	5	5	4	4	3	-	-	-	-	-

Source:

The Authority's Fiscal Services and Information Technology Divisions.

Notes:

¹ Beginning fiscal year 2007, the Authority phased out the purchase of new computer terminals and transitioned to a capital lease structure as older computer terminals were deemed outdated or required replacement. The decision to lease staff computer terminals versus purchasing was made to help keep infrastructure more current, in that machines can be replaced every three years without the need to go through the standardized procurement process; to facilitate standardization efforts, which lowers support costs; and to provide an effective disposal strategy for used equipment.

²The Authority chose the option to purchase the 15 computers on the capital leases in 2012, as well as two additional computers.

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GEORGIA ENVIRONMENTAL FINANCE AUTHORITY

(A Component Unit of the State of Georgia)

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2019

Federal Grantor/Program Title	CFDA number	Pass-through Award/ Contract Number	Federal expenditures	Amount provided to subrecipients	Amount provided for administration
U.S. Appalachian Regional Commission:					
Direct programs:					
Appalachian Area Development	23.002	ARC13C17586	\$ 61,965	61,965	—
Appalachian Area Development	23.002	ARC14C17935	109,468	109,468	—
Appalachian Area Development	23.002	ARC16C18454	117,769	117,769	—
Appalachian Area Development	23.002	ARC16C18478	50,249	50,249	—
Appalachian Area Development	23.002	ARC16C18520	6,732	6,732	—
Appalachian Area Development	23.002	ARC16C18010	34,998	—	34,998
Appalachian Area Development	23.002	ARC17C18010	47,777	—	47,777
Appalachian Area Development	23.002	ARC17C18866	111,469	111,469	—
Appalachian Area Development	23.002	ARC17C18870	209,356	209,356	—
Appalachian Area Development	23.002	ARC18C19154	165,937	165,937	—
Appalachian Area Development	23.002	ARC18C19261	88,117	88,117	—
Appalachian Area Development	23.002	ARC18C19314	1,555,826	1,555,826	—
Appalachian Area Development	23.002	ARC18C19327	102,427	102,427	—
Total U.S. Appalachian Regional Commission			2,662,090	2,579,315	82,775
U.S. Department of Energy:					
Direct programs:					
State Energy Program	81.041	EE0006984	668,614	171,601	497,013
State Energy Program	81.041	EE0008285	286,153	286,153	—
Total State Energy Program			954,767	457,754	497,013
Weatherization Assistance for Low-Income Persons	81.042	EE0007913	3,478,398	3,076,647	401,751
Total Weatherization Assistance for Low-Income Persons			3,478,398	3,076,647	401,751
Total U.S. Department of Energy			4,433,165	3,534,401	898,764
U.S. Department of Health and Human Services:					
Pass-through programs - State of Georgia Department of Human Services:					
Low-Income Home Energy Assistance Program	93.568	DHS - 42700-040-0000063630	1,146,348	1,076,766	69,582
Low-Income Home Energy Assistance Program	93.568	DHS - 42700-040-0000074437	3,208,886	2,925,058	283,828
Total U.S. Department of Health and Human Services			4,355,234	4,001,824	353,410
U.S. Environmental Protection Agency:					
Direct programs:					
State Revolving Funds (Clean Water)	66.458	CS13000118	27,138,000	27,138,000	—
Total State Revolving Funds (Clean Water Cluster)			27,138,000	27,138,000	—
State Revolving Funds (Drinking Water)	66.468	FS98409916	655,433	655,433	—
State Revolving Funds (Drinking Water)	66.468	FS98409917	7,679,295	7,679,295	—
State Revolving Funds (Drinking Water)	66.468	FS98409918	19,139,131	18,092,131	1,047,000
Total State Revolving Funds (Drinking Water Cluster)			27,473,859	26,426,859	1,047,000
Total U.S. Environmental Protection Agency			54,611,859	53,564,859	1,047,000
Total Federal Expenditures			\$ 66,062,348	63,680,399	2,381,949

See accompanying notes to the Schedule of Expenditure of Federal Awards.

GEORGIA ENVIRONMENTAL FINANCE AUTHORITY
(A Component Unit of the State of Georgia)

Notes to Schedule of Expenditures of Federal Awards

June 30, 2019

(1) General

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all Federal financial assistance programs of the Georgia Environmental Finance Authority (the Authority). The Authority also receives a significant amount of pass-through financial assistance from the Georgia Department of Human Services.

(2) Reporting Entity

The authoritative criteria for determining the programs, organizations, and functions of government included in the financial statements of the Authority are as follows: oversight responsibility, including selection of governing authority, designation of management, and ability to significantly influence operations; accountability for fiscal matters, including budget, surplus/deficit, debt, fiscal management, and revenue characteristics; scope of public services; and special financing relationships.

Based on above criteria, the Appalachian Area Development, the State Energy Conservation Program, the Weatherization Assistance for Low-income Persons, Low-Income Home Energy Assistance, and State Revolving Funds are included in the Authority's reporting entity.

(3) Basis of Accounting

The accompanying Schedule of Expenditures of Federal Awards is presented using the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of 2 CFR 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, Subpart F. Due to differences in the recording of loan disbursements between the requirements, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

(4) Indirect Cost

The Authority had an approved indirect cost rate negotiated for fiscal years 2017 through 2021 by its cognizant agency, U. S. EPA, on January 9, 2017. The approved rate is 117.17 percent on the basis of total direct salaries, wages and fringe benefits, including vacation, holiday and sick leave. To achieve equity across all federal programs and other programs charged, the Authority's applied indirect cost rate is 75 percent due to limitations on the availability of administrative funds in certain programs. During the year, the Authority had \$1,185,794 in indirect cost recoveries from administered federal programs.

GEORGIA ENVIRONMENTAL FINANCE AUTHORITY
(A Component Unit of the State of Georgia)

Notes to Schedule of Expenditures of Federal Awards

June 30, 2019

(5) Loans Receivable

At June 30, 2019, the Authority had \$734,148,807 in loans receivable outstanding, which were originally funded by the State Revolving Funds (Clean Water) Program and \$174,246,124 in loans receivable outstanding, which were originally funded by the State Revolving Funds (Drinking Water) Program. These loans are not considered to have significant subsequent compliance responsibilities. Both amounts are inclusive of original funding under the American Recovery and Reinvestment Act of 2009 and subsequently transferred to their respective base federal program.



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 of the Georgia Environmental Finance 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 governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the **Georgia Environmental Finance Authority** (the "Authority"), a component unit of the State of Georgia, as of and for the year ended June 30, 2019, 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 30, 2019.

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 opinions 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.

Mauldin & Jenkins, LLC

Atlanta, Georgia
September 30, 2019



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE AS REQUIRED BY THE UNIFORM GUIDANCE

The Members of the
Georgia Environmental Finance Authority
Atlanta, Georgia

Report on Compliance for Each Major Federal Program

We have audited the **Georgia Environmental Finance Authority's** (the "Authority"), a component unit of the State of Georgia, compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Authority's major federal programs for the year ended June 30, 2019. The Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Authority's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Authority's compliance.

Opinion on Each Major Federal Program

In our opinion, the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

Report on Internal Control Over Compliance

Management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Authority's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Mauldin & Jenkins, LLC

Atlanta, Georgia
September 30, 2019

GEORGIA ENVIRONMENTAL FINANCE AUTHORITY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2019

SECTION I SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of report the auditor issued on whether the financial
statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

Material weaknesses identified? ☐ yes ☒ no

Significant deficiencies identified not considered
to be material weaknesses?

☐ yes ☒ none reported

Noncompliance material to financial statements noted? ☐ yes ☒ no

Federal Awards

Internal Control over major federal programs:

Material weaknesses identified? ☐ yes ☒ no

Significant deficiencies identified not considered
to be material weaknesses?

☐ yes ☒ none reported

Type of auditor's report issued on compliance for
major federal programs:

Unmodified

Any audit findings disclosed that are required to
be reported in accordance with 2 CFR 200

Section 516(a)? ☐ yes ☒ no

Identification of major federal programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
66.458	State Revolving Funds (Clean Water Cluster)
66.468	State Revolving Funds (Drinking Water Cluster)
81.042	Weatherization Assistance for Low Income Persons
23.002	Appalachian Area Development

GEORGIA ENVIRONMENTAL FINANCE AUTHORITY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2019

Dollar threshold used to distinguish between
Type A and Type B programs:

\$1,981,870

Auditee qualified as low-risk auditee?

_____ yes X no

SECTION II FINANCIAL STATEMENT FINDINGS AND RESPONSES

None reported.

SECTION III FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

None reported

GEORGIA ENVIRONMENTAL FINANCE AUTHORITY

STATUS OF PRIOR YEAR FINDINGS FOR THE YEAR ENDED JUNE 30, 2019

2018-001 – Sub-recipient Monitoring

Programs: CFDA No. 66.458

Program Titles: Clean Water State Revolving Funds

Condition: The Authority did not perform site visits, the Authority's predominate method of monitoring activity, for certain sub-recipients undergoing significant projects using the program's federal awards

Auditee's Response / Status: The finding was resolved in 2019. The Authority implemented controls and procedures to ensure all monitoring activities are performed in accordance with federal requirements.

Finding 2018-002 – Sub-recipient Monitoring

Programs: CFDA No. 66.468

Program Titles: Drinking Water State Revolving Funds

Condition: The Authority did not perform site visits, the Authority's predominate method of monitoring activity, for certain sub-recipients undergoing significant projects using the program's federal awards.

Auditee's Response / Status: The finding was resolved in 2019. The Authority implemented controls and procedures to ensure all monitoring activities are performed in accordance with federal requirements.