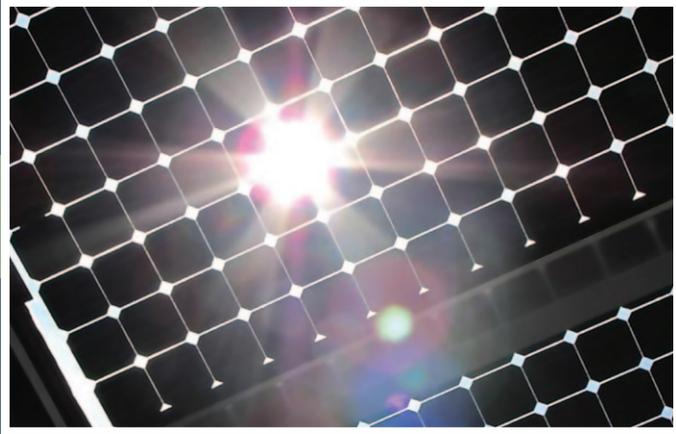


JUNE 30, 2013
COMPREHENSIVE ANNUAL
FINANCIAL REPORT



ENERGY



LAND



WATER

GEORGIA ENVIRONMENTAL FINANCE AUTHORITY
A COMPONENT UNIT OF THE STATE OF GEORGIA

GEORGIA ENVIRONMENTAL FINANCE AUTHORITY
A COMPONENT UNIT OF THE STATE OF GEORGIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2013



Prepared By:
Accounting Department

Kevin Clark
Executive Director

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

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Fiscal Year Ended June 30, 2013

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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, 2013

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Nathan Deal
Governor

GEORGIA ENVIRONMENTAL FINANCE AUTHORITY

Kevin Clark
Executive Director

September 26, 2013

Honorable Chairman and Members of the
Georgia Environmental Finance Authority Board
233 Peachtree Street, NE
Harris Tower, Suite 900
Atlanta, Georgia 30303-1506

Dear Board Members:

This year's Comprehensive Annual Financial Report reflects the ability of the Georgia Environmental Finance Authority ("the Authority") to impact in a positive manner the environmental and energy needs of Georgia's local governments. In doing so, the Authority has been able to continue its progress to fulfill its mission statement "to conserve and improve Georgia's energy, land and water resources".

The 2013 state fiscal year proved to be another very productive year. During that period, the Authority executed over \$189 million in grant and loan commitments from both state and federal sources to finance water, wastewater, land conservation and solid waste projects for local governments throughout Georgia.

The Energy Resources Division continues its work to provide energy information and assistance to our citizens. The Division continues to provide assistance to weatherize the homes of elderly and low-income people. The Division continues to be very actively involved in promoting energy efficiency and renewable energy in the following sectors: buildings, utilities, and industries. The Fuel Storage Tank (FST) programs provided services for approximately 692 fuel storage tanks owned by 20 state agencies and departments. FST completed its ninth year of the statewide preventive maintenance program which inspects, registers, and repairs all fuel storage tanks owned by the state in accordance with state and federal regulations. In FY 2013, the Division also continued environmental clean-up efforts at 8 ongoing remediation sites.

For the twenty-seventh straight year, the Authority was awarded the prestigious Certificate of Achievement for Excellence in Financial Reporting by the Government Finance Officers Association of the United States and Canada. The Authority is one of only a few agencies in Georgia State government to receive the Certificate of Achievement.

Thank you for your continued support and commitment to the highest standards of client service and financial management. I am pleased to present this 2013 annual financial report to you.

Sincerely,

Kevin Clark



Nathan Deal
Governor

GEORGIA ENVIRONMENTAL FINANCE AUTHORITY

Kevin Clark
Executive Director

September 26, 2013

To the Honorable Chairman, Distinguished Members of the
Georgia Environmental Finance Authority Board and the readers of this report:

It is with great pleasure that the Georgia Environmental Finance Authority (the "Authority") presents the Comprehensive Annual Financial Report (the "CAFR") for the fiscal year (FY) ended June 30, 2013. The report consists of management's representations concerning the finances of the Authority. Responsibility for the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the management of the Authority. In order to achieve these assurances, the Authority must provide a comprehensive internal control framework designed to protect its assets from loss, theft, or misuse, and to compile sufficient reliable information for the preparation of the Authority's financial statements in conformity with United States Generally Accepted Accounting Principles ("GAAP"). As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material aspects.

Mauldin and Jenkins, Certified Public Accountants LLC have audited the Authority's financial statements 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 unqualified ("clean") opinion on the Authority's financial statements for the fiscal year ended June 30, 2013. The independent auditor's report is presented as the first component of the financial section of this report.

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 Georgia Environmental Finance 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 of 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

During fiscal year 2013, the WRD executed 59 contracts for water, sewer, land conservation and solid waste projects valued at over \$189 million. The WRD also led an initiative to study future clean water resource needs throughout the state. From its study, approximately \$2.7 billion in accepted wastewater infrastructure projects in Georgia have been identified and submitted to the U.S. Environmental Protection Agency and the U.S. Congress. The significance of this study will help federal authorities prioritize funding allocations for states who receive funds under the Clean Water Act. Future funding levels will influence how many of these identified projects the Authority will be able to finance in future years.

The WRD continues to support projects that assist local governments and authorities and help them to ensure Georgians in their territories have access to clean and safe drinking water. By conducting studies like the one mentioned above and providing funding to jurisdictions to help mitigate loss of water, as funded by the Authority's Drinking Water program, the Authority plays a vital role in water conservation, delivery and preservation around the state.

Activities of the LRD, which was a separate division of the Authority in the previous year, were collapsed into the ERD. In fiscal year 2013, the ERD participated in many diverse initiatives. A few of these initiatives included: managing revolving loan funds initially started with seed money under the American Recovery and Reinvestment Act of 2009, formulating program policies over the guaranteed energy savings performance contracting program and the successful implementation of an agriculture irrigation motor replacement program, to name a few. All of these initiatives were undertaken to promote conservation in energy for state-owned

facilities and residential customers. Other initiatives of the ERD include ongoing monitoring and remediation of fuel storage tanks, weatherization of homes for low income residential customers and oversight of the Georgia Energy Challenge program which seeks to encourage reduced energy usage for commercial and residential users.

Both divisions will continue to adapt to the various federal, state and local level changes that influence their core missions. Each will have to look to formulate new ways to secure additional funding to manage its programs due to federal, state and local government budget cuts.

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

Cash Management. The Authority has a responsibility to carefully account for public, state and federal funds used to administer its programs. Cash temporarily idle during the year was invested in the state of Georgia Local Government Investment Pool, which is managed by the Office of the State Treasurer. This investment pool is available to local governments and state authorities and is authorized to invest in the same types of securities as the Authority. All pooled assets are collateralized in accordance with State Depository Board rules.

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; and natural disasters. The Authority participates in the State's Risk Management Pool, which purchases commercial insurance and also self-insures for risks associated with the theft of state-owned real and personal property, liability claims against the Authority arising from its operations, liability claims against the Authority's officials and employees, and honesty and faithful performance bonds on employees. A premium is paid to the Department of Administrative Services for the Authority's insurance coverage.

Independent Audit. OCGA 50-23-3 (c) requires that "The Authority shall keep suitable books and records of all actions and transactions and shall submit such books together with a statement of the Authority's financial position to an independent auditing firm selected by the Authority on or about the close of the state's fiscal year for the purpose of obtaining a certified audit of the Authority's finances." The Authority has complied with this law and the report resulting from the certified audit performed by Mauldin & Jenkins, Certified Public Accountants LLC, is included in the financial section of this report. Due to the substantial amount of federal funding in the Clean Water State Revolving Loan Fund, Drinking Water State Revolving Loan Fund and ARRA programs, the Authority also had a single audit performed in accordance with OMB Circular A-133. These statements are presented in the Single Audit section of this report. Under the revised provisions of OMB Circular A- 133, the Authority has been classified as a "low risk auditee."

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, 2012. This was the 26th consecutive year the Authority has achieved this prestigious award.

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. Additionally, any financial report is only as good as the accounting and financial records that supply its supporting data. The Authority's accounting and finance staff deserve special

recognition for their dedication, knowledge, perseverance and attention to detail. Lastly, we would like to send 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 ensuring our audit was completed efficiently and timely.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "J. Chris Jones". The signature is fluid and cursive, with a large initial "J" and a long, sweeping tail.

J. Chris Jones, CGFM
Chief Financial Officer

A handwritten signature in black ink, appearing to read "J. Harden". The signature is cursive and somewhat stylized, with a large initial "J" and a long, sweeping tail.

Jammie Z. Harden, CGFM
Controller



Government Finance Officers Association

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

Presented to

**Georgia Environmental
Finance Authority**

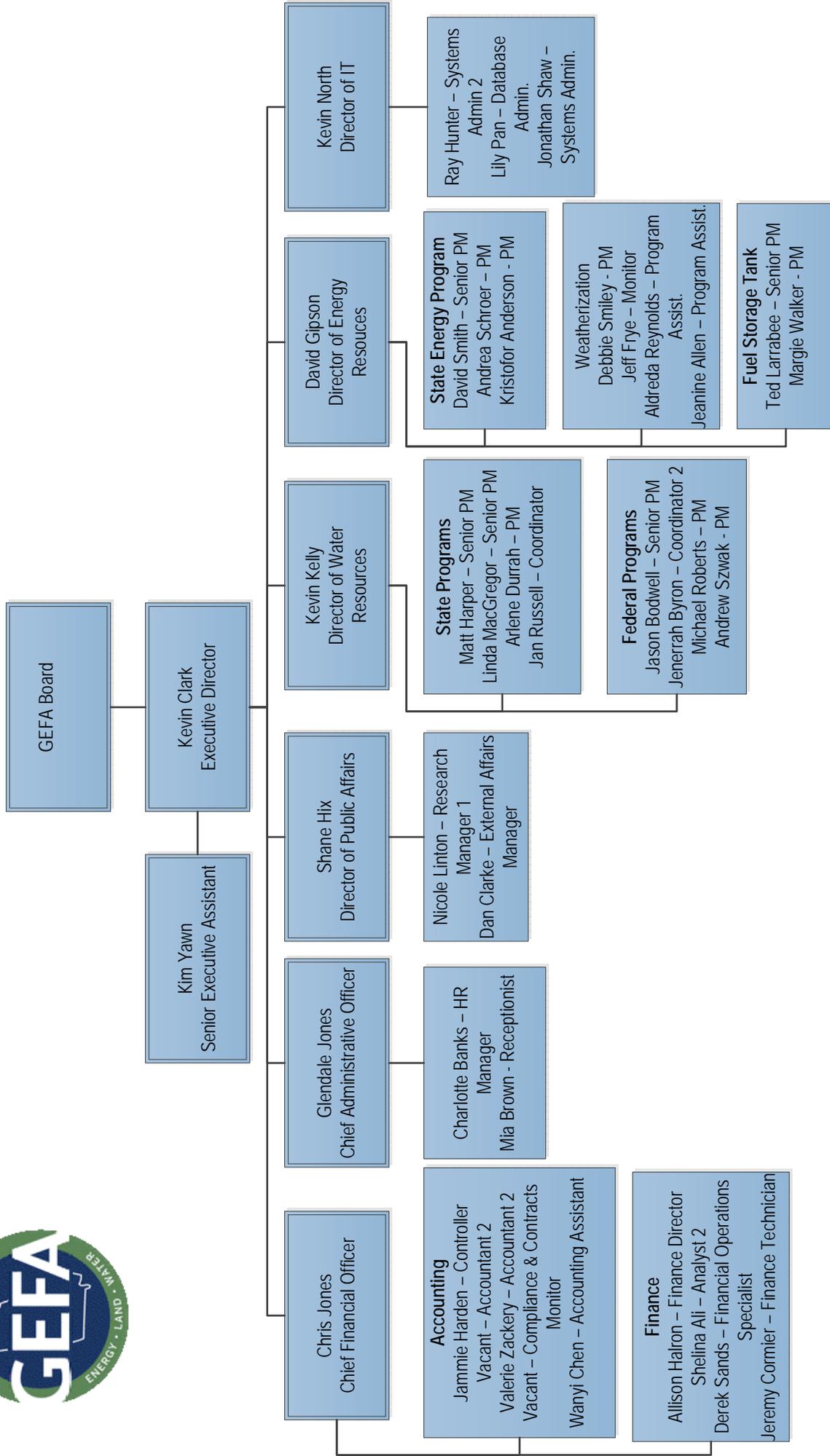
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2012

Executive Director/CEO



ORGANIZATION CHART



GEORGIA ENVIRONMENTAL FINANCE AUTHORITY

(A Component Unit of the State of Georgia)

LIST OF PRINCIPAL OFFICIALS AND KEY AUTHORITY PERSONNEL

June 30, 2013

BOARD OF DIRECTORS

Gary McCullough	Chairman
Gator Hodges	Vice Chairman
Greg Griffin	Secretary (Ex-Officio)
Jimmy Andrews	City Member
Boyd Austin	City Member
Mike Beatty	Ex-Officio Member
Chris Cummiskey	Ex-Officio Member
Stephen Gray	At-Large Member
John Perryman	At-Large Member
Vacant	County Member
Grady Thompson, Jr.	County Member

EXECUTIVE MANAGEMENT

Kevin Clark	Executive Director
Shane Hix	Director of Public Affairs
Vacant	Chief Operations Officer
Glendale Jones	Chief Administrative Officer
Chris Jones	Chief Financial Officer

CHIEF FINANCIAL STAFF

Jammie Harden	Controller
Wan Yi Chen	Accounting Assistant
Valerie Zackery	Accountant II
Vacant	Accountant II
Vacant	Compliance and Contracts Monitor
Allison Halron	Finance Director
Shelina Ali	Financial Analyst II
Jeremy Cormier	Finance Technician
Derek Sands, Jr.	Financial Analyst III

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, 2013, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express 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, 2013, 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.

Emphasis of Matter

As described in Note 12, the Authority implemented Governmental Accounting Standards Board Statements No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and No. 65, *Items Previously Reported as Assets and Liabilities*, effective July 1, 2012. These standards modified terminology and presentation of certain accounts and changed the accounting for bond issuance costs. Our opinions are not modified with respect to this matter.

Other Matters*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 16 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 Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; 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 26, 2013 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Mauldin & Jenkins, LLC

Atlanta, Georgia
September 26, 2013

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, 2013. 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, 2013 include:

- The Authority's combined net position totaled \$1.9 billion, an increase of \$168.7 million.
- Total net position of governmental activities decreased by \$5.1 million, compared to a \$4.4 million decrease the year before and total net position of business-type activities increased by \$173.8 million, compared to a \$148.1 million increase in the prior year.
- At the close of the fiscal year, the Authority's governmental funds reported combined ending fund balances of \$41.0 million, a decrease of \$5.2 million from the prior year. Approximately 9 percent of this total amount, or \$3.9 million, is available for spending at the Authority's discretion, provided the Authority spends it within approved guidelines (*unassigned fund balance*).
- Combined revenues totaled \$214.2 million, of which governmental activities totaled \$39.1 million and business-type activities totaled \$175.1 million. Current year revenues decreased approximately 20.3 percent from those of the prior year, mostly within governmental activities.
- Business-type activities had total loan repayments of approximately \$215 million, representing a greater than 70 percent increase over the prior year.
- As a whole, the Authority's net position experienced a 17.4 percent increase of \$168.7 million. The additional cash received within its loan programs keeps the Authority liquid and positioned to fund eligible water and wastewater projects within the state and help local governments and water and waste management authorities with economic growth whenever it is critically needed across Georgia.

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

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

Management's Discussion and Analysis

(Unaudited)

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.

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 and liabilities, with the difference between them 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 17-18 of this report.

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

Management's Discussion and Analysis

(Unaudited)

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.

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 fourteen (14) 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, ARRA-Weatherization Assistance Program Funds and the Drinking Water SRF Local Assist Setasides 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 eight (8) 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 & Water Supply Fund, Clean Water State Revolving Loan Fund,

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

Management's Discussion and Analysis

(Unaudited)

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 funds is provided in the form of combining statements elsewhere in this report.

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 51.

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. As noted earlier, net position over time may serve as a useful indicator of the Authority's financial position. In the case of the Authority, net position was \$1.9 billion as of June 30, 2013 compared to \$1.7 billion in the preceding fiscal year. The following table presents a summary of the Authority's net position:

Georgia Environmental Finance Authority - Net Position
As of June 30, 2013 and 2012

	Primary Government						Increase (Decrease) %
	Governmental activities		Business-type activities		Total		
	2013	2012	2013	2012	2013	2012	
Current and other assets	\$ 44,553,595	52,182,805	1,868,679,179	1,724,316,906	1,913,232,774	1,776,499,711	7.7%
Capital assets	24,718	35,324	-	-	24,718	35,324	(30.0%)
Total assets	44,578,313	52,218,129	1,868,679,179	1,724,316,906	1,913,257,492	1,776,535,035	7.7%
Long-term liabilities outstanding	359,574	504,268	-	-	359,574	504,268	(28.7%)
Other liabilities	3,597,803	6,008,816	367,005	29,794,903	3,964,808	35,803,719	(88.9%)
Total liabilities	3,957,377	6,513,084	367,005	29,794,903	4,324,382	36,307,987	(88.1%)
Net position:							
Investment in capital assets	24,718	35,324	-	-	24,718	35,324	(30.0%)
Restricted	37,104,014	42,345,523	1,383,034,270	1,254,229,701	1,420,138,284	1,296,575,224	9.5%
Unrestricted	3,492,204	3,324,198	485,277,904	440,292,302	488,770,108	443,616,500	10.2%
Total net position	\$ 40,620,936	45,705,045	1,868,312,174	1,694,522,003	1,908,933,110	1,740,227,048	9.7%

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Management's Discussion and Analysis

(Unaudited)

The Authority's investment in capital assets comprises expenditures made for securing computer equipment and furniture and fixtures. Minimal cash is expended for the purposes of acquiring capital assets because the Authority's primary function is to be a financial conduit on behalf of the State of Georgia and therefore holds few depreciable assets. The Authority's investment in capital assets at fiscal year year-end was \$24.7 thousand.

There was a decrease in restricted net position of the Authority's governmental activities of approximately \$5.2 million.

- Total restricted for grant programs decreased by \$115.8 thousand.
- Total restricted for loan programs decreased by \$5.1 million.

There was an increase in restricted net position of the Authority's business-type activities of approximately \$128.8 million which was all held for the use of the Authority's federal loan programs.

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

Georgia Environmental Finance Authority - Changes in Net Position
For the Fiscal Year Ended June 30, 2013 and 2012

	Primary Government						Increase (Decrease) %
	Governmental activities		Business-type activities		Total		
	2013	2012	2013	2012	2013	2012	
Revenues:							
Program revenues:							
Charges for services	\$ 591,955	1,529,171	69,972,715	38,459,360	70,564,670	39,988,531	76.5%
Operating grants and contributions	38,441,654	115,960,883	104,896,682	112,292,163	143,338,336	228,253,046	(37.2%)
General revenues:							
Unrestricted investment earnings	65,912	68,914	-	-	65,912	68,914	(4.4%)
Other income	26,621	32,922	161,770	363,722	188,391	396,644	(52.5%)
Total revenues	39,126,142	117,591,890	175,031,167	151,115,245	214,157,309	268,707,135	(20.3%)
Expenses (net of indirect costs):							
General government	9,005,073	9,022,959	-	-	9,005,073	9,022,959	(0.2%)
Water and wastewater	8,496,123	8,799,184	8,437,183	13,768,944	16,933,306	22,568,128	(25.0%)
Land conservation	41,733	59,061	-	-	41,733	59,061	(29.3%)
Energy and environment	18,322,583	91,335,755	-	-	18,322,583	91,335,755	(79.9%)
Storage tank maintenance	-	-	800,089	1,357,477	800,089	1,357,477	(41.1%)
General and administrative	-	-	348,463	697,685	348,463	697,685	(50.1%)
Interest on long-term debt	-	78	-	-	-	78	(100.0%)
Total expenses	35,865,512	109,217,037	9,585,735	15,824,106	45,451,247	125,041,143	(63.7%)
Increase in net position before transfers	3,260,630	8,374,853	165,445,432	135,291,139	168,706,062	143,665,992	17.4%
Transfers	(8,344,739)	(12,774,656)	8,344,739	12,774,656	-	-	-
Increase (decrease) in net position	(5,084,109)	(4,399,803)	173,790,171	148,065,795	168,706,062	143,665,992	17.4%
Net position - July 1	45,705,045	50,104,848	1,694,522,003	1,546,456,208	1,740,227,048	1,596,561,056	9.0%
Net position - June 30	\$ 40,620,936	45,705,045	1,868,312,174	1,694,522,003	1,908,933,110	1,740,227,048	9.7%

GEORGIA ENVIRONMENTAL FINANCE AUTHORITY
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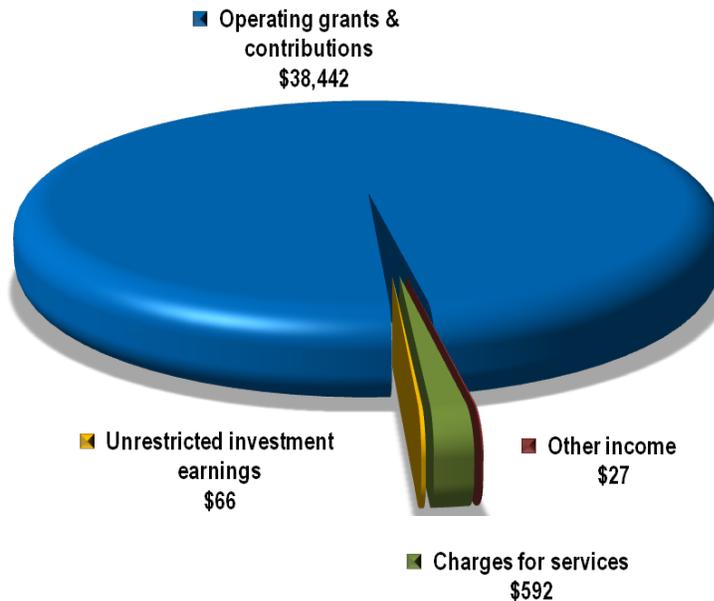
Management's Discussion and Analysis

(Unaudited)

Governmental Revenues

The Authority's revenues for governmental activities of \$39.1 million were comprised of approximately \$13.2 million in charges for services and operating grants and contributions primarily from the United States Department of Energy, \$8 million from the United States Environmental Protection Agency, \$5.7 million pass-through funds from the United States Department of Health and Human Services and \$1.9 million received from the Georgia Power Company representing approximately 74 percent of total revenues for governmental activities as shown in the graph below. Because these programs operate on the basis of expenditure-driven grants, revenues typically parallel activity within those programs. In addition, the Authority received \$9.6 million in appropriations from the state that were included within governmental activities.

Revenues - Governmental Activities (In thousands)



Unrestricted investment earnings of \$66 thousand within governmental activities were reported during the year, down slightly from \$69 thousand in 2012. This decrease in investment earnings is mostly associated with a

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Management's Discussion and Analysis

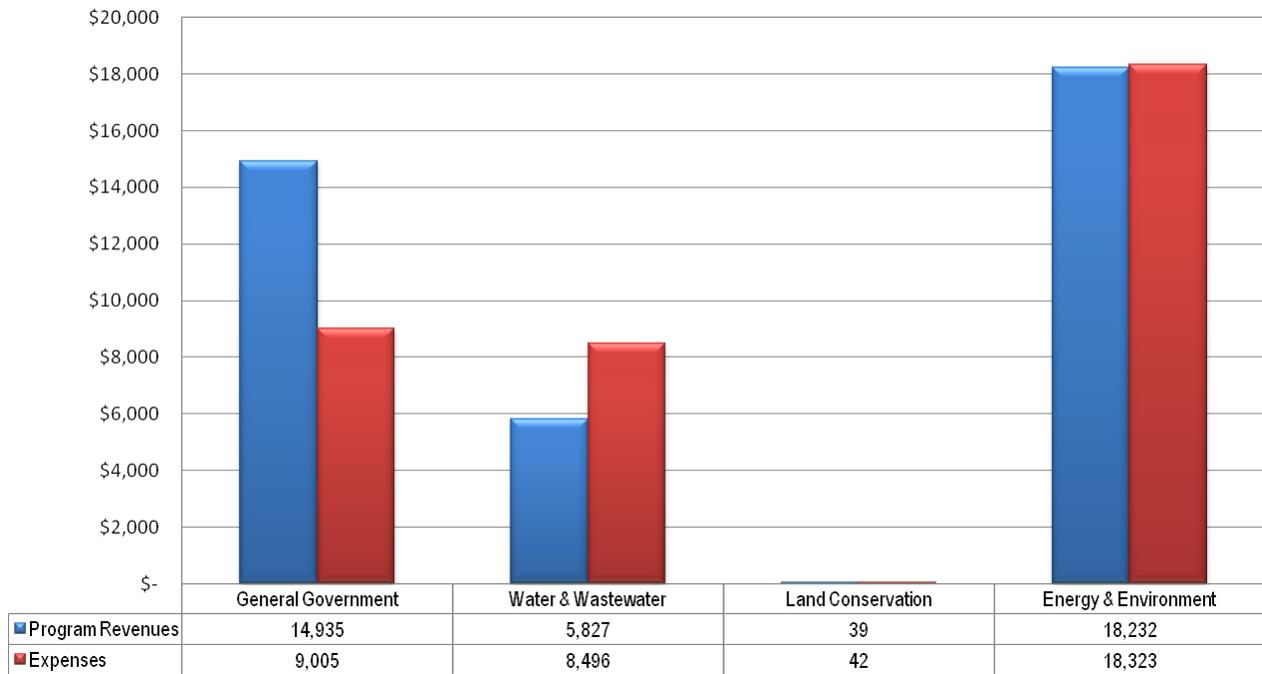
(Unaudited)

decrease in investable funds held for match under for the SRF funds, tied to the decrease within the General Fund mentioned earlier.

Governmental Functional Expenses

In fiscal year 2013, expenses within the general government function experienced a slight decrease of less than 1 percent indicating a stabilization of personnel cost after a nearly 23 percent reduction experienced in FY 2012.

Expenses and Program Revenues - Governmental Activities (In thousands)



There was a slight reduction in the water and wastewater program function expenses of governmental activities of 3 percent. This function of the Authority is primarily dependent upon activity associated with pass through contractors and is driven mostly by related expenses incurred by these contractors. As such, year-to-year fluctuations have been experienced. However, this year's activity remained fairly consistent with that of last year's.

The land conservation function financed projects and other program expenses totaling \$41.7 thousand. A continuing decline in appropriated funds and fewer approved projects attributed to the 29 percent reduction in activity within this function.

The energy program function comprises 51 percent of total governmental activities' expenses and 40 percent of the Authority's total expenses. In fiscal year 2012, these percentages were 84 percent and 73 percent,

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respectively. As availability of ARRA funding within the energy division has dwindled, the Authority's reported expenses have reflected continuing declines within this function. As of June 30, 2013, only one of the Authority's original six ARRA energy programs was being funded.

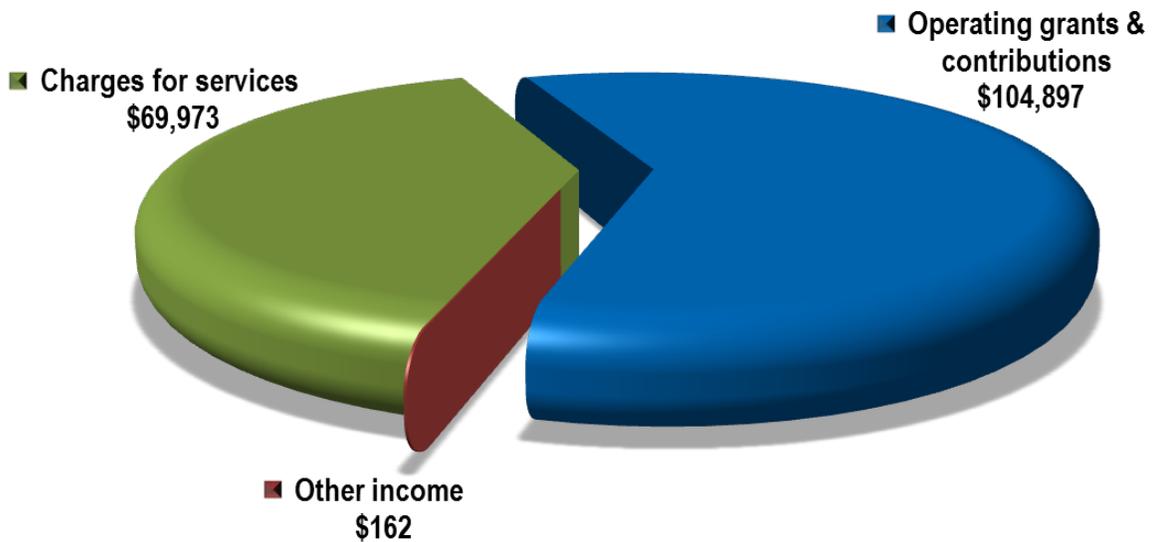
Business-type Activities: Revenues vs Expenses

Revenues

Several factors drive revenues within business-type activities. Total revenue for the business-type activities for the Authority for FY 2013 were \$175.0 million, an increase of approximately 16 percent from the previous fiscal year total of \$151.1 million. The increase for the current fiscal year primarily results from recognition of income previously deferred in the Authority's federal match loan programs. The impact on current year revenues for this change was an additional \$29.5 million over the prior year, or a 76 percent increase.

Because the Authority receives a significant portion of its revenues from federal and state sources, fluctuating contributions may influence results. Thus, the increase related to the recognition of match revenue for fiscal year 2013 was offset by a combined 7 percent reduction from federal and state sources, coupled with other economic changes such as loss of income on loans paid off early and a change to the Authority's interest rate tier structure approved by the Authority's board.

Revenues - Business-type Activities (In thousands)



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Management's Discussion and Analysis

(Unaudited)

Expenses

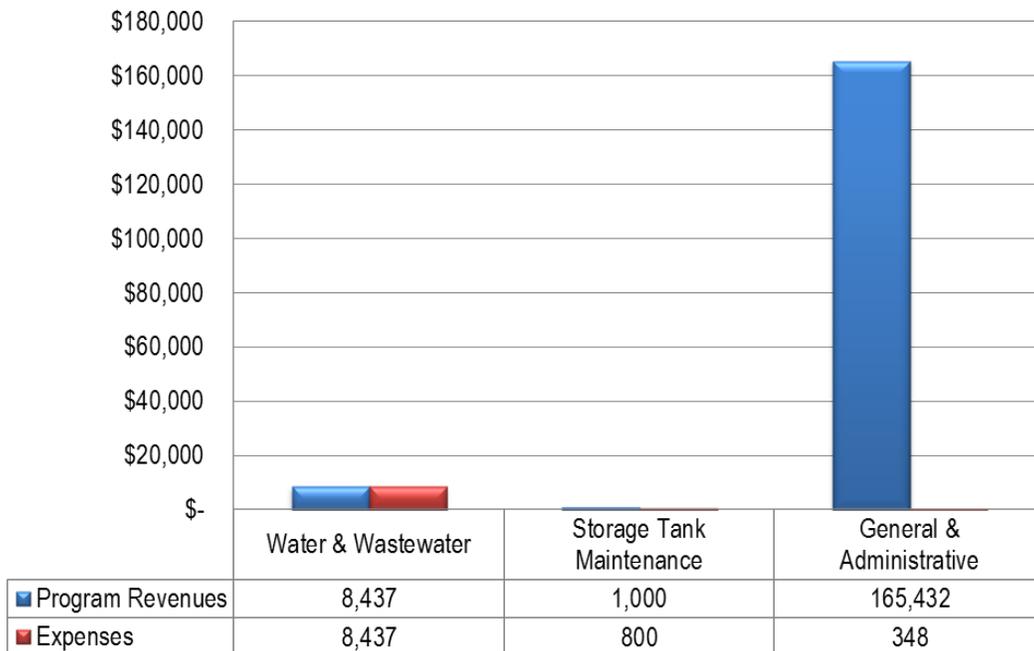
Expenses within the Authority's business-type activities decreased substantially for the current fiscal year, with the water and wastewater programs experiencing the greatest decrease. This decrease is mainly related to forgiveness on loans provided within the Clean Water SRF Revolving Loan Fund. For fiscal year 2012, the Authority provided approximately \$4.1 million in principal forgiveness for its Clean Water State Revolving loan program as compared to \$1.8 million in the current year, accounting for nearly 43 percent of the total reduction of \$5.3 million within this function. In addition, the Georgia Fund had a total reduction of nearly \$1.0 million due to a shift in funding priorities for the Authority.

The storage tank maintenance program had decreased expenses of approximately 41 percent. This decrease can be attributed to reduced activity for projects funded by participating funders. During the year, fewer receipts from reciprocal agencies were provided that share in project costs managed by the Authority.

General and administrative expenses reflect those expenses incurred by the Authority to execute its loan programs. This decrease in general and administrative expenses of approximately 50 percent is due to a reclassification of cost for charges related to the Authority's water and wastewater programs.

The above details are illustrated in the graph below:

Expenses and Program Revenues - Business-type Activities - (In thousands)



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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 \$41.0 million in fiscal year 2013, compared to \$46.2 million in fiscal year 2012. Of these year-end totals, \$3.9 million in fiscal year 2013 and \$3.8 million in fiscal year 2012 was unassigned and available for continued financing by the Authority.

The total ending fund balances of governmental funds show a decrease of \$5.2 million, compared to the decrease experienced in fiscal year 2012 of \$4.4 million. This change is primarily due to increased activity in loan programs requiring match funds which were transferred out to their appropriate loan programs.

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 decreased by \$4.6 million in fiscal year 2013 as compared to the \$4.3 million decrease from the previous year. This decrease is mostly due to receipt of fewer bond funds received from the state which are deposited in the General Fund until it is expended for pass-through contracts or match requirements. The remainder is held and considered restricted for specific purposes such as grant or loan specific requirements. The portion of fund balance obligated in the General Fund at year-end was \$4.4 million, down from \$9.0 million in fiscal year 2012. The majority of this decrease can be attributed to fewer bond dollars received from the state and increased activity levels in match-related expenditures for the federal loan programs.

The General Fund's ending unassigned portion of fund balance of \$3.9 million represents the equivalent of 34 percent of its current year's expenditures. The Authority's overall cash flow within the General Fund is generally consistent with increased activity occurring at 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 the repayment stream of the Georgia Fund. The Georgia Fund is the Authority's resource to cover administrative expenditures incurred within certain programs which are not directly funded by a dedicated revenue source or financing contract or grant. Last year's amounts were \$3.8 million and 34 percent, respectively.

The Weatherization Assistance Program Fund serves as a special revenue fund to provide federal grant funds to local governments and 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 no fund balance has been reported for fiscal year 2013. During the year, the

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Authority used \$14.5 thousand of its internal energy investment funds to supplant charges not reimbursed by one of the division's funders. Total expenditures reported within this fund were \$7.7 million.

The ARRA-Weatherization Assistance Program Fund serves as a special revenue fund for programs assisting disadvantaged citizens throughout the State of Georgia and is funded by ARRA. The Authority reported expenditures in this fund totaling approximately \$9.6 million. Revenues and expenditures of the ARRA-Weatherization Assistance Program Fund typically net to zero as the funding is expenditure-driven and thus no fund balance has been reported for fiscal year 2013.

The Drinking Water SRF Local Assist Setasides Fund serves as special revenue fund for programs providing federal grant funds to for various drinking water projects for technical assistance to public water systems for capacity development purposes. The Authority reported \$3.1 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 2013.

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 \$173.8 million from business operations. The total interest income from loans for proprietary funds with a lending component for 2013 was \$68.2 million, a 76 percent increase over the prior year which is primarily explained by a change in the Authority's income recognition principle for the federal SRF match revolving loan funds, Clean Water and Drinking Water. Previously, the grant agreements included a requirement which did not allow recognition of income from loans made with matching requirements until the income had been expended on a new qualifying program loan. Newer requirements, in updated agreements, do not include a specific requirement regarding the recognition of income however still maintain that this income is to be held for purposes of the program. These new requirements were determined to only be a purpose restriction and the income related to the exchange transaction is more appropriately recognized as revenue with the resulting net position being restricted. As a result, the Authority recognized revenue in the amount of \$24,967,386 for its Clean Water State Match Revolving Loan Fund and \$4,522,976 for its Drinking Water State Match Revolving Loan Fund in order to be in compliance with newer program guidelines administered by its grantor agency.

The fuel storage tank maintenance program had total revenues of approximately \$1.1 million partially from fees charged customers for the maintenance of state-owned equipment, contract revenues from other state agencies, and promotional expense refunds from vendors, down from \$1.6 million the previous year. As aforementioned, revenues within the fuel storage tank maintenance program experienced a significant decrease in reciprocal revenues from other participating entities across the state that share in project costs.

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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 adopt an annual budget because it is included in the State's budget as a one-line appropriation in the Department of Community Affairs' budget under the Authority's enabling legislation. However, the Authority's management does utilize a budget for its funds to be used for financial analysis purposes and expenditure control 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, 2013 amounts to \$24.7 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 40.

Long-term Debt

As of June 30, 2013, the Authority had a total of \$359.6 thousand in outstanding long-term liabilities, a decrease of \$144.7 thousand. Of this amount, approximately \$89.9 thousand is due within one year.

Georgia Environmental Finance Authority's Long-term Debt Obligations
For the Fiscal Year Ended June 30, 2013

Governmental Activities	Balance at June 30, 2013	Percentage of Total	Due Within One Year
Compensated absences	\$ 359,574	100%	\$ 89,893
Governmental long-term liabilities	\$ 359,574		\$ 89,893

Additional information regarding the Authority's long-term debt can be found in Note 5, pages 36-38.

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

GEORGIA ENVIRONMENTAL FINANCE AUTHORITY
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Management's Discussion and Analysis

(Unaudited)

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, Controller's Office, 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, 2013

	Primary Government			Component Unit
	Governmental activities	Business-type activities	Total	Ga. Environ. Loan Acq. Corp.
Cash	\$ 5,021,852	282,128	5,303,980	32,479,415
Cash with fiscal agent	—	—	—	17,710,024
Investments	35,254,688	676,898,401	712,153,089	—
Due from other governments	3,474,883	6,693,191	10,168,074	—
Internal balances	802,172	(802,172)	—	—
Accrued interest receivable	—	3,315,136	3,315,136	713,408
Loans receivable	—	1,182,292,495	1,182,292,495	176,521,906
Capital assets, net of accumulated depreciation	24,718	—	24,718	—
Total assets	44,578,313	1,868,679,179	1,913,257,492	227,424,753
Accounts payable and accrued liabilities	3,597,803	367,005	3,964,808	12,484
Accrued interest payable	—	—	—	707,969
Long-term liabilities:				
Amount due within one year	89,893	—	89,893	7,875,000
Amount due in more than one year	269,681	—	269,681	138,161,060
Total liabilities	3,957,377	367,005	4,324,382	146,756,513
Investment in capital assets	24,718	—	24,718	—
Restricted for:				
Debt service	—	—	—	80,668,240
Grant programs	5,231,799	—	5,231,799	—
Loan programs	31,872,215	1,383,034,270	1,414,906,485	—
Unrestricted	3,492,204	485,277,904	488,770,108	—
Total net position	\$ 40,620,936	1,868,312,174	1,908,933,110	80,668,240

See accompanying notes to basic financial statements.

GEORGIA ENVIRONMENTAL FINANCE AUTHORITY
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Statement of Activities

Year ended June 30, 2013

Functions/Programs:	Net (expense) revenue and changes in net position					Component Unit
	Expenses	Program revenues	Operating grants and contributions	Governmental activities	Business-type activities	
Governmental activities:						
General government	\$ 9,005,073	—	14,934,860	5,929,787	—	5,929,787
Water & wastewater	8,496,123	591,955	5,235,099	(2,669,069)	—	(2,669,069)
Land conservation	41,733	—	39,251	(2,482)	—	(2,482)
Energy & environment	18,322,583	—	18,232,444	(90,139)	—	(90,139)
Total governmental activities	35,865,512	591,955	38,441,654	3,168,097	—	3,168,097
Business-type activities:						
Water & wastewater	8,437,183	—	8,437,183	—	—	—
Storage tank maintenance	800,089	993,775	6,676	—	200,362	200,362
General & administrative	348,463	68,978,940	96,452,823	—	165,083,300	165,083,300
Total business-type activities	9,585,735	69,972,715	104,896,682	—	165,283,662	165,283,662
Total primary government	45,451,247	70,564,670	143,338,336	3,168,097	165,283,662	168,451,759
Component Unit:						
Georgia Environmental Loan Acquisition Corporation	\$ 7,987,593	8,265,025	—	—	—	277,432
Total Component Units	7,987,593	8,265,025	—	—	—	277,432
General revenues:						
Unrestricted investment earnings				\$ 65,912	—	65,912
Miscellaneous				26,621	161,770	188,391
Transfers				(8,344,739)	8,344,739	—
Total general revenues and transfers				(8,252,206)	8,506,509	254,303
Change in net position				(5,084,109)	173,790,171	168,706,062
Net position – July 1 (restated)				45,705,045	1,694,522,003	1,740,227,048
Net position – June 30				\$ 40,620,936	1,868,312,174	1,908,933,110

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, 2013

Assets	General	Weatherization Assistance Program	ARRA-Weatherization Assistance Program	Drinking Water SRF Local Assist Setasides	Nonmajor Governmental Funds	Total Governmental Funds
Cash	\$ 4,839,985	982	12,527	—	168,358	5,021,852
Investments	3,303,321	—	—	—	31,951,367	35,254,688
Due from other governments	775,796	1,339,194	71,449	574,902	713,542	3,474,883
Due from other funds	1,722,087	—	—	—	592,284	2,314,371
Total assets	\$ 10,641,189	1,340,176	83,976	574,902	33,425,551	46,065,794
Liabilities and Fund Balances						
Liabilities:						
Accounts payable and accrued liabilities	\$ 1,221,978	1,064,176	83,976	574,902	652,771	3,597,803
Due to other funds	1,169,628	276,000	—	—	66,571	1,512,199
Total liabilities	2,391,606	1,340,176	83,976	574,902	719,342	5,110,002
Fund balances:						
Restricted for grant programs	25,445	—	—	—	5,206,354	5,231,799
Restricted for loan programs	4,372,360	—	—	—	27,499,855	31,872,215
Unassigned	3,851,778	—	—	—	—	3,851,778
Total fund balances	8,249,583	—	—	—	32,706,209	40,955,792
Total liabilities and fund balances	\$ 10,641,189	1,340,176	83,976	574,902	33,425,551	

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

Capital assets, used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Long-term liabilities, including obligations under capital leases, are not due and payable in the current period and, therefore, are not reported in the funds.

Net position of governmental activities

24,718

(359,574)

\$ 40,620,936

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, 2013

	General	Weatherization Assistance Program	ARRA-Weatherization Assistance Program	Drinking Water SRF Local Assist Setasides	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:						
State general obligation bond proceeds	\$ 9,600,000	—	—	—	—	9,600,000
Administrative fees	76,264	—	—	—	515,691	591,955
Grant revenues	5,334,861	7,677,023	9,656,934	3,071,369	3,054,014	28,794,201
Public donations	—	—	—	—	39,251	39,251
Interest income on investments	11,704	—	—	—	62,410	74,114
Miscellaneous	24,358	—	—	—	2,263	26,621
Total revenues	<u>15,047,187</u>	<u>7,677,023</u>	<u>9,656,934</u>	<u>3,071,369</u>	<u>3,673,629</u>	<u>39,126,142</u>
Expenditures:						
Current:						
General government	9,139,161	—	—	—	—	9,139,161
Water and wastewater programs	2,123,123	—	—	3,071,369	3,301,631	8,496,123
Land conservation programs	—	—	—	—	41,733	41,733
Energy programs	—	7,691,572	9,656,934	—	974,077	18,322,583
Total expenditures	<u>11,262,284</u>	<u>7,691,572</u>	<u>9,656,934</u>	<u>3,071,369</u>	<u>4,317,441</u>	<u>35,999,600</u>
Excess of revenues over (under) expenditures	<u>3,784,903</u>	<u>(14,549)</u>	<u>—</u>	<u>—</u>	<u>(643,812)</u>	<u>3,126,542</u>
Other Financing Sources (Uses):						
Transfers in	5,823,280	14,549	—	—	83,793	5,921,622
Transfers out	<u>(14,214,421)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(51,940)</u>	<u>(14,266,361)</u>
Total other financing sources and (uses)	<u>(8,391,141)</u>	<u>14,549</u>	<u>—</u>	<u>—</u>	<u>31,853</u>	<u>(8,344,739)</u>
Net change in fund balances	<u>(4,606,238)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(611,959)</u>	<u>(5,218,197)</u>
Fund balances – July 1	12,855,821	—	—	—	33,318,168	46,173,989
Fund balances – June 30	<u>\$ 8,249,583</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>32,706,209</u>	<u>40,955,792</u>

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, 2013

Net change in fund balances - total governmental funds \$ (5,218,197)

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.

Depreciation Expense (10,606)

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.

144,694

Change in net position of governmental activities \$ (5,084,109)

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, 2013

Assets	Georgia Fund	Georgia Reservoir & Water Supply 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	Drinking Water State Match Revolving Loan Fund	Nonmajor Enterprise Funds	Total Enterprise Funds
Current assets:									
Cash	\$ 161,322	—	53,645	—	67,161	—	—	—	282,128
Investments	176,591,563	71,548,409	236,009,088	66,667,873	98,720,293	26,159,988	—	1,201,177	676,696,401
Due from other governments	244,636	318,549	6,116,982	—	517	—	—	12,507	6,693,191
Due from other funds	1,551,688	—	14,230	—	6,529	615,537	—	—	2,187,994
Accrued interest receivable	894,480	1,735	1,808,268	342,609	160,324	107,720	—	—	3,315,136
Total current assets	179,443,699	71,868,693	244,002,213	67,010,482	98,954,824	26,883,255	—	1,213,684	689,376,950
Noncurrent assets:									
Loans receivable	233,616,627	562,286	682,952,131	124,544,090	108,573,340	32,044,021	—	—	1,182,292,495
Total noncurrent assets	233,616,627	562,286	682,952,131	124,544,090	108,573,340	32,044,021	—	—	1,182,292,495
Total assets	413,060,326	72,430,979	926,954,344	191,554,572	207,528,164	58,927,276	—	1,213,684	1,871,669,345
Liabilities									
Accounts payable and accrued liabilities	—	289,541	—	—	—	—	—	77,464	367,005
Due to other funds	1,019,474	—	1,551,698	378,388	—	—	—	40,606	2,990,166
Total liabilities	1,019,474	289,541	1,551,698	378,388	—	—	—	118,070	3,357,171
Net Position									
Restricted	—	—	925,402,646	191,176,184	207,528,164	58,927,276	—	—	1,383,034,270
Unrestricted	412,040,852	72,141,438	—	—	—	—	—	1,095,614	485,277,904
Total net position	\$ 412,040,852	72,141,438	925,402,646	191,176,184	207,528,164	58,927,276	—	1,095,614	1,868,312,174

See accompanying notes to basic financial statements.

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

Statement of Revenues, Expenses, and Changes in Net Position - Enterprise Funds

Year ended June 30, 2013

	Georgia Fund	Georgia Reservoir & Water Supply 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	Drinking Water State Match Revolving Loan Fund	Nonmajor Enterprise Funds	Total Enterprise Funds
Operating Revenues:									
Charges for services – interest income on loans receivable	\$ 9,124,014	26,753	22,380,926	28,340,168	3,053,806	5,278,657	—	—	68,204,314
Administrative and preventative maintenance fees	711,160	63,466	—	—	—	—	—	983,775	1,768,401
State contract revenues	—	324,091	—	—	—	—	—	3,433	327,524
Miscellaneous	1,000	—	9,745	1,120	2,100	150	—	147,655	161,770
Total operating revenue	9,836,174	414,310	22,390,671	28,341,278	3,055,906	5,278,807	—	1,144,863	70,462,009
Operating Expenses:									
Water & wastewater programs	—	324,091	1,837,341	—	6,069,189	206,562	—	—	8,437,183
Storage tank maintenance programs	—	—	—	—	—	—	—	800,089	800,089
General & administrative	301,283	19,609	—	19,777	—	7,236	—	558	348,463
Total operating expenses	301,283	343,700	1,837,341	19,777	6,069,189	213,798	—	800,647	9,585,735
Operating income (loss)	9,534,891	70,610	20,553,330	28,321,501	(3,013,283)	5,065,009	—	344,216	60,876,274
Nonoperating Revenues:									
Federal grant contributions	—	—	42,457,942	—	20,679,245	—	—	—	63,137,187
State contributions	19,750,000	20,750,000	—	—	—	—	—	—	40,500,000
Interest income on investments	291,454	110,871	257,461	112,769	114,914	41,259	—	3,243	931,971
Total nonoperating revenue	20,041,454	20,860,871	42,715,403	112,769	20,794,159	41,259	—	3,243	104,569,158
Income before transfers	29,576,345	20,931,481	63,268,733	28,434,270	17,780,876	5,106,268	—	347,459	165,445,432
Transfers in	—	—	13,024,972	8,824,959	2,231,219	5,389,462	—	—	29,470,612
Transfers out	(5,426,003)	—	—	(6,233,734)	—	(2,231,219)	—	(7,234,917)	(21,125,873)
Changes in net position	24,150,342	20,931,481	76,293,705	31,025,485	20,012,095	8,264,511	—	(6,887,458)	173,790,171
Total net position - July 1	387,890,510	51,209,957	849,108,941	160,150,689	187,516,069	50,862,765	—	7,983,072	1,894,522,003
Total net position - June 30	\$ 412,040,852	72,141,438	925,402,646	191,176,184	207,528,164	58,927,276	—	1,095,614	1,868,312,174

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, 2013

	Georgia Fund	Georgia Reservoir & Water Supply 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 Funds	Total Enterprise Funds
Cash flows from operating activities:								
Interest payments received on loans receivable	\$ 10,797,449	58,577	23,150,927	3,656,180	3,164,320	775,065	—	41,602,518
Administrative fee payments	542,357	34,458	—	—	—	—	987,700	1,564,515
State contract payments	(467,099)	(19,609)	(1,837,341)	(19,777)	(6,069,189)	(213,798)	3,433	(9,482,648)
Payments to service providers	—	—	1,481,663	6,881,652	—	2,813,368	6,771,423	17,948,106
Internal activity - payments from other funds	(3,128,406)	—	(19,322,491)	1,122	(2,422,062)	—	(132,560)	(25,005,539)
Internal activity - payments to other funds	164,170	20,720,992	9,746	1,122	1,582	—	195,037	21,092,600
Miscellaneous receipts and changes in due from other governments	—	—	—	—	—	—	—	—
Net cash provided by (used in) operating activities	7,908,471	20,794,418	3,482,504	10,519,177	(5,325,369)	3,374,786	6,969,198	47,723,165
Cash flows from noncapital financing activities:								
Federal grant contributions	19,750,000	—	42,467,942	—	20,679,245	—	—	63,137,187
State contributions	—	20,750,000	—	—	—	—	—	40,500,000
Transfers in	(5,426,001)	—	13,024,972	8,824,959	2,231,219	5,389,462	(7,234,918)	29,470,612
Transfers out	—	—	(6,233,734)	(6,233,734)	—	(2,231,219)	—	(21,125,872)
Net cash provided by (used in) noncapital financing activities	14,323,999	20,750,000	55,482,914	2,591,225	22,910,464	3,158,243	(7,234,918)	111,981,927
Cash flows from investing activities:								
Interest income on investments	291,454	110,871	257,460	112,768	114,914	41,259	3,243	931,969
Originations of and advances on loans receivable	(20,112,465)	(48,631)	(46,256,980)	(11,932,962)	(14,610,056)	(4,963,249)	—	(66,924,343)
Principal payments received on loans receivable	36,490,932	858,238	119,844,363	8,679,026	43,694,182	5,188,023	—	214,754,764
Net cash provided by (used in) investing activities	16,669,921	920,478	74,844,843	(3,141,168)	29,199,040	266,033	3,243	118,762,390
Net increase (decrease) in cash and cash equivalents	38,902,391	42,464,896	133,810,261	9,969,234	46,784,135	6,799,062	(262,477)	278,467,502
Cash and cash equivalents at beginning of year	137,850,494	29,083,513	102,252,472	56,698,639	52,003,319	19,360,936	1,463,654	398,713,027
Cash and cash equivalents at end of year	\$ 176,752,885	\$ 71,548,409	\$ 236,062,733	\$ 66,667,873	\$ 98,787,454	\$ 26,159,998	\$ 1,201,177	\$ 677,180,529
Reconciliation to the statement of net position:								
Cash	161,322	—	53,645	—	67,161	—	—	282,128
Investments	176,591,563	71,548,409	236,009,088	66,667,873	98,720,293	26,159,998	1,201,177	676,898,401
	\$ 176,752,885	\$ 71,548,409	\$ 236,062,733	\$ 66,667,873	\$ 98,787,454	\$ 26,159,998	\$ 1,201,177	\$ 677,180,529
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:								
Operating income (loss)	\$ 9,534,891	70,610	20,553,330	28,321,501	(3,013,283)	5,065,009	344,216	60,876,274
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:								
Change in assets and liabilities:								
Due from other governments	163,171	20,720,992	—	—	(57)	—	47,362	20,931,028
Accrued interest receivable	1,504,631	2,816	770,002	283,410	110,513	19,385	—	2,690,757
Due from other funds	—	—	1,481,663	6,881,652	—	2,813,368	6,771,423	17,948,106
Due to other funds	(3,128,406)	—	(19,322,491)	—	(2,422,062)	—	(132,560)	(25,005,539)
Accrued liabilities	(165,816)	—	—	—	—	—	(65,188)	(221,004)
Unearned revenue	—	—	—	(24,967,386)	—	(4,522,976)	(6,075)	(29,496,437)
Net cash provided by (used in) operating activities	\$ 7,908,471	20,794,418	3,482,504	10,519,177	(5,325,369)	3,374,786	6,969,198	47,723,165

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, 2013

(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 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

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GEORGIA ENVIRONMENTAL FINANCE AUTHORITY

(A Component Unit of the State of Georgia)

Notes to Basic Financial Statements

June 30, 2013

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.

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.

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,

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GEORGIA ENVIRONMENTAL FINANCE AUTHORITY

(A Component Unit of the State of Georgia)

Notes to Basic Financial Statements

June 30, 2013

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 for fiscal year 2013 as required by government accounting standards. Complete separate financial statements for the Corporation may be obtained by contacting the Authority's Controller at 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 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.

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GEORGIA ENVIRONMENTAL FINANCE AUTHORITY

(A Component Unit of the State of Georgia)

Notes to Basic Financial Statements

June 30, 2013

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 60 days of the end of the current fiscal year. Exceptions to this rule are: (1) administrative fees received on loans which are paid within one year of the initial construction loan contract, and as a result, those revenues are considered available to pay the related costs in establishing the loan if collected within one year of the current fiscal period and (2) revenues associated with the American Recovery and Reinvestment Act (ARRA) grant programs. Due to compliance requirements of ARRA, the Authority considers revenues to be available if they are collected within 90 days of the end of the current fiscal year. An additional 30 days were determined a reasonable period for ARRA programs because all grants were not accustomed to additional compliance measures such as Davis Bacon Act (DBA) reporting requirements, Buy American Act provisions of the ARRA award and other internally mandated oversight requirements on the subrecipients. 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 and Atlanta Gas Light 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.

ARRA-Weatherization Assistance Program Fund – This fund is used to account for the Authority’s grants restricted 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. Financing is provided by federal grants from the United States Department of Energy under ARRA.

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,

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GEORGIA ENVIRONMENTAL FINANCE AUTHORITY

(A Component Unit of the State of Georgia)

Notes to Basic Financial Statements

June 30, 2013

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.

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 & Water Supply 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 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.

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GEORGIA ENVIRONMENTAL FINANCE AUTHORITY

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Notes to Basic Financial Statements

June 30, 2013

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.

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

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GEORGIA ENVIRONMENTAL FINANCE AUTHORITY

(A Component Unit of the State of Georgia)

Notes to Basic Financial Statements

June 30, 2013

management's judgment, deserve recognition in estimating loan losses. As of June 30, 2013, 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 approximately \$7,486,152 due from the United States EPA, \$930,260 due from the United States Department of Energy, \$375,229 due from various state entities, \$672,731 due from local governments and authorities within the state and \$703,702 due from contractual funders of energy programs.

(h) Capital Assets

Capital assets, which include various types of computer equipment and furniture and fixtures, 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. Such assets are recorded at historical cost. Donated capital assets are recorded at their estimated fair value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the assets lives are not capitalized.

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

<u>Asset</u>	<u>Years</u>
Computer equipment - purchased	5
Computer equipment - leased	Life of lease
Furniture and fixtures	5

(i) Investments

Investments consist of funds on deposit in the Georgia Fund 1, the State of Georgia investment pool. The Georgia Fund 1 is an external investment pool, managed by the State of Georgia's Office of the State Treasurer, which is not registered with the Securities and Exchange Commission (SEC) but does operate in a manner consistent with SEC's Rule 2a7 of the Investment Company Act of 1940. Accordingly, the Authority's investments in the Georgia Fund 1 have been determined based on the pool's share price. Other investments are stated at fair value based on quoted market prices.

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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 pay is reported as an expense and a liability in the government-wide financial statements, but is not a liability in the governmental fund statements as it was not due for payment during the current period.

(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, 2013, the Authority paid premiums totaling \$25,159.

(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.
- (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

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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 and liabilities and the reported amount of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

(o) Future Accounting Pronouncements

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

- Statement No. 67, *Financial Reporting for Pension Plans-an amendment of GASB Statement No. 25*, effective for the Authority's year ending June 30, 2014.
- Statement No. 68, *Accounting and Financial Reporting for Pensions-an amendment of GASB Statement No. 27*, effective for the Authority's year ending June 30, 2015.
- Statement No. 69, *Government Combinations and Disposals of Government Operations*, effective for the Authority's year ending June 30, 2015.
- Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, effective for the Authority's year ending June 30, 2014.

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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.

(2) Budgetary Information

The Authority does not adopt an annual budget since it is included in the State of Georgia's budget as a one-line appropriation 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 \$50,100,000 for fiscal year 2013 which was collected in its entirety and expended or obligated in general obligation bonds provided for the state and federal loan programs.

(3) Deposits and Investments

Deposits

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 coverage. The Authority's bank balances of \$5,304,001 with a carrying value of \$5,303,980 at June 30, 2013 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, 2013 were categorized by credit risk as follows:

<u>Investment</u>	<u>Rating</u>	<u>Maturities</u>	<u>Fair Value</u>
Georgia Fund 1	AAAf	43-day WAM	<u>\$ 712,153,089</u>

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, 2013, interest rate risk is represented in the above table as "Maturities" 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

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prior to their maturity. This structure has been achieved by providing investments in the Georgia Fund 1. 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, 2013.

(4) Loans Receivable

Loans receivable at June 30, 2013 are summarized as follows:

	<u>Amount</u>
Water and wastewater facility and conservation loans	\$ 1,400,005,537
Undisbursed portion of loans in process	<u>(217,713,042)</u>
Unpaid principal balance	<u>\$ 1,182,292,495</u>

At June 30, 2013, the Authority had commitments to fund projects, excluding the unfunded portion of loans in process, totaling \$101,186,678. In accordance with certain loan programs, the Authority expensed a forgiven portion of loans in the amount of \$1,837,341 in the Clean Water State Revolving Loan Fund and \$5,242,940 in the Drinking Water State Revolving Loan Fund during fiscal year 2013.

Additionally, the Authority provided a subsidized portion of loans in the amount of \$826,249 in the Drinking Water State Revolving Loan Fund and \$206,562 in the Drinking Water State Match Revolving Loan Fund. As these amounts are expensed and forgiven or subsidized, 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.

Future Commitments

The Authority has entered into contractual agreements to fund three Clean Water State Revolving Loan Fund loans with resources from the Georgia Fund in the amount of \$40,995,874. It is anticipated that balloon payments on these loans will become due in full between February 1, 2027 and February 1, 2028. The Authority plans to designate funds at a proportionate amount annually to accumulate adequate resources at the time the loans become payable to each of their respective funds beginning with fiscal year 2013. As of June 30, 2013, an amount of \$2,928,277 has been accumulated for the purpose of satisfying this future obligation.

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(5) Bonds Payable and Other Long-Term Liabilities

Primary Government

Compensated Absences:

The Authority had \$60,111 in additions to compensated absences representative of vacation pay earned by employees or addition of new staff and reductions of \$204,805 to compensated absences due to employee terminations or vacation hours used by employees. Compensated absences 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, 2013, was as follows:

Description	Balance June 30, 2012	Additions	Reductions	Balance June 30, 2013	Amount due within one year
Governmental activities					
Compensated absences	\$ 504,268	60,111	204,805	359,574	89,893
Total Governmental activities	\$ 504,268	60,111	204,805	359,574	89,893

Component Unit

The Corporation issued two series of local government loan securitization bonds: CCMWA Loans (Series 2011) issued on February 17, 2011 with a maturity date of February 15, 2036 and 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 bonds bear interest rates between .54 and 5.25%. The below table summarizes bonds payable outstanding:

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	Original issue amount	Interest rates	Carrying value
CCMWA Loans, Series 2011	\$ 29,255,000	.65 - 5.25%	27,755,000
Less bond discount			<u>(204,170)</u>
Subtotal			27,550,830
Loan Pool, Series 2011	\$ 202,755,000	.54 - 5.125%	118,905,000
Less bond discount			<u>(419,770)</u>
Subtotal			118,485,230
Total bond series			146,660,000
Less bond discount			<u>(623,940)</u>
			<u>\$ 146,036,060</u>

Outstanding principal, June 30, 2013

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 resolutions. A portion of the cash with fiscal agent constitutes the debt service reserve. As of June 30, 2013, the trustee had on hand for the CCMWA Loan, Series 2011 and the Loan Pool, Series 2011 \$520,987 and \$7,968,750 respectively as the debt service reserve amounts. These amounts are automatically adjusted and returned to the Corporation as principal amounts are proportionally reduced. The balance of cash with fiscal agent, \$9,220,287, 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, 2013, 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)						
	CCMWA Loans, Series 2011		Loan Pool, Series 2011		Total		Total Due
	Principal	Interest	Principal	Interest	Principal	Interest	
Year ending June 30:							
2014	\$ 755	1,258	7,120	5,528	7,875	6,786	14,661
2015	770	1,247	-	5,510	770	6,757	7,527
2016	790	1,231	-	5,510	790	6,741	7,531
2017	810	1,212	-	5,510	810	6,722	7,532
2018	835	1,190	-	5,510	835	6,700	7,535
Thereafter	<u>23,795</u>	<u>16,144</u>	<u>111,785</u>	<u>59,485</u>	<u>135,580</u>	<u>75,629</u>	<u>211,209</u>
Total	<u>\$ 27,755</u>	<u>22,282</u>	<u>118,905</u>	<u>87,053</u>	<u>146,660</u>	<u>109,335</u>	<u>255,995</u>

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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 2013, the Corporation retired \$31,370,000 more than its anticipated retirement of debt. 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, 2013 as well as any reduction in interest amounts to be paid. Amounts due in 2014 above include known prepayments subsequent to June 30, 2013 which will be paid in FY 2014. 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 in the above table.

For the year ended June 30, 2013, the Corporation had the following activity within its long-term liabilities:

Description	June 30, 2012	Additions	Reductions	June 30, 2013	Amounts due within one year
CCMWA Loans, Series 2011	\$ 28,505,000	-	750,000	27,755,000	755,000
Unamortized Bond Discount	(209,368)	-	(5,198)	(204,170)	-
Loan Pool, Series 2011	160,290,000	-	41,385,000	118,905,000	7,120,000
Unamortized Bond Discount	(465,132)	-	(45,362)	(419,770)	-
Total	\$ 188,120,500	-	42,084,440	146,036,060	7,875,000

The unamortized bond discounts for both issuances 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, 2013, is as follows:

Due from/to other funds:

Receivable Fund	Payable Fund	Amount
General Fund	Weatherization Assistance Program	\$ 276,000
	Nonmajor governmental funds	9,784
	Georgia Fund	1,017,309
	Clean Water State Match Revolving Loan Fund	378,388
	Nonmajor enterprise funds	40,606
Nonmajor governmental funds	General Fund	533,332
	Nonmajor governmental funds	56,787
	Georgia Fund	2,165
Georgia Fund	Clean Water State Revolving Loan Fund	1,551,698
Clean Water State Revolving Loan Fund	General Fund	14,230
Drinking Water State Revolving Loan Fund	General Fund	6,529
Drinking Water State Match Revolving Loan Fund	General Fund	615,537
Total		\$ 4,502,365

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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:

<u>Transfers-in Fund</u>	<u>Transfers-out Fund</u>	<u>Amount</u>
General Fund	Nonmajor governmental funds	\$ 31,421
	Georgia Fund	5,348,180
	Nonmajor enterprise funds	443,679
Nonmajor governmental funds	Nonmajor governmental funds	5,970
	Georgia Fund	77,823
Weatherization Assistance Program	Nonmajor governmental funds	14,549
Clean Water State Revolving Loan Fund	Clean Water State Match Revolving Loan Fund	6,233,734
Nonmajor enterprise funds	Clean Water State Revolving Loan Fund	6,791,238
Clean Water State Match Revolving Loan Fund	General Fund	8,824,959
Drinking Water State Revolving Loan Fund	Drinking Water State Match Revolving Loan Fund	2,231,219
Drinking Water State Match Revolving Loan	General Fund	5,389,462
Total		<u>\$ 35,392,234</u>

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.

In addition, for loan activity originally funded with ARRA funds in the ARRA-Clean Water State Revolving Loan Fund or the ARRA-Drinking Water State Revolving Loan Fund, EPA has not imposed any requirements that loans originated by these activities should permanently remain within its original accounting fund established solely as a requirement to segregate monies from the Authority's other funds. As such, when loans are closed and placed into a permanent repayment status, they are transferred into their corresponding federal program, the Clean Water State Revolving Loan Fund or the Drinking Water State Revolving Loan.

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(7) Capital Assets

The Authority's capital asset activity for the year ended June 30, 2013 was as follows:

Asset category		Balance June 30, 2012	Additions	Deletions	Balance June 30, 2013
Cost:					
	Computer equipment	\$ 194,957	—	—	194,957
	Total cost	<u>194,957</u>	<u>—</u>	<u>—</u>	<u>194,957</u>
Accumulated depreciation:					
	Computer equipment	159,633	10,606	—	170,239
	Total accumulated depreciation	<u>159,633</u>	<u>10,606</u>	<u>—</u>	<u>170,239</u>
	Total net capital assets	<u>\$ 35,324</u>	<u>10,606</u>	<u>—</u>	<u>24,718</u>

Depreciation expense of \$10,606 was charged to the general government function.

(8) Retirement Plans

The Authority participates in various retirement plans administered by the State of Georgia under two major retirement systems: Employees' Retirement System of Georgia (the System) and Teachers Retirement System of Georgia (TRS). These two systems issue separate, publicly available financial reports that include the applicable financial statements and required supplementary information. The reports may be obtained from the respective system offices. The significant retirement plans that the Authority participates in are described below. More detailed information can be found in the plan agreements and related legislation. Each plan, including benefit and contribution provisions, was established and can be amended by State law. Both systems cover all employees who elect to participate in the plan; participation in which is solely voluntary. The payroll for employees, who have the option to be covered by one of the retirement systems, and the total payroll of the Authority, was \$3,085,566 for the year ended June 30, 2013.

Employees' Retirement System of Georgia

The ERS 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 of Georgia. One of the ERS System plans, the Employees' Retirement System of Georgia (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 of Georgia 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.

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On November 20, 1997, the Board created the Supplemental Retirement Benefit Plan (SRBP-ERS) of ERS. SRBP-ERS was established as a qualified governmental excess benefit plan in accordance with Section 415 of the Internal Revenue Code (IRC) as a portion of ERS. The purpose of the SRBP-ERS is to provide retirement benefits to employees covered by ERS whose benefits are otherwise limited by IRC Section 415. Beginning January 1, 1998, all members and retired former members in ERS are eligible to participate in the SRBP-ERS whenever their benefits under ERS exceed the limitation on benefits imposed by IRC Section 415.

The benefit structure of ERS is established by the Board of Trustees under statutory guidelines. 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 Georgia State Employees' Pension and Savings Plan (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.

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. Post-retirement 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 determined annually in accordance with 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.

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Employer contribution rates required for fiscal year 2013 were based on the June 30, 2010 actuarial valuation as follows: 14.90% (10.15% exclusive of contributions paid by the State on behalf of old plan members) [Old Plan], 14.90% [New Plan], and 11.54% [GSEPS]. The Authority's total employer contribution requirement as determined by the actuarial valuation equals its annual pension cost. The annual required contribution (ARC) and annual pension cost (APC), as determined by GASB statement No. 27, for the current year and each of the two preceding years are summarized in the table below. Please note costs were adjusted to segregate GSEPS portions originally reported as ERS contributions for fiscal years 2012 and 2011:

<u>Year</u>	<u>Annual Required Contribution (ARC)</u>	<u>% of ARC contributed</u>
2013	\$ 355,417	100%
2012	272,936	100%
2011	279,675	100%

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.

Historical trend information showing the ERS System's progress in accumulating sufficient assets to pay benefits when due is presented in the ERS System's annual report which can be obtained from the following address: Employees' Retirement System of Georgia, Two Northside 75, Suite 300 Atlanta, Georgia 30318-7778.

Teachers Retirement System of Georgia

The TRS is a cost-sharing multiple-employer defined benefit plan created in 1943 by an act of the Georgia General Assembly to provide retirement benefits for qualifying employees in educational service. A Board of Trustees comprised of two appointees by the Board, two ex-officio State employees, five appointees by the Governor, and one appointee of the Board of Regents is ultimately responsible for the administration of TRS.

On October 25, 1996, the Board created the Supplemental Retirement Benefit Plan of the Georgia Teachers (SRBP-TRS). SRBP-TRS was established as a qualified governmental excess benefit plan in accordance with Section 415 of the IRC as a portion of TRS. The purpose of SRBP-TRS is to provide retirement benefits to employees covered by TRS whose benefits are otherwise limited by IRC Section 415. Beginning July 1, 1997, all members and retired former members in TRS are eligible to participate in the SRBP-TRS whenever their benefits under TRS exceed the IRC Section 415 imposed limitation on benefits.

TRS provides service retirement, disability retirement, and survivor's benefits. The benefit structure of TRS is defined and may be amended by State statute. A member is eligible for normal service retirement after 30

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years of creditable service, regardless of age, or after 10 years of service and attainment of age 60. A member is eligible for early retirement after 25 years of creditable service.

Normal retirement (pension) benefits paid to members are equal to 2% of the average of the member's two highest paid consecutive years of service, multiplied by the number of years of creditable service up to 40 years. Early retirement benefits are reduced by the lesser of one-twelfth of 7% for each month the member is below age 60 or by 7% for each year or fraction thereof by which the member has less than 30 years of service. It is also assumed that certain cost-of-living adjustments, based on the Consumer Price Index, may be made in future years. Retirement benefits are payable monthly for life. A member may elect to receive a partial lump-sum distribution in addition to a reduced monthly retirement benefit. Options are available for distribution of the member's monthly pension, at a reduced rate, to a designated beneficiary on the member's death. Death, disability and spousal benefits are also available.

TRS is funded by member and employer contributions as adopted and amended by the Board of Trustees. Members become fully vested after 10 years of service. If a member terminates with less than 10 years of service, no vesting of employer contributions occurs, but the member's contributions may be refunded with interest. Member contributions are limited by State law to not less than 5% or more than 6% of a member's earnable compensation.

Member contributions as adopted by the Board of Trustees for the fiscal year ended June 30, 2013, were 6.00% of annual salary. Employer contributions required for fiscal year 2013 were 11.41% of annual salary as required by the June 30, 2010, actuarial valuation. The annual required contribution (ARC) and annual pension cost (APC), as determined by GASB statement No. 27, for the current year is reported in the table below.

<u>Year</u>	<u>Annual Required Contribution (ARC)</u>	<u>% of ARC contributed</u>
2013	\$ 726	100%

GSEPS 401(k) Defined Contribution Component

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 ERS System and was established by the State of Georgia Employee Benefit Plan Council in accordance with State law and Section 401(k) of the Internal Revenue Code. 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 an employer match on their contributions.

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The GSEPS plan includes automatic enrollment in the 401(k) plan at a contribution rate of 1% of salary, along with a matching contribution from the State. The State will match 100% of the employee's initial 1% contribution. Employees can elect to contribute up to an additional 4% and the State will match 50% of the additional 4% of salary. Therefore, the State will match 3% against the employee's 5% total savings. Contributions greater than 5% 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:

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 for the year ending June 30, 2013, 2012 and 2011 are reported in the table below:

<u>Year</u>	<u>Annual Employer Contribution</u>	<u>Annual Employee Contribution</u>
2013	\$ 113,812	\$ 55,346
2012	100,390	47,993
2011	93,844	47,946

(continued)

GEORGIA ENVIRONMENTAL FINANCE AUTHORITY

(A Component Unit of the State of Georgia)

Notes to Basic Financial Statements

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(9) Other Post-employment Benefits

The Authority participates in two State of Georgia other post-employment benefit plans, the Georgia State Employees' Post-employment Health Benefit Fund (administered by the Department of Community Health) and the State Employees' Assurance Department – OPEB (administered by the ERS System). Separate financial reports that include the applicable financial statements and required supplementary information for these plans are publicly available and may be obtained from the respective system offices.

Georgia State Employees Post-employment Health Benefit Fund

The Georgia State Employees Post-employment Health Benefit Fund (State OPEB Fund) is a cost-sharing multiple-employer defined benefit postemployment healthcare plan that covers eligible former employees of State organizations (including technical colleges) and other entities authorized by law to contract with the Department of Community Health for inclusion in the plan. The State OPEB Fund provides post-employment health insurance benefits to eligible former employees and their qualified beneficiaries through the health insurance plan for State employees. The Official Code of Georgia Annotated (OCGA) assigns the authority to establish and amend the benefit provisions of the group health plans, including benefits for retirees, to the Board of Community Health (Board).

The plan is currently funded on a pay-as-you go basis. That is, annual costs of providing benefits will be financed in the same year as claims occur, with no significant assets accumulating as would occur in an advance funding strategy.

The contribution requirements of plan members and participating employers are established by the Board in accordance with the current Appropriations Act and may be amended by the Board. Contributions of plan members or beneficiaries receiving benefits vary based on plan election, dependent coverage, and Medicare eligibility and election. On average, plan members pay approximately 25 percent of the cost of the health insurance coverage. In accordance with the Board resolution dated December 8, 2011, for members with fewer than five years of service as of January 1, 2012, the State provides a premium subsidy in retirement that ranges from 0% for fewer than 10 years of service to 75% (but no greater than the subsidy percentage offered to active employees) for 30 or more years of service. The subsidy for eligible dependents ranges from 0% to 55% (but no greater than the subsidy percentage offered to dependents of active employees minus 20%). No subsidy is available to Medicare eligible members not enrolled in a Medicare Advantage Option. The Board of Community Health sets all member premiums by resolution and in accordance with the law and applicable revenue and expense projections. Any subsidy policy adopted by the Board may be changed at any time by Board resolution and does not constitute a contract or promise of any amount of subsidy.

Participating employers are statutorily required to contribute in accordance with the employer contribution rates established by the Board. The contribution rates are established to fund all benefits due under the health insurance plans for both active and retired employees based on projected "pay-as-you-go" financing requirements. Contributions are not based on the actuarially calculated annual required contribution (ARC) which represents a level of funding that, if paid on an ongoing basis, is projected to cover normal

(continued)

GEORGIA ENVIRONMENTAL FINANCE AUTHORITY

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Notes to Basic Financial Statements

June 30, 2013

cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The combined active and retiree contribution rates established by the Board for employers participating in the State OPEB Fund were as follows for the fiscal year ended June 30, 2013:

<u>Months Paid (Coverage Periods)</u>	<u>Required Contribution Rate</u>
June 2012 (July 2012)	27.523%
July -December 2012 (August 2012 - January 2013)	35.000%
January 2013 - February 2013 (February - March 2013)	24.454%
March - June 2013 (April - July 2013)	25.366%

No additional contribution was required by the Board for fiscal year 2013 nor contributed to the State OPEB Fund to prefund retiree benefits. Such additional contribution amounts are determined annually by the Board in accordance with the State plan for other postemployment benefits and are subject to appropriation.

The following table summarizes the Authority's contributions to the health insurance plans for the years ending June 30, 2013, 2012 and 2011:

<u>Year</u>	<u>Required Contribution</u>	<u>% contributed</u>
2013	\$ 919,637	100%
2012	970,839	100%
2011	866,306	100%

State Employees' Assurance Department (SEAD)

SEAD-OPEB and SEAD-Active are cost-sharing multiple-employer defined benefit postemployment plans that were created in fiscal year 2007 by the Georgia General Assembly to provide term life insurance to eligible members of the ERS, Georgia Judicial Retirement System (JRS), and Legislative Retirement System (LRS). SEAD-OPEB provides benefits for retired and vested inactive members, and SEAD-Active provides benefits for active members. Effective July 1, 2009, no newly hired members of any State public retirement system are eligible for term life insurance under SEAD. Pursuant to Title 47 of the OCGA, benefit provisions of the plans were established and can be amended by State statute.

Contributions by plan members are established by the ERS Board of Trustees, up to the maximum allowed by statute (not to exceed 0.5% of earnable compensation). The ERS Board of Trustees establishes employer contribution rates, such rates which, when added to members' contributions, shall not exceed 1% of earnable compensation. Contributions for fiscal year 2013 were based on June 30, 2010, actuarial valuations as follows:

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June 30, 2013

	<u>SEAD- OPEB</u>	<u>SEAD- Active</u>	<u>Total SEAD</u>
Member Rates:			
ERS Old Plan	0.45%	0.05%	0.50%
Less: Offset Paid by Employer	<u>(0.22%)</u>	<u>(0.03%)</u>	<u>(0.25%)</u>
Net ERS Old Plan	0.23%	0.02%	0.25%
ERS New Plan, JRS, and LRS	0.23%	0.02%	0.25%
 Employer Rates	 0.27%	 0.00%	 0.27%

The ERS Board of Trustees voted and approved that the SEAD-OPEB contribution would be paid from existing assets of the Survivors Benefit Fund (SBF) instead of requiring payment by the employers. The contributions by SBF made on-behalf of the Authority for fiscal years 2013 and 2012 were estimated to be \$6.0 thousand and \$14.9 thousand, respectively. There were no required employer contributions for the fiscal year ended June 30, 2011.

According to the policy terms covering the lives of members, insurance coverage is provided on a monthly, renewable term basis, and no return premiums or cash value are earned. The net position represents the excess accumulation of investment income and premiums over benefit payments and expenses and is held as a reserve for payment of death benefits under existing policies.

(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, 2013:

Year ending		Amount
<u>June 30</u>		<u>Amount</u>
2014	\$	407,917
2015		418,131
2016		<u>211,671</u>
Total	\$	<u><u>1,037,719</u></u>

Total expenses for rental of office space for the year ended June 30, 2013 were \$398,016. The Authority is in the process of renegotiating lease terms and office space as it plans for additional personnel to support its loan programs. Because of this planned change, future lease payments may alter the amounts reflected in this schedule.

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GEORGIA ENVIRONMENTAL FINANCE AUTHORITY

(A Component Unit of the State of Georgia)

Notes to Basic Financial Statements

June 30, 2013

(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, 2013. In addition, management believes there were no material violations of finance-related legal or contractual provisions by the Authority during the current fiscal year.

(12) Change in Accounting Principle and Policy

Effective July 1, 2012, the Authority and the Georgia Environmental Loan Acquisition Corporation, the Authority's discretely presented component unit, implemented two new accounting pronouncements: GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and Statement No. 65, *Items Previously Reported as Assets and Liabilities*. One of the most significant changes from these new standards is that bond issuance costs should now be expensed as incurred, whereas under previous standards these costs had been reported as an asset and amortized over the life of the related bonds. As a result of implementation of these standards, the net position of the Corporation, as of July 1, 2012 has been restated to exclude the unamortized portion of bond issuance costs. The amount of bond issuance costs, which does not include charges for bond insurance, totaled \$3,575,434 and therefore beginning net position of the Corporation has been reduced by this amount.

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.

ARRA-State Energy Program Fund

This fund is used to account for the Authority's grants restricted to state agencies, local governments and nonprofit entities for a variety of energy efficiency and renewable energy projects. This program is funded by Federal grants related to the American Recovery and Reinvestment Act (ARRA) from the U.S. Department of Energy.

ARRA-Energy Efficiency Conservation Block Grant Fund

This fund is used to account for the Authority's grants restricted to local governments, private businesses and nonprofit entities for a variety of energy efficiency and renewable energy projects. This program is funded by Federal grants related to the American Recovery and Reinvestment Act (ARRA) from the U.S. Department of Energy.

ARRA – Miscellaneous Grants Fund

This fund is used to account for the Authority's grants to provide rebates to consumers for the upgrade of energy efficient appliances and for small grants to universities for research in industrial energy efficiency modifications. These programs are funded by Federal grants related to the American Recovery and Reinvestment Act (ARRA) from the U.S. Department of Energy.

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.

(continued)

GEORGIA ENVIRONMENTAL FINANCE AUTHORITY
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Nonmajor Governmental Funds

Special Revenue 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 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 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.

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.

GEORGIA ENVIRONMENTAL FINANCE AUTHORITY
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Combining Balance Sheet

Nonmajor Governmental Funds

June 30, 2013

Assets	State Energy Program	Energy Investments	ARRA-State Energy Program	ARRA-Energy Efficient Conservation Block Grant	ARRA-Miscellaneous Grants Fund	State Land Conservation Fund	Clean Water SRF Administration	Drinking Water SRF State Program Setasides	Drinking Water SRF PWS Technical Assistance	Drinking Water SRF Small SRF Administration	Total Nonmajor Governmental Funds
Cash	\$ 151,770	—	—	—	—	—	13,157	—	—	3,431	168,358
Investments	—	3,651,318	—	—	—	1,411,973	22,851,841	—	—	4,036,235	31,951,367
Due from other governments	13,082	—	—	—	—	—	146,543	289,692	—	172,887	713,542
Due from other funds	44,783	14,167	—	—	—	—	533,334	—	—	—	592,284
Total assets	\$ 209,635	3,665,485	—	—	—	1,411,973	23,544,875	289,692	—	4,212,553	33,425,551
Liabilities and Fund Balances											
Liabilities:											
Accounts payable and accrued liabilities	\$ 14,168	—	—	—	—	—	257,573	289,692	—	—	652,771
Due to other funds	—	66,571	—	—	—	—	—	—	—	—	66,571
Total liabilities	14,168	66,571	—	—	—	—	257,573	289,692	—	—	719,342
Fund balances:											
Restricted for grant programs	195,467	3,598,914	—	—	—	1,411,973	—	—	—	—	5,206,354
Restricted for loan programs	—	—	—	—	—	—	23,287,302	—	—	4,212,553	27,499,855
Total fund balances	195,467	3,598,914	—	—	—	1,411,973	23,287,302	—	—	4,212,553	32,706,209
Total liabilities and fund balances	\$ 209,635	3,665,485	—	—	—	1,411,973	23,544,875	289,692	—	4,212,553	33,425,551

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, 2013

	State Energy Program	Energy Investments	ARRA-State Energy Program	ARRA-Energy/Efficient Conservation Block Grant	ARRA-Miscellaneous Grants Fund	State Land Conservation Fund	Clean Water SRF Administration	Drinking Water SRF State Program Setasides	Drinking Water SRF Small PWS Technical Assistance	Drinking Water SRF Administration	Total Nonmajor Governmental Funds
Revenues:											
Administrative fees	—	—	—	—	—	—	212,273	—	—	303,418	515,691
Grant revenues	164,074	—	656,987	48,330	20,893	—	—	1,439,125	724,605	—	3,054,014
Public donations	—	—	—	—	—	39,251	—	—	—	—	39,251
Interest income on investments	—	8,203	—	—	—	2,672	44,059	—	—	7,476	62,410
Miscellaneous	2,263	—	—	—	—	—	—	—	—	—	2,263
Total revenues	166,337	8,203	656,987	48,330	20,893	41,923	256,332	1,439,125	724,605	310,894	3,673,629
Expenditures:											
Current:											
Water and wastewater programs	—	—	—	—	—	—	1,039,094	1,439,125	724,605	98,807	3,301,631
Land conservation programs	—	—	—	—	—	41,733	—	—	—	—	41,733
Energy programs	247,867	—	656,987	48,330	20,893	—	—	—	—	—	974,077
Total expenditures	247,867	—	656,987	48,330	20,893	41,733	1,039,094	1,439,125	724,605	98,807	4,317,441
Excess of revenues over (under) expenditures	(81,530)	8,203	—	—	—	190	(782,762)	—	—	212,087	(643,812)
Other Financing Sources (Uses):											
Transfers in	83,793	—	—	—	—	—	—	—	—	—	83,793
Transfers out	—	(51,940)	—	—	—	—	—	—	—	—	(51,940)
Total other financing sources and (uses)	83,793	(51,940)	—	—	—	—	—	—	—	—	31,853
Net change in fund balances	2,263	(43,737)	—	—	—	190	(782,762)	—	—	212,087	(611,969)
Fund balances – July 1	193,204	3,642,651	—	—	—	1,411,783	24,070,064	—	—	4,000,466	33,318,168
Fund balances – June 30	195,467	3,598,914	—	—	—	1,411,973	23,287,302	—	—	4,212,553	32,706,209

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

Nonmajor Proprietary Funds

Enterprise Funds

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 are nonmajor enterprise funds 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.

ARRA-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 under ARRA. The fund's revenues are also derived from interest income on loans receivable.

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

Combining Statement of Net Position - Nonmajor Enterprise Funds

June 30, 2013

Assets	Storage Tank Maintenance Fund	ARRA-Clean Water State Revolving Loan Fund	Total Nonmajor Enterprise Funds
Current assets:			
Investments	1,201,177	—	1,201,177
Due from other governments	12,507	—	12,507
Total current assets	<u>1,213,684</u>	<u>—</u>	<u>1,213,684</u>
Total assets	<u>1,213,684</u>	<u>—</u>	<u>1,213,684</u>
Liabilities			
Accounts payable and accrued liabilities	77,464	—	77,464
Due to other funds	40,606	—	40,606
Total liabilities	<u>118,070</u>	<u>—</u>	<u>118,070</u>
Net Position			
Unrestricted	1,095,614	—	1,095,614
Total net position	<u>\$ 1,095,614</u>	<u>—</u>	<u>\$ 1,095,614</u>

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

Combining Statement of Revenues, Expenses, and Changes in Net Position - Nonmajor Enterprise Funds

Year ended June 30, 2013

	Storage Tank Maintenance Fund	ARRA-Clean Water State Revolving Loan Fund	Total Nonmajor Enterprise Funds
Operating Revenues:			
Administrative and preventative maintenance fees	\$ 993,775	—	993,775
State contract revenues	3,433	—	3,433
Miscellaneous	147,655	—	147,655
Total operating revenue	<u>1,144,863</u>	<u>—</u>	<u>1,144,863</u>
Operating Expenses:			
Storage tank maintenance programs	800,089	—	800,089
General & administrative	558	—	558
Total operating expenses	<u>800,647</u>	<u>—</u>	<u>800,647</u>
Operating income	<u>344,216</u>	<u>—</u>	<u>344,216</u>
Nonoperating Revenues:			
Interest income on investments	3,243	—	3,243
Total nonoperating revenue (expense)	<u>3,243</u>	<u>—</u>	<u>3,243</u>
Income before transfers	347,459	—	347,459
Transfers out	<u>(443,680)</u>	<u>(6,791,237)</u>	<u>(7,234,917)</u>
Changes in net position	<u>(96,221)</u>	<u>(6,791,237)</u>	<u>(6,887,458)</u>
Total net position – July 1	1,191,835	6,791,237	7,983,072
Total net position – June 30	<u>\$ 1,095,614</u>	<u>—</u>	<u>1,095,614</u>

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

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

Year ended June 30, 2013

	Storage Tank Maintenance Fund	ARRA-Clean Water State Revolving Loan Fund	Total Nonmajor Enterprise Funds
Cash flows from operating activities:			
Administrative fee payments	\$ 987,700	—	987,700
State contract payments	3,433	—	3,433
Payments to service providers	(855,835)	—	(855,835)
Internal activity – payments from other funds	—	6,771,423	6,771,423
Internal activity – payments to other funds	(132,560)	—	(132,560)
Miscellaneous receipts and changes in due from other governments	195,037	—	195,037
Net cash provided by operating activities	197,775	6,771,423	6,969,198
Cash flows from noncapital financing activities:			
Transfers out	(443,681)	(6,791,237)	(7,234,918)
Net cash used in noncapital financing activities	(443,681)	(6,791,237)	(7,234,918)
Cash flows from investing activities:			
Interest income on investments	3,243	—	3,243
Net cash provided by investing activities	3,243	—	3,243
Net decrease in cash and cash equivalents	(242,663)	(19,814)	(262,477)
Cash and cash equivalents at beginning of year	1,443,840	19,814	1,463,654
Cash and cash equivalents at end of year	1,201,177	—	1,201,177
Reconciliation to the statement of net position:			
Investments	\$ 1,201,177	—	1,201,177
	\$ 1,201,177	—	1,201,177
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	\$ 344,216	—	344,216
Adjustments to reconcile operating income to net cash provided by operating activities:			
Change in assets and liabilities:			
Due from other governments	47,382	—	47,382
Due from other funds	—	6,771,423	6,771,423
Due to other funds	(132,560)	—	(132,560)
Accrued liabilities	(55,188)	—	(55,188)
Unearned revenue	(6,075)	—	(6,075)
Net cash provided by operating activities	\$ 197,775	6,771,423	6,969,198

GEORGIA ENVIRONMENTAL FINANCE AUTHORITY
Statistical Section

This part of the Georgia Environmental Finance 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.

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Financial Trends

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

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Revenue Capacity

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

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Debt Capacity

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.

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Demographic and Economic Information

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.

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Operating Information

Theses 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.

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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)

	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Governmental Activities										
Investment in capital assets	\$ 24,718	\$ 35,324	\$ 47,777	\$ 20,862	\$ 15,443	\$ 13,664	\$ 15,905	\$ 10,835	\$ 16,206	\$ 17,582
Restricted for:										
Loan programs	31,872,215	36,997,885	39,745,561	33,597,308	27,992,690	29,638,879	31,426,764	23,468,034	18,894,865	24,136,532
Grant programs ²	5,231,799	5,347,638	5,505,452	5,860,698	13,819,804	27,817,070	10,201,230	5,159,330	4,426,760	4,817,821
Unassigned or Unrestricted	3,492,204	3,324,198	4,806,668	4,881,713	5,041,282	4,282,969	4,087,751	3,960,770	3,123,747	3,548,289
Subtotal Governmental Activities Net Position	\$ 40,620,936	\$ 45,705,045	\$ 50,104,848	\$ 44,360,581	\$ 46,865,219	\$ 61,752,582	\$ 45,731,650	\$ 32,598,969	\$ 26,461,578	\$ 32,520,224
Business-type Activities										
Restricted for:										
Debt service or loan programs ³	\$ 1,383,034,270	\$ 1,254,229,701	\$ 1,154,326,566	\$ 1,525,477	\$ 9,438,692	\$ 13,949,704	\$ 22,304,528	\$ 26,162,531	\$ 18,230,823	\$ 23,762,496
Unassigned or Unrestricted	485,277,904	440,292,302	392,129,642	1,802,640,645	1,685,999,999	1,527,148,580	1,394,459,773	1,266,531,453	1,122,128,076	1,017,065,189
Subtotal Business-type Activities Net Position	\$ 1,868,312,174	\$ 1,694,522,003	\$ 1,546,456,208	\$ 1,804,166,122	\$ 1,635,438,691	\$ 1,541,098,284	\$ 1,416,764,301	\$ 1,232,693,984	\$ 1,140,358,899	\$ 1,040,847,685
Net Position										
Invested in capital assets, net of related debt	\$ 24,718	\$ 35,324	\$ 47,777	\$ 20,862	\$ 15,443	\$ 13,664	\$ 15,905	\$ 10,835	\$ 16,206	\$ 17,582
Restricted for:										
Loan programs	31,872,215	36,997,885	39,745,561	33,597,308	27,992,690	29,638,879	31,426,764	23,468,034	18,894,865	24,136,532
Grant programs	5,231,799	5,347,638	5,505,452	5,860,698	13,819,804	27,817,070	10,201,230	5,159,330	4,426,760	4,817,821
Debt service or loan programs	1,383,034,270	1,254,229,701	1,154,326,566	1,525,477	9,438,692	13,949,704	22,304,528	26,162,531	18,230,823	23,762,496
Unassigned or Unrestricted	488,770,108	443,616,500	396,935,700	1,807,522,358	1,691,041,281	1,531,431,549	1,398,547,524	1,270,492,223	1,125,251,823	1,020,633,478
Total Net Position	\$ 1,908,933,110	\$ 1,740,227,048	\$ 1,596,561,056	\$ 1,848,526,703	\$ 1,742,307,910	\$ 1,602,850,866	\$ 1,462,495,951	\$ 1,325,292,953	\$ 1,166,820,477	\$ 1,073,367,909

Notes:

¹Accounting standards require that net assets be reported in three components in the financial statements: invested in capital assets, net of related debt, restricted, and unrestricted. Net assets are 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.

²The significant decreases in grant programs net assets during fiscal year 2009 and 2010 were largely due to the Land Conservation grant program's heavy utilization of prior year remaining funds held in investments. These funds were used to cover program costs unfunded by current year State of Georgia appropriations.

³Deficit net assets were previously reported as restricted for debt service in years 2002 and 2003. However, the proper reporting of deficit net assets requires reporting those balances as "unrestricted" because a deficit implies that there is nothing to restrict. This change began in 2004.

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

Functions/Programs	2013				2011				2010				2009			
	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	\$ 9,005,073	\$ 14,934,860	\$ 5,929,787	\$ 9,022,569	\$ 19,458,277	\$ 10,435,318	\$ 11,763,760	\$ 8,167,693	\$ 6,204,582	\$ 3,443,076	\$ 6,014,462	\$ 1,662,237	\$ 6,014,462	\$ 1,662,237	\$ (4,332,255)	
Water and wastewater programs ²	8,496,123	5,827,054	(2,669,069)	8,799,184	6,950,325	(1,848,859)	12,382,414	28,575,001	20,225,973	9,578,884	11,655,092	18,656,182	11,655,092	18,656,182	6,821,090	
Solid waste and environmental programs	-	-	-	-	-	-	1,680	1,680	145,738	(121,262)	109,032	109,032	109,032	109,032	-	
Land conservation programs ³	41,733	39,251	(2,482)	59,051	55,909	(3,142)	60,212	86,321	61,551	(6,500,341)	12,654,182	285,432	12,654,182	285,432	(12,388,780)	
Energy programs ⁴	18,322,983	18,232,444	(90,139)	91,335,755	91,025,543	(310,212)	108,506,743	108,704,970	41,575,413	(943,785)	15,745,496	16,971,609	15,745,496	16,971,609	1,226,114	
Interest on long-term debt ⁵	-	-	-	78	-	(78)	619	-	1,955	(1,955)	2,686	-	2,686	-	(2,686)	
Subtotal Governmental Activities⁶	35,865,512	38,033,609	3,168,097	109,217,037	117,490,054	8,273,017	133,715,428	145,595,665	88,213,257	(920,595)	46,360,989	37,684,492	46,360,989	37,684,492	(8,676,487)	
Business-type Activities																
Water and wastewater programs ⁸	8,437,183	8,437,183	-	13,768,944	13,768,944	-	31,435,363	24,586,564	4,010,035	(6,848,799)	59,266,970	1,977,949	59,266,970	1,977,949	-	
Storage tank maintenance programs ⁷	800,089	1,000,451	200,362	1,357,477	1,224,663	(132,814)	1,232,599	1,951,923	2,135,141	719,324	2,135,141	3,860,055	2,135,141	3,860,055	527,790,000	
Loan activities ⁴	348,463	165,431,763	165,083,300	687,665	135,757,916	135,069,231	2,319,989	113,604,026	111,284,057	2,188,760	163,952,695	161,763,915	163,952,695	161,763,915	145,430,027	
Subtotal Business-type Activities⁵	9,585,735	174,869,397	165,283,662	15,814,106	150,751,523	134,927,417	34,987,931	140,142,513	170,322,467	105,154,562	63,610,861	163,737,915	63,610,861	163,737,915	145,957,817	
Total Governmental and Business-type Activities	\$ 45,451,247	\$ 213,903,006	\$ 168,461,759	\$ 125,041,143	\$ 288,241,577	\$ 143,200,434	\$ 168,703,359	\$ 285,698,178	\$ 238,535,744	\$ 116,994,810	\$ 132,744,743	\$ 200,420,407	\$ 110,975,850	\$ 200,420,407	\$ 137,281,320	

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

Functions/Programs	2008			2009			2010			2011			2012			2013			2014			
	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	Expenses	Program Revenues	Net (Expense)/Revenue ¹	Expenses	Program Revenues	Net (Expense)/Revenue ¹	
Governmental Activities																						
General Government	\$ 6,003,709	\$ 2,678,318	\$ (3,325,391)	\$ 5,395,017	\$ 2,642,634	\$ (2,752,383)	\$ 4,594,236	\$ 4,168,238	\$ (426,000)	\$ 3,952,030	\$ 2,521,121	\$ (1,429,909)	\$ 3,655,625	\$ 3,157,765	\$ (497,860)	\$ 3,655,625	\$ 3,157,765	\$ (497,860)	\$ 3,655,625	\$ 3,157,765	\$ (497,860)	
Water and wastewater programs ²	6,297,017	17,226,904	10,929,887	5,868,630	19,390,095	13,521,465	4,817,939	15,369,723	10,551,784	3,995,672	3,609,514	(837,168)	3,469,874	11,871,524	8,382,650	3,469,874	11,871,524	8,382,650	3,469,874	11,871,524	8,382,650	
Solid waste and environmental programs	153,076	153,076	-	145,153	145,153	-	1,221,420	173,070	(1,053,600)	377,369	314,444	(82,946)	711,567	670,166	(41,801)	711,567	670,166	(41,801)	711,567	670,166	(41,801)	
Land conservation programs ³	32,363,754	48,078,941	15,715,187	882,052	5,222,736	4,340,684	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Energy programs ⁴	15,409,887	16,888,490	1,478,603	16,117,451	17,904,724	1,787,273	14,963,973	16,788,273	1,804,300	14,392,369	15,271,904	885,535	14,311,444	17,750,526	3,439,082	14,311,444	17,750,526	3,439,082	14,311,444	17,750,526	3,439,082	
Interest on long-term debt ⁵	2,442	-	(2,442)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Subtotal Governmental Activities⁶	60,229,887	85,025,731	24,795,844	28,028,283	45,305,342	17,277,059	25,603,568	36,479,802	10,676,234	22,718,460	21,723,983	(944,477)	22,167,910	33,450,001	11,282,091	22,167,910	33,450,001	11,282,091	22,167,910	33,450,001	11,282,091	
Business-Type Activities																						
Water and wastewater programs	2,329,243	2,329,243	-	1,909,264	1,909,264	-	1,741,197	1,741,197	-	3,400,793	3,400,793	-	10,851,362	10,851,362	-	10,851,362	10,851,362	-	10,851,362	10,851,362	-	
Loan activities ⁷	1,636,294	114,988,181	113,351,887	1,959,298	120,023,302	118,064,124	2,259,752	149,088,111	146,828,359	4,828,127	113,551,327	108,728,200	3,762,206	73,669,356	69,907,150	3,762,206	73,669,356	69,907,150	3,762,206	73,669,356	69,907,150	
Subtotal Business-Type Activities⁸	3,965,537	117,317,424	113,351,887	3,868,562	121,932,656	118,064,124	4,009,504	150,828,308	146,828,359	8,228,920	116,951,120	108,728,200	14,613,568	84,520,718	69,907,150	14,613,568	84,520,718	69,907,150	14,613,568	84,520,718	69,907,150	
Total Governmental and Business-Type Activities	\$ 64,195,424	\$ 202,343,155	\$ 138,147,731	\$ 31,896,845	\$ 167,237,998	\$ 136,341,183	\$ 29,603,072	\$ 187,308,110	\$ 157,704,593	\$ 30,947,380	\$ 138,675,103	\$ 107,726,723	\$ 36,781,478	\$ 117,970,719	\$ 81,189,241	\$ 36,781,478	\$ 117,970,719	\$ 81,189,241	\$ 36,781,478	\$ 117,970,719	\$ 81,189,241	

Notes:

¹Net (expense)/revenue is the difference between the expenses and program revenues of a function or program. It indicates the degree to which a function or program supports itself with its own fees and grants versus its reliance upon funding from general revenues or other sources. Numbers in parentheses are net expenses, indicating that expenses were greater than program revenues and therefore general revenues were needed to finance that function or program.

²The rather large change in net (expense)/revenue which occurred in years 2004, 2005, and 2006 can be explained by no receipt of contributions from the State of Georgia during 2005.

³The Authority did not incur any costs associated with land conservation programs other than general and administrative fees incurred in FY 2006 until FY 2007, in which three project recipients received grant funding. In FY 2009, the State of Georgia did not appropriate funding to the program. Interest earnings on investments and donations from the public were the sources of revenue. Current year program expenditures were funded with prior year remaining funds.

⁴The 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.

⁵Program revenues for governmental activities experienced an increase over 2006 primarily due to funding provided by the State of Georgia in 2007, more specifically in association with the land conservation programs. Program revenues for business-type activities experienced a decrease from 2006 primarily due to a reduction in federal grant dollars to capitalize the federal loan programs.

⁶The Authority entered into a computer financing agreement in fiscal year 2008 and thus, incurred interest expense on these 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).

GEORGIA ENVIRONMENTAL FINANCE AUTHORITY
 Government-wide General Revenues and Other Changes in Net Position
 Last Ten Fiscal Years
 (accrual basis of accounting)

	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Net (Expense), Total Governmental and Business-type Activities										
Governmental activities	\$ 3,568,097	\$ 8,273,017	\$ 11,940,236	\$ (920,595)	\$ 8,676,497	\$ 24,795,844	\$ 17,277,059	\$ 10,876,234	\$ (994,477)	\$ 11,282,091
Business-type activities	165,263,662	134,927,417	105,154,580	105,911,596	145,957,817	113,351,887	118,064,124	146,828,359	108,723,200	69,907,150
Total Governmental and Business-type Activities	168,451,759	143,200,434	116,994,816	105,991,001	154,634,314	138,147,731	135,341,183	157,704,593	107,728,723	81,189,241
General revenues and other changes in net position										
Governmental Activities:										
Unrestricted investment earnings	65,912	68,914	93,018	106,246	1,089,789	1,936,270	1,596,127	527,311	541,713	227,489
Miscellaneous	26,621	32,922	17,338	12,764	71,477	266,210	243,688	170,541	56,951	5,689
Transfers to business-type activities ¹	(8,344,739)	(12,774,656)	(6,206,325)	(1,707,053)	(7,368,132)	(10,977,392)	(5,984,093)	(5,436,695)	(5,662,833)	(10,739,806)
Subtotal Governmental Activities	(8,252,206)	(12,672,820)	(6,095,969)	(1,588,043)	(6,206,966)	(8,774,912)	(4,144,378)	(4,738,843)	(5,064,169)	(10,506,816)
Business-type Activities:										
Miscellaneous	161,770	363,722	25,409	108,782	1,014,458	4,704	22,100	70,031	20,145	96,846
Special items ²	-	-	(369,095,228)	-	-	-	-	-	-	-
Transfers from governmental activities	8,344,739	12,774,656	6,206,325	1,707,053	7,368,132	10,977,392	5,984,093	5,436,695	5,662,833	10,739,806
Subtotal Business-type Activities	8,506,509	13,138,378	(362,864,494)	1,815,835	8,382,590	10,982,096	6,006,193	5,506,726	5,682,978	10,836,652
Changes in Net Position										
Governmental activities	(5,064,109)	(4,389,803)	5,744,267	(2,508,638)	(14,883,363)	16,020,932	13,132,661	6,137,391	(6,066,646)	775,473
Business-type activities ²	173,790,171	148,065,795	(257,709,914)	108,727,431	154,340,407	124,333,983	124,070,317	152,336,085	114,406,178	80,743,802
Total Changes in Net Position	\$ 168,706,062	\$ 143,665,992	\$ (251,965,647)	\$ 106,218,793	\$ 139,457,044	\$ 140,354,915	\$ 137,202,998	\$ 158,472,476	\$ 108,347,532	\$ 81,519,275

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 assets for business-type activities.

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

	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
General Fund										
Nonspendable for prepaid items	\$ -	\$ -	\$ -	\$ -	\$ 6,624	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted for loan programs ^{1/2}	4,372,360	8,927,355	11,639,738	3,959,426	790,108	3,763,135	9,137,096	3,512,710	-	6,945,185
Restricted for grant programs ¹	25,445	100,000	180,722	332,340	1,503,649	2,698,404	892,625	965,539	1,154,392	1,518,219
Unassigned	3,851,778	3,828,466	5,382,428	5,328,658	5,477,280	4,679,804	4,382,305	4,208,604	3,342,104	3,777,088
Total general fund balance²	\$ 8,249,583	\$ 12,855,821	\$ 17,182,888	\$ 9,627,048	\$ 7,771,037	\$ 11,041,343	\$ 14,412,026	\$ 8,686,853	\$ 4,496,496	\$ 12,240,492
State Land Conservation Fund										
Restricted for grant programs ¹	\$ -	\$ -	\$ -	\$ -	\$ 7,889,049	\$ 20,181,811	\$ -	\$ -	\$ -	\$ -
Total state land conservation fund balance	\$ -	\$ -	\$ -	\$ -	\$ 7,889,049	\$ 20,181,811	\$ -	\$ -	\$ -	\$ -
Oil Overcharge and Miscellaneous Fund										
Restricted for grant programs ¹	\$ -	\$ -	\$ -	\$ -	\$ 171,128	\$ 168,494	\$ 208,597	\$ 11,900	\$ 197,817	\$ 253,847
Total oil overcharge fund balance	\$ -	\$ -	\$ -	\$ -	\$ 171,128	\$ 168,494	\$ 208,597	\$ 11,900	\$ 197,817	\$ 253,847
Nonmajor Governmental Funds										
Restricted for loan programs ¹	\$ 27,499,855	\$ 28,070,530	\$ 28,105,823	\$ 29,637,882	\$ 27,202,582	\$ 25,875,744	\$ 22,289,688	\$ 19,955,324	\$ 18,894,865	\$ 17,191,347
Restricted for grant programs ¹	5,206,354	5,427,638	5,324,730	5,528,358	4,255,978	4,868,361	9,400,008	4,181,891	3,074,551	3,045,755
Total nonmajor governmental fund balance	\$ 32,706,209	\$ 33,318,168	\$ 33,430,553	\$ 35,166,240	\$ 31,458,560	\$ 30,744,105	\$ 31,389,676	\$ 24,137,215	\$ 21,969,416	\$ 20,237,102
Total governmental fund balances	\$ 40,955,792	\$ 46,173,989	\$ 50,613,441	\$ 44,793,288	\$ 47,289,774	\$ 62,135,753	\$ 46,010,299	\$ 32,835,968	\$ 26,663,729	\$ 32,731,441

Notes:

¹Due to a high demand on cash during 2004 and the non-receipt of appropriations in 2005 from the State of Georgia, 2005 reserves for match on federal loan programs were depleted.

²Fonies provided by the State of Georgia are held in the General Fund until expenses are incurred and at that time the Authority transfers the necessary amount of cash to cover those changes. Fluctuations in the total general fund balance may occur year-to-year because of this practice.

³The Weatherization Assistance Fund, a major fund, did not have amounts reported as fund balance for any of the years presented. In fiscal years 2010 through 2013, ARRA-Weatherization Assistance Program was a major fund, but did not have any amounts reported as fund balance. In addition, the ARRA-State Energy Program was a major fund in fiscal years 2010 through 2012, but did not have any

GEORGIA ENVIRONMENTAL FINANCE AUTHORITY
Changes in Fund Balances, Governmental Funds⁶
Last Ten Fiscal Years
(modified accrual basis of accounting)

	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Revenues										
State of Georgia appropriations ¹	\$ -	\$ 283,495	\$ 15,286,358	\$ 8,099,808	\$ 8,967,325	\$ 58,323,726	\$ 19,085,782	\$ 12,400,000	\$ 275,000	\$ 8,307,125
State general obligation bond proceeds ⁸	9,600,000	12,000,000	3,204,819	4,717,199	4,195,875	5,369,503	5,186,031	4,273,697	2,602,121	3,745,892
Administrative fees	591,955	1,529,171	126,972,560	55,326,931	24,213,231	20,300,863	20,409,522	19,527,095	18,797,578	17,813,857
Grant revenues ⁵	28,794,201	103,618,950	-	-	-	12,777	106,084	193,517	-	3,557,613
Petroleum violation fees ²	39,251	55,909	83,228	53,784	67,719	87,392	191,223	612,804	-	-
Public donations	74,114	71,443	101,717	121,781	1,330,131	2,867,740	1,922,817	170,541	590,997	253,013
Interest income on investments	26,621	32,922	17,338	12,764	71,477	266,210	243,588	170,541	56,951	5,689
Miscellaneous	39,126,142	117,591,890	145,666,020	68,332,267	38,845,756	87,228,211	47,145,057	37,177,654	22,322,647	33,683,189
Total revenues	\$ 39,126,142	\$ 117,591,890	\$ 145,666,020	\$ 68,332,267	\$ 38,845,756	\$ 87,228,211	\$ 47,145,057	\$ 37,177,654	\$ 22,322,647	\$ 33,683,189
Expenditures										
General government	\$ 9,139,161	\$ 9,055,630	\$ 11,638,593	\$ 9,600,005	\$ 5,952,033	\$ 5,884,087	\$ 5,332,039	\$ 4,559,388	\$ 3,961,096	\$ 3,630,878
Water and wastewater programs	8,496,123	8,798,184	12,382,414	10,646,079	11,835,092	6,297,017	5,488,630	4,817,939	3,996,672	3,488,874
Solid waste and environmental programs	-	-	1,680	267,030	109,032	153,078	145,153	1,227,420	377,389	711,967
Land conservation programs ³	41,733	59,061	60,212	6,651,892	12,654,192	32,363,754	892,032	-	-	-
Energy programs ⁴	18,322,583	91,335,755	109,506,743	41,919,198	15,745,495	15,409,887	16,117,451	14,963,973	14,392,369	14,311,444
Capital outlay, general government	-	-	33,917	9,663	33,207	24,640	41,636	-	-	-
Debt Service:										
Principal reductions	-	6,978	15,364	25,637	17,846	9,045	-	-	-	-
Interest on long-term debt	-	78	619	1,995	2,686	2,442	-	-	-	-
Total expenditures	\$ 35,999,600	\$ 109,266,666	\$ 133,639,542	\$ 69,121,699	\$ 46,349,363	\$ 60,143,950	\$ 28,016,941	\$ 25,568,720	\$ 22,727,526	\$ 22,143,163
Excess of revenues over (under) expenditures	\$ 3,126,542	\$ 8,335,204	\$ 12,026,478	\$ (7,894,432)	\$ (7,503,625)	\$ 27,084,261	\$ 19,128,116	\$ 11,608,934	\$ (404,879)	\$ 11,540,026
Other Financing Sources (Uses)										
Capital leases	-	-	-	-	25,977	18,565	30,308	-	-	-
Transfers in ⁵	5,921,622	3,721,382	3,315,777	3,564,712	4,624,553	3,082,387	1,753,377	2,031,580	2,320,888	2,492,066
Transfers out ⁶	(14,266,361)	(16,496,038)	(9,522,102)	(5,271,765)	(11,992,685)	(14,059,779)	(7,737,470)	(7,468,275)	(7,983,721)	(13,231,872)
Total other financing sources (uses)	\$ (8,344,739)	\$ (12,774,656)	\$ (6,206,325)	\$ (1,707,053)	\$ (7,342,155)	\$ (10,958,807)	\$ (5,953,785)	\$ (5,436,695)	\$ (5,662,833)	\$ (10,739,806)
Net change in fund balances ⁷	\$ (5,218,197)	\$ (4,439,452)	\$ 5,820,153	\$ (2,496,485)	\$ (14,845,980)	\$ 16,125,454	\$ 13,174,331	\$ 6,172,239	\$ (6,067,712)	\$ 800,220

Notes:

¹In 2005, the Authority did not receive any appropriations from the State of Georgia for match on federal loan programs. In 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 2008.

²The Authority adjusted deferred revenue to earned revenue in accordance with eligibility requirements under GASB 33 in 2004. Receipt of petroleum violation fees is contingent upon the Federal government awarding allotments which is typically the result of a court settlement.

³Due to decreased interest earnings, the Authority transferred funds from other funds to satisfy administrative costs.

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. Because these are expenditure-driven grants, corresponding revenues have had significant fluctuations between the same time period.

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

⁶The Authority has no bond debt outstanding within the governmental funds and thus no debt service calculations as a percentage of noncapital expenditures.

⁷Fluctuations 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)

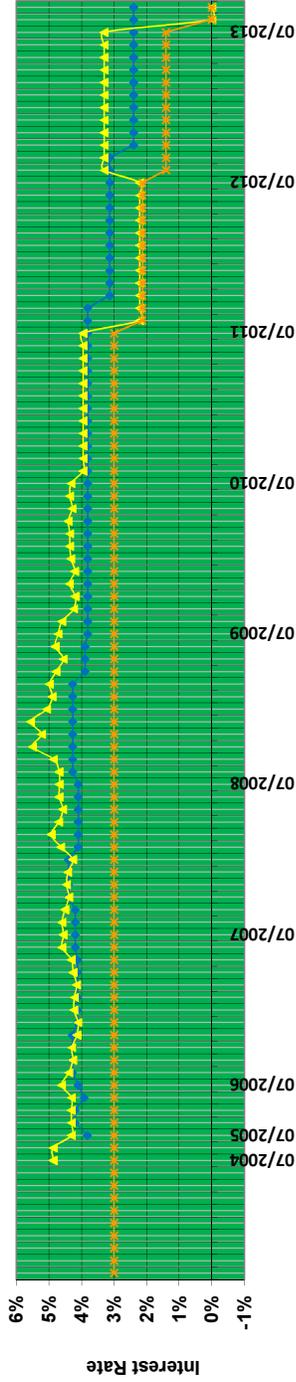
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Governmental Activities										
Charges for Services	\$ 591,955	\$ 1,529,171	\$ 11,392,512	\$ 10,921,781	\$ 4,195,875	\$ 5,369,503	\$ 5,186,031	\$ 4,273,697	\$ 2,602,121	\$ 3,745,892
Operating Grants and Contributions ²	38,441,654	115,980,983	134,163,153	57,291,476	33,488,617	79,656,228	40,119,311	32,206,105	19,121,862	29,704,109
Subtotal Governmental Activities Program Revenues	39,033,609	117,490,054	145,555,665	68,213,257	37,684,492	85,025,731	45,305,342	36,479,802	21,723,983	33,450,001
Business-type Activities										
Charges for Services	69,972,715	38,459,360	44,905,397	49,014,313	46,847,720	37,360,163	31,056,158	33,631,430	25,301,762	25,230,216
Operating Grants and Contributions	104,896,682	112,292,163	1,543,109	2,510,024	10,458,789	20,542,313	25,263,579	15,710,165	10,308,595	3,087,000
Capital Grants and Contributions ³	-	-	93,694,007	118,998,150	95,113,550	59,414,948	65,612,919	101,487,713	81,341,763	56,203,502
Subtotal Business-type Activities Program Revenues	174,869,397	150,751,523	140,142,513	170,522,487	152,420,069	117,317,424	121,932,656	150,829,308	116,952,120	84,520,718
Governmental and Business-type Activities										
Charges for Services	70,564,670	39,988,531	56,297,909	59,935,094	51,043,605	42,729,666	36,242,189	37,905,127	27,903,883	28,976,108
Operating Grants and Contributions	143,338,336	228,283,046	135,706,262	59,801,500	43,947,406	100,196,541	65,382,890	47,916,270	28,430,457	32,191,109
Capital Grants and Contributions ³	-	-	93,694,007	118,998,150	95,113,550	59,414,948	65,612,919	101,487,713	81,341,763	56,203,502
Total Governmental and Business-type Activities Program Revenues	\$ 213,903,006	\$ 268,241,577	\$ 285,698,178	\$ 238,735,744	\$ 190,104,661	\$ 202,343,155	\$ 167,237,998	\$ 187,309,110	\$ 138,676,103	\$ 117,970,719

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.

²During FY 2008, the Authority received a significant increase in operating grants from the State of Georgia for the State Land Conservation Fund. In FY 2011, 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 (ARRA). FY 2013 decrease is primarily due to expiration of ARRA programs.

GEFA State Loan Rates¹ and State Revolving Loan Fund (SRF) Rates to 20-year Bond Index (measured in July of each year)



Georgia Fund Loan Program			Bond Buyer Index		Clean Water SRF Rate and Fee History		
Date	Interest Rate (%)	Closing Fee (%) ²	Year	Interest Rate (%)	Date	Interest Rate (%)	Closing Fee (%)
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
06/2009	3.81	N/A	07/2009	4.72	06/2009	3.00	2.00
05/2009	3.81	N/A	07/2008	4.68	06/2008	3.00	2.00
02/2009	3.89	N/A	07/2007	4.56	06/2007	3.00	2.00
06/2008	4.27	N/A	07/2006	4.61	06/2006	3.00	2.00
12/2007	4.10	N/A	07/2005	4.31	06/2005	3.00	2.00
08/2007	4.40	N/A	07/2004	4.87	06/2004	3.00	2.00
06/2007	4.19	N/A	07/2003	4.74	06/2003	3.00	2.00
04/2007	4.19	N/A					
09/2006	4.12	N/A					
06/2006	4.28	N/A					
02/2006	4.10	N/A					
09/2005	3.92	N/A					
08/2004	4.20	N/A					
03/2004	3.82	N/A					
11/2003	4.12	N/A					
06/2003	3.73	N/A					

Sources:

The Authority's Water Resources Division and the Bond Buyer and Federal Reserve at: www.federalreserve.gov/releases/h15/data/monthly/h15_sl_v20.txt

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 costs associated with originating, processing, underwriting and servicing loans for that program.

GEORGIA ENVIRONMENTAL FINANCE AUTHORITY
Principal Loans Receivable Payers
*Fiscal Year 2013 and Nine Years Prior (2004)*¹

	2013			2004		
	PRINCIPAL BALANCE OUTSTANDING	RANK	% OF TOTAL PRINCIPAL BALANCE OUTSTANDING	PRINCIPAL BALANCE OUTSTANDING	RANK	% OF TOTAL PRINCIPAL BALANCE OUTSTANDING
BORROWER						
HENRY COUNTY WSA ⁴	\$ 55,911,042	5	4.73%	\$ 41,634,798	2	7.00%
GAINESVILLE	101,142,592	3	8.55%	45,000,690	1	7.55%
SAVANNAH	27,972,933	10	2.37%	18,542,352	5	3.12%
COLUMBUS WATER WORKS	32,293,197	9	2.73%	26,906,876	3	4.52%
ATLANTA ^{2,4}	188,079,263	1	14.22%	-	n/a	-
COVINGTON	-	n/a	-	20,025,363	4	3.37%
CALHOUN	-	n/a	-	14,278,793	7	2.40%
CAMILLA	-	n/a	-	14,707,310	6	2.47%
CARTERSVILLE	-	n/a	-	13,699,787	8	2.30%
TOCCOA ²	-	n/a	-	12,319,130	9	2.07%
WAYCROSS ²	-	n/a	-	12,201,983	10	2.05%
COBB COUNTY	166,316,381	2	14.07%	-	n/a	-
GWINNETT COUNTY	51,556,452	6	4.36%	-	n/a	-
HALL COUNTY	32,645,848	8	2.76%	-	n/a	-
VALDOSTA	46,900,075	7	3.97%	-	n/a	-
COBB COUNTY-MARIETTA WA	56,038,884	4	4.74%	-	n/a	-
TOTAL PRINCIPAL PAYERS	\$ 738,856,668		62.49%	\$ 219,317,082		36.85%
ALL OTHER PAYERS	443,435,827		37.51%	375,576,447		63.15%
TOTAL PAYERS³	\$ 1,182,292,495		100.00%	\$ 594,893,529		100.00%

Source:

The Authority's Accounting Division.

Notes:

- ¹Consolidated loan principal balance information was not readily available until fiscal year 2002 when the Authority began the use of a loan servicing system. Complete information was not available through until fiscal year 2003.
- ²Payer had an outstanding principal balance for the years presented with an "n/a"; however, these amounts were not within the top 10 ranking. Therefore, payer was included in "All Other Payers".
- ³Loans 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.
- ⁴Projects for which loan funds are disbursed towards are closed out upon certification by the Georgia Environmental Protection Division. During fiscal year 2007, principal balances for Henry County and the City of Atlanta more than doubled. The Authority has contracted with several jurisdictions that have multiple-phase projects to be completed such as Atlanta, Henry County WSA, and Gainesville. As demonstrated here, these jurisdictions are expected to have continued financing agreements over several years.

GEORGIA ENVIRONMENTAL FINANCE AUTHORITY

Interest Revenue by Fund¹
Last Ten Fiscal Years²
(accrual basis of accounting)

	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Georgia Fund	\$ 9,124,014	\$ 8,961,789	\$ 16,617,343	\$ 22,746,277	\$ 23,177,090	\$ 18,826,064	\$ 14,903,534	\$ 12,384,375	\$ 12,426,940	\$ 13,139,983
Georgia Reservoir & Water Supply Fund	26,753	55,817	-	-	93	-	-	-	-	-
Series 1981	-	-	-	-	-	-	225,127	239,387	632,357	886,342
Clean Water State Revolving Loan Fund	22,380,926	23,062,731	22,746,784	21,818,651	19,787,106	15,743,087	13,351,989	11,938,645	10,855,344	10,112,408
Clean Water State Match Revolving Loan Fund ³	28,340,158	1,809,702	153,709	-	-	-	-	6,275,222	-	-
ARRA-Clean Water State Revolving Loan Fund	-	-	517,822	85,252	-	-	-	-	-	-
Drinking Water State Revolving Loan Fund	3,053,806	3,003,892	2,719,557	-	2,562,465	2,236,216	2,183,885	1,678,161	881,655	411,261
Drinking Water State Match Fund ⁴	5,278,657	311,768	-	-	-	-	-	-	-	-
ARRA-Drinking Water State Revolving Loan Fund	-	-	-	16,695	-	-	-	-	-	-
Nonmajor Enterprise Funds Operating Revenue ⁵	-	368,460	628,296	3,222,211	173,972	554,796	391,623	1,115,640	505,468	670,223
Total interest revenue	\$ 68,204,314	\$ 37,564,159	\$ 43,383,521	\$ 47,888,655	\$ 45,700,726	\$ 37,360,163	\$ 31,056,158	\$ 33,631,430	\$ 25,301,762	\$ 25,230,217

Source:

The Authority's Accounting Division.

Notes:

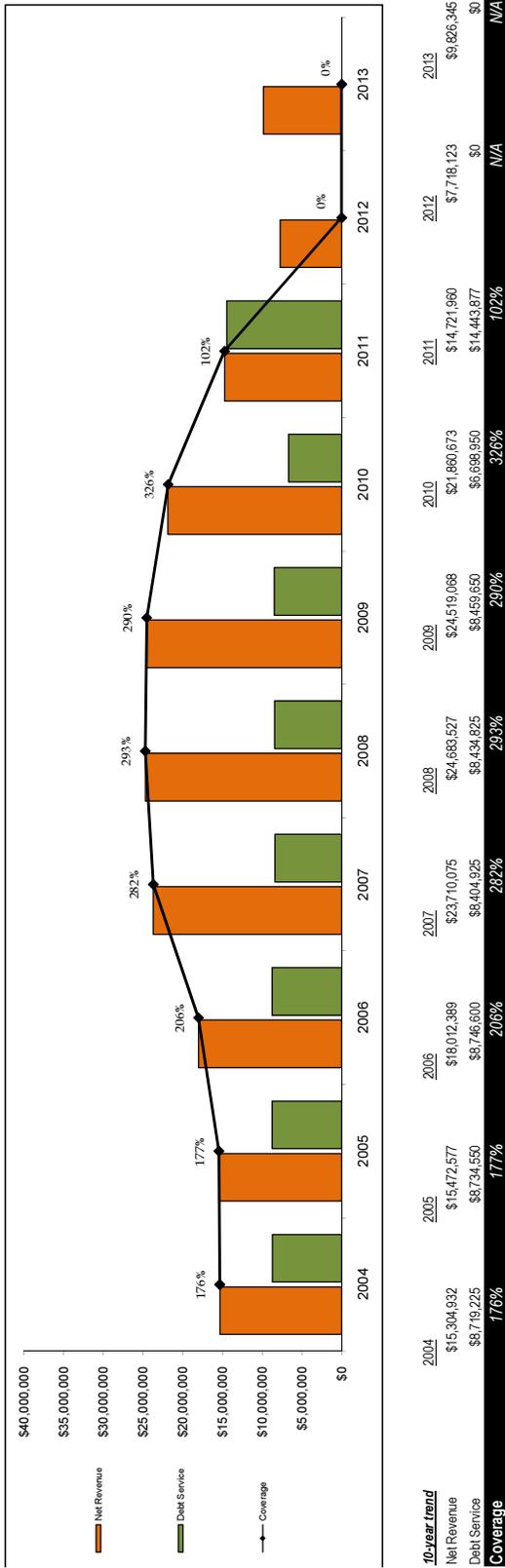
¹Interest revenues are derived from charges for services relative to specific activities of the Authority. Their source is interest income on loan receivables.

²The Authority implemented GASB Statement No. 34 in fiscal year 2002. Therefore, only nine years of government-wide financial data is presented.

³The Authority defers revenue for the Clean Water State Match Revolving Loan Fund until federal match eligibility criteria has been satisfied. During fiscal year 2005, \$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. For fiscal year 2013, the Authority began recording interest revenue on loans receivable throughout the year. However, operating results are restricted for use consistent with program guidelines. In addition, during fiscal year 2013, program policy change necessitated recognition of previously deferred revenue in the amount of approximately \$25 million.

⁴The Authority defers revenue 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. For fiscal year 2013, the Authority began recording interest revenue on loans receivable throughout the year.

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



FISCAL YEAR	GROSS REVENUE ¹	OPERATING EXPENSES ¹	AVAILABLE FOR DEBT SERVICE REQUIREMENTS			TOTAL	COVERAGE	OUTSTANDING DEBT ²
			AVAILABLE FOR DEBT SERVICE	PRINCIPAL	INTEREST			
2013	10,127,628	301,283	9,826,345	-	-	0.00%	-	
2012	9,377,023	1,658,900	7,718,123	-	-	0.00%	-	
2011	16,979,614	2,257,654	14,721,960	14,255,000	188,877	101.93%	13,909,990	
2010	23,109,147	1,248,474	21,860,673	6,035,000	663,950	328.33%	21,139,984	
2009	24,531,536	12,468	24,519,068	7,460,000	969,650	288.84%	28,024,977	
2008	24,719,252	35,725	24,683,527	7,115,000	1,319,825	292.64%	34,574,970	
2007	23,766,880	56,805	23,710,075	6,780,000	1,624,925	282.10%	41,159,964	
2006	18,072,396	60,006	18,012,389	6,815,000	1,931,600	205.94%	47,439,957	
2005	16,948,120	1,475,543	15,472,577	6,510,000	2,224,550	177.14%	55,364,107	
2004	15,380,200	55,288	15,304,932	6,215,000	2,504,225	175.53%	-	

Source:

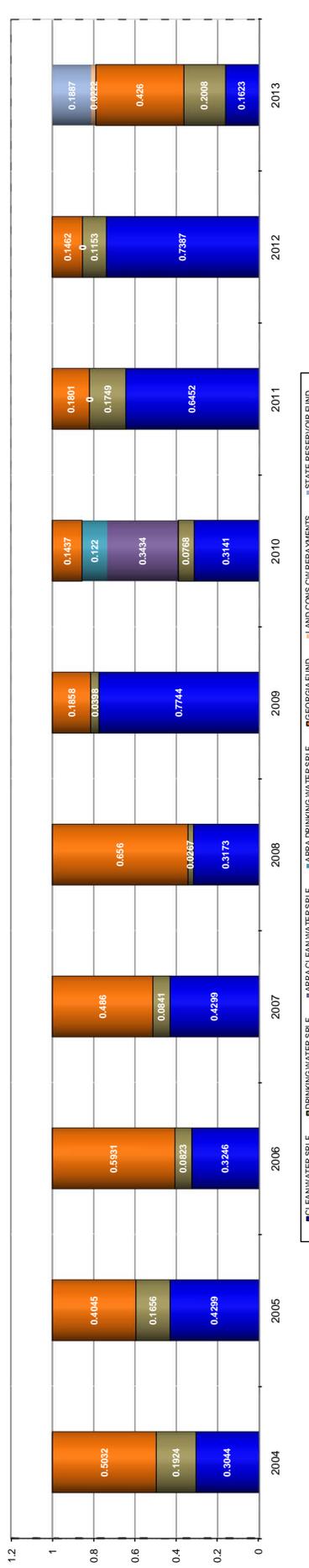
The Authority's Accounting Department.

Note:

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 Years²



Year	State of Georgia Population	Estimated Population Impacted	Number of Jurisdictions	Number of Projects	Clean Water State			ARRA ¹ Clean Water State			ARRA ¹ Drinking Water State			Land Cons Clean Water			Totals
					Revolving Loan Fund ²	Percent of Total	Revolving Loan Fund ³	Revolving Loan Fund	Percent of Total	Revolving Loan Fund	Percent of Total	Revolving Loan Fund	Percent of Total	Revolving Loan Fund	Percent of Total	Revolving Loan Fund	
2013	n/a	461,117	49	59	\$ 30,746,147	16.23%	\$ 38,031,076	20.08%	\$ -	0.00%	\$ 80,674,911	42.60%	\$ 4,200,000	2.22%	\$ 35,737,466	18.87%	\$ 189,389,600
2012	n/a	1,685,775	35	37	92,907,041	73.87%	14,496,683	11.53%	-	0.00%	18,371,394	14.62%	-	0.00%	18,371,394	14.62%	125,771,118
2011	9,815,210	2,153,049	56	64	124,855,163	64.52%	33,859,984	17.49%	-	0.00%	34,824,107	18.01%	-	0.00%	34,824,107	18.01%	193,519,254
2010	9,908,357	2,349,350	92	97	74,731,476	31.41%	18,281,324	7.68%	81,686,310	34.34%	29,030,750	12.20%	-	0.00%	34,159,881	14.37%	237,889,741
2009	9,813,588	2,084,223	44	43	156,590,500	77.44%	8,048,328	3.98%	n/a	n/a	37,551,987	18.58%	-	0.00%	179,145,480	65.60%	273,086,460
2008	9,690,277	2,043,370	71	73	86,657,300	31.73%	7,283,680	2.67%	n/a	n/a	138,588,774	48.60%	-	0.00%	166,645,804	59.31%	280,984,739
2007	9,526,642	3,118,887	71	88	122,584,000	42.99%	23,981,220	8.41%	n/a	n/a	82,587,731	40.45%	-	0.00%	61,989,156	50.32%	204,172,888
2006	9,323,575	2,825,301	85	94	91,204,759	32.46%	33,812,003	16.56%	n/a	n/a	61,989,156	50.32%	-	0.00%	53,001,311	29.64%	178,942,051
2005	9,090,479	1,413,980	67	80	87,772,154	42.99%	23,699,147	19.24%	n/a	n/a	-	-	-	-	-	-	-
2004	8,907,292	1,964,890	71	82	37,694,720	30.44%	39,414,101	22.03%	n/a	n/a	-	-	-	-	-	-	-
2003	8,727,810	1,183,844	68	82	86,626,639	48.33%	-	-	n/a	n/a	-	-	-	-	-	-	-

Source: The Authority's Accounting and Environment Departments, State of Georgia Population obtained from the State of Georgia's Comprehensive Annual Financial Report at <http://www.audits.state.ga.us>

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.audits.state.ga.us.

²Loan demand information was not easily verifiable until 2002 when the Authority began the use of a loan servicing system.

³Amounts presented include twenty percent allocated to their respective matching loan programs. Includes Land Conservation loans.

⁴In 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.

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									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Governmental activities:										
Executive Administration ⁴	5	6	6	6	5	6	2	2	2	2
Energy programs ¹	8	13	16	16	12	9	9	8	6	5
Solid waste and environmental programs	n/a	n/a	n/a	n/a	n/a	1	1	1	1	1
Fuel storage tank and alternative fuels programs	2	3	3.5	3.5	4.5	6	5	5	5	4
Information technology ²	4	3	3	4	4	4	4	4	4	3
Accounting support	2	3	3	2	3.5	3	4	4	4	4
Other administrative support	4	5	5	5	6	4	5	4	3	4
Total FTE - Governmental Activities	25	33	37	37	35	33	30	28	25	23
Business-type activities:										
Waste and wastewater programs ³	8	8	6.5	8.5	4.5	6	6	5	5	3
Accounting and finance support	5	6	6	5	3.5	4	3	4	4	2
Other administrative support	0	0	0	0	2	2	2	2	2	2
Total FTE - Business Type Activities	13	14	13	14	10	12	11	11	11	7
Totals	38	47	49	50	45	45	41	39	36	30

Sources:

The Authority's Human Resources and Accounting Departments.

Notes:

¹The Division of Energy Resources increased personnel in 2005 and 2006 to provide services for 3 new programs: 1) State Energy Strategy 2) State Energy Database, and 3) State Utilities Purchasing Program. In 2007, an Information Coordinator was added to conduct data research for Energy and related Environment programs.

²In 2003, the Information Technology Department was reorganized to include a project management, database administration and financial analysis unit to accommodate staff with information warehousing and financial reporting needs. A systems administrator was later added in 2005.

³The Authority added the Land Conservation program in 2005. An Environment Division Director and a Land Conservation Program Manager were hired to fulfill the increased needs of the program.

⁴In fiscal year 2008, the Authority was reorganized to a Chief Executive structure, which includes a Chief Operating Officer to oversee all program areas; a Chief Fiscal Officer to oversee the areas of Accounting, Finance and Information Technology; a Chief Administrative Officer to oversee Human Resources and general administrative support; and, a Public Affairs Director to oversee Public Relations, Communications, and Marketing for the Authority.

⁶The Authority has positions that are split-funded and multi-functional and thus some areas require percentage tabulations.

GEORGIA ENVIRONMENTAL FINANCE AUTHORITY

Operating Indicators by Function¹

Last Ten Fiscal Years²

Function/Program	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Energy programs										
Clients served ⁵	2,741	13,072	9,703	2,451	4,377	5,146	4,424	1,107	3,618	5,231
Homes weatherized ⁵	2,027	5,381	7,273	1,353	2,578	2,642	2,751	672	2,467	2,362
Carbon dioxide (CO ₂) reductions (tons) ³	2,027	5,381	7,273	1,353	2,578	2,642	2,751	672	2,467	2,362
Energy saved (million BTU) ⁵	61,824	164,120	230,845	42,944	81,825	83,858	n/a	n/a	n/a	n/a
Loan activities										
Jobs created										
Construction	9,469	6,289	9,667	10,093	10,500	15,390	14,149	14,049	10,209	6,159
Permanent	3,788	2,516	3,870	4,037	4,200	8,172	5,659	5,620	4,083	2,463
Private wells eliminated	31	100	1,470	93	735	1,350	304	535	1,368	825
Sewer lines (linear feet):										
Added	22,900	18,253	46,140	772,360	278,076	107,496	153,237	214,838	89,189	119,078
Upgraded	18,400	5,000	137,860	290,585	100,735	140,114	169,503	383,145	23,739	123,117
Septic tanks removed	2	527	1,276	-	360	311	312	728	359	906
New customers added	13,073	17,534	275	88,455	80,232	97,778	75,098	48,604	20,890	27,889

Sources:

The Authority's Energy and Environment Departments.

Notes:

¹Information presented is based on estimates.

²During 2002, a needs assessment was engaged to determine how the Authority could begin collecting performance data on its programs. However, the Authority did not begin collecting performance indicator data for all areas identified until 2003.

GEORGIA ENVIRONMENTAL FINANCE AUTHORITY
Capital Asset Statistics by Function
 Last Ten Fiscal Years

Function/Program	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
General government										
Computer and peripheral equipment										
Capital lease obligations ²	-	-	15	43	43	28	15	n/a	n/a	n/a
Computer purchases ³	3	17	7	-	5	5	5	4	4	4
Motor vehicle ¹	n/a									

Source:

The Authority's Accounting and Information Technology Departments.

Notes:

¹The Authority sold its motor vehicle to the Georgia Department of Administrative Services in 2003.

² 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.

³The Authority chose the option to purchase the 15 computers on the capital leases in 2012, as well as two additional computers.

GEORGIA ENVIRONMENTAL FINANCE AUTHORITY

(A Component Unit of the State of Georgia)
 Schedule of Expenditures of Federal Awards
 Year Ended June 30, 2013

Federal Grantor/Program Title	CFDA number	Pass-through Award/ Contract Number	Federal expenditures
U.S. Department of Energy:			
Direct programs:			
State Energy Program	81.041	DE-EE0004521	\$ 773,128
ARRA-State Energy Program	81.041	DE-EE0000225	799,250
Total State Energy Program			<u>1,572,378</u>
Weatherization Assistance for Low-Income Persons	81.042	NT43106	786,071
ARRA-Weatherization Assistance for Low-Income Persons	81.042	DE-EE0000109	10,465,631
Total Weatherization Assistance for Low-Income Persons			<u>11,251,702</u>
Energy Efficiency and Renewable Energy Information Dissemination, Outreach, Training and Technical Analysis/Assistance	81.117	DE-EE0000345	96,077
ARRA-Electricity Delivery and Energy Reliability, Research, Development and Analysis	81.122	DE-OE0000081	54,092
ARRA-Energy Efficiency and Conservation Block Grant (EECBG)	81.128	DE-EE0000806	247,342
Total U.S. Department of Energy			<u>13,221,591</u>
U.S. Department of Health and Human Services:			
Pass-through programs - State of Georgia Department of Human Resources:			
Low-Income Home Energy Assistance Program	93.568	42700-040-0000012821	5,671,186
Low-Income Home Energy Assistance Program	93.568	42700-040-0000020903	73,181
Total U.S. Department of Health and Human Services			<u>5,744,367</u>
U.S. Environmental Protection Agency:			
Direct programs:			
State Revolving Funds (Clean Water)	66.458	CS13000111	14,105,296
State Revolving Funds (Clean Water)	66.458	CS13000112	23,896,000
State Revolving Funds (Clean Water)	66.458	CS13000113	6,123,500
Total State Revolving Funds (Clean Water)			<u>44,124,796</u>
State Revolving Funds (Drinking Water)	66.468	FS-98409909	708,117
State Revolving Funds (Drinking Water)	66.468	FS-98409910	12,142,967
State Revolving Funds (Drinking Water)	66.468	FS-98409911	13,613,206
State Revolving Funds (Drinking Water)	66.468	FS-98409912	483,018
Total State Revolving Funds (Drinking Water)			<u>26,947,308</u>
Total U.S. Environmental Protection Agency			<u>71,072,104</u>
Total Federal Expenditures			\$ <u>90,038,062</u>

See accompanying notes to Schedule of Expenditures 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, 2013

(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 receives 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 State Energy Conservation Program, the Weatherization Assistance for Low-income Persons, Low-Income Home Energy Assistance, Energy Efficiency & Conservation Programs 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. 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) Loans Receivable

At June 30, 2013, the Authority had \$682,952,131 in loans receivable outstanding, which were originally funded by the State Revolving Funds (Clean Water) Program and \$108,573,340 in loans receivable outstanding, which were originally funded by the State Revolving Funds (Drinking Water) Program. 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.

(5) Subrecipients

Of the Federal expenditures presented in the Schedule, the Authority provided Federal awards to subrecipients as follows:

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

Notes to Schedule of Expenditures of Federal Awards

June 30, 2013

<u>Program Title</u>	<u>Federal CFDA number</u>	<u>Amount provided to subrecipients</u>
State Energy Program	81.041	67,997
Weatherization Assistance for Low-Income Persons	81.042	679,242
Energy Efficiency and Renewable Energy Information Dissemination, Outreach, Training and Technical Analysis/Assistance	81.117	96,077
Low-Income Home Energy Assistance Program	93.568	5,377,473
State Revolving Funds (Clean Water)	66.458	42,457,942
State Revolving Funds (Drinking Water)	66.468	25,914,343
Direct and pass-through programs under the American Recovery and Reinvestment Act of 2009:		
ARRA-State Energy Program	81.041	656,987
ARRA-Weatherization Assistance for Low-Income Persons	81.042	9,656,934
ARRA-Electricity Delivery and Energy Reliability, Research, Development and Analysis	81.122	20,893
ARRA-Energy Efficiency and Conservation Block Grant (EECBG)	81.128	48,330

**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") as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated September 26, 2013. Our report includes a reference to the implementation of new accounting standards which modified terminology and presentation of certain accounts and changed the accounting for bond issuance costs.

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.

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

Atlanta, Georgia
September 26, 2013

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR FEDERAL PROGRAM AND REPORT ON
INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY OMB CIRCULAR A-133**

**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") compliance with the types of compliance requirements described in the *OMB Circular A-133 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, 2013. 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 the requirements of laws, regulations, contracts, and grants 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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, 2013.

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 OMB Circular A-133, 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 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Atlanta, Georgia
September 26, 2013



GEORGIA ENVIRONMENTAL FINANCE AUTHORITY

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

SECTION I SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued Unmodified

Internal control over financial reporting:

Material weaknesses identified? yes 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 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 programs. Unmodified

Any audit findings disclosed that are required to
be reported in accordance with OMB Circular
A-133, Section 510(a)? yes no

Identification of major program:

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

GEORGIA ENVIRONMENTAL FINANCE AUTHORITY

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

Dollar threshold used to distinguish between

Type A and Type B programs:

\$2,701,142

Auditee qualified as low-risk auditee?

yes 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 AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013

None reported