Fiscal Year 2017

State Road and Tollway Authority

A Component Unit of the State of Georgia

Audit Report

For the Fiscal Year Ended June 30, 2017

Department of Audits and Accounts

Greg S. Griffin
State Auditor

(A Component Unit of the State of Georgia)

Annual Financial Report

For the fiscal year ended June 30, 2017

Prepared by:

State Road and Tollway Authority

SRTA

STATE ROAD
& TOLLWAY
AUTHORITY

STATE ROAD AND TOLLWAY AUTHORITY

FINANCIAL REPORT
JUNE 30, 2017

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STATE ROAD
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AUTHORITY

DEPARTMENT OF AUDITS AND ACCOUNTS

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GREG S. GRIFFIN
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Independent Auditor's Report

The Honorable Nathan Deal, Governor of Georgia
Members of the General Assembly of the State of Georgia
Members of the Board of State Road and Tollway Authority
and
Mr. Christopher Tomlinson, Executive Director and Board Secretary

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the State Road and Tollway Authority (Authority), a component unit of the State of Georgia as of and for the year ended June 30, 2017, 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 of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Authority as of June 30, 2017, 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 2 to the financial statements, in 2017, the Authority adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 74, *Financial Reporting for Postemployment Benefits Plans Other than Pension Plans, GASB Statement No. 77*, *Tax Abatement Disclosures*, GASB Statement 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*, GASB Statement No. 80, *Blending Requirements for Certain Component Units*, and GASB Statement No. 82, *Pension Issues*. Our opinions are not modified with respect to these matters.

As discussed in Note 2 to the financial statements, in 2017, the Authority had a change in accounting principal related to the implementation of a new indirect cost allocation plan which resulted in a change in beginning fund balance/net position for governmental funds, proprietary funds, and government-wide activities of $12 million. Our opinions are not modified with respect to this matter.

As discussed in Note 2 to the financial statements, in 2017, the Authority had a change in financial reporting related to toll facilities and customer service center. It was determined that these no longer met the requirements for inclusion as special revenue funds and are reported as proprietary funds. This change decreased governmental funds fund balance by $43.9 million and increased governmental activities net position by $12.9 million and decreased proprietary funds net position by $12.9 million. 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, Schedules of Proportionate Share of the Net Pension Liability, Schedules of Contributions to Retirement Systems, and Notes to the Required Supplementary Information presented on pages 5 through 17, and pages 89 through 90, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

The *Schedule of Expenditures of Federal Awards* is the responsibility of management and was derived from and relates 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 *Schedule of Expenditures of Federal Awards* is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2017 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

A copy of this report has been filed as a permanent record in the office of the State Auditor and made available to the press of the State, as provided for by Official Code of Georgia Annotated section 50-6-24.

Respectfully submitted,

Greg S. Griffin
State Auditor

November 30, 2017

SRTA

STATE ROAD & TOLLWAY AUTHORITY

STATE ROAD AND TOLLWAY AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS *(UNAUDITED)*

Introduction

The *Management's Discussion and Analysis* (MD&A) of the State Road and Tollway Authority ("the Authority") presents an overview and analysis of the Authority's financial activities for the fiscal year ended June 30, 2017. It should be read in conjunction with the Authority's financial statements, including the notes to the financial statements, which are an integral part of the statements that follow this narrative.

The Authority is a public corporation and body corporate responsible for financing transportation projects and operating toll facilities in the State of Georgia. As of June 30, 2017, the Authority's proprietary statements have four funds as well as a state-wide electronic toll collection customer service center. The transit fund maintains and operates transit activities, as Xpress operations prepare to transition from Georgia Regional Transportation Authority (GRTA) to the Authority, and are shown as a major proprietary fund. The I-75 S Metro Express Lanes and the I-75 Northwest Corridor Express Lanes are shown as individual major proprietary funds because of the project specific related debt. The tolling system fund maintains and operates one toll facility (i.e. the I-85 Express Lanes) and five toll facilities under planning and/or construction. The Authority's internal service fund was used to report activity within the statewide electronic toll collection customer service center, including image review of toll trips and toll account management. As of June 30, 2017, the Authority's governmental statements include the general fund activities of the Authority, management of a bond financing program and administration of a transportation infrastructure bank program.

Financial Highlights

Government-wide

- The Authority disbursed $182.2 million for statewide transportation system improvements during the fiscal year, as compared to $197.3 million in the prior year.
- The Authority disbursed $2.5 million in loans and $11.3 million in grants during the fiscal year as part of the Georgia Transportation Infrastructure Bank (GTIB).
- Total assets and deferred outflows of resources of the Authority exceeded liabilities and deferred inflows of resources by $12.6 million (reported as "net position"), as compared to $45.8 million in the prior year. The decrease in net position of $33.2 million or 72.5% in fiscal year 2017 was primarily due to decreased accrued bond interest, increased toll revenues, violation fees, and GTIB loan interest, and offset by roadway improvement costs that exceed intergovernmental revenues and capital contributions.
- Long-term debt decreased $208.6 million, or 21.9%, during the fiscal year related to debt service for the net difference between new issuances and maturing principal payments and capital leases decreased $0.1 million. The TIFIA and developer financing loans increased $212.5 million, toll revenue bond accreted interest increased $2.1 million, pension liability increased $5.8 million, tenant improvement allowance increased $1.9 million, and compensated absences increased $0.4 million. Long-term debt had a net increase of $14.0 million. The Authority continues to balance the need to issue debt for capital improvements against Authority management's desire to maintain a conservative approach to debt management. (See Table 4 and Note 9 of the financial statements for additional information.)

Fund Level

- The governmental funds reported combined ending fund balances of $124.1 million. This amount represents an increase of $14.2 million, or 12.9% when compared with the prior year restated fund balance. Of this total fund balance, $15.3 million, or 12.3%, represents nonspendable fund balance; $80.1 million, or 64.6%, represents restricted fund balance; $19.2 million, or 15.4%, represents assigned fund balance; and $9.5 million, or 7.7%, represents unassigned fund balance.

- The general fund reported ending fund balance of $46.8 million. This amount represents an increase of $1.7 million, or 3.7% when compared with the prior year restated fund balance. Of this total fund balance, $15.3 million or 32.7%, represents nonspendable fund balance; $3.1 million, or 6.5%, represents restricted fund balance; $18.9 million, or 40.5%, represents assigned fund balance; and $9.5 million, or 20.3% represents unassigned fund balance.

- The enterprise funds ended the fiscal year with a total deficit net position of $88.4 million. This amount represents a decrease of 63.6 million, or 256.2% when compared with the prior year restated net position. Of this total net position, $36.3 million, or 41.0%, represents net investment in capital assets; $108.8 million, or 123.0%, represents restricted net position; and $(233.6) million, or (264.0)%, represents a deficit unrestricted net position.

Overview of the Financial Statements

The financial section of this report includes four parts: (1) management's discussion and analysis, (2) basic financial statements, (3) required supplementary information, and (4) other supplementary information. The Basic Financial Statements consist of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements.

<u>Government-wide Financial Statements – Reporting the Authority as a Whole</u>

The government-wide financial statements only include the operations of the Authority. The Authority is considered a blended component unit of the State of Georgia for financial reporting purposes because of the significance of its legal, operational, and financial relationships with the State. These reporting entity relationships are defined in Section 2100 of the Governmental Accounting Standards Board's *Codification of Governmental Accounting and Financial Reporting Standards*.

The Statement of Net Position and the Statement of Activities together comprise the government-wide financial statements and provide a broad overview of the Authority's financial activities as a whole. These statements are prepared with a long-term focus using the full-accrual basis of accounting, similar to private-sector businesses. This means all revenues and expenses associated with the fiscal year are recognized regardless of when cash is spent or received, and all assets, deferred outflows of resources, liabilities and deferred inflows of resources, including capital assets and long-term debt, are reported at the entity level.

The government-wide statements report the Authority's net position, which is the difference between total assets and deferred outflows of resources and liabilities and deferred inflows of resources. These statements also include how these items have changed from the prior year. Over time, increases and decreases in net position measure whether the Authority's overall financial condition is improving or declining. In evaluating the Authority's overall condition, however, additional non-financial information should be considered, such as the economic outlook, changes in demographics, and the condition of its capital assets and infrastructure. The Government-wide statements report two activities:

- Governmental Activities. The majority of the Authority's basic services fall under this activity, including services related to general government, debt service, and the Georgia Transportation Infrastructure Bank. Intergovernmental revenue is the major funding source for these programs.

- Business-Type Activities. The Authority operates certain activities similar to private-sector businesses by charging fees to customers to recover all or a significant portion of their costs of providing goods and services. The operation of toll facilities, transit services and customer service center are some examples of business-type activities.

Fund Financial Statements – Reporting the Most Significant Funds

The fund financial statements provide detailed information about individual major funds, not the Authority as a whole, and are located in the Basic Financial Statements – Fund Financial Statements section. A *fund* is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. The Authority, like other state and local governments, uses funds to ensure and demonstrate compliance with finance-related and legal requirements. All of the Authority's funds are two types, each of which use a different accounting approach and should be interpreted differently.

- **Governmental Funds.** Most of the basic services provided by the Authority are financed through governmental funds and are essentially the same functions reported as governmental activities in the government-wide financial statements. Governmental funds use the modified accrual basis of accounting, and focus on short-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. These statements provide a detailed short-term view of the Authority's finances that assist in determining whether there will be adequate financial resources available to meet the current needs of the Authority.
    - The Authority maintained three individual governmental funds during the fiscal year ending June 30, 2017. The Debt Service Fund is used to account for the governmental state transportation financing activities of the Authority. The Georgia Transportation Infrastructure Bank (GTIB) Fund is used to account for the Authority's transportation infrastructure loan and grant program. The General Fund is used to account for all governmental activities of the Authority not otherwise accounted for by Debt Service, and Georgia Transportation Infrastructure Bank.
- **Proprietary Funds.** The Proprietary funds, which include enterprise funds and an internal service fund, account for Authority activities that are similar to private-sector businesses. Like government-wide statements, proprietary fund statements are presented using the full-accrual basis of accounting. Activities whose customers are mostly outside of state government are accounted for in enterprise funds and are the same functions reported as business-type activities. The enterprise fund financial statements provide more detail and additional information than in the government-wide statements, such as cash flows. The Authority operates a customer service center whose activities are allocated proportionately between the business-type activities based on the benefit of the services provided to those activities.
    - The transit enterprise fund is used to account for transit related operations, maintenance, and projects.
    - Enterprise funds for the I-75 S Metro Express Lanes, which opened during fiscal year 2017, and the I-75 Northwest Corridor Express Lanes, which is still under construction, have project specific related debt and are presented separately as major enterprise funds.
    - The tolling system enterprise fund is used to account for the toll facility projects that do not have project specific related debt. These include the I-85 Corridor Express Lanes, the I-85 Extension project, and the MMIP program.
    - The customer service center (CSC) is an internal service fund that supports toll and transit customers.

Reconciliation between Government-wide and Fund Statements

This report also includes two schedules that reconcile and explain the differences between the amounts reported for the governmental activities on the government-wide statements (full-accrual accounting, long-term focus) with the amounts reported on the governmental fund statements (modified accrual accounting, short-term focus). The schedules are located in the Basic Financial Statements – Fund Financial Statements – Governmental Funds section. The following explanations represent some of the reporting differences between the two statements:

- Capital outlays result in capital assets on the government-wide statements but are reported as expenditures in the governmental fund financial statements.
- Bond proceeds are recorded as long-term debt on the government-wide statements but are listed as current financial resources on the governmental fund statements.

Notes to the Financial Statements

The Notes to the Financial Statements located at the end of the Basic Financial Statements section provide additional information essential to a complete understanding of the fund financial statements. The notes are applicable to both the government-wide financial statements and the fund financial statements.

Required and Other Supplementary Information

In addition to this MD&A, the Basic Financial Statements are followed by a section containing other required supplementary information which further explains and supports the information in the financial statements. This section of the report includes information on the Authority's pension liability and contributions. Other supplementary information includes the Schedule of Expenditures of Federal Awards.

Financial Analysis of the Authority as a Whole

Net Position

Governmental entities are required by Generally Accepted Accounting Principles (GAAP) to report on their net position. The Statement of Net Position presents the value of all of the Authority's assets and deferred outflows of resources, as well as all liabilities and deferred inflows of resources, with the difference reported as net position. As shown in Table 1 on the following page, the Authority reported a total net position of $12.6 million, which is comprised of $46.3 million in net investment in capital assets, $189.0 million in restricted net position, and an unrestricted portion of net position deficit of $222.7 million.

Based on this measurement, no funds were available for discretionary purposes. However, a significant contributing factor is that governments recognize a liability on the government-wide Statement of Net Position as soon as an obligation has been incurred. While financing and budgeting functions focus on when a liability will be paid, this statement focuses on when a liability has been incurred. Accordingly, the Authority recognizes long-term liabilities (such as bond debt, net pension liabilities, and compensated absences) on the Statement of Net Position. Table 1 on the following page was derived from the current and prior year government-wide Statements of Net Position.

Table 1 - Net Position

As of June 30, 2017 and 2016

	Governmental Activities		Business-Type Activities		Total		
	June 30, 2017	June 30, 2016 * Restated[1]	June 30, 2017	June 30, 2016 * Restated[1]	June 30, 2017	June 30, 2016 * Restated[1]	Total % Change
Assets:							
Non-Capital Assets	$ 873,750,980	$ 1,095,483,255	$ 199,017,947	$ 32,086,945	$ 1,072,768,927	$ 1,127,570,200	-4.9%
Net Capital Assets	10,001,083	342,216	43,124,004	12,104,415	53,125,087	12,446,631	326.8%
Total Assets	$ 883,752,063	$ 1,095,825,471	$ 242,141,951	$ 44,191,360	$ 1,125,894,014	$ 1,140,016,831	-1.2%
Deferred Outflows of Resources:							
Deferred Amounts							
from Pensions	$ 258,119	$ 115,586	$ 2,782,160	$ 803,226	$ 3,040,279	$ 918,812	230.9%
from Refunding of Debt	-	1,254,041	-	-	-	1,254,041	-100.0%
Total Deferred Outflows of Resources	$ 258,119	$ 1,369,627	$ 2,782,160	$ 803,226	$ 3,040,279	$ 2,172,853	39.9%
Liabilities:							
Current Liabilities	$ 34,872,372	$ 71,568,902	$ 42,126,483	$ -	$ 76,998,855	$ 71,568,902	7.6%
Long-Term Liabilities:							
Current Portion	214,958,077	207,346,038	496,878	381,470	215,454,955	207,727,508	3.7%
Noncurrent Portion	532,154,212	747,631,930	290,664,611	68,955,377	822,818,823	816,587,307	0.8%
Total Liabilities	$ 781,984,661	$ 1,026,546,870	$ 333,287,972	$ 69,336,847	$ 1,115,272,633	$ 1,095,883,717	1.8%
Deferred Inflows of Resources:							
Deferred Amounts:							
from Refunding of Debt	$ 996,724	$ -	$ -	$ -	$ 996,724	$ -	100.0%
from Pensions	7,512	69,824	79,202	485,216	86,714	555,040	-84.4%
Total Deferred Inflows of Resources	$ 1,004,236	$ 69,824	$ 79,202	$ 485,216	$ 1,083,438	$ 555,040	95.2%
Net Position:							
Net Investment in Capital Assets	$ 10,001,083	$ 342,217	$ 36,289,113	$ 9,917,856	$ 46,290,196	$ 10,260,073	351.2%
Restricted	80,145,795	36,856,411	108,818,566	36,897,882	188,964,361	73,754,293	156.2%
Unrestricted	10,874,407	33,379,776	(233,550,742)	(71,643,215)	(222,676,335)	(38,263,439)	482.0%
Total Net Position	$ 101,021,285	$ 70,578,404	$ (88,443,063)	$ (24,827,477)	$ 12,578,222	$ 45,750,927	-72.5%

[1] See Note 2 in the Notes to the Financial Statements

The Authority's governmental activities net position increased from the Authority's June 30, 2016 restated net position by $30.4 million, or 43.1%. The Authority's unrestricted net position is primarily attributable to the 90-day operating reserve and Authority's bond management program related to the unamortized premiums on bond issuances. The Authority issues debt on behalf of the State of Georgia for the purpose of financing state transportation projects.

Net position for business-type activities decreased by $63.6 million, or 256.2%, when compared with the prior year restated net position. The deficit in unrestricted business-type activities is primarily due to pension liability, the Northwest Corridor project notes payable for the DBF and TIFIA loans, and indirect costs for toll facilities under construction or that just opened.

Changes in Net Position

The revenue and expense information, as shown in Table 2, was derived from the government-wide Statement of Activities and summarizes the Authority's total revenues, expenses and changes in net position for fiscal year 2017. Consistent with prior year, the Authority received a majority of its $104.9 million in revenues from toll revenue, capital contributions and intergovernmental revenue of motor fuel taxes for capital projects and debt service. Expenses during fiscal year 2017 were $157.9 million with the increase over the prior year driven largely by capital projects. Excess expenses over revenues and other items, results in a total net position decrease of $33.2 million.

Table 2 - Changes in Net Position
For the Years Ended June 30, 2017 and 2016

	Governmental Activities		Business-Type Activities		Total		Total Percentage Change
	2017	2016 * Restated[2]	2017	2016 * Restated[2]	2017	2016 * Restated[2]	
Revenues:							
Program Revenues:							
Charges for Services	$ -	$ -	$ 23,015,106	$ 15,646,696	$ 23,015,106	$ 15,646,696	47.1%
Operating Grants/Contributions	23,001,515	16,531,017	3,503,046	-	26,504,561	16,531,017	60.3%
Capital Grants/Contributions	6,259,937	-	7,143,044	4,380,951	13,402,981	4,380,951	205.9%
General Revenues:							
Payments from GDOT (GARVEE)[1]	29,522,643	37,607,446	-	-	29,522,643	37,607,446	-21.5%
Payments from GDOT (GRB)[1]	8,826,476	10,361,965	-	-	8,826,476	10,361,965	-14.8%
Proceeds from GO Bonds	2,000,000	-	-	-	2,000,000	-	100.0%
Investment Earnings	949,656	492,661	844,149	430,055	1,793,805	922,716	94.4%
Miscellaneous Revenue/Expenses	44,600	395,739	(160,236)	378	(115,636)	396,117	-129.2%
Total Revenues	$ 70,604,827	$ 65,388,828	$ 34,345,109	$ 20,458,080	$ 104,949,936	$ 85,846,908	22.3%
Expenses:							
General Government	$ 2,247,259	$ 3,314,711	$ -	$ -	$ 2,247,259	$ 3,314,711	-32.2%
GTIB Infrastructure Grants Disbursed	11,307,533	4,818,234	-	-	11,307,533	4,818,234	134.7%
Roadway Improvements per the MOU with GDOT	-	2,359,869	76,471,583	16,300,011	76,471,583	18,659,880	309.8%
Interest and Other Charges Long-Term Debt	31,147,623	38,713,622	-	1,936,210	31,147,623	40,649,832	-23.4%
Toll Facilities	-	-	26,443,725	17,729,602	26,443,725	17,729,602	49.2%
Transit	-	-	10,247,683	-	10,247,683	-	100.0%
Total Expenses	$ 44,702,415	$ 49,206,436	$ 113,162,991	$ 35,965,823	$ 157,865,406	$ 85,172,259	85.3%
Increase/Decrease in Net Position Before Other Items	$ 25,902,412	$ 16,182,392	$ (78,817,882)	$ (15,507,743)	$ (52,915,470)	$ 674,649	-7943.4%
Special Items:							
Loss on Disposition of Assets	$ -	$ (358,934)	$ (210,621)	$ -	$ (210,621)	$ (358,934)	-41.3%
Capital Contributions (GRTA)			19,953,386		19,953,386	-	100.0%
Transfers:							
Interfund Transfers	$ 4,540,469	$ (1,971,421)	$ (4,540,469)	$ 1,971,421	$ -	$ -	0.0%
Total Transfers and Special Items	$ 4,540,469	$ (2,330,355)	$ 15,202,296	$ 1,971,421	$ 19,742,765	$ (358,934)	-5600.4%
Change in Net Position	$ 30,442,881	$ 13,852,037	$ (63,615,586)	$ (13,536,322)	$ (33,172,705)	$ 315,715	-10607.2%
Net Position July 1, restated	70,578,404	56,726,367	(24,827,477)	(11,291,155)	45,750,927	45,435,212	0.7%
Net Position June 30	$ 101,021,285	$ 70,578,404	$ (88,443,063)	$ (24,827,477)	$ 12,578,222	$ 45,750,927	-72.5%

[1] See Note 9 in the Notes to the Financial Statements

Governmental Activities

The Authority's total revenues for governmental activities from all sources increased $5.2 million, or 8.0%, primarily due to operating grants and contributions which increased by $6.5 million, or 39.1%. Capital grants and contributions increased $6.2 million, or 100%. Payments from GDOT (GARVEE) decreased $8.1 million, or 21.5% and payments from GDOT (GRB) decreased $1.5 million, or 14.8%. Investment earnings increased $0.5 million, or 92.8% and other revenues decreased $0.4 million, or 88.7%.

Expenses decreased $4.5 million, or 9.2%, compared to the prior year, primarily due to an increase in GTIB infrastructure grants disbursed ($6.5 million), a decrease in interest costs ($7.5 million), a decrease in roadway improvement grants per the MOU with GDOT ($2.4 million) and a decrease in general government expenses ($1.1 million).

Business-Type Activities

In fiscal year 2017, a financial statement presentation change was made from special revenue to enterprise funds. Net position of business-type activities decreased by $63.6 million, or 256.2%, when compared to the prior year restated net position. Total revenues from the Authority's business-type activities increased by $13.9 million, or 67.9%, and total expenses for the Authority's business-type activities increased by $77.2 million, or 214.6% from prior year restated amounts. These changes were primarily due to capital projects.

In fiscal year 2017, business-type activities expenses were funded 30.4% from program and general revenues compared to 56.9% in the restated prior year. The amount of funding for these activities coming from program revenues increased from $20.5 million the prior year to $34.3 million in fiscal year 2017. The remaining expenses were funded by $8.1 million in advances from governmental activities and $55.5 million in loans.

Financial Analysis of the Authority's Governmental Funds

Fund Balances

At June 30, 2017, the Authority's governmental funds reported a combined ending fund balance of $124.1 million. Of this amount, $15.3 million, or 12.3%, is nonspendable, either due to its form or legal constraints; $80.1 million, or 64.6%, is restricted for specific programs by constitutional provisions, external constraints, or contractual obligations. Net position that is restricted by the constitution principally includes motor fuel funds that can be used to build roads and bridges. Restrictions by external parties include general obligation bonds & TIFIA restrictions that can only be used for authorized capital projects. Additionally, $19.2 million, or 15.4%, of total fund balance has been assigned to specific purposes, as expressed by the intent of Authority management, and the remaining $9.5 million, or 7.7%, of fund balance is unassigned.

General Fund

The General Fund is the chief operating fund of the Authority and had a total fund balance of $46.8 million as of fiscal year end. The net change in fund balance (as restated) during the fiscal year was $1.7 million, or 3.7%. The General Fund ended the year with unrestricted, unassigned fund balance of $9.5 million. The following major revenues, expenditures and other financing sources/uses contributed to the change in fund balance:

Revenues

Revenues of the General Fund totaled $42.7 million in the fiscal year, for an increase of $10.3 million, or 31.6%. The following factor contributed to this change:

- Intergovernmental revenues increased by $9.9 million, or 30.7%.

- Investment earnings increased by $0.1 million, or 76.7% and other revenues increased by $0.3 million, or 170.1%.

Expenditures

Expenditures of the General Fund totaled $47.8 million in the fiscal year, for an increase of $10.3 million, or 27.5% over the prior year. Factors contributing to this change include:

- Roadway improvements increased by $4.0 million, or 12.9%, primarily due to the I-285/GA 400 Interchange project.

- General expenditures increased by $6.3 million primarily due to the transfer of GO! Transit assets to the Authority, asset transfers from GRTA, and personnel services.

Planning, Financing, Development and Construction of Current Projects in General Fund

I-285 at SR 400 Interchange Reconstruction Project: The I-285 at SR 400 Interchange Reconstruction project aims to reduce the substantial amount of vehicular weaving (conflicts caused by travelers trying to move across one or more lanes) that occurs along I-285 in the vicinity of the I-285/SR 400 interchange due to the closely spaced interchanges in this area (Roswell Road, Glenridge Drive, SR 400, Peachtree Dunwoody Road, and Ashford Dunwoody Road),improve ramp capacity at the I-285/SR 400 interchange, and improve deficiencies in the existing configuration of the I-285/SR 400 interchange.

I-285 at SR 400 Interchange Reconstruction Project is not a toll facility and therefore will not be tolled upon completion. The project is a Public-Private Partnership ("P3") project being delivered by GDOT and the Authority. The Authority holds the contract with the Developer on the I-285 at SR 400 project and will receive motor fuel tax funds from GDOT each year to be paid out to the respective entities charged with building the project. The Authority has contracted with GDOT to oversee and manage the delivery of the project including providing all day to day project management of the Developer and the overall project. GDOT records the asset.

GO! Transit Capital Program: During the 2015 Legislative Session, the Georgia General Assembly appropriated $75 million in General Obligation bond funds for the program to the Authority. The GO! Transit Capital Program is a competitive funding program designed to address some of the critical capital-related public transit needs throughout Georgia. Existing public transit operators that are government units such as local, regional, and state government units, including community improvement districts, were all eligible to apply for the GO! Transit Capital Program. These bond funds can only be used for public transit capital projects with a useful life of at least 10 years, allowing the Authority to have legally sufficient ownership interest, and be operated by an existing public transit operator. During fiscal year 2016, $75 million in general obligation bond funds were awarded to eleven projects from nine public transit entities across the state of Georgia. Through fiscal year 2017, $2.0 million of funds have been disbursed and an additional $1.1 million was accrued as construction in progress.

Debt Service Fund - Bond Management Fund

Pursuant to section 32-10-90 and 32-10-90.1 of the Authority Act, the Authority has the ability to issue and manage Guaranteed Revenue and Grant Anticipation Revenue Vehicle (GARVEE) bonds for the purpose of funding transportation projects for the State of Georgia. The Authority has issued bonds for transportation projects which were constructed and are owned by GDOT. After the bonds are issued, the Authority coordinates with GDOT and the bond trustee to ensure: (1) the timely spend-down of bond proceeds; (2) motor fuel and federal revenues are collected and remitted to the trustee to meet debt service payments; and (3) other bond management responsibilities are met. At June 30, 2017, the Authority has $469,980,000 outstanding principal in GARVEE Bonds and $244,555,000 outstanding principal in Guaranteed Revenue Bonds. See Note 9 (p. 59) in the Notes to the Financial Statements for additional information. See Note 17 for information on subsequent GARVEE issuances and GARVEE refundings.

Georgia Transportation Infrastructure Bank (GTIB)

In April 2008, House Bill 1019 was signed into law providing for the establishment of a State of Georgia Transportation Infrastructure Bank to be administered by the State Road and Tollway Authority. The GTIB is a revolving infrastructure investment fund which operates similar to a bank. The GTIB can administer loans and grants to eligible state, regional, and local government entities to partially fund eligible transportation projects. From the inception of the program through fiscal year 2017, $105.5 million in grants and loans have been awarded, of which $44.1 million of funds have been disbursed. See Note 16 (p. 79) in the Notes to the Financial Statements for additional information.

Financial Analysis of the Authority's Proprietary Funds

During the year ended June 30, 2017, the Authority, in coordination with GDOT, continued working on several major projects identified in the Georgia Department of Transportation Managed Lanes Implementation System Plan. The focus of these projects is to utilize congestion based toll pricing to provide more reliable travel times in an effort to improve the livable environment in and around metropolitan Atlanta.

The Authority also continued working with GRTA to transition the transit services from GRTA to the Authority. Effective July 1, 2017, the Authority will operate the Xpress regional commuter coach service and administer the regional van pool program.

All users of the managed express lanes must either: 1) be registered with the Peach Pass Customer Service Center, 2) acquire a transponder through the Pay N Go Peach Pass program at a local CVS or Walgreens store, or 3) have a valid interoperable toll account. The Authority's toll system became interoperable with Florida and North Carolina during fiscal year 2015. Toll customers with valid toll accounts in Florida and North Carolina may use the lanes without the need for a Peach Pass. All users must pay their applicable tolls electronically. (Note: Pay N Go Peach Pass users and out-of-state interoperable account users are not eligible to use the lane without paying a toll). Vehicles that use the lane without a Peach Pass (or an interoperable toll account), or that cross the solid double white lines, are issued violations.

Transit

During fiscal year 2017, the Authority was preparing for the transfer of transit operations from GRTA effective July 1, 2017.

- Operating funds of $3.5 million to reimburse the Authority for personnel, travel, and contract expenses related to transit were received from GRTA.
- Capital contributions of $20.0 million were received from GRTA for transferred transit assets.

I-75 South Metro Express Lanes

The I-75 South Metro Express Lanes ("I-75 South") is a 12.24 mile reversible, barrier-separated managed lane system along Interstate Highway 75 from the State Route 155 (Zack Hinton Parkway, South) interchange in Henry County north to the State Route 138 interchange in Henry and Clayton Counties. The I-75 South consists of two lanes in the center median of I-75 from SR 138 in southern Clayton County to just north of the SR 20/Hampton Road interchange and one lane, also in the center median, that extends from that point to SR 155 in Henry County. Access is provided at 5 locations – on the south end, access is provided from the general-purpose lanes near SR 155 and from SR 20/Hampton Road and a direct connect access ramp at Jonesboro Road. On the north end, access is provided from the general-purpose lanes on I-75 near SR 138 and from the general-purpose lanes on I-675 near SR 138. Traffic flows northbound in the mornings and southbound in afternoons and evenings. The I-75 South Metro Express Lanes officially opened to motorists on Saturday, January 28, 2017 and tolling began on February 11, 2017.

- Net position decreased by $5.5 million, primarily due to accreted bond interest, ramp-up costs for opening the toll facility, and facility operations and maintenance. Net Investment in capital assets increased by $2.3 million, or 214.6%.
- Toll revenue bonds payable increased by $2.1 million for accreted interest.
- Total toll revenue, net of promotional credits, was $338.5 thousand from 829.0 thousand trips, which includes 59.5 thousand interoperable trips that resulted in $29.7 thousand in toll revenue. Violation administration fee revenue was $160.4 thousand.
- Total expenses increased by $1.0 million, or 33.2%, primary due to the opening of the toll facility.

I-75 Northwest Corridor Express Lanes

The I-75 Northwest Corridor Express Lanes Project ("NWC Project") is constructing reversible managed lanes for approximately 2 centerline miles on I-285, 17 centerline miles along I-75 and 11 centerline miles along I-575 in Cobb and Cherokee Counties. Construction of the NWC Project is underway and is currently expected to open to tolling in April 2018. This project begins on I-75 at Akers Mill Road at the end of the existing HOV system north of the Atlanta city limits with a one-lane access ramp to the managed lanes system. Single lane ramps from both I-285 East and I-285 West are also being constructed to provide access. The ramps from I-75 and I-285 will join north of the I-75 and I-285 interchange to form a two-lane reversible managed lane system on the outside of the existing general-purpose lanes and is being constructed using a mix of at-grade and elevated roadway sections. The two new managed lanes run alongside I-75 to the I-575 split. In addition, one reversible managed lane is being added along I-75 from the I-75/I-575 split northerly to Hickory Grove Road and along I-575 to Sixes Road. These lanes will be at-grade and located in the existing median along the inside of the existing general-purpose lanes. The managed lanes are barrier-separated and reversible, with traffic flowing southbound in the mornings and northbound in afternoons and evenings.

- Net position decreased by $75.4 million, primarily due to the increase in the developer financing loan and the TIFIA loan. Net Investment in capital assets increased by $2.7 million, or 68.0%.
- Proceeds of the Design Build Finance loan were $25.8 million in fiscal year 2017 resulting in a total outstanding loan of $59.9 million.
- Proceeds of the Transportation Infrastructure Finance and Innovation Act (TIFIA) loan were $184.5 million, plus accreted interest of $2.2 million.

- Total expenses decreased by $0.1 million, or 5.0% primarily due to the capital project.

Tolling System

The toll system is comprised of the I-85 Corridor Express Lanes, the I-85 Express Lanes Extension project and the MMIP program, which includes four new toll facilities.

- The net position of the Toll System increased $8.2 million, or 164.6%, when compared with prior year restated net position. Net investment in capital assets is $6.6 million, which is an increase of $2.2 million, or 49.0% from prior year restated net investment in capital assets. This was primarily the result of the increase in charges for services on I-85 Corridor Express Lanes, capital contributions and capital outlays for capital projects.

- Total charges for services increased $6.9 million, from fiscal year 2016 resulting primarily from increased rates and trips on the I-85 Corridor Express Lanes.

- Capital contributions from GDOT were $2.5 million primarily due to Capital Grants and Contributions for the Major Mobility Investment Program (MMIP) program and the I-85 Extension project.

- Total expenses decreased by $3.1 million, or 20.9%, primarily due to I-85 contract reductions.

The I-85 Express Lanes toll facility has been open since September 30, 2011. The I-85 Express Lanes are dynamically priced with the goal of providing more reliable trip times for the traveling public. Registered users with three or more occupants, motorcycles, and certain emergency, military, electric-powered and transit vehicles can use the lane without paying a toll.

In total, the Authority collected $14.7 million in toll revenue from 8.8 million electronically tolled trips. Toll revenue increased 6.6% and electronically tolled trips increased 7.3% over the year ended June 30, 2016. During the year ended June 30, 2017, 300.6 thousand interoperable trips (100.8% increase over prior year) resulted in toll revenue of $524.9 thousand (88.8% increase over prior year). Violation administration fee revenue was $2.7 million, which is an increase of 50.2% over the prior fiscal year ended June 30, 2016. A significant portion of this increase is due to out of state violation collections and the process change to expedite issuance of an initial violation notice as soon as practicable after a single violation transaction occurs.

Based on increasing congestion in the I-85 corridor, the Federal Highway Administration (FHWA) asked the Authority to increase toll prices in the Express Lanes to maintain more reliability during the morning rush hour. In August 2016, the Authority, in conjunction with the Georgia Department of Transportation, requested a waiver from FHWA under section 1411 (b) (4) (F) of the FAST Act. In December 2016, FHWA granted this request. However, the Authority continues to adjust the toll pricing algorithm to manage the congestion in the lane and will continue to evaluate all pricing and operational strategies currently in use on the I-85 Express Lanes. The Authority will continue to provide monthly status reports to FHWA on the performance of the lanes.

The I-85 Express Lanes Extension Project ("I-85 Extension Project") will add one new capacity managed lane in each direction along I-85 in north metro Atlanta from just north of Old Peachtree Road in Gwinnett County to Hamilton Mill Road. South of I-985, the I-85 Extension Project will widen I-85 outside of the existing eight-lane mainline. While north of I-985, the I-85 Extension Project will widen the inside shoulder along the four-lane I-85 section. The I-85 Extension Project is approximately 10 miles in length and located entirely within Gwinnett County. The purpose of the proposed managed lanes is to create travel time savings through the use of congestion-priced tolling to manage volume in the lanes and maintain a minimum average speed within the managed lanes. The Authority anticipates the managed lanes will open to traffic by fall 2018.

Major Mobility Investment Program (MMIP) is comprised of eleven new major investment roadway projects that will provide new lanes, capacity and choices for all motorists. Additional safety and operational improvements are also included in this program. The program includes four new toll facilities. This program is currently in the planning stage.

Customer Service Center (CSC)

The CSC records revenue to cover direct expenses by charging a base fee of $0.15 per transaction for toll processing administration and a variable fee of 3.75% of revenue for the credit card fees. A corresponding expense is charged to the respective toll facility. The respective toll facility also reimburses the CSC for violation administration fees.

See Note 16 (p. 79) in the *Notes to the Financial Statements* section for additional information.

Capital Assets and Debt Administration

Capital Assets

The Authority's capital assets increased by $40.7 million, or 326.8%, during the year. These changes consisted of annual depreciation of $4.6 million, the retirement of obsolete equipment net of accumulated depreciation totaling $0.2 million, net current year additions and deletions to construction-in-progress of $0.6 million and equipment additions, net of donated accumulated depreciation of $44.9 million.

Additional information on the Authority's capital assets can be found in Note 8 (p. 58) in the Notes to the Financial Statements.

Table 3 - Capital Assets, Net of Accumulated Depreciation
As of June 30, 2017 and 2016

	Governmental Activities		Business-Type Activities		Totals	
	2017	2016 *Restated	2017	2016 *Restated	2017	2016 *Restated
Construction in Progress	$ 1,115,520	$ -	$ 9,651,752	$ 10,154,195	$ 10,767,272	$ 10,154,195
Machinery and Equipment	8,885,563	342,216	33,472,252	1,950,220	42,357,815	2,292,436
Total	$ 10,001,083	$ 342,216	$ 43,124,004	$ 12,104,415	$ 53,125,087	$ 12,446,631

Debt Administration

The Authority GARVEE debt is secured by Federal Highway Grant Revenues and Federal Highway Reimbursement Revenues. The Authority GRB and GRRB bonds are primarily secured by state motor fuel funds. Toll revenue does not secure these debt obligations.

Total outstanding bond debt, including premiums and discounts, is shown in the table below:

Table 4 - Net Outstanding Bond/Loan Debt
As of June 30, 2017 and 2016

	Governmental Activities		Business-Type Activities		Totals	
	2017	2016 *Restated	2017	2016 *Restated	2017	2016 *Restated
GARVEE Revenue Bonds	$ 482,038,804	$ 643,374,363	$ -	$ -	$ 482,038,804	$ 643,374,363
Revenue Bonds	263,438,407	310,726,887	-	-	263,438,407	310,726,887
DBF Loan	-	-	59,853,386	34,005,053	59,853,386	34,005,053
TIFIA Loan	-	-	186,653,087	-	186,653,087	-
Toll Revenue Bonds	-	-	31,916,425	29,845,689	31,916,425	29,845,689
Total	$ 745,477,211	$ 954,101,250	$ 278,422,898	$ 63,850,742	$ 1,023,900,109	$ 1,017,951,992

At the end of the fiscal year, the Authority had $745.5 million in total outstanding governmental bonded debt and $31.9 million in outstanding business-type bonded debt. Of this amount, $482.0 million (including premiums), or 62.0% is secured by Federal Highway Administration grant funds and $263.4 million, or 33.9% is secured by state motor fuel funds. Only 4.1% of bond debt for the business-type toll revenue bonds is unsecured.

Total governmental bonds payable, including premiums, decreased $208.6 million, or 21.9%.

At the end of the fiscal year, the Authority's business-type activities had $278.4 million in total outstanding debt. The DBF Loan increased by $25.8 million to the maximum loan amount of $59.9 million. Fiscal year 2017 is the first year that funds of $184.5 million were drawn from the $275 million TIFIA loan. The Authority accreted interest of $2.2 million on the TIFIA loan and accreted interest of $2.1 million for Toll Revenue Bonds during fiscal year 2017.

Additional information on the Authority's long-term debt can be found in Note 9 (p. 59) in the Notes to the financial statements.

Requests for Information

This financial report is designed to provide a general overview of the Authority's finances for all those individuals having an interest in the Authority's finances. This financial report seeks to demonstrate the Authority's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to: State Road and Tollway Authority, 245 Peachtree Center Avenue NE, Suite 2200, Atlanta, Georgia 30303.

SRTA

STATE ROAD
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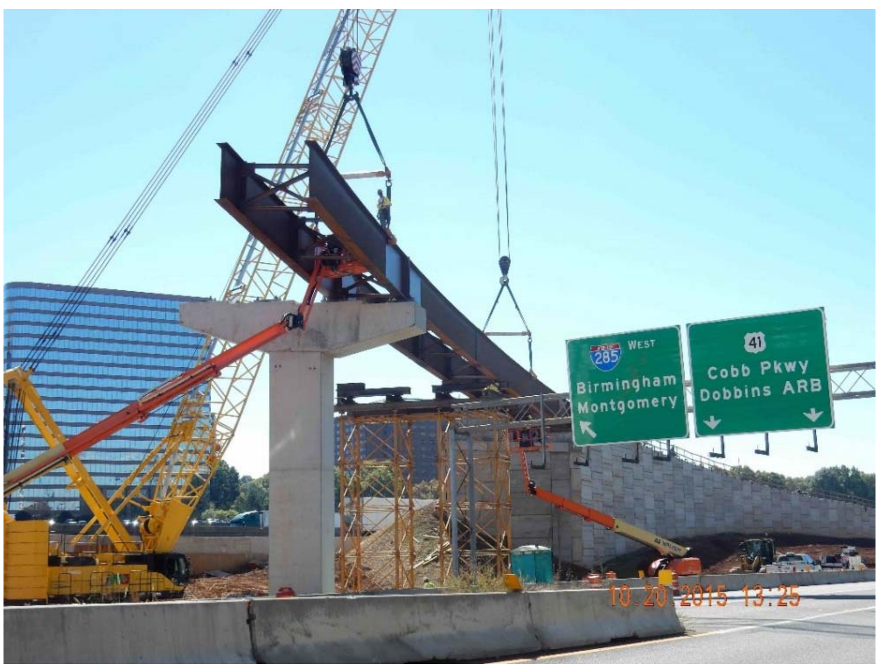
AUTHORITY

BASIC FINANCIAL STATEMENTS

I-75 S Metro Express Lanes at Hudson Bridge Road



Northwest Corridor Express Lanes Bridge Construction at I-75 & I-285 Interchange

STATE ROAD AND TOLLWAY AUTHORITY

STATEMENT OF NET POSITION

JUNE 30, 2017

	Governmental Activities	Business-Type Activities	Totals
ASSETS			
Current Assets:			
Cash and Cash Equivalents	$ 12,436,961	$ 11,855,935	$ 24,292,896
Restricted Cash and Cash Equivalents	80,358,344	189,957,241	270,315,585
Accounts Receivable, Net	236,514,345	17,934,036	254,448,381
Loans Receivable, Net	662,733	-	662,733
Internal Balances	20,959,157	(20,959,157)	-
Inventories	-	71,860	71,860
Prepaid Items	387,371	153,869	541,240
Other Current Assets	-	4,163	4,163
Total Current Assets	$ 351,318,911	$ 199,017,947	$ 550,336,858
Noncurrent Assets:			
Long Term Receivable	$ 510,470,000	$ -	$ 510,470,000
Long Term Loan Receivable	11,962,069	-	11,962,069
Capital Assets, Non-Depreciable	1,115,520	9,651,752	10,767,272
Capital Assets, Depreciable (Net of Accumulated Depreciation)	8,885,563	33,472,252	42,357,815
Total Noncurrent Assets	$ 532,433,152	$ 43,124,004	$ 575,557,156
Total Assets	$ 883,752,063	$ 242,141,951	$ 1,125,894,014
DEFERRED OUTFLOWS OF RESOURCES			
Related to Defined Benefit Pension Plans	$ 258,119	$ 2,782,160	$ 3,040,279
Total Deferred Outflows of Resources	$ 258,119	$ 2,782,160	$ 3,040,279
Total Assets and Deferred Outflows of Resources	$ 884,010,182	$ 244,924,111	$ 1,128,934,293

The notes to the basic financial statements are an integral part of this statement.

		Governmental Activities		Business-Type Activities		Totals
LIABILITIES						
Accounts Payable and Other Current Liabilities	$	29,650,375	$	14,667,636	$	44,318,011
Current Liabilities Payable from Restricted Assets:						
Accrued Interest Payable		5,221,997		-		5,221,997
Unearned Revenues		-		27,458,847		27,458,847
Total Current Liabilities	$	34,872,372	$	42,126,483	$	76,998,855
Long-Term Liabilities:						
Due Within One Year		214,958,077	$	496,878	$	215,454,955
Due in More Than One Year		532,154,212		290,664,611		822,818,823
Total Noncurrent Liabilities	$	747,112,289	$	291,161,489	$	1,038,273,778
Total Liabilities	$	781,984,661	$	333,287,972	$	1,115,272,633
DEFERRED INFLOWS OF RESOURCES						
Deferred Gains from Refunding of Debt	$	996,724	$	-	$	996,724
Related to Defined Benefit Pension Plans		7,512		79,202		86,714
Total Deferred Inflows of Resources	$	1,004,236	$	79,202	$	1,083,438
Total Liabilities and Deferred Inflows of Resources	$	782,988,897	$	333,367,174	$	1,116,356,071
NET POSITION						
Net Investment in Capital Assets	$	10,001,083	$	36,289,113	$	46,290,196
Amounts Restricted:						
Loan and Grant Programs		76,807,652		-		76,807,652
Transportation Projects		3,067,275		106,185,896		109,253,171
Debt Service (Guaranteed Revenue Bond Covenant Accounts)		270,868		-		270,868
Debt Service (Toll Revenue Bonds)		-		2,632,670		2,632,670
Unrestricted Amounts (Deficit)		10,874,407		(233,550,742)		(222,676,335)
Total Net Position	$	101,021,285	$	(88,443,063)	$	12,578,222
Total Liabilities, Deferred Inflows and Net Position	$	884,010,182	$	244,924,111	$	1,128,934,293

The notes to the basic financial statements are an integral part of this statement.

SRTA

STATE ROAD
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STATE ROAD AND TOLLWAY AUTHORITY

STATEMENT OF ACTIVITIES

FOR THE FISCAL YEAR ENDING JUNE 30, 2017

		Program Revenues			Net (Expenses) Revenues and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Functions/Programs							
Governmental Activities							
General Government	$ 2,247,259	$ -	$ 2,460	$ -	$ (2,244,799)	$ -	$ (2,244,799)
Infrastructure Grants Disbursed	11,307,533	-	22,999,055	-	11,691,522	-	11,691,522
Go! Transit Capital Contributions	-	-	-	6,259,937	6,259,937	-	6,259,937
Debt Service							
Interest and Other Charges on Long-Term Debt	31,147,623	-	-	-	(31,147,623)	-	(31,147,623)
Total Governmental Activities	$ 44,702,415	$ -	$ 23,001,515	$ 6,259,937	$ (15,440,963)	$ -	$ (15,440,963)
Business-type Activities							
Tolling	$ 102,915,308	$ 22,990,516	$ -	$ 7,143,044	$ -	$ (72,781,748)	$ (72,781,748)
Transit	$ 10,247,683	$ 24,590	$ 3,503,046	$ -	$ -	$ (6,720,047)	$ (6,720,047)
Total Business Type Activities	$ 113,162,991	$ 23,015,106	$ 3,503,046	$ 7,143,044	$ -	$ (79,501,795)	$ (79,501,795)
Total	$ 157,865,406	$ 23,015,106	$ 26,504,561	$ 13,402,981	$ (15,440,963)	$ (79,501,795)	$ (94,942,758)
General Revenues							
Unrestricted Investment Earnings					$ 949,656	$ 844,150	$ 1,793,806
Payments from GDOT (GRB)[1]					8,826,476	-	8,826,476
Payments from GDOT (GARVEE)[1]					29,522,643	-	29,522,643
Proceeds from GO Bonds					2,000,000	-	2,000,000
Miscellaneous Income/Expenses					44,600	(160,236)	(115,636)
					$ 41,343,375	$ 683,914	$ 42,027,289
Special Items							
Loss on Disposition of Assets					$ -	$ (210,621)	$ (210,621)
Capital Contributions (GRTA)					-	19,953,386	19,953,386
Transfers							
Interfund Transfers					$ 4,540,469	$ (4,540,469)	$ -
Total General Revenues, Transfers and Special items					$ 45,883,844	$ 15,886,210	$ 61,770,054
Change in Net Position					$ 30,442,881	$ (63,615,585)	$ (33,172,704)
Net Position - Beginning of Year, Restated[2]					$ 76,718,379	$ -	$ 76,718,379
Fund Balance Adjustments					(6,139,975)	(24,827,477)	(30,967,452)
Net Position - Beginning of Year, Restated					$ 70,578,404	$ (24,827,477)	$ 45,750,927
Net Position - Ending of Year					$ 101,021,285	$ (88,443,062)	$ 12,578,223

[1] See Note 9 in the Notes to the Financial Statements

[2] See Note 2 in the Notes to the Financial Statements

The notes to the basic financial statements are an integral part of this statement.

STATE ROAD AND TOLLWAY AUTHORITY

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2017

	General Fund	Debt Service Fund	GTIB Fund	Total
ASSETS				
Current Assets:				
Cash and Cash Equivalents	$ 12,171,296	$ -	$ 265,665	$ 12,436,961
Cash and Cash Equivalents - Restricted	14,588,932	271,368	65,498,044	80,358,344
Accounts Receivable, Net	27,227,348	-	-	27,227,348
Loans Receivable, Net	-	-	662,733	662,733
Due From Other Funds	5,843,824	-	-	5,843,824
Prepaid Items	158,536	-	-	158,536
Noncurrent Assets:				
Loans Receivable, Net	-	-	11,962,069	11,962,069
Advances to Other Funds, Net	15,130,622	-	-	15,130,622
Total Assets	$ 75,120,558	$ 271,368	$ 78,388,511	$ 153,780,437
LIABILITIES				
Accounts Payable	$ 176,752	$ -	$ 250	$ 177,002
Salary and Benefits Payable	782	-	-	782
Payroll Withholdings Payable	124,357	-	-	124,357
Contracts Payable	27,993,817	-	1,354,417	29,348,234
Due to Other Funds	14,789	500	-	15,289
Total Liabilities	$ 28,310,497	$ 500	$ 1,354,667	$ 29,665,664
FUND BALANCES				
Nonspendable	$ 15,289,158	$ -	$ -	$ 15,289,158
Restricted:				
Loan and Grant Programs and Receivables	-	-	76,807,652	76,807,652
Capital and Transportation Projects	2,904,947	-	-	2,904,947
GDOT Capital MOU's	162,328	-	-	162,328
Debt Service	-	270,868	-	270,868
Assigned	18,951,151	-	226,192	19,177,343
Unassigned	9,502,477	-	-	9,502,477
Total Fund Balances	$ 46,810,061	$ 270,868	$ 77,033,844	$ 124,114,773
Total Liabilities and Fund Balances	$ 75,120,558	$ 271,368	$ 78,388,511	$ 153,780,437

The notes to the basic financial statements are an integral part of this statement.

STATE ROAD AND TOLLWAY AUTHORITY

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE GOVERNMENT-WIDE STATEMENT OF NET POSITION

JUNE 30, 2017

Total Governmental Fund Balances		$	124,114,773
Amounts reported for governmental activities in the government-wide 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. These assets consist of:			
Capital Assets, Non-Depreciable	$ 1,115,520		
Depreciable Capital Assets, net of Accumulated Depreciation	8,885,563		
Total Capital Assets			10,001,083
Prepaid bond insurance costs that are not available to pay current period expenditures are amortized in the funds.			228,835
Certain long term liabilities are not due and payable in the current period and are therefore not reported in the funds. All liabilities, both current and long-term, are reported in the Statement of Net Position net of issuance premiums, discounts, and refunding deferral amounts.			
Guaranteed Revenue/Refunding Bonds Payable	$ (244,555,000)		
Grant Anticipation Revenue Bonds Payable	(378,125,000)		
Reimbursement Revenue Bonds Payable	(91,855,000)		
Debt Service Receivable (GDOT)	719,756,997		
Premiums on Issuances of Debt	(30,942,211)		
Accrued Interest	(5,221,997)		
Compensated Absences Payable	(150,521)		
Pension Liability	(1,031,985)		
Tenant Improvement Allowance	(452,572)		
Total			(32,577,288)
Deferred outflows of resources is associated with: (a) This represents the changes in proportion and differences between employer contributions and proportionate share of contributions, (b) employer pension contributions made subsequent to the measurement date, and (c) deferred losses from refunding of debt. These deferred outflows of resources represent a consumption of net assets by the Authority that is applicable to a future reporting period.			
Related to Defined Benefit Pension Plans			258,119
Deferred inflows of resources represent an acquisition of net assets by the Authority that is applicable to a future reporting period.			
Related to Defined Benefit Pension Plans	$ (7,512)		
Deferred Amounts on Refunding	(996,725)		
Total			(1,004,237)
Net Position of Governmental Activities		$	101,021,285

The notes to the basic financial statements are an integral part of this statement.

STATE ROAD AND TOLLWAY AUTHORITY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	General Fund	Debt Service Fund	GTIB Fund	Total
REVENUES				
Intergovernmental Income	$ 42,130,388	$ 238,901,306	$ 22,999,055	$ 304,030,749
Investment Earnings	155,560	133,894	660,200	949,654
Other Income	460,823	-	44,020	504,843
Total Revenues	$ 42,746,771	$ 239,035,200	$ 23,703,275	$ 305,485,246
EXPENDITURES				
General Government	$ 12,658,148	$ 53,829	$ 33,456	$ 12,745,433
Infrastructure Loans and Grants Disbursed	-	-	11,307,533	11,307,533
Roadway Improvements per GDOT MOU	35,069,977	-	-	35,069,977
Debt Service:				
Principal	87,254	218,335,000	-	218,422,254
Interest	1,669	44,667,318	-	44,668,987
Cost of Issuance	-	237,448	-	237,448
Total Expenditures	$ 47,817,048	$ 263,293,595	$ 11,340,989	$ 322,451,632
Excess of Revenues Over (Under) Expenditures	$ (5,070,277)	$ (24,258,395)	$ 12,362,286	$ (16,966,386)
OTHER FINANCING SOURCES (USES)				
Proceeds From Issuance of Bonds	$ 2,000,000	$ 24,388,912	$ -	$ 26,388,912
Transfers In	4,769,961	25,410	-	4,795,371
Transfers Out	$ (25,410)	$ -	$ -	$ (25,410)
Total Other Financing Sources (Uses)	$ 6,744,551	$ 24,414,322	$ -	$ 31,158,873
Net Change in Fund Balances	$ 1,674,274	$ 155,927	$ 12,362,286	$ 14,192,487
Fund Balances - Beginning of Year	38,426,238	114,941	64,671,558	103,212,737
Prior Period Adjustments	6,709,549	-	-	6,709,549
Fund Balances - Beginning of Year as Restated	$ 45,135,787	$ 114,941	$ 64,671,558	$ 109,922,286
Fund Balances - Ending of Year	$ 46,810,061	$ 270,868	$ 77,033,844	$ 124,114,773

The notes to the basic financial statements are an integral part of this statement.

STATE ROAD AND TOLLWAY AUTHORITY

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES

FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Total Net Change in Fund Balances - Governmental Funds		$ 14,192,487
Amounts reported for governmental activities in the Statement of Activities are different because:		
Capital outlays are reported as expenditures in governmental funds. However, in the Statement of Activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:		
Capital Outlay	$ 10,761,309	
Depreciation Expense	(1,102,442)	
Excess of Capital Outlay over Depreciation Expense		9,658,867
Repayment of long-term debt is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. In the current year, these amounts consist of:		
Grant Anticipation Revenue Bonds Principal Retirement	$ 124,185,000	
Reimbursement Revenue Bonds Principal Retirement	30,375,000	
Guaranteed Revenue Bonds Principal Retirement	23,930,000	
Guaranteed Revenue Refunding Bonds Principal Retirement	39,845,000	
Debt Service Receivable (GDOT) Received	(219,817,187)	
Tenant Improvement Allowance	(460,243)	
Payments to Bond Refunding Agent	(6,175,771)	
Total Long-Term Debt Repayments		(8,118,201)
Some items reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:		
Amortization of Deferral of Gain on Refunding of Bonds	$ (1,111,652)	
Amortization of Premium of Grant Anticipation Revenue Bonds Payable	5,925,333	
Amortization of Premium of Reimbursement Revenue Bonds Payable	850,226	
Amortization Write-off of Premium Guaranteed Revenue Bonds Payable from Refunding	5,700,329	
Amortization of Premium Guaranteed Revenue Bonds Payable	2,202,063	
Amortization of Bond Insurance Costs	(158,232)	
Amortization of Tenant Improvement Allowance	7,671	
Net (Increase) Decrease in Accrued Interest on Issuance of Bonds	1,482,187	
(Increase) Decrease in Compensated Absences	(76,657)	
(Increase) Decrease in Pension Expense	(111,538)	
Total Additional Expenditures		14,709,728
Change in Net Position of Governmental Activities		$ 30,442,881

The notes to the basic financial statements are an integral part of this statement.

STATE ROAD AND TOLLWAY AUTHORITY

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2017

	Transit	I-75 South Metro Express Lanes Fund	I-75 Northwest Corridor Express Lanes Fund	Tolling System	Total	Internal Service Func Customer Service Center Fund
ASSETS						
CURRENT ASSETS						
Cash and Cash Equivalents	$ 100	$ 2,847,328	$ 12	$ 4,595,885	$ 7,443,325	$ 4,412,610
Accounts Receivable, Net	1,816,160	3,939	15,180,084	789,748	17,789,931	144,105
Inventories	-	-	-	-	-	71,860
Prepaid Items	151,904	-	-	1,965	153,869	-
Due From Other Funds/Interfund	-	146,282	3,122	2,047,644	2,197,048	828,809
Other Current Assets	4,163	-	-	-	4,163	-
Restricted Current Assets						
Cash and Cash Equivalents	-	18,528,200	150,088,676	6,239,786	174,856,662	15,100,579
Total Current Assets	$ 1,972,327	$ 21,525,749	$ 165,271,894	$ 13,675,028	$ 202,444,998	$ 20,557,963
NONCURRENT ASSETS						
Capital Assets						
Non-Depreciable						
Construction in Progress	$ -	$ -	$ 5,250,627	$ 4,102,980	$ 9,353,607	$ 298,145
Depreciable						
Machinery and Equipment	84,800,909	11,029,010	1,543,699	18,205,882	115,579,500	109,355
Computer Software	-	-	-	-	-	8,610,898
Accumulated Depreciation	(65,569,042)	(835,077)	(25,728)	(15,697,991)	(82,127,838)	(8,699,663)
Total Capital Assets	$ 19,231,867	$ 10,193,933	$ 6,768,598	$ 6,610,871	$ 42,805,269	$ 318,735
Total Noncurrent Assets	$ 19,231,867	$ 10,193,933	$ 6,768,598	$ 6,610,871	$ 42,805,269	$ 318,735
Total Assets	$ 21,204,194	$ 31,719,682	$ 172,040,492	$ 20,285,899	$ 245,250,267	$ 20,876,698
DEFERRED OUTFLOWS OF RESOURCES						
DEFERRED OUTFLOWS OF RESOURCES						
Related to Define Benefit Pension Plans	$ 1,533,021	$ 133,114	$ 136,533	$ 485,285	$ 2,287,953	$ 494,207
Total Deferred Outflows of Resources	$ 1,533,021	$ 133,114	$ 136,533	$ 485,285	$ 2,287,953	$ 494,207
Total Assets and Deferred Outflows of Resources	$ 22,737,215	$ 31,852,796	$ 172,177,025	$ 20,771,184	$ 247,538,220	$ 21,370,905

The notes to the basic financial statements are an integral part of this statement.

	Transit	I-75 South Metro Express Lanes Fund	I-75 Northwest Corridor Express Lanes Fund	Tolling System	Total	Internal Service Fund Customer Service Center Fund
LIABILITIES						
CURRENT LIABILITIES						
Accounts Payable	$ 1,664	$ 2,743	$ -	$ 16	$ 4,423	$ 113,435
Contracts Payable	339,521	2,035,209	10,267,806	1,222,965	13,865,501	25,646
Retainages Payable	-	537,622	121,009	-	658,631	-
Due To Other Funds	2,810,471	1,061,023	861,865	2,094,015	6,827,374	2,027,018
Compensated Absences	19,279	19,885	20,407	72,505	132,076	73,847
Tenant Improvement Allowance	290,955	-	-	-	290,955	-
Current Liabilities Payable from Restricted Assets						
Unearned Revenues	-	-	-	-	-	7,376,694
Unearned Revenues, GDOT	-	-	18,082,398	1,999,755	20,082,153	-
Total Current Liabilities	$ 3,461,890	$ 3,656,482	$ 29,353,485	$ 5,389,256	$ 41,861,113	$ 9,616,640
NONCURRENT LIABILITIES						
Tenant Improvement Allowance	$ 1,139,574	$ -	$ -	$ -	$ 1,139,574	$ -
Notes and Loans Payable	-	-	246,506,473	-	246,506,473	-
Net Pension Liability	5,493,918	532,202	545,873	1,940,218	8,512,211	1,975,891
Compensated Absences	71,946	57,754	59,270	210,584	399,554	214,483
Bonds Payable	-	31,916,425	-	-	31,916,425	-
Advances From Other Funds, Net	-	8,201,344	5,374,620	1,554,658	15,130,622	-
Total Noncurrent Liabilities	$ 6,705,438	$ 40,707,725	$ 252,486,236	$ 3,705,460	$ 303,604,859	$ 2,190,374
Total Liabilities	$ 10,167,328	$ 44,364,207	$ 281,839,721	$ 9,094,716	$ 345,465,972	$ 11,807,014
DEFERRED INFLOWS OF RESOURCES						
DEFERRED INFLOWS OF RESOURCES						
Related to Define Benefit Pension Plans	$ 42,848	$ 3,874	$ 3,974	$ 14,123	$ 64,819	$ 14,383
Total Deferred Inflows of Resources	$ 42,848	$ 3,874	$ 3,974	$ 14,123	$ 64,819	$ 14,383
Total Liabilities and Deferred Inflows of Resources	$ 10,210,176	$ 44,368,081	$ 281,843,695	$ 9,108,839	$ 345,530,791	$ 11,821,397
NET POSITION						
NET POSITION						
Net Investment in Capital Assets	$ 19,231,866	$ 3,359,043	$ 6,768,598	$ 6,610,871	$ 35,970,378	$ 318,735
Restricted for						
Debt Service	-	2,632,670	-	-	2,632,670	-
Capital Projects	-	-	94,167,815	5,838,046	100,005,861	6,180,035
Unrestricted (Deficit)	(6,704,827)	(18,506,998)	(210,603,083)	(786,572)	(236,601,480)	3,050,738
Total Net Position	$ 12,527,039	$ (12,515,285)	$ (109,666,670)	$ 11,662,345	$ (97,992,571)	$ 9,549,508
Total Liabilities and Net Position	$ 22,737,215	$ 31,852,796	$ 172,177,025	$ 20,771,184		$ 21,370,905
Adjustment to Reflect the Consolidation of Internal Service Fund Activities Related to Enterprise Funds					9,549,508	
Net Position of Business-Type Activities					$ (88,443,063)	

The notes to the basic financial statements are an integral part of this statement.

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STATE ROAD AND TOLLWAY AUTHORITY

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Transit	I-75 South Metro Express Lanes Fund	I-75 Northwest Corridor Express Lanes Fund	Tolling System	Totals	Internal Service Fund Customer Service Center Fund
OPERATING REVENUES						
Charges for Sales and Services						
Base Transaction Fees	$ -	$ -	$ -	$ -	$ -	$ 1,439,878
Variable Fees	-	-	-	-	-	529,434
Violation Processing Fees	-	-	-	-	-	2,973,592
Violation Administration Fees	$ -	$ 160,420	$ -	$ 2,738,404	$ 2,898,824	$ 75,390
User Fees						
Electronic Tolls	-	338,495	-	14,731,537	15,070,032	3,366
Transit Fees	24,590	-	-	-	24,590	-
Other Services	13,600	-	-	-	13,600	1,164
Total Operating Revenues	$ 38,190	$ 498,915	$ -	$ 17,469,941	$ 18,007,046	$ 5,022,824
OPERATING EXPENSES						
Personnel Services	$ 7,764,873	$ 1,077,338	$ 1,151,340	$ 1,953,497	$ 11,947,048	$ 3,044,701
Publications, Supplies and Materials	481	-	-	-	481	-
Repairs and Maintenance	22,590	-	-	-	22,590	-
Utilities, Rents, Insurance	1,007	16,681	-	20,682	38,370	-
Other Operating	31,501	23,964	38,027	6,608	100,100	437,277
Contracts	17,564	1,249,078	447,175	3,231,387	4,945,204	206,564
Indirect Costs	257,619	300,457	307,097	727,051	1,592,224	860,135
Base Transaction Fees	-	124,347	-	1,315,532	1,439,879	-
Variable Fees	-	12,141	-	517,293	529,434	-
Violation Processing Fees	-	160,520	-	2,738,404	2,898,924	74,668
Depreciation	2,176,294	876,820	25,728	1,138,481	4,217,323	103,289
Amortization[1]	(24,246)	-	-	-	(24,246)	-
Total Operating Expenses	$ 10,247,683	$ 3,841,346	$ 1,969,367	$ 11,648,935	$ 27,707,331	$ 4,726,634
Operating Income (Loss)	$ (10,209,493)	$ (3,342,431)	$ (1,969,367)	$ 5,821,006	$ (9,700,285)	$ 296,190
NONOPERATING REVENUES (EXPENSES)						
Interest and Investment Revenue	$ -	$ 140,784	$ 508,408	$ 82,747	$ 731,939	$ 112,211
Funds From GRTA	3,503,046	-	-	-	3,503,046	-
Roadway Improvements Revenue (GDOT)	-	-	70,610,515	-	70,610,515	-
Roadway Improvements	-	-	(147,082,098)	-	(147,082,098)	-
Bond and Loan Interest Expense	-	(2,070,736)	(2,186,707)	-	(4,257,443)	-
Miscellaneous Expense	(175,000)	-	-	-	(175,000)	-
Total Nonoperating Revenues (Expenses)	$ 3,328,046	$ (1,929,952)	$ (78,149,882)	$ 82,747	$ (76,669,041)	$ 112,211
Income (Loss) Before Capital Contributions and Transfers	$ (6,881,447)	$ (5,272,383)	$ (80,119,249)	$ 5,903,753	$ (86,369,326)	$ 408,401
CAPITAL CONTRIBUTIONS						
Georgia Department of Transportation (GDOT)	$ -	$ 65,069	$ 4,591,958	$ 2,486,017	$ 7,143,044	$ -
Total Capital Contributions	$ -	$ 65,069	$ 4,591,958	$ 2,486,017	$ 7,143,044	$ -
SPECIAL						
Loss on Disposition of Assets	$ -	$ (168,954)	$ -	$ -	$ (168,954)	$ (41,667)
Capital Contributions (GRTA)	19,953,386	-	-	-	19,953,386	-
Total Special Items	$ 19,953,386	$ (168,954)	$ -	$ -	$ 19,784,432	$ (41,667)
TRANSFERS						
Transfers In	$ -	$ -	$ 161,653	$ 1,566,678	$ 1,728,331	$ 894,016
Transfers Out	$ (544,900)	$ (119,208)	$ -	$ (416)	$ (664,524)	$ (6,498,292)
Total Transfers	$ (544,900)	$ (119,208)	$ 161,653	$ 1,566,262	$ 1,063,807	$ (5,604,276)
Changes in Net Position	$ 12,527,039	$ (5,495,476)	$ (75,365,638)	$ 9,956,032	$ (58,378,043)	$ (5,237,542)
Total Net Position - Beginning of Year	$ -	$ -	$ -	$ -		$ -
Fund Balance Adjustments	-	(7,019,809)	(34,301,032)	1,706,313		14,787,051
Total Net Position - Beginning of Year as restated	$ -	$ (7,019,809)	$ (34,301,032)	$ 1,706,313		$ 14,787,051
Total Net Position - End of Year	$ 12,527,039	$ (12,515,285)	$ (109,666,670)	$ 11,662,345		$ 9,549,509
Adjustments to Reflect the Consolidation of Internal Service Fund Activities Related to Enterprise Funds					(5,237,542)	
Change in Net Position of Business-Type Activities					$ (63,615,585)	

[1] See Note 10 in the Notes to the Financial Statements

The notes to the basic financial statements are an integral part of this statement.

STATE ROAD AND TOLLWAY AUTHORITY

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Transit	I-75 South Metro Express Lanes	I-75 NWC Express Lanes	Tolling System	Totals	Internal Service Fund Customer Service Center Fund
CASH FLOWS FROM OPERATING ACTIVITIES						
Receipts from Customers	$ (212,814)	$ 513,316	$ -	$ 17,225,806	$ 17,526,308	$ 1,473,081
Internal Activity - Receipts From Other Funds	-	-	-	-	-	4,942,904
Payments to Suppliers	(145,644)	265,155	(5,937,297)	(4,337,087)	(10,154,873)	(1,443,025)
Payments to Employees	(3,669,903)	(1,155,402)	(1,365,991)	(3,817,600)	(10,008,896)	(1,545,843)
Internal Activity - Payments to Other Funds	-	(297,008)	-	(4,571,229)	(4,868,237)	(74,668)
Net Cash Provided by (Used In) Operating Activities	$ (4,028,361)	$ (673,939)	$ (7,303,288)	$ 4,499,890	$ (7,505,698)	$ 3,352,449
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Operating Subsidies and Transfers (to) from Other Funds	$ 2,265,571	$ 3,187,417	$ 2,116,561	$ (6,556,532)	$ 1,013,017	$ (2,929,770)
Net Cash Provided by (Used in) Noncapital Financing Activities	$ 2,265,571	$ 3,187,417	$ 2,116,561	$ (6,556,532)	$ 1,013,017	$ (2,929,770)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Disposal (Acquisition) of Capital Assets	$ (21,408,161)	$ (7,752,349)	$ (2,765,001)	$ (3,317,652)	$ (35,243,163)	$ (307,659)
Intergovernmental Grant	23,346,051	65,069	15,180,085	999,999	39,591,204	-
Design Build Finance Loan	-	-	212,501,420	-	212,501,420	-
Grant Disbursements	(175,000)	-	(88,262,182)	-	(88,437,182)	-
Interest Paid on Revenue Bonds	-	-	(2,186,707)	-	(2,186,707)	-
Net Cash Provided by (Used in) Capital and Related Financing Activities	$ 1,762,890	$ (7,687,280)	$ 134,467,615	$ (2,317,653)	$ 126,225,572	$ (307,659)
CASH FLOWS FROM INVESTING ACTIVITIES						
Investment Income Received	$ -	$ 140,784	$ 508,408	$ 82,747	$ 731,939	$ 112,210
Net Cash Provided by Investing Activities	$ -	$ 140,784	$ 508,408	$ 82,747	$ 731,939	$ 112,210
Net Increase (Decrease) in Cash and Cash Equivalents	$ 100	$ (5,033,018)	$ 129,789,296	$ (4,291,548)	$ 120,464,830	$ 227,230
Cash and Cash Equivalents Balances						
Beginning of Year	-	26,408,546	20,299,392	15,127,219	61,835,157	19,285,959
End of Year	$ 100	$ 21,375,528	$ 150,088,688	$ 10,835,671	$ 182,299,987	$ 19,513,189
RECONCILIATION OF ENDING CASH AND CASH EQUIVALENTS TO STATEMENT OF NET POSITION - PROPRIETARY FUNDS						
Current Assets						
Cash and Cash Equivalents	$ 100	$ 2,847,328	$ 12	$ 4,595,885	$ 7,443,325	$ 4,412,610
Cash and Cash Equivalents - Restricted	-	18,528,200	150,088,676	6,239,786	174,856,662	15,100,579
Total	$ 100	$ 21,375,528	$ 150,088,688	$ 10,835,671	$ 182,299,987	$ 19,513,189

The notes to the basic financial statements are an integral part of this statement.

	Transit Fund	I-75 South Metro Express Lanes	I-75 NWC Express Lanes	Tolling System Total	Totals	Internal Service Fund Customer Service Center Fund
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES						
Operating Income (Loss)	$ (10,209,493)	$ (3,342,431)	$ (1,969,367)	$ 5,821,006	$ (9,700,285)	$ 296,190
Adjustments to Reconcile Operating Income (Loss) By Operating Activities						
Depreciation Expense	2,176,294	876,820	25,728	1,138,481	4,217,323	103,289
Amortization	(24,246)	-	-	-	(24,246)	-
Changes in Deferred Inflows/Outflows of Resources						
Deferred Inflows of Resources	42,848	(48,577)	(62,464)	(325,395)	(393,588)	(12,425)
Deferred Outflows of Resources	(1,533,021)	(46,286)	(26,552)	76,753	(1,529,106)	(449,829)
Net Pension Liability	5,493,918	(5,353)	(135,028)	(1,539,382)	3,814,155	1,701,142
Change in Net Assets and Liabilities						
Receivables, Net	(251,004)	14,401	-	(244,135)	(480,738)	(22,611)
Prepaid Items	(151,904)	-	-	-	(151,904)	-
Inventories	-	-	-	-	-	48,470
Other Assets	(4,163)	-	-	-	(4,163)	-
Accounts and Other Payables	341,185	1,855,335	(5,144,998)	(351,359)	(3,299,837)	12,481
Unearned Revenue	-	-	-	-	-	1,415,772
Compensated Absences	91,225	22,152	9,393	(76,079)	46,691	259,970
Net Cash Provided by (Used In) Operating Activities	$ (4,028,361)	$ (673,939)	$ (7,303,288)	$ 4,499,890	$ (7,505,698)	$ 3,352,449

The notes to the basic financial statements are an integral part of this statement.

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STATE ROAD AND TOLLWAY AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS INDEX

SRTA

State Road & Tollway Authority

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The State Road and Tollway Authority ('the Authority') is an instrumentality of the State of Georgia and a public corporation created to construct, operate and manage a system of roads, bridges and tunnels and facilities related thereto. The Authority's board consists of five (5) members: The Governor, Commissioner of the Georgia Department of Transportation (GDOT), Director of the Office of Planning and Budget, Appointee of Lieutenant Governor and Appointee of Speaker of the House. The Authority is considered a blended component unit of the State of Georgia for financial reporting purposes because of the significance of its legal, operational and financial relationships with the State of Georgia. These reporting entity relationships are defined in Section 2100 of the Governmental Accounting Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting Standards.

B. Basis of Presentation

The Authority's financial statements have been prepared in conformity with U.S. Generally Accepted Accounting Principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). Preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts and disclosures in the financial statements. Actual results could differ from those estimates.

The Authority's fiscal year end is June 30.

The Authority's basic financial statements consist of government-wide statements, including a statement of net position, a statement of activities and fund financial statements. This combination is designed to accomplish two goals: (1) to provide information using the economic resources measurement focus and the accrual basis of accounting and (2) to provide net cost information by function for governmental activities.

C. Government-wide and Fund Financial Statements

Government-wide Financial Statements

The Statement of Net Position and Statement of Activities display information about the Authority. These statements include the financial activities of the overall Authority. Eliminations have been made to minimize the double counting of internal activities. Governmental activities, which normally are financed through intergovernmental revenues, and other non-exchange revenues, are reported separately from business-type activities, which are financed in whole or in part by fees charged to external parties for goods or services.

The Statement of Net Position presents the Authority's assets and liabilities, with the difference reported as net position. Net position is reported in three categories:

- Net Investment in Capital Assets consists of capital assets, net of accumulated amortization/ depreciation and reduced by outstanding balances for bonds, notes and other debt that are attributed to the acquisition, construction or improvement of those assets. In addition, deferred outflows/ inflows of resources that are attributable to the acquisition, construction or improvement of capital assets or related debt are included in Net Investment in Capital Assets. If there are significant unspent related debt proceeds or deferred inflows of resources at the end of the

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

reporting period, the portion of the debt or deferred inflows of resources attributable to the unspent amount are not included.

- Restricted net position results when constraints are placed on net position use either externally imposed by creditors, grantors, contributors, and the like, or imposed by law through constitutional provisions or enabling legislation.

- Unrestricted net position consists of net position that does not meet the definition of the two preceding categories. Unrestricted net position often is designated, indicating it is not available for general operations. Such designations have internally imposed constraints on resources, but can be removed or modified.

When both restricted and unrestricted resources are available for use, generally it is the Authority's policy to use restricted resources first. Other funds which may be available from restricted or unrestricted net position should be utilized next, prior to the use of State funds. The Statement of Activities demonstrates the degree to which the direct expense of a given function is offset by program revenues. Direct expenses are those that are clearly identifiable within a specific function. Program revenues include (a) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Items not meeting the definition of program revenues are reported as general revenues.

Fund Financial Statements

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual proprietary funds are reported as separate columns in the fund financial statements. The Authority did not have any non-major funds in fiscal year 2017. The Internal service fund is reported in a separate column on the proprietary financial statements.

D. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to timing of the measurements made, regardless of the measurements focus applied.

The government-wide financial statements and the proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of cash flows. Grants and similar items are recognized as revenues in the fiscal year in which eligibility requirements imposed by the provider have been met. Unearned revenue is recorded when cash or other assets are received prior to being earned. The effect of interfund activity has been eliminated. Additionally, long-term assets and liabilities, such as capital assets and long-term debt, are included on the financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they become both measurable and available. Revenues are considered to be "measurable" when the amount of the transaction can be determined and "available" when they are collectible within the current period or soon

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

enough thereafter to pay liabilities of the current period. For this purpose, the Authority considers other revenues to be available if the revenues are collected within 30 days after fiscal year end. An exception to this policy is federal grant revenues, which generally are considered to be available if collection is expected within 12 months after year-end. All unearned revenues reported represent transactions for which assets have been received, but for which not all earnings criteria have been met. Capital purchases are recorded as expenditures and neither capital assets nor long-term liabilities, such as long-term debt, are reflected on the balance sheet. Major revenue sources susceptible to accrual include interest and other investment income.

Expenditures are generally recorded when the related fund liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, claims and judgments, and other long-term liabilities, are recorded only when payment is due or (for debt service expenditures), when amounts have been accumulated in the debt service fund for payments to be made early in the subsequent fiscal year. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the governmental fund statements.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The Authority's proprietary funds follow all GASB pronouncements, (including all National Council on Governmental Accounting (NCGA) Statements and Interpretations currently in effect).

The Authority reports the following major governmental funds:

General Fund – The principal operating fund of the Authority which accounts for all financial resources of the general government, except those required to be accounted for in another fund. This includes strategic business development and the planning and research for future transportation projects as well as general governmental activities.

Debt Service Fund - Accounts for the accumulation of financial resources used to pay the principal and interest on long-term obligations.

Georgia Transportation Infrastructure Bank Fund (GTIB) - a special revenue fund used to account for the grants and loans to local governments for transportation infrastructure purposes.

Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position and cash flows. Proprietary funds are classified as either enterprise funds or internal service funds. The Authority reports the following major proprietary funds:

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Enterprise Funds – Account for those activities for which fees are charged to external users for goods or services. These funds are also used when the activity is financed with debt that is secured by a pledge of the net revenues from fees and charges. These include toll facilities, highway and toll road construction, customer service center and other transportation and transit purposes.

Transit Fund – Accounts for the activities related to the preparation for transit operations that will begin on July 1, 2017.

I-75 South Metro Express Lanes – Accounts for the activities for which tolls and fees are charged to the users of the I-75 South Metro Express Lanes. This toll system was financed with debt that is secured by a pledge of net toll revenues generated from the facility.

I-75 Northwest Corridor Express Lanes – Accounts for the activities for which tolls and fees are charged to the users of the I-75 NWC Express Lanes. This toll road was financed with debt that is secured by a pledge of net toll revenues generated from the facility.

Tolling System – Accounts for the activities for which tolls and fees are charged to the users of the I-85 Express Lanes and toll facilities under construction including the I-85 Extension Express Lanes and the Major Mobility Investment Program.

Internal Service Fund – Accounts for the financing of goods or services provided by one department to other departments or governmental entities, on a cost–reimbursement basis. The activities accounted for in the internal service fund relate to the customer service center.

E. Use of Estimates

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

F. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position/Fund Balances

Cash and Cash Equivalents

Cash and cash equivalents include currency on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments with maturity dates within three months of the date acquired, such as certificates of deposit, money market certificates and repurchase agreements. Cash and cash equivalents also include the holdings of Georgia Fund 1, the state investment pool that has the general characteristics of demand deposit accounts in that the Authority may deposit additional cash at any time and also may withdraw cash at any time without prior notice or penalty.

The State of Georgia’s Office of the State Treasurer (OST) manages the Georgia Fund 1 in accordance with policies and procedures established by state law and the State Depository Board, the oversight Board for OST. This investment is valued at the pool’s share price, $1.00 per share.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Authority does not have any risk exposure related to investments in derivatives or similar investments in Georgia Fund 1, as the investment policy of OST does not provide for investments in derivatives or similar investments through the Georgia Fund 1.

Investments

Investments include financial instruments with terms in excess of three months from the date of purchase and certain securities held for the production of revenue. Investments are presented at fair value. Accounting principles generally accepted in the United States require that investments be reported at fair value; however, the variance in amortized cost and fair value is deemed immaterial to the financial statements for the majority of the Authority's investments. Any variances in amortized cost and fair value deemed material to the financial statements were reported at fair value.

The state investment pool (Georgia Fund 1 or the Primary Liquidity Portfolio) is an external investment pool that is not registered with the Securities and Exchange Commission (SEC), and does not operate in a manner consistent with the SEC's Rule 2a-7 of the Investment Company Act of 1940. All investments except repurchase agreements, non-negotiable certificates of deposit ("CD"), direct-issued commercial paper, and other such nonparticipating investments are priced at fair value. Repurchase agreements, non-negotiable CD's, direct-issued commercial paper, and other such nonparticipating investments are carried at cost because they are nonparticipating contracts that do not capture interest rate changes in their value. Security transactions are accounted for on a trade date basis which means that the purchases and sales of securities are recorded on the day the trade takes place with a corresponding payable or receivable.

The Georgia Fund 1 primary objectives are safety of capital, investment income, liquidity and diversification while maintaining principal. The Pool operates and reports to participants on an amortized cost basis. The income, gains and losses, net of administration fees of the pool is allocated to participants monthly on the ratio of the participant's share of the total funds in the pool based on the participant's average daily balance. This method differs from the fair value method used to value investments in these financial statements because the amortized cost method is not designed to distribute to participants all unrealized gains and losses in the fair values of the pool's investments. Investments in the pool are reported as cash and cash equivalents on the financial statements.

The Authority may invest regular funds in such securities and in such manner as it determines to be in its best interest as follows:

1) Obligations issued by the United States government;
2) Obligations of any corporation of the United States government fully guaranteed by the United States government;
3) Obligations of the Federal Land Bank, the Federal Home Loan Bank, Federal Intermediate Credit Bank or the Central Bank for Cooperatives; and
4) Repurchase Agreements.

In addition, certain revenue bonds issued by the Authority include covenants which restrict the Authority to investments in the state investment pool or to the following forms of investments:

1) The Local Government Investment Pool;
2) Government Obligations;
3) Certificates of Deposit;

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4) Repurchase Agreements;
5) Investment Agreements or Guaranteed Investment Contracts; and
6) Money Market Funds.

See Note 4 (p. 52) for additional details related to revenue bonds.

Accounts Receivable

Receivables consist primarily of amounts due from local governments for loans made from the GTIB fund, intergovernmental agreements with GDOT and Georgia Regional Transit Authority (GRTA), violations, interoperability, and Pay-N-Go. Receivables are recorded, net of allowances for uncollectible accounts, when either the asset or revenue recognition criteria (See Note 1-D p. 38) have been met. Receivables from the federal government and GTIB are reasonably assured; an allowance for uncollectible accounts is not typically established for these receivables. In the governmental fund financial statements, the portion considered "available" is recorded as revenue; the remainder, if any, is recorded as a deferred inflow of resources-unavailable. Please see Note 6 (p. 55) for additional informational.

Inventory and Prepaid Items

Inventory, which is comprised of transponders used in electronic toll collection, is determined by physical count and is valued at cost, using the first-in, first-out method. The Authority utilizes the consumption method to recognize inventory usage. Under the consumption method, inventories are recorded as expenses when consumed rather than when purchased.

Payments to vendors and local government organizations for services that will benefit periods beyond the fiscal year end are recorded as prepaid items using the consumption method by recording an asset for the prepaid amount and reflecting the expenditure/expense in the year in which services are consumed. The employer's portion of health insurance benefits applicable to coverage effective after the fiscal year end is recorded as a prepaid item. This classification also includes bond insurance costs that are capitalized and amortized over the term of the related debt.

The fund balance of governmental funds is reported as nonspendable for inventory and prepaid items to indicate that these amounts do not represent expendable available financial resources.

Interfund Balances

On the fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables." These amounts are eliminated in the government-wide statement of net position. See Note 7 (p. 57) for additional information.

Restricted Assets

Certain cash and cash equivalents, investments, and other assets are classified as restricted assets on the Balance Sheet and/or Statement of Net Position because their use is limited by applicable bond covenants, escrow arrangements or other regulations.

This classification includes certain toll revenue collections and other resources that will be used for debt service because their use is limited by applicable bond covenants. Amounts also include customer deposits paid to the Authority, and amounts received from other intergovernmental sources (the State and GDOT)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

to be used solely for disbursement by the Debt Service fund, GTIB fund, and contract commitments for capital construction.

Capital Assets

Capital assets of governmental funds are recorded as expenditures at the time of purchase and capitalized in the governmental activities column of the government-wide Statement of Net Position. Capital assets of the Authority's proprietary funds are capitalized in the fund in which they are utilized. Capital assets, which include property, machinery and equipment, and computer software, are reported at historical cost. Donated capital assets are stated at acquisition value at the time of donation and disposals are deleted at recorded cost. Assets that are transferred from other state agencies or authorities are recorded at actual cost and the associated accumulated depreciation is also recorded. For donated assets that are not fully depreciated, the Authority recognizes donated capital contributions equal to the net book value of the donated asset.

Land and non-depreciable land improvements are capitalized regardless of cost. Amounts for other asset categories are capitalized when the cost or value equals or exceeds the following thresholds. Items acquired through capital leases or donations are subject to these capitalization thresholds, using the classifications most closely related to the leased or donated assets.

Asset Category	Threshold
Infrastructure other than bridges and roadways	$1,000,000
Software	$1,000,000
Intangible assets, other than software	$ 100,000
Buidlings and building improvements	$ 100,000
Improvements other than buildings	$ 100,000
Machinery and equipment	$ 5,000

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives is not capitalized. Major outlays for construction of toll facilities are capitalized as projects are constructed. Interest incurred during construction is not capitalized in governmental funds. Interest incurred during the construction of proprietary fund assets is included in the capitalized value of the asset.

Capital assets are depreciated over their useful lives using the straight-line depreciation method. The government-wide and proprietary fund financial statements report depreciation expense.

Capital assets without indefinite or inexhaustible useful lives are amortized or depreciated on the straight-line basis over the following useful lives:

Category of Capital Assets	Years
Infrastructure	10 - 100
Buildings and Building Improvements	5 - 60
Improvements other than Buildings	15 - 50
Machinery and Equipment	3 - 20
Software	3 - 10
Intangible Assets - Other than Software	20

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Outflows of Resources

In addition to assets, the government-wide and fund financial statements will sometimes report a separate section of deferred outflows of resources. This separate financial statement element represents a consumption of net position or fund balance that applies to a future period(s) and so will not be recognized as an outflow of resources expense or expenditure until that time. This classification includes debt refunding gains and losses that are deferred and amortized over the shorter of the life of the refunding debt (new debt) and the refunded debt (old debt). Also included are amounts for defined benefit pension plan activity. See Note 11 (p. 70) for additional information.

Unearned Revenue

Unearned revenue represents prepaid tolls collected from customers. Revenue is recognized when the customers use a toll facility and a toll is applied to their account.

GDOT provides roadway improvement revenue at the beginning of a fiscal year for anticipated project costs for that fiscal year. Unspent grant funds are recorded as unearned revenue and are available for use in a future period(s).

Compensated Absences

Employees earn annual leave ranging from 10 to 14 hours each month depending upon the employees' length of continuous State service with a maximum accumulation of 45 days. Employees are paid for unused accumulated annual leave upon retirement or termination of employment. Funds are provided each fiscal year to cover the cost of annual leave of terminated employees. The obligation for accumulated unpaid annual leave is reported as a liability in the government-wide and proprietary fund financial statements based on current rates of pay in effect at the end of the reporting period.

Employees earn 10 hours of sick leave each month with a maximum accumulation of 90 days. Sick leave does not vest with the employee. Unused accumulated sick leave is forfeited upon retirement or termination of employment. However, certain employees who retire with 120 days or more of forfeited annual and sick leave are entitled to additional service credit in the Employees' Retirement System. No liability is recorded for rights to receive sick pay benefits.

Certain non-exempt employees working over 40 hours per week accrue compensatory time at the rate of 1.5 times the overage hours.

All compensated absence liabilities (compensatory time) include salary related payments, where applicable. At the end of the year, all compensatory time not taken is recorded as a liability at the current salary rates and applicable social security, Medicare and health care costs. The current portion of compensated absence liabilities is calculated as a three-year average of annual reductions. The total compensated absences liability is reported on the government-wide and proprietary fund financial statements.

Accrued Liabilities and Long-term Obligations

Long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities column or business-type activities column on the government-wide Statement of Net Position and on the proprietary fund Statement of Net Position in the fund financial statements. Prepaid bond insurance,

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

bond discounts and premiums are deferred and amortized over the life of the bonds using the effective interest method or the straight-line method. Bonds payable are reported net of the unamortized bond premium or discount, while prepaid bond insurance is reported as an asset. Bond issuance costs are recognized during the current period.

In the fund financial statements, governmental funds recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

The *Tax Reform Act of 1986* requires governmental organizations issuing tax-exempt bonds to refund to the U.S. Treasury, interest earnings on bond proceeds in excess of the yield on those bonds. Governmental organizations must comply with arbitrage rebate requirements in order for their bonds to maintain tax-exempt status. Organizations are required to remit arbitrage rebate payments for non-purpose interest to the federal government at least once every five years over the life of the bonds. Arbitrage liability is treated as an expense in the government-wide statements when the liability is recognized. In the fund financial statements, governmental funds report arbitrage (other debt service) expenditures when the liability is due. The Authority did not have any arbitrage rebate payments for the year ended June 30, 2017.

Deferred Inflows of Resources

In addition to liabilities, the government-wide and fund financial statements will sometimes report a separate section of deferred inflows of resources. This separate financial statement element represents an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. This classification includes amounts related to defined benefit pension plan activity. See Note 11 (p. 70) for additional information.

Pensions

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

Net Position

The difference between assets, deferred outflows of resources, liabilities and deferred inflows of resources is "Net Position" on the government-wide and proprietary fund financial statements.

Net position is reported as net investment in capital assets, restricted or unrestricted. "Net Investment in Capital Assets" consists of capital assets, net of accumulated amortization/depreciation, reduced by the outstanding balances for bonds, notes and other debt that are attributed to the acquisition, construction or improvement of those assets. In addition, deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt are included in Net Investment in Capital Assets. If there are significant unspent related debt proceeds or

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

deferred inflows of resources at the end of the reporting period, the portion of the debt or deferred inflows of resources attributable to the unspent amount are not included.

Restricted net position results when constraints placed on net position are either externally imposed by creditors, grantors, contributors, and the like, or imposed by law through constitutional provisions or enabling legislation. Designations solely imposed by the Authority's management are not presented as restricted net position.

Unrestricted net position consists of net position that does not meet the definition of the two preceding categories. Unrestricted net position is often designated, indicating it is not available for general operations. Such designations have internally imposed constraints on resources, but can be removed or modified.

When both restricted and unrestricted net position are available for use, it is the Authority's policy to first utilize federal funds available from restricted net position. Other funds, which may be available from restricted or unrestricted net position should be utilized next, prior to the use of State funds.

Fund Balances

Generally, fund balance represents the difference between the assets, deferred outflows of resources, liabilities and deferred inflows of resources under the current financial resources measurement focus of accounting. In the fund financial statements, governmental funds report fund balance classifications that comprise a hierarchy based primarily on the extent to which the Authority is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Fund balances are classified as follows:

> **Nonspendable –** Fund balances are reported as nonspendable when amounts cannot be spent because they are either (a) not in spendable form (i.e., items that are not expected to be converted into cash) or (b) legally or contractually required to be maintained intact, such as inventory, prepaid items, and the principal in a permanent fund.
>
> Nonspendable fund balance includes advances to other funds, inventory, prepaid items and long-term loan receivables. The Authority did not have any legally or contractually required amounts to be maintained intact. At June 30, 2017, the Authority's nonspendable fund balance was attributed to \$15,130,622 of advances to other funds and \$158,536 of prepaid items.
>
> **Restricted -** Fund balances are reported as restricted when there are limitations imposed on their use either through constitutional provisions or the enabling legislation adopted by the Authority or through external restrictions imposed by creditors, grantors or law or regulations of other governments. At June 30, 2017, the Authority's restricted fund balances were reported in the debt service funds, GTIB, capital and transportation projects, and intergovernmental agreements.
>
> **Committed -** Fund balances are reported as committed when they can be used only for specific purposes pursuant to constraints imposed by formal action of the governing board of the Authority through the adoption of a resolution. Only the governing board of the Authority may modify or rescind the commitment by taking the same type of action it employed to previously commit the amounts (e.g., legislation). At June 30, 2017, the Authority reported no committed fund balances.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assigned - Fund balances are reported as assigned when amounts are constrained by the Authority's intent to be used for specific purposes, but they are neither restricted nor committed. Assignments may be made under statutory authority of management. Through resolution, the governing board of the Authority has authorized the Authority's Executive Director to declare funds as assigned. At June 30, 2017, assigned fund balances represented the amounts that were intended for GTIB operating funds of $226,192, a 90-day reserve of $14,958,470 and renewal and replacement of $3,992,681 not specified under other agreements.

Unassigned - The residual amount of fund balance is reported as unassigned for balances that do not meet the above constraints. The Authority reports positive unassigned fund balance only in the general fund. Negative unassigned fund balances may be reported in all funds.

Committed, assigned and unassigned fund balances are collectively considered to be unrestricted funds.

As with net position, when both restricted and unrestricted (committed, assigned, unassigned) fund balances are available for use, it is the Authority's policy to first utilize federal funds available from restricted fund balance. Other funds, which may be available from restricted, committed or assigned fund balance should be utilized next, prior to the use of State funds when expenditures are incurred for purposes for which amounts in any of those funding sources could be used. Within unrestricted fund balance, after the above consideration of funding source, the Authority's policy is that committed amounts generally should be reduced first, followed by assigned amounts and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

Revenue and Expense Recognition

Toll revenues are recognized when vehicles use the toll road facilities and a toll is applied to their account. Expenses generally result from necessary costs incurred to provide toll services and include all expense transactions other than those related to other financing activities. Other financing sources represent funds from grants or outside contributions of resources restricted to capital acquisition and construction, interfund transfers, and property sale. Intergovernmental revenue primarily represents funds from the FHWA and GDOT restricted to debt service and capital acquisition and construction.

Interfund Activity and Balances

Equally offsetting asset and liability accounts (due from/to other funds) are used to account for amounts owed to a particular fund by another fund for obligations on goods sold or services rendered.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements with the exception of activities between governmental activities and business type activities. These amounts are reported as internal balances on the Statement of Net Position.

In the fund financial statements, transfers represent flows of assets without equivalent flows of assets in return or requirements for repayment. In addition, transfers are recorded when a fund receiving revenue provides it to the fund which expends the resources. Transfers of balances between funds are made to accomplish various provisions of law. Interfund transfers are reported as other financing sources/uses.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Interfund transfers have been eliminated from the Statement of Net Position. See Note 7 (p. 57) for additional information.

Funds responsible for particular expenditures/expenses that that were paid by another fund are presented as advances on the financial statements. Interfund payables and receivables have been eliminated from the Statement of Net Position. See Note 7 (p. 57) for additional information.

NOTE 2 – CHANGES IN FINANCIAL ACCOUNTING AND REPORTING

A. Implementation of New Accounting Standards

In fiscal year 2017, the Authority implemented the following new GASB Statements:

GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*

GASB Statement No. 77, *Tax Abatement Disclosures*

GASB Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*

GASB Statement No. 80, *Blending Requirements for Certain Component Units*

GASB Statement No. 82, *Pension Issues*

The objective of Statement No. 74 is to improve the usefulness of other postemployment benefits (OPEB) information included in the external basic financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement requires more extensive note disclosures and required supplementary information (RSI) related to the measurement of the OPEB liabilities. This Statement also sets forth note disclosure requirements for defined contribution OPEB plans. This Statement increases required note disclosures, but there is no financial impact of implementation.

The objective of Statement No. 77 is to define tax abatement and provide disclosure guidance for governments that have granted tax abatements. There is no financial impact of implementing this statement.

The objective of Statement No. 78 is to address a practice issue regarding the scope and applicability of Statement No. 68, Accounting and Financial Reporting for Pensions. It amends the scope and applicability of Statement 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (3) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). It establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that have the characteristics described above. There is no financial impact of implementing this statement.

NOTE 2 – CHANGES IN FINANCIAL ACCOUNTING AND REPORTING (CONTINUED)

The objective of Statement No. 80 is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. It amends the blending requirements established

in paragraph 53 of Statement No. 14, *The Financial Reporting Entity, as amended*. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, *Determining Whether Certain Organizations Are Component Units*. There is no financial impact of implementing this statement.

The objective of Statement No. 82 is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. It amends Statements 67 and 68 to instead require the presentation of covered payroll, defined as the payroll on which contributions to a pension plan are based, and ratios that use that measure. It clarifies that a deviation, as the term is used in Actuarial Standards of Practice issued by the Actuarial Standards Board, from the guidance in an Actuarial Standard of Practice is not considered to be in conformity with the requirements of Statement 67, Statement 68, or Statement 73 for the selection of assumptions used in determining the total pension liability and related measures. It also clarifies that payments that are made by an employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contribution requirements should be classified as plan member contributions for purposes of Statement 67 and as employee contributions for purposes of Statement 68. It also requires that an employer's expense and expenditures for those amounts be recognized in the period for which the contribution is assessed and classified in the same manner as the employer classifies similar compensation other than pensions (for example, as salaries and wages or as fringe benefits). There is no financial impact of implementing this statement.

In fiscal year 2018, the Authority will implement the following GASB Statements:

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*

GASB Statement No. 81, *Irrevocable Split-Interest Agreements*

GASB Statement No. 85, *Omnibus 2017*

GASB Statement No. 86, *Certain Debt Extinguishment Issues*

The objective of Statement No. 75 is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits

NOTE 2 – CHANGES IN FINANCIAL ACCOUNTING AND REPORTING (CONTINUED)

(pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

The objective of Statement No. 81 is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement.

The objective of Statement No. 85 is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits.

The objective of Statement No. 86 is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance.

Management is evaluating the implementation of GASB 75 and the estimated impact to the financial statements is unknown at this time. There is no material financial impact as a result of implementing GASB Statement No. 81, Statement No. 85 and Statement No. 86.

B. Changes in Financial Reporting Entity

In fiscal year 2017, it was determined that the toll facilities and customer service center no longer met the requirements for inclusion in the financial reporting entity as special revenue funds, which decreased governmental beginning fund balance in the amount of $43.9 million. Government-wide governmental activities net position increased by $12.9 million related to changes in the financial reporting entity. Proprietary beginning net position decreased $12.9 million.

C. Changes in Accounting Principles

In fiscal year 2017, the Authority implemented a new indirect cost allocation plan that allocates current year indirect costs in the same year versus allocating based on a 2-year lag. FY 15 and FY 16 indirect cost allocations increased government-wide and governmental beginning net position/fund balance by $12.0 million and decreased proprietary beginning net position by $12.0 million.

Total changes for financial reporting entity changes and accounting principles in government-wide governmental activities resulted in a net position increase of $24.8 million and proprietary beginning net position decrease of $24.8 million.

D. Fund Equity Reclassifications and Restatements

Reclassifications and Restatements consisted of the following:

NOTE 2 – CHANGES IN FINANCIAL ACCOUNTING AND REPORTING (CONTINUED)

	6/30/2016 As Previously Reported	Change in Financial Reporting Entity	Change in Accounting Principles	6/30/2016 (Restated)
Governmental Funds and Activities				
Governmental Funds				
General Fund	$ 33,178,217	$ -	$ 11,957,570	$ 45,135,787
Debt Service	114,941	-	-	114,941
GTIB Fund	64,671,558	-	-	64,671,558
Special Revenue Fund	43,853,780	(43,853,780)	-	-
Total Governmental Funds	$ 141,818,496	$ (43,853,780)	$ 11,957,570	$ 109,922,286
Government-wide Adjustments				
Non Capital Assets	$ 1,127,570,200	$ (32,086,945)	$ -	$ 1,095,483,255
Capital Assets, net of depreciation	12,446,631	(12,104,415)	-	342,216
Other Liabilities	(71,568,902)	-	-	(71,568,902)
Deferred Outflows of Resources	2,172,853	(803,226)	-	1,369,627
Deferred Inflows of Resources	(555,040)	485,216	-	(69,824)
Long-Term Liabilities	(1,024,314,815)	69,336,847	-	(954,977,968)
Net Position	(45,750,927)	(12,869,907)	(11,957,570)	(70,578,404)
Total Government-wide Funds	$ -	$ 11,957,570	$ (11,957,570)	$ -
Proprietary Funds and Business-type Activities				
I-75 S Metro Express Lane Fund	$ -	$ (5,245,663)	$ (1,774,146)	$ (7,019,809)
I-75 NWC Express Lane Fund	-	(32,053,975)	(2,247,058)	(34,301,033)
I-85 Express Lane Fund	-	8,255,610	(7,951,541)	304,069
I-85 Extension Express Lane Fund	-	2,464,887	(1,062,641)	1,402,246
Customer Service Center Fund	-	13,709,234	1,077,816	14,787,050
Total Proprietary Funds and Business-type Activities	$ -	$ (12,869,907)	$ (11,957,570)	$ (24,827,477)

NOTE 3 – BUDGET

The Authority approves a budget for management purposes. The budget is not subject to review or approval by the Legislature of the State of Georgia, except for those limited portions that consist of appropriated funds. Budgets are adopted on the cash basis of accounting. The Authority's Board approves the budget annually in the spring for the following fiscal year.

The level of control (the level at which expenditures may not exceed the budget) for each adopted annual operating budget is at the individual program level. Budgetary control is exercised at the department level. All annual operating budgets lapse at fiscal year-end. Capital budgets lapse at the end of the project and may span multiple years. The Director of Budget is authorized to transfer budgeted amounts between departments within the same program. Any revisions, which increase total expenditures, must be approved by the Board. During the year, the Board approved an amendment to the original budget to replace motor fuel funds with general funds for debt service payments. There was no change to the total budget.

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable budget, is employed as an extension of formal budgetary integration. Generally, operating encumbrances' lapse at fiscal year-end, but capital encumbrances do not.

NOTE 4 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Compliance with Bond Covenants

The Authority is subject to certain covenants with regard to the issuance of the aggregation of its revenue bonds issued and outstanding as of June 30, 2017.

Funds of the State of Georgia cannot be placed in a depository paying interest longer than 10 days without the depository providing a surety bond to the state. In lieu of a surety bond, the depository may pledge as collateral any one or more of the following securities as enumerated in the Official Code of Georgia Annotated (O.C.G.A.) Section 50-17-59:

(1) Bonds, bills, certificates of indebtedness, notes, or other direct obligations of the United States or the State of Georgia;

(2) Bonds, bills, certificates or indebtedness, notes, or other obligations of the counties or municipalities of the State of Georgia;

(3) Bonds of any public authority created by the laws of the State of Georgia, providing that the statute that created the authority authorized the use of the bonds for this purpose, the bonds have been duly validated and they are not in default;

(4) Industrial revenue bonds and bonds of development authorities created by the laws of the State of Georgia;

(5) Bonds, bills, certificates of indebtedness, notes, or other obligations of a subsidiary corporation of the United States government, which are fully guaranteed by the United States government both as to principal and interest, or debt obligations issued by or securities guaranteed by the Federal Land Bank, the Federal Home Loan Bank, the Federal Intermediate Credit Bank, the Central Bank for Cooperatives, the Farm Credit Banks, the Federal Home Loan Mortgage Corporation, or the Federal National Mortgage Association; and

(6) Guarantee or insurance of accounts provided by the Federal Deposit Insurance Corporation.

O.C.G.A. Section 45-8-11 provides that the Authority may waive the requirements for security in the case of operating funds placed in demand deposit checking accounts.

The Authority's bond funds are properly collateralized in accordance with the terms of the applicable indentures.

Pledged Revenue

The toll revenues generated from the usage of the I-75 South Metro Express Lanes Project secure the State Road and Tollway Authority Toll Revenue Bonds Series 2014A and 2014B. Beginning in the first full Fiscal Year commencing at least 18 months after the open to tolling date of January 28, 2017, the Indenture requires the Authority to establish, charge and collect tolls for the privilege of traveling on the I-75 South Metro Express Lanes Project at rates sufficient to produce "net revenues" (pledged revenues after the deduction for tolling operating and maintenance expenses as set forth in the flow of funds) in each fiscal year that are at least:

NOTE 4 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)

- One hundred fifty percent (150%) of the annual debt service with respect to all outstanding bonds for such fiscal year; and

- One hundred percent (100%) of (A) the annual debt service with respect to all outstanding bonds for such fiscal year, plus (B) the amounts, if any, required to be deposited during such fiscal year in the Debt Service Reserve Fund.

The toll revenues generated from the usage of the I-75 Northwest Corridor Express Lanes Project will secure the State Road and Tollway Authority TIFIA loan with the United Stated Department of Transportation, dated as of November 14, 2013. Beginning in the first full fiscal year following the substantial completion date, the TIFIA Loan Agreement requires the Authority to establish, charge, and collect tolls for the privilege of traveling on the I-75 Northwest Corridor Express Lanes Project at rates sufficient to produce revenues that are at least:

- One hundred fifty percent (150%) of the annual debt service with respect to all outstanding first lien bonds for such borrower fiscal year;

- One hundred twenty-five percent (125%) of (i) the annual debt service with respect to all outstanding first lien bonds for such borrower fiscal year, plus (ii) the TIFIA debt service for such borrower fiscal year; and

- One hundred percent (100%) of (i) the annual debt service with respect to all outstanding first lien bonds for such borrower fiscal year, plus (ii) the TIFIA debt service for such borrower fiscal year, plus (iii) the amounts, if any, required to be deposited during such borrower fiscal year in the First Lien Debt Service Reserve Fund and the TIFIA Debt Service Reserve Fund.

NOTE 5 – DEPOSITS AND INVESTMENTS

Cash and cash equivalents and investments as of June 30, 2017 are classified in the accompanying financial statements as follows:

	Government Funds	Proprietary Funds	Total
Cash and Cash Equivalents	$ 12,436,961	$ 11,855,935	$ 24,292,896
Restricted Assets			
Cash and Cash Equivalents	80,358,344	189,957,241	270,315,585
Total Cash and Investments	$ 92,795,305	$ 201,813,176	$ 294,608,481

Cash on hand and deposits as of June 30, 2017 consist of the following:

	Government Funds	Proprietary Funds	Total
Cash on Hand	$ -	$ 550	$ 550
Deposits with Financial Institutions	4,931,473	2,792,687	7,724,160
Investments	271,368	103	271,471
Investments in Georgia Fund 1	87,592,464	199,019,836	286,612,300
Total Cash and Investments	$ 92,795,305	$ 201,813,176	$ 294,608,481

NOTE 5 – DEPOSITS AND INVESTMENTS (CONTINUED)

Deposits include demand deposit accounts, including certain interest-bearing demand deposit accounts. Investments as presented on the following pages as negotiated investment deposit agreements (deposit agreements). The State Depository Board (Board) has authority to determine collateral requirements for demand deposit accounts. Prior to October 2008, the Board waived collateral on demand deposits in qualified State depositories. However, beginning October 2008, in response to the U.S. financial crisis, the Board required collateralization of all uninsured deposits until September 2012, when its investment policy was amended to permit the Office of the State Treasurer (OST) to diversify its portfolio to include investments in deposit agreements that are with highly rated U.S. banks classified to be low or very low risk, as measured by the OST counterparty risk assessment model.

The Board permits OST to invest in deposit agreements in approved banks as an alternative to purchasing commercial paper and corporate notes issued by highly rated U.S. banks because of the clear preference of all depositor claims, insured and uninsured, over general creditors. OST has been advised that there is a clear and significant difference in favor of deposits over commercial paper in the event of insolvency or liquidation of a U.S. bank. OST gives preference to interest bearing demand deposits due to both a preference in safety of capital and daily liquidity. Credit unions are not authorized to serve as depositories.

Concentration of Credit Risk. Concentration of credit risk is the inability to recover the value of deposit, investment, or collateral securities in the possession of an outside party caused by a lack of diversification. The Authority's Investment Policy does not limit the amount of funds that can be invested with any one financial institution or issuer. The Authority follows the OST Investment Policy. The Authority deposits excess cash with the Office of the State Treasurer (OST) in the Georgia Fund 1 investment pool in accordance with state practice. Georgia Fund 1 is a Standard & Poor's AAAf rated investment pool to maintain principal stability. The pool is not registered with the SEC as an investment company and the State does not consider Georgia Fund 1 to be a 2a-7 like pool. The Authority mitigates concentration of credit risk by maintaining banking relationships at several financial institutions. The Authority deposits cash and purchases investments among several financial institutions with the majority of funds held at OST in the Georgia Fund 1. The following schedule lists the allocation of cash and investments by financial institution as of June 30, 2017:

Institution / Issuer	Bank Balances	% of Portfolio	Reconciled Balances	% of Portfolio
Bank of America, N.A.	$ 6,592,438	2.23%	$ 7,724,160	2.62%
The Bank of New York Mellon Trust Company N.A. *	207,871	0.07%	207,870	0.07%
US Bank *	63,601	0.02%	63,601	0.02%
Funds on Deposit with the Office of the State Treasurer				
Georgia Fund 1	288,721,957	97.68%	286,612,300	97.29%
Subtotal Cash and Cash Equivalents	$ 295,585,867	100.00%	$ 294,607,931	100.00%
Petty Cash			550	
Total Cash and Cash Equivalents			$ 294,608,481	

* Invested in a money market mutual fund; Level 1

Fair Value Measurement. Investments are measured at fair value on a recurring basis and the Authority categorizes its fair value measurements within the fair value hierarchy established by GASB Statement No. 72 and Generally Accepted Accounting Principles (GAAP). The hierarchy is based on the inputs used in

NOTE 5 – DEPOSITS AND INVESTMENTS (CONTINUED)

valuation and gives the highest priority to unadjusted quoted prices in active markets and requires that observable inputs be used in the valuation when available. The disclosure of fair value estimates in the hierarchy is based on whether the significant inputs into valuations are observable. In determining the level of the hierarchy, in which the estimate is disclosed, the highest level, Level 1, is given to unadjusted quoted prices in active markets and the lowest level, Level 3, to unobservable inputs.

- Level 1 – valuations based on unadjusted quoted prices in active markets for identical assets and have daily liquidity and daily pricing. Authority investments under Level 1 include money market funds and exchange traded funds.

- Level 2 – valuations based on quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs are observable.

- Level 3 – valuations based on inputs that are unobservable and significant to the overall fair value measurement.

The Authority's investments did not hold any level 2 or level 3 inputs at June 30, 2017.

Custodial Credit Risk - Deposits. The custodial credit risk for deposits is the risk that, in the event of a bank failure, the Authority's deposits may not be recovered. The OST Investment Policy specifies safety of capital as the first priority in investing funds and liquidity as the second priority, followed by investment return and diversification. State statutes require all deposits and investments (other than federal or state government instruments) to be collateralized by depository insurance, obligations of the U.S government, or bonds of public authorities, counties, or municipalities. As of June 30, 2017, the Authority's bank balances totaled $294.6 million. Of these deposits, $6.3 million were exposed to custodial credit risk as follows:

Type of Custodial Credit Risk	Bank Balances
Uninsured and collateralized with securities held by the pledging financial institutions	$ 6,342,438
Total deposits exposed to custodial credit risk	$ 6,342,438

Interest Rate Risk. Interest rate risk is the possibility that an interest rate change could adversely affect an investment's fair value. In accordance with applicable pronouncements, an acceptable method for reporting interest rate risk is specific identification.

The majority of the Authority's investments are in GA Fund 1 or held by bond trustees in money market funds. All of the Authority's investments have maturities less than three months. OST's policy for management of interest rate risk attempts to match investments with expected cash requirements. However, certificates of deposit may not have a term exceeding five years. The State Treasurer may establish duration or maturity limitations for other investments.

NOTE 6 – RECEIVABLES

Receivables at June 30, 2017 consisted of the following:

	Notes and Loans	Other	Inter-governmental Receivables	Gross Receivables	Allowance for Uncollectibles	Total Receivables (Net)
Governmental Activities						
General Fund (GDOT)	$ -	$ -	$ 26,765,306	$ 26,765,306	$ -	$ 26,765,306
General Fund	-	462,042	-	462,042	-	462,042
GTIB	12,624,802	-	-	12,624,802	-	12,624,802
Total - Governmental Funds	$ 12,624,802	$ 462,042	$ 26,765,306	$ 39,852,150	$ -	$ 39,852,150
Government-wide adjustments:						
General Fund (GDOT)	$ -	$ -	$ 719,756,997	$ 719,756,997	$ -	$ 719,756,997
Total - Governmental Activities	$ 12,624,802	$ 462,042	$ 746,522,303	$ 759,609,147	$ -	$ 759,609,147
Business-type Activities						
Transit	$ -	$ 1,479,556	$ 336,603	$ 1,816,159	$ -	$ 1,816,159
I-75 South Metro Express Lanes	-	4,223	-	4,223	(284)	3,939
Northwest Corridor Express Lanes	-	180,084	15,000,000	15,180,084	-	15,180,084
Tolling System	-	890,060	342,390	1,232,450	(442,702)	789,748
Customer Service Center	-	257,605	-	257,605	(113,500)	144,105
Total - Business-type Activities	$ -	$ 2,811,528	$ 15,678,993	$ 18,490,521	$ (556,486)	$ 17,934,035

GTIB Loan Accounts Receivable Schedule:

	June 30, 2016	Disbursements for the Year Ended June 30, 2017	Principal Repayments for the Year Ended June 30, 2017	Accrued Interest for the Year Ended June 16, 2017	June 30, 2017
City of Clarkston	$ 688,888	$ 790,525	$ -	$ -	$ 1,479,413
City of Flowery Branch	950,000	-	186,898	-	763,102
Town of Tyrone	2,413,148	-	155,506	-	2,257,642
City of Johns Creek	3,951,662	-	168,682	-	3,782,980
City of Sandy Springs	2,524,723	225,277	159,054	3,584	2,594,530
Evermore CID	293,930	-	27,616	533	266,846
City of Doraville	-	1,480,287	-	-	1,480,287
Total GTIB Loan A/R	$ 10,822,352	$ 2,496,089	$ 697,756	$ 4,117	$ 12,624,802

NOTE 7 – INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund Receivables and Payables

Interfund receivable and payable balances at June 30, 2017 consist of the following:

Interfund Receivables							Internal	Internal Balance,
							Due/Advance From Other Funds	
Interfund Payables	General Fund	I-75S	I-75 NWC	Tolling System	Customer Service Center Fund	Total	Governmental Activities	Business-Type Activities
Short-Term								
Due To Other Funds								
General Fund	$ -	$ 7,088	$ 3,122	$ 3,825	$ 754	$ 14,789	$ 5,828,535	$ 14,789
Debt Service	500	-	-	-	-	500	-	-
Proprietary Funds:	-	-	-		-			
Transit	2,810,471	-	-	-	-	2,810,471	-	(2,810,471)
I-75S	963,197	-	-	45,772	52,054	1,061,023	-	(963,197)
I-75 NWC	781,763	-	-	80,102	-	861,865	-	(781,763)
Tolling System	1,276,818	-	-	41,196	776,001	2,094,015	-	(1,276,818)
Customer Service Center Fund	11,075	139,194	-	1,876,749	-	2,027,018	-	(11,075)
Total Due From Other Funds	$ 5,843,824	$ 146,282	$ 3,122	$ 2,047,644	$ 828,809	$ 8,869,681	$ 5,828,535	$ (5,828,535)
Long-Term								
Advances To Other Funds								
General Fund	$ -	$ -	$ -	$ -	$ -	$ -	$ 15,130,622	$ -
Proprietary Funds:	-	-	-	-	-	-	-	-
Advances From I-75 S Metro Express Lanes	8,201,344	-	-	-	-	8,201,344	-	(8,201,344)
Advances From NWC Express Lanes	5,374,620	-	-	-	-	5,374,620	-	(5,374,620)
Advances From Tolling System	1,554,658	-	-	-	-	1,554,658	-	(1,554,658)
Total Advances To Other Funds	$ 15,130,622	$ -	$ -	$ -	$ -	$ 15,130,622	$ 15,130,622	$ (15,130,622)
Total Interfund Payables	$ 20,974,446	$ 146,282	$ 3,122	$ 2,047,644	$ 828,809	$ 24,000,303	$ 20,959,157	$ (20,959,157)

Interfund receivables and payables result from disbursements initially being made from the General Fund's main operating account. The other funds subsequently reimburse the General Fund. These interfund balances result from the time lag between the dates that transactions are recorded in the accounting system and when payments between funds are made.

Interfund Transfers

Interfund transfers for the year ended June 30, 2017 consist of the following:

	Transfers Out						
Transfers In	General Fund	Transit	I-75 S Metro Express Lanes	Tolling System	Customer Service Center	Governmental Activities	Business-Type Activities
General Fund	$ -	$ -	$ -	$ -	$ 4,769,961	$ 4,540,469	$ (4,540,469)
Debt Service Fund	25,410	-	-	-	-	-	-
I-75 Northwest Corridor Express La	-	-	-	-	161,653	-	-
I-85 Express Lanes	-	-	-	-	1,330,806	-	-
I-85 Extension Express Lanes	-	-	-	-	235,872	-	-
Customer Service Center	-	544,900	119,208	416	(664,524)	-	-
Total	$ 25,410	$ 544,900	$ 119,208	$ 416	$ 5,833,768	$ 4,540,469	$ (4,540,469)

NOTE 7 – INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS (CONTINUED)

General Fund had a net transfer in of $4,744,551, which is the $4,769,961 from the Customer Service Center less the $25,410 transferred to Debt Service to cover bank and trustee fees. Additionally, Customer Service Center received a transfer in of $229,492 related to pensions from Governmental Activities resulting in net transfers in of $894,016. Customer Service Center had transfers out of $6,498,292. Net Customer Service Center transfers are $5,604,276. Transfers are used to move assets, liabilities, revenues or expenditures between funds in accordance with budgetary authorization. During the year ended June 30, 2017, transfers were made to move expenditures and assets.

NOTE 8 – CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2017 was as follows:

	Balance June 30, 2016 *Restated	Additions / Transfers	Deletions / Transfers	Balance June 30, 2017
Governmental Activities:				
Capital Assets Not Being Depreciated:				
Construction in Progress	$ -	$ 1,115,520	$ -	$ 1,115,520
Total Capital Assets Not Being Depreciated	$ -	$ 1,115,520	$ -	$ 1,115,520
Capital Assets Being Depreciated:				
Equipment	$ 666,125	$ 9,645,789	$ (94,982)	$ 10,216,932
Total Capital Assets Being Depreciated	$ 666,125	$ 9,645,789	$ (94,982)	$ 10,216,932
Less Accumulated Depreciation:				
Equipment	$ (323,909)	$ (1,102,442)	$ 94,982	$ (1,331,369)
Total Accumulated Depreciation	$ (323,909)	$ (1,102,442)	$ 94,982	$ (1,331,369)
Total Capital Assets Being Depreciated, Net	$ 342,216	$ 8,543,347	$ -	$ 8,885,563
Total Governmental Activities Capital Assets	$ 342,216	$ 9,658,867	$ -	$ 10,001,083
Business-type Activities:				
Capital Assets Not Being Depreciated:				
Construction in Progress, restated	$ 10,154,195	$ 14,133,148	$ (14,635,591)	$ 9,651,752
	$ 10,154,195	$ 14,133,148	$ (14,635,591)	$ 9,651,752
Capital Assets Being Depreciated:				
Machinery and Equipment	$ 16,878,524	$ 99,970,718	$ (1,160,387)	$ 115,688,855
Computer Software	8,610,898	-	-	8,610,898
Total Capital Assets Being Depreciated	$ 25,489,422	$ 99,970,718	$ (1,160,387)	$ 124,299,753
Less Accumulated Depreciation For:				
Machinery and Equipment	$ (14,928,304)	$ (68,238,065)	$ 949,766	$ (82,216,603)
Computer Software	(8,610,898)	-	-	(8,610,898)
Total Accumulated Depreciation	$ (23,539,202)	$ (68,238,065)	$ 949,766	$ (90,827,501)
Total Capital Assets Being Depreciated, Net	$ 1,950,220	$ 31,732,653	$ (210,621)	$ 33,472,252
Total Business-type Activities Capital Assets	$ 12,104,415	$ 45,865,801	$ (14,846,212)	$ 43,124,004

NOTE 9 – LONG-TERM DEBT

Changes in long-term liabilities for the fiscal year ended June 30, 2017 are as follows:

	Restated June 30, 2016	Increases	Decreases	June 30, 2017	Within One Year
Governmental Activities:					
Guaranteed Revenue Refunding Bonds, Series 2011A	$ 128,010,000	$ -	$ (23,070,000)	$ 104,940,000	$ 24,345,000
Premium on Guaranteed Refunding Revenue Bonds	9,290,991	-	(2,997,630)	6,293,361	2,457,396
Guaranteed Revenue Refunding Bonds, Series 2011B	137,125,000	-	(16,775,000)	120,350,000	17,635,000
Premium on guaranteed refunding revenue bonds	10,650,874	-	(2,702,699)	7,948,175	2,341,499
Guaranteed revenue refunding bonds, series 2001	120,000	-	(120,000)	-	-
Premium on Guaranteed Refunding Revenue Bonds	1,997	-	(1,997)	-	-
Guaranteed Revenue Bonds, Series 2003	23,810,000	-	(23,810,000)	-	-
Premium on Guaranteed Refunding Revenue Bonds	1,718,025	-	(1,718,025)	-	-
Guaranteed Revenue Refunding Bonds, Series 2016	-	19,265,000	-	19,265,000	-
Premium on Guaranteed Refunding Revenue Bonds	-	5,123,912	(482,041)	4,641,871	714,134
Revenue Bonds Sub-Total	$ 310,726,887	$ 24,388,912	$ (71,677,392)	$ 263,438,407	$ 47,493,029
Grant Anticipation Revenue Bonds, Series 2006	$ 76,310,000	$ -	$ (37,225,000)	$ 39,085,000	$ 39,085,000
Premium on Grant Anticipation Revenue Bonds	870,889	-	(575,914)	294,975	294,975
Reimbursement Revenue Bonds, Series 2006	18,435,000	-	(9,010,000)	9,425,000	9,425,000
Premium on Reimbursement Revenue Bonds	55,040	-	(36,270)	18,770	18,770
Grant Anticipation Revenue Bonds, Series 2008A	193,200,000	-	(44,825,000)	148,375,000	47,065,000
Premium on Grant Anticipation Revenue Bonds	5,070,417	-	(1,979,899)	3,090,518	1,520,536
Reimbursement Revenue Bonds, Series 2008A	46,680,000	-	(10,920,000)	35,760,000	11,360,000
Premium on Reimbursement Revenue Bonds	642,008	-	(246,815)	395,193	196,486
Grant Anticipation Revenue Bonds, Series 2009A	232,800,000	-	(42,135,000)	190,665,000	44,240,000
Premium on Grant Anticipation Revenue Bonds	10,438,257	-	(3,369,520)	7,068,737	2,759,427
Reimbursement Revenue Bonds, Series 2009A	57,115,000	-	(10,445,000)	46,670,000	10,910,000
Premium on Reimbursement Revenue Bonds	1,757,752	-	(567,141)	1,190,611	465,232
GARVEE Bonds Sub-Total	$ 643,374,363	$ -	$ (161,335,559)	$ 482,038,804	$ 167,340,426
Capital Lease	87,254	-	(87,254)	-	-
Pension Liability (ERS)	-	1,031,985	-	1,031,985	-
Tenant Improvement Allowance	-	460,243	(7,671)	452,572	92,049
Compensated absences	73,865	117,465	(40,807)	150,522	32,252
Governmental Activities Long-Term Liabilities	$ 954,262,369	$ 24,966,620	$ (233,148,683)	$ 746,080,306	$ 214,957,757
Business-Type Activities:					
Transportation Revenue Bonds, Series 2014A	$ 10,089,588	$ 663,470	$ -	$ 10,753,058	$ -
Transportation Revenue Bonds, Series 2014B	19,756,101	1,407,266	-	21,163,367	-
Design Build Finance Loan	34,005,053	25,848,333	-	59,853,386	-
TIFIA Loan, with accrued interest	-	186,653,087	-	186,653,087	-
Pension Liability (ERS)	5,688,406	4,799,696	-	10,488,102	-
Tenant Improvement Allowance	-	1,454,775	(24,246)	1,430,529	290,955
Compensated Absences	513,300	528,955	(222,296)	819,958	205,921
Business-Type Activities Long-Term Liabilities	$ 70,052,448	$ 221,355,581	$ (246,542)	$ 291,161,489	$ 496,876

NOTE 9 – LONG-TERM DEBT (CONTINUED)

Revenue Bonds (Governmental Activities)

State of Georgia Guaranteed Revenue Refunding Bonds, Series 2016. On July 28, 2016, the Authority issued $19,265,000 of State of Georgia Guaranteed Revenue Refunding Bonds, Series 2016. Including bond premiums in the amount of $5,123,912, the bond proceeds amounted to $24,388,912. The bonds were issued for the purposes of (1) refunding $23,810,000 in outstanding principal of the State of Georgia Guaranteed Revenue Bonds, Series 2003 and (2) to pay a portion of the costs of issuance of the bonds. Interest on these bonds is payable semiannually on April 1 and October 1 of each year with an interest rate of 5%. These bonds mature on October 1, 2023. As of June 30, 2017, the outstanding principal balance is $19,265,000. These bonds are secured by the amount of net proceeds of motor fuel tax provided for in a joint resolution of the Georgia State Transportation Board and the Authority. Further, the State of Georgia has guaranteed the full payment of the bonds and the interest thereon in accordance with the Constitution of the State of Georgia and has reserved $24,529,830 in the State of Georgia Guaranteed Revenue Debt Common Reserve Fund that is on deposit at the OST. This reservation covers the aggregate highest annual debt service of the Series 2016 Bonds, and the Series 2011 B Bonds and Series 2003 Bonds which are discussed below.

State of Georgia Guaranteed Revenue Refunding Bonds, Series 2011 A. On March 31, 2011, the Authority issued $191,335,000 of State of Georgia Guaranteed Revenue Refunding Bonds, Series 2011 A. Including bond premiums in the amount of $29,259,461, the bond proceeds amounted to $220,594,461. The bonds were issued for the purposes of (1) refunding $209,285,000 of the $226,690,000 in outstanding principal of the State of Georgia Guaranteed Revenue Bonds, Series 2001 and (2) to pay a portion of the costs of issuance of the bonds. Interest on these bonds is payable semiannually on March 1 and September 1 of each year with interest rates ranging from 4% to 5%. These bonds mature on March 1, 2021. As of June 30, 2017, the outstanding principal balance is $104,940,000. These bonds are secured by the amount of net proceeds of motor fuel tax provided for in a joint resolution of the Georgia State Transportation Board and the Authority. Further, the State of Georgia has guaranteed the full payment of the bonds and the interest thereon in accordance with the Constitution of the State of Georgia and has reserved $29,745,751 in the State of Georgia Guaranteed Revenue Debt Common Reserve Fund that is on deposit at the OST. This reservation covers the aggregate highest annual debt service of the Series 2011 A Bonds and the Series 2001 Bonds which are discussed below.

State of Georgia Guaranteed Revenue Refunding Bonds, Series 2011 B. On March 31, 2011, the Authority issued $153,085,000 of State of Georgia Guaranteed Revenue Refunding Bonds, series 2011 B. Including bond premiums in the amount of $26,561,505, the bond proceeds amounted to $179,646,505. The bonds were issued for the purposes of (1) refunding $162,370,000 of the $233,165,000 in outstanding principal of the State of Georgia Guaranteed Revenue Bonds, Series 2003 and (2) to pay a portion of the costs of issuance of the bonds. Interest on these bonds is payable semiannually on April 1 and October 1 of each year with an interest rate of 5%. These bonds mature on October 1, 2022. As of June 30, 2017, the outstanding principal balance is $120,350,000. These bonds are secured by the amount of net proceeds of motor fuel tax provided for in a joint resolution of the Georgia State Transportation Board and the Authority. Further, the State of Georgia has guaranteed the full payment of the bonds and the interest thereon in accordance with the Constitution of the State of Georgia and has reserved $24,529,830 in the State of Georgia Guaranteed Revenue Debt Common Reserve Fund that is on deposit at the OST. This reservation covers the aggregate highest annual debt service of the Series 2011 B Bonds, Series 2016 Bonds discussed previously and the Series 2003 Bonds which are discussed below.

NOTE 9 – LONG-TERM DEBT (CONTINUED)

State of Georgia Guaranteed Revenue Bonds, Series 2001. On December 1, 2001, the Authority issued $350,000,000 of State of Georgia Guaranteed Revenue Bonds, Series 2001, for the purposes of (1) financing a portion of the Governor's Road Improvement Program, which consists of additions, extensions and improvements to the portion of the state's highway system known as the Development Highway System, and to finance certain other road and bridge projects both on and off the state's highway system and (2) to pay the costs of issuance of the bonds. Interest on these bonds is payable semiannually on March 1 and September 1 of each year with interest rates ranging from 2.50% to 5.37%. The final unrefunded portion of these bonds matured on March 1, 2017. Therefore, there is no more principal outstanding on these bonds as of June 30, 2017. On March 31, 2011, $209,285,000 of these bonds was advance refunded via the issuance of the State of Georgia Guaranteed Revenue Refunding Bonds, Series 2011 A. These bonds were secured by the amount of net proceeds of motor fuel tax provided for in a joint resolution of the Georgia State Transportation Board and the Authority. Further, the State of Georgia had guaranteed the full payment of the bonds and the interest thereon in accordance with the Constitution of the State of Georgia and had reserved $29,745,751 in the State of Georgia Guaranteed Revenue Debt Common Reserve Fund that is on deposit at the OST. This reservation covered the aggregate highest annual debt service of the Series 2001 Bonds and the Series 2011 A Bonds.

State of Georgia Guaranteed Revenue Bonds, Series 2003. On October 1, 2003, the Authority issued $309,140,000 of State of Georgia Guaranteed Revenue Bonds, Series 2003, for the purposes of (1) paying costs of certain road and bridge projects of the State of Georgia, (2) initially funding approximately five months of interest on the bonds, and (3) paying the costs of issuing the bonds. Interest on these bonds is payable semiannually on April 1 and October 1 of each year with interest rates ranging from 2.25% and 5.25%. These bonds mature on October 1, 2023. On March 31, 2011, $162,370,000 of these bonds was advance refunded via the issuance of the State of Georgia Guaranteed Revenue Refunding Bonds, Series 2011 B. On July 28, 2016, the remaining $23,810,000 of these bonds was advance refunded via the issuance of the State of Georgia Guaranteed Revenue Refunding Bonds, Series 2016. Therefore, there is no more principal outstanding on these bonds as of June 30, 2017. These bonds were secured by the amount of net proceeds of motor fuel tax provided for in a joint resolution of the Georgia State Transportation Board and the Authority. Further, the State of Georgia had guaranteed the full payment of the bonds and the interest thereon in accordance with the Constitution of the State of Georgia and had reserved $24,529,830 in the State of Georgia Guaranteed Revenue Debt Common Reserve Fund that is on deposit at the OST. This reservation covered the aggregate highest annual debt service of the Series 2003 Bonds, Series 2016 Bonds and the Series 2011 B Bonds.

Federal Highway Grant Anticipation Revenue Bonds Series 2006 and Federal Reimbursement Revenue Bonds Series 2006. On August 8, 2006, the Authority issued Federal Highway Grant Anticipation Revenue Bonds Series 2006 and Federal Highway Reimbursement Revenue Bonds Series 2006 in the amounts of $360,000,000 and $90,000,000, respectively. These bond proceeds were used to provide funds for an approved land public transportation project in the State of Georgia. Interest on these bonds is payable semiannually on June 1 and December 1 of each year, commencing on December 1, 2006 with interest rates ranging from 3.70% to 5.00%. Principal on these bonds is payable on June 1, of each year, commencing on June 1, 2007 and maturing on June 1, 2018. As of June 30, 2017, the outstanding principal balances for the Series 2006 Grant Anticipation Revenue bonds and the Series 2006 Reimbursement Revenue Bonds are $39,085,000 and $9,425,000 respectively. These bonds are pledged and payable solely from grant and reimbursement revenues received from the Federal Highway Administration. These bonds do not constitute a pledge of the faith and credit of the Authority or the State of Georgia.

NOTE 9 – LONG-TERM DEBT (CONTINUED)

Federal Highway Grant Anticipation Revenue Bonds Series 2008 A and Federal Reimbursement Revenue Bonds Series 2008 A. On April 15, 2008, the Authority issued Federal Highway Grant Anticipation Revenue Bonds Series 2008 A and Federal Highway Reimbursement Revenue Bonds 2008 A in the amounts of $480,000,000 and $120,000,000, respectively. These bond proceeds were used to provide funds for an approved land public transportation project in the State of Georgia. Interest on these bonds is payable semiannually on June 1 and December 1 of each year, commencing on December 1, 2008, with interest rates ranging from 3.50% to 5.00%. Principal on these bonds is payable on June 1, of each year, commencing on June 1, 2009 and maturing on June 1, 2020. As of June 30, 2017, the outstanding principal balances for the Series 2008 A Grant Anticipation Revenue Bonds and the Series 2008 A Reimbursement Revenue Bonds are $148,375,000 and $35,760,000 respectively. These bonds are pledged and payable solely from grant and reimbursement revenues received from the Federal Highway Administration. These bonds do not constitute a pledge of the faith and credit of the Authority or the State of Georgia.

Federal Highway Grant Anticipation Revenue Bonds Series 2009 A and Federal Reimbursement Revenue Bonds Series 2009 A. On February 24, 2009, the Authority issued Federal Highway Grant Anticipation Revenue Bonds Series 2009 A and Federal Highway Reimbursement Revenue Bonds Series 2009 A in the amounts of $480,000,000 and $120,000,000, respectively. These bond proceeds were used to provide funds for an approved land public transportation project in the State of Georgia. Interest on these bonds is payable semiannually on June 1 and December 1 of each year, commencing on June 1, 2009 with interest rates ranging from 2.50% to 5.00%. Principal on these bonds is payable on June 1, of each year, commencing on June 1, 2010 and maturing on June 1, 2021. As of June 30, 2017, the outstanding principal balances for the Series 2009A Grant Anticipation Revenue Bonds and the Series 2009 A Reimbursement Revenue Bonds are $190,665,000 and $46,670,000 respectively. These bonds are pledged and payable solely from grant and reimbursement revenues received from the Federal Highway Administration. These bonds do not constitute a pledge of the faith and credit of the Authority or the State of Georgia.

NOTE 9 – LONG-TERM DEBT (CONTINUED)

Revenue Bonds (Business-Type Activities)

State Road and Tollway Authority Toll Revenue Bonds Series 2014A (Capital Appreciation Bonds). On June 26, 2014, the Authority issued $8,873,486 of State Road and Tollway Authority Toll Revenue Bonds (I-75 South Metro Express Lanes Project), Series 2014A (Capital Appreciation Bonds) to: (1) pay the costs of certain tolling infrastructure relating to the I-75 South Metro Express Lanes Project; (2) finance a debt service reserve; and, (3) pay the costs of issuance of the bonds. The Series 2014A Bonds were issued as private placement capital appreciation bonds. Interest on the Series 2014A Bonds compounds from the date of delivery. Interest on the Series 2014A Bonds will not be paid on a current basis, but will be added to the principal amount of such Series 2014A Bonds on each "Accretion Date," which is each June 1 and December 1, commencing December 1, 2014. The principal amount of the Series 2014A Bonds plus all accumulated and compounded interest thereon at any particular time is the "Accreted Value" of such Series 2014A Bonds at such time. Interest will be treated as if accruing in equal daily amounts between Accretion Dates on a 360-day year basis consisting of twelve 30-day months, until payable at maturity or upon redemption prior to maturity. Interest on these bonds ranges from 6.25% to 6.75% and the final maturity is on June 1, 2034. As of June 30, 2017, the outstanding principal balance is $10,753,058. These bonds are pledged and payable solely from I-75 South Metro Express Lanes toll revenue.

State Road and Tollway Authority Toll Revenue Bonds Series 2014B (Convertible Capital Appreciation Bonds). On June 26, 2014, the Authority issued $17,196,754 of State Road and Tollway Authority Toll Revenue Bonds (I-75 South Metro Express Lanes Project), Series 2014B (Convertible Capital Appreciation Bonds) to: (1) pay the costs of certain tolling infrastructure relating to the I-75 South Metro Express Lanes Project; (2) finance a debt service reserve; and, (3) pay the costs of issuance of the bonds. The Series 2014B Bonds were issued as convertible capital appreciation bonds. Interest on the Series 2014B Bonds will compound from the date of delivery to the Conversion Date of June 1, 2024. Prior to the Conversion Date, interest on the Series 2014B Bonds will not be paid on a current basis, but will be added to the principal amount of such Series 2014B Bonds on each Accretion Date. The principal amount of the Series 2014B Bonds plus all accumulated and compounded interest thereon at any particular time prior to the Conversion Date is the "Accreted Value" of such Series 2014B Bonds at such time. On and after the Conversion Date, such amount is referred to as the "Conversion Value" of such Series 2014B Bonds. Interest will be treated as if accruing in equal daily amounts between Accretion Dates on a 360-day year basis consisting of twelve 30-day months, until payable at maturity or upon redemption prior to maturity. Interest on these bonds is 7.00% and the final maturity is on June 1, 2049. As of June 30, 2017, the outstanding principal balance is $21,163,367. These bonds are pledged and payable solely from I-75 South Metro Express Lanes toll revenue.

NOTE 9 – LONG-TERM DEBT (CONTINUED)

Summary of Long-Term Debt

Revenue bonds outstanding as of June 30, 2017 are as follows:

Governmental Activities:			
Guaranteed Revenue Refunding Bonds, Series 2011A	Refunding of Guaranteed Revenue Bonds, Series 2001	4.00-5.00%	$ 104,940,000
Guaranteed Revenue Refunding Bonds, Series 2011 B	Refunding of Guaranteed Revenue Bonds, Series 2003	5.00%	120,350,000
Guaranteed Revenue Refunding Bonds, Series 2016	Refunding of Guaranteed Revenue Bonds, Series 2003	5.00%	19,265,000
Federal Highway Grant Anticipation Revenue Bonds, Series 2006	Improvement of roads and bridges	4.00-5.00%	39,085,000
Federal Highway Reimbursement Revenue Bonds, Series 2006	Improvement of roads and bridges	3.90-5.00%	9,425,000
Federal Highway Grant Anticipation Revenue Bonds, Series 2008A	Improvement of roads and bridges	5.00%	148,375,000
Federal Highway Reimbursement Revenue Bonds, Series 2008A	Improvement of roads and bridges	3.50-5.00%	35,760,000
Federal Highway Grant Anticipation Revenue Bonds, Series 2009A	Improvement of roads and bridges	3.00-5.00%	190,665,000
Federal Highway Reimbursement Revenue Bonds, Series 2009A	Improvement of roads and bridges	3.00-5.00%	46,670,000
Total Governmental Activities			$ 714,535,000
Business-type Activities:			
Transportation Revenue Bonds, Series 2014A	I-75S Metro Express Lanes	6.25-6.75%	$ 10,753,058
Transportation Revenue Bonds, Series 2014B	I-75S Metro Express Lanes	7.00%	21,163,367
Total Business-type Activities			$ 31,916,425

NOTE 9 – LONG-TERM DEBT (CONTINUED)

Debt Service Requirements

Annual debt service requirements to maturity for revenue bonds, GARVEE bonds, and notes and loans payable are as follows as of June 30, 2017:

	Principal	Interest	Total
Government Activities - Revenue			
2018	$ 41,980,000	$ 11,786,875	$ 53,766,875
2019	44,105,000	9,665,250	53,770,250
2020	46,335,000	7,436,250	53,771,250
2021	48,675,000	5,094,500	53,769,500
2022	21,545,000	2,634,375	24,179,375
2023-2024	41,915,000	2,011,125	43,926,125
	$ 244,555,000	$ 38,628,375	$ 283,183,375
Government Activities - GARVEE			
2018	$ 162,085,000	$ 23,161,410	$ 185,246,410
2019	119,135,000	15,196,960	134,331,960
2020	125,045,000	9,286,470	134,331,470
2021	63,715,000	3,070,700	66,785,700
2022	-	-	-
	$ 469,980,000	$ 50,715,540	$ 520,695,540

Business-Type Activities - TRB, Series 2014A&B (I-75 South Metro Express Lanes Project)

Total Principal in the schedule below includes accreted interest of $27,495,171 (see Accretion Schedule on the next page) that will be recorded on the financial statements to increase bonds payable as the interest accretes.

	Principal	Interest	Total
2018	$ -	$ -	$ -
2019	-	-	-
2020	848,231	-	848,231
2021	1,305,314	-	1,305,314
2022	1,657,838	-	1,657,838
2023-2027	6,728,907	7,151,550	13,880,457
2028-2032	6,287,306	11,919,250	18,206,556
2033-2037	7,002,816	11,630,500	18,633,316
2038-2042	9,460,000	9,172,100	18,632,100
2043-2047	13,270,000	5,364,100	18,634,100
2048-2049	7,005,000	756,000	7,761,000
	$ 53,565,411	$ 45,993,500	$ 99,558,911

Business-Type Activities - Design-Build Finance Loan - I-75 Northwest Corridor Express Lanes Project			
2018	$ -	$ -	$ -
2019	59,853,386	-	59,853,386
	$ 59,853,386	$ -	$ 59,853,386

NOTE 9 – LONG-TERM DEBT (CONTINUED)

2014 I-75 S Metro Express Lanes - Accretion Schedule

PERIOD ENDING JUNE 1,	6.25% CAB ANNUAL ACCRETED INTEREST	6.75% CAB ANNUAL ACCRETED INTEREST	TOTAL CABs ANNUAL ACCRETED INTEREST	CCAB ANNUAL ACCRETED INTEREST	TOTAL CABs and CCAB ANNUAL ACCRETED INTEREST
2015	$ 319,215	$ 274,122	$ 593,337	$ 1,245,902	$ 1,839,239
2016	$ 334,353	$ 288,412	$ 622,765	$ 1,313,445	$ 1,936,210
2017	$ 355,447	$ 308,023	$ 663,470	$ 1,407,266	$ 2,070,736
2018	$ 378,075	$ 329,354	$ 707,429	$ 1,507,303	$ 2,214,732
2019	$ 402,078	$ 351,889	$ 753,967	$ 1,614,576	$ 2,368,543
2020	$ 423,074	$ 375,936	$ 799,010	$ 1,729,966	$ 2,528,976
2021	$ 393,726	$ 401,875	$ 795,601	$ 1,852,961	$ 2,648,562
2022	$ 333,933	$ 429,460	$ 763,393	$ 1,984,867	$ 2,748,260
2023	$ 247,873	$ 458,963	$ 706,836	$ 2,126,337	$ 2,833,173
2024	$ 131,592	$ 490,406	$ 621,998	$ 2,075,624	$ 2,697,622
2025	$ -	$ 521,796	$ 521,796	$ -	$ 521,796
2026	$ -	$ 528,368	$ 528,368	$ -	$ 528,368
2027	$ -	$ 511,452	$ 511,452	$ -	$ 511,452
2028	$ -	$ 468,673	$ 468,673	$ -	$ 468,673
2029	$ -	$ 422,744	$ 422,744	$ -	$ 422,744
2030	$ -	$ 373,724	$ 373,724	$ -	$ 373,724
2031	$ -	$ 307,307	$ 307,307	$ -	$ 307,307
2032	$ -	$ 236,093	$ 236,093	$ -	$ 236,093
2033	$ -	$ 160,053	$ 160,053	$ -	$ 160,053
2034	$ -	$ 78,908	$ 78,908	$ -	$ 78,908
Total:	**$ 3,319,366**	**$ 7,317,558**	**$ 10,636,924**	**$ 16,858,247**	**$ 27,495,171**

Notes Payable

Design Build Finance Loan – NWC Project. The Developer is solely responsible for satisfying a Developer Finance Obligation ("Obligation") at its own risk and cost without risk and recourse to the Authority or GDOT. The Developer will pursue and maintain this Obligation in accordance with a Project Plan of Finance. The Obligation requires the Developer to self-finance a portion of the costs of the project in an amount not less than $59,853,386 (10% of the original DBF Contract Sum of $598,533,817), which is to be funded per a payment schedule in the DBFA. As of June 30, 2017, the outstanding principal balance is $59,853,386.

As work is performed on the project, the Developer remits payment requests to GDOT with a copy submitted to the Authority. GDOT contractually agreed to be the Authority's project manager and must review and approve all Developer invoices prior to payment by the Authority. Thereafter, the Authority remits payment to the Developer for the portion of the requisition that excludes the Developer Financing amount being contributed to the project during the payment period.

The portion of financing contributed by the Developer during development and construction is expected to be repaid fully at final acceptance of the Project with proceeds of first lien toll revenue bonds (expected to be issued in fiscal year 2019) and STIP funds.

Changes to the Design Build Finance Loan for the Northwest Corridor Express Lanes Projects were as follows:

NOTE 9 – LONG-TERM DEBT (CONTINUED)

		DBF Loan Outstanding
Developer Financing in prior fiscal years	$	34,005,053
Developer Financing in fiscal year 2017		25,848,333
Total Developer Financing Due in Fiscal Year 2019	$	59,853,386

Business-type Activities - TIFIA Loan - I-75 Northwest Corridor Express Lanes Project. In November 2013, the Authority executed a TIFIA loan of up to $275,000,000, which proceeds, when drawn upon, will finance a portion of the costs for the I-75 Northwest Corridor Express Lanes Project. During construction and for a period of up to five years following substantial completion, interest is compounded and added to the initial TIFIA loan. The TIFIA loan requires mandatory debt service payments at a minimum and scheduled debt service payments to the extent additional funds are available. TIFIA debt service payments are expected to commence in 2023, which is five years after substantial completion. The interest rate of the TIFIA loan is 3.79%. $184,466,379 was drawn on the TIFIA loan during fiscal year 2017. A debt service schedule will be provided after the last loan draw.

		TIFIA Loan Outstanding
Draw Balance in Prior Fiscal Years	$	-
Total Draws in Fiscal Year 2017		184,466,379
Draw Balance as of June 30, 2017	$	184,466,379
Accreted Interest in Prior Fiscal Years	$	-
Accreted Interest in Fiscal Year 2017		2,186,707
Accreted Interest as of June 30, 2017	$	2,186,707
Total TIFIA Balance as of June 30, 2017	$	186,653,087

Summary of Compensated Absences Long-Term Debt

A summary of the compensated absences liability for each of the past three years is provided below:

		Beginning of Year Liability	Increase	Decrease	End of Year Liability
Governmental:					
2015	*	$ 77,534	$ 28,548	$ (28,510)	$ 77,573
2016	*	$ 77,573	$ 24,692	$ (28,399)	$ 73,865
2017		$ 73,865	$ 148,796	$ (47,490)	$ 175,171
Business-type Activities:					
2015	*	$ 538,794	$ 198,385	$ (198,117)	$ 539,062
2016	*	$ 539,062	$ 171,588	$ (197,351)	$ 513,300
2017		$ 513,300	$ 497,623	$ (215,613)	$ 795,310

*Restated

NOTE 10 – LEASES

Operating Leases

The Authority leases office facilities, office and computer equipment, and other assets. Some of these leases are considered for accounting purposes to be operating leases. Leases generally contain provisions that, at the expiration date of the original term of the lease, the Authority has the option of renewing the lease on a year-to-year basis. Leases renewed annually for a specified time period, i.e. lease expires at 12 months and must be renewed for the next year, do not meet the qualification as an operating lease. Amounts are included only for multi-year leases and for cancelable leases for which an option to renew for the subsequent fiscal year has been exercised. Future minimum commitments for operating leases as of June 30, 2017 are as follows:

Fiscal Year Ended June 30, 2017	Amount
2018	$ 823,653
2019	849,364
2020	861,285
2021	839,001
2022	933,995
2023-2027	5,811,398
2028-2032	6,477,147
Total Minimum Commitments	$ 16,595,843

Expenditures for the rental of office facilities and equipment under yearly leases for the year ended June 30, 2017 totaled $362,675 and $21,281 respectively.

The Authority leased new office space during fiscal year 2017 where the lessor provided a tenant improvement allowance to assist with the buildout of the office space in the amount of $1,915,018. This allowance will be amortized over the 15-year lease and will result in a credit to amortization expense. Amortization credit of $7,671 for general fund and $24,246 for transit was recognized as of June 30, 2017. The future amortization schedule is as follows:

	General Fund	Transit Fund	Total
2018	$ 92,049	$ 290,955	$ 383,004
2019	92,049	290,955	383,004
2020	92,049	290,955	383,004
2021	92,049	290,955	383,004
2022	84,378	266,709	351,087
	$ 452,572	$ 1,430,529	$ 1,883,101

NOTE 10 – LEASES (CONTINUED)

Capital Leases

The Authority acquires certain equipment through a multi-year capital lease. In accordance with O.C.G.A. 50-5-64, the agreement shall terminate absolutely and without further obligation at the close of the fiscal year in which it was executed and at the close of each succeeding fiscal year for which it may be renewed. The agreement may be renewed only by a positive action taken by the Authority. The agreement shall terminate immediately at such time as otherwise unobligated funds are no longer available to satisfy the obligation of the Authority.

The expense resulting from the amortization of assets recorded under a capital lease is included in depreciation expense. At June 30, 2017, the historical cost of assets acquired through capital lease was as follows:

	Governmental Activities
Machinery and Equipment	$ 162,244
Less Accumulated Depreciation	(86,530)
Total Assets Held under Capital Lease	$ 75,714

At June 30, 2017, there were no future commitments under capital lease.

NOTE 11 – DEFERRED INFLOWS AND OUTFLOWS

Deferred Outflows and Inflows of Resources reported on the Statement of Net Position as of June 30, 2017 consisted of the following:

	Governmental Activities	Business-type Activities	Total
Deferred Outflows of Resources			
Deferred Outflows Relating to Pensions:			
Change of assumptions	$ 8,741	$ 88,838	$ 97,579
Net difference between projected and actual earnings on pension plan investments	783	372,830	373,613
Changes in proportion and differences between employer contributions and proportionate share of contributions	104,924	1,066,347	1,171,271
Employer contributions subsequent to the measurement date	143,671	1,254,145	1,397,816
Total Deferred Outflows of Resources	$ 258,119	$ 2,782,160	$ 3,040,279
Deferred Inflows of Resources			
Deferred amount on refundings of bonded debt	$ 996,724	$ -	$ 996,724
Deferred Inflows Relating to Pensions:			
Differences between expected and actual experience	2,383	24,223	26,606
Changes in proportion and differences between employer contributions and proportionate share of contributions	5,129	54,979	60,108
Total Deferred Inflows of Resources	$ 1,004,236	$ 79,202	$ 1,083,438

Of the 0.3 million in deferred outflows reported in the governmental activities, all represent deferred outflows related to pensions. Of the $2.8 million in deferred outflows of resources reported in the business-type activities, all represent deferred outflows related to pensions.

Of the $1.0 million in deferred inflows of resources reported in the governmental activities, all is related to deferred amounts on refunding of bond debt and pensions. Of the $79.2 thousand in deferred inflows of resources reported in the business-type activities, all represent deferred inflows related to pensions.

NOTE 12 – RETIREMENT SYSTEMS

Defined Benefit Plans

Substantially all of the Authority employees participate in various retirement plans administered by the State of Georgia under the Employee's Retirement System of Georgia (ERS System). This system issues a separate, publicly available financial report that includes applicable financial statements and required supplementary information. The report may be obtained by visiting www.ers.ga.gov.

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.

NOTE 12 – RETIREMENT SYSTEMS (CONTINUED)

Employees' Retirement System of Georgia

Plan Description

The Employee's Retirement System of Georgia (ERS), is a cost-sharing multiple-employer defined benefit pension plan 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. Title 47 of the O.C.G.A. assigns the Authority to establish and amend the benefit provisions to the State Legislature. ERS issues a publicly available financial report that can be obtained at www.ers.ga.gov.

Benefits Provided

The ERS Plan supports three benefit tiers: Old Plan, New Plan, and Georgia State Employees' Pension and Savings Plan (GSEPS). Employees under the old plan started membership prior to July 1, 1982 and are subject to 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 modified plan provisions. Effective January 1, 2009, new state employees and rehired state employees who did not retain membership rights under the Old or New Plans are members of GSEPS. ERS members hired prior to January 1, 2009 also have the option to irrevocably change their membership to GSEPS.

Under the old plan, the 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 the monthly average of the member's highest 24 consecutive calendar months of salary, the number of years of creditable service, the applicable benefit factor, and the member's age at retirement. Annually, postretirement cost-of-living adjustments may be made to members' benefits, provided the members were hired prior to July 1, 2009. The normal retirement pension is payable monthly for life; however, options are available for distribution of the member's monthly pension, at reduced rates, to a designated beneficiary upon the member's death. Death and disability benefits are also available through ERS.

Contributions

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 state pays member contributions in excess of 1.25% of annual compensation. Under the old plan, these state 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's contractually required contribution rate, actuarially determined annually, for the year ended June 30, 2017 was 24.69% of annual covered payroll for old and new plan members and 21.69% for GSEPS members.

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 contributions the member forfeits all rights to retirement benefits.

NOTE 12 – RETIREMENT SYSTEMS (CONTINUED)

The Authority's contributions to ERS totaled $1,397,816 for the year ended June 30, 2017. Contributions are expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

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

At June 30, 2017, the Authority reported a liability for its proportionate share of the net pension liability of $11,520,087. The net pension liability was measured as of June 30, 2016. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2015. An expected total pension liability as of June 30, 2016 was determined using standard roll-forward techniques. The Authority's proportion of the net pension liability was based on contributions to ERS during the fiscal year ended June 30, 2016. At June 30, 2016, the Authority's proportion was 0. 243532%, which was an increase of 0.102922% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the Authority recognized pension expense of $1,379,256 and accrued pension expense of $3,530,312 related to hiring the former GRTA employees as of July 1, 2016 for a total recognized pension expense of $4,909,568. At June 30, 2017, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

		Deferred Outflows of Resources		Deferred Inflows of Resources
Differences between expected and actual experience	$	-	$	26,606
Changes of assumptions		97,579		-
Net difference between projected and actual earnings on pension plan investments		1,171,271		-
Changes in proportion and differences between employer contributions and proportionate share of contributions		373,613		60,108
Employer contributions subsequent to the measurement date		1,397,816		-
Total	$	3,040,279	$	86,714

Authority contributions subsequent to the measurement date of $1,397,816 are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2019	349,978
2020	182,817
2021	631,486
2022	391,466
Thereafter	-

NOTE 12 – RETIREMENT SYSTEMS (CONTINUED)

Actuarial Assumptions

The total pension liability as of June 30, 2016 was determined by an actuarial valuation as of June 30, 2015 using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Salary increases	3.25% - 7.00%, including inflation
Investment Rate of Return	7.50%, net of pension plan investment expense, including inflation

Post-retirement mortality rates were based on the RP-2000 Combined Mortality Table with future mortality improvement projected to 2025 with the Society of Actuaries' projection scale BB and set forward 2 years for both males and females for service retirements and dependent beneficiaries. The RP-2000 Disabled Mortality Table with future mortality improvement projected to 2025 with Society of Actuaries' projection scale BB and set back 7 years for males and set forward 3 years for females was used for death after disability retirement. There is a margin for future mortality improvement in the tables used by the System. Based on the results of the most recent experience study adopted by the Board on December 17, 2015, the numbers of expected future deaths are 9-12% less than the actual number of deaths that occurred during the study period for service retirements and beneficiaries and for disability retirements. Rates of mortality in active service were based on the RP-2000 Employee Mortality Table projected to 2025 with projection scale BB.

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2009 – June 30, 2014.

Long-Term Expected Rate of Return

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

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

NOTE 12 – RETIREMENT SYSTEMS (CONTINUED)

Asset class	Allocation	Rate of Return*
Fixed income	30.00	-0.50%
Domestic large equities	37.20	9.00%
Domestic mid equities	3.40	12.00%
Domestic small equities	1.40	13.50%
International developed market equities	17.80	8.00%
International emerging market equities	5.20	12.00%
Alternatives	5.00	10.50%
Total	100.00%	

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

Discount Rate

The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer and State of Georgia contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Authority's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following schedule presents the Authority's proportionate share of the net pension liability calculated using the discount rate of 7.50%, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50 %) or 1-percentage-point higher (8.50 %) than the current rate:

	1% Decrease (6.5%)	Current discount rate (7.5%)	1% Increase (8.5%)
Employer's proportionate share of the net pension liability	$ 15,611,853	$ 11,520,087	$ 8,033,088

Pension Plan Fiduciary Net Position

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

Payables to the Pension Plan

The Authority reported $124,018 for ERS payables at June 30, 2017 for June salaries. The payment was made on July 13, 2017 to ERS.

NOTE 12 – RETIREMENT SYSTEMS (CONTINUED)

GSEPS 401(k) Defined Contribution Component of ERS

In addition to the ERS defined benefit pensions described above, GSEPS members may also participate in the Peach State Reserves 401(k) defined contribution plan and receive an employer matching contribution. The 401(k) plan is administered by the System and was established by the Georgia Employee Benefit Plan Council in accordance with State law and Section 401(k) of the IRC. The GSEPS segment of the 401(k) plans were 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 Authority was not required to make significant contributions to the 401(k) plans 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.

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

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

GSEPS Employer Contribution Vesting: Years of Service	% Vested
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) plans also allow participants to roll over amounts from other qualified plans to their respective account in the 401(k) plans 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 30 days after retirement or other termination of service (employer contributions 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. Employees who die while actively employed and

NOTE 12 – RETIREMENT SYSTEMS (CONTINUED)

eligible for 401(k) employer matching contributions become fully vested in employer contributions upon death. Distributions are made in installments or in a lump sum.

For fiscal year 2017, the Authority's employee GSEPS contributions were $231,984 and the Authority recognized pension expense of $82,734. Non-vested contributions that were forfeited by employees may be used to pay administrative expenses of the plan and/or partially fund employer contributions. For fiscal year 2017, there were no forfeitures reducing pension expense.

NOTE 13 – OTHER POSTEMPLOYMENT BENEFITS

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

Administered by Department of Community Health (DCH):
Georgia State Employees Post-Employment Health Benefit Fund (State OPEB Fund)

Administered by the Employees' Retirement System of Georgia:
– For retired and vested inactive (SEAD-OPEB)

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

The State OPEB Fund is a cost-sharing multiple-employer defined benefit postemployment healthcare plan and is reported as an employee benefit trust fund.

The State OPEB Fund provides postemployment health benefits (including benefits to qualified beneficiaries of eligible former employees) due under the group health plan for employees of State organizations (including technical colleges) and other entities authorized by law to contract with DCH for inclusion in the plan. It also pays administrative expenses of the fund. By law, no other use of the assets of the State OPEB Fund is permitted.

The Official Code of Georgia Annotated (O.C.G.A.) 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 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. As of January 1, 2012, for members with fewer than five years of service, contributions also vary based on years of service. As of January 1, 2012, on average, members with five years or more of service pay approximately 25% 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 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.

NOTE 13 – OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Participating employers, including but not limited to State organizations, 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 determined employer contribution (ADEC) which represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years.

The combined required contribution rates established by the Board for coverage in the active and retiree plans for the fiscal year ended June 30, 2017, was 30.454% of covered payroll.

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. Additional contributions were required by the Board in fiscal year 2017 as a reserve for financing future costs associated with the OPEB liabilities. Amounts contributed to the State OPEB Fund and the School OPEB Fund were $333.9 million and $133.1, respectively. Such additional contribution amounts are determined annually by the Board in accordance with the State plan for OPEB and are subject to appropriation.

The following table summarizes the Authority's combined active and retiree contributions to the health insurance plans for the years ended June 30, 2017, 2016, and 2015:

Fiscal Year	Required Contribution	Percentage Contributed
2017	$ 1,903,907	100%
2016	$ 1,109,264	100%
2015	$ 1,117,742	100%

State Employees' Assurance Department (SEAD)

SEAD-OPEB is a cost-sharing multiple-employer defined benefit other postemployment plan that was 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. 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 O.C.G.A., 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 2017 were based on June 30, 2014, actuarial valuations as follows:

NOTE 13 – OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

	SEAD-OPEB
Member Rates:	
ERS Old Plan	0.45%
Less: Offset Paid by Employer	(0.22%)
Net ERS Old Plan	0.23%
ERS New Plan, JRS, and LRS	0.23%
Employer Rates	0.00%

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.

For SEAD-OPEB, the amount of insurance for a retiree with creditable service prior to April 1, 1964, is the full amount of insurance under SEAD-Active in effect on the date of retirement. The amount of insurance for a service retiree with no creditable service prior to April 1, 1964, is 70% of the amount of insurance under SEAD-Active at age 60 or at termination, if earlier. Life insurance proceeds are paid in lump sum to the beneficiary upon death of the retiree.

NOTE 14 – 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; and injuries to employees. The State of Georgia utilizes self-insurance programs established by individual agreement, statute or administrative action to provide property insurance covering fire and extended coverage and automobile insurance and to pay losses that might occur from such causes; liability insurance for employees against personal liability for damages arising out of performance of their duties; survivors' benefits for eligible members of the Employee's Retirement System; consolidating processing of unemployment compensation claims against state agencies and the payment of sums due to the Department of Labor; and worker's compensation statutes of the State of Georgia. These self-insurance funds are accounted for as internal service funds of the State of Georgia where assets are set aside for claim settlements. The majority of the risk management programs are funded by assessments charged to participating organizations. A limited amount of commercial insurance is purchased by the self-insurance funds applicable to property, employee and automobile liability, fidelity and certain other risks to limit the exposure to catastrophic losses. Otherwise, the risk management programs service all claims against the State and/or Authority for injuries and property damage.

Financial information relative to self-insurance funds is presented in the financial reports of the Department of Administrative Services and the Employees' Retirement System for the year ended June 30, 2017.

For its employee health insurance coverage, the Authority is a participant in the State of Georgia's Health Benefit Plan (SHBP), a public entity risk pool operated by the Department of Community Health (DCH) for the benefit of employees of the State of Georgia (O.C.G.A. Section 45-18-2), county governments and local education agencies located within the state. The SHBP is primarily a self-insured, self-funded plan that pays benefits out of the money contributed from members (through monthly premiums) and from monthly contributions from the employers that offer the Plan (e.g., state, county and local educational agencies). The SHBP acts as the Plan Administrator of health insurance coverage for approximately 460 organizations

NOTE 14 – RISK MANAGEMENT (CONTINUED)

(state employees, teachers, school system employees and retirees who continued coverage (including annuitants and former employees on extended coverage), and covered dependents. An employee may withdraw from the plan if they become eligible for coverage under the aged program of the Social Security Administration (O.C.G.A. 45-18-17). SHBP accepts all of the risk of insuring its employees.

As the Plan Administrator, the DCH has delegated full responsibility for claims administration to the following Claims Administrators for the 2017 plan options:

- Blue Cross Blue Shield of Georgia (BCBSGa), United Health Care (UHC), or Kaiser Permanente (KP) for medical benefits;
- Express Scripts, Inc. (ESI) for pharmacy benefits; and
- Healthways, Inc. for well-being benefits and programs administration.

Effective January 1, 2015, ADP administers the SHBP plan options.

NOTE 15 – RELATED PARTIES

The State Road and Tollway Authority and three other organizations are considered to be related parties due to certain common management personnel.

1) The Commissioner of the Department of Transportation serves as one of five (5) members of the State Road and Tollway Authority board of directors.

2) Georgia Regional Transportation Authority and the State Road and Tollway Authority share an Executive Director, Deputy Executive Director, and Chief Financial Officer.

3) The Georgia Regional Transportation Authority (and thus the State Road and Tollway Authority) Executive Director serves as one of thirteen (13) members of the Metropolitan Atlanta Rapid Transit Authority board of directors.

4) The State Road and Tollway Authority Deputy Executive Director serves as one of nine (9) members of the Erosion and Sediment Control Overview Council.

NOTE 16 – LITIGATION, CONTINGENCIES AND COMMITMENTS

Grants and Contracts

The amounts received or receivable from grantor agencies are subject to audit and review by grantor agencies, principally the federal government. This could result in a request for reimbursement by the grantor agency for any expenditures which are disallowed under grant terms.

Litigation

The Authority had no litigation, claims or assessments filed against it for the year ended June 30, 2017.

Contractual Commitments

The Georgia Constitution permits State organizations to enter into contractual commitments. Commitments are defined as “existing arrangements to enter into future transactions or events, such as long-term

NOTE 16 – LITIGATION, CONTINGENCIES AND COMMITMENTS (CONTINUED)

contractual obligations with suppliers for future purchases at specified prices and sometimes at specified quantities." As of June 30, 2017, the Authority had contractual commitments for transportation, tolling, and other construction projects as detailed below:

Commitments		Amounts
GA 400 - Corridor	$	162,328
I-285/GA400 Interchange		393,831,575
I-85 HOV to HOT Project		110,985
Administration/IT		468,145
CSC		158,552
75S		1,249,891
NWC		46,679,930
I-85 Extension Project		126,161,903
MMIP		9,959,697
Total Commitments	$	578,783,008

GA 400 Corridor Projects

In April 2011, as permitted by Article IX, Section III, Paragraph I(a) of the Constitution of 1983, GDOT and the Authority entered into an agreement whereby GDOT would build, and the Authority would fund, a portion of certain transportation projects along the GA 400 corridor. The original Authority commitment was $27,343,000. The Authority committed an additional $2,100,000 in the 2013 budget. In fiscal year 2015 and 2016, $5,775,988 and $1,641,503 respectively were released for use on other projects. Expenditures through June 30, 2016 are $21,863,181. There were no expenses incurred in fiscal year 2017. The remaining outstanding balance carried forward to fiscal year 2018 is $162,328. The project is expected to close and release the commitment in fiscal year 2018.

I-85 Express Lanes Project

The Authority has been operating the I-85 Express Lanes Project as a part of the State's managed lane system plan since its opening on September 30, 2011. The I-85 Express Lanes Project was a USDOT Congestion Reduction Demonstration Program Grant project that provided for a High Occupancy Vehicle ("HOV") lane conversion to a High Occupancy Toll ("HOT") lane requiring 3+ passengers to qualify for toll-exempt use of the lane. It consists of 15.5 tolling miles, one lane in each direction with no physical barrier separation between the HOT lane and the adjacent general-purpose lanes. The I-85 Express Lanes Project is dynamically priced with the goal of providing more reliable trip times for the traveling public.

Based on increasing congestion in the I-85 corridor, the Federal Highway Administration (FHWA) has asked the Authority to increase toll prices in the Express Lanes in order to maintain more reliability during the morning rush hour. The Authority adjusted the toll system parameters to better manage the congestion in the lane. The Authority will also continue to review all pricing and operational strategies currently in use on the I-85 HOT Lane and evaluate potential adjustments and improvements in consultation with GDOT. The Authority provided monthly status reports to FHWA during fiscal year 2017 and anticipates that it will continue this monthly reporting in fiscal year 2018.

NOTE 16 – LITIGATION, CONTINGENCIES AND COMMITMENTS (CONTINUED)

I-85 Express Lanes Extension Project

The I-85 Express Lanes Extension Project ("I-85 Extension Project") will add one managed lane in each direction along I-85 in north metro Atlanta from just north of Old Peachtree Road in Gwinnett County to Hamilton Mill Road. South of I-985, the I-85 Extension Project will widen I-85 outside of the existing eight-lane mainline. While north of I-985, the I-85 Extension Project will widen the inside shoulder along the four-lane I-85 section. The I-85 Extension Project is approximately 10 miles in length and located entirely within Gwinnett County. The purpose of the managed lanes is to create travel time savings through the use of congestion priced tolling to manage volume in the lanes and maintain a minimum average speed within the managed lanes. The Authority began construction in fiscal year 2016 with the managed lanes expected to open to traffic by November 2018.

GDOT is responsible for the design and construction of the roadway portion of the I-85 Extension Project, and has entered into the Design-Build Contract with C.W. Matthews Contracting Company, Inc. GDOT will transfer the funds for the tolling infrastructure for the project to the Authority.

I-75 Northwest Corridor Express Lanes Project

The I-75 Northwest Corridor Project ("NWC Project") will construct reversible managed lanes for approximately 2 centerline miles on I-285, 17 centerline miles along I-75 and 11 centerline miles along I-575 in Cobb and Cherokee Counties. Construction of the NWC Project is underway and is currently expected to be open to tolling in July 2018. This project begins on I-75 at Akers Mill Road at the end of the existing HOV system north of the Atlanta city limits with a one-lane access ramp to the managed lanes system. Single-lane ramps from both I-285 East and I-285 West will also be constructed to provide access. The ramps from I-75 and I-285 will join north of the I-75 and I-285 interchange to form a two-lane reversible managed lane system on the outside of the existing general-purpose lanes and will be constructed using a mix of at-grade and elevated roadway sections.

The two new managed lanes run alongside I-75 to the I-575 split. In addition, one reversible managed lane will be added along I-75 from the I-75/I-575 split northerly to Hickory Grove Road and along I-575 to Sixes Road. These lanes will be at-grade and located in the existing median along the inside of the existing general-purpose lanes. The managed lanes will be barrier-separated and reversible, with traffic flowing southbound in the mornings and northbound in afternoons and evenings.

The NWC Project is a joint effort among public and private entities, each with specific responsibilities as memorialized in various agreements. As the toll operator for the state, the Authority will be responsible for the design and implementation of the toll system and toll-related Intelligent Transportation System (ITS) for the project. The Authority also contracted with GDOT, whereby GDOT will serve as the Authority's agent with responsibility for the oversight of the design and construction of the Project, excluding the toll system. The Project was procured under GDOT's Public Private Partnership statute and is being constructed under a Design-Build-Finance project delivery methodology. The selected Developer, Northwest Express Roadbuilders (NWER) is a joint venture between Archer Western Contractors, LLC and Hubbard Construction Company, two of the largest transportation contractors in the southeastern United States. In addition, the designer, Parsons Transportation Group, Inc. is one of the top five nationally recognized transportation design/engineering firms in the United States.

NOTE 16 – LITIGATION, CONTINGENCIES AND COMMITMENTS (CONTINUED)

The NWC Project will be completed using multiple funding sources including a TIFIA Loan from the United States Department of Transportation, STIP funds, GDOT Motor Fuel Taxes, and Developer financing. The portion of the project costs that are financed by the Developer are expected to be repaid fully at final acceptance of the Project with proceeds of First Lien Toll Revenue Bonds (expected to be issued in fiscal year 2019) and from STIP Funds.

On November 14, 2013, the Authority entered into a TIFIA Loan Agreement with the United States Department of Transportation for an amount not to exceed $275,000,000. The Authority began drawing TIFIA funds in fiscal year 2017. The interest rate is 3.79% per annum and the loan compounds on the outstanding TIFIA loan balance, as well as on any past due interest, on the basis of a 365-day year.

TIFIA is secured by a second lien on revenues from the NWC Project behind the First Lien Bonds to be issued at construction completion. The TIFIA loan is protected by an additional bonds test on the first lien bonds requiring 2 times historical coverage on first lien debt service, a prospective coverage of 1.75 times on total debt service coverage and 1.0 times total debt service and tolling expenses based on a traffic consultant report, and a cap of $25 million for completion bonds. A toll rate covenant requiring 1.50 times coverage on first lien debt service, 1.25 times on first and TIFIA lien service, and 1.0 times coverage for all debt service plus tolling expenses must be maintained once the project is open.

I-75 South Metro Express Lanes

The I-75 South Metro Express Lanes are a 12.24 mile reversible, barrier-separated managed lane system along Interstate Highway 75 from the State Route 155 (Zack Hinton Parkway, South) interchange in Henry County north to the State Route 138 interchange in Henry and Clayton Counties. The I-75 South Metro Express Lanes consists of two lanes that were added in the center median of I-75 from SR 138 in southern Clayton County to just north of the SR 20/Hampton Road interchange and one lane, also in the center median, will extend from that point to SR 155 in Henry County. Access is provided at 5 locations – on the south end, access is provided from the general-purpose lanes near SR 155 and from SR 20/Hampton Road and a direct connect access ramp at Jonesboro Road. On the north end, access is provided from the general-purpose lanes on I-75 near SR 138 and from the general-purpose lanes on I-675 near SR 138. Traffic flows northbound in the mornings and southbound in afternoons and evenings. The I-75 South Metro Express Lanes opened to traffic on January 28, 2017 and tolling began on February 11, 2017.

GDOT was responsible for the design and construction of the roadway portion of the I-75 South Metro Express Lanes, and entered into the Design-Build Contract with C.W. Matthews Contracting Company, Inc. The tolling infrastructure was paid for by the Authority from the proceeds of the sale of the Toll Revenue Bonds, Series 2014, which were issued on June 26, 2014. These bonds will have accreted interest of $27,495,171 over the life of the bonds that will be added to the principal amount. See Note 9 in the Notes to the Financial Statements for further information on the Authority's outstanding debt.

I-285 at SR 400 Interchange Reconstruction Project

The I-285 at SR 400 Interchange Reconstruction project aims to:

- Reduce the substantial amount of vehicular weaving (conflicts caused by travelers trying to move across one or more lanes) that occurs along I-285 in the vicinity of the I-285/SR 400 interchange due to the closely spaced interchanges in this area (Roswell Road, Glenridge Drive, SR 400, Peachtree Dunwoody Road, and Ashford Dunwoody Road).

NOTE 16 – LITIGATION, CONTINGENCIES AND COMMITMENTS (CONTINUED)

- Improve ramp capacity at the I-285/SR 400 interchange.
- Improve deficiencies in the existing configuration of the I-285/SR 400 interchange.

Unlike the previously discussed projects, the I-285 at SR 400 interchange reconstruction project will not be tolled upon completion. The project is a Public-Private Partnership ("P3") project being jointly delivered by GDOT and the Authority. The Authority entered into a contract with the Developer of the I-285 at SR 400 project that has a maximum contractual commitment amount of $457,596,881. The Authority's payment obligations can only be incurred up to the amount of funds received from GDOT semi-annually for this project. The funds appropriated annually are state motor fuel taxes that are transferred to the Authority to pay the respective entities charged with building the project. The Authority has contracted with GDOT to oversee and manage the delivery of the project including providing all day to day project management of the Developer. The GDOT owns the asset and records construction in progress (CIP) based upon current year expenditures. The anticipated project completion date is April 2020.

Major Mobility Investment Program (MMIP)

MMIP is comprised of eleven new major investment roadway projects that will provide new lanes, capacity and choices for all motorists. Additional safety and operational improvements are also included in this program. The program includes four new toll facilities.

Administration Program Projects

The Administration Program includes internal projects that support the Authority's operations. These projects include enhancements to the ERP, the Information Technology Refresh project and the new office location. The Administration Program includes capital projects that improve the Authority's internal operations.

Customer Service Center Program Projects

The Customer Service Center Program projects include the Peach Pass Back Office System and enhancements to that system including Interoperability with Florida and North Carolina, National Interoperability, Violation Process Enhancements, and other Back Office System improvements. These projects support the efficient operations of the Authority's Customer Service Center.

Georgia Transportation Infrastructure Bank (GTIB)

Pursuant to the Georgia Transportation Infrastructure Bank Act, O.C.G.A 32-10-120 et seq, the State Road and Tollway Authority has been authorized to create and operate the GTIB program. Modeled after programs used in 32 other states, the GTIB was developed as a revolving infrastructure fund to provide grants and low-interest loans for local government transportation projects.

The GTIB was originally capitalized with a total of approximately $43,100,000 of funds from state motor fuel sources that were appropriated in the State of Georgia budgets in fiscal years ending June 30, 2009 and 2010, respectively. The GTIB received an additional $13,733,736 of funds from state motor fuel sources that were appropriated in the State of Georgia budget in fiscal year ending June 30, 2014 and the amended budget for fiscal year ending June 30, 2014. The GTIB received an additional $12,999,055 of funds from state motor fuel sources that were appropriated in the State of Georgia budget in each fiscal year ending

NOTE 16 – LITIGATION, CONTINGENCIES AND COMMITMENTS (CONTINUED)

June 30, 2015, 2016 and 2017, respectively. The GTIB received an additional $10,000,000 of funds from the state motor fuel sources that was a one-time appropriation in the State of Georgia amended budget for fiscal year ending June 30, 2017.

The GTIB may provide loans and grants to government entities for transportation projects that demonstrate strong transportation merit, engineering merit, economic merit, project feasibility, innovative concepts and financial commitment. Eligible projects for the GTIB include highways, bridges, air transport and airport facilities, rails, or transit and bicycle facility projects which provide public benefits by enhancing mobility and safety, promoting economic development, or increasing the quality of life and general welfare of the public. Project eligibility may be further limited to comply with any special considerations associated with the GTIB's funding sources.

Eligible costs are those related to preliminary engineering, traffic and revenue studies, environmental studies, right of way acquisition, legal and financial services associated with the development of the qualified project, construction, construction management, facilities, and other costs necessary for the qualified project.

In accordance with applicable pronouncements, the Authority has restricted $76,807,652 of the GTIB fund balance. The following table is a summary of the cumulative activity from inception of the program in fiscal year 2009 through the fiscal year ended June 30, 2017, which does not include accrued loan interest of $4,117.

	June 30, 2016	Activity for the Year Ended June 30, 2017	June 30, 2017
Contributions from Motor Fuel Funds	$ 82,831,846	$ 22,999,055	$ 105,830,901
Contributions from the Authority	225,000	-	225,000
Net Earnings*	595,406	354,835	950,241
Loan Receivable	10,822,352	1,802,450	12,624,802
Loan Interest Repayments	187,715	285,696	473,411
Loan Principal Repayments	122,693	681,322	804,015
Loan Disbursements	(10,908,611)	(2,496,089)	(13,404,700)
Grant Disbursements	(19,388,486)	(11,307,533)	(30,696,018)
Restricted Fund Balance as of June 30	$ 64,487,915	$ 12,319,737	$ 76,807,652

* Bank interest earned less bank fees

During the fiscal year 2017, $20,495,402 in grants and $3,101,773 in loans were awarded to local governments and community improvement districts in the fifth round of GTIB awards. These awards will be disbursed in future periods as the awardees request reimbursement for the approved projects.

GO! Transit Capital Program

During the 2015 Legislative Session, the Georgia General Assembly appropriated $75 million in General Obligation bond funds for the program to the Authority. The GO! Transit Capital Program is a competitive funding program designed to address some of the critical capital-related public transit needs throughout Georgia. Existing public transit operators that are government units such as local, regional, and state government units, including Community Improvement Districts, were all eligible to apply for the GO! Transit

NOTE 16 – LITIGATION, CONTINGENCIES AND COMMITMENTS (CONTINUED)

Capital Program. These bond funds can only be used for public transit capital projects with a useful life of at least 10 years, allowing the Authority to have legally sufficient ownership interest, and be operated by an existing public transit operator. During fiscal year 2016, the Authority worked with GRTA to establish an application process and administer the $75 million transit bond program. Eleven awards were made to nine transit entities across the state of Georgia. During fiscal year 2017, $2,000,000 was disbursed to awardees and an additional $1,115,020 was accrued as construction in progress. The Authority records the state-owned assets while Georgia State Financing and Investment Commission (GSFIC) records the general obligation bond debt.

NOTE 17 – SUBSEQUENT EVENTS

On July 1, 2017, the Authority began transit operations to include the Xpress commuter bus service and administration of the vanpool program that were previously operated by GRTA. The Authority may receive property transfers from GDOT during fiscal year 2018 related to transit operations.

On August 1, 2017, the Authority issued $349,765,000 of GARVEE bonds with the following principal amounts and descriptions:

- $51,005,000 Federal Highway Grant Anticipation Revenue Bonds, Series 2017-A ("2017-A GARBs")

- $12,845,000 Federal Highway Reimbursement Revenue Bonds, Series 2017-A ("2017-A RRBs" and together with the 2017-A GARBs, the "2017-A Bonds")

- $231,320,000 Federal Highway Grant Anticipation Refunding Revenue Bonds, Series 2017-B ("2017-B GARBs")

- $54,595,000 Federal Highway Reimbursement Refunding Revenue Bonds, Series 2017-B ("2017-B RRBS" and together with the 2017-B GARBs, the "2017-B Bonds")

Collectively, the 2017-B Bonds together with the 2017-A Bonds are referred to as the "2017-AB Bonds."

Interest is payable semiannually on June 1 and December 1 of each year, commencing on December 1, 2017.

The 2017-AB Bonds are pledged and payable solely from grant and reimbursement revenues received from the Federal Highway Administration and do not constitute a pledge of the faith and credit of the Authority or the State of Georgia.

The 2017-A Bonds were used to finance a portion of the cost of planning, design, engineering, acquisition and construction of two express lanes for certain segments of Interstate Highway 285 and pay the costs of issuance.

NOTE 17 – SUBSEQUENT EVENTS (CONTINUED)

The 2017-B Bonds were used to refund $298.6 million of callable maturities of the Authority's outstanding Series 2006, 2008A, and 2009A GARBs and Series 2006, 2008A, and 2009A RRBs as well as pay the costs of issuance. This achieved $13.7 million in net present value savings over the life of the bonds.

Savings
State Road and Tollway Authority (Georgia)
Series 2017 GARVEE & Revenue Reimbursement Financing
**** Verbal Award - Verified Numbers ****

Date	Prior Debt Service	Prior Receipts	Prior Net Cash Flow	Refunding Debt Service	Savings
6/1/2018	$ 63,216,760	$ 1,211,301	$ 62,005,459	$ 48,153,125	$ 13,852,334
6/1/2019	73,652,460		73,652,460	73,648,750	3,710
6/1/2020	134,331,470		134,331,470	134,330,500	970
6/1/2021	66,785,700		66,785,700	66,785,250	450
	$ 337,986,390	$ 1,211,301	$ 336,775,089	$ 322,917,625	$ 13,857,464

Savings Summary

PV of savings from cash flow	$ 13,716,230
Net PV Savings	$ 13,716,230

The true interest cost for the 2017-AB Bonds, which have an average life of 3.388 years, is 1.65%. Further detail is provided below:

NOTE 17 – SUBSEQUENT EVENTS (CONTINUED)

Bond Summary Statistics
State Road and Tollway Authority (Georgia)
Series 2017 GARVEE & Revenue Reimbursement Financing
** Verbal Award - Verified Numbers **

Dated Date	8/1/2017
Delivery Date	8/1/2017
Last Maturity	6/1/2029
Arbitrage Yield	1.540303%
True Interest Cost (TIC)	1.647311%
Net Interest Cost (NIC)	1.793315%
All-In TIC	1.709565%
Average Coupon	4.990596%
Average Life (years)	3.388
Duration of Issue (years)	3.208
Par Amount	$ 349,765,000
Bond Proceeds	$ 388,377,646
Total Interest	$ 59,136,858
Net Interest	$ 21,250,168
Total Debt Service	$ 408,901,858
Maximum Annual Debt Service	$ 141,598,750
Average Annual Debt Service	$ 34,555,087
Underwriter's Fees (per $1000)	
Average Takedown	1.774620
Other Fee	0.300931
Total Underwriter's Discount	2.075551
Bid Price	110.832042

Supporting documentation from summaries prepared by Bank of America Merrill Lynch and verified by Precision Analytics Inc./Samuel Klein and Company.

REQUIRED SUPPLEMENTARY INFORMATION

I-75 South Metro Express Lanes bridge construction at Flippen Road

I-85 HOT Lanes in partnership with Transit

STATE ROAD AND TOLLWAY AUTHORITY

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
EMPLOYEES' RETIREMENT SYSTEM OF GEORGIA
FOR THE YEAR ENDED JUNE 30, 2017

	2017	2016	2015
Authority's proportion of the net pension liability	0.24353%	0.14041%	0.14395%
Authority's proportionate share of the net pension liability	$ 11,520,087	5,688,406	5,398,940
Authority's covered-employee payroll	$ 6,014,727	3,451,110	3,413,651
Authority's proportionate share of the net pension liability as a percentage of its covered-employee payroll	110.59%	164.83%	158.16%
Plan fiduciary net position as a percentage of the total pension liability	72.34%	76.20%	77.99%

Note: Schedule is intended to show information for the last 10 fiscal years.
Additional years will be displayed as they become available.

SCHEDULE OF CONTRIBUTIONS
EMPLOYEES' RETIREMENT SYSTEM OF GEORGIA
FOR THE YEAR ENDED JUNE 30, 2017

	2017	2016	2015	2014
Contractually required contribution	$ 1,397,816	704,959	598,341	598,341
Contributions in relation to the contractually required contribution	$ 1,397,816	704,959	598,341	598,341
Contribution deficiency (excess)	$ -	-	-	-
Covered employee payroll	$ 6,014,727	3,451,110	3,413,651	3,489,093
Contributions as a percentage of covered employee payroll	23.24%	20.43%	17.53%	17.15%

Note: Schedule is intended to show information for the last 10 fiscal years.
Additional years will be displayed as they become available.

STATE ROAD AND TOLLWAY AUTHORITY

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – METHODS AND ASSUMPTIONS

FOR THE YEAR ENDED JUNE 30, 2017

Changes of Assumptions

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

Method and Assumptions used in Calculations of Actuarially Determined Contributions

The actuarially determined contribution rates in the schedule of contributions are calculated as of June 30, 2013 three years prior to the end of the fiscal year in which contributions are reported. The following actuarial methods and assumptions were used to determine the contractually required contributions for year ended June 30, 2016 reported in that schedule:

Valuation date	June 30, 2013
Actuarial cost method	Entry age
Amortization method	Level dollar, closed
Remaining amortization period	25 years
Asset valuation method	5-year smoothed market
Inflation rate	3.00 percent
Salary increase	5.45% - 9.25%, including inflation
Investment rate of return	7.50%, net of pension plan investment expense, including inflation

SRTA STATE ROAD & TOLLWAY AUTHORITY

SUPPLEMENTARY INFORMATION

Northwest Corridor Express Lanes Arial view I-75 & I-285 Interchange

SRTA

STATE ROAD
& TOLLWAY
AUTHORITY

STATE ROAD AND TOLLWAY AUTHORITY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2017

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Pass-through to Subrecipients		Total Federal Expenditures
U.S. Department of Transportation (DOT):					
Transportation Infrastructure Finance and Innovation Act (TIFIA) Program	20.223	N/A	N/A	$	184,466,379
Total Expenditures of Federal Awards				$	184,466,379

The accompanying notes are an integral part of this schedule.

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of the Authority under programs of the federal government for the year ended June 30, 2017. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the organization, it is not intended to and does not present financial position, changes in net assets, or cash flows of the Authority

Note 2. Summary of Significant Accounting Policies

Expenditures, including disbursed loan amounts, are reported on the Schedule on the accrual basis of accounting. Loan disbursement amounts are recognized following the Uniform Guidance section 200.502 requirements. The TIFIA loan program does have federal government imposed continuing compliance requirements. The total federal expenditures related to the TIFIA loan program reported in the Schedule include the prior year disbursed amount, if any, plus the current year disbursed amount. Negative amounts, if any, shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. During fiscal year ended June 30, 2017, the Authority received $184,466,379 in funds from the TIFIA loan program.

Note 3. De Minimis Indirect Cost Rate

The Authority has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance. No indirect costs were charged to the TIFIA loan program.

SRTA

STATE ROAD & TOLLWAY AUTHORITY

COMPLIANCE SECTION

Northwest Corridor I-75 & I-285 Bridge Construction

SRTA

State Road & Tollway Authority

DEPARTMENT OF AUDITS AND ACCOUNTS

270 Washington Street, S.W., Suite 1-156
Atlanta, Georgia 30334-8400

Greg S. Griffin
STATE AUDITOR
(404) 656-2174

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

Independent Auditor's Report

The Honorable Nathan Deal, Governor of Georgia
Members of the General Assembly of the State of Georgia
Members of the Board of State Road and Tollway Authority
and
Mr. Christopher Tomlinson, Executive Director and Board Secretary

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, each major fund, and the aggregate remaining fund information of the State Road and Tollway Authority (Authority), a component unit of the State of Georgia, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated November 30, 2017.

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.

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying *Schedule of Findings and Questioned Costs*, we identified certain deficiencies in internal control that we consider to be a material weakness and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying *Schedule of Findings and Questioned Costs* as item FS-927-17-01, to be a material weakness.

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. We consider the deficiencies described in the accompanying *Schedule of Findings and Questioned Costs* as items FS-927-17-02 and FS-927-17-03, to be significant deficiencies.

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.*

We noted certain matters that we have reported to management of the Authority in a separate letter dated November 30, 2017.

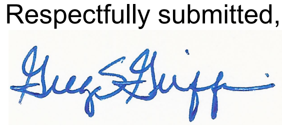
Authority's Response to Findings

The Authority's response to the findings identified in our audit is described in the accompanying *Schedule of Findings and Questioned Costs*. The Authority's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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

Respectfully submitted,



Greg S. Griffin
State Auditor

November 30, 2017

DEPARTMENT OF AUDITS AND ACCOUNTS

270 Washington Street, S.W., Suite 1-156
Atlanta, Georgia 30334-8400

Greg S. Griffin
STATE AUDITOR
(404) 656-2174

Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance

Independent Auditor's Report

The Honorable Nathan Deal, Governor of Georgia
Members of the General Assembly of the State of Georgia
Members of the Board of State Road and Tollway Authority
and
Mr. Christopher Tomlinson, Executive Director and Board Secretary

Report on Compliance for Each Major Federal Program

We have audited the State Road and Tollway Authority's (Authority) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017. The Authority's major federal programs are identified in the *Summary of Auditor's Results* section of the accompanying *Schedule of Findings and Questioned Costs*.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

Report on Internal Control over Compliance

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

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or 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 or significant deficiencies. However, material weaknesses or significant deficiences may exist that have not been identified.

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

Respectfully submitted,

Greg S. Griffin
State Auditor

November 30, 2017

STATE ROAD AND TOLLWAY AUTHORITY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

I. <u>SUMMARY OF INDEPENDENT AUDITOR'S RESULTS</u>

FINANCIAL STATEMENTS

Type of auditor's report issued:	
Governmental Activities; Business-Type Activities; Major Governmental Funds: General Fund, Debt Service Fund, GTIB Fund; Major Proprietary Funds: Transit Fund, I-75 South Metro Express Lanes Fund, I-75 Northwest Corridor Express Lanes Fund, Customer Service Center Fund	Unmodified
Internal control over financial reporting:	
Significant Deficiencies identified?	Yes
Significant Deficiencies evaluated as Material Weaknesses?	Yes
Noncompliance material to financial statements noted?	No

FEDERAL AWARDS

Internal Control over major programs:	
Significant Deficiencies identified?	No
Significant Deficiencies evaluated as Material Weaknesses?	No
Type of auditor's report issued on compliance for major programs:	
Transportation Infrastructure Finance and Innovation Act Program (TIFIA)	Unmodified
Any audit findings disclosed that are required to be reported in Accordance with Title 2 CFR 200.516(a)?	No

IDENTIFICATION OF MAJOR PROGRAMS

NAME OF FEDERAL PROGRAM OR CLUSTER	CFDA NUMBER
U.S. Department of Transportation: Transportation Infrastructure Finance and Innovation Act Program (TIFIA)	20.223

Dollar threshold used to distinguish between type A and type B programs:	$ 3,000,000
Auditee qualified as low-risk auditee?	No

II. FINANCIAL STATEMENT FINDINGS

FS-927-17-01 Improve Controls over Financial Reporting

Internal Control Impact: Material Weakness
Compliance Impact: None
Repeat of Prior Year Finding: FS-927-16-01 (*partial repeat*)

The State Road and Tollway Authority's (Authority) financial reporting process did not have adequate internal controls to prevent or detect material errors and omissions in its basic financial statements, including footnote disclosures.

Background Information:
As part of our fiscal year 2017 audit, we followed up on the Authority's efforts to implement the corrective action plans for its prior year finding. In this prior year finding, we reported that the Authority needed to strengthen controls over its financial reporting process. Management worked with its financial system consultants to modify its accounting system to help produce automated financial statements, however, the Authority still relies heavily on end user applications (MS Excel and Word) to create the year-end financial statements and note disclosures. This year, we again identified material misstatements in the Authority's financials statements and note disclosures. As a result, we consider this matter to be a material weakness in internal control.

Criteria:
The Authority is responsible for maintaining a system of controls over the preparation of financial statements in accordance with generally accepted accounting principles (GAAP). The design and operation of the Authority's controls should allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements of the financial statements in a timely manner as well as facilitate the timely preparation of complete and accurate financial statements.

Condition:
As noted above, our audit of the Authority's basic financial statements revealed several material errors. Specifically, the errors included:

Net Pension Liability – The entire liability and related pension activity were presented in the Internal Service Fund instead of being allocated directly to the related funds from which the liability is expected to be paid. In addition, net pension liability and related pension activity were not adjusted for the transfer of all Georgia Regional Transportation Authority's (GRTA) employees to the Authority on July 1, 2016. The audit adjustments proposed to correct the recording of net pension liability and related pension activity totaled $11.5 million (in the aggregate).

Revenue Classification – Funds received from the Georgia Department of Transportation totaling $35 million were classified as Other Financing Sources instead of Intergovernmental Revenue on the Authority's *Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds*.

Statement of Cash Flows – The statement presented for audit contained numerous errors that required correction. We identified certain capital and related financing activities that were incorrectly reported as operating activities. Adjustments were also needed to address errors related to the use of incorrect restated beginning balances for some accounts and in the formulas in the end user applications underlying the statement.

MD&A and Note Disclosures – Certain information presented in Management's Discussion and Analysis and Notes to the Financial Statements contained errors that required correction.

Cause:
The design and operation of the Authority's controls over its financial reporting process did not detect certain material errors and omissions in its basic financial statements and note disclosures. Some errors were due in part to incorrect mapping of accounts within the accounting system. In addition, preparing complex financials using end user application tools introduces additional risks and time in the production of the Authority's financial report.

Effect or Potential Effect:
Prior to adjustment, the Authority's basic financial statements and note disclosures contained several material misstatements. Without effective controls in place to address the risk of material misstatements, the Authority cannot ensure accurate financial reporting within its basic financial statements.

Recommendation:
The Authority should continue to improve controls over financial reporting by incorporating additional oversight, reconciliations, procedures for verifying the correct mapping of accounts within the accounting system, and training for staff that will aid in the timely detection and correction of significant errors. We recommend the Authority continue its efforts to assess the risk of material misstatements to the financial statements and to strengthen internal controls over financial reporting by:

- Documenting the entire financial statement preparation process, including procedures to identify and address new or unusual activity and maintaining a listing of specific information, data, calculations, and manual entries/adjustments needed to prepare the basic financial statements.

- Documenting the end user applications used to produce the financial report, including implementing a formal change process, which should require documented approvals when changes are made to formulas and links.

- Developing and documenting procedures for conducting a thorough review of the basic financial statements. The review should be performed by an individual who is knowledgeable of governmental accounting standards and independent of the preparation of the basic financial statements. We recommend that a current disclosure checklist, such as the Government Finance Officers Association (GFOA) General Purpose Preparer Checklist, be used to document the financial statement review and ensure propriety and completeness of the financial statements and related notes.

- Providing training on new governmental accounting standards, statewide policies, and applicable laws and regulations for all staff who prepare and review the financial information.

Views of Responsible Officials:

We concur.

FS-927-17-02 **Improve Toll Revenue Collection and Reporting Controls**

Internal Control Impact: Significant Deficiency
Compliance Impact: None

The State Road and Tollway Authority (Authority) needs to improve internal controls over toll revenue reporting and third party service provider monitoring.

Background Information:
The Authority utilizes service organizations to provide certain mission critical business functions, such as tolling collection and reporting services for its electronic tolling collection systems on I-75 South and I-85. These services include providing the Authority with transaction and summary level toll reports for financial statement reporting. The revenue reported from the I-75 South and I-85 tolling systems totaled $18,047,612 for fiscal year 2017.

Although the Authority has delegated these key processes and functions to the service organizations, management is responsible for gaining assurance that the service provider's internal control environment is operating effectively. Usually prepared annually, a System and Organization Controls (SOC) report provides an independent description and evaluation of the provider's internal controls over the processing and security of the outsourced tasks. In addition, the SOC report identifies controls for which management personnel are responsible, typically referred to as complementary user entity controls. Such complimentary controls need to be in place and operating effectively for the service organization's controls to be achieved.

Criteria:
The Authority is responsible for maintaining a system of internal control over toll revenue collection and reporting. The design and operation of internal controls should allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements of the financial statements in a timely manner. This internal control framework includes understanding the internal control environment of and maintaining oversight over service providers to gain assurance over outsourced functions.

Condition:
During our internal controls walkthrough of the toll revenue collection and reporting process, we noted deficiencies related to monitoring internal controls at the following service organizations as well as internal controls at the Authority:

3M - The Authority did not have adequate procedures in place to monitor the service organization's internal controls, either internally or by obtaining and reviewing a SOC 1 Type II report, and was not able to assess the design and operating effectiveness of controls it relied on to ensure the completeness and accuracy of toll data.

In addition, the Authority did not implement the necessary internal controls, such as the visual lane audits that it had planned to perform, to verify the accurate and complete reporting of trip data by the I-75 South tolling system.

Electronic Transaction Consultants Corporation (ETCC) - The Authority obtained a SOC 1 Type II report for the service organization but did not document, in detail, its evaluation of the effect of ETCC's controls on the Authority's own system of internal control.

In addition, the Authority relied on ETCC's transaction and summary level reports to achieve its internal control over financial statement reporting of toll revenue. However, the Authority does not independently validate the completeness and accuracy of the data in the reports. Specifically, we noted that the Authority reconciles the trip transaction level reports to the summary level reports; however, both reports are produced by ETCC. The design of this reconciliation does not ensure the accuracy and completeness of the reports provided by ETCC.

Cause:
The Authority has not yet designed complementary user entity controls that provide assurance regarding the accuracy and completeness of the service organization reports that support the toll revenue balances in its financial statements. In addition, the Authority has not established policies and procedures for reviewing SOC reports and for assessing and documenting the effect of the service organization's controls relative to the Authority's own assertions.

Effect or Potential Effect:
The weaknesses in internal control limit the Authority's ability to prevent, or detect and correct, toll revenue reporting errors and omissions in a timely manner. As a result, the Authority has reduced assurance that the toll revenue balances are materially correct and accurately reported in its financial statements.

Recommendation:
The Authority should continue to improve its internal controls over toll revenue collection and reporting by implementing a formal framework for gaining appropriate assurance over outsourced operations impacting mission critical processes. The Authority can gain assurance in several forms including, but not limited to, SOC 1 reports, on-site reviews, or other independently verified assurance of the provider's internal control environment. This process should include the development of formal policies and procedures for obtaining, and documenting the evaluation of a reasonable form of assurance to ensure that third party providers' controls are operating effectively. The Authority should also design and implement complementary user entity controls to ensure the accuracy and completeness of the data in the service organization reports that it relies on for financial statement reporting of toll revenue.

When utilized, we recommend that management review and document the controls listed in the SOC 1 Type II reports to ensure they cover all significant transactions and processes that affect the Authority's financial statements, and document the user controls and evidence how they are operating as they relate to the Authority's operations. If controls are not in place, management should implement the appropriate controls including those designed to ensure completeness and accuracy of transactions.

Views of Responsible Officials:

The State Road and Tollway Authority concurs with the audit deficiency related to toll revenue reporting and third-party service provider monitoring.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

FS-927-17-03 Strengthen Logical Access Controls

Internal Control Impact:	Significant Deficiency
Compliance Impact:	Nonmaterial Noncompliance
Repeat of Prior Year Findings:	FS-927-15-01 *(partial repeat)* FS-927-16-02 *(partial repeat)*

The State Road and Tollway Authority (Authority) should implement its new controls over user access monitoring within financial systems.

Background Information:
The State Road and Tollway Authority (Authority) relies extensively on applications to process financial transactions and for financial reporting. Internal controls over these applications are essential for the reliability and integrity of the Authority's data and to protect financial information from manipulation, corruption, or loss.

As part of our fiscal year 2017 audit, we followed up on the Authority's efforts to implement the corrective action plans for its prior year findings. In these prior year findings we identified several functionality limitations of the Authority's primary accounting system that made it difficult for the Authority to implement application controls and monitor logical access. The Authority has taken a number of actions to address these issues, including the implementation of a new audit tool that provides the capability to establish role based segregation of duties and to generate reports that facilitate user access monitoring. The Authority also corrected the instances of inappropriate access we identified during the prior year audit and established policies and procedures that define user roles and responsibilities and the segregation of duties rules that govern the assignment of access rights to specific roles. In addition, the Authority developed a new process for monitoring logical access but was not able to implement the process during the year.

Criteria:
The Authority is responsible for designing and operating an effective information system and related control activities, including segregation of duties. In addition, the Authority is responsible for monitoring and maintaining an effective information system to ensure that human resource (HR) and accounting transactions are authorized, complete, valid and accurately recorded into its primary financial system.

Furthermore, all organizations of the State government are required to conform to and comply with the technology security standards established by the Georgia Technology Authority (Official Code of Georgia Annotated 50-25-4(a)(21)), including the Authorization and Access Management standard (SS-08-010), which requires periodic reviews of access control lists and logs to validate the appropriateness of user accounts and use of access privileges. Access control measures are critical to ensuring users only have access to the information for which they are authorized and need to perform their official duties.

An effective information system includes information technology (IT) general controls, which address, IT entity level controls, policies and procedures, change management, logical access and IT Operations. Such controls contribute to the design, implementation and operating effectiveness of the Authority's information systems and related control activities and are critical to reduce the risk of error, misuse, or fraud.

Condition:
During our review of the Authority's information system general controls associated with certain financial and HR systems, we noted the Authority has established a formal process to

periodically monitor ongoing access to its applications, including procedures for verifying the appropriateness of user access and review by management or persons with direct knowledge of job roles and responsibilities. However, the logical access monitoring process did not occur during the period under review.

Cause:
The Authority did not have an adequate number of resources to implement its logical access monitoring process during the year.

Effect or Potential Effect:
The weakness in IT general controls related to user access monitoring, exposes the Authority to unnecessary risk of fraud and could impact the confidentiality, availability, integrity and reliability of data used for financial reporting within its financial statements. These weaknesses also increase the need for the Authority to ensure mitigating controls are operating effectively to reduce the chance of errors that could significantly affect the financial statements.

Recommendation:
The Authority should implement [and monitor] its new logical access monitoring process to help ensure the confidentiality, availability, integrity and reliability of its data.

Views of Responsible Officials:

We concur.

III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None Noted

STATE ROAD AND TOLLWAY AUTHORITY

SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS FOR THE FISCAL YEAR ENDED JUNE 30, 2017

SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS

FINANCIAL STATEMENT FINDINGS

FS-927-16-01 Improve Controls over Financial Reporting

Internal Control Impact: Material Weakness
Compliance Impact: None

Finding Status: Partially Resolved

The Authority will continue working to document procedures and review processes for the financial statement preparation process, identify unusual activity, and source data needed for preparation. We did work with GDOT and other partner agencies, if applicable, in order to ensure accrued payment activity includes completed work through the end of the fiscal year.

The Authority hired a qualified Accounting Director with experience creating and auditing financial statements, supporting schedules, notes and disclosures. The draft financial statements will be reviewed by the Authority's Comptroller and Chief Financial Officer for accuracy and related compliance prior to submission to the Authority's auditors in fiscal year 2018.

The Authority worked with the financial system consultants to prepare the financial statements within the ERP system that mirror the annual financial statements so that the process is managed within the system to reduce manual processes.

The Authority currently promotes and provides professional development training on accounting standards, policies and applicable laws/regulations for staff but will enhance our efforts toward training resources.

Estimated Completion Date: 4th quarter FY 2018

FS-927-16-02 Strengthen Logical Access Controls

Internal Control Impact: Significant Deficiency
Compliance Impact: None

Finding Status: Partially Resolved

The Authority implemented access control through a digital change management process. A form will be submitted through a new support ticket system. All documentation related to access and change control will be kept within the ticket for records retention. Change management will include options to approve/deny/change requests for user access leveraging change management workflow and if required, multiple approvers. The change management process and support ticket system became operational during the third calendar quarter of 2017.

The Authority documented the process to monitor user access. The corrective action plan was to have bi-annual reviews of user access with key individuals (business app owners, division heads) to validate user roles will be performed in December and June each fiscal year, with the first review in June 2017. The Authority performed the first review in April 2017.

In fiscal year 2017, the Authority changed role permissions to only allow IT personal to have administrator roles.

Estimated Completion Date: Fiscal year 2018

FS-927-15-01 **Inadequate Financial Accounting System**

Internal Control Impact: Significant Deficiency
Compliance Impact: None

Finding Status: Partially Resolve

The Authority addressed system issues and these are resolved. The Authority implemented a new audit tool to provide warnings and generate reports to perform logical access reviews and monitor application controls. This tool also established audit trails that are not available within the accounting system. We also prepared detailed flow charts to support segregation of duties within accounting functions. The logical access is the only portion of the finding that is not fully resolved, which was written as a fiscal year 2016 Logical Access Finding. The fiscal year 2016 Logical Access Finding corrective action plan was implemented during the latter part of fiscal year 2017, but sufficient documentation for the full year was not available. No changes to the corrective action plan are needed as complete documentation will be available for fiscal year 2018.

STATE ROAD AND TOLLWAY AUTHORITY

SCHEDULE OF MANAGEMENT'S CORRECTIVE ACTION FOR THE FISCAL YEAR ENDED JUNE 30, 2017

CORRECTIVE ACTION PLANS - FINANCIAL STATEMENT FINDINGS

FS-927-17-01 Improve Controls over Financial Reporting

Internal Control Impact: Material Weakness
Compliance Impact: None
Repeat of Prior Year Finding: FS-927-16-01 (*partial repeat*)

The State Road and Tollway Authority's (Authority) financial reporting process did not have adequate internal controls to prevent or detect material errors and omissions in its basic financial statements, including footnote disclosures.

Corrective Action Plan:

The Authority is in the process of documenting the financial statement preparation and review process. This documentation is expected to be finalized by the end of the third quarter of fiscal year 2018. Additionally, the Authority is formally documenting internal processes and procedures that will clarify roles and responsibilities and provide consistent application of Generally Accepted Accounting Principles, thereby reducing the risk of errors and omissions and ensuring accurate and reliable financial data. The Authority is currently reviewing financial reporting software that will minimize manual processes required to complete the financial statements and help reduce the risk of material misstatements due to manual entries and adjustments. The financial reporting software is expected to be implemented during fiscal year 2018.

The Authority has incorporated additional oversight in the preparation and review of the financial statements to strengthen internal controls over financial reporting. The Authority hired an Accounting Director with experience in creating and auditing financial statements, supporting schedules, notes and disclosures. The Accounting Director will be responsible for preparation of the financial statements and completion of the GFOA General Purpose Preparer Checklist. The financial statements and disclosure checklist will be reviewed by the Comptroller and Chief Financial Officer for accuracy and compliance with Generally Accepted Accounting Principles prior to submission to the Authority's auditors.

The Authority currently promotes professional development training and provides the means and resources to which staff can obtain professional training on new governmental accounting standards, statewide policies and applicable laws and regulations for all staff. In FY18 the Authority will enhance efforts toward training resources.

Estimated Completion Date: June 30, 2018

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STATE ROAD AND TOLLWAY AUTHORITY

SCHEDULE OF MANAGEMENT'S CORRECTIVE ACTION FOR THE FISCAL YEAR ENDED JUNE 30, 2017

FS-927-17-02 **<u>Improve Toll Revenue Collection and Reporting Controls</u>**

Internal Control Impact:	Significant Deficiency
Compliance Impact:	None

The State Road and Tollway Authority (Authority) needs to improve internal controls over toll revenue reporting and third party service provider monitoring.

Corrective Action Plan:

The Authority has documented a Transaction Tracing process. This document details how the Authority will randomly audit transactions from the lanes until they terminate into the Back-Office System. These procedures will be implemented February 1, 2018.

Estimated Completion Date: February 1, 2018

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FS-927-17-03 **<u>Strengthen Logical Access Controls</u>**

Internal Control Impact:	Significant Deficiency
Compliance Impact:	Nonmaterial Noncompliance
Repeat of Prior Year Findings:	FS-927-15-01 *(partial repeat)*
	FS-927-16-02 *(partial repeat)*

The State Road and Tollway Authority (Authority) should implement its new controls over user access monitoring within financial systems.

Corrective Action Plan:

The Authority is in the process of updating and formalizing the User Recertification process with key stakeholders - Executive Management and BU Directors to have all team members onboard with the process. The Named User License Count report will be disseminated and will be reviewed with all supervisors and leads on a bi-annual schedule, so they can monitor and review the roles belonging to their Business Units/Departments. This will allow us to periodically monitor ongoing access to our financial applications, including procedures for verifying the appropriateness of user access and review by management with direct knowledge of job roles and responsibilities.

The Authority plans to have one User Recertification completed before June 30, 2018 with another completed before December 31, 2018.

Estimated Completion Date: December 31, 2018

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STATE ROAD AND TOLLWAY AUTHORITY

SCHEDULE OF MANAGEMENT'S CORRECTIVE ACTION
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

CORRECTIVE ACTION PLANS - FEDERAL AWARD FINDINGS

None Noted