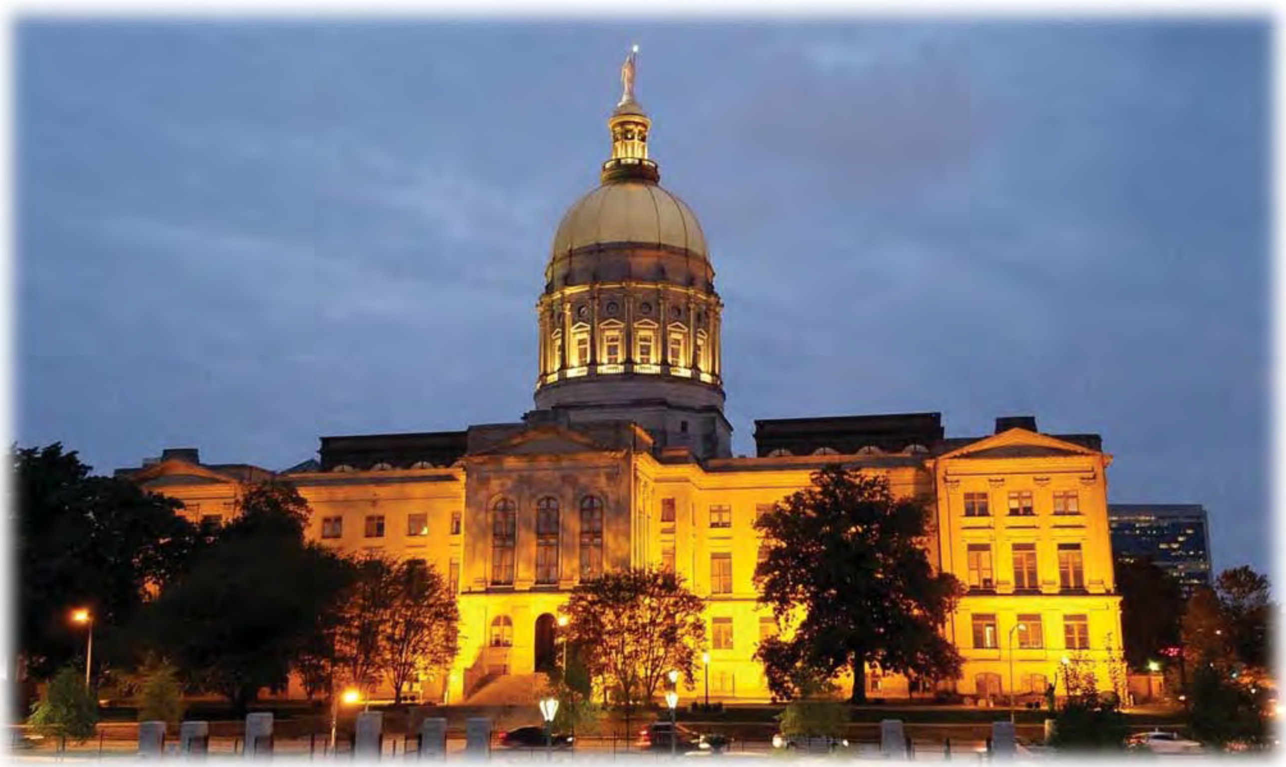
State Road & Tollway Authority

A Component Unit of the State of Georgia

For the Fiscal Year Ended June 30, 2018



Annual Financial Report

Department of Audits and Accounts

Greg S. Griffin
State Auditor

SRTA

STATE ROAD & TOLLWAY AUTHORITY

State Road & Tollway Authority

SRTA

(A Component Unit of the State of Georgia)

Annual Financial Report

For the fiscal year ended June 30, 2018

SRTA

STATE ROAD & TOLLWAY AUTHORITY

STATE ROAD AND TOLLWAY AUTHORITY

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STATE ROAD & TOLLWAY AUTHORITY

DEPARTMENT OF AUDITS AND ACCOUNTS

270 Washington Street, S.W., Suite 1-156

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GREG S. GRIFFIN
STATE AUDITOR
(404) 656-2174

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 of Georgia
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 and each major fund 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, 2018, 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, and each major fund of the Authority as of June 30, 2018, 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 discussed in Note 2 to the financial statements, in 2018, the Authority implemented new accounting standards, Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions and* GASB Statement 85, *Omnibus 2017*. Our opinions are not modified with respect to these matters.

As discussed in Note 2 to the financial statements, on July 1st, 2017, the Authority began operations to include the Xpress commuter bus service and administration of the vanpool program that were previously operated by GRTA. As such, a transfer of GRTA's $19.5 million equity balance was made to the Authority to support ongoing transit program activities. Our opinions are not modified with respect to these matters.

As discussed in Note 2 to the financial statements, in 2018, the Authority changed the presentation of the proprietary financial statements. The I-75 NWC Express Lane Fund was previously reported singularly on the face of the proprietary financial statements. However, activity of the I-75 NWC Express Lane Fund is currently reported within the Tolling Funding System Fund. The effect of the inclusion of the I-75 NWC Express Lane fund results in a decrease to the Tolling System Fund beginning net position in the amount of $109.7 million. Our opinions are not modified with respect to these matters.

In fiscal year 2018, it was determined that the customer service center no longer met the requirements of an Internal Service Fund. Activity of the customer service center is currently reported within the Tolling System Fund. The effect of this presentation change was an increase of $9.5 million in the Tolling System Fund's beginning net position. Our opinions are not modified with respect to these matters.

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, Schedule of Proportionate Share of the Net OPEB Liability, Schedule of Contributions to OPEB Plan and Notes to the Required Supplementary Information on pages 78 through 84, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the GASB, 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 Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position for the I-75 Northwest Corridor Express Lanes Project are presented for the purposes of additional analysis and are not a required part of the basic financial statements.

The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position are 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 individual project financial statements are 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 December 28, 2018 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

December 28, 2018

SRTA

STATE ROAD & 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, 2018. Comparative data is provided for fiscal year 2018 and fiscal year 2017. However, the comparative data for fiscal year 2017 does not reflect the effects of the restatement of July 1, 2017 net position. This restatement is predominantly related to the implementation of Governmental Accounting Standards Board (GASB) Statement No. 75, Accounting and Financial reporting for Postemployment Benefits Other Than Pensions. The adoption of this Statement resulted in the accrual of the Authority's proportionate share of the net other post-employee benefit (OPEB) liability for the State Health Benefit Plan, changes to the related OPEB note disclosures, additional OPEB required supplemental information, and the restatement of the July 1, 2017 net position balance. See Note 2 in the Notes to the Financial Statements for additional information related to the effects of the restatement of July 1, 2017 net position. The MD&A 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, 2018, the Authority's proprietary statements have three funds:

- Transit Fund – accounts for transit activities, including the Xpress Commuter Bus Service.
- I-75 South Metro Express Lanes Fund – accounts for tolling activities related to the I-75 South Express lanes, which has project specific related debt.
- Tolling System Fund – accounts for tolling activities related to the I-85 Express Lanes, as well as two (2) tolling facilities to be open in FY 2019: I-85 Extension Express Lanes and the Northwest Corridor Project Express Lanes. This fund also accounts for tolling activities related to the Major Mobility Investment Program (MMIP). Four (4) tolling facilities are under planning as part of that program.

As of June 30, 2018, the Authority's governmental statements include the general fund activities of the Authority, management of a bond financing program (debt service) and administration of the Georgia Transportation Infrastructure Bank (GTIB) program.

Financial Highlights

Government-wide

- Net Position. Total assets and deferred outflows of resources of the Authority exceeded liabilities and deferred inflows of resources by $41.4 million (reported as "net position"). Contributing to this amount, a deficit of $249.1 million was reported as unrestricted net position.

- Changes in Net Position. The Authority total net position increase by $28.8 million in fiscal year 2018 compared to the balances reported in prior year. More specifically, net position of governmental activities increased by $72.5 million while net position of business-type activities decreased by $43.7 million.

- Excess of Revenue over Expenses – Governmental Activities. During the fiscal year, the Authority's total revenues for governmental activities, which totaled $195.5 million were $77.5 million more than total expenses (excluding transfers). Expenses totaled $118.0 million. General revenues, which are primarily made up of intergovernmental revenue totaled $89.5 million, and program revenues, which primarily come from operating and capital grants and contributions totaled $106.0 million.

Fund Level

- Governmental Funds – Fund Balances. The governmental funds reported combined ending fund balances of $216.2 million. This amount represents an increase of $92.0 million, or 74.2% when compared with the prior year. Of this total fund balance, $16.8 million, or 7.8%, represents nonspendable fund balance; $158.0 million, or 73.1%, represents restricted fund balance; $20.6 million, or 9.5%, represents assigned fund balance; and $20.8 million, or 9.6%, represents unassigned fund balance.

- General Fund – Fund Balances. The General Fund ended the fiscal year with a total fund balance of $73.2 million of which $20.8 million was classified as unassigned fund balance. Total revenues increased by $57.3 million or 134.1% over the prior year. The large increase in total revenue is due to intergovernmental income received from the Georgia Department of Transportation (GDOT) for the I-285/GA 400 Interchange project.

- Enterprise Funds – Net position. The enterprise funds ended the fiscal year with a total deficit net position of $132.1 million. This amount represents a decrease of $56.0 million, or 73.5% when compared with the prior year restated net position. Of this total net position, $89.0 million, or 67.3%, represents net investment in capital assets; $42.6 million, or 32.2%, represents restricted net position; and $(263.7) million, or (199.6) %, represents a deficit unrestricted net position.

Long-term Debt

- Long-term debt for Governmental activities decreased by $131.7 million, or 17.7%, during the fiscal year. The decrease represents the net difference between new issuances and maturing principal payments, and the net effect of refunding bonds. The amount owed for the Transportation Infrastructure Finance and Innovation Act (TIFIA) and developer financing loans increased $10.2 million, or 4.1% for the Authority, while the amount owed for toll revenue bond accreted interest increased $2.2 million, or 6.9% for the Authority. The Authority issued new bonded debt, including refunding bonds, during the year at the par value amount of $349.8 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.

Overview of the Financial Statements

The financial section of this report includes three parts: (1) management's discussion and analysis, (2) basic financial statements, and (3) required 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.

Government-wide Financial Statements – Reporting the Authority as a Whole

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 comprises 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 a private-sector business. 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 (GTIB). 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 transit services and toll facilities are examples of business-type activities.

Fund Financial Statements – Reporting the Authority's Most Significant Funds

The fund financial statements provide detailed information about individual major funds, not the Authority as a whole, and are 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 the Authority's funds are divided into 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.

- Proprietary Funds. The Proprietary funds, which include enterprise funds, account for the 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.

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 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 financial statements. The notes are applicable to both the government-wide financial statements and the fund financial statements.

Required Supplementary Information

In addition to this MD&A, the Basic Financial Statements are followed by a section containing required supplementary information which further explains and supports the information in the financial statements. This section of the report includes: (1) information on the Authority's defined benefit pension liability and contributions and (2) information on the Authority's other postemployment benefit plans (OPEB) and State Employee Assurance Department (SEAD).

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 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 $41.4 million, which is comprised of $89.8 million in net investment in capital assets, $200.7 million in restricted net position, and an unrestricted portion of net position deficit of $249.1 million.

Based on this measurement, no funds were available for discretionary purposes. However, a significant contributing factor is that governments recognize long-term liabilities on the government-wide statement of net position as soon as a liability has been incurred. Accordingly, the Authority recognizes long-term liabilities (such as bond debt, net pension/OPEB liabilities, and compensated absences) on the statement of net position. While financing and budgeting functions focus on when such liabilities will be paid, this statement focuses on when a liability has been incurred.

The following table was derived from the current and prior year government-wide Statements of Net Position.

Table 1 - Net Position
As of June 30, 2018 and 2017

	Governmental Activities		Business-Type Activities		Totals	
	June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017
Assets:						
Non-Capital Assets	$ 814,551,340	$ 873,750,980	$ 127,120,362	$ 199,017,947	$ 941,671,702	$ 1,072,768,927
Net Capital Assets	765,784	10,001,083	99,572,411	43,124,004	100,338,195	53,125,087
Total Assets	815,317,124	883,752,063	226,692,773	242,141,951	1,042,009,897	1,125,894,014
Deferred Outflows of Resources	7,767,655	258,119	2,612,284	2,782,160	10,379,939	3,040,279
Liabilities:						
Current Liabilities	27,697,341	34,872,372	51,974,732	42,126,483	79,672,073	76,998,855
Noncurrent Liabilities	616,975,090	747,112,289	308,152,839	291,161,489	925,127,929	1,038,273,778
Total Liabilities	644,672,431	781,984,661	360,127,571	333,287,972	1,004,800,002	1,115,272,633
Deferred Inflows of Resources	1,178,799	1,004,236	1,325,212	79,202	2,504,011	1,083,438
Net Position:						
Net Investment in Capital Assets	765,784	10,001,083	88,991,952	36,289,113	89,757,736	46,290,196
Restricted	158,129,244	80,145,795	42,581,919	108,818,566	200,711,162	188,964,361
Unrestricted	14,609,909	10,874,407	(263,721,596)	(233,550,742)	(249,111,687)	(222,676,335)
Total Net Position	$ 173,504,937	$ 101,021,285	$ (132,147,726)	$ (88,443,063)	$ 41,357,211	$ 12,578,222

The Authority's governmental activities net position increased from the Authority's June 30, 2017 restated net position by $74.5 million, or 75.2%. The Authority's unrestricted balance of $14.6 million is primarily the result of the following two types of transactions. 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 $56.0 million, or 73.5%, when compared with the prior year restated net position. The deficit in unrestricted net position of $263.7 million is primarily a result of the $256.7 million in outstanding balances for the TIFIA and Design Build Finance loans related to the I-75 Northwest Corridor project and the $34.1 million in outstanding balances for the transportation revenue bonds related to the I-75S Express Lanes project.

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 2018. Consistent with the prior year, the Authority received a majority of its $286.6 million in revenues from toll revenue, capital contributions and intergovernmental revenue of motor fuel funds for capital projects and debt service. Expenses during fiscal year 2018 were $306.1 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 $19.5 million before capital contributions of $37.9 million from GDOT.

Table 2 - Changes in Net Position
For the Years Ended June 30, 2018 and 2017

	Governmental Activities		Business-Type Activities		Totals		Total Percentage Change
	2018	2017	2018	2017	2018	2017	
Revenues:							
Program Revenues							
Charges for Services	$ -	$ -	$ 28,108,140	$ 23,015,106	$ 28,108,140	$ 23,015,106	22.1%
Operating Grants/Contributions	22,999,055	23,001,515	30,099,278	3,503,046	53,098,333	26,504,561	100.3%
Capital Grants/Contributions	82,958,108	6,259,937	28,009,898	7,143,044	110,968,006	13,402,981	727.9%
General Revenues							
Payments from GDOT (GARVEE)	74,598,635	29,522,643	-	-	74,598,635	29,522,643	152.7%
Payments from GDOT (GRB)	11,737,882	8,826,476	-	-	11,737,882	8,826,476	33.0%
Proceeds from GO Bonds	-	2,000,000	-	-	-	2,000,000	100.0%
Investment Earnings	3,069,210	949,656	2,497,778	844,149	5,566,988	1,793,805	210.3%
Miscellaneous Revenue/Expenses	142,938	44,600	2,355,186	(160,236)	2,498,124	(115,636)	-2260.3%
Total Revenues	195,505,828	70,604,827	91,070,280	34,345,109	286,576,108	104,949,936	173.1%
Expenses:							
General Government	86,648,665	2,247,259	-	-	86,648,665	2,247,259	3755.7%
GTIB Infrastructure Grants Dispersed	11,462,282	11,307,533	-	-	11,462,282	11,307,533	1.4%
Roadway Improvements per the MOU with GDOT	-	-	123,139,521	76,471,583	123,139,521	76,471,583	61.0%
Interest on Short-Term and Long-Term Debt	19,924,426	31,147,623	-	-	19,924,426	31,147,623	-36.0%
Toll Facilities	-	-	30,449,621	26,443,725	30,449,621	26,443,725	15.1%
Transit	-	-	34,432,947	10,247,683	34,432,947	10,247,683	100.0%
Total Expenses	118,035,373	44,702,415	188,022,089	113,162,991	306,057,462	157,865,406	93.9%
Increase/Decrease in Net Position Before Other Items	77,470,455	25,902,412	(96,951,809)	(78,817,882)	(19,481,354)	(52,915,470)	-63.2%
Special Items:							
Loss on Disposition of Assets	-	-	-	(210,621)	-	(210,621)	-100.0%
Capital Contributions	-	-	37,941,506	19,953,386	37,941,506	19,953,386	100.0%
Transfers:							
Interfund Transfers	(3,015,534)	4,540,469	3,015,534	(4,540,469)	-	-	0.0%
Transfers to Georgia Department of Transportation	-	-	-	-	-	-	0.0%
Total Transfers and Special Items	(3,015,534)	4,540,469	40,957,040	15,202,296	37,941,506	19,742,765	92.2%
Change in Net Position	74,454,921	30,442,881	(55,994,769)	(63,615,586)	18,460,152	(33,172,705)	-155.6%
Net Position July 1 - restated	99,050,015	70,578,404	(76,152,957)	(24,827,477)	22,897,058	45,750,927	-50.0%
Net Position June 30	$ 173,504,936	$ 101,021,285	$ (132,147,726)	$ (88,443,063)	$ 41,357,210	$ 12,578,222	228.8%

Governmental Activities

The Authority's total revenues for governmental activities from all sources increased $124.9 million, or 176.9%. The primary driver of this change was an increase in capital grants and contributions which increased by $76.7 million, or 1,225.2%. Additional significant increases in revenue were the result of payments from GDOT (GARVEE) which increased $45.1 million, or 152.7% and payments from GDOT (GRB) which increased $2.9 million, or 33.0% and investment earnings increased $2.1 million, or 223.2%.

Business-Type Activities

Net position of business-type activities decreased by $56.0 million, or 73.5% when compared to the prior year restated net position. Total revenues from the Authority's business-type activities increased by $56.7 million, or 165.2%, and total expenses for the Authority's business-type activities increased by $74.9 million, or 66.2% from prior year amounts. These increases in both revenue and expense were primarily due to capital projects activity and the transfer of transit operations from the Georgia Regional Transportation Authority (GRTA) effective July 1, 2017. In addition, $37.9 million in transit related assets were transferred to the Authority from GDOT in fiscal year 2018, again, related to the transfer of transit operations from GRTA to the Authority. The Authority received land, building, and infrastructure valued at $16.5 million, $11.6 million, and $9.8 million respectively.

Financial Analysis of the Authority's Governmental Funds

<u>Fund Balances</u>

At June 30, 2018, the Authority's governmental funds reported a combined ending fund balance of $216.2 million. Of this amount, $16.8 million, or 7.8%, is nonspendable, either due to its form or legal constraints; $158.0 million, or 73.1%, is restricted for specific programs by constitutional provisions, external constraints, or contractual obligations. Fund balance 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 and TIFIA restrictions that can only be used for authorized capital projects. Additionally, $20.6 million, or 9.5%, of total fund balance has been assigned to specific purposes, as expressed by the intent of Authority management, and the remaining $20.8 million, or 9.6%, of fund balance is unassigned.

<u>General Fund</u>

The General Fund is the chief operating fund of the Authority and had a total fund balance of $73.2 million as of fiscal year end. The net change in fund balance during the fiscal year was $26.4 million, or 56.5%. The General Fund ended the year with unrestricted, unassigned fund balance of $20.8 million. The following major revenues, expenditures and other financing sources/uses contributed to the change in fund balance:

<u>Revenues</u>

Revenues of the General Fund totaled $100.1 million in the fiscal year, for an increase of $57.3 million, or 134.1%. The following factor contributed to this change:

- Intergovernmental revenues increased by $57.1 million, or 135.5%.

- Investment earnings increased by $0.6 million, or 390.5%.

<u>Expenditures</u>

Expenditures of the General Fund totaled $70.7 million in the fiscal year, for an increase of $22.9 million, or 47.9 % over the prior year. Factors contributing to this change include:

- Roadway improvements increased by $19.8 million, or 56.6%, primarily due to the I-285/GA 400 Interchange project.

- General expenditures increased by $3.1, million or 24.8%, primarily due to the GO! Transit program and allocation of indirect costs.

<u>Debt Service Fund - Bond Management Fund</u>

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, 2018, the Authority had

$367,905,000 outstanding principal in GARVEE Bonds and $202,575,000 outstanding principal in Guaranteed Revenue Bonds (GRB).

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 like 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 2018, $123.6 million in grants and loans have been awarded, of which $53.7 million of funds have been disbursed. In FY 2018, $18.1 million in grants and loans have been awarded and $11.5 million have been disbursed.

Financial Analysis of the Authority's Proprietary Funds

Transit

During fiscal year 2018, transit operations were transferred from the GRTA to the Authority effective July 1, 2017.

- The total net position of the Transit Fund increased $40.2 million, or 137.7% when compared with prior year restated net position. Net Investment in capital assets increased by $41.1 million, or 213.9%, and unrestricted net position increased by $15.5 million, or 231.3%.
- Operating revenues of the Transit Fund increased by $5.1 million, or 13,329.6% primarily due to the transfer of transit operations to the Authority. In addition, the Transit Fund received $1.0 million from the General Fund.
- Fiscal year 2018 operating expenses increased by $24.2 million, or 236.0% compared to the prior year. The increase is due to the transfer of transit operations from GRTA to the Authority.

I-75 South Metro Express Lanes

- The total net position of I-75 South decreased by $6.9 million, or 50.9% when compared with prior year restated net position. The decrease is primarily due to accreted bond interest, ramp-up costs for opening the toll facility, and facility operations and maintenance. Net Investment in capital assets decreased by $4.1 million, or 121.1%.
- I-75 South operating revenue, increased by $2.0 million, or 391.6% the increase is primarily due to the roadway being open for a full fiscal year in FY 18.
- Fiscal year 2018 operating expenses increased by $3.5 million, or 90.9% compared to the prior year. The increase is primarily due to the roadway being open for a full fiscal year in FY 18.

Tolling System

The Tolling System Fund is comprised of the I-85 Express Lanes, I-85 Extension Express Lanes, I-75 Northwest Corridor Express Lanes, and MMIP.

- The net position of the Tolling System decreased $89.3 million, or 97.3%, when compared with prior year restated net position. The decrease in net position is primarily due to the inclusion of I-75 Northwest Corridor Express Lanes in the Tolling System Fund. Net investment in capital increase by $15.6 million, or 114.1% compared with prior year restated net investment in capital assets.
- Tolling System Fund operating revenue, increased by $1.3 million, or 5.6% when compared with prior year restated balance. The increase is primarily due to the increased rates and trips on the I-85 Corridor Express Lanes and additional revenue received for Akers Mill on the I-75 Northwest Corridor Express Lanes project. In addition, the Tolling System fund received $16.4 million in capital contributions from GDOT, for an increase of $9.3 million, or 131.2% compared to the prior year.
- Fiscal year 2018 operating expenses decreased by $4.0 million, or 21.6% when compared with prior year restated balance.

Capital Assets and Debt Administration

Capital Assets

The Authority's capital assets increased by $47.2 million, or 88.9%, during the year. The change consisted of a net increase in infrastructure of $9.4 million, as well as net increase in land, construction in progress, and buildings, of $16.5 million, $14.7 million, $11.5 million respectively. Machinery and equipment decreased by $4.9 million. These changes consisted of annual depreciation of $11.8 million.

Additional information on the Authority's capital assets can be found in *Note 8 – Capital Assets* of the Notes to the Financial Statements section of this report.

Table 3 - Capital Assets, Net of Accumulated Depreciation
As of June 30, 2018 and 2017

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Land	$ -	$ -	$ 16,549,236	$ -	$ 16,549,236	$ -
Construction in Progress	-	1,115,520	25,515,663	9,651,752	25,515,663	10,767,272
Buildings	-	-	11,471,858	-	11,471,858	-
Machinery and Equipment	765,784	8,885,563	36,649,154	33,472,252	37,414,938	42,357,815
Infrastructure	-	-	9,386,500	-	9,386,500	-
Total	$ 765,784	$ 10,001,083	$ 99,572,411	$ 43,124,004	$ 100,338,195	$ 53,125,087

Debt Administration

The Authority's GARVEE debt is secured by Federal Highway Grant Revenues and Federal Highway Reimbursement Revenues. The Authority's GRB and GRRB bonds are primarily secured by state motor fuel funds.

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, 2018 and 2017

	Governmental Activities		Business-Type Activities		Totals	
	2018	**2017**	**2018**	**2017**	**2018**	**2017**
GARVEE Revenue Bonds	$ 397,824,892	$ 482,038,804	$ -	$ -	$ 397,824,892	$ 482,038,804
Revenue Bonds	215,945,377	263,438,407	-	-	215,945,377	263,438,407
DBF Loan	-	-	35,000,000	59,853,386	35,000,000	59,853,386
TIFIA Loan	-	-	221,697,882	186,653,087	221,697,882	186,653,087
Toll Revenue Bonds	-	-	34,131,157	31,916,425	34,131,157	31,916,425
Total	$ 613,770,269	$ 745,477,211	$ 290,829,039	$ 278,422,898	$ 904,599,308	$ 1,023,900,109

At the end of the fiscal year, the Authority had $613.8 million in total outstanding governmental bonded debt and $34.1 million in outstanding business-type bonded debt. Of this amount, $397.8 million (including premiums), or 64.8% is secured by Federal Highway Administration grant funds and $215.9 million, or 35.2% is secured by state motor fuel funds. Only 5.3% of bond debt for the business-type toll revenue bonds is unsecured.

Total governmental bonds payable, including premiums, decreased $131.7 million, or 17.7%.

At the end of the fiscal year, the Authority's business-type activities had $290.8 million in total outstanding debt. The DBF Loan decreased by $24.9 million and the TIFIA loan principal draws increased by $27.3 million. The Authority accreted interest of $7.7 million on the TIFIA loan and accreted interest of $2.2 million for Toll Revenue Bonds during fiscal year 2018.

Additional information on the Authority's long-term debt can be found in *Note 9 – Long-Term Liabilities* of the Notes to the Financial Statements section of this report.

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.

BASIC FINANCIAL STATEMENTS

STATE ROAD AND TOLLWAY AUTHORITY
STATEMENT OF NET POSITION
JUNE 30, 2018

	Governmental Activities	Business-Type Activities	Totals
ASSETS			
Current Assets:			
Cash and Cash Equivalents	$ 9,958,208	$ 19,627,840	$ 29,586,048
Restricted Cash and Cash Equivalents	178,365,901	123,730,818	302,096,719
Accounts Receivable, Net	181,790,511	8,857,523	190,648,034
Loan Receivable, Net - Restricted	810,014	-	810,014
Internal Balances	25,654,054	(25,654,054)	-
Inventories	-	126,028	126,028
Prepaid Items	289,907	25,870	315,777
Other Current Assets	-	4,163	4,163
Total Current Assets	396,868,595	126,718,188	523,586,783
Noncurrent Assets:			
Long Term Receivable	403,155,000	-	403,155,000
Long Term Loan Receivable, Net - Restricted	14,418,301	-	14,418,301
Net OPEB/SEAD Asset	109,444	402,174	511,618
Capital Assets, Non-Depreciable	-	42,064,899	42,064,899
Capital Assets, Depreciable (Net of Accumulated Depreciation)	765,784	57,507,512	58,273,296
Total Noncurrent Assets	418,448,529	99,974,585	518,423,114
Total Assets	815,317,124	226,692,773	1,042,009,897
DEFERRED OUTFLOWS OF RESOURCES			
Related to Defined Benefit Pension Plans	53,600	1,668,499	1,722,099
Related to Defined Benefit OPEB/SEAD Plans	256,832	943,785	1,200,617
Deferred Losses from Refunding of Debt	3,728,611	-	3,728,611
Total Deferred Outflows of Resources	4,039,043	2,612,284	6,651,327
Total Assets and Deferred Outflows of Resources	$ 819,356,167	$ 229,305,057	$ 1,048,661,224

STATE ROAD AND TOLLWAY AUTHORITY

STATEMENT OF NET POSITION

JUNE 30, 2018

	Governmental Activities	Business-Type Activities	Totals
LIABILITIES			
Current Liabilities:			
Accounts Payable and Other Liabilities	$ 23,298,112	$ 22,303,749	$ 45,601,861
Accrued Interest Payable	4,399,229	-	4,399,229
Unearned Revenues	-	29,670,983	29,670,983
Total Current Liabilities	27,697,341	51,974,732	79,672,073
Noncurrent Liabilities:			
Net Pension Liability	691,984	8,636,698	9,328,682
Net OPEB Liability	1,853,190	6,809,956	8,663,146
Due within one year	184,196,384	35,469,969	219,666,353
Due in more than one year	430,233,532	257,236,216	687,469,748
Total Noncurrent Liabilities	616,975,090	308,152,839	925,127,929
Total Liabilities	644,672,431	360,127,571	1,004,800,002
DEFERRED INFLOWS OF RESOURCES			
Deferred Gains from Refunding of Debt	854,335	-	854,335
Related to Defined Benefit Pension Plans	53,430	329,238	382,668
Related to Defined Benefit OPEB/SEAD Plans	271,034	995,974	1,267,008
Total Deferred Inflows of Resources	1,178,799	1,325,212	2,504,011
Total Liabilities and Deferred Inflows of Resources	645,851,230	361,452,783	1,007,304,013
NET POSITION			
Net Investment in Capital Assets	765,784	88,991,952	89,757,736
Amounts Restricted:			
Loan and Grant Programs	78,670,774	-	78,670,774
Capital and Transportation Projects	15,346,601	30,585,386	45,931,986
Debt Service (Guaranteed Revenue Bond Covenant Accounts)	64,015,773	-	64,015,773
Debt Service (Toll Revenue Bonds)	-	2,667,895	2,667,895
Other Benefits	96,096	353,128	449,224
Program Advances	-	8,975,510	8,975,510
Unrestricted Amounts (Deficit)	14,609,909	(263,721,597)	(249,111,688)
Total Net Position	173,504,937	(132,147,726)	41,357,211
Total Liabilities, Deferred Inflows and Net Position	$ 819,356,167	$ 229,305,057	$ 1,048,661,224

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

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STATE ROAD & TOLLWAY AUTHORITY

STATE ROAD AND TOLLWAY AUTHORITY

STATEMENT OF ACTIVITIES

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

		Program Revenues			Net (Expenses) Revenues and Changes in Net Position		
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities							
General Government	$ 72,263,263	$ -	$ 10,000,000	$ 71,688,226	$ 9,424,963	$ -	$ 9,424,963
Infrastructure Grants Disbursed	11,462,282	-	12,999,055	-	1,536,773	-	1,536,773
GO! Transit Capital Contributions	14,385,402	-	-	11,269,882	(3,115,520)	-	(3,115,520)
Debt Service							
Interest and Other Charges Long-Term Debt	19,924,426	-	-	-	(19,924,426)	-	(19,924,426)
Total Governmental Activities	118,035,373	-	22,999,055	82,958,108	(12,078,210)	-	(12,078,210)
Business-type Activities							
Tolling	153,589,142	22,981,896	-	28,009,898	-	(102,597,348)	(102,597,348)
Transit	34,432,947	5,126,244	30,099,278	-	-	792,575	792,575
Total Business Type Activities	188,022,089	28,108,140	30,099,278	28,009,898	-	(101,804,773)	(101,804,773)
Total	$ 306,057,462	$ 28,108,140	$ 53,098,333	$ 110,968,006	$ (12,078,210)	$ (101,804,773)	$ (113,882,983)
General Revenues							
Unrestricted Investment Earnings					$ 3,069,211	$ 2,497,778	$ 5,566,989
Payments from GDOT (GRB)					11,737,882	-	11,737,882
Payments from GDOT (GARVEE)					74,598,635	-	74,598,635
Miscellaneous Income/Expenses					142,938	2,355,186	2,498,124
					89,548,666	4,852,964	94,401,630
Special Items							
Capital Contributions (GDOT)						37,941,506	37,941,506
					-	37,941,506	37,941,506
Transfers							
Interfund Transfers					(3,015,534)	3,015,534	-
					(3,015,534)	3,015,534	-
Total General Revenues, Special Items and Transfers					86,533,132	45,810,004	132,343,136
Change in Net Position					74,454,922	(55,994,769)	18,460,153
Net Position - Beginning of Year					101,021,285	(88,443,062)	12,578,223
Net Position Adjustments					(1,971,270)	12,290,105	10,318,835
Net Position - Beginning of Year, Restated					99,050,015	(76,152,957)	22,897,058
Net Position - Ending of Year					$ 173,504,937	$ (132,147,726)	$ 41,357,211

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, 2018

	General Fund	Debt Service Fund	GTIB Fund	Total
ASSETS				
Current Assets:				
Cash and Cash Equivalents	$ 9,675,460	$ -	$ 282,748	$ 9,958,208
Cash and Cash Equivalents - Restricted	45,929,084	64,015,773	68,421,044	178,365,901
Accounts Receivable, Net	10,066,282	-	-	10,066,282
Loans Receivable, Net - Restricted	-	-	810,014	810,014
Due From Other Funds	9,073,713	-	-	9,073,713
Prepaid Items	189,606	-	-	189,606
Noncurrent Assets:				
Loans Receivable, Net - Restricted	-	-	14,418,301	14,418,301
Advances to Other Funds, Net	16,580,341	-	-	16,580,341
Total Assets	$ 91,514,486	$ 64,015,773	$ 83,932,107	$ 239,462,366
LIABILITIES				
Accounts Payable	$ 359,980	$ -	$ -	$ 359,980
Salary and Benefits Payable	2,576	-	-	2,576
Payroll Withholdings Payable	140,914	-	-	140,914
Due To Other Funds	-	-	-	-
Contracts Payable	17,798,545	-	4,996,097	22,794,642
Total Liabilities	18,302,015	-	4,996,097	23,298,112
FUND BALANCES				
Nonspendable	16,769,947	-	-	16,769,947
Restricted:				
Loan and Grant Programs and Receivables	-	-	78,670,774	78,670,774
Capital and Transportation Projects	15,346,601	-	-	15,346,601
Debt Service	-	64,015,773	-	64,015,773
Assigned	20,299,824	-	265,236	20,565,060
Unassigned	20,796,099	-	-	20,796,099
Total Fund Balances	73,212,471	64,015,773	78,936,010	216,164,254
Total Liabilities and Fund Balances	$ 91,514,486	$ 64,015,773	$ 83,932,107	$ 239,462,366

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, 2018

Total Governmental Fund Balances		$ 216,164,254
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:		
Depreciable Capital Assets, net of Accumulated Depreciation		765,784
Prepaid bond insurance costs that are not available to pay current period expenditures are amortized in the funds.		100,301
Other Long-Term Assets are not available to pay for current period expenditures and therefore, are deferred on the Statement of Net Position. These assets consist of:		
Net OPEB/SEAD Asset		109,444
Certain long term liabilities are not due and payable in the current period and are therefore not reported in the funds.		
Guaranteed Revenue/Refunding Bonds Payable	$ (202,575,000)	
Grant Anticipation Revenue Bonds Payable	(296,020,000)	
Reimbursement Revenue Bonds Payable	(71,885,000)	
Debt Service Receivable (GDOT)	574,879,230	
Premiums on Issuances of Debt	(43,290,269)	
Accrued Interest	(4,399,229)	
Compensated Absences Payable	(299,123)	
Pension Liability	(691,985)	
OPEB Liability	(1,853,190)	
Tenant Improvement Allowance	(360,523)	(46,495,090)
Deferred outflows of resources are not reported in the governmental funds:		
Related to Defined Benefit Pension Plans	53,600	
Related to Defined Benefit OPEB/SEAD Plans	256,832	
Deferred Amounts on Refunding of Debt	3,728,611	4,039,043
Deferred inflows of resources are not reported in the governmental funds:		
Related to Defined Benefit Pension Plans	(53,430)	
Related to Defined Benefit OPEB/SEAD Plans	(271,034)	
Deferred Amounts on Refunding of Debt	(854,335)	(1,178,799)
Net Position of Governmental Activities		$ 173,504,937

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, 2018

	General Fund	Debt Service Fund	GTIB Fund	Total
REVENUES				
Intergovernmental Income	$ 99,218,045	$ 231,214,284	$ 12,999,055	$ 343,431,384
Charges for Services:				
Investment Earnings	762,941	1,012,255	1,294,014	3,069,210
Other Income	104,170	-	38,768	142,938
Total Revenues	100,085,156	232,226,539	14,331,837	346,643,532
EXPENDITURES				
General Government	15,794,902	12,250,954	967,389	29,013,245
Infrastructure Loans and Grants Disbursed	-	-	11,462,282	11,462,282
Roadway Improvements per GDOT MOU	54,906,391	-	-	54,906,391
Debt Service:				
Principal	-	195,205,000	-	195,205,000
Interest	-	34,798,983	-	34,798,983
Cost of Issuance	-	1,474,920	-	1,474,920
Total Expenditures	70,701,293	243,729,857	12,429,671	326,860,821
Excess of Revenues Over (Under) Expenditures	29,383,863	(11,503,318)	1,902,166	19,782,711
OTHER FINANCING SOURCES (USES)				
Proceeds From Issuance of Bonds	-	63,850,000	-	63,850,000
Proceeds of Refunding Bonds	-	285,915,000		285,915,000
Premiums on Bonds Sold	-	11,453,581	-	11,453,581
Premiums on Refunding Bonds Sold	-	27,159,065	-	27,159,065
Payment to Bond Refunding Escrow Agent	-	(313,095,342)	-	(313,095,342)
Transfers In	34,081	-	-	34,081
Transfers Out	(2,981,453)	(34,081)	-	(3,015,534)
Total Other Financing Sources (Uses)	(2,947,372)	75,248,223	-	72,300,851
Net Change in Fund Balances	26,436,491	63,744,905	1,902,166	92,083,562
Fund Balances - Beginning of Year	46,810,061	270,868	77,033,844	124,114,773
Fund Balances - Ending of Year	$ 73,246,552	$ 64,015,773	$ 78,936,010	$ 216,198,335

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, 2018

Total Net Change in Fund Balances - Governmental Funds		$ 92,049,481
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	$ 208,093	
Depreciation Expense	(235,893)	(27,800)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, donations, and disposals) is to increase/decrease net assets.		(9,207,499)
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:		
Bonds Principal Retirement	195,205,000	
Bonds Issued	(63,850,000)	
Premiums on Bonds Issued	(11,453,581)	
Refunding Bonds Issued	(285,915,000)	
Debt Service Receivable (GDOT) Adjustment	(144,877,768)	
Premiums on Refunding Bonds Issued	(27,159,065)	
Payments to Bond Refunding Agent	313,095,342	(24,955,072)
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	142,389	
Amortization of Premium of Grant Anticipation Revenue Bonds Payable	16,820,784	
Amortization of Premium of Reimbursement Revenue Bonds Payable	2,420,681	
Amortization of Deferral of Loss on Refunding of Bonds	(3,728,611)	
Amortization of Bond Insurance Costs	(128,534)	
Amortization of Tenant Improvement Allowance	92,049	
Net (Increase) Decrease in Accrued Interest on Issuance of Bonds	822,768	
(Increase) Decrease in Compensated Absences	(148,601)	
(Increase) Decrease in Pension Expense	89,565	
(Increase) Decrease in OPEB Expense	213,322	16,595,812
Change in Net Position of Governmental Activities		$ 74,454,922

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, 2018

	Transit	I-75 South Metro Express Lanes Fund	Tolling System	Total
ASSETS				
CURRENT ASSETS				
Cash and Cash Equivalents	$ 101	$ 1,014,727	$ 18,613,012	$ 19,627,840
Accounts Receivable, Net	4,998,592	21,505	3,837,426	8,857,523
Inventories	278	-	125,750	126,028
Prepaid Items	23,905	-	1,965	25,870
Due From Other Funds/Interfund	-	875,524	-	875,524
Other Current Assets	4,163	-	-	4,163
Restricted Current Assets				
Cash and Cash Equivalents	17,398,192	14,566,699	91,765,927	123,730,818
Total Current Assets	22,425,231	16,478,455	114,344,080	153,247,766
NONCURRENT ASSETS				
Net OPEB/SEAD Asset	159,452	58,676	184,046	402,174
Capital Assets				
Non-Depreciable				
Land	16,549,236	-	-	16,549,236
Construction in Progress	-	-	25,515,663	25,515,663
Depreciable				
Buildings	11,799,637	-	-	11,799,637
Machinery and Equipment	95,347,828	13,628,560	21,040,528	130,016,916
Infrastructure	21,772,854	-	-	21,772,854
Computer Software	-	-	8,610,898	8,610,898
Accumulated Depreciation	(85,095,198)	(3,755,538)	(25,842,057)	(114,692,793)
Total Capital Assets	60,374,357	9,873,022	29,325,032	99,572,411
Total Noncurrent Assets	60,533,809	9,931,698	29,509,078	99,974,585
Total Assets	82,959,040	26,410,153	143,853,158	253,222,351
DEFERRED OUTFLOWS OF RESOURCES				
DEFERRED OUTFLOWS OF RESOURCES				
Related to Defined Benefit Pension Plans	1,409,104	27,642	231,753	1,668,499
Related to Defined Benefit OPEB & SEAD Plans	374,187	137,696	431,902	943,785
Total Deferred Outflows of Resources	1,783,291	165,338	663,655	2,612,284
Total Assets and Deferred Outflows of Resources	84,742,331	26,575,491	144,516,813	255,834,635

STATE ROAD AND TOLLWAY AUTHORITY

STATEMENT OF NET POSITION

PROPRIETARY FUNDS

JUNE 30, 2018

	Transit	I-75 South Metro Express Lanes Fund	Tolling System	Total
LIABILITIES				
CURRENT LIABILITIES				
Accounts Payable	317,709	6,121	57,891	381,721
Salary and Benefit Payable	2,522	-	-	2,522
Contracts Payable	1,857,138	350,368	17,680,319	19,887,825
Notes and Loans Payable	-	-	35,000,000	35,000,000
Retainages Payable	-	611,254	1,420,427	2,031,681
Due To Other Funds	3,240,390	1,318,180	5,390,667	9,949,237
Compensated Absences	75,391	36,812	66,811	179,014
Tenant Improvement Allowance	290,955	-	-	290,955
Current Liabilities Payable from Restricted Assets				
Unearned Revenues - Customer Deposits	-	787,270	8,111,446	8,898,716
Unearned Revenues, GDOT	-	-	20,695,473	20,695,473
Advances Related to Federal Grants	76,794	-	-	76,794
Total Current Liabilities	5,860,899	3,110,005	88,423,034	97,393,938
NONCURRENT LIABILITIES				
Bonds Payable	-	34,131,157	-	34,131,157
Notes and Loans Payable	-	-	221,697,882	221,697,882
Net Pension Liability	5,287,913	356,861	2,991,924	8,636,698
Net OPEB Liability	2,699,981	993,551	3,116,424	6,809,956
Compensated Absences	187,644	92,657	278,257	558,558
Tenant Improvement Allowance	848,619	-	-	848,619
Advances From Other Funds, Net	-	8,201,344	8,378,997	16,580,341
Total Noncurrent Liabilities	9,024,157	43,775,570	236,463,484	289,263,211
Total Liabilities	14,885,056	46,885,575	324,886,518	386,657,149
DEFERRED INFLOWS OF RESOURCES				
DEFERRED INFLOWS OF RESOURCES				
Related to Defined Benefit Pension Plans	70,670	27,554	231,014	329,238
Related to Defined Benefit OPEB & SEAD Plans	394,879	145,310	455,785	995,974
Total Deferred Inflows of Resources	465,549	172,864	686,799	1,325,212
Total Liabilities and Deferred Inflows of Resources	15,350,605	47,058,439	325,573,317	387,982,361
NET POSITION				
NET POSITION				
Net Investment in Capital Assets	60,374,357	(707,437)	29,325,032	88,991,952
Restricted for				
Debt Service	-	2,667,895	-	2,667,895
Capital Projects	-	-	30,585,386	30,585,386
Other Benefits	140,006	51,520	161,602	353,128
Program Advances	76,794	787,270	8,111,446	8,975,510
Unrestricted (Deficit)	8,800,569	(23,282,196)	(249,239,969)	(263,721,597)
Total Net Position	69,391,726	(20,482,948)	(181,056,504)	(132,147,726)
Total Liabilities and Net Position	$ 84,742,331	$ 26,575,491	$ 144,516,813	$ 255,834,635

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

SRTA

STATE ROAD
& TOLLWAY
AUTHORITY

STATE ROAD AND TOLLWAY AUTHORITY

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Transit	I-75 South Metro Express Lanes Fund	Tolling System	Totals
OPERATING REVENUES				
Charges for Sales and Services				
Base Transaction Fees	$ -	$ -	$ 419,201	$ 419,201
Variable Fees	-	-	62,126	62,126
Violation Processing Fees	-	-	742,165	742,165
Violation Administration Fees	-	742,165	2,545,351	3,287,516
User Fees				
Electronic Tolls	-	1,710,682	17,983,698	19,694,380
Transit Fees	5,126,244	-	-	5,126,244
Other Services	2,504	-	2,002,682	2,005,186
Total Operating Revenues	5,128,748	2,452,847	23,755,223	31,336,818
OPERATING EXPENSES				
Personnel Services	3,700,336	1,807,568	4,423,940	9,931,844
Publications, Supplies and Materials	39,746	82,865	290,921	413,532
Repairs and Maintenance	373,905	14,480	39,825	428,210
Utilities, Rents, Insurance	759,536	156,113	202,098	1,117,747
Diesel Fuel	2,999,340	-	-	2,999,340
Other Operating Expenses	816,283	195,745	1,127,941	2,139,969
Contracts	18,357,194	784,453	6,567,183	25,708,830
Software/Telecom	331,628	148,931	320,996	801,555
Base Transaction Fees	-	419,201	-	419,201
Variable Fees	-	62,126	-	62,126
Violation Processing Fees	-	742,165	-	742,165
Depreciation	7,345,934	2,920,461	1,418,675	11,685,070
Amortization[1]	(290,955)	-	-	(290,955)
Total Operating Expenses	34,432,947	7,334,108	14,391,579	56,158,634
Operating Income (Loss)	(29,304,199)	(4,881,261)	9,363,644	(24,821,816)
NONOPERATING REVENUES (EXPENSES)				
Interest and Investment Revenue	98,246	256,484	2,143,048	2,497,778
Funds From GRTA	30,099,278	-	-	30,099,278
Miscellaneous Revenue	350,000	-	-	350,000
Roadway Improvements Revenue (GDOT)	-	-	11,643,938	11,643,938
Roadway Improvements	-	-	(123,139,521)	(123,139,521)
Bond and Loan Interest Expense	-	(2,214,732)	(7,732,694)	(9,947,426)
Total Nonoperating Revenues (Expenses)	30,547,524	(1,958,248)	(117,085,229)	(88,495,953)
Income (Loss) Before Capital Contributions and Transfers	1,243,325	(6,839,509)	(107,721,585)	(113,317,769)
CAPITAL CONTRIBUTIONS				
Georgia Department of Transportation (GDOT)	37,941,506	-	16,365,960	54,307,466
Total Capital Contributions	37,941,506	-	16,365,960	54,307,466
TRANSFERS				
Transfers In	1,017,899	-	2,068,931	3,086,830
Transfers Out	-	(71,296)	-	(71,296)
Total Transfers and Special Items	1,017,899	(71,296)	2,068,931	3,015,534
Changes in Net Position	40,202,730	(6,910,805)	(89,286,694)	(55,994,769)
Total Net Position - Beginning of Year	12,527,039	(12,515,285)	11,662,345	11,674,099
Net Position Adjustments	16,661,957	(1,056,858)	(103,432,155)	(87,827,056)
Total Net Position - Beginning of Year as restated	29,188,996	(13,572,143)	(91,769,810)	(76,152,957)
Total Net Position - End of Year	$ 69,391,726	$ (20,482,948)	$ (181,056,504)	$ (132,147,726)

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Transit	I-75 South Metro Express Lanes	Tolling System	Totals
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from Customers	$ 5,667,364	$ 3,222,551	$ 22,922,233	$ 31,812,148
Internal Activity - Receipts From Other Funds	-	-	1,223,492	1,223,492
Payments to Suppliers	(21,636,933)	(2,990,418)	(1,209,928)	(25,837,279)
Payments to Employees	(3,893,588)	(1,916,296)	(5,461,118)	(11,271,002)
Internal Activity - Payments to Other Funds	-	(1,223,492)	-	(1,223,492)
Net Cash Provided by (Used In) Operating Activities	(19,863,157)	(2,907,655)	17,474,679	(5,296,133)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Operating Subsidies and Transfers (to) from Other Funds	1,797,818	(543,381)	6,805,994	- 8,060,431
Net Cash Provided by (Used in) Noncapital Financing Activities	1,797,818	(543,381)	6,805,994	8,060,431
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition of Capital Assets	(10,546,919)	(2,599,550)	(17,045,503)	(30,191,972)
Intergovernmental Grant	24,923,456	-	14,419,957	39,343,413
Loans Payable	-	-	2,458,715	2,458,715
Grant Disbursements	-	-	(96,315,499)	(96,315,499)
Capital Asset Improvement Allowances	1,454,775	-	-	1,454,775
Net Cash Provided by (Used in) Capital and Related Financing Activities	15,831,313	(2,599,550)	(96,482,330)	(83,250,568)
CASH FLOWS FROM INVESTING ACTIVITIES				
Investment Income Received	98,246	256,484	2,143,048	2,497,778
Net Cash Provided by Investing Activities	98,246	256,484	2,143,048	2,497,778
Net Increase (Decrease) in Cash and Cash Equivalents	(2,135,781)	(5,794,102)	(70,058,609)	(77,988,492)
Cash and Cash Equivalents Balances Beginning of Year	19,534,074	21,375,528	180,437,548	221,347,150
End of Year	$ 17,398,293	$ 15,581,426	$ 110,378,939	$ 143,358,658

STATE ROAD AND TOLLWAY AUTHORITY

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Transit	I-75 South Metro Express Lanes	Tolling System	Totals
RECONCILIATION OF ENDING CASH AND CASH EQUIVALENTS TO STATEMENT OF NET POSITION - PROPRIETARY FUNDS				
Current Assets				
Cash and Cash Equivalents	$ 101	$ 1,014,727	$ 18,613,012	$ 19,627,840
Cash and Cash Equivalents - Restricted	-	14,566,699	91,765,927	106,332,626
Customer Deposits - Restricted	17,398,192	-	-	17,398,192
Total	$ 17,398,293	$ 15,581,426	$ 110,378,939	$ 143,358,658
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES				
Operating Income (Loss)	$ (29,304,199)	$ (4,881,261)	$ 9,363,644	$ (24,821,816)
Adjustments to Reconcile Operating Income (Loss) By Operating Activities				
Depreciation Expense	7,345,934	2,920,461	1,418,675	11,685,070
Amortization	(290,955)	-	-	(290,955)
Changes in Deferred Inflows/Outflows of Resources				
Deferred Inflows of Resources	422,701	168,990	654,319	1,246,010
Deferred Outflows of Resources	(250,270)	(32,224)	452,370	169,876
Net Pension Liability	(206,005)	(175,341)	(1,470,058)	(1,851,404)
Net OPEB/SEAD Asset	(159,452)	(58,676)	(184,046)	(402,174)
Net OPEB Liability	(172,036)	(63,307)	(198,570)	(433,913)
Change in Net Assets and Liabilities				
Receivables, Net	538,616	(17,566)	(344,250)	176,800
Prepaid Items	127,999	-	-	127,999
Inventories	(278)	-	(53,890)	(54,168)
Accounts and Other Payables	1,836,184	(1,607,831)	7,392,926	7,621,279
Accrued Liabilities (other than customer deposits)	-	-	14,835	14,835
Customer Deposits Payable	-	787,270	8,111,446	8,898,716
Unearned Revenue	76,794	-	(7,376,694)	(7,299,900)
Compensated Absences	171,810	51,830	(306,028)	(82,388)
Net Cash Provided by (Used In) Operating Activities	$ (19,863,157)	$ (2,907,655)	$ 17,474,679	$ (5,296,133)
NONCASH ACTIVITY FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Capital Asset Transfer from GDOT				$ 37,941,506
Accreted Interest on Bonds and Notes Payable				$ 9,947,426

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

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STATE ROAD
& TOLLWAY
AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS INDEX

SRTA

State Road & Tollway Authority

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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 GAAP as prescribed by the 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, liabilities, and deferred inflows/outflows of resources, 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 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. 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 2018.

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 Funds

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 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.

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 (GTIB) Fund – a special revenue fund used to account for the grants and loans to local governments for transportation infrastructure purposes.

Proprietary Funds

Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position and cash flows. Proprietary funds are classified as enterprise funds and 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 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 proprietary funds:

Transit Fund – Accounts for the activities related to transit operations related to the Xpress Commuter Bus Service.

I-75 South Metro Express Lanes Fund – 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.

Tolling System Fund – 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, I-75 Northwest Corridor Express Lanes and the Major Mobility Investment Program.

E. 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.

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

Accounts Receivable

Receivables consist primarily of amounts due from local governments for loans made under the GTIB program, intergovernmental agreements and toll patrons. Receivables are recorded, net of allowances for uncollectible accounts, when either the asset or revenue recognition criteria 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.

Inventories 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.

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 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

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 and defined OPEB/SEAD plan activity.

Unearned Revenue

Unearned revenue is primarily composed of prepaid tolls collected from customers and funds received from GDOT. For prepaid tolls, 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. Unspent 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, 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, 2018.

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 and defined OPEB/SEAD plan activity.

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.

Other Post Employment Benefits (OPEB)

For purposes of measuring both the net OPEB liability and net OPEB/SEAD asset, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Georgia State Employees Postemployment Benefit Fund (State OPEB Fund) and additions to/deductions from State OPEB Fund fiduciary net position have been determined on the same basis as they are reported by State OPEB Fund. For this purpose, benefit payments 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 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.

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 resources are available for use, generally it is the Authority's policy to use restricted resources first.

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.

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.

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).

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.

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 resources are available for use, generally it is the Authority's policy to use restricted resources first.

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. Interfund transfers have been eliminated from the Statement of Net Position.

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.

NOTE 2 – CHANGES IN FINANCIAL ACCOUNTING AND REPORTING

A. Implementation of New Accounting Standards

In fiscal year 2018, the Authority implemented the following applicable new GASB Statement:

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

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

B. Changes in Financial Reporting Entity

On July 1st, 2017, the Authority began operations to include the Xpress commuter bus service and administration of the vanpool program that were previously operated by GRTA. As such, a transfer of GRTA's $19.5 million equity balance was made to the Authority to support ongoing transit program activities.

The I-75 NWC Express Lane Fund was previously reported singularly on the face of the proprietary financial statements. However, activity of the I-75 NWC Express Lane Fund is currently reported within the Tolling System Fund. The effect of the inclusion of the I-75 NWC Express Lane Fund results in a decrease to the Tolling System Fund beginning net position in the amount of $109.7 million.

In fiscal year 2018, it was determined that the customer service center no longer met the requirements of an Internal Service Fund. Activity of the customer service center is currently reported within the Tolling System Fund. The effect of this presentation change was an increase of $9.5 million in the Tolling System Fund's beginning net position.

C. Changes in Accounting Principles

In June 2015, the GASB issued Statement No. 75, *Financial Reporting for Postemployment Benefits Other Than Pensions*. This Statement establishes new financial reporting standards for state and local governmental employers that participate in other postemployment benefit plans that are administered through a trust or similar arrangement. This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expenses. The effect of this change in presentation is a decrease of $2.0 million in governmental activities beginning net position and a decrease of $7.2 million in proprietary funds beginning net position.

D. Fund Equity Reclassifications and Restatements

Reclassifications and Restatements consisted of the following:

	6/30/2017 As Previously Reported	Change in Financial Reporting Entity	Change in Accounting Principles	6/30/2017 (Restated)
Governmental Activities				
Governmental Activities Net Position	$ 101,021,285	$ -	$ -	$ 101,021,285
Government-wide Adjustments				
Other Postemployment Benefits	-	-	(1,971,270)	(1,971,270)
Total Governmental Activities	$ 101,021,285	$ -	$ (1,971,270)	$ 99,050,015
Proprietary Funds and Business-type Activities				
Transit Fund	$ 12,527,039	$ 19,533,974	$ (2,872,017)	$ 29,188,996
I-75 S Metro Express Lane Fund	(12,515,285)	-	(1,056,858)	(13,572,143)
I-75 NWC Express Lane Fund	(109,666,670)	109,666,670	-	-
Tolling Fund	11,662,345	(100,117,161)	(3,314,994)	(91,769,810)
Customer Service Center Internal Service Fund	9,549,509	(9,549,509)	-	-
Total Proprietary Funds and Business-type Activities	$ (88,443,062)	$ 19,533,974	$ (7,243,869)	$ (76,152,957)
Total Reporting Entity	$ 12,578,223	$ 19,533,974	$ (9,215,139)	$ 22,897,058

NOTE 3 – BUDGET

Legal adoption of The Authority budget is not required for the general fund; however, the Authority Board of Directors 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 received indirectly from other State entities. 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.

NOTE 4 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

<u>Compliance with Bond Covenants</u>

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, 2018.

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:

- 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 of September 22, 2018, 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, 2018 are classified in the accompanying financial statements as follows:

	Governmental Activities	Proprietary Funds	Total
Cash and Cash Equivalents	$ 9,958,208	$ 19,627,840	$ 29,586,048
Restricted Assets			
Cash and Cash Equivalents	178,365,901	123,730,818	302,096,719
Total Cash and Cash Equivalents	$ 188,324,109	$ 143,358,658	$ 331,682,767

Cash on hand and deposits as of June 30, 2018 consist of the following:

	Governmental Activities	Proprietary Funds	Total
Cash on Hand	$ -	$ 900	$ 900
Deposits with Financial Institutions	396,229	7,683,343	8,079,572
Investments	64,015,773	148	64,015,921
Investments in Georgia Fund 1	123,912,107	135,674,267	259,586,374
Total Cash and Investments	$ 188,324,109	$ 143,358,658	$ 331,682,767

Deposits include demand deposit accounts, including certain interest-bearing demand deposit accounts. Funds belonging to the State of Georgia (and thus the Authority) cannot be placed in a depository paying interest longer than ten 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 securities numerated in the official code of Georgia Annotated (O.C.G. A.) § 50-17-59.

The Authority participates in the State's Secure Deposit Program (SDP), a multi-bank pledging pool. The SDP requires participating banks that accept public deposits in Georgia to operate under the policy and procedures of the program. The Georgia Office of State Treasurer (OST) sets the collateral requirements and pledging level for each covered depository. There are four tiers of collateralization levels specifying percentages of eligible securities to secure covered Deposits: 25%, 50%, 75%, and 110%. The SDP also provides for collateral levels to be increased to amount of up to 125% if economic or financial conditions warrants. The program lists the type of eligible collateral. The OST approves authorized custodian.

In accordance with the SDP, if a covered depository defaults, losses to public depositors are first satisfied with any applicable insurance, followed by demands of payment under any letters of credit or sale of the covered depository's collateral. If necessary, any remaining losses are to be satisfied by assessments made against the other participating covered depositories. Therefore, for disclosure purposes, all deposits of the SDP are considered to be fully insured.

Categorization of Cash Equivalents. The Authority reported investments of $259,586,374 in Georgia Fund 1, a local government investment pool, which is included in the cash balances reported. Georgia Fund 1 is not registered with the SEC as an investment company and does not operate in a manner consistent with the SEC's Rule 2a-7 of the Investment Company Act of 1940. The investment is valued at the pool's share price, $1.00 per share, which approximates fair value. The pool is an AAAf rated investment pool by Standard and Poor's. The weighted average maturity of Georgia Fund 1 may not exceed 60 days. The weighted average maturity for Georgia Fund 1, was 10 days. Additional information on the Georgia Fund 1 is disclosed in the State of Georgia Comprehensive Annual Financial Report. This audit can be obtained from the Georgia Department of Audits and Accounts at www.audits.ga.gov/SGD/CAFR.html.

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 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 consist of money market mutual funds and are all level 1 inputs as of June 30, 2018.

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, 2018, the Authority's bank balances totaled $10.2 million. Of these deposits, none were exposed to custodial credit risk.

NOTE 6 – RECEIVABLES

Receivables at June 30, 2018 consisted of the following:

	Notes and Loans	Other	Inter-governmental Receivables	Gross Receivables	Allowance for Uncollectibles	Total Receivables (Net)
Governmental Activities						
General Fund	$ -	$ 2,326	$ 10,063,956	$ 10,066,282	$ -	$ 10,066,282
GTIB	15,228,315	-	-	15,228,315	-	15,228,315
Total - Governmental Funds	15,228,315	2,326	10,063,956	25,294,597	-	25,294,597
Long-term Receivable from GDOT	-	-	574,879,229	574,879,229	-	574,879,229
Total - Governmental Activities	$ 15,228,315	$ 2,326	$ 584,943,186	$ 600,173,826	$ -	$ 600,173,826
Business-type Activities						
Transit	$ -	$ 296,515	$ 4,702,077	$ 4,998,592	$ -	$ 4,998,592
I-75 South Metro Express Lanes	-	23,033	-	23,033	(1,529)	21,505
Tolling System	-	1,589,984	2,901,213	4,491,197	(653,771)	3,837,426
Total - Business-type Activities	$ -	$ 1,909,532	$ 7,603,290	$ 9,512,822	$ (655,300)	$ 8,857,523

NOTE 7 – INTERFUND BALANCES

Interfund Receivables and Payables

Interfund receivable and payable balances at June 30, 2018 consist of the following:

	Interfund Receivables			Internal Balance, Net Receivable	Internal Balance, Net Payable
				Due/Advance From Other Funds	
Interfund Payables	**General Fund**	**I-75S**	**Total**	**Governmental Activities**	**Business-Type Activities**
Short-Term					
Due To Other Funds					
General Fund	$ -	$ $ -	$ -	$ 9,073,713	$
Proprietary Funds:					
Transit	3,240,390	-	3,240,390		(3,240,390)
I-75S	1,318,180	-	1,318,180	-	(1,318,180)
Tolling System	4,515,143	875,523	5,390,713	-	(4,515,143)
Total Due From Other Funds	9,073,713	875,523	9,949,236	9,073,713	(9,073,713)
Long-Term					
Advances To Other Funds					
General Fund	-	-	-	16,580,341	-
Proprietary Funds:					
Advances From I-75 S Metro Express Lanes	8,201,344	-	8,201,344	-	(8,201,344)
Advances From Tolling System	8,378,997	-	8,378,997		(8,378,997)
Total Advances To Other Funds	16,580,341	-	16,580,341	16,580,341	(16,580,341)
Total Interfund Payables	$ 25,654,054	$ $ 875,523	$ 26,529,577	$ 25,654,054	$ (25,654,054)

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, 2018 consist of the following:

	Transfers Out				
				Totals	
Transfers In	General Fund	Debt Service	I-75 S Metro Express Lanes	Governmental Activities	Business-Type Activities
General Fund	$ -	$ 34,081	$ -	$ -	$ -
Proprietary Funds:					
Transit	1,017,899	-	-	1,017,899	(1,017,899)
Tolling System	1,997,635		71,296	1,997,635	(1,997,635)
Total	$ 3,015,534	$ 34,081	$ 71,296	$ 3,015,534	$ (3,015,534)

Transfers are used to move assets, liabilities, revenues or expenditures between funds in accordance with budgetary authorization. During the year ended June 30, 2018, transfers were made to move expenditures and assets.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 8 – CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2018 was as follows:

	Balance June 30, 2017	Increases	Decreases	Transfers	Balance June 30, 2018
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	10,216,932	208,093	(9,057,206)	-	1,367,819
Total Capital Assets Being Depreciated	10,216,932	208,093	(9,057,206)	-	1,367,819
Less Accumulated Depreciation:					
Equipment	(1,331,369)	(235,893)	965,227	-	(602,035)
Total Accumulated Depreciation	(1,331,369)	(235,893)	965,227	-	(602,035)
Total Capital Assets Being Depreciated, Net	8,885,563	(27,800)	(8,091,979)	-	765,784
Total Governmental Activities Capital Assets	$ 10,001,083	$ (27,800)	$ (9,207,499)	$ -	$ 765,784
Business-Type Activities:					
Capital Assets Not Being Depreciated:					
Land	$ -	$ -	$ -	$ 16,549,236	$ 16,549,236
Construction in Progress	9,651,752	15,863,911	-	-	25,515,663
Total Capital Assets Not Being Depreciated	9,651,752	15,863,911	-	16,549,236	42,064,899
Capital Assets Being Depreciated:					
Buildings	-	-	-	11,799,637	11,799,637
Machinery and Equipment	115,688,855	14,328,061	-	-	130,016,916
Infrastructure	-	-	-	21,772,854	21,772,854
Computer Software	8,610,898	-	-	-	8,610,898
Total Capital Assets Being Depreciated	124,299,753	14,328,061	-	33,572,491	172,200,305
Less Accumulated Depreciation For:					
Buildings	-	(133,085)	-	(194,694)	(327,779)
Machinery and Equipment	(82,216,603)	(11,151,159)	-	-	(93,367,762)
Infrastructure	-	(400,826)	-	(11,985,528)	(12,386,354)
Computer Software	(8,610,898)	-	-	-	(8,610,898)
Total Accumulated Depreciation	(90,827,501)	(11,685,070)	-	(12,180,222)	(114,692,793)
Total Capital Assets Being Depreciated, Net	33,472,252	2,642,991	-	21,392,269	57,507,512
Total Business-Type Activities Capital Assets	$ 43,124,004	$ 18,506,902	$ -	$ 37,941,505	$ 99,572,411

NOTE 9 – LONG-TERM LIABILITIES

Changes in long-term liabilities for the fiscal year ended June 30, 2018 are as follows:

	Restated June 30, 2017	Increases	Decreases	June 30, 2018	Amount Due Within One Year
Governmental Activities					
Revenue Bonds Payable	$ 244,555,000	$ -	$ (41,980,000)	$ 202,575,000	$ 44,105,000
GARVEE Bonds Payable	469,980,000	349,765,000	(451,840,000)	367,905,000	123,220,000
Deferrred amounts:					
Net Unamortized Premiums	30,942,211	38,612,646	(26,264,588)	43,290,269	16,698,230
Total Bonds Payable	745,477,211	388,377,646	(520,084,588)	613,770,269	184,023,230
Net Pension Liability	1,031,985	468,778	(808,778)	691,985	-
Net OPEB Liability	2,285,552	-	(432,362)	1,853,190	-
Tenant Improvement Allowance Amortization	452,572	-	(92,049)	360,523	92,049
Compensated Absences Payable	150,522	287,995	(139,394)	299,123	81,106
Total Governmental Activities	$ 749,397,842	$ 389,134,419	$ (521,557,171)	$ 616,975,090	$ 184,196,384
Business-Type Activities					
Revenue Bonds Payable	$ 31,916,425	$ 2,214,732	$ -	$ 34,131,157	$ -
Loans Payable	246,506,473	35,044,796	(24,853,386)	256,697,882	35,000,000
Net Pension Liability	10,488,102	6,759,958	(8,611,362)	8,636,698	-
Net OPEB Liability	8,398,765	-	(1,588,810)	6,809,955	-
Tenant Improvement Allowance Amortization	1,430,529	-	(290,955)	1,139,574	290,955
Compensated Absences Payable	819,958	305,101	(387,487)	737,572	179,014
Total Business-Type Activities	$ 299,560,252	$ 44,324,586	$ (35,732,000)	$ 308,152,838	$ 35,469,969

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, 2018, 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 $24,478,795 in the State of Georgia Guaranteed Revenue Debt Common Reserve Fund that is on deposit at the OST.

State of Georgia Guaranteed Revenue Refunding Bonds, Series 2011A. On March 31, 2011, the Authority issued $191,335,000 of State of Georgia Guaranteed Revenue Refunding Bonds, Series 2011A. 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, 2018, the outstanding principal balance is $80,595,000. 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 $29,962,847 in the State of Georgia Guaranteed Revenue Debt Common Reserve Fund that is on deposit at the OST.

State of Georgia Guaranteed Revenue Refunding Bonds, Series 2011B. On March 31, 2011, the Authority issued $153,085,000 of State of Georgia Guaranteed Revenue Refunding Bonds, series 2011B. 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, 2018, the outstanding principal balance is $102,715,000. 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 $24,478,795 in the State of Georgia Guaranteed Revenue Debt Common Reserve Fund that is on deposit at the OST.

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. On August 1, 2017, the Authority issued Federal Highway Grant Anticipation Revenue Bonds Series 2017B and Federal Highway Reimbursement Revenue Bonds Series 2017B, which were partially used to refund all of the outstanding Series 2006 Grant Anticipation Revenue Bonds and Reimbursement Revenue Bonds. As of June 30, 2018, there were no outstanding principal balances for the Series 2006 Grant Anticipation Revenue bonds and the Series 2006 Reimbursement Revenue Bonds. 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 2008A and Federal Reimbursement Revenue Bonds Series 2008A. On April 15, 2008, the Authority issued Federal Highway Grant Anticipation Revenue Bonds Series 2008A and Federal Highway Reimbursement Revenue Bonds 2008A 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. On August 1, 2017, the Authority issued Federal Highway Grant Anticipation Revenue Bonds Series 2017B and Federal Highway Reimbursement Revenue Bonds Series 2017B, which were partially used to defease the outstanding 2008A Grant Anticipation Revenue Bonds and Reimbursement Revenue Bonds maturing on and after June 1, 2019. As of June 30, 2018, there were no outstanding principal balances for the Series 2008A Grant Anticipation Revenue bonds and the Series 2008A Reimbursement Revenue Bonds. 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 2009A and Federal Reimbursement Revenue Bonds Series 2009A. On February 24, 2009, the Authority issued Federal Highway Grant Anticipation Revenue Bonds Series 2009A and Federal Highway Reimbursement Revenue Bonds Series 2009A 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. On August 1, 2017, the Authority issued Federal Highway Grant Anticipation Revenue Bonds Series 2017B and Federal Highway Reimbursement Revenue Bonds Series 2017B, which were partially used to defease the outstanding 2009A Grant Anticipation Revenue Bonds and Reimbursement Revenue Bonds maturing on and after June 1, 2020. After these bonds were issued, the remaining unrefunded Series 2009A bonds have a final maturity of June 1, 2019. As of June 30, 2018, the outstanding principal balances for the Series 2009A Grant Anticipation Revenue Bonds and the Series 2009A Reimbursement Revenue Bonds are $46,445,000 and $11,345,000 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 2017A and Federal Reimbursement Revenue Bonds Series 2017A. On August 1, 2017, the Authority issued Federal Highway Grant Anticipation Revenue Bonds Series 2017A and Federal Highway Reimbursement Revenue Bonds Series 2017A in the amounts of $51,005,000 and $12,845,000, respectively. The bonds were issued for the purpose of providing funds to finance a portion of: (1) the cost of the planning, design, engineering, acquisition and construction of two express lanes for certain segments of Interstate Highway 285 ("I-285") in the State of Georgia, particularly, the right-of-way acquisition associated therewith, and (2) paying the costs of issuance of the bonds. Interest on these bonds is payable semiannually on June 1 and December 1 of each year, commencing on December 1, 2017 with interest rates ranging from 4.00% to 5.00%. Principal on these bonds is payable on June 1, of each year, commencing on June 1, 2018 and maturing on June 1, 2029. As of June 30, 2018, the outstanding principal balances for the Series 2017A Grant Anticipation Revenue Bonds and the Series 2017A Reimbursement Revenue Bonds are $48,285,000 and $12,155,000 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 2017B and Federal Reimbursement Revenue Bonds Series 2017B. On August 1, 2017, the Authority issued Federal Highway Grant Anticipation Revenue Bonds Series 2017B and Federal Highway Reimbursement Revenue Bonds Series 2017B in the amounts of $231,320,000 and $54,595,000, respectively. The bonds were issued for the purpose of providing funds sufficient to: (1) refund and defease (i) all of the outstanding Series 2006 Grant Anticipation Revenue Bonds and Reimbursement Revenue Bonds, (ii) the outstanding 2008A Grant Anticipation Revenue Bonds and Reimbursement Revenue Bonds maturing on and after June 1, 2019, and (iii) the outstanding 2009A Grant Anticipation Revenue Bonds and Reimbursement Revenue Bonds maturing on and after June 1, 2020, and (2) pay certain costs of the issuance of the bonds. Interest on these bonds is payable semiannually on June 1 and December 1 of each year, commencing on December 1, 2017 with an interest rate of 5.00%. Principal on these bonds is payable on June 1, of each year, commencing on June 1, 2018 and maturing on June 1, 2021. As of June 30, 2018, the outstanding principal balances for the Series 2017A Grant Anticipation Revenue Bonds and the Series 2017A

Reimbursement Revenue Bonds are $201,290,000 and $48,385,000 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.

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, 2018, the outstanding principal balance is $11,460,487. 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, 2018, the outstanding principal balance is $22,670,670. These bonds are pledged and payable solely from I-75 South Metro Express Lanes toll revenue.

Summary of Long-Term Debt

Revenue bonds outstanding as of June 30, 2018 are as follows:

Governmental Activities:			
Guaranteed Revenue Refunding Bonds, Series 2011A	Refunding of Guaranteed Revenue Bonds, Series 2001	4.00-5.00%	$ 80,595,000
Guaranteed Revenue Refunding Bonds, Series 2011B	Refunding of Guaranteed Revenue Bonds, Series 2003	5.00%	102,715,000
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 2009A	Improvement of roads and bridges	3.00-5.00%	46,445,000
Federal Highway Reimbursement Revenue Bonds, Series 2009A	Improvement of roads and bridges	3.00-5.00%	11,345,000
Federal Highway Grant Anticipation Revenue Bonds, Series 2017A	Improvement of roads and bridges	5.00%	48,285,000
Federal Highway Reimbursement Revenue Bonds, Series 2017A	Improvement of roads and bridges	4.00-5.00%	12,155,000
Federal Highway Grant Anticipation Revenue Bonds, Series 2017B	Refunding of Grant Anticipation Revenue Bonds Series 2006, 2008, 2009	5.00%	201,290,000
Federal Highway Reimbursement Revenue Bonds, Series 2017B	Refunding of Federal Highway Reimbursement Revenue Bonds Series 2006, 2008, 2009	5.00%	48,385,000
Total Governmental Activities			**$ 570,480,000**
Business-Type Activities:			
Transportation Revenue Bonds, Series 2014A	I-75S Metro Express Lanes	6.25-6.75%	$ 11,460,487
Transportation Revenue Bonds, Series 2014B	I-75S Metro Express Lanes	7.00%	22,670,670
Total Business-Type Activities			**$ 34,131,157**

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, 2018:

	Principal	Interest	Total
Government Activities - Revenue			
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	22,650,000	1,529,500	24,179,500
2024	19,265,000	481,625	19,746,625
	$ 202,575,000	$ 26,841,500	$ 229,416,500
Government Activities - GARVEE			
2019	$ 123,220,000	$ 18,374,750	$ 141,594,750
2020	129,385,000	12,213,750	141,598,750
2021	68,305,000	5,744,500	74,049,500
2022	4,930,000	2,338,800	7,268,800
2023	5,170,000	2,092,300	7,262,300
2024-2028	29,975,000	6,359,800	36,334,800
2029	6,920,000	346,000	7,266,000
	$ 367,905,000	$ 47,469,900	$ 415,374,900

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 that is recorded on the financial statements as an increase to bonds payable as the interest accretes.

	Principal	Interest	Total
2019	$ -	$ -	$ -
2020	848,231	-	848,231
2021	1,305,314	-	1,305,314
2022	1,657,838	-	1,657,838
2023	2,049,876	-	2,049,876
2024-2028	5,817,139	9,535,400	15,352,539
2029-2033	6,492,014	11,919,250	18,411,264
2034-2038	7,305,000	11,328,100	18,633,100
2039-2043	10,120,000	8,509,900	18,629,900
2044-2048	14,175,000	4,435,200	18,610,200
2049	3,795,000	265,650	4,060,650
	$ 53,565,411	$ 45,993,500	$ 99,558,911

Business-Type Activities - Design-Build Finance Loan - I-75 Northwest Corridor Express Lanes Project

	Principal	Interest	Total
2019	$ 35,000,000	$ -	$ 35,000,000
	$ 35,000,000	$ -	$ 35,000,000

Notes Payable

Business-Type Activities

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, 2018, the outstanding principal balance is $35,000,000.

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 was repaid in fiscal year 2018 in the amount of $24,853,386. The remaining balance is expected to be repaid fully at final acceptance of the Project with STIP funds.

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

	DBF Loan Outstanding
Developer Financing in Prior Fiscal Years	$ 59,853,386
Developer Financing Repaid in Fiscal Year 2018	24,853,386
Total Developer Financing Due in Fiscal Year 2019	$ 35,000,000

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. An additional $27,312,102 was drawn on the TIFIA loan during fiscal year 2018. A debt service schedule will be provided after the last loan draw.

	TIFIA Loan Outstanding
Draw Balance in Prior Fiscal Years	$ 184,466,379
Total Draws in Fiscal Year 2018	27,312,102
Draw Balance as of June 30, 2018	$ 211,778,481
Accreted Interest in Prior Fiscal Years	$ 2,186,707
Accreted Interest in Fiscal Year 2018	7,732,694
Accreted Interest as of June 30, 2018	$ 9,919,401
Total TIFIA Balance as of June 30, 2018	$ 221,697,882

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, 2018 are as follows:

Fiscal Year Ended June 30, 2018	Amount
2019	$ 996,124
2020	875,685
2021	853,401
2022	948,395
2023	1,125,925
2024-2028	5,938,217
2029-2032	5,237,603
Total Minimum Commitments	**$ 15,975,350**

Expenditures for the rental of office facilities, parking, and equipment under yearly leases for the year ended June 30, 2018 totaled $632,827, $147,180 and $43,646 respectively.

NOTE 11 – RETIREMENT SYSTEMS

Defined Benefit Plans

Substantially all of the Authority employees participate in various retirement plans administered by the State of Georgia under the ERS. 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.

Employees' Retirement System of Georgia

Plan Description

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/financials.

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 total required contribution rate for the year ended June 30, 2018 was 24.81% of annual covered payroll for old and new plan members and 21.78% for GSEPS members. The rates include the annual actuarially determined employer contribution rate of 24.69% of annual covered payroll for old and new plan members and 21.66% for GSEPS members, plus a 0.12% adjustment for the HB 751 one-time benefit adjustment of 3% to retired state employees. The Authority's contributions to ERS totaled $1,512,425 for the year ended June 30, 2018. 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, 2018, the Authority reported a liability for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2016. An expected total pension liability as of June 30, 2017 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, 2017. At June 30, 2017, the Authority's proportion was 0. 229695%, which was a decrease of 0.013837% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the Authority recognized pension expense of $1,512,425. At June 30, 2018, 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	$ 102,219	$ 74
Changes of assumptions	21,238	-
Net difference between projected and actual earnings on pension plan investments	-	23,229
Changes in proportion and differences between Employer contributions and proportionate share of contributions	86,218	359,365
Pension expense related to specific liabilities of individual employers	-	-
Employer contributions subsequent to the measurement date	1,512,425	-
Total	$ 1,722,100	$ 382,668

Authority contributions subsequent to the measurement date of $1,512,425 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, 2019. 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	(247,890)
2020	234,677
2021	104,723
2022	(264,503)
2023	-
Thereafter	-

Actuarial Assumptions

The total pension liability as of June 30, 2017 was determined by an actuarial valuation as of June 30, 2016 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, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2009 – June 30, 2014.

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

Asset class	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 one percentage point lower (6.50%) or one percentage point higher (8.50%) than the current rate:

	1% Decrease (6.50%)	Current discount rate (7.50%)	1% Increase (8.50%)
Employer's proportionate share of the net pension liability	$ 13,166,972	$ 9,328,683	$ 6,054,505

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.

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 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.

NOTE 12 – 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)

General Information about the State OPEB Fund

Employees of State organizations as defined in §45-18-25 of the Official Code of Georgia Annotated (O.C.G.A.) are provided OPEB through the State OPEB Fund - a cost-sharing multiple-employer defined benefit postemployment healthcare plan, reported as an employee trust fund and administered by a Board of Community Health (Board). Title 45 of the O.C.G.A. assigns the authority to establish and amend the benefit terms of the group health plan to the Board.

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

As established by the Board, the State OPEB Fund is substantially funded on a pay-as-you-go basis; that is, annual cost of providing benefits will be financed in the same year as claims occur. Contributions to the State OPEB Fund from the Authority were $1,147,728 for the year ended June 30, 2018. Active employees are not required to contribute to the State OPEB Fund.

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

At June 30, 2018, the Authority reported a liability of $8,663,146 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2017. The total OPEB liability used to calculate the net OPEB liability was based on an actuarial valuation as of June 30, 2016. An expected total OPEB liability as of June 30, 2017 was determined using standard roll-forward techniques. The Authority's proportion of the net OPEB liability was actuarially determined based on employer contributions during the fiscal year ended June 30, 2017. At June 30, 2017, the Authority's proportion was 0.212634%, which was a decrease of 0.02% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the Authority recognized OPEB expense of $189,901. At June 30, 2018, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ -
Changes of assumptions	-	627,396
Net difference between projected and actual earnings on OPEB plan investments	37,108	-
Changes in proportion and differences between Authority's contributions and proportionate share of contributions	-	561,437
Authority's contributions subsequent to the measurement date	1,147,728	-
Total	$ 1,184,836	$ 1,188,833

The Authority's contributions subsequent to the measurement date of $1,147,728 are reported as deferred outflows of resources and will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:	
2019	(348,805)
2020	(348,805)
2021	(348,805)
2022	(105,310)
2023	-
Thereafter	-

Actuarial assumptions

The total OPEB liability as of June 30, 2017 was determined by an actuarial valuation as of June 30, 2016 using the following actuarial assumptions and other inputs, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017:

Inflation rate	2.75%
Salary increases	
ERS	3.25% - 7.00%, including inflation
JRS	4.5%, including inflation
LRS	None
TRS	2.75 percent
PSERS	N/A
Long-term expected rate of return	3.88%, compounded annually, net of investment expense, and including inflation
Healthcare cost trend rate	
Pre-Medicare Eligible	7.75%
Medicare Eligible	5.75%
Ultimate trend rate	
Pre-Medicare Eligible	5.00%
Medicare Eligible	5.00%
Year of Ultimate trend rate	2022

Mortality rates were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale BB as follows:

- For ERS, JRS and LRS members: The RP-2000 Combined Mortality Table projected to 2025 with projection scale BB and set forward 2 years or both males and females is used for the period after service retirement and for dependent beneficiaries. The RP-2000 Disabled Mortality Table projected to 2025 with projection scale BB and set back 7 years for males and set forward 3 years for females is used for the period after disability retirement.
- For TRS members: The RP-2000 White Collar Mortality Table projected to 2025 with projection scale BB (set forward 1 year for males) is used for death after service retirement and beneficiaries. The RP-2000 Disabled Mortality Table projected to 2025 with projection scale BB (set forward two years for males and four years for females) is used for death after disability retirement.
- For PSERS members: The RP-2000 Blue-Collar Mortality Table projected to 2025 with projection scale BB (set forward 3 years for males and 2 years for females) is used for the period after service retirement and for beneficiaries of deceased members. The RP-2000 Disabled Mortality Table projected to 2025 with projection scale BB (set forward 5 years for both males and females) is used for the period after disability retirement.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the pension systems, which covered the five-year period ending June 30, 2014. Projection of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculation.

Additionally, there was a change that affected measurement of the total OPEB liability since the prior measurement date. The methodology used to determine employee and retiree participation in the State OPEB Fund is based on their current or last employer payroll location. Current and former employees of State organizations (including technical colleges, community service boards and public health departments) are allocated to the State OPEB Fund irrespective of retirement system affiliation. The long-term expected rate of return on OPEB plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected nominal returns, net of investment expense and the assumed rate of inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Local Government Investment Pool	100%	3.88%

Discount rate

The discount rate has changed since the prior measurement date from 3.09% to 3.60%. In order to measure the total OPEB liability for the State OPEB Fund, a single equivalent interest rate of 3.60% was used as the discount rate. This is comprised mainly of the yield or index rate for twenty-year tax-exempt general obligation municipal bonds with an average rating of AA or higher (3.56% per the Bond Buyers Index). The projection of cash flows used to determine the discount rate assumed that contributions from members and from the employer will be made at the current level as averaged over the last five years, adjusted for annual projected changes in headcount. Projected future benefit payments for all current plan members were projected through 2115. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make OPEB payments for inactive employees through year 2029. Therefore, the calculated discount rate of 3.60% was applied to all periods of projected benefit payments to determine the total OPEB liability.

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

The following presents the Employer Agency's proportionate share of the net OPEB liability calculated using the discount rate of 3.60%, as well as what the Employer Agency's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one-percentage-point lower (2.60%) or one-percentage-point higher (4.60%) than the current discount rate:

	1% Decrease (2.60%)	Current discount rate (3.60%)	1% Increase (4.60%)
Employer's proportionate share of the collective net OPEB liability	$ 10,360,318	$ 8,663,146	$ 7,308,720

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

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
Employer's proportionate share of the collective net OPEB liability	$ 7,160,315	$ 8,663,146	$ 10,565,414

OPEB plan fiduciary net position

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

State Employees Assurance Department Post Employment Benefit Fund (SEAD-OPEB Fund)

General Information about the SEAD-OPEB Fund

SEAD-OPEB was created in 2007 by the Georgia General Assembly to amend Title 47 of the O.C.G.A., relating to retirement, so as to establish a fund for the provision of term life insurance to retired and vested inactive members of the Employees' Retirement System of Georgia (ERS), the Legislative Retirement System (LRS), and the Georgia Judicial Retirement System (GJRS). The plan is a cost-sharing multiple-employer defined benefit other postemployment benefit plan as defined in Governmental

Accounting Standards Board (GASB) Statement No. 74, *Financial Reporting for Postemployment Benefit Plans other than OPEB Plans*. The SEAD-OPEB trust fund accumulates the premiums received from the aforementioned retirement plans, including interest earned on deposits and investments of such payments.

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

Georgia law provides that employee contributions to the plan shall be in an amount established by the Board of Trustees not to exceed one-half of one percent of the member's earnable compensation. There were no employer contributions required for the fiscal year ended June 30, 2018.

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

At June 30, 2018, the Authority reported an asset of $511,618 for its proportionate share of the net OPEB asset. The net OPEB asset was measured as of June 30, 2017. The total OPEB asset used to calculate the net OPEB asset was based on an actuarial valuation as of June 30, 2016. An expected total OPEB asset as of June 30, 2017 was determined using standard roll-forward techniques. The Authority's proportion of the net OPEB asset was based on actual member salaries reported to the SEAD-OPEB plan during the fiscal year ended June 30, 2017. At June 30, 2017, the Employer's proportion was 0.196848%, which was a decrease of 0.01 % from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the Authority recognized a credit to OPEB expense of $39,393. At June 30, 2018, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ -
Changes of assumptions	-	-
Net difference between projected and actual earnings on OPEB plan investments	-	78,174
Changes in proportion and differences between Employer contributions and proportionate share of contributions	15,780	-
Employer contributions subsequent to the measurement date	-	-
Total	$ 15,780	$ 78,174

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

Year ended June 30:	
2019	(11,653)
2020	(11,653)
2021	(19,543)
2022	(19,543)
2023	-
Thereafter	-

Actuarial assumptions

The total OPEB asset as of June 30, 2017 was determined by an actuarial valuation as of June 30, 2016 using the following actuarial assumptions and other inputs, applied to all periods included in the measurement:

Inflation rate	2.75%
Salary increases	
ERS	3.25% - 7.00%, including inflation
GJRS	4.50%, including inflation
LRS	N/A
Investment rate of return	7.50%, net of OPEB plan investment expense, and including inflation
Healthcare cost trend rate	N/A

Postretirement mortality rates were based on the RP-2000 Combined Mortality Table with future mortality improvement projected to 2025 with the Society of Actuaries' projection scale BB and set forward two years for both males and females for service retirements and dependent beneficiaries. There is a margin for future mortality improvement in the tables used by the plan.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2009 – June 30, 2014.

The long-term expected rate of return on OPEB plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected nominal returns, net of 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 asset allocation and estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return*
Fixed Income	30.00%	(0.50)%
Domestic large equities	37.20	9.00
Domestic mid equities	3.40	12.00
Domestic small equities	1.40	13.50
International developed market equities	17.80	8.00
International emerging market equities	5.20	12.00
Alternatives	5.00	10.50
Total	100.00%	

**Rates shown are net of inflation*

Discount rate

The discount rate used to measure the total OPEB 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 OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

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

The following presents the Authority's proportionate share of the net OPEB asset calculated using the discount rate of 7.50%, as well as what the Authority's proportionate share of the net OPEB asset would be if it were calculated using a discount rate that is one-percentage-point lower (6.50%) or one-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 collective net OPEB liability (asset)	$ (280,030)	$ (511,618)	$ (701,413)

OPEB plan fiduciary net position

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

NOTE 13 – RISK MANAGEMENT

Public Entity Risk Pool

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 (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 risk of insuring its employees.

Other 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 ERS for the year ended June 30, 2018.

NOTE 14 – 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, 2018.

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 contractual obligations with suppliers for future purchases at specified prices and sometimes at specified quantities." As of June 30, 2018, the Authority had remaining contractual commitments for transportation, tolling, and other construction projects as detailed below:

Remaining Contractual Commitments		Amount
I-85 Express Lanes Extension Project	$	4,832,624
I-75 Northwest Corridor Express Lanes Project		5,476,640
I-75 South Metro Express Lanes Project		1,574,124
I-285 at SR 400 Interchange Reconstruction Project		343,925,184
I-85 Widening Project		109,435,602
Total Remaining Contractual Commitments	**$**	**465,244,174**

I-85 Express Lanes Extension Project

The I-85 Express Lanes Extension Project ("I-85 Extension Project") will add 10 miles of dedicated express lanes from Old Peachtree Road to Hamilton Mill Road that run alongside general purpose lanes throughout the corridor. Along with the existing express lanes, the extension creates a 26-mile express lane network into Georgia's northeast region. The Authority, in partnership with GDOT, began construction on the project in fiscal year 2016, with the managed lanes expected to open to traffic in 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. In FY 2018, GDOT reimbursed the Authority for the tolling infrastructure related to the project.

I-75 Northwest Corridor Express Lanes Project

The I-75 Northwest Corridor Express Lanes Project ("NWC Project") will improve travel in the I-75/I-575 corridor by adding 29.7 miles of express lanes along I-75 from Akers Mill Rd to Hickory Grove Road and along I-575 from I-75 to Sixes Road. Two Express lanes will be built to the west of the existing lanes along I-75 between I-285 and I-575. From that interchange, one express lane will be added along I-75 north to Hickory Grove Road and one express lane will be added along I-575 to Sixes Road. Construction of the NWC Project is in the final stages of completion and is currently expected to be open to tolling in September 2018.

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.

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 reversible toll lanes that run 12 miles along the median of I-75 from McDonough Road (State Route 155) in Henry County to Stockbridge Highway (State Route 138) in Clayton County. 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.

I-285 at SR 400 Interchange Reconstruction Project

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 $483,529,881. As of June 30, 2018, the remaining contractual commitment for this project is $343,925,184. 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 December 2020.

I-85 Widening Project

The I-85 Widening Project will not be tolled upon completion. This project is a Design-Build (“DB”) project being jointly delivered by GDOT and the Authority. The Authority entered into a contract with the DB Team of the I-85 Widening Project that has a maximum contractual commitment amount of $114,775,846.19. As of June 30, 2018, the remaining contractual commitment for this project is $109,435,602. 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 and Transportation Funding Act funds 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 DB Team. The GDOT owns the asset and records construction in progress (CIP) based upon current year expenditures. The anticipated project completion date is calendar year 2020.

Other Financing Commitments

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. 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. Since its inception in 2008, the GTIB has provided over $124 million in grants and loans to highly competitive transportation projects that have enhanced mobility in local communities throughout Georgia. Funding for the GTIB comes from state motor fuel fund sources appropriated in the State of Georgia budget.

In FY 2018, the GTIB received $12,999,055 through the annual appropriations process. In addition, $17,600,000 in grants and $500,000 in loans were awarded to local governments and community improvement districts in the sixth 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 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 FY 2018, $10,154,362 was dispersed to awardees.

NOTE 15 – SUBSEQUENT EVENTS

In FY 2019, the Authority is entitled to receive $100,000,000 in 10-year, taxable bonds from the Georgia State Financing and Investment Commission for Statewide transit needs.

In FY 2019, the I-85 Extension Express Lanes will open to tolling.

In FY 2019, the Authority will enter into an agreement with the Office of Planning and Budget (OPB) to receive $60,500,000 to purchase ninety-seven replacement buses for the Xpress Commuter Bus Service program. OPB serves as the Lead Agency for the State of Georgia to receive Volkswagen Diesel Emissions Environmental Mitigation Trust funds.

Pursuant to section 4 of the TIFIA loan agreement, dated as of November 14, 2013, between the Authority and the United States Department of Transportation, the Authority received $19,803,040.38 on July 17, 2018 for eligible project expenses related to the Northwest Corridor Express Lanes Project.

On August 20, 2018, the Authority implemented a uniform toll rate pricing policy that was approved by the Authority's Board of Directors on August 1, 2018. The uniform toll rate pricing policy sets a uniform toll rate of $.10 per mile for all Georgia Express Lanes, either opened or to be opened in the future. During periods of low demand, the Authority staff can suspend the minimum $.10 per mile in favor of a flat toll charge of no less than $.50 per trip.

On September 22, 2018, the Northwest Corridor Express Lanes opened to tolling.

On October 18, 2018, the Authority purchased approximately 5.49 acres of land in Gwinnett County for $3,800,000. The land will serve as a future Park and Ride facility for the Xpress Bus Service.

SRTA

STATE ROAD
& TOLLWAY
AUTHORITY

REQUIRED SUPPLEMENTARY INFORMATION

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, 2018

	2018	2017	2016	2015
Authority's proportion of the net pension liability	0.229695%	0.243532%	0.140406%	0.143948%
Authority's proportionate share of the net pension liability	$ 9,328,683	$ 11,520,087	$ 5,688,406	$ 5,398,940
Authority's covered-employee payroll	6,548,444	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	142.46%	191.53%	164.83%	158.16%
Plan fiduciary net position as a percentage of the total pension liability	76.33%	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.

STATE ROAD AND TOLLWAY AUTHORITY

SCHEDULE OF CONTRIBUTIONS
EMPLOYEES' RETIREMENT SYSTEM OF GEORGIA
FOR THE YEAR ENDED JUNE 30, 2018

	2018	2017	2016	2015	2014
Contractually required contribution	$ 1,512,425	$ 1,397,816	$ 808,022	$ 704,959	$ 598,341
Contributions in relation to the contractually required contribution	1,512,425	1,397,816	808,022	704,959	598,341
Contribution deficiency (excess)	-	-	-	-	-
Covered employee payroll	6,548,444	6,014,727	3,451,110	3,413,651	3,489,093
Contributions as a percentage of covered employee payroll	23.10%	23.24%	23.41%	20.65%	17.15%

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

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – METHODS AND ASSUMPTIONS
FOR THE YEAR ENDED JUNE 30, 2018

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.

STATE ROAD AND TOLLWAY AUTHORITY

Schedule of Proportionate Share of the Net OPEB Liability
State OPEB Fund
For the Year Ended June 30, 2018

	2018
Authority's proportion of the collective net OPEB liability	0.212634%
Authority's proportionate share of the collective net OPEB liability	$ 8,663,146
Authority's covered-employee payroll for the measurement period	6,548,444
Authority's proportionate share of the net OPEB liability as a percentage of its covered payroll	132.29%
Plan fiduciary net position as a percentage of the net OPEB liability	17.34%

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

Schedule of Contributions
State OPEB Fund
For the Year Ended June 30, 2018

	2018
Contractually required contribution (CRC)	$ 1,147,728
Contributions in relation to the contractually required contribution	1,147,728
Contribution deficiency (excess)	$ -
Authority's covered payroll	$ 6,548,444
Contributions as a percentage of covered payroll	17.53%

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

Schedule of Proportionate Share of the Net OPEB Liability (Asset)
State SEAD-OPEB Fund
For the Year Ended June 30, 2018

		2018
Authority's proportion of the collective net OPEB liability (asset)		0.196848%
Authority's proportionate share of the collective net OPEB liability (asset)	$	(511,618)
Authority's covered-employee payroll for the measurement period		6,548,444
Authority's proportionate share of the net OPEB liability as a percentage of its covered payroll		-7.81%
Plan fiduciary net position as a percentage of the net OPEB liability (asset)		130.17%

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

Notes to Required Supplementary Information
State OPEB and SEAD-OPEB Funds
For the Year Ended June 30, 2018

State OPEB Fund

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

Change of assumptions: In the revised June 3, 2017 actuarial valuation, there was a change relating to employee allocation. Employees were previously allocated based on their Retirement System membership, and currently employees are allocated based on their current employer payroll location.

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

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

SEAD-OPEB

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

SUPPLEMENTARY INFORMATION

SRTA

STATE ROAD
& TOLLWAY
AUTHORITY

STATE ROAD AND TOLLWAY AUTHORITY

STATEMENT OF NET POSITION

I-75 NORTHWEST CORRIDOR EXPRESS LANES PROJECT

JUNE 30, 2018

	I-75 Northwest Corridor Express Lanes Project	Other Tolling Projects	Tolling System Fund Total
ASSETS			
CURRENT ASSETS			
Cash and Cash Equivalents	$ 12	$ 18,613,000	$ 18,613,012
Accounts Receivable, Net	-	3,837,426	3,837,426
Inventories	-	125,750	125,750
Prepaid Items	-	1,965	1,965
Restricted Current Assets			
Cash and Cash Equivalents	49,227,234	42,538,693	91,765,927
Total Current Assets	49,227,246	65,116,834	114,344,080
NONCURRENT ASSETS			
Net OPEB/SEAD Asset	12,753	171,293	184,046
Capital Assets			
Non-Depreciable			
Construction in Progress	15,331,646	10,184,017	25,515,663
Depreciable			
Machinery and Equipment	2,056,962	18,983,566	21,040,528
Computer Software	-	8,610,898	8,610,898
Accumulated Depreciation	(432,652)	(25,409,405)	(25,842,057)
Total Capital Assets	16,955,956	12,369,076	29,325,032
Total Noncurrent Assets	16,968,709	12,540,369	29,509,078
Total Assets	66,195,955	77,657,203	143,853,158
DEFERRED OUTFLOWS OF RESOURCES			
DEFERRED OUTFLOWS OF RESOURCES			
Related to Defined Benefit Pension Plans	28,352	203,401	231,753
Related to Defined Benefit OPEB & SEAD Plans	29,927	401,975	431,902
Total Deferred Outflows of Resources	58,279	605,376	663,655
Total Assets and Deferred Outflows of Resources	66,254,234	78,262,579	144,516,813

STATE ROAD AND TOLLWAY AUTHORITY
STATEMENT OF NET POSITION
I-75 NORTHWEST CORRIDOR EXPRESS LANES PROJECT
JUNE 30, 2018

	I-75 Northwest Corridor Express Lanes Project	Other Tolling Projects	Tolling System Fund Total
LIABILITIES			
CURRENT LIABILITIES			
Accounts Payable	-	57,891	57,891
Contracts Payable	16,267,190	1,413,129	17,680,319
Retainages Payable	1,227,222	193,205	1,420,427
Due To Other Funds	380,594	5,010,073	5,390,667
Compensated Absences	17,547	49,264	66,811
Unearned Revenues - Customer Deposits	-	8,111,446	8,111,446
Unearned Revenues, GDOT	3,273,407	17,422,066	20,695,473
Total Current Liabilities	21,165,960	32,257,074	53,423,034
NONCURRENT LIABILITIES			
Notes and Loans Payable	256,697,882	-	256,697,882
Net Pension Liability	366,028	2,625,896	2,991,924
Net OPEB liability	215,940	2,900,484	3,116,424
Compensated Absences	53,374	224,883	278,257
Advances From Other Funds, Net	6,281,985	2,097,012	8,378,997
Total Noncurrent Liabilities	263,615,209	7,848,275	271,463,484
Total Liabilities	284,781,169	40,105,349	324,886,518
DEFERRED INFLOWS OF RESOURCES			
DEFERRED INFLOWS OF RESOURCES			
Related to Defined Benefit Pension Plans	28,262	202,752	231,014
Related to Defined Benefit OPEB & SEAD Plans	31,582	424,203	455,785
Total Deferred Inflows of Resources	59,844	626,955	686,799
Total Liabilities and Deferred Inflows of Resources	284,841,013	40,732,304	325,573,317
NET POSITION			
NET POSITION			
Net Investment in Capital Assets	16,955,956	12,369,076	29,325,032
Restricted for			
Capital Projects	-	30,585,386	30,585,386
Other Benefits	11,198	150,404	161,602
Program Advances	-	8,111,446	8,111,446
Unrestricted (Deficit)	(235,553,933)	(13,686,036)	(249,239,969)
Total Net Position	(218,586,779)	37,530,275	(181,056,504)
Total Liabilities and Net Position	$ 66,254,234	$ 78,262,579	$ 144,516,813

STATE ROAD AND TOLLWAY AUTHORITY

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
I-75 NORTHWEST CORRIDOR EXPRESS LANES PROJECT
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	I-75 Northwest Corridor Express Lanes Project	Other Tolling Projects	Tolling System Fund Total
OPERATING REVENUES			
Charges for Sales and Services			
Base Transaction Fees	$ -	$ 419,201	$ 419,201
Variable Fees	-	62,126	62,126
Violation Processing Fees	-	742,165	742,165
Violation Administration Fees	-	2,545,351	2,545,351
User Fees			
Electronic Tolls	-	17,983,698	17,983,698
Other Services	2,000,000	2,682	2,002,682
Total Operating Revenues	2,000,000	21,755,223	23,755,223
OPERATING EXPENSES			
Personnel Services	744,109	3,679,831	4,423,940
Publications, Supplies and Materials	19,496	271,425	290,921
Repairs and Maintenance	14,154	25,671	39,825
Utilities, Rents, Insurance	42,046	160,052	202,098
Other Operating	139,757	988,184	1,127,941
Contracts	1,211,480	5,355,703	6,567,183
Software/Telecom	97,219	223,777	320,996
Depreciation	406,923	1,011,752	1,418,675
Total Operating Expenses	2,675,184	11,716,395	14,391,579
Operating Income (Loss)	(675,184)	10,038,828	9,363,644
NONOPERATING REVENUES (EXPENSES)			
Interest and Investment Revenue	1,528,694	614,354	2,143,048
Roadway Improvements Revenue (GDOT)	5,422,908	6,221,030	11,643,938
Roadway Improvements	(117,799,277)	(5,340,244)	(123,139,521)
Bond and Loan Interest Expense	(7,732,694)	-	(7,732,694)
Total Nonoperating Revenues (Expenses)	(118,580,369)	1,495,140	(117,085,229)
Income (Loss) Before Capital Contributions and Transfers	(119,255,553)	11,533,968	(107,721,585)
CAPITAL CONTRIBUTIONS			
Georgia Department of Transportation (GDOT)	10,594,283	5,771,677	16,365,960
Total Capital Contributions	10,594,283	5,771,677	16,365,960
TRANSFERS			
Transfers In	53,000	2,015,931	2,068,931
Transfers Out	(82,140)	82,140	-
Total Transfers and Special Items	(29,140)	2,098,071	2,068,931
Changes in Net Position	(108,690,410)	19,403,716	(89,286,694)
Total Net Position - Beginning of Year	(109,666,670)	21,211,854	(88,454,816)
Net Position Adjustments	(229,699)	(3,085,295)	(3,314,994)
Total Net Position - Beginning of Year as restated	(109,896,369)	18,126,559	(91,769,810)
Total Net Position - End of Year	$ (218,586,779)	$ 37,530,275	$ (181,056,504)

STATE ROAD AND TOLLWAY AUTHORITY

STATEMENT OF CASH FLOWS
I-75 NORTHWEST CORRIDOR EXPRESS LANES PROJECT
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	I-75 Northwest Corridor Express Lanes Project	Other Tolling Projects	Tolling System Fund Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from Customers	$ 2,000,000	$ 20,922,233	$ 22,922,233
Internal Activity - Receipts From Other Funds	-	1,223,492	1,223,492
Payments to Suppliers	5,581,445	(6,791,373)	(1,209,928)
Payments to Employees	(825,098)	(4,636,020)	(5,461,118)
Net Cash Provided by (Used In) Operating Activities	6,756,347	10,718,332	17,474,679
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Operating Subsidies and Transfers (to) from Other Funds	400,076	6,405,918	6,805,994
Net Cash Provided by (Used in) Noncapital Financing Activities	400,076	6,405,918	6,805,994
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Disposal (Acquisition) of Capital Assets	(10,594,281)	(6,451,222)	(17,045,503)
Intergovernmental Grant	(4,214,708)	18,634,665	14,419,957
Loans Payable	2,458,715	-	2,458,715
Grant Disbursements	(97,196,285)	880,786	(96,315,499)
Net Cash Provided by (Used in) Capital and Related Financing Activities	(109,546,559)	13,064,229	(96,482,330)
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment Income Received	1,528,694	614,354	2,143,048
Net Cash Provided by (Used in) Investing Activities Net Cash Provided by Investing Activities	1,528,694	614,354	2,143,048
Net Increase (Decrease) in Cash and Cash Equivalents	(100,861,442)	30,802,833	(70,058,609)
Cash and Cash Equivalents Balances Beginning of Year	150,088,688	30,348,860	180,437,548
End of Year	$ 49,227,246	$ 61,151,693	$ 110,378,939

STATE ROAD AND TOLLWAY AUTHORITY

STATEMENT OF CASH FLOWS
I-75 NORTHWEST CORRIDOR EXPRESS LANES PROJECT
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	I-75 Northwest Corridor Express Lanes Project	Other Tolling Projects	Tolling System Fund Total
RECONCILIATION OF ENDING CASH AND CASH EQUIVALENTS TO STATEMENT OF NET POSITION - PROPRIETARY FUNDS			
Current Assets			
Cash and Cash Equivalents	$ 12	$ 18,613,000	$ 18,613,012
Cash and Cash Equivalents - Restricted	49,227,234	42,538,693	91,765,927
Customer Deposits - Restricted	-	-	-
Total	$ 49,227,246	$ 61,151,693	$ 110,378,939
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES			
Operating Income (Loss)	$ (675,184)	$ 10,038,828	$ 9,363,644
Adjustments to Reconcile Operating Income (Loss) By Operating Activities			
Depreciation Expense	406,923	1,011,752	1,418,675
Changes in Deferred Inflows/Outflows of Resources			
Deferred Inflows of Resources	55,870	598,449	654,319
Deferred Outflows of Resources	78,254	374,116	452,370
Net Pension Liability	(179,845)	(1,290,213)	(1,470,058)
Net OPEB/SEAD Asset	(12,753)	(171,293)	(184,046)
Net OPEB Liability	(13,759)	(184,811)	(198,570)
Change in Net Assets and Liabilities			
Receivables, Net	-	(344,250)	(344,250)
Inventories	-	(53,890)	(53,890)
Accounts and Other Payables	7,105,597	287,329	7,392,926
Accrued Liabilities (other than customer deposits)	-	14,835	14,835
Customer Deposits Payable	-	8,111,446	8,111,446
Unearned Revenue	-	(7,376,694)	(7,376,694)
Compensated Absences	(8,756)	(297,272)	(306,028)
Net Cash Provided by (Used In) Operating Activities	$ 6,756,347	$ 10,718,332	$ 17,474,679
NONCASH ACTIVITY FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Accreted Interest on Bonds and Notes Payable			$ 7,732,694

SRTA

STATE ROAD
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COMPLIANCE SECTION

SRTA

STATE ROAD
& TOLLWAY
AUTHORITY

DEPARTMENT OF AUDITS AND ACCOUNTS
270 Washington Street, S.W., Suite 1-156
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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 of Georgia
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, and each major fund of the State Road and Tollway Authority of Georgia (Authority), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated December 28, 2018.

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 preceding paragraph 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 have not been 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 a significant deficiency.

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-927-18-01, 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 deficiency described in the accompanying *Schedule of Findings and Questioned Costs* as item FS-927-18-02, to be a significant deficiency.

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 an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which is described in the accompanying *Schedule of Findings and Questioned Costs* as item FS-927-18-02.

State Road and Tollway Authority of Georgia 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

December 28, 2018

FS-927-18-01 Improve Controls over Financial Reporting

Internal Control Impact: **Material Weakness**
Compliance Impact: **None**
Repeat of Prior Year Finding: **FS-927-17-01 (*repeat*)**
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 2018 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:
SRTA management needs to strengthen its internal controls over the financial reporting process. While the Authority maintains sufficient controls over the processing of routine accounting transactions, procedures over the preparation of GAAP based financial statements should be strengthened to prevent or detect financial statement misstatements and disclosure omissions in a timely manner. During review of the financial information prepared by SRTA, auditors noted the Authority's financial information required material adjusting entries in order to present its financial statements in accordance with GAAP. Proposed adjusting entries to the financial statements and related note disclosures were approved and accepted by SRTA management.

Cause:
Staff turnover and inexperience with the financial statement preparation process and use of existing end user application tools to develop the financial statements and related notes contributed to the errors.

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 implement comprehensive financial statement preparation procedures to ensure that the GAAP-based financial statements are complete and accurate. As SRTA transitions to a new financial reporting system in FY19, we encourage SRTA's fiscal staff to be proactive in its financial reporting initiatives, and implement additional processes and conduct training where needed. Improved financial reporting controls will help ensure SRTA's financial statements are materially correct.

Views of Responsible Officials:

We concur.

FS-927-18-02 Strengthen Logical Access Controls

Internal Control Impact: **Significant Deficiency**
Compliance Impact: **Nonmaterial Noncompliance**
Repeat of Prior Year Finding: **FS-927-17-03 *(repeat)***
FS-927-16-02 *(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 2018 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 an audit tool that provides the capability to establish role based segregation of duties and to generate reports that facilitate user access monitoring. The Authority did implement a recertification process and that process is in place. The Authority also corrected the instances of inappropriate access we identified during the fiscal year 2016 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.

Although the Authority developed a new process for monitoring logical access, the process was not implemented during the fiscal 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 the financial system, we noted the Authority has designed a formal process to periodically monitor ongoing access to its application, 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 was not implemented during the period under review.

Cause:
The Authority did not implement its new bi-annual user access review process with SRTA Managers and Executive staff in the current year because of its decision in January 2018 to transition the current Financial System to the State's Enterprise Financial System.
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. This weakness also increases 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.

FINANCIAL STATEMENTS FINDINGS AND QUESTIONED COSTS

FS-927-18-01 **Improve Controls Over Financial Reporting**

Description:

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 Plans:

In FY 2019, it is the action of the State Road and Tollway Authority (SRTA) to establish new procedures and systems to ensure that the GAAP based financial statements are complete and accurate. SRTA will implement monthly and quarterly financial balance reviews, which will include maintaining reconciliation schedules, with supporting details of all balances, as required for financial reporting disclosure. We will implement year-end checklists and proper review procedures to ensure the financial statements are materially correct. SRTA's transition to the State's Enterprise Financial System (TeamWorks) beginning July 1, 2018, as well as the adoption of new financial reporting systems in FY 2019, will assist with the accuracy and streamlining of financial reporting data. With the transition to TeamWorks, SRTA is also taking a fresh look at our internal controls policies and structure, which will also improve financial reporting controls and the accuracy of the financial data being reported.

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FS-927-18-02 **Strengthen Logical Access Controls**

Description:

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

Corrective Action Plans:

In FY 2019, it is the action of the State Road and Tollway Authority (SRTA) to adopt the technology security standards established by the Georgia Technology Authority and State Accounting Office related to logical access controls. Beginning July 1, 2018, SRTA will reduce the MS Dynamic AX license count and will implement new controls over user access monitoring, within the historical financial system, for the 1st quarter of FY 2019. SRTA plans to sunset the historical financial system no later than January 31, 2019. Beginning July 1, 2018, SRTA will transition to the State's Enterprise Financial System (TeamWorks) and will use the State's platform and procedures for system security access. SRTA will identify an Agency Security Officer by July 1, 2018 to streamline the process and have a central location for user set up and security role approvals. SRTA's Agency Security Officer will work closely with the State Accounting Office on security access and will implement quarterly review procedures to ensure access roles are properly assigned and reviewed by internal management.

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