



A Component Unit of the State of Georgia

Financial Report for All Roadways

For the fiscal year ended June 30, 2019

(Including Independent Auditor's Reports)

STATE ROAD AND TOLLWAY AUTHORITY

FINANCIAL REPORT JUNE 30, 2019

TABLE OF CONTENTS

FINANCIAL SECTION

Independent Auditor's Report.....	1
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FINANCIAL STATEMENT

Statement of Revenues, Expenses and Changes in Net Position – All Roadways.....	4
Notes to the Financial Statements.....	6

SUPPLEMENTARY INFORMATION

Combining Schedule of Revenues, Expenses, and Changes in Net Position.....	19
Schedule of Changes in Revenue Bonds Payable and Loans Payable.....	20

COMPLIANCE SECTION

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.....	22
Schedule of Findings and Questioned Costs.....	24
Schedule of Management's Corrective Action.....	26

FINANCIAL SECTION



DEPARTMENT OF AUDITS AND ACCOUNTS

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GREG S. GRIFFIN
STATE AUDITOR
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Independent Auditor's Report

The Honorable Brian P. Kemp, 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 Audit of the Financial Statement

We have audited the accompanying Statement of Revenues, Expenditures, and Changes in Net Position of the I-75 South Metro Express Lanes Fund and the Other Roadways of the State Road and Tollway Authority of Georgia (Authority), for the year ended June 30, 2019, and the related notes (the financial statement).

In our opinion, the accompanying financial statement presents fairly, in all material respects, the respective changes in financial position of the I-75 South Metro Express Lanes Fund and the Other Roadways of the Authority for the year ended June 30, 2019 in accordance with accounting principles generally accepted in the United States of America.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statement 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 the financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statement 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 statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, 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 statement 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 statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statement. The Combining Schedule of Revenues, Expenses, and Changes in Net Position and the Schedule of Changes in Revenue Bonds Payable and Loans Payable (supplementary information) are presented for the purposes of additional analysis and are not a required part of the financial statement.

The accompanying supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statement. Such information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statements itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information is fairly stated, in all material respects, in relation to the financial statement taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 14, 2020 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,

A handwritten signature in black ink, appearing to read "Greg S. Griffin".

Greg S. Griffin
State Auditor

September 14, 2020

FINANCIAL STATEMENT

STATE ROAD AND TOLLWAY AUTHORITY

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
ALL ROADWAYS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

	I-75 South Metro Express Lanes Fund	Other Roadways	All Roadways
OPERATING REVENUES			
User Fees	\$ 2,706,483	\$ 31,378,877	\$ 34,085,360
OPERATING EXPENSES			
Personnel Services	4,407,010	13,782,345	18,189,355
Publications, Supplies and Materials	195,013	411,308	606,321
Repairs and Maintenance	39,560	110,928	150,488
Utilities, Rents, Insurance	325,147	800,404	1,125,551
Other Operating Expenses	199,230	674,566	873,796
Contracts	1,384,179	4,613,175	5,997,354
Software/Telecom	286,040	803,523	1,089,563
Depreciation	2,845,635	6,597,165	9,442,800
Total Operating Expenses	9,681,814	27,793,414	37,475,228
Operating Income (Loss)	(6,975,331)	3,585,463	(3,389,868)
NONOPERATING REVENUES (EXPENSES)			
Interest and Investment Revenue	326,076	1,165,415	1,491,491
Roadway Improvements Revenue from GDOT	-	3,670,479	3,670,479
Roadway Improvements	(1,015,581)	(25,362,217)	(26,377,798)
Bond and Loan Interest Expense	(2,368,543)	(9,561,869)	(11,930,412)
Total Nonoperating Revenues (Expenses)	(3,058,048)	(30,088,192)	(33,146,240)
Income (Loss) Before Capital Contributions and Transfers	(10,033,379)	(26,502,729)	(36,536,108)
CAPITAL CONTRIBUTIONS			
Georgia Department of Transportation (GDOT)	-	9,484,393	9,484,393
TRANSFERS			
Transfers In From General Fund	10,026,334	7,449,321	17,475,655
Changes in Net Position	(7,045)	(9,569,015)	(9,576,060)
Total Net Position - Beginning of Year	(20,482,948)	(191,600,386)	(212,083,334)
Total Net Position - End of Year	\$ (20,489,993)	\$ (201,169,401)	\$ (221,659,394)



STATE ROAD AND TOLLWAY AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

B. Basis of Presentation

The Authority's financial statements have been prepared in conformity with U.S. Generally Accepted Accounting Principles (GAAP) as prescribed by the 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 financial statements consist of a statement of revenues, expenses, and changes in net position for the I-75 South Metro Express Lanes Fund and the Other Roadways of the Authority.

Fund Financial Statements

The I-75 South Metro Express Lanes Fund and the Other Roadways are considered to be proprietary funds and are reported as separate columns in the financial statements.

Proprietary Funds

Proprietary fund reporting focuses on the determination of operating income and changes in net position. 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).

STATE ROAD AND TOLLWAY AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

The Authority reports the following major proprietary funds:

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.

Other Roadways – Accounts for the activities for which tolls and fees are charged to the users of the I-85 Express Lanes, the I-85 Extension Express Lanes, and the I-75 Northwest Corridor Express Lanes.

C. Depreciation of Capital Assets and Interfund Activity

Depreciation of Capital Assets

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.

<u>Asset Category</u>	<u>Threshold</u>
Infrastructure other than bridges and roadways	\$ 1,000,000
Software	\$ 1,000,000
Intangible assets, other than software	\$ 100,000
Buildings 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 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 financial statements report depreciation expense.

STATE ROAD AND TOLLWAY AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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

Interfund Activity

In the financial statements, transfers are recorded when a fund receiving revenue provides it to the fund which expends the resources. Transfers between funds are made to accomplish various provisions of law. Interfund transfers are reported as other financing sources/uses.

NOTE 2 – CHANGES IN FINANCIAL ACCOUNTING AND REPORTING

A. Implementation of New Accounting Standards

For fiscal year 2019, the Authority adopted GASB Statement No. 83, *Certain Asset Retirement Obligations*. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). This Statement also requires disclosure of information about the nature of a government's AROs, the methods and assumptions used for the estimates of the liabilities, and the estimated useful life or the associated tangible capital assets. The adoption of this Statement does not have a significant impact on the Authority's financial statements.

For fiscal year 2019, the Authority adopted GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. The objective of this Statement is to improve the information that is disclosed in notes to government financial statement related to debt, including direct borrowings and direct placements. The adoption of this Statement does not have a significant impact on the Authority's financial statements.

NOTE 3 – BUDGET

Legal adoption of The Authority budget is not required; 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.

STATE ROAD AND TOLLWAY AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 4 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Compliance with Bond Covenants

The Authority is subject to certain covenants with regard to the issuance of the aggregation of its revenue bonds issued and outstanding as of June 30, 2019.

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.

STATE ROAD AND TOLLWAY AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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 States 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 – INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2019 consist of the following:

<u>Transfers In</u>	<u>Transfers Out</u>
	<u>General Fund</u>
I-75 S Metro Express Lanes	\$ 10,026,334
Other Roadways	7,449,321
Total	\$ <u>17,475,655</u>

During the year ended June 30, 2019, transfers were made to move state appropriation funding provided by the Georgia Department of Transportation to cover roadway expenses.

STATE ROAD AND TOLLWAY AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 6 – LONG-TERM LIABILITIES

Revenue Bonds

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, 2019, the outstanding principal balance is \$12,214,454. 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, 2019, the outstanding principal balance is \$24,285,246. These bonds are pledged and payable solely from I-75 South Metro Express Lanes toll revenue.

STATE ROAD AND TOLLWAY AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Summary of Long-Term Debt

Revenue bonds outstanding as of June 30, 2019 are as follows:

<u>Description</u>	<u>Fund</u>	<u>Interest Rates</u>	<u>Amount</u>
Transportation Revenue Bonds, Series 2014A	I-75S Metro Express Lanes	6.25 - 6.75%	\$ 12,214,454
Transportation Revenue Bonds, Series 2014B	I-75S Metro Express Lanes	7.00%	24,285,246
Total I-75S Metro Express Lanes			\$ <u>36,499,700</u>

Debt Service Requirements

Annual debt service requirements to maturity for revenue bonds and loans payable are as follows as of June 30, 2019:

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.

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	2,405,000	-	2,405,000
2025 - 2029	4,531,486	11,919,250	16,450,736
2030 - 2034	6,712,668	11,919,250	18,631,918
2035 - 2039	7,725,000	10,910,550	18,635,550
2040 - 2044	10,830,000	7,801,500	18,631,500
2045 - 2049	15,500,000	3,442,950	18,942,950
	\$ <u>53,565,413</u>	\$ <u>45,993,500</u>	\$ <u>99,558,913</u>

The Authority's revenue bonds related to I-75 South Metro Express Lanes includes provisions that in an event of default, the Trustee may enforce any right or remedy granted by the Constitution of the laws of the State.

STATE ROAD AND TOLLWAY AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Notes Payable

Design Build Finance Loan – NWC Project. The Developer is solely responsible for satisfying a Developer Finance Obligation (“Obligation”) at its own risk and cost without risk and recourse to the Authority or GDOT. The Developer will pursue and maintain this Obligation in accordance with a Project Plan of Finance. The Obligation requires the Developer to self-finance a portion of the costs of the project in an amount not less than \$59,853,386 (10% of the original DBF Contract Sum of \$598,533,817), which is to be funded per a payment schedule in the DBFA. As of June 30, 2019, the obligation has been fully paid off.

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 2019 in the amount of \$35,000,000.

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

	<u>DBF Loan Outstanding</u>
Developer Financing due as of July 1, 2018	\$ 35,000,000
Developer Financing Repaid in Fiscal Year 2019	<u>35,000,000</u>
Total Developer Financing Due as of June 30, 2019	<u>\$ -</u>

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. An additional \$36,387,144 was drawn during fiscal year 2019. A debt service schedule will be provided after the last loan draw.

	<u>TIFIA Loan Outstanding</u>
Draw Balance in Prior Fiscal Years	\$ 211,778,481
Total Draws in Fiscal Year 2019	<u>36,387,144</u>
Draw Balance as of June 30, 2019	<u>\$ 248,165,625</u>
Accreted Interest in Prior Fiscal Years	\$ 9,919,401
Accreted Interest in Fiscal Year 2019	<u>9,561,869</u>
Accreted Interest as of June 30, 2019	<u>\$ 19,481,270</u>
Total TIFIA Balance as of June 30, 2019	<u>\$ 267,646,895</u>

STATE ROAD AND TOLLWAY AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

The Authority's TIFIA loan agreement related to I-75 Northwest Corridor Express Lanes contains a provision that in an event of default, outstanding amounts become immediately due if the Authority is unable to make payment.

NOTE 7 – LEASES

Operating Leases

The Authority leases office facilities, office equipment, and computer equipment. 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, 2019 are as follows:

<u>Fiscal Year:</u>	<u>Amount</u>
2020	\$ 835,515
2021	797,051
2022	887,296
2023	1,057,088
2024	1,080,144
2025 - 2029	5,764,754
2030 - 2034	<u>3,772,131</u>
Total Minimum Commitments	\$ <u>14,193,979</u>

Expenditures for the rental of office facilities and equipment for the year ended June 30, 2019 totaled \$722,409 and \$56,982, respectively.

NOTE 8 – 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, 2019.

STATE ROAD AND TOLLWAY AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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, 2019, the Authority had remaining contractual commitments for tolling construction projects as detailed below:

<u>Remaining Contractual Commitments</u>	<u>Amount</u>
I-85 Express Lanes Extension Project	\$ 2,154,530
I-75 Northwest Corridor Express Lanes Project	4,812,888
I-75 South Metro Express Lanes Project	<u>132,895</u>
Total Remaining Contractual Commitments	<u>\$ 7,100,313</u>

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 opened to traffic in November 2018.

GDOT was 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 fiscal year 2018 and 2019, 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 were built to the west of the existing lanes along I-75 between I-285 and I-575. From that interchange, one express lane was added along I-75 north to Hickory Grove Road and one express lane was added along I-575 to Sixes Road. NWC Project was opened to traffic 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 was responsible for the design and implementation of the toll system. The Authority also contracted with GDOT, whereby GDOT served 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 was constructed under a Design-Build-Finance project delivery methodology. The selected developer was Northwest Express Roadbuilders (NWER), a joint venture between Archer Western Contractors, LLC and Hubbard Construction Company.

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 were repaid fully at final acceptance of the Project.

STATE ROAD AND TOLLWAY AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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.

I-75 South Metro Express Lanes

The I-75 South Metro Express Lanes are reversible toll lanes that run 12 miles along 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.

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.

NOTE 9 – SUBSEQUENT EVENTS

For the Authority's fiscal year 2020, ended June 30, 2020, the Authority forecasted a total of approximately 25.8 million toll transactions or trips across the Georgia Express Lane System, which includes the Authority's I-75 South Express Lanes Project, and a forecasted toll revenue amount of \$45.6 million.

At this point, the Authority has estimated toll revenues to decline by approximately \$12.8 million or 28% during fiscal year 2020 as a result of the COVID-19 pandemic. From a toll trips perspective, the Authority began to see toll lane usage declines beginning the second week of March. By mid-March trips had declined approximately 50% from normal pre-COVID levels. As the public followed the social distancing and shelter in place orders implemented at the State and local levels, a steady and steep decline continued culminating in an 81% decline in Express Lane trips the week of April 12. Since mid-April the Authority has experienced a slight but noticeable increases in trips. Since the beginning of May there is a definitive quantifiable increase; however, trip volume is still down approximately 75% from normal levels.

Because the Authority's Express Lane system is dynamically priced based on congestion, the decline in revenues has outpaced the decline in trips. Revenues were down 90% from expected revenue levels during the period from mid-March to mid-May. Revenue recovery is projected to lag behind the increase in trip volume as many commuters continue to telework and we enter the traditional end of the school year, which historically results in less congestion.

To respond to the challenges, the Authority has implemented numerous operational changes designed to protect the health and well-being of its staff and customers as well as to increase awareness of the various mandates and guidelines issued from federal and state authorities. Actions that have been taken include:

- The Authority established an internal COVID-19 Taskforce at the beginning of March to stay abreast of the latest information available from the Georgia Department of Public Health and the Centers for Disease Control and Prevention to guide every operational decision.
- On March 18, 2020, the Authority temporarily closed its four Peach Pass/Xpress Customer walk-up/retail locations and will reopen them one by one for in person transactions as each has new protective barriers installed for the safety of our staff and our customers. The Authority is also eliminating cash transactions at three of its centers that are co-located at Department of Driver Services (DDS) in order for those locations to become contact-free. Even with these temporary closures, business transactions that were possible before the pandemic could all be accomplished online or over the phone.

STATE ROAD AND TOLLWAY AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

The Authority also took the following steps related to Peach Pass violators (i.e. those who use the system but failed to pay the toll):

- Granting extensions to payment plans on a month to month basis when asked by a violator or when a violator advises they are having a problem making payment.
- Effective March 16, 2020, temporarily stopped suspending vehicle registrations for those people who have defaulted on their payment plans. The Authority does not intend to discontinue suspension of vehicle registrations until after the crisis is over and notice is provided to the violators with an opportunity to cure.

The Authority projects a protracted recovery period for toll revenues and is therefore implementing multiple strategies to address the anticipated lower revenue levels in fiscal year 2021. Specifically, the Authority already has in place or is in the process of the following, among others:

- Submitted, as directed by the Governor of the State of Georgia, proposals for a 14% across-the-board reduction in appropriated state revenues.
- Reviewing all operational and capital projects to determine whether projects should be reduced in scope, delayed in their implementation, or suspended altogether.
- Suspending all non-essential travel and in-person training.
- Instituting a salary freeze for all state positions.

On June 1, 2020, the Authority caused \$10,773,505 to be deposited in an irrevocable escrow account (the "Escrow Fund") with The Bank of New York Mellon Trust Company, N.A., as escrow agent (the "Escrow Agent") under an Escrow Deposit Agreement dated June 1, 2020 (the "Escrow Deposit Agreement") among the Authority, the Escrow Agent and The Bank of New York Mellon Trust Company, N.A., as trustee under a Master Trust Indenture, dated as of June 1, 2014 (the "Indenture").

Pursuant to the Indenture, the Authority previously issued \$4,946,893 original aggregate principal amount of its 6.25% Toll Revenue Bonds (I-75 South Express Lanes Project), Series 2014A (Capital Appreciation Bonds), maturing June 1, 2024 (the "6.25% CABs") and \$3,926,594 original aggregate principal amount of its 6.75% Toll Revenue Bonds (I-75 South Express Lanes Project), Series 2014A (Capital Appreciation Bonds), maturing June 1, 2034 (the "6.75% CABs") (collectively, the "2014A Bonds").

The Escrow Deposit Agreement directs the Trustee initially to invest the funds on deposit in the Escrow Fund in certain U.S. Treasury obligations. Funds to be received from such investments and any cash in the Escrow Fund are required to be applied to the mandatory sinking fund redemption requirements on the 6.25% CABs through June 1, 2024. Amounts remaining on deposit in the Escrow Fund on June 1, 2024 (after the payment of the remaining 6.25% CABs at maturity) are required to be used to redeem a portion of the 6.75% CABs.

Although the Authority intends that the funds on deposit in the Escrow Fund will be sufficient to make the payments described above, such deposit and the transactions contemplated by the Escrow Deposit Agreement do not constitute a defeasance of any Series 2014A Bonds in accordance with the Indenture. The Series 2014A Bonds will remain Outstanding (as defined in the Indenture) on and after the deposits to the Escrow Fund, until actually paid or redeemed.

SUPPLEMENTARY INFORMATION

STATE ROAD AND TOLLWAY AUTHORITY
COMBINING SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
OTHER ROADWAYS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	I-75 Northwest Corridor Express Lanes Fund	I-85 Express Lanes Fund	I-85 Extension Express Lanes Fund	Total Other Roadways
OPERATING REVENUES				
User Fees				
Electronic Tolls	\$ 9,730,133	\$ 21,097,275	\$ 551,469	\$ 31,378,877
OPERATING EXPENSES				
Personnel Services	5,967,209	3,219,436	4,595,700	13,782,345
Publications, Supplies and Materials	146,673	168,143	96,492	411,308
Repairs and Maintenance	39,560	39,660	31,708	110,928
Utilities, Rents, Insurance	301,155	275,891	223,358	800,404
Other Operating Expenses	266,254	252,780	155,532	674,566
Contracts	458,406	3,796,449	358,320	4,613,175
Software/Telecom	289,131	285,031	229,361	803,523
Depreciation	3,746,643	298,909	2,551,613	6,597,165
Total Operating Expenses	11,215,031	8,336,299	8,242,084	27,793,414
Operating Income (Loss)	(1,484,898)	12,760,976	(7,690,615)	3,585,463
NONOPERATING REVENUES (EXPENSES)				
Interest and Investment Revenue	716,211	436,770	12,434	1,165,415
Roadway Improvements Revenue from GDOT	3,670,479	-	-	3,670,479
Roadway Improvements	(25,362,217)	-	-	(25,362,217)
Bond and Loan Interest Expense	(9,561,869)	-	-	(9,561,869)
Total Nonoperating Revenues (Expenses)	(30,537,396)	436,770	12,434	(30,088,192)
Income (Loss) Before Capital Contributions and Transfers	(32,022,294)	13,197,746	(7,678,181)	(26,502,729)
CAPITAL CONTRIBUTIONS				
Georgia Department of Transportation (GDOT)	4,868,765	-	4,615,628	9,484,393
TRANSFERS				
Transfers In	7,449,321	-	5,139,003	12,588,324
Transfers Out	-	(5,139,003)	-	(5,139,003)
Total Transfers	7,449,321	(5,139,003)	5,139,003	7,449,321
Changes in Net Position	(19,704,208)	8,058,743	2,076,450	(9,569,015)
Total Net Position - Beginning of Year	(218,586,779)	18,681,583	8,304,810	(191,600,386)
Total Net Position - End of Year	\$ (238,290,987)	\$ 26,740,326	\$ 10,381,260	\$ (201,169,401)

STATE ROAD AND TOLLWAY AUTHORITY
SCHEDULE OF CHANGES IN REVENUE BONDS PAYABLE AND LOANS PAYABLE
ALL ROADWAYS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	Balance July 1, 2018	Additions	Deductions	Balance June 30, 2019	Due Within One Year
Revenue Bonds Payable	\$ 34,131,157	\$ 2,368,543	\$ -	\$ 36,499,700	\$ 848,231
Loans Payable	<u>256,697,882</u>	<u>45,949,013</u>	<u>35,000,000</u>	<u>267,646,895</u>	<u>-</u>
	<u>\$ 290,829,039</u>	<u>\$ 48,317,556</u>	<u>\$ 35,000,000</u>	<u>\$ 304,146,595</u>	<u>\$ 848,231</u>

COMPLIANCE SECTION



DEPARTMENT OF AUDITS AND ACCOUNTS

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

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

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Independent Auditor's Report

The Honorable Brian P. Kemp, Governor of Georgia
Members of the General Assembly of the State of Georgia
Members of the Board of State Road and Tollway 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 Statement of Revenues, Expenditures, and Changes in Net Position of the I-75 South Metro Express Lanes Fund and the Other Roadways of the State Road and Tollway Authority (Authority), for the year ended June 30, 2019, and the related notes, (the financial statement), and have issued our report thereon dated September 14, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, 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 statement, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying *Schedule of Findings and Questioned Costs* as item FS-927-19-01, that we consider to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Authority's Response to Findings

The Authority's response to the finding 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 statement 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,

A handwritten signature in black ink, appearing to read "Greg S. Griffin". The signature is fluid and cursive, with a horizontal line extending from the end.

Greg S. Griffin
State Auditor

September 14, 2020

STATE ROAD AND TOLLWAY AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

FS-927-19-01 Improve Controls over Financial Reporting

Internal Control Impact:	Material Weakness
Compliance Impact:	None
Repeat of Prior Year Finding:	FS-927-18-01 (repeat)
	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 financial statements in a timely manner.

Background Information:

As part of our fiscal year 2019 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 transitioned from its existing general ledger reporting system to the State's Enterprise Financial System (TeamWorks) during fiscal year 2019, 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 financial statements. Additionally, the Authority was unable to complete financial statements and note disclosures in a timely manner. 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:

Management was unable to perform its fiscal year-end close processes in a timely manner in order to report its current year activity in the State's fiscal year 2019 Comprehensive Annual Financial Report. Although SRTA transitioned to a new general ledger reporting system during fiscal year 2019, SRTA continued to use MS Excel spreadsheets and other tools (End User Developed Applications, or EUDAs) to manually create year-end financial reports. Multiple material financial statement adjustments were proposed and accepted by Management.

Cause:

Staff turnover, staff inexperience, and a difficult implementation of TeamWorks accounting system contributed to the errors and the financial statements not being completed timely. Staff need to be better trained on accounting policies, procedures and fundamentals. Overreliance on post-closing adjustments and end-user application tools to correct and develop the financial statements contributed to the errors and the financial statements not being completed timely.

Effect:

Without effective internal controls surrounding the financial reporting process, the Authority cannot ensure its financial statements are complete, accurate, and timely. Preparing financial statements using EUDAs introduces additional risks to the financial statement preparation process. In addition to security concerns, lack of formal documentation describing the EUDA may result in loss of understanding of the EUDA environment when the person with this knowledge leaves the organization.

STATE ROAD AND TOLLWAY AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Recommendation:

The Authority should implement comprehensive financial statement preparation procedures to ensure that timely financial statements are complete and accurate. 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 complete, accurate and available to users in a timely manner. We also recommend the EUDA system be documented as it relates to the financial report, streamlined and automated to extent possible, to facilitate timely preparation of reports.

Views of Responsible Officials:

We concur.



STATE ROAD & TOLLWAY AUTHORITY

STATE OF GEORGIA

Brian P. Kemp, Governor
Chairman

Christopher Tomlinson
Executive Director

CORRECTIVE ACTION PLANS - FINANCIAL STATEMENT FINDING

FS-927-19-01 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 financial statements in a timely manner.

Corrective Action Plans:

Currently and going forward, the action of State Road and Tollway Authority's (SRTA) Finance Department is to develop and ensure the usage of fundamental accounting principles and competencies, along with the usage of best practice guidance, towards the effort of maintaining accurate and timely accounting data. Additional staff has been hired to aide in the efforts of improving accounting data recordkeeping and reduce the reliance of correction entries and post-closing adjustments. The installation of process governance and month-end checklists will help to ensure proper procedural steps are followed; and key chartfield data, such as fund, fund source, project, etc., is recorded correctly. Performing monthly reconciliations and reviews of account and other key data factors also need to be implemented and practiced routinely.

By improving accounting data recordkeeping and account ledger maintenance, a timely and accurate financial data set needed for the basis/foundation will be available to prepare and report timely and accurate financial statements and reporting. This will put the department in the best place it can be to improve and solidify the financial statement preparation process. SRTA is striving to use all resources available to assist with accounting record keeping efforts.

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