STATE ROAD & TOLLWAY AUTHORITY

A Component Unit of the State of Georgia

Annual Financial Report

For the fiscal year ended June 30, 2021

(Including Independent Auditor's Reports)

STATE ROAD AND TOLLWAY AUTHORITY

FINANCIAL REPORT
JUNE 30, 2021

TABLE OF CONTENTS

COMPLIANCE SECTION

FINANCIAL SECTION

DOAA
Georgia Department
of Audits & Accounts

Greg S. Griffin
State Auditor

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 Directors of the State Road and Tollway Authority
and
Mr. Christopher Tomlinson, Executive Director

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, 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, 2021, 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 Authority'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 Authority's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, and each major fund of the Authority as of June 30, 2021, 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, the Authority transferred Transit Operations, including the Xpress commuter bus service and administration of the vanpool program to the Atlanta-region Transit Link Authority (ATL). This transfer of operations eliminated the need for the Transit Fund; however, Authority management retained capital assets related to Transit Operations with the State Road and Tollway Authority that are now reported in governmental activities (General Fund). 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 and required supplementary information listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 31, 2022 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 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

March 31, 2022

Introduction

The *Management's Discussion and Analysis* (MD&A) of the State Road and Tollway Authority ("SRTA" or "the Authority") presents an overview and analysis of the Authority's financial activities for the fiscal year ended June 30, 2021. Comparative data is provided for fiscal year 2021 and fiscal year 2020. However, the comparative data for fiscal year 2020 is unaudited and is shown for illustrative purposes only. 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, 2021, the Authority's proprietary statements have the following funds:

- Transit Fund – accounts for transit activities, including the Xpress Commuter Bus Service. This fund and its related activities were transferred to the Atlanta-region Transit Link Authority (ATL) as a result of Georgia House Bill 930 (2020 Legislative Session). The Authority retained certain capital assets with a net book value of $92.3 million.
- 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, I-85 Extension Express Lanes and the I-75 Northwest Corridor Project Express Lanes. This fund also accounts for *tolling* activities related to the Major Mobility Investment Program (MMIP). Five (5) tolling facilities are under planning as part of that program.

As of June 30, 2021, 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. The Authority's total net position was $39.5 million on June 30, 2021. Of this amount, $168.2 million represents a deficit unrestricted net position while $98.6 million represents net position restricted for debt service and loan and grant programs.

- Changes in Net Position. The Authority's total net position decreased by $3.8 million in fiscal year 2021 compared to the balances reported in the prior year. This is most notably due to the transfer of Transit operations to ATL.

- Excess of Revenue over Expenses. During the fiscal year, the Authority's total revenues exceeded expenditures by $22.4 million. Much of this was due to a marked rebound in toll collection activity following the height of the COVID-19 pandemic. Additionally, intergovernmental revenue was recognized in partnership with GDOT as work progressed on various transportation projects, including the I-16 and I-95 Interchange project and the I-285 and SR-400 Interchange project.

Fund Level

- Governmental Funds – Fund Balances. Governmental funds reported a combined ending fund balance of $737.0 million, increasing by $606.2 million from the prior year. The main contribution to this growth in fund balance is due to activity in current assets, including the receipt of GARVEE bond proceeds in the amount of $484.2 million, along with the recognition of premiums on bonds sold of $117.8 million.
- Governmental Funds – General and Transit Fund – Transfer of Assets. Pursuant to HB 930, the Xpress Commuter Bus Service and its operations were transferred to the Atlanta-region Transit Link Authority (ATL) on July 1, 2020. After this transfer was satisfied, the Transit Fund ceased accounting activity as a function of SRTA. Capital assets previously reported in the Transit Fund remained titled by SRTA and are now reflected in the General Fund for fiscal year 2021.
- Enterprise Funds – Net position. The enterprise funds ended the fiscal year with a total deficit net position of $189.1 million. This amount represents a decrease of $114.8 million from the prior year. Much of this decrease is attributed to the capital asset transfer from the Transit Fund to the General Fund, which eliminated $92.3 million in capital assets from proprietary fund(s).

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 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 tolling 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. Operations falling under business-type activities are primarily funded by toll revenues.

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

As shown in Table 1 below, the Authority reported a total net position of $39.5 million, which is comprised of $109.1 million in net investment in capital assets, $98.6 million in restricted net position, and an unrestricted portion of net position deficit of $168.2 million.

Table 1 - Net Position
As of June 30, 2021 and 2020

	June 30, 2021	June 30, 2020	Increase (Decrease)	% Change
Assets:				
Current and Other Assets	$ 1,227,079,263	$ 717,091,884	$ 509,987,379	71.1%
Net Capital Assets	138,744,271	140,448,392	(1,704,121)	-1.2%
Total Assets	1,365,823,534	857,540,276	508,283,258	59.2%
Deferred Outflows of Resources	4,108,045	4,504,690	(396,645)	-9%
Liabilities:				
Current Liabilities	311,499,850	327,717,184	(16,217,334)	-5%
Noncurrent Liabilities	1,015,399,650	572,377,482	443,022,168	77%
Total Liabilities	1,326,899,500	900,094,666	426,804,834	47%
Deferred Inflows of Resources	3,524,793	5,217,986	(1,693,193)	-32%
Net Position:				
Net Investment in Capital Assets	109,130,847	136,155,021	(27,024,174)	-20%
Restricted	98,605,765	252,300,632	(153,694,867)	-61.0%
Unrestricted	(168,229,326)	(345,187,967)	176,958,641	51.3%
Total Net Position	$ 39,507,286	$ 43,267,686	$ (3,760,400)	-8.7%

Current and long-term assets increased by $439.0 million year-over-year. As stated previously, the Authority experienced a large increase in assets as a direct result of net proceeds related to its Series 2020 GARVEE bond sale, yielding $484.2 million in proceeds and $117.8 million in premiums for various capital transportation projects. This effect also heavily increased restricted net position and long-term liabilities amount(s).

During the fiscal year, the Authority transferred capital assets from the Transit fund (related to the ATL) to the General fund totaling $93.2 million. The Authority acquired $21.3 million in capital assets during the year. Depreciation expense recognized during the year totaled $23.0 million, resulting in an overall decrease to capital assets of $1.7 million. Excluding the asset transfer, capital assets in Governmental Activities and Business-Type Activities increased $916.3 thousand and decreased $2.6 million, respectively.

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 2021. Consistent with the prior year, the Authority received the majority of its $293.2 million in revenues from toll revenue, capital contributions and intergovernmental revenue for capital projects and debt service. Expenses during fiscal year 2021 were $270.8 million with the decrease over the prior year driven largely by the transfer of transit operations to the ATL. Excess revenues over expenses and other items, results in a total net position decrease of $3.8 million.

Table 2 - Changes in Net Position
For the Years Ended June 30, 2021 and 2020

	2021	2020
Revenue	$ 293,209,715	$ 478,558,112
Expenses	270,783,040	503,260,599
Income (Loss)	22,426,675	(24,702,487)
General Revenue (Expenses), and Special Item	(26,187,075)	(131,218,214)
Change in Net Position, before Transfers	(3,760,400)	(155,920,701)
Transfers	-	36,492,286
Change in Net Position	(3,760,400)	(119,428,415)
Net Position, Beginning	43,267,686	162,696,101
Net Position, Ending	$ 39,507,286	$ 43,267,686

Capital Assets and Debt Administration

Capital Assets

The Authority's capital assets decreased by $1.7 million during the year. The change mostly consists of a decrease in machinery and equipment of $20.5 million, which is from depreciation on the Xpress commuter coach fleet. Some of these highlights included the acquisition of additional land for future Xpress system Park and Ride lots, the acquisition of additional capital infrastructure equipment for tolling operations, and ongoing construction in progress on tolling facilities and governmental infrastructure.

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, 2021 and 2020

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Land	$ 22,766,680	$ 3,862,013	$ -	$ 16,549,236	$ 22,766,680	$ 20,411,249
Construction in Progress	7,876,985	-	19,768,676	15,716,605	27,645,661	15,716,605
Buildings	10,673,348	-	-	10,939,518	10,673,348	10,939,518
Machinery and Equipment	43,553,318	403,723	21,500,688	85,194,098	65,054,006	85,194,098
Infrastructure	12,604,576	-	-	7,783,199	12,604,576	7,783,199
Total	$ 97,474,907	$ 4,265,736	$ 41,269,364	$ 136,182,656	$ 138,744,271	$ 140,448,392

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.

At the end of the fiscal year, the Authority had $552.1 million in total outstanding governmental bonded debt and $39.5 million in outstanding business-type bonded debt.

Total governmental bonds payable, including premiums, increased $601.9 million. This recognizes the additional 2020 GARVEE bond sale, along with ongoing debt service of existing GARVEE and Guaranteed Revenue debt.

At the end of the fiscal year, the Authority's business-type activities had $343.0 million in total outstanding debt. TIFIA loans payable related to the Northwest Corridor Express Lanes project totaled $290.2 million, while revenue bonds payable related to the I-75 South Express Lanes totaled $39.5 million. The Authority accreted interest of $10.7 million on the TIFIA loan and accreted interest of $2.6 million for Toll Revenue Bonds during fiscal year 2021.

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
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

	Primary Government		
ASSETS	**Governmental Activities**	**Business-type Activities**	**Total**
Current Assets:			
Cash and Cash Equivalents	$ 19,569,469	$ 54,450,903	$ 74,020,372
Restricted Cash and Cash Equivalents	976,694,423	86,494,109	1,063,188,532
Accounts Receivable, Net	879,466	1,732,641	2,612,107
Loans Receivable, Net - Restricted	1,104,320	-	1,104,320
Intergovernmental Receivables	675,773	-	675,773
Due From Other Funds	-	982,495	982,495
Inventories	675	-	675
Other Current Assets	-	136,423	136,423
Total Current Assets	998,924,126	143,796,571	1,142,720,697
Noncurrent Assets:			
Long Term Receivable	67,975,000	-	67,975,000
Long Term Loan Receivable, Net - Restricted	15,780,616	-	15,780,616
Net OPEB/SEAD assets	72,695	530,255	602,950
Capital Assets, Non-Depreciable	30,643,665	19,768,678	50,412,343
Capital Assets, Depreciable (Net of Accumulated Depreciation)	66,831,242	21,500,686	88,331,928
Total Noncurrent Assets	181,303,218	41,799,619	223,102,837
Total Assets	1,180,227,344	185,596,190	1,365,823,534
DEFERRED OUTFLOWS OF RESOURCES			
Related to Defined Benefit Pension Plans	271,663	1,981,563	2,253,226
Related to Defined Benefit OPEB/SEAD Plans	223,628	1,631,191	1,854,819
Total Deferred Outflows of Resources	495,291	3,612,754	4,108,045
LIABILITIES			
Current Liabilities:			
Accounts Payable	1,150,462	7,136,139	8,286,601
Contracts Payable	28,806,604	-	28,806,604
Accrued Liabilities	-	28,548	28,548
Accrued Interest Payable	1,556,525	-	1,556,525
Intergovernmental Payable	3,525,000	578,015	4,103,015
Due to Other Funds	-	982,495	982,495
Unearned Revenues	244,184,287	23,551,775	267,736,062
Total Current Liabilities	279,222,878	32,276,972	311,499,850
Noncurrent Liabilities:			
Net Pension Liability	1,375,459	10,032,912	11,408,371
Net OPEB Liability	364,962	2,662,122	3,027,084
Due Within One Year	78,172,746	2,196,006	80,368,752
Due in More Than One Year	592,201,470	328,393,973	920,595,443
Total Noncurrent Liabilities	672,114,637	343,285,013	1,015,399,650
Total Liabilities	951,337,515	375,561,985	1,326,899,500
DEFERRED INFLOWS OF RESOURCES			
Related to Defined Benefit OPEB/SEAD Plans	373,467	2,724,158	3,097,625
Deferred Gains from Refunding of Debt	427,168	-	427,168
Total Deferred Inflows of Resources	800,635	2,724,158	3,524,793
NET POSITION			
Net Investment in Capital Assets	68,668,303	40,462,544	109,130,847
Amounts Restricted:			
Loan and Grant Programs	79,151,541	-	79,151,541
Debt Service	16,241,583	2,609,691	18,851,274
Other Benefits	72,695	530,255	602,950
Unrestricted (Deficit)	64,450,363	(232,679,689)	(168,229,326)
Total Net Position	$ 228,584,485	$ (189,077,199)	$ 39,507,286

The accompanying notes are an integral part of these financial statements.

STATE ROAD AND TOLLWAY AUTHORITY

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

		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	$ 37,812,302	$ 95,259	$ -	$ -	$ (37,717,043)	$ -	$ (37,717,043)
Roadway Improvements per GDOT MOU	174,878,402	-	-	242,330,049	67,451,647	-	67,451,647
Debt Service							
Interest on Long-Term Debt	6,586,730	-	-	-	(6,586,730)	-	(6,586,730)
Total Governmental Activities	219,277,434	95,259	-	242,330,049	23,147,874	-	23,147,874
Business-type activities:							
Tolling	42,467,269	27,655,583	15,519,373	-	-	707,687	707,687
I-75S	9,038,337	4,102,466	3,506,985	-	-	(1,428,886)	(1,428,886)
Transit	-	-	-	-	-	-	-
Total Business-Type Activities	51,505,606	31,758,049	19,026,358	-	-	(721,199)	(721,199)
Total	$ 270,783,040	$ 31,853,308	$ 19,026,358	$ 242,330,049	23,147,874	(721,199)	22,426,675
General Revenues							
Other Revenues					172,978	-	172,978
Unrestricted Investment Earnings					673,491	279,370	952,861
Special Items					87,005,115	(114,318,029)	(27,312,914)
Total General Revenues and Special Items					87,851,584	(114,038,659)	(26,187,075)
Change in Net Position					110,999,458	(114,759,858)	(3,760,400)
Net Position - Beginning of Year					117,585,027	(74,317,341)	43,267,686
Net Position - End of Year					$ 228,584,485	$ (189,077,199)	$ 39,507,286

The accompanying notes are an integral part of these financial statements.

STATE ROAD AND TOLLWAY AUTHORITY

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2021

ASSETS	General Fund	GTIB Fund	Debt Service Fund	Total Governmental Funds
Current Assets:				
Cash and Cash Equivalents	$ 14,460,046	$ 1,416,763	$ 3,692,660	$ 19,569,469
Restricted Cash and Cash Equivalents	897,865,527	60,855,672	17,973,224	976,694,423
Accounts Receivable, Net	879,466	-	-	879,466
Loans Receivable, Net - Restricted	-	1,104,320	-	1,104,320
Intergovernmental Receivables	585,298	-	90,475	675,773
Inventory	675	-	-	675
Noncurrent Assets:				
Loans Receivable, Net - Restricted	-	15,780,616	-	15,780,616
Total Assets	$ 913,791,012	$ 79,157,371	$ 21,756,359	$ 1,014,704,742
LIABILITIES				
Accounts Payable	$ 1,138,549	$ 5,830	$ 6,083	$ 1,150,462
Contracts Payable	28,806,604	-	-	28,806,604
Unearned Revenue	244,184,287	-	-	244,184,287
Intergovernmental Payable	-	-	3,525,000	3,525,000
Total Liabilities	274,129,440	5,830	3,531,083	277,666,353
FUND BALANCES				
Nonspendable				
Restricted:				
Loans and Grant Programs & Receivables	-	78,477,049	-	78,477,049
Debt Service	-	-	18,225,276	18,225,276
Capital and Transportation Projects	600,042,035	-	-	600,042,035
Assigned	7,529,699	674,492	-	8,204,191
Unassigned	32,089,838	-	-	32,089,838
Total Fund Balances	639,661,572	79,151,541	18,225,276	737,038,389
Total Liabilities and Fund Balances	$ 913,791,012	$ 79,157,371	$ 21,756,359	$ 1,014,704,742

Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	
Cost of capital assets	181,745,723
Accumulated depreciation	(84,270,816)
Other long-term assets are not available to pay for current period expenditures and, therefore, not reported in the funds	67,975,000
Certain liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	
Long-term liabilities	(670,230,201)
Compensated absences	(144,015)
Net pension and OPEB liabilities/assets	(1,667,726)
Accrued interest payable	(1,556,525)
Deferred inflows/outflows of resources are not available to pay for current period expenditures and, therefore, are not reported in the funds. These deferred inflows of resources consist of pension related experience differences, and assumption changes.	(305,344)
Net Position of Governmental Activities	$ 228,584,485

STATE ROAD AND TOLLWAY AUTHORITY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

	General Fund	GTIB Fund	Debt Service Fund	Total Governmental Funds
REVENUES				
Charges for Services	$ 86	$ 95,173	$ -	$ 95,259
Federal Indirect from GDOT	-	-	106,953,975	106,953,975
Intergovernmental Income	210,940,450	9,858,733	74,036,891	294,836,074
Interest Revenue	136,210	439,757	97,524	673,491
Other Revenues	3,986	168,992	-	172,978
Total Revenues	211,080,732	10,562,655	181,088,390	402,731,777
EXPENDITURES				
Current:				
General Government	188,106	262,596	22,939,505	23,390,207
Infrastructure Loans and Grants Disbursed	-	9,618,297	-	9,618,297
Roadway Improvements per GDOT MOU	174,878,402	-	-	174,878,402
Capital Outlay	2,403,191	-	-	2,403,191
Debt Service:				
Principal	-	-	159,460,000	159,460,000
Interest	-	-	21,530,867	21,530,867
Cost of Issuance	1,907,832	-	-	1,907,832
Total Expenditures	179,377,531	9,880,893	203,930,372	393,188,796
Excess of Revenues Over (Under) Expenditures	31,703,201	681,762	(22,841,982)	9,542,981
OTHER FINANCING SOURCES (USES)				
Proceeds From Issuance of Bonds	484,160,000	-	-	484,160,000
Premiums on Bonds Sold	117,789,867	-	-	117,789,867
Total Other Financing Sources (Uses)	601,949,867	-	-	601,949,867
SPECIAL ITEMS				
Movement of Transit Activity to General Fund	(5,287,790)	-	-	(5,287,790)
Total Special Items	(5,287,790)	-	-	(5,287,790)
Net Change in Fund Balances	628,365,278	681,762	(22,841,982)	606,205,058
Fund Balances, Beginning of Year	11,296,294	78,469,779	41,067,258	130,833,331
Fund Balances, End of Year	$ 639,661,572	$ 79,151,541	$ 18,225,276	$ 737,038,389

STATE ROAD AND TOLLWAY AUTHORITY

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE FISCAL YEAR ENDED JUNE 30, 2021

Total Net Change in Fund Balances - Governmental Funds	$	606,205,058
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.		
Capital Outlay		12,863,450
Depreciation Expense		(11,947,183)
Transfer of capital assets from Transit Fund		92,292,905
Repayment of long-term debt is reported as an expenditure in governmental funds, but the repayment reduces log-term liabilites in the Statement of Net Position. In the current year, these amounts consist of:		
Bonds Principal Retirement		159,460,000
Bonds Issued		(484,160,000)
Premium on Bonds Issued		(117,789,867)
Debt Service Receivable (GDOT) Adjustment		(159,460,000)
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. The adjustments for these items are as follows:		
Amortization of Premium		14,360,440
Amortization of Deferral of Gain on Refunding of Bonds		142,389
Accrued Interest on Debt		441,308
(Increase) Decrease in Compensated Absences		(109,836)
Net (Increase) Decrease in Pension and OPEB Expense		(1,299,206)
Change in Net Position of Governmental Activities	$	110,999,458

STATE ROAD AND TOLLWAY AUTHORITY

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2021

	Proprietary Funds Tolling Fund	Proprietary Funds I-75S Fund	Proprietary Funds Transit Fund	Totals
ASSETS				
CURRENT ASSETS				
Cash and Cash Equivalents	$ 53,795,538	$ 655,365	$ -	$ 54,450,903
Restricted Cash and Cash Equivalents	66,292,775	20,201,334	-	86,494,109
Accounts Receivable, Net	-	1,732,641	-	1,732,641
Inventories	125,920	-	-	125,920
Due From Other Funds	-	982,495	-	982,495
Other Current Assets	10,503	-	-	10,503
Total Current Assets	120,224,736	23,571,835	-	143,796,571
NONCURRENT ASSETS				
Net OPEB/SEAD Asset	466,831	63,424	-	530,255
Capital Assets:				
Nondepreciable	19,010,768	757,910	-	19,768,678
Depreciable, Net of Accumulated Depreciation	19,564,954	1,935,732	-	21,500,686
Total Noncurrent Assets	39,042,553	2,757,066	-	41,799,619
Total Assets	159,267,289	26,328,901	-	185,596,190
DEFERRED OUTFLOWS OF RESOURCES				
Related to Defined Benefit Pension Plans	1,744,547	237,016	-	1,981,563
Related to Defined Benefit OPEB and SEAD Plans	1,436,083	195,108	-	1,631,191
Total Deferred Outflows of Resources	3,180,630	432,124	-	3,612,754
LIABILITIES				
CURRENT LIABILITIES				
Accounts Payable	7,136,139	-	-	7,136,139
Unearned Revenue	22,877,150	674,625	-	23,551,775
Accrued Liabilities	28,548	-	-	28,548
Compensated Absences	473,576	64,592	-	538,168
Revenue Bonds Payable	-	1,657,838	-	1,657,838
Intergovernmental Payable	574,260	3,755	-	578,015
Due to Other Funds	982,495	-	-	982,495
Total Current Liabilities	32,072,168	2,400,810	-	34,472,978
NONCURRENT LIABILITIES				
Compensated Absences	315,718	43,060	-	358,778
Loan Payable	290,169,340	-	-	290,169,340
Revenue Bonds Payable	-	37,865,855	-	37,865,855
Net Pension Liability	8,832,867	1,200,045	-	10,032,912
Net OPEB liability	2,343,703	318,419	-	2,662,122
Total Noncurrent Liabilities	301,661,628	39,427,379	-	341,089,007
Total Liabilities	333,733,796	41,828,189	-	375,561,985
DEFERRED INFLOWS OF RESOURCES				
Related to Defined Benefit OPEB and SEAD Plans	2,398,319	325,839	-	2,724,158
Total Deferred Inflows of Resources	2,398,319	325,839	-	2,724,158
NET POSITION				
Net Investment in Capital Assets	38,575,722	1,886,822	-	40,462,544
Debt Service	-	2,609,691	-	2,609,691
Other Benefits	466,831	63,424		530,255
Unrestricted (Deficit)	(212,726,749)	(19,952,940)	-	(232,679,689)
Total Net Position	$ (173,684,196)	$ (15,393,003)	$ -	$ (189,077,199)

STATE ROAD AND TOLLWAY AUTHORITY

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION - PROPRIETARY FUNDS FOR THE FISCAL YEAR ENDED JUNE 30, 2021

	Major Proprietary Funds			
	Tolling Fund	I-75S Fund	Transit Fund	Totals
OPERATING REVENUES				
Electronic Tolls	$ 24,021,884	$ 3,484,219	$ -	$ 27,506,103
Intergovernmental Revenues	15,519,373	3,506,985	-	19,026,358
Miscellaneous	29,352	18,563	-	47,915
Violation Administration Fees	3,604,347	599,684	-	4,204,031
Total Operating Revenues	43,174,956	7,609,451	-	50,784,407
OPERATING EXPENSES				
Personnel Services	8,022,235	1,493,285	-	9,515,520
Publications, Supplies and Materials	530,140	136,670	-	666,810
Repairs and Maintenance	142,543	18,550	-	161,093
Utilities, Rents, Insurance	916,302	192,762	-	1,109,064
Other Operating Expenses	1,437,854	102,979	-	1,540,833
Contracts	10,349,706	1,296,445	-	11,646,151
Software/Telecom	2,206,401	303,449	-	2,509,850
Depreciation	8,169,563	2,845,635	-	11,015,198
Total Operating Expenses	31,774,744	6,389,775	-	38,164,519
Operating Income (Loss)	11,400,212	1,219,676	-	12,619,888
NONOPERATING REVENUES (EXPENSES)				
Interest and Investment Revenue	272,106	7,264	-	279,370
Bond and Loan Interest Expense	(10,692,525)	(2,648,562)	-	(13,341,087)
Total Nonoperating Revenues (Expenses)	(10,420,419)	(2,641,298)	-	(13,061,717)
Income (Loss) Before Contributions and Transfers	979,793	(1,421,622)	-	(441,829)
SPECIAL ITEMS				
Intergovernmental Expenses - Release of Funds to ATL	-	-	(27,312,914)	(27,312,914)
Movement of Transit Operations to Governmental Activities	-	-	(92,292,905)	(92,292,905)
Movement of Transit Activity to General Fund	-	-	5,287,790	5,287,790
Total Special Items	-	-	(114,318,029)	(114,318,029)
Change in Net Position	979,793	(1,421,622)	(114,318,029)	(114,759,858)
NET POSITION, Beginning of Year	(174,663,989)	(13,971,381)	114,318,029	(74,317,341)
NET POSITION, End of Year	$ (173,684,196)	$ (15,393,003)	$ -	$ (189,077,199)

STATE ROAD AND TOLLWAY AUTHORITY

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

	Major Proprietary Funds			
	Tolling Fund	I-75S Fund	Transit Fund	Totals
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from Customers and Users	$ 19,272,941	$ 2,649,876	$ -	$ 21,922,817
Receipts from Intergovernmental Agencies	20,989,517	3,506,985	-	24,496,502
Payments to Suppliers	(12,675,779)	(2,865,876)	-	(15,541,655)
Payments to Employees	(6,761,470)	(1,134,371)	-	(7,895,841)
Net Cash Provided by (Used In) Operating Activities	20,825,209	2,156,614	-	22,981,823
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers (to) from Other Funds	-	3,755	(23,593,584)	(23,589,829)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition and Construction of Capital Assets	(8,394,812)	-	-	(8,394,812)
Principal Paid on Revenue Bonds Payable	-	(1,305,314)	-	(1,305,314)
Net Cash Used In Capital and Related Financing Activities	(8,394,812)	(1,305,314)	-	(9,700,126)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest Received	272,106	7,264	-	279,370
Net Increase (Decrease) in Cash and Cash Equivalents	12,702,503	862,319	(23,593,584)	(10,028,762)
Cash and Cash Equivalents Balances				
Beginning of Year	107,385,810	19,994,380	23,593,584	150,973,774
End of Year	$ 120,088,313	$ 20,856,699	$ -	$ 140,945,012
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES				
Operating Income (Loss)	$ 11,400,212	$ 1,219,676	$ -	$ 12,619,888
Adjustments to Reconcile Operating Income (Loss)				
By Operating Activities				
Depreciation Expense	8,169,563	2,845,636	-	11,015,199
Changes in Deferred Inflows/Outflows of Resources				
Deferred Inflows of Resources	(595,556)	(19,460)	-	(615,016)
Deferred Outflows of Resources	(294,734)	(99,278)	-	(394,012)
Net Pension/OPEB Liability	2,344,691	499,836	-	2,844,527
Net OPEB/SEAD Asset	(109,263)	(22,184)	-	(131,447)
Changes in Net Assets and Liabilities				
Receivables, Net	(2,094,555)	(470,095)	-	(2,564,650)
Due from Other Funds	982,495	(982,495)	-	-
Accounts Payable	2,907,167	(812,757)	-	2,094,410
Accrued Liabilities	(84,374)	(2,265)	-	(86,639)
Intergovernmental Payable	495,809	-	-	495,809
Unearned Revenues	(2,296,246)	-	-	(2,296,246)
Net Cash Provided by (Used In) Operating Activities	$ 20,825,209	2,156,614	$ -	$ 22,981,823
NONCASH ACTIVITY FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Capitalization of Accrued Interest Expense	$ (10,692,525)	$ (2,648,562)	$ -	$ (13,341,087)
Movement of Operations to Governmental Activities	-	-	(92,292,905)	(92,292,905)
Net Noncash Capital and Related Financing Activities	$ (10,692,525)	(2,648,562)	$ (92,292,905)	$ (105,633,992)

The accompanying notes are an integral part of these financial statements.

SRTA

STATE ROAD & TOLLWAY AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS INDEX

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 2021.

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. 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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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 activity related to non-Tolling Major Mobility and Investment Program (MMIP) projects as well as general governmental activities. In fiscal year 2021, the General Fund includes assets previously reported in the Transit Fund.

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.

<u>**Proprietary Funds**</u>

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).

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Tolling System Fund – 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, the I-75 Northwest Corridor Express Lanes and the toll facilities under planning for the Major Mobility Investment Program (MMIP).

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, which approximates fair value.

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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
Intagible assets, other than software	$ 100,000
Buildings and building improvements	$ 100,000
Improvements other than buildings	$ 100,000
Machinery and equipment	$ 5,000

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 or proprietary funds.

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 Asset	Years
Infrastructure other than bridges and roadways	10-100
Software	3-10
Intagible assets, other than software	20
Buildings and building improvements	5-60
Improvements other than buildings	15-50
Machinery and equipment	3-20

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 Peach Pass customers (Proprietary Fund) and funds received from GDOT (Governmental Fund).

For prepaid tolls, revenue is recognized when Peach Pass customers use a toll facility, and a toll is applied to their account.

GDOT provides roadway improvement revenue for non-tolling projects throughout a fiscal year for anticipated project costs. Revenue received from GDOT is recognized as expenses are incurred and paid to vendors. Unspent funds are available for use in a future period.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 360 hours. Employees are paid for unused accumulated annual leave upon retirement or termination of employment. Funds are budgeted and allocated 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 720 hours. 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 960 hours 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2021.

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 Post-Employment 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Interfund Activity and Balances

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.

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.

NOTE 2 – CHANGES IN FINANCIAL ACCOUNTING AND REPORTING

A. Implementation of New Accounting Standards

In fiscal year 2021, the Authority early implemented the following applicable new GASB Statement:

GASB Statement No. 89, "Accounting for Interest Cost Incurred Before the End of a Construction Period."

The objectives of Statement No. 89 are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund.

B. Changes in Financial Reporting Entity

On July 1, 2020, as a result of HB 930 (2018 Legislation Session) and enacted in appropriations via HB 793 (2020 Legislative Session), the Authority transferred Transit Operations, including the Xpress commuter bus service and administration of the vanpool program to the Atlanta-region Transit Link Authority (ATL). This transfer of operations eliminated the need for the Transit Fund; however, Authority management opted to retain capital assets related to Transit Operations with the State Road and Tollway Authority. As such, a transfer of $163,628,704 in capital assets was transferred from proprietary activities (Transit Fund) to governmental activities (General Fund).

In addition to facilitating major mobility projects related to tolling facilities, the Authority also partners with GDOT on major multi-year non-Tolling projects statewide. These non-Tolling projects are accounted for in the Authority's General Fund, which is a change from previous fiscal years. In previous fiscal years, these non-Tolling projects were captured under the Authority's Tolling System Fund. Recognizing the need to segregate these expenses from tolling activities, management opted to move these activities to the General Fund in fiscal year 2019 and the preceding year(s) thereafter.

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

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, 2021.

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.

NOTE 4 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)

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, 2021, are classified in the accompanying financial statements as follows:

	Governmental Activities	Proprietary Funds	Total
Cash and Cash Equivalents	$ 19,569,469	$ 54,450,903	$ 74,020,372
Restricted Assets			
Cash and Cash Equivalents	976,694,423	86,494,109	1,063,188,532
Total Cash and Cash Equivalents	$ 996,263,892	$ 140,945,012	$ 1,137,208,904

Cash on hand and deposits as of June 30, 2021, consist of the following:

	Governmental Activities	Proprietary Funds	Total
Cash on Hand	$ 150	$ 800	$ 950
Deposits with Financial Institutions	7,898,821	37,771,243	45,670,064
Investments	617,513,328	52,104,185	669,617,513
Investments with Georgia Fund 1	370,851,593	51,068,784	421,920,377
Total Cash and Investments	$ 996,263,892	$ 140,945,012	$ 1,137,208,904

NOTE 5 – DEPOSITS AND INVESTMENTS (CONTINUED)

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 $421,920,377 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 36 days. Additional information on the Georgia Fund 1 is disclosed in the State of Georgia Annual Comprehensive Financial Report. This audited report can be obtained from the State Accounting Office at https://sao.georgia.gov/statewide-reporting/acfr.

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.

NOTE 5 – DEPOSITS AND INVESTMENTS (CONTINUED)

- 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, 2021.

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, 2021, the Authority's bank balances totaled $1.1 billion. Of these deposits, none were exposed to custodial credit risk.

NOTE 6 – RECEIVABLES

Receivables at June 30, 2021 consisted of the following:

	Notes and Loans	Other	Inter-governmental Receivables	Gross Receivables	Allowance for Uncollectibles	Total Receivables (Net)
Governmental Activities						
General fund	$ -	$ 879,466	$ 585,298	$ 1,464,764	$ -	$ 1,464,764
GTIB	16,884,936	-	-	16,884,936	-	16,884,936
Debt Service	-	-	90,475	90,475	-	90,475
Total - Governmental Funds	16,884,936	879,466	675,773	18,440,175	-	18,440,175
Long-term Receivable from GDOT			67,975,000	67,975,000	-	67,975,000
Total - Governmental Activities	$ 16,884,936	$ 879,466	$ 68,650,773	$ 86,415,175	$ -	$ 86,415,175
Business-type Activities						
I-75 South Metro Express Lanes	-	1,734,170	-	1,734,170	(1,529)	1,732,641
Total - Business-type Activities	$ -	$ 1,734,170	$ -	$ 1,734,170	$ (1,529)	$ 1,732,641

NOTE 7 – INTERFUND BALANCES

Interfund Receivables and Payables

Interfund receivable and payable balances at June 30, 2021 consist of the following:

Funds	Receivables	Payables	Total
Tolling Fund	$ -	$ (982,495)	$ (982,495)
I-75S Fund	982,495	-	982,495
Total	$ 982,495	$ (982,495)	$ -

Interfund receivables and payables result from collected toll revenue deposited in the tolling system fund related to unposted trips. During the reconciliation process, the unposted trips are identified by roadway and an interfund payable and receivable relationship is then set up to discern the amount of funds the I-75S roadway is owed from the tolling system fund. At that time, the appropriate bank transfers can occur.

NOTE 8 – CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2021 was as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Governmental Activities:					
Capital Assets Not Being Depreciated:					
Land	$ 3,862,013	$ 2,355,431	$ -	$ 16,549,236	$ 22,766,680
Construction in Progress	-	4,855,435	-	3,021,550	7,876,985
Total Capital Assets Not Being Depreciated	3,862,013	7,210,866	-	19,570,786	30,643,665
Capital Assets Being Depreciated:					
Buildings	-	-	-	11,799,637	11,799,637
Machinery and Equipment	1,391,556	-	-	110,485,427	111,876,983
Infrastructure	-	5,652,584	-	21,772,854	27,425,438
Total Capital Assets Being Depreciated	1,391,556	5,652,584	-	144,057,918	151,102,058
Less Accumulated Depreciation:					
Buildings	-	(266,170)	-	(860,119)	(1,126,289)
Machinery and Equipment	(987,833)	(10,849,806)	-	(56,486,026)	(68,323,665)
Infrastructure	-	(831,207)	-	(13,989,655)	(14,820,862)
Total Accumulated Depreciation	(987,833)	(11,947,183)	-	(71,335,800)	(84,270,816)
Total Capital Assets Being Depreciated, Net	403,723	(6,294,599)	-	72,722,118	66,831,242
Total Governmental Activities Capital Assets	$ 4,265,736	$ 916,267	$ -	$ 92,292,904	$ 97,474,907
Business-Type Activities:					
Capital Assets Not Being Depreciated:					
Land	$ 16,549,236	$ -	$ -	$ (16,549,236)	$ -
Construction in Progress	15,716,605	7,073,623	-	(3,021,550)	19,768,678
Total Capital Assets Not Being Depreciated	32,265,841	7,073,623	-	(19,570,786)	19,768,678
Capital Assets Being Depreciated:					
Buildings	11,799,637	-		(11,799,637)	-
Machinery and Equipment	182,573,573	1,321,189	-	(110,485,427)	73,409,335
Infrastructure	21,772,854	-	-	(21,772,854)	-
Computer Software	8,610,898	-	-	-	8,610,898
Total Capital Assets Being Depreciated	224,756,962	1,321,189	-	(144,057,918)	82,020,233
Less Accumulated Depreciation For:					
Buildings	(860,119)	-	-	860,119	-
Machinery and Equipment	(97,379,477)	(11,015,198)	-	56,486,026	(51,908,649)
Infrastructure	(13,989,655)	-	-	13,989,655	-
Computer Software	(8,610,898)	-	-	-	(8,610,898)
Total Accumulated Depreciation	(120,840,149)	(11,015,198)	-	71,335,800	(60,519,547)
Total Capital Assets Being Depreciated, Net	103,916,813	(9,694,009)	-	(72,722,118)	21,500,686
Total Business-Type Activities Capital Assets	$ 136,182,654	$ (2,620,386)	$ -	$ (92,292,904)	$ 41,269,364

NOTE 8 – CAPITAL ASSETS (CONTINUED)

Depreciation expense for the fiscal year ended June 30, 2021 was $11,947,183 and $11,015,198 respectively for Governmental Activities and Business-Type Activities. The total of depreciation expense in Governmental Activities was charged to the General Government function of the Authority. Of the $11,015,198 charged in Business-Type Activities, $8,169,563 was charged to Tolling Fund and $2,845,635 was charged to I-75 South Fund.

NOTE 9 – LONG-TERM LIABILITIES

Changes in long-term liabilities for the fiscal year ended June 30, 2021 are as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities					
Revenue Bonds Payable	$ 112,135,000	$ -	$ (48,675,000)	$ 63,460,000	$ 21,545,000
GARVEE Bonds Payable	115,300,000	484,160,000	(110,785,000)	488,675,000	36,020,000
Deferred amounts:					
Net Unamortized Premiums	14,665,774	117,789,867	(14,360,440)	118,095,201	20,521,337
Total Bonds Payable	242,100,774	601,949,867	(173,820,440)	670,230,201	78,086,337
Net OPEB liability	50,009	314,953	-	364,962	-
Net pension liability	204,545	1,170,914	-	1,375,459	-
Compensated absences	34,179	212,758	(102,922)	144,015	86,409
Governmental activity Long-term liabilities	$ 242,389,507	$ 603,648,492	$ (173,923,362)	$ 672,114,637	$ 78,172,746
Business-type activities					
Revenue Bonds Payable	$ 38,180,445	$ 2,648,562	$ (1,305,314)	$ 39,523,693	$ 1,657,838
Loans Payable	279,476,815	10,692,525	-	290,169,340	-
Net Pension Liability	10,424,474	-	(391,562)	10,032,912	-
Net OPEB liability	2,548,718	-	113,404	2,662,122	-
Compensated absences	1,109,010	439,313	(651,377)	896,946	538,168
Business-type activity Long-term liabilities	$ 331,739,462	$ 13,780,400	$ (2,234,849)	$ 343,285,013	$ 2,196,006

NOTE 9 – LONG-TERM LIABILITIES (CONTINUED)

Revenue Bonds

Governmental Activities

State of Georgia Guaranteed Revenue Refunding Bonds, Series 2016. On July 28, 2016, the Authority issued $19,265,000 of State of Georgia Guaranteed Revenue Refunding Bonds, Series 2016. Including bond premiums in the amount of $5,123,912, the bond proceeds amounted to $24,388,912. The bonds were issued for the purposes of (1) refunding $23,810,000 in outstanding principal of the State of Georgia Guaranteed Revenue Bonds, Series 2003 and (2) to pay a portion of the costs of issuance of the bonds. Interest on these bonds is payable semiannually on April 1 and October 1 of each year with an interest rate of 5%. These bonds mature on October 1, 2023. As of June 30, 2021, 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 $24,215,091 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, 2021, the outstanding principal balance is $44,195,000. 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 $24,215,091 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 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, 2021, the outstanding principal balances for the Series 2017A Grant Anticipation Revenue Bonds and the Series 2017A Reimbursement Revenue Bonds are $37,570,000 and $9,425,000 respectively. These bonds are pledged and payable solely from grant and reimbursement revenues received from the Federal Highway Administration. These bonds do not constitute a pledge of the faith and credit of the Authority or the State of Georgia.

NOTE 9 – LONG-TERM LIABILITIES (CONTINUED)

Grant Anticipation Revenue Bonds Series 2020 and Federal Reimbursement Revenue Bonds Series 2020. On December 22, 2020, the Authority issued Federal Highway Grant Anticipation Revenue Bonds Series 2020 and Federal Highway Reimbursement Revenue Bonds Series 2020 in the amounts of $387,355,000 and $96,805,000, 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 express lanes for certain segments of Interstate Highway 285 ("I-285") and State Route 400 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 June 1, 2021, with an interest rate of 5.00%. Principal on these bonds is payable on June 1, of each year, commencing on June 1, 2021, and maturing on June 1, 2032. As of June 30, 2021, the outstanding principal balances for the Series 2020 Grant Anticipation Revenue Bonds and the Series 2020 Federal Reimbursement Revenue Bonds are $353,370,000 and $88,310,000 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, 2021, the outstanding principal balance is $11,655,520. These bonds are pledged and payable solely from I-75 South Metro Express Lanes toll revenue.

NOTE 9 – LONG-TERM LIABILITIES (CONTINUED)

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, 2021, the outstanding principal balance is $27,868,173. These bonds are pledged and payable solely from I-75 South Metro Express Lanes toll revenue.

NOTE 9 – LONG-TERM LIABILITIES (CONTINUED)

Summary of Long-Term Debt

Revenue bonds outstanding as of June 30, 2021, are as follows:

Governmental Activities:			
Guaranteed Revenue Refunding Bonds, Series 2011B	Refunding of Guaranteed Revenue Bonds, Series 2003	5.00%	$ 44,195,000
Guranteed Revenue Refunding Bonds, Series 2016	Refunding of Guaranteed Revenue Bonds, Series 2003	5.00%	19,265,000
Grant Anticipation Revenue Bonds, Series 2017A	Improvement of roads and bridges	5.00%	37,570,000
Reimbursement Revenue Bonds, Series 2017A	Improvement of roads and bridges	4.00-5.00%	9,425,000
Grant Anticipation Revenue Bonds, Series 2020	Improvement of roads and bridges	5.00%	353,370,000
Reimbursement Revenue Bonds, Series 2020	Improvement of roads and bridges	5.00%	88,310,000
Total Governmental Activities			**$ 552,135,000**
Business-Type Activities:			
Transportation Revenue Bonds, Series 2014A	I-75S Metro Express Lanes	6.25-6.75%	$ 11,655,520
Transportation Revenue Bonds, Series 2014B	I-75S Metro Express Lanes	7.00%	27,868,173
Total Business-Type Activities			**$ 39,523,693**

NOTE 9 – LONG-TERM LIABILITIES (CONTINUED)

Debt Service Requirements

Governmental Activities

Annual debt service requirements to maturity for revenue bonds, GARVEE bonds, and notes and loans payable are as follows as of June 30, 2021:

Revenue Fiscal Year Payable	Total	Principal	Interest
2022	$ 24,179,375	$ 21,545,000	$ 2,634,375
2023	24,179,500	22,650,000	1,529,500
2024	19,746,625	19,265,000	481,625
	$ 68,105,500	$ 63,460,000	$ 4,645,500

GARVEE Fiscal Year Payable	Total	Principal	Interest
2022	$ 60,442,800	$ 36,020,000	$ 24,422,800
2023	60,431,800	37,810,000	22,621,800
2024	60,446,300	39,715,000	20,731,300
2025	60,441,500	41,685,000	18,756,500
2026	60,442,250	43,770,000	16,672,250
2027-2031	287,662,000	239,035,000	48,627,000
2032	53,172,000	50,640,000	2,532,000
	$ 643,038,650	$ 488,675,000	$ 154,363,650

NOTE 9 – LONG-TERM LIABILITIES (CONTINUED)

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

Total Principal in the schedule below includes accreted interest of $15,606,998 that is recorded on the financial statements as an increase to bonds payable as the interest accretes.

Fiscal Year Payable	Total	Principal	Interest
2022	$ 1,657,851	$ 1,657,851	$ -
2023	2,049,881	2,049,881	-
2024	2,405,000	2,405,000	-
2025	2,779,994	396,144	2,383,850
2026	3,127,626	743,776	2,383,850
2027-2031	17,996,569	6,077,319	11,919,250
2032-2036	18,632,075	6,806,975	11,825,100
2037-2041	18,636,250	8,845,000	9,791,250
2042-2046	18,632,100	12,400,000	6,232,100
2047-2049	11,488,020	10,029,920	1,458,100
Less: Unaccreted Capital Appreciation Bonds	11,888,173	11,888,173	-
	$ 85,517,193	$ 39,523,693	$ 45,993,500

Notes Payable

Business-Type Activities

TIFIA Loan - I-75 Northwest Corridor Express Lanes Project. In November 2013, the Authority executed a TIFIA loan of up to $275,000,000, which proceeds, when drawn upon, will finance a portion of the costs for the I-75 Northwest Corridor Express Lanes Project. During construction and for a period of up to five years following substantial completion, interest is compounded and added to the initial TIFIA loan. The TIFIA loan requires mandatory debt service payments at a minimum and scheduled debt service payments to the extent additional funds are available. TIFIA debt service payments are expected to commence in 2023, which is five years after substantial completion. The interest rate of the TIFIA loan is 3.79%. $249,707,052 was drawn on the TIFIA loan as of fiscal year 2021. A debt service schedule will be provided after the last loan draw.

	TIFIA Loan Outstanding
Draw Balance in Prior Fiscal Years	$ 249,707,052
Total Draws in Fiscal Year 2021	-
Draw Balance as of June 30, 2021	249,707,052
Accreted Interest in Prior Fiscal Years	29,769,763
Accreted Interest in Fiscal Year 2021	10,692,525
Accreted Interest as of June 30, 2021	40,462,288
Total TIFIA Balance as of June 30, 2021	$ 290,169,340

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

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, 2021, are as follows:

Fiscal Year Ended June 30, 2021		Amount
2022	$	1,119,082
2023		1,248,553
2024		1,240,670
2025		1,271,496
2026		1,296,392
2027-2031		6,984,244
2032		1,375,124
Total Minimum Commitments	**$**	**14,535,561**

Expenditures for the rental of office facilities and equipment under yearly leases for the year ended June 30, 2021 totaled $910,462 and $48,226 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.

NOTE 11 – RETIREMENT SYSTEMS (CONTINUED)

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, 2021 was 24.66% of annual covered payroll for old and new plan members and 21.57% for GSEPS members. The Authority's contributions to ERS totaled $1,468,948 for the year ended June 30, 2021. 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, 2021, the Authority reported a liability of $11,408,371 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2019. An expected total pension liability as of June 30, 2020 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, 2020. At June 30, 2020, the Authority's proportion was 0.270664%, which was an increase of 0.013084% from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the Authority recognized pension expense of $2,418,554. At June 30, 2021, 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	$ 138,967	$ -
Changes in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	161,145	-
Changes in proportion and differences between Employer contributions and proportionate share of contributions	484,166	-
Employer contributions subsequent to the measurement date	1,468,948	-
Total	$ 2,253,226	$ -

NOTE 11 – RETIREMENT SYSTEMS (CONTINUED)

Authority contributions subsequent to the measurement date of $1,468,948 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, 2022. 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:	
2022	264,107
2023	192,221
2024	187,018
2025	140,932
Thereafter	-

Actuarial Assumptions

The total pension liability as of June 30, 2020 was determined by an actuarial valuation as of June 30, 2019 using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Salary increases	3.25% - 7.00%, including inflation
Investment Rate of Return	7.30%, net of pension plan investment expense, including inflation

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, 2019 valuation were based on the results of an actuarial experience study for the period July 1, 2009 – June 30, 2014 with the exception of the assumed investment rate of return and the assumed rate of inflation.

NOTE 11 – RETIREMENT SYSTEMS (CONTINUED)

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

Asset Class	Target Allocation	Long-term Expected Real Rate of Return*
Fixed income	30.00%	(0.10)%
Domestic large equities	46.20%	8.90%
Domestic small equities	1.30%	13.20%
International developed market equities	12.40%	8.90%
International emerging market equities	5.10%	10.90%
Alternatives	5.00%	12.00%
Total	100.00%	

*Rates shown are net of inflation

Discount Rate

The discount rate used to measure the total pension liability was 7.30%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that 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 7.30%, 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 (6.30%) or one percentage point higher (8.30%) than the current rate:

	1% Decrease (6.30%)	Current Discount Rate (7.30%)	1% Increase (8.30%)
Employer's proportionate share of the net pension liability	$ 16,049,574	$ 11,408,371	$ 7,447,647

NOTE 11 – RETIREMENT SYSTEMS (CONTINUED)

Pension Plan Fiduciary Net Position

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

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.

NOTE 11 – RETIREMENT SYSTEMS (CONTINUED)

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)

Plan Description

Employees of State organizations as defined in §45-18-25 of the Official Code of Georgia Annotated (O.C.G.A.) are provided OPEB through the State OPEB Fund - a cost-sharing multiple-employer defined benefit postemployment healthcare plan, reported as an employee trust fund 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.

Benefits Provided

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.

NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Contributions

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 $454,468 for the year ended June 30, 2021. 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, 2021, the Authority reported a liability of $3,027,084 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2020. The total OPEB liability used to calculate the net OPEB liability was based on an actuarial valuation as of June 30, 2019. An expected total OPEB liability as of June 30, 2020 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, 2020. At June 30, 2020, the Authority's proportion was 0.268979%, which was an increase of 0.014663% from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the Authority recognized OPEB expense of ($996,820). At June 30, 2021, 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	$ -	$ 1,144,554
Changes in assumptions	54,816	1,862,183
Net difference between projected and actual earnings on OPEB plan investments	297,195	-
Changes in proportion and differences between Employer contributions and proportionate shrae of contributions	1,037,496	54,116
Employer contributions subsequent to the measurement date	454,468	-
Total	$ 1,843,975	$ 3,060,853

NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

The Authority's contributions subsequent to the measurement date of $454,468 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, 2022. 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:	
2022	(1,061,462)
2023	(553,309)
2024	(90,424)
2025	33,849
2026	-
Thereafter	-

Actuarial Assumptions

The total OPEB liability as of June 30, 2020 was determined by an actuarial valuation as of June 30, 2019 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, 2020:

Inflation rate	2.50%
Salary increases	3.25% - 7.00%, including inflation
Long-term expected rate of return	7.30%, compounded annually, net of investment expense and including inflation
Healthcare cost trend rate	
Pre-Medicare Eligible	7.00%
Medicare Eligible	5.25%
5% Ultimate trend rate	
Pre-Medicare Eligible	4.50%
Medicare Eligible	4.50%
Year of Ultimate trend rate	
Pre-Medicare Eligible	2029
Medicare Eligible	2023

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:

Post retirement mortality rates were based on the RP-2000 Combined Mortality Table projected to 2025 with projection scale BB and set forward two 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 seven years for males and set forward three years for females is used for the period after disability retirement.

NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

The actuarial assumptions used in the June 30, 2019 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 and adopted by the pension Board on December 17, 2015. 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.

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 the major asset class is summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return*
Fixed Income	30.0%	0.5%
Equities	70.0%	9.2%
	100.0%	

* Net of inflation

NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Discount rate

In order to measure the total OPEB liability, as of June 30, 2020, for the State OPEB fund, a single equivalent interest rate of 7.06% was used, as compared with last year's discount rate of 7.30%. This is comprised of the yield or index rate for 20 year tax-exempt general obligation bonds with an average rating of AA or higher (2.21% per the Municipal Bond Index Rate) along with other factors. The projection of cash will be made at the current level as leveraged over the last five years, adjusted for annual projected changes in headcount. Projected future benefit payments for all current plan members were projected through 2118.

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

The following presents the Authority's proportionate share of the net OPEB liability calculated using the discount rate of 7.06%, as well as what the Authority's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.06%) or one-percentage-point higher (8.06%) than the current discount rate:

	1% Decrease (6.06%)	Current Discount Rate (7.06%)	1% Increase (8.06%)
Employer's proportionate share of the net OPEB liability	$ 3,794,182	$ 3,027,084	$ 2,373,061

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

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

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
Employer's proportionate share of the net OPEB liability	$ 2,274,790	$ 3,027,084	$ 3,918,530

OPEB plan fiduciary net position

Detailed information about the OPEB plan's fiduciary net position is available in the Annual Comprehensive Financial Report (ACFR) which is publicly available at *https://sao.georgia.gov/statewide-reporting/acfr.*

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

Plan Description

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),

NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

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.

Benefits Provided

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

Contributions

Georgia law provides that employee contributions to the plan shall be in an amount established by the Board of Trustees not to exceed one-half of one percent of the member's earnable compensation. There were no employer contributions required for the fiscal year ended June 30, 2021.

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

At June 30, 2021, the Authority reported an asset of $602,950 for its proportionate share of the net OPEB asset. The net OPEB asset was measured as of June 30, 2020. The total OPEB asset used to calculate the net OPEB asset was based on an actuarial valuation as of June 30, 2019. An expected total OPEB asset as of June 30, 2020 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, 2020. At June 30, 2020, the Employer's proportion was 0.212293%, which was an increase of 0.014906% from its proportion measured as of June 30, 2019.

At June 30, 2021, 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	$ 157	$ 5,605
Net difference between projected and actual earnings on OPEB plan investments	10,687	31,167
Total	$ 10,844	$ 36,772

NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

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:	
2022	(46,620)
2023	(1,775)
2024	12,583
2025	9,884
2026	-
Thereafter	-

Actuarial assumptions

The total OPEB asset as of June 30, 2020 was determined by an actuarial valuation as of June 30, 2019 using the following actuarial assumptions and other inputs, applied to all periods included in the measurement:

Inflation rate	2.75%
Salary increases	3.25% - 7.00%, including inflation
Investment rate of return	7.30%, 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, 2019 valuation were based on the results of an actuarial experience study for the period July 1, 2009 – June 30, 2014, with the exception of the long-term assumed rate of return and the assumed annual rate of inflation.

NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

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%	(0.10)%
Domestic large equities	46.20%	8.90%
Domestic small equities	1.30%	13.20%
International developed market equities	12.40%	8.90%
International emerging market equities	5.10%	10.90%
Alternatives	5.00%	12.00%
Total	100.00%	

*Rates shown are net of inflation

Discount rate

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

Sensitivity of the Authority's proportionate share of the net OPEB 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 7.30%, 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 (6.3%) or one-percentage-point higher (8.30%) than the current rate:

	1% Decrease (6.30%)	Current Discount Rate (7.30%)	1% Increase (8.30%)
Employer's proportionate share of the net OPEB asset	$ (334,457)	$ (602,950)	$ (824,291)

NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

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; cyber insurance for losses and out of pocket expenses incurred as a result of damage to data, systems or income defense and liability incurred as a result of employee's actions; 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.

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, 2021.

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, 2021, the Authority had remaining contractual commitments for transportation, tolling, and other construction projects as detailed below:

Remaining Contractual Commitments		Amounts
I-85 Express Lanes Project	$	241,411
I-285 at SR 400 Interchange Reconstruction Project		119,592,325
I-16 at I-95 Interchange and I-16 Widening from I-95 to I-516 Reconstruction Project		178,344,245
Total Remaining Contractual Commitments	**$**	**298,177,981**

I-85 Express Lanes Project

In 2018, SRTA entered into a contract with Electronic Transaction Consultants Corporation to engage the contractor for the implementation of an Electronic Toll Collection System for the existing I-85 Express Lanes. The purpose of the project was to extend the functional life of the existing I-85 Express Lanes by procuring the design, development, installation and integration of a roadside system and operational back office, while using existing equipment when possible. Project acceptance is targeted for late fiscal year 2022.

I-285 at SR 400 Interchange Reconstruction Project

The I-285 at SR 400 Reconstruction Project is a Public-Private Partnership ("P3") project being jointly delivered by GDOT and the Authority and will not be tolled upon completion. The Authority entered into a Design-Build-Finance Agreement ("DBFA") with North Perimeter Contractors to engage the developer for the completion of project work. Additionally, the Authority has entered into intergovernmental agreements with GDOT, designating GDOT as the project manager of the project and detailing how GDOT makes funds available to SRTA to fulfill SRTA's payment obligations as detailed within the DBFA. The GDOT owns the asset and records construction in progress (CIP) based upon current year expenditures. As of June 30, 2021, the total contractual commitment for the project was $547,265,013, with $119,592,325 remaining to be paid out.

NOTE 14 – LITIGATION, CONTINGENCIES AND COMMITMENTS (CONTINUED)

I-16 at I-95 Interchange and I-16 Widening from I-95 to I-516 Reconstruction Project

The I-16 at I-95 Interchange and I-16 Widening from I-95 to I-516 Project is a design-build project being jointly delivered by GDOT and the Authority and will not be tolled upon completion. In 2018, the Authority entered into an agreement with Savannah Mobility Contractors to engage the developer for the completion of project work. Additionally, the Authority has entered into intergovernmental agreements with GDOT, designating GDOT as the project manager of the project and detailing how GDOT makes funds available to SRTA to fulfill SRTA's payment obligations as detailed within the Design-Build Agreement. The GDOT owns the asset and records construction in progress (CIP) based upon current year expenditures. As of June 30, 2021, the total contractual commitment for the project was $260,645,016, with $178,344,245 remaining to be paid out.

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 2010, the GTIB has provided over $165 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 fiscal year 2021, the GTIB received $9,858,733 through the annual appropriations process. In addition, $14,200,000 in loans were awarded to local governments in the eighth 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 $75.0 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 fiscal year 2021, $7,986,985 was dispersed to awardees

NOTE 15 – SUBSEQUENT EVENTS

On July 1, 2021, the Authority closed on its Managed Lane System Guaranteed Revenue Bonds, Full Faith and Credit, 2021A series and its Managed Lane System Guaranteed Revenue Bonds, Full Faith and Credit, 2021B series (Federally Taxable). The total principal of the combined series was $367,380,000. As part of the closing, the Authority included these refinancing obligations:

- Repaid in full the outstanding amount of a loan from the United States Department of Transportation (USDOT) related to the TIFIA Loan Agreement for the Northwest Corridor Express Lanes Project.

- Together with other funds of the Authority, defeased the outstanding Toll Revenue Bonds, Series 2014A and Series 2014B related to the I-75 South Express Lanes Project.

REQUIRED SUPPLEMENTARY INFORMATION

STATE ROAD AND TOLLWAY AUTHORITY

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITIY
EMPLOYEES' RETIREMENT SYSTEM OF GEORGIA
FOR THE YEAR ENDED JUNE 30, 2021

	2021	2020	2019	2018	2017	2016	2015
Authority's proportion of the net pension liability	0.270664%	0.257580%	0.238991%	0.229695%	0.243532%	0.140406%	0.143948%
Authority's proportionate share of net pension liability	$ 11,408,371	$ 10,629,119	$ 9,824,999	$ 9,328,683	$ 11,520,087	$ 5,688,406	$ 5,398,940
Authority's covered payroll	7,423,558	7,040,308	6,548,444	6,014,727	3,451,110	3,413,651	3,489,093
Authority's proportionate share of the net pension liability as a percentage of its covered payroll	153.68%	150.98%	150.04%	155.10%	333.81%	166.64%	154.74%
Plan fiduciary net position as a percentage of the total pension liability	76.21%	76.74%	76.68%	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, 2021

	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contribuition	$ 1,468,948	$ 1,682,855	$ 1,608,919	$ 1,512,384	$ 1,397,816	$ 808,022	$ 704,959	$ 598,341
Contributions in relation to the contractually required contribution	1,468,948	1,682,855	1,608,919	1,512,384	1,397,816	808,022	704,959	598,341
Contribution deficiency (excess)	-	-	-	-	-	-	-	-
Covered payroll	6,534,673	7,423,558	7,040,308	6,548,444	6,014,727	3,451,110	3,413,651	3,489,093
Contributions as a percentage of covered payroll	22.48%	22.67%	22.85%	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 THE REQUIRED SUPPLEMENTARY INFORMATION - METHODS AND ASSUMPTIONS
FOR THE YEAR ENDED JUNE 30, 2021

Change of benefit terms: A one-time 3% payment was granted to certain retirees and beneficiaries effective July 2016, and a one-time 3% payment was granted to certain retirees and beneficiaries effective July 2017. Two one-time 2% payments were granted to certain retirees and beneficiaries effective July 2018 and January 2019. Two one-time 3% payments were granted to certain retirees and beneficiaries effective July 2019 and January 2020.

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

On March 15, 2018, the Board adopted a new funding policy. Because of this new funding policy, the assumed investment rate of return was reduced from 7.50% to 7.40% for the June 30, 2017 actuarial valuation. In addition, based on the Board’s new funding policy, the assumed investment rate of return was further reduced by 0.10% from 7.40% to 7.30% as of the June 30, 2018 Measurement Date. The assumed investment rate of return remained at 7.30% for the June 30, 2019 actuarial valuation.

STATE ROAD AND TOLLWAY AUTHORITY

SCHEDULE OF PROPORTIONATE SHARE OF THE NET OPEB LIABILITIY
STATE OPEB FUND
FOR THE YEAR ENDED JUNE 30, 2021

	2021	2020	2019	2018
Authority's proportion of the net OPEB liability	0.268979%	0.254316%	0.228825%	0.212634%
Authority's proportionate share of the net OPEB liability	$ 3,027,084	$ 3,156,868	$ 5,985,117	$ 8,663,146
Authority's covered-employee payroll for the measurement period	7,399,219	7,040,308	6,548,444	5,961,670
Authority's proportionate share of the net OPEB liability as a percentage of its covered payroll	40.91%	44.84%	91.40%	145.31%
Plan fiduciary net position as a percentage of the net OPEB liability	59.71%	56.57%	31.48%	17.34%

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, 2021

	2021	2020	2019	2018
Contractually required contribuition	$ 454,468	$ 404,784	$ 1,359,758	$ 1,147,728
Contributions in relation to the contractually required contribution	454,468	404,784	1,359,758	1,147,728
Contribution deficiency (excess)	-	-	-	-
Covered employee payroll	6,534,481	7,399,219	7,040,308	6,548,444
Contributions as a percentage of covered employee payroll	6.95%	5.47%	19.31%	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 THE PROPORTIONATE SHARE OF THE NET OPEB LIABILITY (ASSET)
STATE SEAD-OPEB FUND
FOR THE YEAR ENDED JUNE 30, 2021

	2021	2020	2019	2018
Authority's proportion of the net OPEB liability (asset)	0.212293%	0.197387%	0.178996%	0.196848%
Authority's proportionate share of the net OPEB liability (asset)	$ (602,950)	$ (558,141)	$ (484,446)	$ (511,618)
Authority's covered-employee payroll for the measurement period	2,529,568	2,517,615	2,477,963	2,866,622
Authority's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	-23.84%	-22.17%	-19.55%	-17.85%
Plan fiduciary net position as a percentage of the net OPEB liability (asset)	129.20%	129.73%	129.46%	130.17%

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

State OPEB Fund

Changes of benefit terms: There have been no changes in benefit terms.

Changes in assumptions:
• June 30, 2019 valuation: The inflation assumption was lowered from 2.75% to 2.50% in anticipation of the upcoming ERS Experience Study. Additionally, decremental assumptions were changed to reflect the Teachers Retirement Systems experience study. Approximately 6.0% of employees are members of the Teachers Retirement System.
• June 30, 2017 valuation: The participation assumption, tobacco use assumption and morbidity factors were revised.
• The discount rate was updated from 3.09% as of June 30, 2016 to 3.60% as of June 30, 2017, to 5.22% as of June 30, 2018, to 7.30% as of June 30, 2019, and to 7.06% as of June 30, 2020.

SEAD-OPEB

Changes of assumptions: On December 17, 2015, the Board of Trustees 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. The expectation of retired life mortality was changed to the RP-2000 Combined Mortality Table projected to 2025 with projection scale BB (set forward 2 years for both males and females).

On March 15, 2018, the Board adopted a new funding policy. Because of this new funding policy, the assumed investment rate of return was reduced from 7.50% to 7.40% for the June 30, 2017 actuarial valuation. In addition, based on the Board’s new funding policy, the assumed investment rate of return was further reduced by 0.10% from 7.40% to 7.30% as of the June 30, 2018 Measurement Date. The assumed investment rate of return remained at 7.30% for the June 30, 2019 actuarial valuation.

COMPLIANCE SECTION

DOAA
Georgia Department
of Audits & Accounts

Greg S. Griffin
State Auditor

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

The Honorable Brian P. Kemp, Governor of Georgia
Members of the General Assembly of the State of Georgia
Members of the Board of Directors of the State Road and Tollway Authority
and
Mr. Christopher Tomlinson, Executive Director

We have audited the financial statements of the governmental activities, 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, 2021, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated March 31, 2022. We conducted our audit 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.

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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the basic 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 did identify a certain deficiency in internal control that we consider to be a material weakness and a certain deficiency in internal control that we consider to be 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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Authority'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* in finding FS-927-21-01 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* in finding FS-927-21-02 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 financial statements. 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 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

March 31, 2022

FS-927-21-01 **Improve Controls Over Financial Reporting**

Internal Control Impact: Material Weakness
Compliance Impact: None
Repeat of Prior Year Finding: FS-927-16-01
FS-927-17-01
FS-927-18-01

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.

Background Information:
As part of our fiscal year 2021 audit, we followed up on the Authority's efforts to implement corrective action plans in response to its prior year findings in which we reported that the Authority needed to strengthen internal controls over the financial reporting process and reduce its reliance on end-user applications and manual processes that can be automated in its financial software. In the current fiscal year, the Authority worked with a consultant that provided assistance in the financial statement preparation process; however, the Authority was still unable to produce financial statements that were free of significant errors and omissions or met agreed upon deadlines. Additionally, there is evidence that the Authority continues to rely heavily on end-user applications and manual processes to create year-end financial statements.

Criteria:
The Authority is responsible for maintaining a system of internal control 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 preparation of complete and accurate financial statements.

Condition:
Our review of the financial information prepared by the Authority revealed that material adjustments were required to present the financial statements in accordance with GAAP. Because the Authority had not prepared a complete set of financial statements since fiscal year 2018, material adjustments were required to arrive at beginning balances for the Authority's fiscal year 2021 financial statements. In addition, material adjusting entries associated with due to/due from accounts were provided to the auditors by the Authority. The total number of necessary adjustments to arrive at final financial statement amounts were 911 manual journal entries, five prior period adjustments, and 61 financial statement entries. It was noted during testing that 16 journal entries prepared by the Authority did not have an independent review and approval documented prior to posting the entries. The following material and significant audit adjustments were proposed by the auditors and accepted by the Authority to correct errors in the financial statements:

- Material audit adjustments to reclassify $28,806,412 from accounts payable to contracts payable in the General Fund.

- Material audit adjustments to reclassify $28,806,412 in the General Fund from unearned revenue to capital grants and contributions, as the Authority recognized revenue on a cash basis and not on the accrual-based method of accounting.

- Material audit adjustments to move bond proceeds of $484,160,000, bond premium of $117,789,867, and bond issue cost of $1,907,832 from the Debt Service Fund to the General Fund.

- Material audit adjustments to move transfers in and transfers out of $22,886,872 to governmental income and general government expense in the Debt Service Fund.

- Various reclassifications to Net Position and Net Investment in Capital Assets (NICA) were made to the I-75 South Fund and the Tolling Fund.

- The Authority did not recognize the revenue from unearned revenue as the expenses were incurred in fiscal years 2019. 2020, and part of 2021. Unearned revenue was overstated by $6,434,469, beginning net position was understated by $5,470,144 and intergovernmental revenue was understated by $964,325 in the Tolling Fund.

In addition to audit adjustments, the following presentation and disclosure adjustments were made to the notes to the financial statements:

- Note 9: Long Term Liabilities, Compensated Absences additions and reductions were shown net of each other. As a result, both additions and reductions were understated. Additionally - I-75 South was left out of compensated absences amount leading to an understatement of both additions and reductions.

- Note 11: Retirement Systems, numerous errors were reported by the Authority. Contributions made during the measurement period were reported as contributions subsequent to the measurement date of June 30, 2020, instead of actual fiscal year 2021 contribution amounts. Pension expense was reported as contributions made during the measurement period, instead of the pension expense amount reported in the actuarial report. Contributions subsequent to the measurement date amounts reported in the Deferred Outflow of Resources table were reported as contributions made during the measurement period instead of contributions subsequent to the measurement date. Incorrect OPEB expense was reported and did not agree with the actuarial report. SEAD OPEB expense was not presented in the note disclosure. SEAD OPEB Deferred Inflows of Resources for Change in Proportion report was presented as an investment difference.

- Various adjustments were required to properly present the Statement of Cash Flows.

Cause:
The design and operation of the Authority's controls over its financial reporting process did not detect certain errors and omissions in its basic financial statements that resulted from human error and the misinterpretation of fund balance classification criteria. The two-year gap between the completion of basic financial statements exacerbated the number of corrections required to prepare the fiscal year 2021 financial statements. In addition, the Authority's controls were often manual in nature rather than automated, which exposed the Authority to an increased risk of human error that has not been effectively mitigated within its financial reporting process. It is apparent that the Authority is not currently utilizing the full functionality of its main application for financial reporting resulting in the need for these manual adjustments.

Financial accounting and reporting standards are constantly evolving and have become more complex in recent years. The increase in complexity and pace of change makes it more difficult for staff who function in a split operations and financial reporting capacity to keep up to date on current standards. The Authority's lack of staff with familiarity of financial reporting requirements for government-wide and fund level financial statements and the ability to research, interpret, and apply applicable GAAP guidance contributed to the numerous adjustments and delays found during the audit.

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

Recommendation:
The Authority should improve controls over financial reporting by incorporating additional reconciliations, analytical reviews, procedures for determining financial statement amounts, and training for staff that will aid in the timely detection of significant errors. We recommend the Authority continue its efforts to assess the risk of material misstatements to the financial statements and to strengthen internal controls over financial reporting by:

- Documenting step-by-step procedures that define the entire financial statement preparation and review process, including procedures to identify and address new or unusual activity.

- Developing a financial statement preparation schedule and a catalog of specific information and data needed to prepare the financial statements and the sources from which the information and data are collected.

- Enhancing the analysis performed over areas identified as being more inherently at risk to material error in an effort to minimize the risk of future misstatements.

- Reviewing processes that include a significant amount of manual effort or the use of offline spreadsheets as documentation to determine whether the financial system has functionality to allow for a more controlled process,

- Considering ways to automate the transfer of information between systems where multiple systems are involved in processing transactions,

- Developing processes that will require fewer manual procedures.

- Implementing additional levels of review for areas that are more susceptible to human error.

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

Given the continuous change in the financial reporting environment, the Authority needs to review its current job role/position expectations and required skillsets, as well as professional development plans, to ensure staff performing financial business processes are equipped with the appropriate skillsets, knowledge and experience to produce quality financial records and year end reporting.

We also recommend the Authority consider using the Government Finance Officers Association (GFOA) General Purpose Preparer Checklist when conducting reviews of its financial statements. This checklist is designed to provide comprehensive guidance for financial statement preparers and covers all Governmental Accounting Standards Board (GASB) pronouncements that have been issued as final documents.

Views of Responsible Officials:
In April 2021, the State Road and Tollway Authority (SRTA) engaged the services of a CPA firm, recommended by the State Accounting Office (SAO), to assist SRTA with the verification and/or validation of July 1, 2020 beginning account balances. This CPA firm was hired for two reasons: 1) SRTA lost a key resource in March 2021 that was responsible for financial reporting and a reporting expert was needed to fill this gap; and 2) SRTA needed assistance to ensure that transactions that had occurred during the time period of July 1, 2018 and June 30, 2020 were correctly represented for fiscal year 2021 financial reporting. The verification of these transactions proved to be a bigger task than expected by all parties involved and caused unavoidable delays in meeting deadlines previously determined in conjunction with SAO and the Department of Audits and Accounts (DOAA). Each step of the way, SAO and DOAA were aware of the issues, the additional time needed to complete the tasks, and were cooperative with the delays. Progress was discussed weekly with DOAA (and in some cases, SAO). There were no recommendations or indications from the CPA firm, SAO or DOAA during the year that SRTA did not follow or that any party indicated could have resulted in a shorter time for completion. SRTA staff worked continuously to meet ongoing verbal requests from DOAA in a timely manner, provided responses to PBC list requests in a timely manner, and were in constant contact every week (and in many cases, every day). SRTA financial staff collaborated with SAO and DOAA, including on revised deadlines; engaged the services of professional CPA firm; hired additional accounting staff; started the implementation of the state recommended FCC module to assist with financial consolidation and reporting and reduce manual processes; and, provided weekly updates to the Executive and/or Deputy Executive Director as to progress or issues raised by SAO or DOAA staff (which were minimal).

SRTA concurs that the financial reporting for FY 2021 posed challenges related to the statutorily required transfer of a major proprietary fund to another Authority. The accounting entries needed for this transfer were numerous and posed challenges that had not been experienced before which took additional time to analyze and understand. These challenges were seen from both SRTA and DOAA.

Auditor's Concluding Remarks:
The Authority states that there were no recommendations from the DOAA which the Authority did not follow that could have resulted in a shorter time for completion of their financial statements; however, the DOAA has been providing recommendations in our financial statement findings to the Authority since fiscal year 2016 that have not been fully addressed. As stated in the recommendation above, SRTA needs to ensure staff performing business processes are equipped with the appropriate skillsets, knowledge, and experience to produce quality financial records and year end reporting. We acknowledge the Authority staff were cooperative and fulfilled all verbal and written requests from the DOAA except for providing a complete set of financial statements and the mapping document used to create those financial statements prior to the release of the State's ACFR. The Authority did provide financial statements; however, the financial statements presented for audit contained significant errors and required material adjustments. We reaffirm our finding and will review the status of the Authority's corrective action during our next audit.

FS-927-21-02 **Improve Controls over Capital Assets**

Internal Control Impact: Significant Deficiency
Compliance Impact: Nonmaterial Noncompliance

Description:
The State Road and Tollway Authority did not have adequate internal controls to prevent or detect errors and omissions in its reporting of capital asset information for use in the basic financial statements and the State's financial statements.

Background Information:
State agencies, including the State Road and Tollway Authority (Authority), utilize guidance reflected in the SAO's Accounting Policy Manual to support this effort. Specifically, the Capital Assets section of the SAO's Accounting Policy Manual provides comprehensive guidance on accounting for capital assets and reporting the activity in the financial statements in accordance with generally accepted accounting principles (GAAP). Further, GAAP specifies requirements for reporting financial statement balances and note disclosures for capital assets. These required note disclosures reflect information for each major class of capital assets, such as land and land improvements, buildings, etc.

Criteria:
The Authority is responsible for maintaining a system of internal control over capital asset records for use in the preparation of financial statements in accordance with 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 preparation of complete and accurate financial statements. The Authority is also responsible for documenting its controls, which is critical to the effective design, implementation, and operating effectiveness of the Authority's internal control system. Additionally, effective internal controls over capital assets should include policies and procedures to ensure compliance with statewide rules, regulations, policies and procedures as required by Title 50, Chapter 5B, Article 1 of the *Official Code of Georgia Annotated* (OCGA) §50-5B-4.

Condition:
As part of our fiscal year 2021 audit, we examined the Authority's capital asset records used in the preparation of their basic financial statements. We identified the following deficiencies related to capital assets:

- A significant misstatement was noted for incorrectly including warranty costs of $2,385,810 in the Construction in Progress amount in the Proprietary Funds.
- Immaterial interest costs for Proprietary Fund construction activity were not capitalized appropriately in prior years.
- Immaterial expenses that were not properly capitalized were identified from prior years.
- Disposals of capital assets totaling $32,517,552 occurred in fiscal year 2020 but were recorded as fiscal year 2021 disposals within the Proprietary Funds. The carrying value of these assets was $202,946.

- Some capital asset additions were not depreciated based on the date the asset was placed in service. Additionally, certain capital assets were depreciated in a manner that was not consistent with the Straight-line method per the SAO's Accounting Policy Manual. The total impact of these deficiencies to the Governmental Activities was $235,672.
- Several capital asset additions were not depreciated in the first year of service using the Following Month Convention set forth by the SAO's Accounting Policy Manual. The impact for the Proprietary Funds was $347,800.
- The Authority did not obtain prior approval by the Department of Administrative Services (DOAS) when disposing of capital assets.
- Capital asset policies were applied in an inconsistent manner across fiscal years (i.e., certain salaries were capitalized in some years but were not others.)

Cause:
The Authority did not adequately maintain a system of internal control over capital asset records. Additionally, the Authority did not follow guidance associated with capital assets within the SAO's Accounting Policy Manual.

Effect:
The Authority's basic financial statements contained misstatements and omissions with regards to capital assets. Without effective controls in place to address the risk of material misstatements, the Authority cannot ensure accurate financial reporting within its financial statements. Additionally, deficiencies in controls over capital assets could lead to the misappropriation of assets and misrepresentation of the Authority's financial position.

Recommendation:
The Authority should improve and implement additional internal controls over capital assets to ensure that asset records are complete and accurate for use in the Authority's basic financial statements by:

- Verifying that all capital assets and related accumulated depreciation balances are categorized appropriately within note disclosures;
- Identifying and/or making corrections to errors in capital asset records in a timely manner; and
- Following all applicable capital asset policies and procedures reflected within the SAO's Accounting Policy Manual.

Views of Responsible Officials:

We concur with this finding.

At the beginning of fiscal year 2019, the State Road and Tollway Authority (SRTA) transitioned to the State's Financial System and did not implement the TeamWorks Asset Management Module. SRTA was in the process of procuring an outside software solution for Asset Management to meet the complex needs of tolling and transit assets across two linked, but legally separate organizations, and was confident that the software solution would replace manual processes surrounding capital asset inventory, depreciation, and financial reporting. Due to various reasons, the software solution was not procured and SRTA resorted to using spreadsheets to keep track of capital asset information. It was anticipated that this approach would be temporary; however, several delays occurred, including the COVID-19 pandemic, which resulted in the new Request for Proposals for Asset Management to be released in late fiscal year 2020 by the Atlanta-region Transit Link Authority (ATL). ATL was successful in selecting a vendor to implement an Asset Management software solution that will be used by both ATL and SRTA.

Brian P. Kemp, Governor
Chairman

Christopher Tomlinson
Executive Director

FS-927-21-01 Improve Controls Over Financial Reporting

Currently and going forward, the action of SRTA is to continue to develop and ensure the usage of fundamental accounting principles and best practice guidance, as well as provide adequate staffing, towards the effort of maintaining accurate and timely accounting data. In FY 2022, additional staff was hired to aid in the efforts of improving accounting data recordkeeping, assist with the documentation of processes and procedures, and reduce the reliance of correction entries and post-closing adjustments. In addition, staff will be hired as soon as possible to assist with ongoing financial reporting and internal controls. New processes have already been implemented to ensure the proper accounting for contracts payable entries and unearned revenue entries. SRTA continues to add items to to the month-end/year-end closing checklists to provide assurance that proper procedural steps are being actively followed and key chartfield data, such as fund, funding source, project, etc., is recorded correctly in the State's Financial System. Performing monthly reconciliations, routine training of staff on financial system competencies, and reviews of account and other key data factors have been implemented and are being practiced routinely.

It is should be noted that as with most state entities of similar financial complexity that use the State's Financial System, SRTA will never be able to abandon manual processes completely. 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. This will put SRTA in the best place it can be to improve and solidify the financial statement preparation process. In addition, SRTA will continue to partner with SAO on future financial reporting steps and the use of new tools.

Discussed With:
Christopher Tomlinson, Executive Director
Heather Aquino, Deputy Executive Director
Monique Simmons, Chief Financial Officer
Jordan Borders, Deputy Chief Financial Officer
Jerri Darnell, Accounting Manager

Brian P. Kemp, Governor
Chairman

Christopher Tomlinson
Executive Director

FS-927-21-02 Improve Controls Over Capital Assets

Currently and going forward, the action of SRTA is to continue to develop and ensure the proper internal controls over capital assets. The Asset Management software solution will be available for use in calendar year 2022. This solution will replace the need for spreadsheets and manual calculations. In addition, the financial staff will continue to work closely with the ATL's Asset Management Manager to ensure clear communication regarding capital asset policies and procedures.

Discussed With:
Christopher Tomlinson, Executive Director
Heather Aquino, Deputy Executive Director
Monique Simmons, Chief Financial Officer
Jordan Borders, Deputy Chief Financial Officer
Jerri Darnell, Accounting Manager