ANNUAL FINANCIAL REPORT • FISCAL YEAR ENDING JUNE 30, 2022

State Road & Tollway Authority (SRTA)

A Component Unit of the State of Georgia

Including Independent Auditor's Reports

Greg S. Griffin | State Auditor

DOAA
Georgia Department of Audits & Accounts

State Road and Tollway Authority

Table of Contents

Section I

Financial

State Road and Tollway Authority

Table of Contents

Section II

Compliance and Internal Control Reports

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
Ms. Jannine Miller, Executive Director

Report on the Audit of the Financial Statements

Opinions

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, 2022, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

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, 2022, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Emphasis of Matter

As described in Note 2 to the financial statements, in 2022, the Authority adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*. Our opinion is not modified with respect to this matter.

As discussed in Note 2 to the financial statements, the Authority closed on its Series 2021AB Managed Lane System State of Georgia Guaranteed Revenue Bonds. This allowed the Authority to achieve legal defeasance of its outstanding debt on the existing Series 2014AB Toll Revenue Bonds for the I-75 South Express Lanes. As a result, the I-75 South Express lanes fund was no longer required to be separately presented and is now being accounted for under the Authority's Tolling System Fund. Our opinion is not modified with respect to these 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 is the responsibility of management and, 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 GAAS, 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 appropriate 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 January 31, 2023 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

January 31, 2023

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, 2022. Comparative data is provided for fiscal year 2021. 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, 2022, the Authority's proprietary statements consist of the Tolling System Fund, which accounts for tolling activities related to the I-85 Express Lanes, I-85 Extension Express Lanes, I-75 Northwest Corridor Project Express Lanes, and the I-75 South Express Lanes. The Tolling System Fund also includes *tolling* activities related to the State's Major Mobility Investment Program (MMIP). Five (5) tolling facilities are under planning as part of that program.

In prior fiscal years, the I-75 South Express Lanes were accounted for and reported under the 75 South Fund due to reporting requirements in bond indentures associated with the project. In FY 2022 (July 2021), SRTA attained defeasance of the aforementioned debt and consolidated all four open roadways under the Tolling System Fund.

As of June 30, 2022, 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

Fiscal Year 2022 was a year of continued growth for SRTA. Throughout the fiscal year, tolling revenue continued to show a resilient emergence from the COVID-19 pandemic, moving SRTA into record levels of revenue collection. Through the increase in tolling revenue and measured budgeting of expenses, SRTA was able to restructure and refinance its roadway debt on its I-75 Northwest Corridor Project Express Lanes and I-75 South Express Lanes. This restructure of debt allowed the Authority to transfer the activity from the I-75 South Fund into the existing Tolling System Fund, effectively consolidating all four open roadways under a Managed Lane System. Additionally, the year's historically low interest rates allowed for markedly lower rates of interest on debt, securing a financial benefit for the Authority and its future. Some individual highlights from the fiscal year include:

- Tolling revenue increased by $30.2 million year-over-year, demonstrating a strong return of commuting habits in metro Atlanta after the pandemic's shelter-in-place and other statewide public health measures had subsided. This, along with continued adoption of the Managed Lane system, allowed tolling revenue to surpass revenue projections and provide stability for the Authority's operational expenses during an uncertain economic climate.
- Tolling operating expenses increased by $4.8 million year-over-year to accommodate trip and revenue growth on SRTA roadways. This increase was also a result of a Governor-approved cost-of-living adjustment for State of Georgia employees, which SRTA adopted.
- SRTA issued the Series 2021AB Guaranteed Revenue Bonds to: 1) payoff its outstanding TIFIA loan for the I-75 Northwest Corridor Project Express Lanes ($290m; 4 percent interest); 2) defease the outstanding I-75 South Toll Revenue Bonds 2014A and 2014B ($39.5m; 6-7 percent interest); 3) provide funding for ongoing and future tolling capital expenses for roadway maintenance and upgrades. The Series 2021AB Guaranteed Revenue Bonds were closed in July 2021 and SRTA will owe $367m in principal payments for the defeasance of debt listed above.

- Governmental funds continued to serve their respective purposes, with debt principal on non-tolling road and bridge projects being reduced by $57.6 million during the fiscal year. Payments toward public-private-partnerships on State projects totaled $112.7 million on the I-285 at SR 400 Interchange and I-16 at I-95 Interchange projects. The Georgia Transportation Infrastructure Bank (GTIB) disbursed $4.6 million in grants to local governments for roadway projects during the fiscal year. Most of SRTA's Governmental activities are completed in partnership with the Governor's Office, Georgia General Assembly and Department of Transportation through the State's annual Appropriations Act and funded with intergovernmental revenue.

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*.

- **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.
    - SRTA's governmental funds include a general fund, a special revenue fund for the GTIB program, and a debt service fund.
    - The general fund is utilized mostly to facilitate contractual commitments and payments related to the State's Major Mobility Investment Program (MMIP) on non-tolling projects, along with facilitating other non-tolling Authority business processes related to the GO! Transit Program and payments between SRTA and the Atlanta-region Transit Link Authority, which share administrative services.
    - The GTIB fund is utilized to facilitate grant and loan activity between SRTA and local governments for transportation projects. SRTA operates the GTIB program and reviews applications from across the state annually for grant and loan funding, contingent upon State appropriations.
    - The debt service fund facilitates debt servicing on non-tolling debt held by SRTA for state road and bridge projects. This fund is financed in cooperation with GDOT via intergovernmental revenues.
- **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.
    - SRTA's proprietary fund includes the Tolling System Fund.
    - The Tolling System Fund accounts for all activity related to SRTA's Managed Lane System: I-85 Express Lanes, I-85 Extension Express Lanes, I-75 Northwest Corridor Project Express Lanes, and I-75 South Express Lanes. Violations revenue, violations processing, and tolling capital expenses are also accounted for in the Tolling System Fund.

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).

Government-Wide Financial Analysis

Net Position

State Road and Tollway Authority Statement of Net Position

	Governmental Activities		Business-Type Activities		Total	
	2022	**2021**	**2022**	**2021**	**2022**	**2021**
Cash and Investments	$ 921,152,453	$ 996,263,892	$ 238,599,011	$ 140,945,012	$ 1,159,768,964	$ 1,137,208,904
Receivables	106,402,659	86,415,175	1,146,338	2,715,136	107,548,997	89,130,311
Other Assets	120,938	73,370	1,147,616	666,678	1,268,554	740,048
Capital Assets	101,138,605	97,474,907	46,147,420	41,269,364	147,286,025	138,744,271
Total Assets	1,128,814,655	1,180,227,344	287,040,385	185,596,190	1,415,872,540	1,365,823,534
Deferred Outflows of Resources	554,034	495,291	10,909,543	3,612,754	11,463,577	4,108,045
Other Liabilities	283,945,416	279,222,878	31,664,241	32,276,972	315,627,157	311,499,850
Long-Term Liabilities	593,943,274	672,114,637	440,591,759	343,285,013	1,034,535,033	1,015,399,650
Total Liabilities	877,888,690	951,337,515	472,256,000	375,561,985	1,350,162,190	1,326,899,500
Deferred Inflows of Resources	1,332,229	800,635	8,490,889	2,724,158	9,823,118	3,524,793
Net Position:						
Net Investment in Capital Assets	101,138,605	68,668,303	29,817,726	40,462,544	130,956,331	109,130,847
Restricted	682,379,849	95,465,819	26,350,140	3,139,946	708,729,989	98,605,765
Unrestricted (Deficit)	(533,370,684)	64,450,363	(238,964,827)	(232,679,689)	(772,335,511)	(168,229,326)
Total Net Position	$ 250,147,770	$ 228,584,485	$ (182,796,961)	$ (189,077,199)	$ 67,350,809	$ 39,507,286

Total cash and investments increased by $22.6 million year over year. This is mostly due to the Tolling System Fund's receipt of bond proceeds from its Series 2021AB Guaranteed Revenue Bonds issuance, along with an exceptional year of tolling revenue performance.

Overall, assets increased by $50.0 million. Much of this is due to the growth in receivable balance held by SRTA in relation to its 2020 GARVEE bond(s). SRTA receives funds from GDOT to apply to debt service payments.

Liabilities increased by $23.3 million in fiscal year 2022, mostly due to an increase in long-term liabilities on SRTA's Business-Type Activities. This is the result of the Series 2021AB Guaranteed Revenue Bonds being sold in July 2021.

Long-term liabilities decreased in governmental activities pursuant to ongoing debt service payments on non-tolling GRB and GARVEE bonds.

In total, net position increased by $27.8 million in fiscal year 2022. This increase is mostly due cash receipts from bond proceeds and increased tolling revenue year-over-year in the tolling system. This increase in net position is also a product of the decrease in unearned revenue liability.

Statement of Activities

The Statement of Activities details the revenue/expense and the change in Net Position for SRTA. A breakdown of this activity and requisite highlights is detailed below.

State Road and Tollway Authority Statement of Activities

	Governmental Activities		Business-Type Activities		Total	
	2022	**2021**	**2022**	**2021**	**2022**	**2021**
Revenues:						
General Government	$ 23,824,162	$ 95,259	$ -	$ -	$ 23,824,162	$ 95,259
Roadway Improvements per GDOT MOU	156,527,777	242,330,049	-	-	156,527,777	242,330,049
Tolling Operations	-	-	62,027,592	50,784,407	62,027,592	50,784,407
Total Revenues	180,351,939	242,425,308	62,027,592	50,784,407	242,379,531	293,209,715
Expenses:						
General Government	49,905,286	37,812,302	-	-	49,905,286	37,812,302
Roadway Improvements per GDOT MOU	102,186,670	174,878,402	-	-	102,186,670	174,878,402
Interest on Long Term Debt	8,235,981	6,586,730	-	-	8,235,981	6,586,730
Tolling Operations	-	-	56,490,092	51,505,606	56,490,092	51,505,606
Total Expenses	160,327,937	219,277,434	56,490,092	51,505,606	216,818,029	270,783,040
General Revenues and Secial Items:	1,539,250	87,851,584	742,738	(114,038,659)	2,281,988	(26,187,075)
Beginning of Year	228,584,485	117,585,027	(189,077,199)	(74,317,341)	39,507,286	43,267,686
End of Year	$ 250,147,770	$ 228,584,485	$ (182,796,961)	$ (189,077,199)	$ 67,350,809	$ 39,507,286

Total revenue decreased by $50.8 million in fiscal year 2022. This is due to decreased activity related to non-tolling GDOT public-private partnerships on the I-285 at SR 400 Interchange and I-16 at I-95 Interchange projects. Revenue is recognized on these projects as expenses are incurred.

Total expenses decreased by $54.0 million in fiscal year 2022. As mentioned above, this is largely the product of a lower amount of expense activity related to GDOT non-tolling projects in comparison to the prior year. Expenses related to tolling operations increased by $5.0 million in fiscal year 2022.

Management does not believe that Governmental Activities and Business-Type Activities are comparable for analytical purposes. While the combined schedules show a total picture of SRTA responsibilities, the two activities should be viewed in their respective parts. This is due to the variety of funding sources and business activity that each side represents accordingly.

Financial Analysis of Business-Type Activities

The following table and highlights below show the results of operations for the last two years.

State Road and Tollway Authority Business Type Activities

	2022	2021
Revenues:		
Toll Revenues	$ 61,956,133	$ 31,710,134
Other	71,459	19,074,273
Total Revenues	62,027,592	50,784,407
Operating expenses:		
Personal Services	7,567,008	9,515,520
Other	35,364,713	28,648,999
Total Expenses	42,931,721	38,164,519
Nonoperating revenues/(expenses):		
Interest and Investment Revenue	742,738	279,370
Interest Expense	(13,558,371)	(13,341,087)
Total Nonoperating	(12,815,633)	(13,061,717)
Special Items	-	(114,318,029)
Net position - Beginning	(189,077,199)	(74,317,341)
Net position - Ending	$ (182,796,961)	$ (189,077,199)

The Tolling System Fund is the only fund operating as a Business-Type Activity fund in fiscal year 2022. After the issuance and closing of the Series 2021AB Guaranteed Revenue Bonds in July 2021, the I-75 South Fund was transferred to the Tolling System Fund. Highlights for fiscal year 2022 include:

- Fiscal year 2022 showed a marked increase in Toll Revenues year-over-year of $30.2 million, fueled by increased traffic, active travel habits, and processing a backlog of violator payments throughout the fiscal year. Toll Revenues, as described here, includes revenues collected from both customers and violators.
- Decrease in "Other" Revenue of $19.0 million. This is mostly due to the extinguishment of need for intergovernmental revenue from GDOT for tolling operations and capital projects. In previous years, GDOT assisted in funding tolling operations and capital needs while roadways were in their ramp up period. With the Series 2021AB Guaranteed Revenue Bond proceeds and growth in toll revenue, those funds were no longer needed from GDOT and could be reinvested into the State's road and bridge network.
- Increase in Operating Expenses of $4.8 million. This is mostly fueled by increased contract expenses for maintenance of tolling roadside equipment and infrastructure, along with an increased need for contracted customer service representatives to service a growing number of Peach Pass accounts.

- Overall, SRTA Tolling activities ended fiscal year 2022 with an operating gain of $19.1 million. This was due to the strong performance of tolling revenue and a measured increase in expenses as revenue began to climb.
- Contributing to the nonoperating expenses were bond and capital lease interest expenses. Nonoperating expense of $3.3 million is related to the amortization of the reacquisition price of SRTA's funds set aside with an escrow agent compared with previously carried debts on the I-75 South Express Lanes Toll Revenue Bonds.
- Adding in nonoperating costs, SRTA ended the year with a net gain of $6.3 million in net position.

Financial Analysis of Governmental Funds

The following table and highlights below detail the revenues and expenditures in the governmental funds for the past two fiscal years.

State Road and Tollway Authority Governmental Activities

	2022	2021
Revenues:		
Intergovernmental Revenue	$ 227,091,832	$ 401,790,049
Other	1,539,283	941,728
Total Revenues	228,631,115	402,731,777
Operating expenses:		
Roadway Improvements per GDOT MOU	112,723,018	174,878,402
Debt Service	84,622,175	182,898,699
Infrastructure Loans and Grants Disbursed	4,605,721	9,618,297
Other	38,650,279	25,793,398
Total Expenses	240,601,193	393,188,796
Nonoperating revenues/(expenses):		
Bond Proceeds	-	484,160,000
Premiums on Bonds Sold	-	117,789,867
Total Nonoperating	-	601,949,867
Special Items	-	(5,287,790)
Net position - Beginning	737,038,389	130,833,331
Net position - Ending	$ 725,068,311	$ 737,038,389

As stated, SRTA maintains three governmental funds. This includes the general fund, which mostly accounts for intergovernmental activity unrelated to debt service; the GTIB Fund, which accounts for grants and loans to local governments; and the debt service fund, which captures transactions as it relates to non-tolling debt held by SRTA for State road and bridge projects. Highlights for fiscal year 2022 include:

- Decrease in total revenue of $174.1 million. This reduction is the direct result of reduced debt service transactions from GDOT to balance 2022 debt principal and interest payments, along with less expense activity related to non-toll projects in the general fund.
- In fiscal year 2022, debt service expenses decreased year-over-year by $98.3 million. In addition, expenses related to roadway improvements per GDOT MOU for P3 projects in fiscal year 2022 were decreased by $62.2 million.
- Increase in "Other" Revenue is mostly due to increased interest earnings on SRTA bank accounts, along with interest paid by GTIB loan holders.
- Bond Proceeds and Premiums were reduced year-over-year by $601.9 million, due to the lack of any debt issuance(s) by SRTA in Governmental Activities during fiscal year 2022.

Capital Assets and Debt Administration

Capital Assets

The Authority's capital assets decreased by less than one million during the fiscal year. Depreciation of machinery and equipment related to SRTA-owned transit buses leased to the Atlanta-region Transit Link Authority contributed to the biggest change, which was a reduction in valuation by $6.8 million. Depreciation of SRTA tolling assets also contributed to the decrease in Machinery and Equipment, with a reduction of $5.4 million. However, Construction in Progress additions for SRTA assets counterbalanced most of the total decrease, with an increase of $10.9 million.

State Road and Tollway Authority Capital Assets (does not include leases)

	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
Land	$ 22,839,218	$ 22,766,680	$ -	$ -	$ 22,839,218	$ 22,766,680
Construction in Progress	17,258,399	7,876,985	21,296,171	19,768,678	38,554,570	27,645,663
Buildings	10,407,178	10,673,348	-	-	10,407,178	10,673,348
Machinery and Equipment	36,767,573	43,553,318	16,110,229	21,500,686	52,877,802	65,054,004
Infrastructure	13,866,237	12,604,576	-	-	13,866,237	12,604,576
Total	$ 101,138,605	$ 97,474,907	$ 37,406,400	$ 41,269,364	$ 138,545,005	$ 138,744,271

Of note, the implementation of GASB 87 – Leases is not included in the above table. The Authority implemented GASB 87 to comply with its effective date of fiscal year 2022 and as such, recorded entries to reflect $9,475,559 in depreciable leased assets as a beginning balance, with $734,539 in accumulated depreciation for the year. This left a grand total of $8,741,020 in Right-to-Use Leased Assets at year end. The Authority intends to display leases in the table above in future financial statements once two fiscal years of comparative data can be referenced.

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.

Debt Administration

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

At the end of the fiscal year, the Authority had $494.6 million in total outstanding governmental bonded debt and $367.4 million in outstanding business-type bonded debt.

Total governmental bonds payable, including premiums, decreased $77.1 million.

Total business-type activity bonds and notes payable, including premiums, increased $95.1 million. This is the direct result of the Series 2021AB Guaranteed Revenue Bonds issuance. The debt previously outstanding for the Series 2014 Toll Revenue Bonds related to I-75 South Express Lanes was fully defeased and the TIFIA Loan for the I-75 Northwest Corridor Project Express Lanes was paid in full.

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.

Economic Factors Impacting SRTA

During fiscal year 2022, the Atlanta economy and the State of Georgia continued to show a rapid recovery from the COVID-19 pandemic's major economic effects. This, along with continued progress in customer adoption of the SRTA Peach Pass network, allowed SRTA to increase toll revenue collections above and beyond initial projections. The aforementioned factors, paired with historic interest rate offerings during July 2021, allowed SRTA to restructure and refinance its debt and secure savings via lower interest rate(s) while also simplifying financial operations by consolidating SRTA roadways under a single proprietary fund. Highlights of the fiscal year include:

- Year-over-year toll revenue growth of $30.2 million.
- Year-over-year trip growth of 7.3 million.
- Refinanced debt secured at an interest rate of 2.5027 percent, compared to previous interest rates of 6.25 – 7.00 percent (I-75 South Metro Express Lanes) and 3.79 percent (I-75 Northwest Corridor Project Express Lanes).

As the Atlanta region and the State of Georgia continue to progress from the pandemic's economic effects, there is little doubt that the COVID-19 stay-at-home orders and other public health measures continue to have a lasting effect on commuter habits. Though this has not had a negative effect on tolling revenue and trip trends through fiscal year 2022, SRTA will continue to monitor travel habits as workplace mindsets in the region and across the country continue to evolve to remote or hybrid concepts. SRTA continues to prepare for future economic uncertainties, demonstrated by its commitment to a robust renewal and replacement fund, along with conservative budgeting principles for its debt servicing and operating expenses.

Future Initiatives

In concert with GDOT, SRTA continues to plan for future Express Lanes on planned MMIP projects, including the SR-400 Express Lanes and I-285 Top End Express Lanes. Both projects remain in planning stages, as GDOT, SRTA, and other stakeholders evaluate various methods of project and operational delivery of the roadways. Once complete, these roadways will utilize the existing SRTA Peach Pass network for tolling operations and revenue collection.

Regarding Governmental Activities, SRTA will continue its support of GDOT's MMIP program and its associated non-tolling projects through GRB and GARVEE debt servicing and Public-Private Partnership agreements, along with offering unique funding solutions to high-performing and innovative transportation projects across the State via the GTIB program.

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, 2022

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current Assets:			
Cash and Cash Equivalents	$ 22,734,197	$ 47,647,689	$ 70,381,886
Restricted Cash and Cash Equivalents	898,418,256	179,406,746	1,077,825,002
Restricted Investments	-	11,544,576	11,544,576
Receivables, Net	1,731,482	1,146,338	2,877,820
Loans Receivable, Net - Restricted	1,285,255	-	1,285,255
Inventories	875	164,070	164,945
Intergovernmental Receivables	736,845	-	736,845
Other Assets	-	10,524	10,524
Total Current Assets	924,906,910	239,919,943	1,164,826,853
Noncurrent Assets:			
Long Term Receivable - GDOT	83,980,000	-	83,980,000
Long Term Loan Receivable, Net - Restricted	18,669,077	-	18,669,077
Net OPEB Asset	120,063	973,022	1,093,085
Capital Assets, Non-Depreciable	40,097,617	21,296,171	61,393,788
Capital Assets, Depreciable (Net of Accumulated Depreciation)	61,040,988	16,110,229	77,151,217
Right-to-Use Leased Assets (Net of Accumulated Amortization)	-	8,741,020	8,741,020
Total Noncurrent Assets	203,907,745	47,120,442	251,028,187
Total Assets	1,128,814,655	287,040,385	1,415,855,040
DEFERRED OUTFLOWS OF RESOURCES			
Related to Defined Benefit Pension Plans	374,124	3,033,192	3,407,316
Related to Defined Benefit OPEB and SEAD Plans	179,910	1,458,056	1,637,966
Deferred Loss from Refunding of Debt	-	6,418,295	6,418,295
Total Deferred Outflows of Resources	554,034	10,909,543	11,463,577
LIABILITIES			
Current Liabilities:			
Accounts Payable - GDOT	63,033,652	-	63,033,652
Accounts Payable and Accrued Liabilities	4,711,913	8,261,881	12,973,794
Accrued Interest Payable	2,404,088	5,824,143	8,228,231
Contracts Payable	24,362,612	-	24,362,612
Funds Held for Others	79,835	725,932	805,767
Unearned Revenue	189,353,316	16,852,285	206,205,601
Total Current Liabilities	283,945,416	31,664,241	315,609,657
Noncurrent Liabilities:			
Net Pension Liability	638,200	5,174,187	5,812,387
Net OPEB Liability	90,432	732,884	823,316
Due within one year	78,265,350	4,095,346	82,360,696
Due in more than one year	514,949,292	430,589,342	945,538,634
Total Noncurrent Liabilities	593,943,274	440,591,759	1,034,535,033
Total Liabilities	877,888,690	472,256,000	1,350,144,690
DEFERRED INFLOWS OF RESOURCES			
Related to Defined Benefit Pension Plans	648,087	5,254,341	5,902,428
Related to Defined Benefit OPEB and SEAD Plans	399,364	3,236,548	3,635,912
Deferred Gain on Refunding Debt	284,778	-	284,778
Total Deferred Inflows of Resources	1,332,229	8,490,889	9,823,118
NET POSITION			
Net Investment in Capital Assets	101,138,605	29,817,726	130,956,331
Restricted for:			
Bond Covenants/Debt Service	5,497,841	25,693,012	31,190,853
Capital and Transportation Projects	589,505,686	-	589,505,686
Loan and Grant Programs	87,295,282	-	87,295,282
Nonexpendable:			
Other Benefits	81,040	657,128	738,168
Unrestricted (Deficit)	(533,370,684)	(238,964,827)	(772,335,511)
Total Net Position	$ 250,147,770	$ (182,796,961)	$ 67,350,809

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

STATE ROAD AND TOLLWAY AUTHORITY

STATEMENT OF ACTIVITIES
FOR FISCAL YEAR ENDED JUNE 30, 2022

		Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Functions/Programs							
Governmental Activities:							
General Government	$ 49,905,286	$ 33	$ -	$ 23,824,162	$ (26,081,091)	$ -	$ (26,081,091)
Roadway Improvements per GDOT MOU	102,186,670	-	-	156,527,777	54,341,107	-	54,341,107
Interest and Other Charges on Long-Term Debt	8,235,981	-	-	-	(8,235,981)	-	(8,235,981)
Total Governmental Activities	160,327,937	33	-	180,351,939	20,024,035	-	20,024,035
Business-type Activities:							
Tolling	56,490,092	62,027,592	-	-	-	5,537,500	5,537,500
Total Business-Type Activities	56,490,092	62,027,592	-	-	-	5,537,500	5,537,500
Total	$ 216,818,029	$ 62,027,625	$ -	$ 180,351,939	20,024,035	5,537,500	25,561,535
General Revenues:							
Unrestricted Investment Income/(Loss)					1,418,354	742,738	2,161,092
Other					120,896	-	120,896
Transfers In					-	(15,393,003)	(15,393,003)
Transfers Out					-	15,393,003	15,393,003
Total General Revenues					1,539,250	742,738	2,281,988
Change in Net Position					21,563,285	6,280,238	27,843,523
Net Position - Beginning of Year					228,584,485	(189,077,199)	39,507,286
Net Position - End of Year					$ 250,147,770	$ (182,796,961)	$ 67,350,809

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

STATE ROAD AND TOLLWAY AUTHORITY

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2022

	General Fund	GTIB Fund	Debt Service Fund	Governmental Funds
ASSETS				
Current Assets:				
Cash and Cash Equivalents	$ 20,938,563	$ 1,813,134	$ -	$ 22,751,697
Accounts Receivable, Net	1,641,007	-	90,475	1,731,482
Loans Receivable, Net - Restricted	-	1,285,255	-	1,285,255
Intergovernmental Receivables	736,845	-	-	736,845
Inventories	875	-	-	875
Restricted Assets:				
Cash and Cash Equivalents	821,287,185	69,017,339	8,113,732	898,418,256
Noncurrent Assets:				
Loans Receivable, Net - Restricted	-	18,669,077	-	18,669,077
Total Assets	$ 844,604,475	$ 90,784,805	$ 8,204,207	$ 943,593,487
LIABILITIES:				
Liabilities:				
Cash Overdraft	$ -	$ -	$ 17,500	$ 17,500
Accounts Payable and Other Accruals	1,685,150	3,025,659	-	4,710,809
Intergovernmental Payable	1,104	-	-	1,104
Funds Held for Others	79,835	-	-	79,835
Contracts Payable	24,362,612	-	-	24,362,612
Unearned Revenue	189,353,316	-	-	189,353,316
Total Liabilities	215,482,017	3,025,659	17,500	218,525,176
FUND BALANCES				
Restricted:				
Loans and Grant Programs & Receivables	-	87,295,282	-	87,295,282
Debt Service	-	-	8,186,707	8,186,707
Capital and Transportation Projects	589,505,686	-	-	589,505,686
Unrestricted				
Assigned	8,054,662	463,864	-	8,518,526
Unassigned	31,562,110	-	-	31,562,110
Total Fund Balances	629,122,458	87,759,146	8,186,707	725,068,311
Total Liabilities and Fund Balances	$ 844,604,475	$ 90,784,805	$ 8,204,207	$ 943,593,487

STATE ROAD AND TOLLWAY AUTHORITY

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE GOVERNMENT-WIDE STATEMENT OF NET POSITION JUNE 30, 2022

Total Governmental Fund Balances	$	725,068,311
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		185,919,171
Accumulated depreciation		(84,780,566)
Other long-term assets and accounts payable are not available to pay for current period expenditures and, therefore, are not reported in the funds.		20,946,348
Certain liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		
Long-term liabilities		(593,138,833)
Compensated absences		(75,809)
Net pension and OPEB liabilities/assets		(608,569)
Accrued interest payable		(2,404,088)
Deferred inflows 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.		(778,195)
Net position of governmental activities	$	250,147,770

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

STATE ROAD AND TOLLWAY AUTHORITY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

	General Fund	GTIB Fund	Debt Service Fund	Total Governmental Funds
REVENUES				
Intergovernmental Income	$ 129,470,602	$ 12,999,055	$ 84,622,175	$ 227,091,832
Sales and Services	33	-	-	33
Interest and Other Investment Income	320,376	455,340	642,638	1,418,354
Other	81,662	39,234	-	120,896
Total Revenues	129,872,673	13,493,629	85,264,813	228,631,115
EXPENDITURES				
General Government	27,688,769	280,303	10,681,207	38,650,279
Infrastructure Grants Disbursed	-	4,605,721	-	4,605,721
Roadway Improvements per GDOT MOU	112,723,018	-	-	112,723,018
Debt Service:				
Principal	-	-	57,565,000	57,565,000
Interest	-	-	27,057,175	27,057,175
Total Expenditures	140,411,787	4,886,024	95,303,382	240,601,193
Net Change in Fund Balances	(10,539,114)	8,607,605	(10,038,569)	(11,970,078)
Fund Balances, Beginning of Year	639,661,572	79,151,541	18,225,276	737,038,389
Fund Balances, End of Year	$ 629,122,458	$ 87,759,146	$ 8,186,707	$ 725,068,311

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

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, 2022

Total Net Change in Fund Balances - Governmental Funds	$ (11,970,078)
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.	
Total capital outlay	2,625,444
Total depreciation	(9,701,335)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales and donations, transfers to enterprise funds) is to decrease net position.	10,739,589
Repayment of long-term debt is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. In the current year, these amounts consist of:	
Bonds Principal Retirement	57,565,000
Debt Service Receivable/Payable (GDOT) Adjustment	(47,028,652)
Some expenses 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 Deferral of Gain on Refunding of Bonds	142,390
Amortization of Premium	19,526,368
Accrued interest on debt	(847,563)
(Increase) Decrease in Compensated Absences	68,206
Net (Increase) Decrease in Pension and OPEB Expense	443,916
Change in Net Position - Governmental Activities	$ 21,563,285

STATE ROAD AND TOLLWAY AUTHORITY

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2022

	Tolling System Fund	I-75 South Fund	Total Proprietary Funds
ASSETS			
Current Assets:			
Cash and Cash Equivalents	$ 47,647,689	$ -	$ 47,647,689
Accounts Receivable, Net	1,146,338	-	1,146,338
Inventories	164,070	-	164,070
Other Assets	10,524	-	10,524
Restricted Assets:			
Cash and Cash Equivalents	179,406,746	-	179,406,746
Investments	11,544,576	-	11,544,576
Total Current Assets	239,919,943	-	239,919,943
Noncurrent Assets:			
Net OPEB Asset	973,022	-	973,022
Capital Assets:			
Nondepreciable Capital Assets	21,296,171	-	21,296,171
Depreciable Capital Assets, net	16,110,229	-	16,110,229
Right-to-Use Leased Assets	9,475,559	-	9,475,559
Less: Accumulated Amortization	(734,539)	-	(734,539)
Total Noncurrent Assets	47,120,442	-	47,120,442
Total Assets	287,040,385	-	287,040,385
DEFERRED OUTFLOWS OF RESOURCES			
Related to Defined Benefit Pension Plans	3,033,192	-	3,033,192
Related to Defined Benefit OPEB and SEAD Plans	1,458,056	-	1,458,056
Deferred Loss from Refunding of Debt	6,418,295	-	6,418,295
Total Deferred Outflows of Resources	10,909,543	-	10,909,543
LIABILITIES			
Current Liabilities:			
Accounts Payable and Other Accruals	8,261,881	-	8,261,881
Unearned Revenue	16,852,285	-	16,852,285
Compensated Absences Payable	727,586	-	727,586
Lease Liability	661,482	-	661,482
Funds Held for Others	725,932	-	725,932
Accrued Interest Payable	5,824,143	-	5,824,143
Bonds premium amortized within one year	2,710,365	-	2,710,365
Bonds discount amortized within one year	(4,087)	-	(4,087)
Total Current Liabilities	35,759,587	-	35,759,587
Noncurrent Liabilities:			
Compensated Absences Payable	190,420	-	190,420
Lease Liability	8,271,741	-	8,271,741
Revenue Bonds Payable	367,380,000	-	367,380,000
Bonds premium amortized in more than one year	54,785,303	-	54,785,303
Bonds discount amortized in more than one year	(38,122)	-	(38,122)
Net OPEB Liability	732,884	-	732,884
Net Pension Liability	5,174,187	-	5,174,187
Total Noncurrent Liabilities	436,496,413	-	436,496,413
Total Liabilities	472,256,000	-	472,256,000
DEFERRED INFLOWS OF RESOURCES			
Related to Defined Benefit Pension Plans	5,254,341	-	5,254,341
Related to Defined Benefit OPEB and SEAD Plans	3,236,548	-	3,236,548
Total Deferred Inflows of Resources	8,490,889	-	8,490,889
NET POSITION			
Net Investment in Capital Assets	29,817,726	-	29,817,726
Restricted for:			
Bond Covenants/Debt Service	25,693,012	-	25,693,012
Other Benefits	657,128	-	657,128
Unrestricted (Deficit)	(238,964,827)	-	(238,964,827)
Total Net Position	$ (182,796,961)	$ -	$ (182,796,961)

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

STATE ROAD AND TOLLWAY AUTHORITY

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

	Tolling System Fund	I-75 South Fund	Total Proprietary Funds
Operating Revenues:			
Electronic Tolls	$ 52,641,507	$ -	$ 52,641,507
Violation Administration Fees	9,312,037	-	9,312,037
Other	74,048	-	74,048
Total Operating Revenues	62,027,592	-	62,027,592
Operating Expenses:			
Personal Services	7,567,008	-	7,567,008
Services and Supplies	3,956,430	-	3,956,430
Utilities, Rents, Insurance	422,465	-	422,465
Contracts	15,436,276	-	15,436,276
Software/Telecom	3,437,654	-	3,437,654
Depreciation	11,377,349	-	11,377,349
Amortization	734,539	-	734,539
Total Operating Expenses	42,931,721	-	42,931,721
Operating Income (Loss)	19,095,871	-	19,095,871
Nonoperating Revenues (Expenses):			
Interest and Other Investment Income	742,738	-	742,738
Interest Expense	(13,558,371)	-	(13,558,371)
Total Nonoperating Revenues (Expenses)	(12,815,633)	-	(12,815,633)
Income (Loss) Before Contributions and Transfers	6,280,238	-	6,280,238
Transfers:			
Transfers In	(15,393,003)	-	(15,393,003)
Transfers Out	-	15,393,003	15,393,003
Net Transfers	(15,393,003)	15,393,003	-
Change in Net Position	(9,112,765)	15,393,003	6,280,238
Net Position, Beginning of Year	(173,684,196)	(15,393,003)	(189,077,199)
Net Position, End of Year	$ (182,796,961)	$ -	$ (182,796,961)

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

STATE ROAD AND TOLLWAY AUTHORITY

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

	Tolling Fund	I-75 South Fund
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	$ 54,931,910	$ -
Cash paid to intergovernmental agencies	(578,015)	-
Cash paid to vendors	(24,344,610)	-
Cash paid to employees	(6,029,206)	-
Net cash provided by (used in) operating activities	23,980,079	-
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfers of I-75 South Operations	20,856,699	(20,856,699)
Net cash provided by (used in) noncapital financing activities	20,856,699	(20,856,699)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(7,514,385)	-
Principal paid on note payable	(290,169,340)	-
Proceeds from Revenue Bond Issuance	427,532,843	-
Defeasance of Revenue Bonds	(39,523,693)	-
Payments Made for the Early Retirement of Debt	(9,746,300)	-
Lease Principal Paid	(542,336)	-
Lease Interest Paid	(261,266)	-
Bond Interest expense	(6,844,341)	-
Net cash used in capital and related financing activities	72,931,182	-
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment purchases	(11,544,576)	-
Interest received	742,738	-
Net cash provided by investing activities	(10,801,838)	-
Increase (decrease) in cash and cash equivalents	106,966,122	(20,856,699)
Cash and cash equivalents:		
Beginning of year	120,088,313	20,856,699
End of year	$ 227,054,435	$ -

(Continued)

STATE ROAD AND TOLLWAY AUTHORITY

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:				
Operating income (loss)	$	19,095,871	$	-
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation		11,377,349		-
Amortization		734,539		-
Changes in assets and liabilities:				
Receivables, Net		586,303		-
Inventories		(38,150)		-
Net OPEB/SEAD Asset		(442,767)		-
Intergovernmental Payable		(578,015)		-
Deferred Outflows of Resources		(878,494)		-
Unearned Revenues		(6,699,490)		-
Accounts Payable		1,125,742		-
Accrued Liabilities		697,384		-
Other Assets		(21)		-
Due from Other Funds		982,495		-
Due to Other Funds		(982,495)		-
Compensated Absences		21,060		-
Net Pension Liability		(4,858,725)		-
Net OPEB liability		(1,929,238)		-
Deferred Inflows of Resources		5,766,731		-
Net cash provided by (used in) operating activities	$	23,980,079	$	-
Noncash capital and related financing activities:				
Movement of operations to Tolling Fund	$	(5,463,696)	$	5,463,696
Lease liability added due to implementation of GASB No. 87	$	9,475,559	$	-

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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

- Restricted net position results when constraints are placed on net position use either externally imposed by creditors, grantors, contributors, and the like, or imposed by law through constitutional provisions or enabling legislation.
- Unrestricted net position consists of net position that does not meet the definition of the two preceding categories. Unrestricted net position often is designated, indicating it is not available for general operations. Such designations have internally imposed constraints on resources but can be removed or modified.

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

Fund Financial Statements

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual proprietary funds are reported as separate columns in the fund financial statements. The Authority did not have any non-major funds in fiscal year 2022.

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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Governmental Funds

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they become both measurable and available. Revenues are considered to be "measurable" when the amount of the transaction can be determined and "available" when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Authority considers other revenues to be available if the revenues are collected within 30 days after fiscal year end. An exception to this policy is federal grant revenues, which generally are considered to be available if collection is expected within 12 months after year-end. All unearned revenues reported represent transactions for which assets have been received, but for which not all earnings criteria have been met. Capital purchases are recorded as expenditures and neither capital assets nor long-term liabilities, such as long-term debt, are reflected on the balance sheet. Major revenue sources susceptible to accrual include interest and other investment income.

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

The Authority reports the following major governmental funds:

General Fund – The principal operating fund of the Authority which accounts for all financial resources of the general government, except those required to be accounted for in another fund. This includes strategic business development, the activity related to non-Tolling Major Mobility and Investment Program (MMIP) projects, capital assets owned by the Authority not accounted for in another fund, as well as general governmental activities.

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

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

Proprietary Funds

Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position and cash flows. Proprietary funds are classified as enterprise funds and distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

fund's principal ongoing operations. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

The Authority reports the following major proprietary fund:

> **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, the I-75 South Metro 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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

paper, and other such nonparticipating investments are priced at fair value. Repurchase agreements, non-negotiable CD's, direct-issued commercial paper, and other such nonparticipating investments are carried at cost because they are nonparticipating contracts that do not capture interest rate changes in their value. Security transactions are accounted for on a trade date basis which means that the purchases and sales of securities are recorded on the day the trade takes place with a corresponding payable or receivable.

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

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

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

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

1) The Local Government Investment Pool;
2) Government Obligations;
3) Certificates of Deposit;
4) Repurchase Agreements;
5) Investment Agreements or Guaranteed Investment Contracts; and
6) Money Market Funds.

Accounts Receivable

Receivables consist primarily of amounts due from local governments for loans made under the GTIB program, intergovernmental agreements and toll patrons. Receivables are recorded, net of allowances for uncollectible accounts, when either the asset or revenue recognition criteria have been met. Receivables from GTIB are reasonably assured; an allowance for uncollectible accounts is not typically

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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.

The fund balance of governmental funds is reported as nonspendable for inventory 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

Leases as Lessee

The Authority is a lessee for a noncancellable lease of certain space within a building owned by a third party.

At the commencement of a lease, the Authority initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The right-to-use lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on the straight-line basis over the shorter of the useful life of the asset or the lease term.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Key estimates and judgments related to leases include how the Authority determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments:

The lease agreement entered into by the Authority as lessee does not contain a stated interest rate. Therefore, the Authority has used its estimated incremental borrowing rate as the discount rate for the lease. The Authority has estimated this incremental borrowing rate to be 3.24% for the lease in which the Authority is currently involved as the lessee.

The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments the Authority will make over the lease term.

The Authority monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and lease liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported with other capital assets and lease liabilities are reported with current and long-term debt on the statement of net position.

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.

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. 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, 2022.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 2022, the Authority implemented the following GASB Statement:

GASB Statement No. 87, "*Leases*"

The objective of this Statement is to improve accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

For more information about the Authority's leasing activities under this new standard, see Note 10.

B. Changes in Financial Reporting Entity

On July 1, 2021, the Authority closed on its Series 2021AB Managed Lane System State of Georgia Guaranteed Revenue Bonds. This action allowed the Authority to achieve legal defeasance of its outstanding debt on the existing Series 2014AB Toll Revenue Bonds (TRB) for the I-75 South Express Lanes, among other purposes as outlined in Note 9. As a result of this legal defeasance the accounting activities of the I-75 South Express Lanes Facility are grouped with the Authority's three other existing roadway facilities under its Managed Lane System and are recorded under the Authority's Tolling System Fund.

NOTE 3 – BUDGET

Legal adoption of The Authority budget is not required for the general fund; however, the Authority Board of Directors approves an operating budget for management purposes. The operating 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. Operating budgets are adopted on the cash basis of accounting. The Authority's Board approves the operating 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, 2022.

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

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

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

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

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

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

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

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

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

Pledged Revenue

The net toll revenue derived from the operation of the Managed Lane System secure the Managed Lane System State of Georgia Guaranteed Revenue Bonds Series 2021A and 2021B. The bond indenture requires the Authority to establish, charge, and collect tolls for the privilege of traveling on the Managed Lane System at rates sufficient to produce net revenues 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. Net revenues are defined and set forth in the Flow of Funds.

NOTE 5 – DEPOSITS AND INVESTMENTS

Cash and cash equivalents as of June 30, 2022, are classified in the accompanying financial statements as follows:

		Governmental Activities		Proprietary Funds		Total
Cash and Cash Equivalents	$	22,734,197	$	47,647,689	$	70,381,886
Restricted Assets						
Cash and Cash Equivalents		898,418,256		179,406,746		1,077,825,002
Total Cash and Cash Equivalents	$	921,152,453	$	227,054,435	$	1,148,206,888

Cash on hand and deposits as of June 30, 2022, consist of the following:

		Governmental Activities		Proprietary Funds		Total
Cash on Hand	$	150	$	875	$	1,025
Deposits with Financial Institutions		11,511,397		1,086,022		12,597,419
Investments		596,975,229		111,077,859		708,053,088
Investments with Georgia Fund 1		312,665,677		114,889,679		427,555,356
Total Cash and Cash Equivalents	$	921,152,453	$	227,054,435	$	1,148,206,888

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.

NOTE 5 – DEPOSITS AND INVESTMENTS (CONTINUED)

Categorization of Cash Equivalents. The Authority reported investments of $427,555,356 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 43 days. Additional information on the Georgia Fund 1 is disclosed in the State of Georgia Comprehensive Annual Financial Report. This audit can be obtained from the Georgia Department of Audits and Accounts at www.audits.ga.gov/SGD/CAFR.html.

Categorization of Investments.

At June 30, 2022, the Authority had the following investments:

		Investment Maturity	
Investment Type	Fair Value	Less Than 1 Year	1 - 5 Years
Debt Securities			
U.S. Treasuries	$ 11,544,576	$ 8,019,786	$ 3,524,790

Fair Value of Investments. 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: Quoted prices for identical investments in active markets;
- Level 2: Observable inputs other than quoted market prices; and,
- Level 3: Unobservable inputs.

The Authority has the following recurring fair value measurements as of June 30, 2022:

Money Market Mutual Funds of $708,053,088 are valued using quoted market prices (Level 1 inputs).

U.S. Treasuries of $11,544,576 are valued using a matrix pricing model (Level 2 inputs).

NOTE 5 – DEPOSITS AND INVESTMENTS (CONTINUED)

Interest Rate Risk. Interest rate risk is the risk that changes in interest rates of debt investment will adversely affect the fair value of an investment. The Authority does not have a formal policy for managing interest rate risk due to all investments being managed in OST and trustee accounts.

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, 2022, the Authority's cash and deposit bank balances totaled $12.6 million. Of these deposits, none were exposed to custodial credit risk.

NOTE 6 – RECEIVABLES

Receivables at June 30, 2022 consisted of the following:

	Notes and Loans	Other	Inter-governmental Receivables	Total Receivables
Governmental Activities				
General fund	$ -	$ 1,641,007	$ 736,845	$ 2,377,852
GTIB	19,954,332	-		19,954,332
Debt Service		90,475		90,475
Total - Governmental Funds	19,954,332	1,731,482	736,845	22,422,659
Long-Term Receivable from GDOT			83,980,000	83,980,000
Total - Governmental Activities	$ 19,954,332	$ 1,731,482	$ 84,716,845	$ 106,402,659
Business-Type Activities				
Tolling System	$ -	$ 1,146,338	$ -	$ 1,146,338

NOTE 7 – INTERFUND BALANCES

Interfund Transfers

Interfund transfers for the year ended June 30, 2022 consist of the following:

Funds	Transfer In	Transfer Out	Total
Tolling System Fund	$ (15,393,003)	$ -	$ (15,393,003)
75 South Fund	-	15,393,003	15,393,003
Total	$ (15,393,003)	$ 15,393,003	$ -

In fiscal year 2022, the Authority decided to combine the I-75S fund with the Tolling Fund. As a result, prior year assets, liabilities and fund balances related to the I-75S fund ($15,393,003) were transferred to the Tolling System. All current year I-75S Fund (formerly) related revenues and expenses are already reflected in the Tolling System.

NOTE 8 – CAPITAL ASSETS

Capital Asset Activity

Capital asset activity for the fiscal year ended June 30, 2022 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital Assets Not Being Depreciated:				
Land	$ 22,766,680	$ 72,538	$ -	$ 22,839,218
Construction in Progress	7,876,985	12,846,522	(3,465,108)	17,258,399
Total Capital Assets Not Being Depreciated	30,643,665	12,919,060	(3,465,108)	40,097,617
Capital Assets Being Depreciated:				
Buildings	11,799,637	-	-	11,799,637
Machinery and Equipment	111,876,983	1,683,711	(9,204,565)	104,356,129
Infrastructure	27,425,438	2,312,888	(72,538)	29,665,788
Total Capital Assets Being Depreciated	151,102,058	3,996,599	(9,277,103)	145,821,554
Less Accumulated Depreciation:				
Buildings	(1,126,289)	(266,170)	-	(1,392,459)
Machinery and Equipment	(68,323,665)	(8,456,476)	9,191,585	(67,588,556)
Infrastructure	(14,820,862)	(978,689)	-	(15,799,551)
Total Accumulated Depreciation	(84,270,816)	(9,701,335)	9,191,585	(84,780,566)
Total Capital Assets Being Depreciated, Net	66,831,242	(5,704,736)	(85,518)	61,040,988
Total Governmental Activities Capital Assets	$ 97,474,907	$ 7,214,324	$ (3,550,626)	$ 101,138,605
Business-Type Activities:				
Capital Assets Not Being Depreciated:				
Construction in Progress	$ 19,768,678	$ 7,492,735	$ (5,965,242)	$ 21,296,171
Capital Assets Being Depreciated:				
Machinery and Equipment	73,409,335	5,986,892	-	79,396,227
Computer Software	8,610,898	-	-	8,610,898
Total Capital Assets Being Depreciated	82,020,233	5,986,892	-	88,007,125
Less Accumulated Depreciation For:				
Machinery and Equipment	(51,908,649)	(11,377,349)	-	(63,285,998)
Computer Software	(8,610,898)	-	-	(8,610,898)
Total Accumulated Depreciation	(60,519,547)	(11,377,349)	-	(71,896,896)
Total Capital Assets Being Depreciated, Net	21,500,686	(5,390,457)	-	16,110,229
Total Business-Type Activities Capital Assets	$ 41,269,364	$ 2,102,278	$ (5,965,242)	$ 37,406,400

NOTE 8 – CAPITAL ASSETS (CONTINUED)

Depreciation expense for the fiscal year ended June 30, 2022 was $9,701,335 and $11,377,349 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. The total of depreciation expense in Business-type Activities was charged to the Tolling function of the Authority.

Lease Asset Activity

Lease asset activity, as a result of the implementation of GASB 87, for the fiscal year ended June 30, 2022 was as follows:

	Beginning Balance	GASB No. 87 Implementation	Increases	Decreases	Ending Balance
Business-Type Activities:					
Right-to-Use Leased Assets - Building	$ -	$ 9,475,559	$ -	$ -	$ 9,475,559
Less: Accumulated Amortization					
Right-to-Use Leased Assets - Building	-	-	(734,539)	-	(734,539)
Total Leased Assets, Net	$ -	$ 9,475,559	$ (734,539)	$ -	$ 8,741,020

The total amortization expense of $734,539 was charged to the Tolling function of the Authority.

NOTE 9 – LONG-TERM LIABILITIES

Changes in long-term liabilities for the fiscal year ended June 30, 2022 are as follows:

	Beginning Balance	GASB No. 87 Implementation	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities						
Revenue Bonds Payable	$ 63,460,000	$ -	$ -	$ (21,545,000)	$ 41,915,000	$ 22,650,000
GARVEE Bonds Payable	488,675,000	-	-	(36,020,000)	452,655,000	37,810,000
Deferred Amounts:						
Net Unamortized Premiums	118,095,201	-	-	(19,526,368)	98,568,833	17,745,266
Total Bonds Payable	670,230,201	-	-	(77,091,368)	593,138,833	78,205,266
Net OPEB liability	364,962	-	-	(274,530)	90,432	-
Net Pension Liability	1,375,459	-	-	(737,032)	638,427	-
Compensated Absences	144,015	-	-	(68,206)	75,809	60,084
Governmental Activity Long-Term Liabilities	$ 672,114,637	$ -	$ -	$ (78,171,136)	$ 593,943,501	$ 78,265,350
Business-Type Activities						
Revenue Bonds Payable	$ 39,523,693	$	$ 367,380,000	$ (39,523,693)	$ 367,380,000	$ -
Deferred Amounts:						
Net Unamortized Premiums	-		60,199,128	(2,703,460)	57,495,668	2,710,365
Net Unamortized Discount	-		(46,285)	4,076	(42,209)	(4,087)
Total Bonds Payable	39,523,693	-	427,532,843	(42,223,077)	424,833,459	2,706,278
Loans Payable	290,169,340	-	-	(290,169,340)	-	-
Net OPEB Liability	2,662,122	-	-	(1,929,238)	732,884	-
Net Pension Liability	10,032,912	-	-	(4,858,725)	5,174,187	-
Compensated Absences	896,946	-	135,605	(114,545)	918,006	727,586
Leased Liabilities	-	9,475,559	-	(542,336)	8,933,223	661,482
Business-Type Activity Long-Term Liabilities	$ 343,285,013	$ 9,475,559	$ 427,668,448	$ (339,837,261)	$ 440,591,759	$ 4,095,346

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, 2022, the outstanding principal balance is $19,265,000. These bonds are secured by the amount of net proceeds of transportation funds 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 $24,200,705 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, 2022, the outstanding principal balance is $22,650,000. These bonds are secured by the amount of net proceeds of transportation funds 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 $24,200,705 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, 2022, the outstanding principal balances for the Series 2017A Grant Anticipation Revenue Bonds and the Series 2017A Reimbursement Revenue Bonds are $33,635,000 and $8,430,000 respectively. These bonds are

NOTE 9 – LONG-TERM LIABILITIES (CONTINUED)

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.

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, 2022, the outstanding principal balances for the Series 2020 Grant Anticipation Revenue Bonds and the Series 2020 Federal Reimbursement Revenue Bonds are $328,495,000 and $82,095,000 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

Managed Lane System State of Georgia Guaranteed Revenue Bonds, Series 2021AB
On July 1, 2021, the Authority issued Managed Lane System State of Georgia Guaranteed Revenue Bonds, Series 2021A (Full Faith and Credit) and Series 2021B (Full Faith and Credit, Federally Taxable) in the amounts of $330,160,000 and $37,220,000, respectively. The bonds were issued for the purposes of 1) to repay in-full the remaining debt on the TIFIA loan related to the I-75 Northwest Corridor Express Lanes project; 2) defeasance of outstanding I-75 South Toll Revenue Bonds; 3) pay the costs of certain tolling infrastructure related to the existing managed lane system; 4) pay the costs of certain tolling infrastructure related to certain future tolling facilities planned in the State's Major Mobility Investment Program; 5) to fund capitalized interest on the 2021A Bonds; and 6) to pay a portion of the costs of issuance of the bonds. The Series 2021A bonds mature on July 15, 2051 and the Series 2021B bonds mature on July 15, 2034. As of June 30, 2022, the outstanding principal balance in total is $367,380,000. These bonds are secured by the net toll revenue derived from the operation of the Managed Lane System. 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 $25,357,621 in the State of Georgia Guaranteed Revenue Debt Common Reserve Fund that is on deposit at the OST.

The Series 2021B Guaranteed Revenue Bond issue of $37,220,000 less discount of $46,285 and less underwriters and bond issue cost of $234,463 provided net proceeds of $36,939,252. The total net proceeds plus additional funds on hand of $12,330,740 were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the Series 2014 A&B outstanding Toll Revenue Bonds for the I-75 South Metro Express Lanes project. As a result, the entirety of the I-75 South Toll Revenue Bonds is considered defeased, and the liability for these bonds has been removed

NOTE 9 – LONG-TERM LIABILITIES (CONTINUED)

from the Statement of Net Position. The Authority refunded the aforementioned bonds to reduce its total debt service payments over twenty-seven years beginning in fiscal year 2022 by $25,830,781 and to obtain an economic gain (difference between the present values of total debt service payments and the old and new debt) of $17,037,454.

Summary of Long-Term Debt

Revenue bonds outstanding as of June 30, 2022, are as follows:

Governmental Activities:				
Guaranteed Revenue Refunding Bonds, Series 2011B	Refunding of Guaranteed Revenue Bonds, Series 2003	5.00%	$	22,650,000
Guaranteed 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%		33,635,000
Reimbursement Revenue Bonds, Series 2017A	Improvement of roads and bridges	4.00 - 5.00%		8,430,000
Grant Anticipation Revenue Bonds, Series 2020	Improvement of roads and bridges	5.00%		328,495,000
Reimbursement Revenue Bonds, Series 2020	Improvement of roads and bridges	5.00%		82,095,000
Total Governmental Activities			$	**494,570,000**
Business-Type Activities:				
Guaranteed Revenue Bonds, Series 2021A	Defeasance of TIFIA debt; Tolling Capital Infrastucture	3.00 - 4.00%	$	330,160,000
Guaranteed Revenue Bonds, Series 2021B	Defeasance of I-75S TRB debt	1.70- 1.90%		37,220,000
Total Business-Type Activities			$	**367,380,000**

NOTE 9 – LONG-TERM LIABILITIES (CONTINUED)

Debt Service Requirements

Governmental Activities

Revenue and GARVEE bonds

Annual debt service requirements to maturity for revenue bonds and GARVEE bonds are as follows as of June 30, 2022:

Revenue Fiscal Year Payable	Total	Principal	Interest
2023	$ 24,179,500	$ 22,650,000	$ 1,529,500
2024	19,746,625	19,265,000	481,625
	$ 43,926,125	$ 41,915,000	$ 2,011,125

GARVEE Fiscal Year Payable	Total	Principal	Interest
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	60,438,750	45,955,000	14,483,750
2028-2032	280,395,250	243,720,000	36,675,250
	$ 582,595,850	$ 452,655,000	$ 129,940,850

NOTE 9 – LONG-TERM LIABILITIES (CONTINUED)

Business-Type Activities

State Road and Tollway Authority Managed Lane System Guaranteed Revenue Bonds, Series 2021AB

Annual debt service requirements to maturity for the SRTA Managed Lane System GRB, Series 2021AB is as follows as of June 30, 2022:

Revenue Fiscal Year Payable	Total	Principal	Interest
2023	$ 12,700,840	$ -	$ 12,700,840
2024	12,700,840	-	12,700,840
2025	12,700,840	-	12,700,840
2026	12,700,840	-	12,700,840
2027	12,700,840	-	12,700,840
2028 - 2032	74,094,100	10,760,000	63,334,100
2033 - 2037	120,200,155	61,090,000	59,110,155
2038 - 2042	126,035,050	80,580,000	45,455,050
2043 - 2047	125,682,950	98,035,000	27,647,950
2048 - 2052	125,890,775	116,915,000	8,975,775
	$ 635,407,230	$ 367,380,000	$ 268,027,230

NOTE 10 – LEASES

In December 2016, the Authority executed an agreement to lease office space. As of June 30, 2022, the value of the lease liability was $8,933,223. The Authority is required to make monthly payments that include principal and interest. As the lease does not contain a specific interest rate, the Authority has used its incremental borrowing rate of 3.42% as the discount rate for the lease. The right-to-use lease asset as of the end of the current fiscal year was $9,475,559 and had accumulated amortization of $734,539.

Debt service to maturity on the Authority's outstanding lease is as follows:

Fiscal Year Payable	Total	Principal	Interest
2023	$ 956,725	$ 661,482	$ 295,243
2024	980,809	708,928	271,881
2025	1,005,315	758,449	246,866
2026	1,030,563	810,446	220,117
2027	1,056,231	864,675	191,556
2028 - 2032	5,589,019	5,129,243	459,776
	$ 10,618,662	$ 8,933,223	$ 1,685,439

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, 2022 was 24.63% of annual covered payroll for old and new plan members and 21.57% for GSEPS members. The Authority's contributions to ERS totaled $1,490,116 for the year ended June 30, 2022. 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, 2022, the Authority reported a liability for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2020. An expected total pension liability as of June 30, 2021 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, 2021. At June 30, 2021, the Authority's proportion was 0.248509%, which was a decrease of 0.022155% from its proportion measured as of June 30, 2020.

For the year ended June 30, 2022, the Authority recognized pension expense of $642,513. At June 30, 2022, 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	$ 137,550	$ -
Changes of assumptions	1,673,803	-
Net difference between projected and actual earnings on pension plan investments	-	5,372,027
Changes in proportion and differences between Employer contributions and proportionate share of contributions	105,847	530,401
Employer contributions subsequent to the measurement date	1,490,116	-
Total	$ 3,407,316	$ 5,902,428

NOTE 11 – RETIREMENT SYSTEMS (CONTINUED)

The Authority's contributions subsequent to the measurement date of $1,490,116 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, 2023. 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:		
2023	$	(343,933)
2024	$	(900,870)
2025	$	(1,305,515)
2026	$	(1,434,910)
Thereafter	$	-

Actuarial Assumptions

The total pension liability as of June 30, 2021 was determined by an actuarial valuation as of June 30, 2020 using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary increases	3.00% - 6.75%, including inflation
Investment Rate of Return	7.00%, net of pension plan investment expense, including inflation

Mortality rates are as follows:

- The Pub-2010 General Employee Table, with no adjustments, projected generationally with the MP-2019 scale is used for both males and females while in active service.
- The Pub-2010 Family of Tables projected generationally with the MP-2019 Scale and with further adjustments are used for post-retirement mortality assumptions as follows:

Participant Type	Membership Table	Set Forward (+) / Setback (-)		Adjustment to Rates	
Service Retirees	General Healthy Annuitant	Male: +1;	Female: +1	Male: 105%;	Female: 108%
Disability Retirees	General Disabled	Male: -3;	Female: 0	Male: 103%;	Female: 106%
Beneficiaries	General Contingent Survivors	Male: +2;	Female: +2	Male: 106%;	Female: 105%

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period July 1, 2014 – June 30, 2019.

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.

NOTE 11 – RETIREMENT SYSTEMS (CONTINUED)

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%	(1.50)%
Domestic large stocks	46.40%	9.20%
Domestic small stocks	1.10%	13.40%
International developed market stocks	11.70%	9.20%
International emerging market stocks	5.80%	10.40%
Alternative	5.00%	10.60%
Total	100.00%	

* Rates shown are net of inlation

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. 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 7.00%, 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 (6.00%) or one percentage point higher (8.00%) than the current rate:

Employees' Retirement System:	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Authority's proportionate share of the net pension liability	$ 10,651,063	$ 5,812,387	$ 1,720,209

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.

NOTE 11 – RETIREMENT SYSTEMS (CONTINUED)

GSEPS 401(k) Defined Contribution Component of ERS

In addition to the ERS defined benefit pensions described above, GSEPS members may also participate in the Peach State Reserves 401(k) defined contribution plan and receive an employer matching contribution. The 401(k) plan is administered by the System and was established by the Georgia Employee Benefit Plan Council in accordance with State law and Section 401(k) of the IRC. The GSEPS segment of the 401(k) plans were established by State law effective January 1, 2009. Plan provisions and contribution requirements specific to GSEPS can be amended by State law. Other general 401(k) plan provisions can be amended by the ERS Board of Trustees as required by changes in federal tax law or for administrative purposes. The Authority was not required to make significant contributions to the 401(k) plans prior to GSEPS because most members under other segments of the plan either were not State employees or were not eligible to receive an employer match on their contributions.

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

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

GSEPS Employer Contribution Vesting: Years of Service	% Vested
Less than 1 year	0%
1 year	20%
2 years	40%
3 years	60%
4 years	80%
5 or more years	100%

Employee contributions and earnings thereon are 100% vested at all times. The 401(k) plans also allow participants to roll over amounts from other qualified plans to their respective account in the 401(k) plans on approval of the 401(k)-plan administrator. Such rollovers are 100% vested at the time of transfer. Participant contributions are invested according to the participant's investment election. If the participant does not make an election, investments are automatically defaulted to a Lifecycle fund based on the participant's date of birth.

The participants may receive the value of their vested accounts upon attaining age 59.5, qualifying financial hardship, or 30 days after retirement or other termination of service (employer contributions are only eligible for distribution upon separation from service). Upon the death of a participant, his or her beneficiary shall be entitled to the vested value of his or her accounts. Employees who die while actively employed and 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 POST-EMPLOYMENT 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.

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 $483,686 for the year ended June 30, 2022. Active employees are not required to contribute to the State OPEB Fund.

NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

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

At June 30, 2022, the Authority reported a liability of $823,316 for its proportionate share of the net OPEB liability.

The net OPEB liability was measured as of June 30, 2021. The total OPEB liability used to calculate the net OPEB liability was based on an actuarial valuation as of June 30, 2020. An expected total OPEB liability as of June 30, 2021 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, 2022. At June 30, 2021, the Authority's proportion was 0.299545%. This was an increase of 0.030566% from proportion measured as of June 30, 2020.

For the year ended June 30, 2022, the Authority recognized OPEB expense of ($1,294,061). At June 30, 2022, 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	$ -	$ 2,216,844
Changes of assumptions	42,547	867,916
Net difference between projected and actual earnings on OPEB plan investments	-	143,925
Changes in proportion and differences between Employer contributions and proportionate share of contributions	1,059,520	-
Employer contributions subsequent to the measurement date	483,686	-
Total	$ 1,585,753	$ 3,228,685

The Authority's contributions subsequent to the measurement date of $483,686 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, 2023. 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:	
2023	$ (1,058,275)
2024	$ (520,009)
2025	$ (365,747)
2026	$ (182,587)
Thereafter	$ -

NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Actuarial Assumptions

The total OPEB liability as of June 30, 2021 was determined by an actuarial valuation as of June 30, 2020 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, 2021:

Inflation rate	2.50%
Salary increases	3.00% - 6.75%, including inflation
Long-term expected rate of return	7.00%, compounded annually, net of investment expense, and including inflation
Healthcare cost trend rate	
Pre-Medicare Eligible	6.750%
Medicare Eligible	5.125%
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 Pub-2010 General Employee Mortality Table for Males or Females, as appropriate, with no adjustments and with the MP-2019 Projection scale applied generationally as follows:

Post-retirement mortality rates for service retirements were based on the Pub-2010 General Healthy Annuitant Mortality Table (ages set forward one year and adjusted 105% for males and 108% for females) with the MP-2019 Projection scale applied generationally. Post-retirement mortality rates for disability retirements were based on the Pub-2010 General Disabled Mortality Table (ages set back three years for males and adjusted 103% for males and 106% for females) with the MP-2019 Projection scale applied generationally. Post-retirement mortality rates for beneficiaries were based on the Pub-2010 General Contingent Survivor Mortality Table (ages set forward two years and adjusted 106% for males and 108% for females) with the MP-2019 Projection scale applied generationally.

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the pension systems, which covered the five-year period ending June 30, 2019 and adopted by the pension Board on December 17, 2020.

The remaining assumptions (e.g. initial per capital costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the June 30, 2020 valuation were based on a review of recent plan experience done concurrently with the June 30, 2020 valuation.

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.

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 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	30.00%	0.14%
Equities	70.00%	9.20%
Total	100.00%	

*Net of Inflation

Discount Rate

In order to measure the total OPEB liability, as of June 30, 2021, for the State OPEB fund, a single equivalent interest rate of 7.00% was used, as compared with last year's discount rate of 7.06%. 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 (2.16% 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 2145.

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

The following presents the Employer Agency's proportionate share of the net OPEB liability calculated using the discount rate of 7.00%, as well as what the Employer Agency's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.00%) or one-percentage-point higher (8.00%) than the current discount rate:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Employer's proportionate share of the Net OPEB liability	$ 1,448,855	$ 823,316	$ 282,726

NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Sensitivity of the Authority's Proportionate Share of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates:

The following presents the collective net OPEB liability of the participating employers, as well as what the collective 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	$ 192,198	$ 823,316	$ 1,563,360

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.

Georgia State Employees Post-Employment Health 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), 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, 2022.

NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

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

At June 30, 2022, the Authority reported an asset of $1,093,085 for its proportionate share of the net OPEB asset. The net OPEB asset was measured as of June 30, 2021. The total OPEB asset used to calculate the net OPEB asset was based on an actuarial valuation as of June 30, 2020. An expected total OPEB asset as of June 30, 2021 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, 2021. At June 30, 2021, the Employer's proportion was 0.177499%, which was a decrease of 0.034794% from its proportion measured as of June 30, 2020.

For the year ended June 30, 2022, the Authority recognized OPEB expense of ($161,049). At June 30, 2022, 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	$ -	$ 3,261
Changes of assumptions	-	34,076
Net difference between projected and actual earnings on OPEB plan investments	-	364,759
Changes in proportion and differences between Employer contributions and proportionate share of contributions	52,213	5,131
Total	$ 52,213	$ 407,227

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:		
2023	$	(84,674)
2024	$	(84,886)
2025	$	(88,593)
2026	$	(96,861)
Thereafter	$	-

NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Actuarial Assumptions

The total OPEB asset as of June 30, 2021 was determined by an actuarial valuation as of June 30, 2020 using the following actuarial assumptions and other inputs, applied to all periods included in the measurement:

Inflation rate	2.50%
Salary increases:	
ERS	3.00% - 6.75%
GJRS	3.75%
LRS	N/A
Investment rate of return	7.00%, net of OPEB plan investment expense, including inflation
Healthcare cost trend rate	N/A

Mortality rates are as follows:

- The Pub-2010 General Employee Table, with no adjustments, projected generationally with the MP-2019 scale is used for both males and females while in active service.
- The Pub-2010 Family of Tables projected generationally with the MP-2019 Scale and with further adjustments are used for post-retirement mortality assumptions as follows:

Participant Type	Membership Table	Set Forward (+) / Setback (-)		Adjustment to Rates	
Service Retirees	General Healthy Annuitant	Male: +1;	Female: +1	Male: 105%;	Female: 108%
Disability Retirees	General Disabled	Male: -3;	Female: 0	Male: 103%;	Female: 106%
Beneficiaries	General Contingent Survivors	Male: +2;	Female: +2	Male: 106%;	Female: 105%

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period July 1, 2014 – June 30, 2019.

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.

NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

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%	(1.50)%
Domestic large stocks	46.40%	9.20%
Domestic small stocks	1.10%	13.40%
International developed market stocks	11.70%	9.20%
International emerging market stocks	5.80%	10.40%
Alternative	5.00%	10.60%
Total	100.00%	

* Rates shown are net of inlation

Discount Rate

The discount rate used to measure the total OPEB liability was 7.00%. 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 7.00%, 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 (6.00%) or one-percentage-point higher (8.00%) than the current rate:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Employer's proportionate share of the Net OPEB asset	$ (859,702)	$ (1,093,085)	$ (1,283,650)

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.

Financial information relative to self-insurance funds is presented in the financial reports of the Department of Administrative Services and the ERS for the year ended June 30, 2022.

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, 2022.

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, 2022, the Authority had remaining contractual commitments for transportation, tolling, and other construction projects as detailed below:

Remaining Contractual Commitments	**Amounts**
I - 285 at SR 400 Interchange Reconstruction Project	$ 77,835,609
I - 16 at I - 95 Interchange and I - 95 to I - 516 Reconstruction Project	$ 113,707,872
I - 20 East Interchange Reconstruction Project	$ 697,144,112
Total Remaining Contractual Commitments	$ 888,687,593

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, 2022, the total contractual commitment for the project was $547,265,013, with $77,835,609 remaining to be paid out.

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, 2022, the total contractual commitment for the project was $263,920,002, with $113,707,872 remaining to be paid out.

NOTE 14 – LITIGATION, CONTINGENCIES AND COMMITMENTS (CONTINUED)

I-20 East Interchange Reconstruction Project

The I-285 / I-20 East Interchange Project is a design-build-finance project being jointly delivered by GDOT and the Authority and will not be tolled upon completion. In 2022, the Authority entered into an agreement with East Interchange Builders, LLC, 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, and Finance Agreement. As of June 30, 2022, the total contractual commitment for the project was $697,144,112, with the entirety 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 $182 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 and transportation fee sources appropriated in the State of Georgia budget.

In fiscal year 2022, the GTIB received $12,999,055 through the annual appropriations process. In addition, $10,937,002 in grants and $6,148,390 in loans were awarded to local governments in the ninth round of GTIB awards. These awards will be disbursed in future periods as the awardees request reimbursement for the approved projects.

GO! Transit Capital Program

During the 2015 Legislative Session, the Georgia General Assembly appropriated $75 million in General Obligation bond funds for the program to the Authority. The GO! Transit Capital Program is a competitive funding program designed to address some of the critical capital-related public transit needs throughout Georgia. Existing public transit operators that are government units such as local, regional, and state government units, including Community Improvement Districts, were all eligible to apply for the GO! Transit Capital Program. These bond funds can only be used for public transit capital projects with a useful life of at least 10 years, allowing the Authority to have legally sufficient ownership interest, and be operated by an existing public transit operator. During fiscal year 2016, the Authority worked with the Georgia Regional Transportation Authority (GRTA) to establish an application process and administer the $75.0 million transit bond program. Eleven awards were made to nine transit entities across the state of Georgia. During fiscal year 2022, $4,434,932 was dispersed to awardees.

NOTE 15 – SUBSEQUENT EVENTS

The tenth (10th) round of GTIB applications was opened on October 24, 2022, and applications were accepted by the Authority through January 20, 2023. Awards are expected to occur in the spring of 2023 and will be a combination of loans and grants. The anticipated amount of the awards will be $14,500,000.

A Memorandum of Understanding (MOU) between the Authority and the Atlanta-region Transit Link Authority (ATL) was fully executed on January 6, 2023. The MOU provides for the Authority to transfer $20,195,686.70 in remaining VW Settlement funds to the ATL to fund in part or whole the purchase of electric commuter coaches and electric commuter coach charging infrastructure.

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, 2022

	2022	2021	2020	2019	2018	2017	2016	2015
Authority's proportion of the net pension liability	0.248509%	0.270664%	0.257580%	0.238991%	0.229695%	0.243532%	0.140406%	0.143948%
Authority's proportionate share of net pension liability	$ 5,812,387	$ 11,408,371	$ 10,629,119	$ 9,824,999	$ 9,328,683	$ 11,520,087	$ 5,688,406	$ 5,398,940
Authority's covered-employee 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
Authority's proportionate share of the net pension liability as a percentage of its covered-employee payroll	88.95%	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	87.62%	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, 2022

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Statutorily required contribution	$ 1,490,116	$ 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 statutorily required contribution	1,490,116	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 employee payroll	6,399,967	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 employee payroll	23.28%	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, 2022

EMPLOYEES' RETIREMENT SYSTEM

Changes of assumptions:

In 2010 and later, the expectation of retired life mortality was changed to the RP-2000 Mortality Tables rather than the 1994 Group Annuity Mortality Table, which was used prior to 2010. In 2010, rates of withdrawal, retirement, disability, and mortality were adjusted to reflect actual experience more closely. In 2010, assumed rates of salary increase were adjusted to reflect actual and anticipated experience more closely.

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. 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).

A new funding policy was initially adopted by the Board on March 15, 2018, and most recently amended on June 18, 2020. 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 and further reduced from 7.40% to 7.30% for the June 30, 2018 actuarial valuation.

On December 17, 2020, the Board adopted recommended changes to the economic and demographic assumptions utilized by the System based on the experience study prepared for the five-year period ending June 30, 2019. Primary among the changes were the updates to rates of mortality, retirement, withdrawal, and salary increases. This also included a change to the long-term assumed investment rate of return to 7.00%. These assumption changes are reflected in the calculation of the June 30, 2021 Total Pension Liability.

STATE ROAD AND TOLLWAY AUTHORITY

SCHEDULE OF PROPORTIONATE SHARE OF THE NET OPEB LIABILITIY
STATE OPEB FUND
FOR THE YEAR ENDED JUNE 30, 2022

	2022	2021	2020	2019	2018
Authority's proportion of the collective net OPEB liability	0.299545%	0.268979%	0.254316%	0.228825%	0.212634%
Authority's proportionate share of the net OPEB liability	$ 823,316	$ 3,027,084	$ 3,156,868	$ 5,985,117	$ 8,663,146
Authority's covered-employee payroll for the measurement period	6,534,481	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	12.60%	40.91%	44.84%	91.40%	145.31%
Plan fiduciary net position as a percentage of the net OPEB liability	87.58%	59.71%	56.57%	31.48%	17.34%

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

STATE ROAD AND TOLLWAY AUTHORITY

SCHEDULE OF CONTRIBUTIONS
STATE OPEB FUND
FOR THE YEAR ENDED JUNE 30, 2022

	2022	2021	2020	2019	2018
Statutorily required contribution	$ 483,686	$ 454,468	$ 404,784	$ 1,359,758	$ 1,147,728
Contributions in relation to the statutorily required contribution	483,686	454,468	404,784	1,359,758	1,147,728
Contribution deficiency (excess)	-	-	-	-	-
State's covered payroll	6,718,644	6,534,481	7,399,219	7,040,308	6,548,444
Contributions as a percentage of covered-employee payroll	7.20%	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 PROPORTIONATE SHARE OF THE NET SEAD OPEB LIABILITIY
STATE SEAD-OPEB FUND
FOR THE YEAR ENDED JUNE 30, 2022

	2022	2021	2020	2019	2018
Authority's proportion of the net OPEB liability (asset)	0.177499%	0.212293%	0.197387%	0.178996%	0.196848%
Authority's proportionate share of the net OPEB liability (asset)	$ (1,093,085)	$ (602,950)	$ (558,141)	$ (484,446)	$ (511,618)
Authority's covered-employee payroll for the measurement period	1,924,086	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	(56.81%)	(23.84%)	(22.17%)	(19.55%)	(17.85%)
Plan fiduciary net position as a percentage of the net OPEB liability	164.76%	129.20%	129.73%	129.46%	130.17%

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

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION - METHODS AND ASSUMPTIONS
FOR THE YEAR ENDED JUNE 30, 2022

State OPEB Fund

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

Changes in assumptions:
• June 30, 2020 valuation: Decremental assumptions were changed to reflect the Employees' Retirement Systems experience study.
• 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.
• June 30, 2015 valuation: Decremental and underlying inflation assumptions were changed to reflect the Retirement Systems' experience studies.
• June 30, 2012 valuation: A data audit was performed and data collection procedures and assumptions were changed.
• 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; to 7.06% as of June 30, 2020; and to 7.00% as of June 30, 2021.

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).

A new funding policy was initially adopted by the Board on March 15, 2018. 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 and further reduced from 7.40% to 7.30% for the June 30, 2018 actuarial valuation.

On December 17, 2020, the Board adopted recommended changes to the economic and demographic assumptions utilized by the Systems based on the experience study prepared for the five-year period ending June 30, 2019. Primary among the changes were the updates to rates of mortality, retirement, withdrawal, and salary increases. This also included a change to the long-term assumed investment rate of return to 7.00%. These assumption changes are reflected in the calculation of the June 30, 2021 Total OPEB Liability.

COMPLIANCE SECTION

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
Ms. Jannine Miller, 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, 2022, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated January 31, 2023. We conducted our audit in accordance with the auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Report on 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.

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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a certain deficiency in internal control, described in the accompanying *Schedule of Findings* in finding FS-927-22-01 that we consider to be a material weakness.

Report on 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

Government Auditing Standards requires the auditor to perform limited procedures on the Authority's response to the findings identified in our audit and described in the accompanying *Schedule of Findings*. The Authority's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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

January 31, 2023

FS-927-22-01 **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
FS-927-21-01

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 note disclosures.

Background Information:

As part of our fiscal year 2022 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 line with the Authority's prior year corrective action plan, the Authority continued to improve upon their year-end checklist and performed more timely reconciliations and reviews which greatly reduced the need for financial statement adjustment entries during the financial reporting period. The Authority was also in process of implementing a capital asset tracking software to help reduce the reliance on end-user applications in the financial statement preparation process. Additionally, in fiscal year 2022, the Authority worked with the State Accounting Office to implement the use of the Financial Consolidation and Close application (FCC) in their financial statement preparation process to help reduce the need for manual processes in creation of the year-end financial statements. Though the FCC application was implemented in fiscal year 2022, and steps were taken by the Authority to make improvements in their financial reporting process, 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 as they continue to implement their capital asset tracking software and create automated financial statement templates utilizing the FCC application.

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. The following material audit adjustments were proposed by the auditors and accepted by the Authority to correct errors in the financial statements:

- Adjustment to reclassify $12,954,581 from Transfers In to Intergovernmental Income in the General Fund.

- Adjustment to move $10,536,348 of expenditures related to bond proceeds from the Debt Service Fund to the General Fund.

- Adjustment to reclassify $589,505,686 of fund balance related to the unexpended portion of the 2020 bond proceeds from Restricted for Debt Service to Restricted for Capital and Transportation Projects in the General Fund.

- Adjustment to reclassify $588,819,385 of Cash and Cash Equivalents and $243,004,148 of Pooled Investments with State Treasury to Restricted Cash and Cash Equivalents in the General Fund.

- Adjustment to reclassify $13,686,716 of General Government expense to Interest expense in the Debt Service Fund.

- Adjustment to reclassify $69,017,339 of Pooled Investments with State Treasury to Restricted Cash and Cash Equivalents in the GTIB Fund.

- Adjustment to reclassify various long-term liabilities related to bond debt which were initially recorded as Non-Current Liabilities – Revenue Bonds Payable for a total net adjustment of $63,319,811 in the Tolling System Fund.

- Adjustment to reclassify $7,588,674 of Net Investment in Capital Assets to Unrestricted Net Position and $341,686,988 of Restricted for Bond Covenants/Debt Service to Unrestricted Net Position in the Tolling System Fund.

- Adjustment to reclassify $64,517,069 of Cash and Cash Equivalents and $114,889,679 of Pooled Investments with State Treasury to Restricted Cash and Cash Equivalents in the Tolling System Fund.

- Adjustment was made due to an error on the GASB No. 87 Lease form utilized by the Authority which led to an overstatement of Right-To-Use Assets, Lease Liability, Amortization Expense, and the understatement of Utilities, Rents, and Insurance for a net impact of $97,478,311 in the Tolling System Fund.

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

- Note 9: Long Term Liabilities, variance between the Revenue Bonds Payable deductions and ending balance amount were both understated. Additionally, the Net Unamortized Premiums were initially excluded from the table presented in the note.

- Various note table and disclosure adjustments were recommended by the auditors and accepted by the Authority.

- Various adjustments were required to properly present the Statement of Cash Flows in addition to the State of Cash Flows for I-75 South Fund were not initially being provided by the Authority.

Cause:

Though improvements were made to the Authority's financial statement preparation process in line with their prior year corrective action plan, 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. Additionally, the transition to implementing the FCC application to prepare the fiscal year 2022 financial statements led to many of the classification misstatements noted in the condition of this finding. This was due to the reliance of pre-populated mapping within the FCC application between the FCC application and the Authority's general ledger in TeamWorks opposed to the Authority creating their own mapping to ensure accurate and complete financial reporting.

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:

We recommend the Authority 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.

- 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.

- Work with the State Accounting Office to create an updated mapping process within the FCC application specific to the Authority's needs for financial reporting on a stand-alone basis as well as develop an Authority specific financial statement template linked to FCC to assist in the creation of the financial statements.

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:

We concur that improvements are needed to SRTA's financial reporting process and are committed to continuous improvement.

In fiscal year 2022, the State Road and Tollway Authority (SRTA) partnered with the State Accounting Office (SAO) to implement the same application, Financial Consolidation and Close (FCC), that is used by other State entities and SAO for financial reporting. During the implementation, it was discovered that many of the financial reporting accounts that are needed for SRTA's complex financial reporting could not be customized for this reporting period. Without that customization, SRTA's financial system of record (TeamWorks) mapped to traditional State reporting categories in the FCC application instead of SRTA's customized reporting categories. Of the ten items noted as material misstatements in the Condition section of the finding, seven were related to mapping items.

Brian P. Kemp, Governor
Chairman

Jannine Miller
Executive Director

FS-927-22-01 **Improve Controls Over Financial Reporting**

Responsible Officials' Corrective Action Plan:
Currently and going forward, SRTA will continue working with SAO to ensure that the necessary customizations required for FCC to produce accurately mapped financial statements are in place for SRTA's FY 2023 financial reporting period. SRTA has hired a staff member with prior experience using FCC and has already started working on the customizations needed. SRTA continues to add items to our month-end/year-end closing checklists to provide assurance that proper procedural steps are being actively followed. The recommendation to review GFOA's General Purpose Preparer Checklist is noted, and we will review that for incorporation into our internal process, as well. SRTA will also continue to train staff and document procedures on our financial statement preparation process.

In addition, SRTA will work with staff from the Department of Audits and Accounts and SAO, along with the Governmental Accounting Standards Board (GASB), to ensure that all parties agree with the financial reporting requirements related to SRTA's 2020 GARVEE bond issuance. In FY 2022, the unique reporting related to this bond issuance in comparison to previous GARVEE bond issuances led to two of the material misstatements noted in the Condition section of the finding. Coalescence from all parties is needed to understand the GASB requirements for reporting these bonds.

Finally, it should be noted that as with most state entities of similar financial complexity that use TeamWorks, SRTA will never practically be able to fully abandon manual processes. SRTA acknowledges the need to continue to review areas involving manual processes to determine what areas could be improved and will take action, where possible.

Responsible Officials:
Jannine Miller, Executive Director
Heather Aquino, Deputy Executive Director
Monique Simmons, Chief Financial Officer
Jordan Borders, Deputy Chief Financial Officer