

**Fiscal
Year
2020**

**State Road &
Tollway Authority**
A Component Unit of the State of Georgia

**Financial Schedule Audit
Report**

(Including Independent Auditor's Report)

As of and for the
Year Ended June 30, 2020

**Department of
Audits and Accounts**

**Greg S. Griffin
State Auditor**



STATE ROAD AND TOLLWAY AUTHORITY

FINANCIAL SCHEDULE AUDIT REPORT
JUNE 30, 2020

TABLE OF CONTENTS

FINANCIAL SECTION

Independent Auditor's Report.....1

FINANCIAL SCHEDULE

Schedule of Changes in Bonds Payable and Associated Debt Service Requirements.....4

Related Disclosures.....7

COMPLIANCE SECTION

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with **Government Auditing Standards**.....15

Schedule of Findings and Questioned Costs.....17

Schedule of Management's Corrective Action.....19

FINANCIAL SECTION



DEPARTMENT OF AUDITS AND ACCOUNTS

270 Washington Street, S.W., Suite 4-101
Atlanta, Georgia 30334-8400

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

Independent Auditor's Report on Financial Schedule

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

Report on the Financial Schedule

We have audited the accompanying Schedule of Changes in Bonds Payable and Associated Debt Service Requirements and the related notes (the schedule) of the State Road and Tollway Authority of Georgia (Authority), a component unit of the State of Georgia, as of and for the year ended June 30, 2020.

Management's Responsibility for the Financial Schedule

Management is responsible for the preparation and fair presentation of this schedule in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the schedule that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the schedule based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the schedule is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the schedule. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the schedule, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the schedule in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the schedule.

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

Opinion

In our opinion, the schedule referred to above presents fairly, in all material respects, the changes in bonds payable and debt service requirements of the Authority as of and for the year ended June 30, 2020 in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 30, 2021 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.

Restrictions on Use

Our report is intended solely for the information and use of the Authority's management and the Board of the Authority and is not intended to be and should not be used by any other parties.

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

Respectfully submitted,



Greg S. Griffin
State Auditor

March 30, 2021

FINANCIAL SCHEDULE

STATE ROAD AND TOLLWAY AUTHORITY

SCHEDULE OF CHANGES IN BONDS PAYABLE AND ASSOCIATED DEBT SERVICE REQUIREMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

| | Balance July 1, 2019 | Additions | Deductions | Balance June 30, 2020 | Due Within One Year |
|--------------------------------------|-------------------------|--------------|-----------------------|--------------------------|------------------------|
| Governmental Activities | | | | | |
| Revenue Bonds Payable | \$ 158,470,000 | \$ - | \$ 46,335,000 | \$ 112,135,000 | \$ 48,675,000 |
| GARVEE Bonds Payable | 244,685,000 | - | 129,385,000 | 115,300,000 | 68,305,000 |
| Net Unamortized Premiums | 26,592,041 | - | 11,926,297 | 14,665,744 | 6,178,236 |
| Total Governmental Activities | \$ 429,747,041 | \$ - | \$ 187,646,297 | \$ 242,100,744 | \$ 123,158,236 |
| Business-Type Activities | | | | | |
| Capital Appreciation Bonds Payable | \$ 36,499,700 | \$ 2,528,976 | \$ 848,231 | \$ 38,180,445 | \$ 1,305,314 |

Revenue bond debt service requirements to maturity are as follows:

| | Principal | Interest | Total |
|--|-----------------------|----------------------|-----------------------|
| Government Activities - Revenue | | | |
| 2021 | \$ 48,675,000 | \$ 5,094,500 | \$ 53,769,500 |
| 2022 | 21,545,000 | 2,634,375 | 24,179,375 |
| 2023 | 22,650,000 | 1,529,500 | 24,179,500 |
| 2024 | 19,265,000 | 481,625 | 19,746,625 |
| | <u>\$ 112,135,000</u> | <u>\$ 9,740,000</u> | <u>\$ 121,875,000</u> |
| Government Activities - GARVEE | | | |
| 2021 | \$ 68,305,000 | \$ 5,744,500 | \$ 74,049,500 |
| 2022 | 4,930,000 | 2,338,800 | 7,268,800 |
| 2023 | 5,170,000 | 2,092,300 | 7,262,300 |
| 2024 | 5,435,000 | 1,833,800 | 7,268,800 |
| 2025-2029 | 31,460,000 | 4,872,000 | 36,332,000 |
| | <u>\$ 115,300,000</u> | <u>\$ 16,881,400</u> | <u>\$ 132,181,400</u> |
| Business-Type Activities - TRB, Series 2014A&B (1-75 South Metro Express Lanes Project) | | | |
| | Principal | Interest | Total |
| 2021 | \$ 1,305,314 | \$ - | \$ 1,305,314 |
| 2022 | 1,657,838 | - | 1,657,838 |
| 2023 | 2,049,876 | - | 2,049,876 |
| 2024 | 2,405,000 | - | 2,405,000 |
| 2025 - 2029 | 4,531,486 | 11,919,250 | 16,450,736 |
| 2030 - 2034 | 6,712,668 | 11,919,250 | 18,631,918 |
| 2035 - 2039 | 7,725,000 | 10,910,550 | 18,635,550 |
| 2040 - 2044 | 10,830,000 | 7,801,500 | 18,631,500 |
| 2045 - 2049 | 15,500,000 | 3,442,950 | 18,942,950 |
| Less Unaccreted Capital Appreciation Bonds | <u>14,536,737</u> | <u>-</u> | <u>14,536,737</u> |
| | <u>\$ 38,180,445</u> | <u>\$ 45,993,500</u> | <u>\$ 84,173,945</u> |

STATE ROAD AND TOLLWAY AUTHORITY
SCHEDULE OF CHANGES IN BONDS PAYABLE
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

Revenue bonds outstanding at June 30, 2020, are as follows:

| | | | |
|--|--|--------------|------------------------------|
| Governmental Activities: | | | |
| Guaranteed Revenue Refunding Bonds, Series 2011A | Refunding of Guaranteed Revenue Bonds, Series 2001 | 4.00 - 5.00% | \$ 28,185,000 |
| Guaranteed Revenue Refunding Bonds, Series 2011B | Refunding of Guaranteed Revenue Bonds, Series 2003 | 5.00% | 64,685,000 |
| Guaranteed Revenue Refunding Bonds, Series 2016 | Refunding of Guaranteed Revenue Bonds, Series 2003 | 5.00% | 19,265,000 |
| Federal Highway Grant Anticipation Revenue Bonds, Series 2017A | Improvement of roads and bridges | 5.00% | 41,315,000 |
| Federal Highway Reimbursement Revenue Bonds, Series 2017A | Improvement of roads and bridges | 4.00 - 5.00% | 10,380,000 |
| Federal Highway Grant Anticipation Revenue Bonds, Series 2017B | Refunding of Grant Anticipation Revenue Bonds Series 2006, 2008, 2009 | 5.00% | 51,210,000 |
| Federal Highway Reimbursement Revenue Bonds, Series 2017B | Refunding of Federal Highway Reimbursement Revenue Bonds Series 2006, 2008, 2009 | 5.00% | <u>12,395,000</u> |
| Total Governmental Activities | | | <u>\$ 227,435,000</u> |
| Business-type Activities: | | | |
| Transportation Revenue Bonds, Series 2014A | I-75S Metro Express Lanes | 6.25 - 6.75% | \$ 12,165,233 |
| Transportation Revenue Bonds, Series 2014B | I-75S Metro Express Lanes | 7.00% | <u>26,015,212</u> |
| Total Business-type Activities | | | <u>\$ 38,180,445</u> |



STATE ROAD AND TOLLWAY AUTHORITY
RELATED DISCLOSURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

B. Basis of Presentation

The Authority's debt schedule has been prepared in conformity with U.S. Generally Accepted Accounting Principles (GAAP) as prescribed by the GASB. The Authority's fiscal year end is June 30.

Long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or business-type activities sections on the Debt Schedule. Bond discounts and premiums are deferred and amortized over the life of the bonds using a method that approximates the effective interest method or the straight-line method. Bond issuance costs are recognized during the current period.

NOTE 2 – 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, 2020.

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;

STATE ROAD AND TOLLWAY AUTHORITY
RELATED DISCLOSURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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

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

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

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

Pledged Revenue

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

- One hundred fifty percent (150%) of the annual debt service with respect to all outstanding bonds for such fiscal year; and
- One hundred percent (100%) of (A) the annual debt service with respect to all outstanding bonds for such fiscal year, plus (B) the amounts, if any, required to be deposited during such fiscal year in the Debt Service Reserve Fund.

The toll revenues generated from the usage of the I-75 Northwest Corridor Express Lanes Project will secure the State Road and Tollway Authority TIFIA loan with the United States Department of Transportation, dated as of November 14, 2013. Beginning in the first full fiscal year following the substantial completion date of September 22, 2018, the TIFIA Loan Agreement requires the Authority to establish, charge, and collect tolls for the privilege of traveling on the I-75 Northwest Corridor Express Lanes Project at rates sufficient to produce revenues that are at least:

- One hundred fifty percent (150%) of the annual debt service with respect to all outstanding first lien bonds for such borrower fiscal year;
- One hundred twenty-five percent (125%) of (i) the annual debt service with respect to all outstanding first lien bonds for such borrower fiscal year, plus (ii) the TIFIA debt service for such borrower fiscal year; and
- One hundred percent (100%) of (i) the annual debt service with respect to all outstanding first lien bonds for such borrower fiscal year, plus (ii) the TIFIA debt service for such borrower fiscal year, plus (iii) the amounts, if any, required to be deposited during such borrower fiscal year in the First Lien Debt Service Reserve Fund and the TIFIA Debt Service Reserve Fund.

STATE ROAD AND TOLLWAY AUTHORITY
RELATED DISCLOSURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 3 – BONDS PAYABLE

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, 2020, the outstanding principal balance is \$19,265,000. These bonds are secured by the amount of net proceeds of motor fuel tax provided for in a joint resolution of the Georgia State Transportation Board and the Authority. Further, the State of Georgia has guaranteed the full payment of the bonds and the interest thereon in accordance with the Constitution of the State of Georgia and has reserved \$24,652,653 in the State of Georgia Guaranteed Revenue Debt Common Reserve Fund that is on deposit at the OST.

State of Georgia Guaranteed Revenue Refunding Bonds, Series 2011A. On March 31, 2011, the Authority issued \$191,335,000 of State of Georgia Guaranteed Revenue Refunding Bonds, Series 2011A. Including bond premiums in the amount of \$29,259,461, the bond proceeds amounted to \$220,594,461. The bonds were issued for the purposes of (1) refunding \$209,285,000 of the \$226,690,000 in outstanding principal of the State of Georgia Guaranteed Revenue Bonds, Series 2001 and (2) to pay a portion of the costs of issuance of the bonds. Interest on these bonds is payable semiannually on March 1 and September 1 of each year with interest rates ranging from 4% to 5%. These bonds mature on March 1, 2021. As of June 30, 2020, the outstanding principal balance is \$28,185,000. These bonds are secured by the amount of net proceeds of motor fuel tax provided for in a joint resolution of the Georgia State Transportation Board and the Authority. Further, the State of Georgia has guaranteed the full payment of the bonds and the interest thereon in accordance with the Constitution of the State of Georgia and has reserved \$30,175,654 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, 2020, the outstanding principal balance is \$64,685,000. These bonds are secured by the amount of net proceeds of motor fuel tax provided for in a joint resolution of the Georgia State Transportation Board and the Authority. Further, the State of Georgia has guaranteed the full payment of the bonds and the interest thereon in accordance with the Constitution of the State of Georgia and has reserved \$24,652,653 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

STATE ROAD AND TOLLWAY AUTHORITY
RELATED DISCLOSURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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, 2020, the outstanding principal balances for the Series 2017A Grant Anticipation Revenue Bonds and the Series 2017A Reimbursement Revenue Bonds are \$41,315,000 and \$10,380,000 respectively. These bonds are pledged and payable solely from grant and reimbursement revenues received from the Federal Highway Administration. These bonds do not constitute a pledge of the faith and credit of the Authority or the State of Georgia.

Federal Highway Grant Anticipation Revenue Bonds Series 2017B and Federal Reimbursement Revenue Bonds Series 2017B. On August 1, 2017, the Authority issued Federal Highway Grant Anticipation Revenue Bonds Series 2017B and Federal Highway Reimbursement Revenue Bonds Series 2017B in the amounts of \$231,320,000 and \$54,595,000, respectively. The bonds were issued for the purpose of providing funds sufficient to: (1) refund and defease (i) all of the outstanding Series 2006 Grant Anticipation Revenue Bonds and Reimbursement Revenue Bonds, (ii) the outstanding 2008A Grant Anticipation Revenue Bonds and Reimbursement Revenue Bonds maturing on and after June 1, 2019, and (iii) the outstanding 2009A Grant Anticipation Revenue Bonds and Reimbursement Revenue Bonds maturing on and after June 1, 2020, and (2) pay certain costs of the issuance of the bonds. Interest on these bonds is payable semiannually on June 1 and December 1 of each year, commencing on December 1, 2017 with an interest rate of 5.00%. Principal on these bonds is payable on June 1, of each year, commencing on June 1, 2018 and maturing on June 1, 2021. As of June 30, 2020, the outstanding principal balances for the Series 2017B Grant Anticipation Revenue Bonds and the Series 2017B Reimbursement Revenue Bonds are \$51,210,000 and \$12,395,000 respectively. These bonds are pledged and payable solely from grant and reimbursement revenues received from the Federal Highway Administration. These bonds do not constitute a pledge of the faith and credit of the Authority or the State of Georgia.

Business-Type Activities

State Road and Tollway Authority Toll Revenue Bonds Series 2014A (Capital Appreciation Bonds). On June 26, 2014, the Authority issued \$8,873,486 of State Road and Tollway Authority Toll Revenue Bonds (I-75 South Metro Express Lanes Project), Series 2014A (Capital Appreciation Bonds) to: (1) pay the costs of certain tolling infrastructure relating to the I-75 South Metro Express Lanes Project; (2) finance a debt service reserve; and, (3) pay the costs of issuance of the bonds. The Series 2014A Bonds were issued as private placement capital appreciation bonds. Interest on the Series 2014A Bonds compounds from the date of delivery. Interest on the Series 2014A Bonds will not be paid on a current basis but will be added to the principal amount of such Series 2014A Bonds on each “Accretion Date,” which is each June 1 and December 1, commencing December 1, 2014. The principal amount of the Series 2014A Bonds plus all accumulated and compounded interest thereon at any particular time is the “Accreted Value” of such Series 2014A Bonds at such time. Interest will be treated as if accruing in equal daily amounts between Accretion Dates on a 360-day year basis consisting of twelve 30-day months, until payable at maturity or upon redemption prior to maturity. Interest on these bonds ranges from 6.25% to 6.75% and the final maturity is on June 1, 2034. As of June 30, 2020, the outstanding principal balance is \$12,165,233. These bonds are pledged and payable solely from I-75 South Metro Express Lanes toll revenue. If pledged revenue is not sufficient to meet the requirements, these bonds are backed by the Georgia Department of Transportation.

STATE ROAD AND TOLLWAY AUTHORITY
RELATED DISCLOSURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

State Road and Tollway Authority Toll Revenue Bonds Series 2014B (Convertible Capital Appreciation Bonds). On June 26, 2014, the Authority issued \$17,196,754 of State Road and Tollway Authority Toll Revenue Bonds (I-75 South Metro Express Lanes Project), Series 2014B (Convertible Capital Appreciation Bonds) to: (1) pay the costs of certain tolling infrastructure relating to the I-75 South Metro Express Lanes Project; (2) finance a debt service reserve; and, (3) pay the costs of issuance of the bonds. The Series 2014B Bonds were issued as convertible capital appreciation bonds. Interest on the Series 2014B Bonds will compound from the date of delivery to the Conversion Date of June 1, 2024. Prior to the Conversion Date, interest on the Series 2014B Bonds will not be paid on a current basis but will be added to the principal amount of such Series 2014B Bonds on each Accretion Date. The principal amount of the Series 2014B Bonds plus all accumulated and compounded interest thereon at any particular time prior to the Conversion Date is the “Accreted Value” of such Series 2014B Bonds at such time. On and after the Conversion Date, such amount is referred to as the “Conversion Value” of such Series 2014B Bonds. Interest will be treated as if accruing in equal daily amounts between Accretion Dates on a 360-day year basis consisting of twelve 30-day months, until payable at maturity or upon redemption prior to maturity. Interest on these bonds is 7.00% and the final maturity is on June 1, 2049. As of June 30, 2020, the outstanding principal balance is \$26,015,212. These bonds are pledged and payable solely from I-75 South Metro Express Lanes toll revenue. If pledged revenue is not sufficient to meet the requirements, these bonds are backed by the Georgia Department of Transportation.

NOTE 4 – RISK MANAGEMENT

For the Authority’s fiscal year, ended June 30, 2020, the Authority originally forecasted a total of approximately 25.8 million toll trips, across the Georgia Express Lane System and forecasted a total amount of \$44.5 million in toll revenue.

At the end of fiscal year 2020, actual toll revenues were \$31.7 million; \$12.8 million or 29% below the original forecast. From a toll trips perspective, the Authority began to see toll lane usage decline during the second week of March 2020. By mid-March, trips had declined approximately 50% from normal pre-COVID levels. As the public followed the social distancing and shelter in place orders implemented at the State and local levels, a steady and steep decline continued culminating in an 82% reduction in Express Lane trips

as of the week of April 5th. Since mid-April, the Authority has seen incremental increases in trips. In total, there were 20.6 million toll trips on the Georgia Express Lanes in fiscal year 2020, which represents only a 20% decline from our forecasted fiscal year 2020 trip projections and a significant increase from the low trip volumes experienced between mid-March to mid-April 2020.

Because the Authority’s Express Lane system is dynamically priced based on congestion, the decline in revenues has outpaced the decline in trips. This is due to the fact that toll rates sat at their minimum levels from mid-March through the end of April since congestion at traditional Atlanta rush hours all but disappeared during this timeframe. Revenues were down 90% from expected revenue levels during this period. Revenue recovery lagged behind the increase in trip volume for the remainder of calendar year 2020, as many commuters continued to telework.

During the first half of fiscal year 2021 (July-December 2020), toll trips and revenues continued to climb steadily. At the beginning of July, the Authority observed 55% of normal Express Lane trips and 27% of normal toll revenues. As congestion began to return and toll rates increased, revenue recovery rapidly increased from the 30% range to the 50% range during the month of August 2020. During the week of November 15th, Express Lane trips reached the highest recovery point seen thus far during the pandemic: 70% of normal pre-pandemic levels. Toll revenues also reached a peak recovery point of 68% during the week of November 15th. In late November and December, a natural decrease in trip making and revenues was seen during the holiday seasons.

STATE ROAD AND TOLLWAY AUTHORITY
RELATED DISCLOSURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

In total, during July-December 2020, total Express Lane trip counts amounted to 64%, and toll revenues amounted to 52%, of what was seen during the same six-month period of the previous year.

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

- The Authority established an internal COVID-19 Taskforce at the beginning of March 2020 to stay abreast of the latest information available from the Georgia Department of Public Health and the Centers for Disease Control and Prevention to guide every operational decision.
- On March 18, 2020, the Authority temporarily closed its four Peach Pass/Xpress Customer walk-up/retail locations. The main Peach Pass/Xpress Customer walk up/retail location reopened in August 2020 for in-person transactions after protective barriers were installed for the safety of our staff and our customers. The Authority is also eliminating cash transactions at three of its centers that are co-located at Department of Driver Services (DDS) for those locations to become contact-free. These locations will reopen in April 2021 with protective barriers installed. Even with these temporary closures, business transactions that were possible before the pandemic could all be accomplished online or over the phone.

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

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

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

- Submitted, as directed by the Governor of the State of Georgia, proposals for a 14% across-the-board reduction in appropriated state revenues for fiscal year 2021.
- Reviewing all operational and capital projects to determine whether projects should be reduced in scope, delayed in their implementation, or suspended altogether.
- Suspending all non-essential travel. In-person training resumed in January 2021 utilizing social distancing.
- Instituting a salary freeze for all state positions.

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

STATE ROAD AND TOLLWAY AUTHORITY
RELATED DISCLOSURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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

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

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

NOTE 5 – SUBSEQUENT EVENTS

In December 2020, the State Road and Tollway Authority issued approximately \$600.0 million in Grant Anticipation Revenue Vehicle (GARVEE) bonds related to the State’s Major Mobility and Investment Program (MMIP). The GARVEE issuance has a 5% interest rate and a maturity date of June 1, 2032.

COMPLIANCE SECTION



DEPARTMENT OF AUDITS AND ACCOUNTS

270 Washington Street, S.W., Suite 4-101
Atlanta, Georgia 30334-8400

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

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

Independent Auditor's Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the Schedule of Bonds Payable and Associated Debt Service Requirements of the State Road and Tollway Authority (Authority), as of and for the year ended June 30, 2020, and the related notes, (the schedule), and have issued our report thereon dated March 30, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the schedule, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the schedule, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying *Schedule of Findings and Questioned Costs* as item FS-927-20-01, that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's schedule is free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those

provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Authority's Response to Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,



Greg S. Griffin
State Auditor

March 30, 2021

STATE ROAD AND TOLLWAY AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

FS-927-20-01 Improve Controls over Financial Reporting

| | |
|--------------------------------------|-------------------------------|
| Internal Control Impact: | Significant Deficiency |
| Compliance Impact: | None |
| Repeat of Prior Year Finding: | FS-927-19-01 (repeat) |
| | FS-927-18-01 (repeat) |
| | FS-927-17-01 (repeat) |
| | FS-927-16-01 (partial repeat) |

The State Road and Tollway Authority's (Authority) financial reporting process did not have adequate internal controls to prevent or detect errors and omissions in its financial statements in a timely manner.

Background Information:

As part of our fiscal year 2020 audit, we followed up on the Authority's efforts to implement the corrective action plans for its prior year finding. In this prior year finding, we reported that the Authority needed to strengthen controls over its financial reporting process. Management transitioned from its previous general ledger reporting system to the State's Enterprise Financial System (TeamWorks) during fiscal year 2019, however, the Authority still relies heavily on end user applications (MS Excel and Word) to create the year-end financial statements and note disclosures into fiscal year 2020. This year, we identified a continued reliance on Post-Closing Adjustments (PCAs) as well as multiple entries that were not made timely during the normal course of the fiscal year and thus were not addressed until the year-end review. Additionally, the Authority was unable to complete financial statements and note disclosures in a timely manner. As a result, we consider this matter to be a significant deficiency in internal control.

Criteria:

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

Condition:

Management was unable to perform its fiscal year-end close processes in a timely manner in order to report its current year activity in the State's fiscal year 2020 Comprehensive Annual Financial Report. Although the Authority transitioned to a new general ledger reporting system during fiscal year 2019, the Authority continued to use MS Excel spreadsheets and other tools (End User Developed Applications, or EUDAs) to manually create year-end financial reports. Heavy reliance by management on PCAs during the year-end close process and the continued delay in recording necessary entries into TeamWorks during the normal course of the fiscal year were noted throughout the testing performed.

Cause:

The existence of this condition is caused by several key foundational issues with the current structure of internal controls.

- The Authority moved its financial information to the State's financial system, TeamWorks, during fiscal year 2019. However, based on the way transactions are being entered and processed through the system, numerous adjustments external to the financial system must be made to ensure the accuracy and completeness of the financial information.
- Staff turnover and inexperience contribute to errors in the financial information processed through the financial system. Staff need to be better trained on accounting policies, procedures and fundamentals.
- Overreliance on PCAs and end-user application tools to correct and develop the financial statements contributed to the errors and the financial statements not being completed timely.

STATE ROAD AND TOLLWAY AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

- Necessary entries that need to be made into TeamWorks during the fiscal year are not being done in a timely manner, if not until the year-end close process causing additional delays in the production of the financial statements.

Effect:

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

Recommendation:

The Authority should implement comprehensive financial statement preparation procedures to ensure that timely financial statements are complete and accurate. We encourage the Authority's fiscal staff to be proactive in its financial reporting initiatives and implement additional processes and conduct training where needed. Improved financial reporting controls will help ensure the Authority's financial statements are complete, accurate and available to users in a timely manner. We also recommend the EUDA system be documented as it relates to the financial report, streamlined and automated to extent possible, to facilitate timely preparation of reports.

Views of Responsible Officials:

We concur.



STATE ROAD & TOLLWAY AUTHORITY

STATE OF GEORGIA

Brian P. Kemp, Governor
Chairman

Christopher Tomlinson
Executive Director

FS-927-20-01 Improve Controls over Financial Reporting

Views of Responsible Officials:

We concur.

Currently and going forward, the action of the State Road and Tollway Authority is to develop and ensure the usage of fundamental accounting principles and best practice guidance, as well as provide adequate staffing, towards the effort of maintaining accurate and timely accounting data. In FY 2021, additional staff has been hired to aide in the efforts of improving accounting data recordkeeping and reduce the reliance of correction entries and post-closing adjustments. The installation of process governance and month-end/year-end closing checklists provides assurance that proper procedural steps are being actively followed and key chartfield data, such as fund, funding source, project, etc., is recorded correctly in the State's Financial System. Performing monthly reconciliations, routine training of staff on financial system competencies, and reviews of account and other key data factors are being implemented and practiced routinely.

By improving accounting data recordkeeping and account ledger maintenance, a timely and accurate financial data set needed for the basis/foundation will be available to prepare and report timely and accurate financial statements. This will put the Authority in the best place it can be to improve and solidify the financial statement preparation process. In addition, SRTA has partnered with the State Accounting Office to implement a new tool for financial reporting that is mapped to the State's Financial System.

SRTA is striving to use all resources available to assist with accounting record keeping efforts.