

**Fiscal
Year
2020**

State Road & Tollway Authority

A Component Unit of the State of Georgia

Financial Report For Georgia Transportation Infrastructure Bank (GTIB)

(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 REPORT
JUNE 30, 2020**

TABLE OF CONTENTS

FINANCIAL SECTION

Independent Auditor's Report 1

BASIC FINANCIAL STATEMENTS

Statement of Net Position and Governmental Fund Balance Sheet 4

Statement of Activities and Governmental Fund Revenues, Expenditures, and Changes in Net Position /
Fund Balance 5

Related Notes 7

FINDINGS SECTION

Schedule of Findings 15

Schedule of Management's Corrective Action 17

FINANCIAL SECTION



DEPARTMENT OF AUDITS AND ACCOUNTS

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GREG S. GRIFFIN

STATE AUDITOR

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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and fund information of the Georgia Transportation Infrastructure Bank (GTIB), part 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, 2020 and the related notes to the financial statements, which collectively comprise the GTIB financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on the financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and fund information of the GTIB as of June 30, 2020 and the changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 1 to the financial statements, the GTIB's financial statements are intended to present the financial position and changes in financial position of only that portion of the governmental activities and fund information of the Authority and State of Georgia that are attributable to the transactions of the GTIB. They do not purport to, and do not, present fairly the financial position of the Authority or State of Georgia as of June 30, 2020 and changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Other Matter

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

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

April 30, 2021

FINANCIAL STATEMENTS

STATE ROAD AND TOLLWAY AUTHORITY
STATEMENT OF NET POSITION AND GOVERNMENTAL FUND BALANCE SHEET
GTIB FUND
JUNE 30, 2020

		<u>GOVERNMENTAL ACTIVITIES / GTIB FUND</u>
ASSETS		
Current Assets		
Cash and Cash Equivalents	\$	191,511
Cash and Cash Equivalents - Restricted		65,935,876
Intergovernmental Loans Receivable, Net - Restricted		1,180,561
Noncurrent Assets		
Intergovernmental Loans Receivable, Net - Restricted		<u>13,971,617</u>
Total Assets	\$	<u><u>81,279,565</u></u>
LIABILITIES		
Due to Other Funds	\$	9
Loan and Grants Disbursement Payable		<u>2,809,777</u>
Total Liabilities		<u>2,809,786</u>
FUND BALANCE / NET POSITION		
Restricted:		
Loan and Grant Programs		78,189,326
Unrestricted:		
Assigned		<u>280,453</u>
Total Fund Balance / Net Position		<u>78,469,779</u>
Total Liabilities and Fund Balance / Net Position	\$	<u><u>81,279,565</u></u>

STATE ROAD AND TOLLWAY AUTHORITY
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND REVENUE, EXPENDITURES,
AND CHANGES IN NET POSITION / FUND BALANCE
GTIB FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	GOVERNMENTAL ACTIVITIES / GTIB FUND
EXPENSES	
General Government	\$ 282,200
Infrastructure Grants Disbursed	11,098,392
	11,380,592
Total Expenses	11,380,592
PROGRAM REVENUES	
Operating Grants and Contributions	
State Appropriation through Georgia Department of Transportation	12,999,055
	12,999,055
NET PROGRAM EXPENSES	1,618,463
GENERAL REVENUES	
Interest Income	
Deposits	986,905
Intergovernmental Loans	455,704
Other Income	11,750
	1,454,359
Total General Revenues	1,454,359
Change in Net Position / Fund Balance	3,072,822
NET POSITION / FUND BALANCE - BEGINNING OF YEAR	75,396,957
NET POSITION / FUND BALANCE - END OF YEAR	\$ 78,469,779



NOTES TO THE FINANCIAL STATEMENTS INDEX

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES	8
NOTE 2 – CHANGES IN FINANCIAL ACCOUNTING AND REPORTING	11
NOTE 3 – DEPOSITS	11
NOTE 4 – RISK MANAGEMENT	12
NOTE 5 – LITIGATION, CONTINGENCIES AND COMMITMENTS.....	13
NOTE 6 – SUBSEQUENT EVENTS	13

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Georgia Transportation Infrastructure Bank (GTIB) Fund (Fund) have been prepared in accordance with generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). The more significant of the Fund's accounting policies are described below.

A. Reporting Entity

Pursuant to the Georgia Transportation Infrastructure Bank Act, O.C.G.A § 32-10-120 et seq, the State Road and Tollway Authority (Authority) has been authorized to create and operate the GTIB Fund. 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. Funding for the GTIB comes from state motor fuel fund sources appropriated in the State of Georgia budget.

The core of the financial reporting entity is the primary government, which has a separately elected governing body. As required by generally accepted accounting principles, the financial reporting entity includes both the primary government and all of its component units.

An organization other than the primary government may serve as a nucleus for a reporting entity when it issues separate financial statements. That organization is identified herein as a primary entity. The financial reporting entity includes the Fund, a primary entity.

The reporting entity is part of the Authority, a component unit of the State of Georgia primary government. 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.

The GTIB's financial statements are intended to present the financial position and changes in financial position of only that portion of the governmental activities and fund information of the Authority and State of Georgia that are attributable to the transactions of the GTIB. They do not purport to, and do not, present fairly the financial position of the Authority or State of Georgia as of June 30, 2020, and changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

B. Government-wide and Fund Financial Statements

Government-wide Financial Statements

The Statement of Net Position and Statement of Activities display information about the Fund. These statements include the financial activities of the overall Fund. Governmental activities are generally financed through intergovernmental revenues and other non-exchange revenues.

The Statement of Net Position presents the Fund's assets and liabilities with the difference reported as net position. Net position is reported in two categories:

- 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 preceding category. 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 Fund'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

The Fund is considered to be a special revenue fund of the Authority and is used to account for the grants and loans to local governments for transportation infrastructure purposes.

C. 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.

Government-wide Financial Statements

The government-wide 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.

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 Fund considers other revenues to be available if the revenues are collected within 30 days after fiscal year end. Expenditures are generally recorded when the related fund liability is incurred, as under accrual accounting.

D. Use of Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

E. Assets, Liabilities, 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 Fund may deposit additional cash at any time and also may withdraw cash at any time without prior notice or penalty.

Loans Receivable

Receivables consist of amounts due from local governments for loans made under the GTIB program and intergovernmental agreements. 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 has not been 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.

Restricted Assets

Certain cash and cash equivalents and loans receivables are classified as restricted assets on the Balance Sheet and/or Statement of Net Position because their use is limited by applicable regulations.

This classification includes amounts received from other intergovernmental sources to be used solely for disbursement by the Fund.

Net Position

The difference between assets, deferred outflows of resources, liabilities and deferred inflows of resources is net position on the government-wide financial statements.

Net position is classified as restricted or unrestricted.

Restricted net position results when constraints placed on net position are either externally imposed by creditors, grantors, contributors, and the like, or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position consists of net position that does not meet the definition of the two preceding categories. Unrestricted net position is often designated, indicating it is not available for general operations. Such designations have internally imposed constraints on resources but can be removed or modified.

When both restricted and unrestricted resources are available for use, generally it is the Fund'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, the Fund reports fund balance classifications that comprise a hierarchy based primarily on the extent to which the Fund is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Fund balance is classified as follows:

Restricted – Fund balance is reported as restricted when there are limitations imposed on their use either through constitutional provisions or the enabling legislation adopted by the Fund or through external restrictions imposed by creditors, grantors or law or regulations of other governments.

Assigned – Fund balance is reported as assigned when amounts are constrained by the Fund’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 Fund has authorized the Fund’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.

As with net position, when both restricted and unrestricted resources are available for use, generally it is the Fund’s policy to use restricted resources first.

NOTE 2 – CHANGES IN FINANCIAL ACCOUNTING AND REPORTING

Implementation of New Accounting Standards

For fiscal year 2020, the Authority adopted Governmental Accounting Standards Board (GASB) Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, the primary objective of this statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later.

In fiscal year 2020, the Authority early adopted GASB Statement No. 84, *Fiduciary Activities*. This statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. Governments with activities meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position. The adoption of this statement did not have an impact on the Authority’s Fund financial statements.

In fiscal year 2020, the Authority early adopted GASB Statement No. 90, *Majority Equity Interests*. It defines a majority equity interest and specifies that majority equity interest in a legal separate organization should be reported as an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value. The adoption of this statement did not have an impact on the Authority’s Fund financial statements.

NOTE 3 – DEPOSITS

Cash and cash equivalents as of June 30, 2020 are classified in the accompanying financial statements as follows:

Cash and Cash Equivalents	\$ 191,511
Cash and Cash Equivalents – Restricted	<u>65,936,057</u>
Total Cash and Cash Equivalents	66,127,568
Less: Investment pools reported as cash and cash equivalents	
Georgia Fund 1	<u>64,806,266</u>
Total carrying value of deposits	<u>\$ 1,321,302</u>

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 O.C.G. A. § 50-17-59.

Custodial Credit Risk: The custodial credit risk for deposits is the risk that, in the event of a bank failure, the Fund'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.

At June 30, 2020, the Fund had a bank balance of \$1,759,173. The bank balances insured by Federal depository insurance were \$250,000. The Fund's bank balances of \$1,509,173 were exposed to custodial credit risk. This balance was in the State Secure Deposit Program.

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 collateralized.

Categorization of Cash Equivalents. The Fund reported investments of \$64,806,266 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 AAf 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 on June 30, 2020 was 38 days.

Georgia Fund 1, administered by the State of Georgia, Office of the State Treasurer, is not required to be categorized since the Authority did not own any specific identifiable securities in the pool. The investment policy of the State of Georgia, Office of the state Treasurer for the Georgia Fund 1, does not provide for investment in derivatives or similar investments. Additional information on the Georgia Fund 1 is disclosed in the State of Georgia Comprehensive Annual Financial Report. This report can be obtained from the Georgia State Accounting Office at www.sao.georgia.gov/statewide-reporting/comprehensive-annual-financial-reports.

NOTE 4 – RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts: theft of, damage to and destruction of assets; errors and omissions; and injuries to employees. The State of Georgia utilizes self-insurance programs established by individual agreement, statute or administrative action to provide property insurance covering fire and extended coverage and automobile insurance and to pay losses that might occur from such causes; liability insurance for employees against personal liability for damages arising out of performance of their duties; survivors' benefits for eligible members of the Employee's Retirement

System; consolidating processing of unemployment compensation claims against state agencies and the payment of sums due to the Department of Labor; and worker's compensation statutes of the State of Georgia. These self-insurance funds are accounted for as internal service funds of the State of Georgia where assets are set aside for claim settlements. The majority of the risk management programs are funded by assessments charged to participating organizations. A limited amount of commercial insurance is purchased by the self-insurance funds applicable to property, employee and automobile liability, fidelity and certain other risks to limit the exposure to catastrophic losses. Otherwise, the risk management programs service all claims against the State and/or Authority for injuries and property damage.

NOTE 5 – LITIGATION, CONTINGENCIES AND COMMITMENTS

Litigation

The Fund had no litigation, claims or assessments filed against it for the year ended June 30, 2020.

Other Financing Commitments

In fiscal year 2020, the Fund received \$12,999,055 through the annual appropriations process.

Loans Receivable Activity

	<u>Balances</u> <u>July 1, 2019</u>	<u>Disbursed</u>	<u>Received</u>	<u>Capitalized</u> <u>Interest</u> <u>Accrued</u>	<u>Balances</u> <u>June 30, 2020 (1)</u>
City of Clarkston	\$ 1,859,415	\$ -	\$ 115,542	\$ -	\$ 1,743,873
City of Flowery Branch	384,679	-	191,551	-	193,128
Town of Tyrone	1,968,902	-	149,824	-	1,819,078
City of Johns Creek	3,476,365	-	161,079	-	3,315,286
City of Sandy Springs	2,200,125	-	200,327	-	1,999,798
Evermore CID	210,271	-	29,045	-	181,226
City of Atlanta	981,576	-	56,195	-	925,381
City of Tyrone	153,469	-	9,485	-	143,984
City of Peachtree City - SR 54 Project	571,649	-	60,683	-	510,966
City of Peachtree City - MacDuff Pkwy Project	542,892	-	57,631	-	485,261
City of Doraville	1,573,437	-	-	48,754	1,622,191
City of Clarkston - Loan #2	1,449,439	266,441	-	27,792	1,743,672
Irwin County	-	388,027	-	-	388,027
City of Oscilla	-	80,015	-	292	80,307
	<u>\$ 15,372,219</u>	<u>\$ 734,483</u>	<u>\$ 1,031,362</u>	<u>\$ 76,838</u>	<u>\$ 15,152,178</u>

(1) Amounts do not include undisbursed commitments of \$273,262.

Future Commitments

In fiscal year 2020, \$13,270,000 in grants and \$12,506,326 in loans were awarded to local governments and community improvement districts in the seventh round of GTIB awards. These awards will be disbursed in future periods as the awardees request reimbursement for the approved projects.

NOTE 6 – SUBSEQUENT EVENTS

On February 25, 2021, the State Road and Tollway Authority Board awarded approximately \$14.2 million in GTIB loans. These loans provide funding for five transportation infrastructure projects across the State of Georgia. These awards are part of GTIB's first-ever and largest amount of loan-only round of funding.

FINDINGS SECTION

STATE ROAD AND TOLLWAY AUTHORITY
SCHEDULE OF FINDINGS
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. Continued delay in recording necessary entries into TeamWorks during the normal course of the fiscal year and heavy reliance by management on PCAs during the year-end close process were noted throughout the testing performed. Specifically, to prepare fiscal year 2020 financial statements for the Georgia Transportation Infrastructure Bank Fund, the Authority had to post seven PCAs to record or to correct fiscal year 2019 activity that was never posted to their general ledger. Additionally, to correctly present fiscal year 2020 activity, the Authority posted seventeen PCAs to correct or record fiscal year 2020 transactions.

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 contributed to errors in the financial information processed through the financial system and in the prepared financial statements. These issues further impacted the Authority's ability to produce timely financial statements.

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

- 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.
- 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.