

**Fiscal
Year
2020**



**A Component Unit of the
State of Georgia**

Financial Report For All Roadways

(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 FOR ALL ROADWAYS
JUNE 30, 2020

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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 of Georgia
and
Mr. Christopher Tomlinson, Executive Director and Board Secretary

Report on the Financial Statement

We have audited the Statement of Revenues, Expenses, and Changes in Net Position of the I-75 South Metro Express Lanes Fund and the Other Roadways of the State Road and Tollway Authority of Georgia (Authority), a component unit of the State of Georgia, as of and for the year ended June 30, 2020 and the related notes (the financial statement).

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statement referred to above presents fairly, in all material respects, the respective changes in financial position of the I-75 South Metro Express Lanes Fund and the Other Roadways of the Authority for the year ended June 30, 2020 in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 1 to the financial statement, in 2020 the Authority restated beginning net position for the I-75 South Metro Express Lanes Fund. This change is in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

As described in Note 1 to the financial statement, the financial statement is intended to present the changes in financial position of only that portion of the proprietary fund information of the Authority and State of Georgia that is attributable to the transactions of the I-75 South Metro Express Lanes Fund and the Other Roadways. It does not purport to, and does not, present fairly the changes in financial position of the Authority or State of Georgia for the year ended June 30, 2020 in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matter

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated [2] 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,

A handwritten signature in black ink, appearing to read "Greg S. Griffin". The signature is written in a cursive style with a horizontal line at the end.

Greg S. Griffin
State Auditor

June 3, 2021

FINANCIAL STATEMENT

STATE ROAD AND TOLLWAY AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
ALL ROADWAYS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	I-75 South Metro Express Lanes Fund	Other Roadways	All Roadways
OPERATING REVENUES			
User Fees			
Electronic Tolls	\$ 2,859,020	\$ 31,474,182	\$ 34,333,202
OPERATING EXPENSES			
Personnel Services	1,100,257	9,839,060	10,939,317
Publications, Supplies and Materials	53,003	427,748	480,751
Repairs and Maintenance	10,098	81,699	91,797
Utilities, Rents, Insurance	166,606	1,055,498	1,222,104
Other Operating Expenses	109,535	870,870	980,405
Contracts	873,827	6,759,489	7,633,316
Software/Telecom	137,136	1,124,161	1,261,297
Depreciation	2,845,635	7,608,570	10,454,205
Total Operating Expenses	5,296,097	27,767,095	33,063,192
Operating Income (Loss)	(2,437,077)	3,707,087	1,270,010
NONOPERATING REVENUES (EXPENSES)			
Interest and Investment Revenue	262,962	942,112	1,205,074
Bond and Loan Interest Expense	(2,528,976)	(10,288,493)	(12,817,469)
Total Nonoperating Revenues (Expenses)	(2,266,014)	(9,346,381)	(11,612,395)
Income (Loss) Before Capital Contributions and Transfers	(4,703,091)	(5,639,294)	(10,342,385)
CAPITAL CONTRIBUTIONS			
Georgia Department of Transportation (GDOT)	-	4,248,273	4,248,273
TRANSFERS			
Transfers In	3,810,403	-	3,810,403
Transfers Out	-	(1,450,416)	(1,450,416)
Total Transfers	3,810,403	(1,450,416)	2,359,987
Changes in Net Position	(892,688)	(2,841,437)	(3,734,125)
Total Net Position - Beginning of Year	(20,489,993)	(201,169,401)	(221,659,394)
Net Position Adjustments - Contract Expense - Back office system that was actually Work in Progress	757,910	-	757,910
Total Net Position - Beginning of Year as restated	(19,732,083)	(201,169,401)	(220,901,484)
Total Net Position - End of Year	\$ (20,624,771)	\$ (204,010,838)	\$ (224,635,609)



STATE ROAD AND TOLLWAY AUTHORITY
NOTES TO THE FINANCIAL STATEMENT
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.

The Authority's financial statement is intended to present the changes in financial position of only that portion of the proprietary fund information of the Authority and State of Georgia that is attributable to the transactions of the I-75 South Metro Express Lanes Fund and the Other Roadways (the financial statement). It does not purport to, and does not, present fairly the changes in financial position of the Authority or State of Georgia for the year ended June 30, 2020 in conformity with accounting principles generally accepted in the United States of America.

B. Basis of Presentation

The Authority's financial statement has been prepared in conformity with U.S. Generally Accepted Accounting Principles (GAAP) as prescribed by the GASB. Preparation of the financial statement in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts and disclosures in the financial statement. Actual results could differ from those estimates.

The Authority's fiscal year end is June 30.

The Authority's financial statement consists of a statement of revenues, expenses, and changes in net position for the I-75 South Metro Express Lanes Fund and the Other Roadways.

Fund Financial Statements

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

Proprietary Funds

Proprietary fund reporting focuses on the determination of operating income and changes in net position. Proprietary funds are classified as enterprise funds and distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

STATE ROAD AND TOLLWAY AUTHORITY
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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 funds:

I-75 South Metro Express Lanes Fund – Accounts for the activities for which tolls and fees are charged to the users of the I-75 South Metro Express Lanes. This toll system was financed with debt that is secured by a pledge of net toll revenues generated from the facility.

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

C. Prior Period Restatement

The I-75 South Metro Express Lanes Fund net position as of July 1, 2019 has been restated to recognize contract expenses that should have been capitalized and included as part of work in progress. The result is an increase in net position at July 1, 2019 of \$757,910. This change is in accordance with generally accepted accounting principles.

D. Depreciation of Capital Assets and Interfund Activity

Depreciation of Capital Assets

Capital assets of the Authority's proprietary funds are capitalized in the fund in which they are utilized. Capital assets, which include property, machinery and equipment, and computer software, are reported at historical cost. Donated capital assets are stated at acquisition value at the time of donation and disposals are deleted at recorded cost. Assets that are transferred from other state agencies or authorities are recorded at actual cost and the associated accumulated depreciation is also recorded. For donated assets that are not fully depreciated, the Authority recognizes donated capital contributions equal to the net book value of the donated asset.

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

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

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

STATE ROAD AND TOLLWAY AUTHORITY
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

Capital assets are depreciated over their useful lives using the straight-line depreciation method. The financial statements report depreciation expense.

Capital assets without indefinite or inexhaustible useful lives are amortized or depreciated on the straight-line basis over the following useful lives:

Category of Capital Assets	Years
Infrastructure	10 - 100
Buildings and Building Improvements	5 - 60
Improvements other than Buildings	15 - 50
Machinery and Equipment	3 - 20
Software	3 - 10
Intangible Assets - Other than Software	20

Interfund Activity

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

NOTE 2 – CHANGES IN FINANCIAL ACCOUNTING AND REPORTING

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 financial statement.

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 financial statement.

STATE ROAD AND TOLLWAY AUTHORITY
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 3 – BUDGET

Legal adoption of the Authority budget is not required; however, the Authority Board of Directors approves a budget for management purposes. The budget is not subject to review or approval by the Legislature of the State of Georgia, except for those limited portions that consist of appropriated funds received indirectly from other State entities. Budgets are adopted on the cash basis of accounting. The Authority's Board approves the budget annually in the spring for the following fiscal year.

NOTE 4 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

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
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 5 – INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2020 consist of the following:

<u>Transfers In</u>	<u>Transfers Out</u>		<u>Total</u>
	<u>Other Roadways</u>	<u>Tolling System Fund</u>	
I-75 South Metro Express Lanes	\$ 1,359,941	\$ 2,450,462	\$ 3,810,403
Debt Service Fund	90,475		90,475
Total	\$ <u>1,450,416</u>	\$ <u>2,450,462</u>	\$ <u>3,900,878</u>

During the year ended June 30, 2020, Other Roadways fund transferred funds to the I-75 South Metro Express Lanes Fund to cover roadway expenses and to the debt service fund for trustee fees. Additionally, transfers totaling \$2,450,462 were made to move state appropriation funding provided by the Georgia Department of Transportation in the Tolling System Fund to cover roadway expenses in the I-75 South Metro Express Lanes fund. The debt service fund and tolling system fund are not presented as part of the All Roadways financial statement.

NOTE 6 – LONG-TERM LIABILITIES

Transportation Infrastructure Finance and Innovation Act (TIFIA) Loan - I-75 Northwest Corridor Express Lanes Project. In November 2013, the Authority executed a TIFIA loan of up to \$275,000,000, which proceeds, when drawn upon, will finance a portion of the costs for the I-75 Northwest Corridor Express Lanes Project. During construction and for a period of up to five years following substantial completion, interest is compounded and added to the initial TIFIA loan. The TIFIA loan requires mandatory debt service payments at a minimum and scheduled debt service payments to the extent additional funds are available. TIFIA debt service payments are expected to commence in 2023, which is five years after substantial completion. The interest rate of the TIFIA loan is 3.79%. \$184,466,379 was drawn on the TIFIA loan during fiscal year 2017. An additional \$27,312,102 was drawn on the TIFIA loan during fiscal year 2018. \$36,387,144 was drawn during fiscal year 2019. An additional \$1,541,427 was drawn during fiscal year 2020. A debt service schedule will be provided after the last loan draw.

	<u>TIFIA Loan Outstanding</u>
Draw Balance in Prior Fiscal Years	\$ 248,165,625
Total Draws in Fiscal Year 2020	<u>1,541,427</u>
Draw Balance as of June 30, 2020	\$ <u>249,707,052</u>
Accreted Interest in Prior Fiscal Years	\$ 19,481,270
Accreted Interest in Fiscal Year 2020	<u>10,288,493</u>
Accreted Interest as of June 30, 2020	\$ <u>29,769,763</u>
Total TIFIA Balance as of June 30, 2020	\$ <u>279,476,815</u>

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

STATE ROAD AND TOLLWAY AUTHORITY
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

Revenue Bonds

The Authority has revenue bonds outstanding totaling \$38,180,445 at June 30, 2020. Information on the Authority's bonds is disclosed in the previously issued audit report on the Authority's Schedule of Changes in Bonds Payable and Associated Debt Service Requirements. This audit can be obtained from the Authority at www.srta.ga.gov/wp-content/uploads/2021/04/FY2020_SRTA_Debt_Report_FINAL_033021.pdf.

NOTE 7 – LEASES

Operating Leases

The Authority leases office facilities, office equipment, and computer equipment. Some of these leases are considered for accounting purposes to be operating leases. Leases generally contain provisions that, at the expiration date of the original term of the lease, the Authority has the option of renewing the lease on a year-to-year basis. Leases renewed annually for a specified time period, i.e. lease expires at 12 months and must be renewed for the next year, do not meet the qualification as an operating lease. Amounts are included only for multi-year leases and for cancelable leases for which an option to renew for the subsequent fiscal year has been exercised. Future minimum commitments for operating leases as of June 30, 2020 are as follows:

Fiscal Year:	Amount
2021	\$ 728,368
2022	963,841
2023	1,245,371
2024	1,240,671
2025	1,271,497
2026 - 2030	6,814,050
2031 - 2032	2,841,709
Total Minimum Commitments	\$ 15,105,507

Expenditures for the rental of office facilities and equipment for the year ended June 30, 2020 totaled \$666,675 and \$47,430, respectively.

NOTE 8 – LITIGATION, CONTINGENCIES AND COMMITMENTS

Grants and Contracts

The amounts received or receivable from grantor agencies are subject to audit and review by grantor agencies, principally the federal government. This could result in a request for reimbursement by the grantor agency for any expenditures which are disallowed under grant terms.

Litigation

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

STATE ROAD AND TOLLWAY AUTHORITY
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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, 2020, the Authority had remaining contractual commitments for tolling construction projects as detailed below:

<u>Remaining Contractual Commitments</u>	<u>Amount</u>
I-85 Express Lanes Extension Project	\$ 1,902,506
I-85 HOT Project	<u>2,213,622</u>
Total Remaining Contractual Commitments	<u>\$ 4,116,128</u>

I-85 Express Lanes Extension Project

The I-85 Express Lanes were expanded in 2018 with the I-85 Express Lanes Extension, adding 10 miles of toll lanes north of the existing lanes. The I-85 Express Lanes Extension begins at Old Peachtree Road and extends to Hamilton Mill Road.

I-85 HOT Project

Opening in 2011, the I-85 Express Lanes (HOT) are a 15-mile corridor that runs from Chamblee Tucker Road (just south of I-285) to Old Peachtree Road in Gwinnett County, with several entrance and exit points.

NOTE 9 – SUBSEQUENT EVENTS

In November 2020, the State Road and Tollway Authority transitioned to a new customer service system. The new system provided enhanced customer features and easier access for customers to control and manage their accounts.

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.

On April 27, 2021, the State Road and Tollway Authority Board of Directors authorized the issuance and sale of an aggregate principal amount of \$567.0 million in Guaranteed Revenue Bonds (GRB). The bond proceeds are intended to be used to refinance existing debt and fund tolling capital projects related to the State’s Major Mobility and Investment Program (MMIP). The bond sale will occur in late June 2021, with the closing targeted for July 1, 2021.

SUPPLEMENTARY INFORMATION

STATE ROAD AND TOLLWAY AUTHORITY
COMBINING SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
OTHER ROADWAYS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	I-75 Northwest Corridor Express Lanes Fund	I-85 Express Lanes Fund	I-85 Extension Express Lanes Fund	Eliminations	All Other Roadways
OPERATING REVENUES					
User Fees					
Electronic Tolls	\$ 13,401,410	\$ 16,965,596	\$ 1,107,176	\$ -	\$ 31,474,182
OPERATING EXPENSES					
Personnel Services	4,190,996	4,189,624	1,458,440	-	9,839,060
Publications, Supplies and Materials	182,634	177,828	67,286	-	427,748
Repairs and Maintenance	34,883	33,965	12,851	-	81,699
Utilities, Rents, Insurance	481,139	386,268	188,091	-	1,055,498
Other Operating Expenses	374,123	364,404	132,343	-	870,870
Contracts	1,746,991	4,210,362	802,136	-	6,759,489
Software/Telecom	479,979	467,348	176,834	-	1,124,161
Depreciation	4,635,792	302,897	2,669,881	-	7,608,570
Total Operating Expenses	<u>12,126,537</u>	<u>10,132,696</u>	<u>5,507,862</u>	<u>-</u>	<u>27,767,095</u>
Operating Income (Loss)	<u>1,274,873</u>	<u>6,832,900</u>	<u>(4,400,686)</u>	<u>-</u>	<u>3,707,087</u>
NONOPERATING REVENUES (EXPENSES)					
Interest and Investment Revenue	406,583	515,286	20,243	-	942,112
Bond and Loan Interest Expense	<u>(10,288,493)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(10,288,493)</u>
Total Nonoperating Revenues (Expenses)	<u>(9,881,910)</u>	<u>515,286</u>	<u>20,243</u>	<u>-</u>	<u>(9,346,381)</u>
Income (Loss) Before Capital Contributions and Transfers	<u>(8,607,037)</u>	<u>7,348,186</u>	<u>(4,380,443)</u>	<u>-</u>	<u>(5,639,294)</u>
CAPITAL CONTRIBUTIONS					
Georgia Department of Transportation (GDOT)	<u>2,788,841</u>	<u>-</u>	<u>1,459,432</u>	<u>-</u>	<u>4,248,273</u>
TRANSFERS					
Transfers In	-	-	1,768,575	(1,768,575)	-
Transfers Out	<u>-</u>	<u>(3,218,991)</u>	<u>-</u>	<u>1,768,575</u>	<u>(1,450,416)</u>
Total Transfers	<u>-</u>	<u>(3,218,991)</u>	<u>1,768,575</u>	<u>-</u>	<u>(1,450,416)</u>
Changes in Net Position	(5,818,196)	4,129,195	(1,152,436)	-	(2,841,437)
Total Net Position - Beginning of Year	<u>(238,290,987)</u>	<u>26,740,326</u>	<u>10,381,260</u>	<u>-</u>	<u>(201,169,401)</u>
Total Net Position - End of Year	<u>\$ (244,109,183)</u>	<u>\$ 30,869,521</u>	<u>\$ 9,228,824</u>	<u>\$ -</u>	<u>\$ (204,010,838)</u>

COMPLIANCE SECTION



DEPARTMENT OF AUDITS AND ACCOUNTS

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

Independent Auditor's Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the Statement of Revenues, Expenses, and Changes in Net Position of the I-75 South Metro Express Lanes Fund and the Other Roadways of the State Road and Tollway Authority of Georgia (Authority), for the year ended June 30, 2020, and the related notes, (the financial statement), and have issued our report thereon dated June 3, 2021.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statement 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 an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying *Schedule of Findings and Questioned Costs* as item FS-927-20-01.

Authority's Response to Findings

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

Purpose of this Report

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

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Greg S. Griffin". The signature is written in a cursive style with a horizontal line at the end.

Greg S. Griffin
State Auditor

June 3, 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 Accounting Controls Overall

Internal Control Impact:	Material Weakness
Compliance Impact:	Nonmaterial Noncompliance
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) accounting and financial reporting processes did not have adequate internal controls to prevent or detect errors and omissions as part of its the day to day operations or 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 material weakness in internal control.

Criteria:

The Authority is responsible for maintaining a system of controls over the preparation of financial statements in accordance with generally accepted accounting principles (GAAP). The design and operation of the Authority's controls should allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements of the financial statements in a timely manner as well as facilitate the timely preparation of complete and accurate financial statements. Additionally, the Authority is responsible for maintaining an effective information system, which includes information technology (IT) general controls that ensure logical access is assigned based on job roles and responsibilities. It also includes policies and procedures, which are important in establishing processes for managing and monitoring user access.

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 the fiscal year 2020 financial statements for the Financial Report for All Roadways, the Authority had to post forty PCAs to record or to correct fiscal year 2019 activity that was never posted to their general ledger in TeamWorks. Additionally, to correctly present fiscal year 2020 activity, the Authority posted forty-three PCAs to correct or record fiscal year 2020 transactions. Testing identified a portion of the I-85 Extension asset was not properly capitalized as of year-end and an audit adjustment was proposed and accepted to correct the misstatement. In the notes presented for audit, a misstatement was noted in the operating lease note. The Authority restated beginning net position but failed to include a note in the notes disclosing the restatement.

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

In addition to the deficiencies identified above related to the year-end reporting process, our testing revealed deficiencies in controls supporting day to day operations throughout the fiscal year. These deficiencies are identified below.

- During testing of lane tracing controls designed to ensure appropriate billing and revenue recognition for use of the express lanes, it was noted in one month the control selected for testing was not completed at all. Further, errors in performance of the control were identified for three instances selected for testing.
- Bank reconciliations and their review and approval that should be performed throughout the fiscal year were found to be delayed for several months.
- The IT General Controls review found that eleven users had inappropriate privileged access, eight users had inappropriate system access, and one terminated employee had continued access into the transportation and tolling system.

Cause:

The existence of this condition is caused by several key foundational issues with the current structure of internal controls and accounting processes:

- 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.
- 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.
- A formal user access review process has not established to determine whether user access continues to be appropriate based on job responsibilities to provide proper segregation of duties.
- The Authority was not aware the system administrative function allowed privileged access.

Effect:

Without effective internal controls surrounding the financial reporting process and accounting controls overall, 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. In addition, the IT general controls deficiencies in logical access result in noncompliance with the GTA technology security policies and standards and increase the risk of unauthorized access to the information system data and possible manipulation or loss of data.

Recommendation:

The Authority should implement comprehensive financial statement preparation procedures to ensure that timely financial statements are complete and accurate as well as perform a review of accounting controls overall to ensure proper processes are being followed throughout the fiscal year. Staff need to be better trained on accounting policies, procedures and fundamentals. We encourage the Authority's fiscal and information technology staff to be proactive in its financial reporting and ITGC 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.

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

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 Accounting Controls Overall

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 aid 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 have been implemented and are being 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.

The State Road and Tollway Authority has also implemented a formal user access review process to ensure that appropriate staff have access to the transportation and tolling system and their roles are assigned correctly.

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

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