

**STATE ROAD AND TOLLWAY AUTHORITY  
(A Component Unit of the State of Georgia)**

**FINANCIAL REPORT**

**FOR THE FISCAL YEAR ENDED  
JUNE 30, 2010**

# STATE ROAD AND TOLLWAY AUTHORITY

## FINANCIAL REPORT

JUNE 30, 2010

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## INDEPENDENT AUDITOR'S REPORT

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To the Members of the  
State Road and Tollway Authority  
Atlanta, Georgia

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the **State Road and Tollway Authority (the Authority)**, a component unit of the State of Georgia, as of and for the year ended June 30, 2010, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the State Road and Tollway Authority as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 20, 2010, 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 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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The Management's Discussion and Analysis on pages 3 – 8 is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State Road and Tollway Authority's basic financial statements. The accompanying supplementary information (Cash and Cash Equivalents Schedule and Investments Schedule) is presented for purposes of additional analysis and is not a required part of the basic financial statements. The accompanying supplementary information (Cash and Cash Equivalents Schedule and Investments Schedule) has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Mauldin & Jenkins, LLC*

Atlanta, Georgia  
September 20, 2010

# STATE ROAD AND TOLLWAY AUTHORITY

## MANAGEMENT'S DISCUSSION AND ANALYSIS YEAR ENDED JUNE 30, 2010

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The following is a Discussion and Analysis of the financial performance of the State Road and Tollway Authority (the "Authority"). It is designed to assist the reader in focusing on the significant financial issues and activities and to identify any significant changes in financial position for the fiscal year ended June 30, 2010. The Authority is a public corporation and body corporate. The Authority maintains and operates a toll facility in the State of Georgia and manages a bond financing program to finance transportation projects in the State of Georgia. The Management's Discussion and Analysis is designed to be read in conjunction with the Authority's financial statements.

### Financial Highlights

**Net Assets:** As of the close of fiscal year 2010, the Authority's combined ending net assets totaled \$(1,880,855,226). Of this total, \$(1,925,920,635) is the net asset balance for Governmental Activities while \$45,065,409 is the net asset balance for Business-Type Activities. Net assets are comprised of total assets less total liabilities. The total net capital asset investment is \$13,427,051. Total net capital assets are total capital assets less the corresponding accumulated depreciation. The negative ending net assets are discussed in the section "Government-wide Financial Analysis."

**Long-term Debt:** The Authority's total long-term debt obligations at June 30, 2010, consist of bond indebtedness in the amount of \$2,026,569,826. Of this total, \$2,009,594,587 is primarily the long-term bond indebtedness for Governmental Activities and \$16,975,239 is primarily the long-term bond indebtedness for Business-Type Activities. A definition of these types of activities is provided in the following section.

**Revenues:** Total revenue for business-type activities increased by 11% from \$20,756,470 in FY'09 to \$22,996,442 in FY'10 due to the change in classification to business-type activity from government-type activity for the I-85 HOV to HOT project. Total revenues for government-type activity decreased by 80% from \$6,539,284 in FY'09 to \$1,282,271 in FY'10 due to a significant decrease in unrestricted investment earnings and the change of classification from government-type activity to business-type activity for the I-85 HOV to HOT project.

**Expenses:** General Government expenses for the Authority decreased by 46% from \$8,938,470 in FY'09 to \$4,843,967 in FY'10 primarily due to a one time bond related reclassification in FY'09. Total expenses for GA 400 and I-85 HOV to HOT project increased by 5% from \$14,378,433 in FY'09 to \$15,149,838 in FY'10 primarily due to the change in classification from government-type activity to business-type activity for the I-85 HOV to HOT project.

### Overview of the Financial Statements

This Discussion and Analysis is intended to serve as an introduction to the Authority's basic financial statements. The Authority's basic financial statements have three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains additional supplementary information to the basic financial statements themselves.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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**Government-wide Financial Statements.** The *government-wide financial statements* are designed to provide a broad overview of the Authority's finances, in a manner similar to private-sector business reports.

The *Statement of Net Assets* presents information on all the Authority assets and liabilities, with the difference between the two reported as *Net Assets*. Over time, increases or decreases in net assets should serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

The *Statement of Activities* presents information showing how the Authority's net assets have changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements only include the operations of the Authority. The Authority is considered a 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's *Codification of Governmental Accounting and Financial Reporting Standards*.

**Fund Financial Statements.** A *fund* is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. The Authority, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the Authority's funds can be classified into the categories of *Governmental Funds* and *Proprietary Funds*.

**Governmental Funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of resources that are available to be expended in the Authority's normal operations, as well as balances of resources available at the end of the fiscal year. Both the governmental fund Balance Sheet and the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balances provide a reconciliation to facilitate the comparison between *governmental funds* and *governmental activities*.

The Authority maintains one individual governmental fund. The General Fund (General Authority Governmental Fund) is the only governmental fund and is used to account for all activities of the Authority not otherwise accounted for by proprietary specific funds.

**Proprietary Funds.** The Authority maintains one of the two different types of proprietary funds. The type used by the Authority, *Enterprise Funds*, is used to report the same functions as those presented as *business-type activities* in the government-wide financial statements. The Authority uses an enterprise fund to account for its Tollway operation in Atlanta, Georgia for the Georgia 400 Extension as well as the Tollway operation in Atlanta, Georgia for the I-85 HOV to HOT project.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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Proprietary fund financial statements provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide information for the Georgia 400 Extension and the I-85 HOV to HOT project.

**Notes to the Financial Statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found in the basic financial statements section of this report.

**Other Information.** In addition to the basic financial statements and accompanying notes, this report also presents certain *supplementary information* concerning the State Road and Tollway Authority.

### **Government-wide Financial Analysis**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. The reader can think of the Authority's net assets as the difference between its assets (i.e., what the Authority owns) and its liabilities (i.e., what the Authority owes) at the end of a fiscal year. This balance represents one way to measure the Authority's financial health or its financial position. In the case of the State Road and Tollway Authority, liabilities exceeded assets by \$1,880,855,226 at the close of the most recent fiscal year.

The negative net asset amount is attributable to the General Authority Governmental Fund and the method of accounting required by Generally Accepted Accounting Principles (GAAP). The General Authority manages the bond financing activities. The General Authority issues bonds for transportation projects in the State of Georgia which are constructed and owned by the Department of Transportation (DOT). A project account is established for each bond issue. The proceeds from the bonds are maintained in the project accounts. The DOT remits invoices to the Authority for payment from the project accounts. The DOT collects motor fuel and federal revenues for State of Georgia transportation projects and is required to remit payments to the Authority for the bond sinking fund debt service requirements. As the project accounts are expended, the total asset amounts are reduced. GAAP does not allow the Authority to reflect a long-term accounts receivable from the DOT. As a result, the project accounts are reduced faster than the receipt of funds from the DOT for payment of the bond debt obligations, which caused a negative net asset balance at June 30, 2010.

The current fiscal year's total assets are lower than in the previous year. The decrease in assets is primarily due to the decreased value of investments and lower earnings on investments. The current fiscal year's total liabilities are lower than the previous year, which is due to payments of bond indebtedness without any current year additions.

The net assets invested in capital assets for the year was \$13,427,051. The book value of the capital assets was greater than the previous year which totaled \$10,890,951 and is primarily due to the addition of assets. The Authority uses these capital assets to provide services to those citizens served by the Authority.

The following table provides a comparison of the Authority's net assets at June 30, 2010 and June 30, 2009. The schedule provides comparative information for both the governmental and business-type activities. For presentation purposes, the amounts shown have been rounded to the nearest dollar.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

Comparative Schedule of Changes In SRTA's Net Assets

	Governmental Activities		Business-Type Activities		Total	
	FY 2010	FY 2009	FY 2010	FY 2009	FY 2010	FY 2009
<b>Assets:</b>						
Other Assets	\$ 87,556,332	\$ 450,839,424	\$ 62,595,077	\$ 65,640,737	\$ 150,151,409	\$ 516,480,161
Capital Assets	9,345,165	8,988,683	4,081,886	1,902,268	13,427,051	10,890,951
	<u>\$ 96,901,497</u>	<u>\$ 459,828,107</u>	<u>\$ 66,676,963</u>	<u>\$ 67,543,005</u>	<u>\$ 163,578,460</u>	<u>\$ 527,371,112</u>
<b>Liabilities:</b>						
Current Liabilities	\$ 13,227,545	\$ 14,882,097	\$ 4,636,315	\$ 4,317,807	\$ 17,863,860	\$ 19,199,904
Long-Term Liabilities:						
Current Portion	146,782,759	140,412,768	8,375,170	8,001,996	155,157,929	148,414,764
Noncurrent Portion	1,862,811,828	2,028,929,854	8,600,069	16,522,160	1,871,411,897	2,045,452,014
	<u>2,022,822,132</u>	<u>2,184,224,719</u>	<u>21,611,554</u>	<u>28,841,963</u>	<u>2,044,433,686</u>	<u>2,213,066,682</u>
<b>Net Assets:</b>						
Invested in Capital Assets	9,345,165	8,988,683	4,081,886	1,902,268	13,427,051	10,890,951
Restricted for loan and grant programs	43,100,000	-	-	-	43,100,000	-
Unrestricted	<u>(1,978,365,800)</u>	<u>(1,733,385,295)</u>	<u>40,983,523</u>	<u>36,798,774</u>	<u>(1,937,382,277)</u>	<u>(1,696,586,521)</u>
Total Net Assets	<u>\$ (1,925,920,635)</u>	<u>\$ (1,724,396,612)</u>	<u>\$ 45,065,409</u>	<u>\$ 38,701,042</u>	<u>\$ (1,880,855,226)</u>	<u>\$ (1,685,695,570)</u>

At the end of the current fiscal year, the Authority is able to report a positive balance in only the Business-Type Activities category of net assets. The Authority as a whole and the Governmental Activities report negative net asset balances, which were previously discussed.

The following table provides a comparison of the changes in the Authority's net assets for the fiscal years ended June 30, 2010 and June 30, 2009. The schedule provides comparative information for both the governmental and business-type activities. For presentation purposes, the amounts shown have been rounded to the nearest dollar.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

Comparative Schedule of Changes In SRTA's Net Assets						
	Governmental Activities		Business-Type Activities		Total	
	FY 2010	FY 2009	FY 2010	FY 2009	FY 2010	FY 2009
<b>Revenues:</b>						
Program Revenues						
Charges for Services	\$ -	\$ -	\$ 20,756,211	\$ 20,060,677	\$ 20,756,211	\$ 20,060,677
<b>General Revenues</b>						
Operating Grants and contributions	72,990	1,151,870	1,970,856	-	2,043,846	1,151,870
Rents and Royalties	-	-	48,587	48,587	48,587	48,587
Unrestricted Investment Earnings	1,209,281	5,387,414	220,788	647,206	1,430,069	6,034,620
<b>Total Revenues</b>	<b>\$ 1,282,271</b>	<b>\$ 6,539,284</b>	<b>\$ 22,996,442</b>	<b>\$ 20,756,470</b>	<b>\$ 24,278,713</b>	<b>\$ 27,295,754</b>
<b>Expenses:</b>						
General Government	4,843,967	8,938,470	\$ -	\$ -	\$ 4,843,967	\$ 8,938,470
Interest on Long-Term Debt	78,664,014	76,862,344	-	-	78,664,014	76,862,344
Transportation	365,328,375	533,872,138	-	-	365,328,375	533,872,138
Toll Roads	-	-	15,149,838	14,378,433	15,149,838	14,378,433
<b>Total Expenses</b>	<b>\$ 448,836,356</b>	<b>\$ 619,672,952</b>	<b>\$ 15,149,838</b>	<b>\$ 14,378,433</b>	<b>\$ 463,986,194</b>	<b>\$ 634,051,385</b>
Increase/Decrease in Net Assets Before Other Items	\$ (447,554,085)	\$ (613,133,668)	\$ 7,846,604	\$ 6,378,037	\$ (439,707,481)	\$ (606,755,631)
Transfers	140,778,939	112,354,305	(1,482,237)	-	139,296,702	-
Payments from State of Georgia	105,251,123	98,230,352	-	-	105,251,123	98,230,352
<b>Change in Net Assets</b>	<b>\$ (201,524,023)</b>	<b>\$ (402,549,011)</b>	<b>\$ 6,364,367</b>	<b>\$ 6,378,037</b>	<b>\$ (195,159,656)</b>	<b>\$ (396,170,974)</b>
Net Assets - Beginning	(1,724,396,612)	(1,321,847,601)	38,701,042	32,323,005	(1,685,695,570)	(1,289,524,596)
<b>Net Assets - Ending</b>	<b>\$ (1,925,920,635)</b>	<b>\$ (1,724,396,612)</b>	<b>\$ 45,065,409</b>	<b>\$ 38,701,042</b>	<b>\$ (1,880,855,226)</b>	<b>\$ (1,685,695,570)</b>

As indicated above, the Authority's net assets decreased from \$(1,685,695,570) to \$(1,880,855,226) during the current fiscal year. The change in net assets was \$(195,159,656). The principal factors in this decrease for FY 2010 were attributed to the Governmental Activities bond management activities. The financial impact of these transactions on net assets is that the amounts expended to the DOT for transportation expenses and the payments of interest on long-term debt exceeded the transfers-in and payments from the State of Georgia.

### **Financial Analysis of the Authority's Funds**

**Governmental Fund, General Fund.** The General Fund is the governmental operating fund of the Authority. At June 30, 2010, the General Fund had an unreserved fund balance of \$32,950,893 on the Governmental Fund Balance Sheet. During the year, it was determined to reserve \$43,100,000 for loan and grant programs. This fund balance is attributed to the project funds from the proceeds from the 2009 Reimbursement Revenue Bonds and 2009 Grant Anticipation Revenue Bonds being listed as assets, however, the corresponding bond liabilities are not listed under the modified accrual basis of accounting. The positive fund balance on the Governmental Fund Balance Sheet does not include the bond liabilities which are included on the Statement of Net Assets for Governmental Activities which shows a negative fund balance referenced previously.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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**Proprietary Funds, Georgia 400 Project.** The proprietary fund statements provide the same type of information found in the government-wide statements, but in more detail. The Georgia 400 Project is a proprietary fund of the Authority. The Authority maintained a business-type proprietary fund for toll operations during the fiscal year ending June 30, 2010. The unrestricted net assets of the Georgia 400 Project at June 30, 2010, amounted to \$44,119,020.

**Proprietary Funds, I-85 HOV to HOT Project.** The I-85 HOV to HOT Project is a proprietary fund of the Authority. The Authority maintained a business-type proprietary fund for activities related to the initial phase of converting of a 15-mile stretch of High Occupancy Vehicle (HOV) lanes to High Occupancy Toll (HOT) lanes along I-85 during the fiscal year ending June 30, 2010. Once complete, this fund will be used to report activities for which fees are to be charged to external users for goods and services. The unrestricted net assets of the I-85 HOV to HOT Project at June 30, 2010, amounted to \$(3,135,497).

### **Capital Assets and Debt Administration**

**Capital Assets.** The Authority's investment in capital assets as of June 30, 2010, had a net book value of \$13,427,051. This investment in capital assets includes, land, buildings, equipment and software. Actual depreciation charges for the year totaled \$819,865. Additional information on the Authority's capital assets can be found in the notes to the financial statements.

**Long-Term Debt.** At June 30, 2010, the Authority had total long-term debt in the amount of \$2,026,569,826 which was comprised of \$2,009,594,587, in revenue bonds in the governmental activities and \$16,975,239 in revenue bonds in the business-type activities. Additional information on the Authority's long-term debt can be found in the notes to the financial statements.

### **Economic Factors and Next Year's Budget**

The Authority's budget for fiscal year 2011 calculated revenue from operations to be comparable to the actual revenue of fiscal year 2010. The rationale for this revenue calculation is the conservative calculation for operating income which assumes static growth in traffic projections on the Georgia 400 Corridor.

### **Further Information**

This financial report is designed to provide a general overview of the State Road and Tollway Authority's finances for all those individuals having an interest in the Authority's finances. Questions concerning any of the information provided in this report should be addressed to: State Road and Tollway Authority, 47 Trinity Avenue, 4<sup>th</sup> Floor, Atlanta, Georgia 30334.

# STATE ROAD AND TOLLWAY AUTHORITY

## STATEMENT OF NET ASSETS FOR THE FISCAL YEAR ENDED JUNE 30, 2010

ASSETS	Governmental Activities	Business-Type Activities	Total
Cash and cash equivalents	\$ 52,645,683	\$ 27,739,942	\$ 80,385,625
Accounts receivable (net of allowance for uncollectibles)	991,192	95,773	1,086,965
Inventory	-	654,470	654,470
Deferred charges	11,254,734	-	11,254,734
Restricted assets:			
Restricted:			
Cash and cash equivalents	19,687,175	49,347	19,736,522
Investments	-	7,509,772	7,509,772
Prepaid items	31,764	16,374	48,138
Other assets	-	5,981	5,981
Internal balances	2,945,784	(2,945,784)	-
Estate for years, net	-	11,450,329	11,450,329
Capital assets:			
Nondepreciable	8,982,936	2,780,287	11,763,223
Depreciable, net of accumulated depreciation	362,229	1,301,599	1,663,828
Total assets	<u>96,901,497</u>	<u>48,658,090</u>	<u>145,559,587</u>
<b>LIABILITIES</b>			
Accounts payable and other current liabilities	250,705	666,985	917,690
Accrued liabilities	-	200,640	200,640
Current liabilities payable from restricted assets:			
Unearned revenues	-	3,270,677	3,270,677
Customer deposits payable	-	95,850	95,850
Accrued interest payable	12,976,840	402,163	13,379,003
Guaranteed refunding revenue bonds payable	-	8,270,000	8,270,000
Bonds payable due within one year	146,730,000	-	146,730,000
Bonds payable due in more than one year	1,862,758,203	8,493,171	1,871,251,374
Compensated absences due within one year	52,759	105,170	157,929
Compensated absences due in more than one year	53,625	106,898	160,523
Total liabilities	<u>2,022,822,132</u>	<u>21,611,554</u>	<u>2,044,433,686</u>
<b>NET ASSETS</b>			
Invested in capital assets	9,345,165	4,081,886	13,427,051
Restricted for loan and grant programs	43,100,000	-	43,100,000
Unrestricted (deficit)	(1,978,365,800)	40,983,523	(1,937,382,277)
Total net assets	<u>\$ (1,925,920,635)</u>	<u>\$ 45,065,409</u>	<u>\$ (1,880,855,226)</u>

The notes to the financial statements are an integral part of this statement.

# STATE ROAD AND TOLLWAY AUTHORITY

## STATEMENT OF ACTIVITIES FOR THE FISCAL YEAR ENDED JUNE 30, 2010

<b>Functions/Programs</b>	Program Revenues				Net (Expenses) Revenues and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
General government	\$ 4,843,967	\$ -	\$ -	\$ -	\$ (4,843,967)	\$ -	\$ (4,843,967)
Interest on long-term debt	78,664,014	-	-	-	(78,664,014)	-	(78,664,014)
Transportation	365,328,375	-	72,990	-	(365,255,385)	-	(365,255,385)
Total governmental activities	448,836,356	-	72,990	-	(448,763,366)	-	(448,763,366)
Business-type activity:							
I-85 HOV to HOT project	843,829	-	-	1,970,856	-	1,127,027	1,127,027
Georgia 400 toll road	14,306,009	20,756,211	-	-	-	6,450,202	6,450,202
	15,149,838	20,756,211	-	1,970,856	-	7,577,229	7,577,229
Total	\$ 463,986,194	\$ 20,756,211	\$ 72,990	\$ 1,970,856	\$ (448,763,366)	\$ 7,577,229	\$ (441,186,137)
General revenues:							
Rents and royalties					-	48,587	48,587
Unrestricted investment earnings					1,209,281	220,788	1,430,069
Payments from the State of Georgia					105,251,123	-	105,251,123
Interfund transfers					1,482,237	(1,482,237)	-
Transfers from the Department of Transportation					139,296,702	-	139,296,702
Total general revenues and transfers					247,239,343	(1,212,862)	246,026,481
Change in net assets					(201,524,023)	6,364,367	(195,159,656)
Net assets, beginning of year					(1,724,396,612)	38,701,042	(1,685,695,570)
Net assets, end of year					\$ (1,925,920,635)	\$ 45,065,409	\$ (1,880,855,226)

The notes to the financial statements are an integral part of this statement.

# STATE ROAD AND TOLLWAY AUTHORITY

## BALANCE SHEET GOVERNMENTAL FUND JUNE 30, 2010

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	<u>General Fund</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 52,645,683
Cash and cash equivalents - restricted:	
Guaranteed revenue bond covenant accounts	19,687,175
Intergovernmental receivables (net of allowance for uncollectibles)	991,192
Interfund receivable	2,984,137
Prepaid items	31,764
Total assets	<u>\$ 76,339,951</u>
<b>LIABILITIES AND FUND BALANCE</b>	
<b>LIABILITIES</b>	
Accounts payable	\$ 119,690
Other liabilities	131,015
Interfund payable	38,353
Total liabilities	<u>289,058</u>
<b>FUND BALANCE</b>	
Fund balance:	
Reserved for loan and grant programs	43,100,000
Unreserved	32,950,893
Total fund balance	<u>76,050,893</u>
Total liabilities and fund balance	<u>\$ 76,339,951</u>

The notes to the financial statements are an integral part of this statement.

# STATE ROAD AND TOLLWAY AUTHORITY

## RECONCILIATION OF THE BALANCE SHEET- GOVERNMENTAL FUND TO THE STATEMENT OF NET ASSETS JUNE 30, 2010

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Amounts reported for governmental activities in the statement of net assets are different because:

Total fund balance - governmental fund	\$ 76,050,893
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Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:

Land	8,982,936
Depreciable fixed assets, net of accumulated depreciation	362,229

Other long-term assets are not available to pay for current period expenditures, and, therefore, are deferred in the funds.

Deferred charges	16,996,230
Less: Amortization of bond issuance costs	(5,741,496)

Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:

Guaranteed revenue bonds payable	(489,085,000)
Premium on guaranteed revenue bonds payable	(31,033,606)
Less: Amortization of premium on guaranteed revenue bonds payable	14,234,592
Grant anticipation revenue bonds payable	(1,135,075,000)
Premium on grant anticipation revenue bonds payable	(103,911,446)
Less: Amortization of premium on grant anticipation revenue bonds payable	27,706,252
Reimbursement revenue bonds payable	(281,775,000)
Premium on reimbursement revenue bonds payable	(13,649,087)
Less: Amortization of premium on reimbursement revenue bonds payable	3,100,092
Accrued interest payable	(12,976,840)
Compensated absences	(106,384)

Net assets of governmental activities	<u>\$ (1,925,920,635)</u>
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The notes to the financial statements are an integral part of this statement.

**STATE ROAD AND TOLLWAY AUTHORITY**

**STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE  
GOVERNMENTAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

	<b>General Fund</b>
<b>REVENUES</b>	
Interest and other investment income	\$ 799,474
Intergovernmental revenue	72,990
Other income	409,807
Total revenue	1,282,271
<b>EXPENDITURES</b>	
Current:	
General government	5,201,624
Debt service:	
Principal	140,335,000
Interest	98,912,290
Total expenditures	244,448,914
Deficiency of revenues under expenditures	(243,166,643)
<b>OTHER FINANCING SOURCES (USES)</b>	
Transfers in (from Georgia Department of Transportation)	244,547,825
Transfers out (to Georgia Department of Transportation)	(363,280,654)
Transfers in from other funds	1,482,237
Total other financing sources (uses)	(117,250,592)
Net change in fund balance	(360,417,235)
<b>FUND BALANCE, beginning of year</b>	436,468,128
<b>FUND BALANCE, end of year</b>	\$ 76,050,893

The notes to the financial statements are an integral part of this statement.

# STATE ROAD AND TOLLWAY AUTHORITY

## RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balance - governmental fund \$ (360,417,235)

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeds current year depreciation expense. 356,482

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs and premiums when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The following amounts are the differences in the treatment of long-term debt:

Grant Anticipation Revenue Bonds Principal Retirement	89,375,000
Reimbursement Revenue Bonds Principal Retirement	23,180,000
Guaranteed Revenue Bonds Principal Retirement	27,780,000
Accrued Interest	836,416

Some items reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. In the current period, these amounts are:

Amortization of Premium of Grant Anticipation Revenue Bonds Payable	13,462,726
Amortization of Premium of Reimbursement Revenue Bonds Payable	1,749,134
Amortization of Premium of Guaranteed Revenue Bonds Payable	4,200,000
Amortization of Grant Anticipation Revenue Bonds Issuance Costs	(1,318,648)
Amortization of Reimbursement Revenue Bonds Issuance Costs	(343,073)
Amortization of Guaranteed Revenue Bonds Issuance Costs	(386,000)

Some expenses reported in the Statement of Activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

1,175

Change in net assets of governmental activities \$ (201,524,023)

**The notes to the financial statements are an integral part of this statement.**

# STATE ROAD AND TOLLWAY AUTHORITY

## STATEMENT OF NET ASSETS PROPRIETARY FUNDS JUNE 30, 2010

ASSETS	<u>Georgia 400 Project Fund</u>	<u>I-85 Project Fund</u>	<u>Total</u>
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	\$ 27,739,942	\$ -	\$ 27,739,942
Accounts receivable (net of allowance for uncollectibles)	95,773	-	95,773
Inventory	654,470	-	654,470
Due from other funds	38,808	-	38,808
Prepaid Items	16,374	-	16,374
Other assets	5,981	-	5,981
Restricted:			
Investments	<u>18,018,873</u>	<u>-</u>	<u>18,018,873</u>
Total current assets	<u>46,570,221</u>	<u>-</u>	<u>46,570,221</u>
<b>NONCURRENT ASSETS</b>			
Restricted:			
Cash and cash equivalents:			
Customer deposits	47,500	-	47,500
Guaranteed refunding revenue bond covenant accounts	1,847	-	1,847
Investments	<u>7,509,772</u>	<u>-</u>	<u>7,509,772</u>
Total restricted assets	<u>7,559,119</u>	<u>-</u>	<u>7,559,119</u>
Estate for years, net	<u>11,450,329</u>	<u>-</u>	<u>11,450,329</u>
Capital assets:			
Non-depreciable	-	2,780,287	2,780,287
Depreciable, net of accumulated depreciation	<u>1,301,599</u>	<u>-</u>	<u>1,301,599</u>
Total capital assets	<u>1,301,599</u>	<u>2,780,287</u>	<u>4,081,886</u>
Total noncurrent assets	<u>20,311,047</u>	<u>2,780,287</u>	<u>23,091,334</u>
Total assets	<u>\$ 66,881,268</u>	<u>2,780,287</u>	<u>69,661,555</u>

	<b>Georgia 400 Project Fund</b>	<b>I-85 Project Fund</b>	<b>Total</b>
<b>CURRENT LIABILITIES</b>			
Accounts payable	\$ 390,594	246,407	637,001
Retainage payable	-	29,984	29,984
Accrued liabilities	200,640	-	200,640
Due to other funds	176,045	2,808,547	2,984,592
Compensated absences	80,096	25,074	105,170
Current liabilities payable from restricted assets:			
Deferred revenue	3,270,677	-	3,270,677
Customer deposits payable	95,850	-	95,850
Accrued interest payable	402,163	-	402,163
Guaranteed refunding revenue bonds payable	8,270,000	-	8,270,000
 Total current liabilities payable from restricted assets	 <u>12,038,690</u>	 <u>-</u>	 <u>12,038,690</u>
<b>NONCURRENT LIABILITIES</b>			
Guaranteed refunding revenue bonds payable	8,685,000	-	8,685,000
Unamortized premium on guaranteed refunding revenue bonds	76,753	-	76,753
Compensated absences	81,413	25,485	106,898
Deferred amount of refunding	(268,582)	-	(268,582)
 Total noncurrent liabilities	 <u>8,574,584</u>	 <u>25,485</u>	 <u>8,600,069</u>
 Total liabilities	 <u>21,460,649</u>	 <u>3,135,497</u>	 <u>24,596,146</u>
<b>NET ASSETS</b>			
Invested in capital assets	1,301,599	2,780,287	4,081,886
Unrestricted	44,119,020	(3,135,497)	40,983,523
Total net assets	<u>\$ 45,420,619</u>	<u>\$ (355,210)</u>	<u>\$ 45,065,409</u>

The notes to the financial statements are an integral part of this statement.

# STATE ROAD AND TOLLWAY AUTHORITY

## STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS PROPRIETARY FUNDS FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<u>Georgia 400 Project Fund</u>	<u>I-85 Project fund</u>	<u>Total</u>
<b>OPERATING REVENUES</b>			
Charges for sales and services:			
Administrative fees	\$ 499,104	\$ -	\$ 499,104
Toll fees			
Cash tolls	12,279,005	-	12,279,005
Cruise cards	7,965,102	-	7,965,102
Other services	13,000	-	13,000
Total charges for sales and services	<u>20,756,211</u>	<u>-</u>	<u>20,756,211</u>
Rents and royalties			
Rental income	<u>48,587</u>	<u>-</u>	<u>48,587</u>
Total operating revenues	<u>20,804,798</u>	<u>-</u>	<u>20,804,798</u>
<b>OPERATING EXPENSES</b>			
Personnel costs	2,081,156	829,891	2,911,047
Repairs and maintenance	903,394	-	903,394
Depreciation	787,024	-	787,024
Amortization	5,609,394	-	5,609,394
Other operating expenses	4,120,716	13,938	4,134,654
Total operating expenses	<u>13,501,684</u>	<u>843,829</u>	<u>14,345,513</u>
Operating income (loss)	<u>7,303,114</u>	<u>(843,829)</u>	<u>6,459,285</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Grant revenue	-	1,970,856	1,970,856
Interest income	220,788	-	220,788
Bond interest expense	<u>(804,325)</u>	<u>-</u>	<u>(804,325)</u>
Total nonoperating revenues (expenses)	<u>(583,537)</u>	<u>1,970,856</u>	<u>1,387,319</u>
Income before transfers	6,719,577	1,127,027	7,846,604
<b>Transfers Out</b>	<u>-</u>	<u>(1,482,237)</u>	<u>(1,482,237)</u>
Change in net assets	6,719,577	(355,210)	6,364,367
<b>NET ASSETS, beginning of year</b>	<u>38,701,042</u>	<u>-</u>	<u>38,701,042</u>
<b>NET ASSETS, end of year</b>	<u>\$ 45,420,619</u>	<u>\$ (355,210)</u>	<u>\$ 45,065,409</u>

The notes to the financial statements are an integral part of this statement.

# STATE ROAD AND TOLLWAY AUTHORITY

## STATEMENT OF CASH FLOWS PROPRIETARY FUNDS FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Georgia 400 Project	I-85 Project Fund	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers	\$ 21,757,249	\$ -	\$ 21,757,249
Cash paid to vendors	(4,399,147)	(13,938)	(4,413,085)
Cash paid to employees	(2,088,375)	(779,332)	(2,867,707)
Net cash provided by (used in) operating activities	15,269,727	(793,270)	14,476,457
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Receipts from other fund	-	2,808,547	2,808,547
Transfer to other fund	-	(1,482,237)	(1,482,237)
Net cash provided by noncapital financing activities	-	1,326,310	1,326,310
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Acquisition and construction of capital assets	(186,355)	(2,503,896)	(2,690,251)
Intergovernmental grant	-	1,970,856	1,970,856
Interest paid on guaranteed refunding revenue bonds	(1,001,325)	-	(1,001,325)
Principal paid on guaranteed refunding revenue bonds	(7,880,000)	-	(7,880,000)
Net cash used in capital and related financing activities	(9,067,680)	(533,040)	(9,600,720)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of investment securities	(18,018,873)	-	(18,018,873)
Proceeds from sale and maturity of investments	19,169,750	-	19,169,750
Investment income received	220,788	-	220,788
Net cash provided by investing activities	1,371,665	-	1,371,665
Net increase in cash and cash equivalents	7,573,712	-	7,573,712
Cash and cash equivalents, beginning of year	20,215,577	-	20,215,577
Cash and cash equivalents, end of year	\$ 27,789,289	\$ -	\$ 27,789,289
<b>Reconciliation of ending cash and cash equivalents to Statement of Net Assets - Proprietary Funds</b>			
Current Assets:			
Cash and cash equivalents	\$ 27,739,942	\$ -	\$ 27,739,942
Noncurrent Assets (Restricted):			
Cash and cash equivalents	47,500	-	47,500
Deposits	1,847	-	1,847
Total	\$ 27,789,289	\$ -	\$ 27,789,289

	<u>Georgia 400 Project</u>	<u>I-85 Project Fund</u>	<u>Total</u>
<b>Reconciliation of operating income (loss) to net cash provided by operating activities:</b>			
Operating income (loss)	\$ 7,303,114	\$ (843,829)	\$ 6,459,285
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation	787,024	-	787,024
Amortization	5,609,394	-	5,609,394
Changes in assets and liabilities:			
Decrease in inventory	598,321	-	598,321
Increase in accounts receivable	(9,721)	-	(9,721)
Decrease in prepaid items	4,773	-	4,773
Increase in other assets	(5,981)	-	(5,981)
Decrease in due from other fund	577,048	-	577,048
Increase in liabilities (other than customer deposits)	27,850	-	27,850
Decrease in customer deposits payable	(2,830)	-	(2,830)
Increase (decrease) in compensated absences	(7,219)	50,559	43,340
Increase in due to other funds	173,857	-	173,857
Increase in deferred revenues	214,097	-	214,097
Net cash provided by (used in) operating activities	<u>\$ 15,269,727</u>	<u>\$ (793,270)</u>	<u>\$ 14,476,457</u>

The notes to the financial statements are an integral part of this statement.

# STATE ROAD AND TOLLWAY AUTHORITY

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2010

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### 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 and tunnels and facilities related thereto. The Authority consists of five (5) ex-officio members: the Governor, Commissioner of the Department of Transportation, Director of the Office of Planning and Budget, Appointee of Lieutenant Governor and Appointee of Speaker of the House. The Authority is considered a 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

A key feature of the governmental financial reporting model is its unique combination of government-wide and fund financial reporting. This combination of government-wide and fund financial reporting is designed to accomplish two goals: (1) to provide information using the economic resources measurement focus and the accrual basis of accounting functions reported in governmental funds, and (2) to provide net cost information by function for governmental activities. This is accomplished through government-wide financial statements and fund financial statements.

#### Government-Wide Financial Statements

The Statement of Net Assets and the Statement of Activities report information on all the non-fiduciary activities of the Authority. *Governmental activities*, which normally are financed through taxes, intergovernmental revenues, and other non-exchange revenues, are reported separately from *business-type activities*, which are financed in whole or in part by fees charged to external parties for goods or services.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. The only exception to this general rule is in those instances where the elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### Government-Wide Financial Statements (Continued)

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment 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. Taxes and other items not meeting the definition of program revenues are instead reported as general revenue.

#### Fund Financial Statements

The Authority reports activity in a single governmental fund and two proprietary funds. Separate financial statements are provided for the governmental fund and proprietary funds.

The Authority reports the following major governmental fund:

The General Fund is used to account for all financial transactions not required to be accounted for in another fund. Operations of the General Fund include accounting for the issuance of bonded debt, which finances State of Georgia transportation infrastructure construction. Funding of the debt service is realized through the remittance of motor fuel tax and/or federal funds by the State of Georgia's Department of Transportation (the GDOT).

The Authority reports the Georgia 400 Project Fund and the I-85 Project Fund as major proprietary funds:

The Georgia 400 Project Fund is an enterprise fund used to report activities for which fees are charged to external users for goods or services. This fund is also used when the activity is financed with debt that is secured by a pledge of the net revenues from the fees.

The I-85 Project Fund is an enterprise fund used to report activities related to the initial phase of converting of a 15-mile stretch of HOV lanes to High Occupancy Toll (HOT) lanes along I-85. Once complete, this fund will be used to report activities for which fees are to be charged to drivers who utilize the HOT lanes. Project is set to go "live" in August of 2011.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### C. Measurement Focus and Basis of Accounting

Government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. 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. Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when susceptible to accrual (i.e., 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. Major revenue sources susceptible to accrual include interest and other investment income. Expenditures are generally recorded when the related fund liability is incurred as under accrual accounting. However, debt service expenditures, as well as expenditures related to claims and judgments, are recorded only when payment is due.

The Authority has elected to follow generally accepted accounting principles prescribed by the Governmental Accounting Standards Board (GASB) as well as Statements and Interpretations of the Financial Accounting Standards Board, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedure issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

Proprietary funds 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. The principal operating revenues of the Authority's enterprise funds are charges to customers for sales and services and rents and royalties. Operating expenses include the cost of sales and services, administrative expenses and depreciation on capital assets. The Authority also recognizes as operating expense the amortization of the asset “Estate for Years”. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, generally it is the Authority's policy to use restricted resources first, and then unrestricted resources as they are needed.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### D. Assets, Liabilities and Net Assets

##### Cash and Cash Equivalents

Cash and cash equivalents include currency on hand, demand deposits with banks and other financial institutions, and the state investment pool that has the general characteristics of demand deposit accounts in that the Authority may deposit additional cash at any time and also may withdraw cash at any time without prior notice or penalty. Cash and cash equivalents also include short-term, highly liquid investments with maturities of three months or less from the date of acquisition. Funds of the Georgia 400 Project on deposit with the Trustee for the purpose of continual investment are reflected as investments regardless of the term of instrument. The aforementioned definitions were applied in the preparation of the Statement of Cash Flows.

The state investment pool (Georgia Fund 1) is an external investment pool that is not registered with the Securities and Exchange Commission (SEC), but does operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. The State of Georgia's Office of Treasury and Fiscal Services (OTFS) manages Georgia Fund 1 in accordance with policies and procedures established by state law and the State Depository Board, the oversight Board for OTFS. This investment is valued at the pool's share price, \$1.00 per share.

The Authority does not have any risk exposure related to investments in derivatives or similar investments in Georgia Fund 1, as the investment policy of OTFS does not provide for investments in derivatives or similar investments through the Georgia Fund 1.

##### Investments

Investments are defined as those financial instruments with terms in excess of three months from the date of purchase. Also reported as investments are funds of the Georgia 400 Project on deposit with the Trustee of the Series 1998 Guaranteed Refunding Revenue Bonds for the purpose of continual investment and certain other securities held for the production of revenue. Investments are stated at amortized cost. Accounting principles generally accepted in the United States of America require that investments be reported at fair value; however, the variance in amortized cost and fair value is deemed immaterial to the financial statements for the majority of the Authority's investments. Any variances in amortized cost and fair value deemed material to the financial statements were reported at fair value.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### D. Assets, Liabilities and Net Assets (Continued)

##### Investments (Continued)

The Authority may invest regular funds in such securities and in such manner as it determines to be in its best interest. In addition, the Series 1998 Guaranteed Refunding Revenue Bond, 2006 Grant Anticipation Revenue Bond, 2006 Reimbursement Revenue Bond, 2008A Grant Anticipation Revenue Bond, 2008A Reimbursement Revenue Bond, 2009A Grant Anticipation Revenue Bond, and the 2009A Reimbursement Revenue Bond covenants restrict the Authority to investment in the state investment pool or to the following forms of investments with maturities not in excess of two (2) years:

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

The Series 2001 Guaranteed Revenue Bond covenants and the Series 2003 Guaranteed Revenue Bond covenants impose no additional restrictions.

##### Inventory

Inventory is valued at cost, using the first-in, first-out method. The Authority utilizes the consumption method to recognize inventory usage. Under the consumption method, inventories are recorded as expenses when used rather than when purchased.

##### Accounts Receivable

Accounts receivable arising from operations of the Georgia 400 Project are reported net of an allowance for uncollectibles in the amount of \$10,191.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### D. Assets, Liabilities and Net Assets (Continued)

##### Deferred Charges

Unamortized Bond Issuance Costs for the Series 2001 Guaranteed Revenue Bonds, Series 2003 Guaranteed Revenue Bonds, Series 2006 Grant Anticipation Revenue Bonds, Series 2006 Reimbursement Revenue Bonds, Series 2008A Grant Anticipation Revenue Bonds, Series 2008A Reimbursement Revenue Bonds, Series 2009A Grant Anticipation Revenue Bonds and Series 2009A Reimbursement Revenue Bonds are recorded as deferred charges at June 30, 2010.

##### Restricted Assets

Specific portions of the Authority's cash and cash equivalents and investments are classified as restricted assets on the Statement of Net Assets. Certain guaranteed refunding revenue bond and guaranteed revenue bond proceeds, as well as certain resources set aside for their repayment, are reflected as restricted assets on the Statement of Net Assets because their use is limited by applicable bond covenants. In addition, restricted assets include customer deposits paid to the Authority.

##### Estate for Years

On July 10, 1991, the GDOT granted to the State Road and Tollway Authority an "Estate for Years" in return for a portion of the proceeds of the sale of the Series 1991 Guaranteed Revenue Bonds in the amount of \$67,508,129. This "Estate" entitles the Authority the right to possess and operate the Georgia 400 Project and was continued in force by the Series 1998 Guaranteed Refunding Revenue Bonds, which defeased the Series 1991 Bonds. Upon payment in full of the Series 1998 Guaranteed Refunding Revenue Bonds by the Authority, all rights, title and interest acquired by this agreement shall revert to the State of Georgia Department of Transportation.

The asset "Estate for Years" is amortized over the payoff period of the refunding revenue bonds. The amortization expense each year is based on the percentage of refunding revenue bonds redeemed in that year to total bonds issued multiplied by the original asset amount of \$67,508,129. This amortization method corresponds to the revenue stream projected during the payoff period of the refunding revenue bonds. The amortization expense recognized for the fiscal year 2010 was \$5,321,651, which reduced the "Estate for Years" to \$11,450,329 as of June 30, 2010.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### D. Assets, Liabilities and Net Assets (Continued)

##### Capital Assets

Capital assets, which include property, plant, machinery and equipment, and computer software, are reported in the government-wide financial statements and proprietary fund financial statements at historical cost. Donated capital assets are recorded at fair market value on the date donated and disposals are deleted at recorded cost. Buildings and Improvements Other than Buildings are capitalized when the cost of individual items or projects exceeds \$100,000. Machinery and equipment is capitalized when the cost of individual items exceeds \$5,000. The Authority has elected to capitalize computer software currently under development. The costs of normal maintenance and repairs that do not add to the value of assets or materially extend asset lives are not capitalized.

Applicable capital assets of the Authority are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	7-20
Improvements Other Than Buildings	7-18
Infrastructure	10-50
Machinery and Equipment	3-9
Furniture and Fixtures	5-7
Land Improvements	7
Computer Software	5-7

##### Compensated Absences

It is the Authority's policy to permit employees to accumulate earned but unused annual leave benefits. Employees can accumulate up to 360 hours of annual leave. Any hours earned above 360 hours are forfeited. Upon separation, employees are paid for any unused annual leave up to the 360 hour maximum amount. Employees earn annual leave ranging from 10 to 14 hours each month depending upon the employees' length of continuous state service with a maximum accumulation of 360 hours. Employees are paid for unused accumulated annual leave upon retirement or termination of employment. Certain employees who retire with 120 days or more of forfeited annual and sick leave are entitled to additional service credit in the ERS.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### D. Assets, Liabilities and Net Assets (Continued)

##### Long-term Obligations

In the government-wide financial statements and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities. Bond premiums, discounts, issuance costs and the differences between reacquisition price and net carrying amount of refunded revenue bonds ("deferred amount on refunding"), are deferred and amortized over the life of the bonds using the straight-line method or effective-interest method. The straight-line method is used only if the difference between the effective-interest method and straight-line method is immaterial to the financial statements. Bonds payable are reported net of the applicable bond premium, discount and deferred amount on refunding. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the governmental fund financial statements, bond premiums, as well as bond issuance costs, are recognized during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

##### Net Assets

In the government-wide financial statements and the proprietary fund financial statements, the difference between fund assets and liabilities is reported as net assets. Net assets are reported in three categories:

**Invested in Capital Assets** consists of capital assets, net of accumulated depreciation.

**Restricted Net Assets** result when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors, and the like, or imposed by law through constitutional provisions or enabling legislation.

**Unrestricted Net Assets** consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often are designated, indicating they are not available for general operations. Such designations have internally imposed constraints on resources, but can be removed or modified.

The unrestricted net assets deficit balance in the governmental activities included in the government-wide financial statements is the result of a timing difference in the flow of the Authority's assets (bond proceeds) and liabilities (bond debt).

## NOTES TO FINANCIAL STATEMENTS

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### **NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

#### **D. Assets, Liabilities and Net Assets (Continued)**

##### **Net Assets (Continued)**

As mentioned in Note 1 B., the governmental fund issues bonded debt to finance State of Georgia transportation infrastructure construction projects. Bond proceeds are disbursed to the GDOT over a three (3) to five (5) year construction period, whereas the bonded debt obligations generally have maturity periods of twenty (20) years.

##### **Fund Equity**

In the governmental fund financial statements, fund balances are classified as either reserved or unreserved. Reserved fund balances are those amounts that are not available for appropriation or are legally restricted by outside parties for a specific use. Unreserved fund balances reflect the balances available for appropriation for the general purposes of the fund.

Encumbrance accounting is employed in the governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year-end, if any, are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be honored during the subsequent fiscal year.

### **NOTE 2. BUDGET**

The Authority prepares an internal operations budget for management purposes. The budget is not subject to review or approval by the Legislature of the State of Georgia and, therefore, is a nonappropriated budget.

### **NOTE 3. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

#### **Compliance With Bond Covenants**

The Authority is subject to certain covenants with regard to the issuance of the Series 1998 Guaranteed Refunding Revenue Bonds, Series 2001 Guaranteed Revenue Bonds, Series 2003 Guaranteed Revenue Bonds, Series 2006 Grant Anticipation Revenue Bonds, Series 2006 Reimbursement Revenue Bonds, Series 2008A Grant Anticipation Revenue Bonds, Series 2008A Reimbursement Revenue Bonds, Series 2009A Grant Anticipation Revenue Bonds and Series 2009A Reimbursement Revenue Bonds.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 3. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)

#### Compliance With Bond Covenants (Continued)

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 (OCGA) Section 50-17-59:

- (1) Bonds, bills, certificates of indebtedness, notes, or other direct obligations of the United States or of the State of Georgia.
- (2) Bonds, bills, certificates of 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.
- (4) Industrial revenue bonds and bonds of development authorities created by the laws of the State of Georgia.
- (5) Bonds, bills, certificates of indebtedness, notes, or other obligations of a subsidiary corporation of the United States government, which are fully guaranteed by the United States government both as to principal and interest, or debt obligations issued by or securities guaranteed by the Federal Land Bank, the Federal Home Loan Bank, the Federal Intermediate Credit Bank, the Central Bank for Cooperatives, the Farm Credit Banks, the Federal Home Loan Mortgage Corporation, or the Federal National Mortgage Association.
- (6) Guarantee or insurance of accounts provided by the Federal Deposit Insurance Corporation.

OCGA 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.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 4. DEPOSITS AND INVESTMENTS

At June 30, 2010, the Authority had the following investments:

<u>Investment</u>	<u>Maturities</u>	<u>Fair Value</u>
Federal Home Loan Bank Bonds	July 1, 2010	\$ 8,670,992
U.S. Treasury Bills	June 2, 2011	9,344,882
U.S. Treasury Bills	July 22, 2010	2,999
U.S. Treasury Notes	October 31, 2011	<u>7,509,772</u>
Total		<u>\$ 25,528,645</u>

**Interest Rate Risk.** Interest rate risk is the risk that changes in interest rates may adversely affect an investment's fair value. Since the price of a bond fluctuates with market interest rates, the risk that an investor faces is that the price of the bond held in a portfolio will decline if market interest rates rise. At June 30, 2010, interest rate risk is reported in the above table as "Maturities" for each investment classification.

**Custodial credit risk – deposits.** Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. State statutes require all deposits and investments (other than federal or state government instruments) to be collateralized by depository insurance, obligations of the U.S. government, or bonds of public authorities, counties, or municipalities. As of June 30, 2010, the Authority's bank balances are properly collateralized.

## NOTES TO FINANCIAL STATEMENTS

### NOTE 5. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2010, was as follows:

	Balance June 30, 2009	Additions	Deletions	Balance June 30, 2010
<b>Governmental Activities:</b>				
Capital Assets Not Being Depreciated:				
Land	\$ 8,982,936	\$ -	\$ -	\$ 8,982,936
Capital Assets Being Depreciated:				
Land Improvements	12,704	-	-	12,704
Equipment	-	10,000	-	10,000
Furniture and fixtures	-	379,321	-	379,321
Total Capital Assets Being Depreciated	12,704	389,321	-	402,025
Less Accumulated Depreciation For:				
Land Improvements	(6,957)	(1,815)	-	(8,772)
Equipment	-	(1,429)	-	(1,429)
Furniture and fixtures	-	(29,595)	-	(29,595)
Total Accumulated Depreciation	(6,957)	(32,839)	-	(39,796)
Total Capital Assets Being Depreciated, Net	5,747	356,482	-	362,229
Total Governmental Activities Capital Assets	<u>\$ 8,988,683</u>	<u>\$ 356,482</u>	<u>\$ -</u>	<u>\$ 9,345,165</u>
	Balance June 30, 2009	Additions	Deletions	Balance June 30, 2010
<b>Business-type Activities:</b>				
Capital Assets Not Being Depreciated:				
Construction in Progress	\$ -	\$ 2,780,287	\$ -	\$ 2,780,287
Capital Assets Being Depreciated:				
Buildings	4,938,197	-	-	4,938,197
Improvements Other than Buildings	2,517,311	-	-	2,517,311
Machinery and Equipment	5,220,243	51,379	-	5,271,622
Infrastructure	132,855	-	-	132,855
Computer Software	993,140	134,977	-	1,128,117
Total Capital Assets Being Depreciated	13,801,746	186,356	-	13,988,102
Less Accumulated Depreciation For:				
Buildings	(4,383,994)	(266,247)	-	(4,650,241)
Improvements Other than Buildings	(2,209,994)	(132,969)	-	(2,342,963)
Machinery and Equipment	(4,766,538)	(192,483)	-	(4,959,021)
Infrastructure	(25,305)	(18,979)	-	(44,284)
Computer Software	(513,646)	(176,348)	-	(689,994)
Total Accumulated Depreciation	(11,899,477)	(787,026)	-	(12,686,503)
Total Capital Assets Being Depreciated, Net	1,902,269	(600,670)	-	1,301,599
Total Business-type Activities Capital Assets	<u>\$ 1,902,269</u>	<u>\$ 2,179,617</u>	<u>\$ -</u>	<u>\$ 4,081,886</u>

## NOTES TO FINANCIAL STATEMENTS

### NOTE 6. INTERFUND PAYABLES AND TRANSFERS

The composition of interfund balances as of June 30, 2010, is as follows:

Due to/from other funds:

<b>Receivable Fund</b>	<b>Payable Fund</b>	<b>Amount</b>
General Fund	Georgia 400 Project Fund	\$ 176,045
General Fund	I-85 Project Fund	2,808,092
Georgia 400 Project Fund	General Fund	38,353
Georgia 400 Project Fund	I-85 Project Fund	455
		\$ 3,022,945

These balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. Primarily, balances are attributed to expenditures paid by the General Fund to be reimbursed by the funds for which the expenditures benefit.

Interfund transfers:

<b>Transfers In</b>	<b>Transfers Out</b>	<b>Amount</b>
General Fund	I-85 Project Fund	\$ 1,482,237
		\$ 1,482,237

In the prior year, the I-85 Project activities were recorded in the General Fund. During fiscal year 2010, the Authority established the I-85 Project Fund as a separate enterprise fund. For the year ended June 30, 2010, a transfer was made from the I-85 Project Fund to the General Fund in order to reimburse the General Fund for prior year costs associated with the activities of the I-85 Project.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 7. OPERATING LEASES

#### Lessee Agreements

The Authority has entered into certain agreements to lease real property and equipment which are classified as operating leases. 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, 2010, are as follows:

<u>Fiscal Year Ended June 30</u>	
2011	\$ 365,456
2012	1,921
Total Minimum Commitments	<u>\$ 367,377</u>

Expenditures for rental of real property and equipment under operating leases for the year ended June 30, 2010, totaled \$433,804.

#### Lessor Agreements

The Authority leases certain parcels of land for use by others for varying terms. The leases are accounted for as operating leases and revenues are recorded when earned. Revenue derived from these leases during fiscal year 2010 amounted to \$48,587. Minimum future rentals to be received under operating leases as of June 30, 2010, are as follows:

<u>Fiscal Year Ended June 30</u>	
2011	\$ 48,587
2012	43,874
2013	907
Total Minimum Commitments	<u>\$ 93,368</u>

## NOTES TO FINANCIAL STATEMENTS

### NOTE 8. LONG-TERM DEBT

Long-term obligations at June 30, 2010, and changes for the fiscal year then ended are as follows:

	June 30, 2009	Increases	Decreases	June 30, 2010	Amount Due Within One Year
<b>Governmental activities:</b>					
Guaranteed revenue bonds, series 2001	\$ 259,675,000	\$ -	\$ (16,075,000)	\$ 243,600,000	\$ 16,910,000
Premium on guaranteed revenue bonds	5,669,029	-	(1,200,000)	4,469,029	-
Guaranteed revenue bonds, series 2003	257,190,000	-	(11,705,000)	245,485,000	12,320,000
Premium on guaranteed revenue bonds	15,329,985	-	(3,000,000)	12,329,985	-
Grant anticipation revenue bonds, series 2006	291,870,000	-	(26,495,000)	265,375,000	27,820,000
Premium on grant anticipation revenue bonds	11,698,359	-	(2,195,695)	9,502,664	-
Reimbursement revenue bonds, series 2006	72,275,000	-	(6,780,000)	65,495,000	7,080,000
Premium on reimbursement revenue bonds	697,667	-	(130,222)	567,445	-
Grant anticipation revenue bonds, series 2008A	452,580,000	-	(31,855,000)	420,725,000	33,450,000
Premium on grant anticipation revenue bonds	30,079,866	-	(4,638,006)	25,441,860	-
Reimbursement revenue bonds, series 2008A	112,680,000	-	(8,225,000)	104,455,000	8,620,000
Premium on reimbursement revenue bonds	3,620,989	-	(557,581)	3,063,408	-
Grant anticipation revenue bonds, series 2009A	480,000,000	-	(31,025,000)	448,975,000	32,155,000
Premium on grant anticipation revenue bonds	47,889,695	-	(6,629,025)	41,260,670	-
Reimbursement revenue bonds, series 2009A	120,000,000	-	(8,175,000)	111,825,000	8,375,000
Premium on reimbursement revenue bonds	7,979,473	-	(1,061,331)	6,918,142	-
Compensated absences	107,559	42,400	(43,575)	106,384	52,759
Governmental activities long-term liabilities	<u>\$ 2,169,342,622</u>	<u>\$ 42,400</u>	<u>\$ (159,790,435)</u>	<u>\$ 2,009,594,587</u>	<u>\$ 146,782,759</u>
<b>Business-type activities:</b>					
Guaranteed refunding revenue bonds, series 1998	\$ 24,835,000	\$ -	\$ (7,880,000)	\$ 16,955,000	\$ 8,270,000
Premium on guaranteed refunding revenue bonds	191,882	-	(115,129)	76,753	-
Deferred amount on refunding	(671,454)	-	402,872	(268,582)	-
Compensated absences	168,728	130,203	(86,863)	212,068	105,170
Business-type activities long-term liabilities	<u>\$ 24,524,156</u>	<u>\$ 130,203</u>	<u>\$ (7,679,120)</u>	<u>\$ 16,975,239</u>	<u>\$ 8,375,170</u>

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 8. LONG-TERM DEBT (CONTINUED)

#### Revenue Bonds

#### Governmental Activities

On December 1, 2001, the Authority issued \$350,000,000 of State of Georgia Guaranteed Revenue Bonds, Series 2001, for the purposes of (1) financing a portion of the Governor's Road Improvement Program, which consists of additions, extensions and improvements to the portion of the state's highway system known as the Developmental Highway System, and to finance certain other road and bridge projects both on and off the state's highway system and (2) to pay 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 2.5% to 5.375%. These bonds mature on March 1, 2021. As of June 30, 2010, the outstanding principal balance is \$243,600,000. These bonds are secured by the amount of net proceeds of motor fuel tax provided for in a joint resolution of the State Transportation Board and the State Road and Tollway 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 \$29,737,623 in the State of Georgia guaranteed revenue debt common reserve fund that is on deposit at the Office of Treasury and Fiscal Services.

On October 1, 2003, the Authority issued \$309,140,000 of State of Georgia Guaranteed Revenue Bonds, Series 2003, for the purposes of (1) paying costs of certain road and bridge projects of the State of Georgia, (2) initially funding approximately five months of interest on the bonds, and (3) paying the costs of issuing the bonds. Interest on these bonds is payable semiannually on April 1 and October 1 of each year with interest rates ranging from 2.25% to 5.0%. These bonds mature on March 1, 2023. As of June 30, 2010, the outstanding principal balance is \$245,485,000. These bonds are secured by the amount of net proceeds of motor fuel tax provided for in a joint resolution of the State Transportation Board and the State Road and Tollway 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 \$24,520,955 in the State of Georgia Guaranteed Revenue Debt Common Reserve Fund that is on deposit at the Office of Treasury and Fiscal Services.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 8. LONG-TERM DEBT (CONTINUED)

#### Revenue Bonds (Continued)

#### Governmental Activities (Continued)

On August 8, 2006, the Authority issued Federal Highway Grant Anticipation Revenue Bonds Series 2006 and Federal Highway Reimbursement Revenue Bonds Series 2006 in the amounts of \$360,000,000 and \$90,000,000, respectively. These bond proceeds will be used for the purpose of providing funds for an approved land public transportation project in the State of Georgia. Interest on these bonds is payable semiannually on June 1 and December 1 of each year, commencing on December 1, 2006 with interest rates ranging from 3.70% to 5.00%. Principal on these bonds is payable on June 1, of each year, commencing on June 1, 2007 and maturing on June 1, 2018. As of June 30, 2010, the outstanding principal balances for the Series 2006 Grant Anticipation Revenue Bonds and the Series 2006 Reimbursement Revenue Bonds are \$265,375,000 and \$65,495,000, respectively.

On April 15, 2008, the Authority issued Federal Highway Grant Anticipation Revenue Bonds Series 2008A and Federal Highway Reimbursement Revenue Bonds Series 2008A in the amounts of \$480,000,000 and \$120,000,000, respectively. These bond proceeds will be used for the purpose of providing funds for an approved land public transportation project in the State of Georgia. Interest on these bonds is payable semiannually on June 1 and December 1 of each year, commencing on December 1, 2008 with interest rates ranging from 3.50% to 5.00%. Principal on these bonds is payable on June 1, of each year, commencing on June 1, 2009 and maturing on June 1, 2020. As of June 30, 2010, the outstanding principal balances for the Series 2008A Grant Anticipation Revenue Bonds and the Series 2008A Reimbursement Revenue Bonds are \$420,725,000 and \$104,455,000, respectively.

On February 24, 2009, the Authority issued Federal Highway Grant Anticipation Revenue Bonds Series 2009A and Federal Highway Reimbursement Revenue Bonds Series 2009A in the amounts of \$480,000,000 and \$120,000,000, respectively. These bond proceeds will be used for the purpose of providing funds for an approved land public transportation project in the State of Georgia. Interest on these bonds is payable semiannually on June 1 and December 1 of each year, commencing on June 1, 2009 with interest rates ranging from 2.50% to 5.00%. Principal on these bonds is payable on June 1, of each year, commencing on June 1, 2010 and maturing on June 1, 2021. As of June 30, 2010, the outstanding principal balances for the Series 2009A Grant Anticipation Revenue Bonds and the Series 2009A Reimbursement Revenue Bonds are \$448,975,000 and \$111,825,000, respectively.

## NOTES TO FINANCIAL STATEMENTS

### NOTE 8. LONG-TERM DEBT (CONTINUED)

#### Revenue Bonds (Continued)

#### Business-Type Activities

On February 1, 1998, the Authority issued \$89,020,000 of State of Georgia Guaranteed Refunding Revenue Bonds (Georgia 400 Project), Series 1998, for the purpose of financing a portion of the costs of acquiring, constructing and maintaining the Georgia 400 Project. Interest on these bonds is payable semiannually on January 1 and July 1 of each year with interest rates ranging from 3.50% to 5.00%. These bonds mature on July 1, 2011. As of June 30, 2010, the outstanding principal balance is \$16,955,000. The toll revenues to be generated from the usage of the Georgia 400 Project secure these bonds. 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.

Revenue bonds outstanding at June 30, 2010, are as follows:

<u>Bond Issue</u>	<u>Purpose</u>	<u>Interest Rate</u>	<u>Amount</u>
<b>Governmental activities</b>			
Guaranteed Revenue Bonds, Series 2001	Governor's road improvement program	2.50 - 5.375%	\$ 243,600,000
Guaranteed Revenue Bonds, Series 2003	Improvement of roads and bridges	2.25 - 5.00%	245,485,000
Federal Highway Grant Anticipation Revenue Bonds, Series 2006	Improvement of roads and bridges	3.80 - 5.00%	265,375,000
Federal Highway Reimbursement Revenue Bonds, Series 2006	Improvement of roads and bridges	3.70 - 5.00%	65,495,000
Federal Highway Grant Anticipation Revenue Bonds, Series 2008A	Improvement of roads and bridges	5.00%	420,725,000
Federal Highway Reimbursement Revenue Bonds, Series 2008A	Improvement of roads and bridges	3.50 - 5.00%	104,455,000
Federal Highway Grant Anticipation Revenue Bonds, Series 2009A	Improvement of roads and bridges	2.50 - 5.00%	448,975,000
Federal Highway Reimbursement Revenue Bonds, Series 2009A	Improvement of roads and bridges	2.50 - 5.00%	111,825,000
			<u>\$ 1,905,935,000</u>
<b>Business-type activities</b>			
Guaranteed Refunding Revenue Bonds, Series 1998	Georgia 400 Project	3.50 - 5.00%	<u>\$ 16,955,000</u>

## NOTES TO FINANCIAL STATEMENTS

### NOTE 8. LONG-TERM DEBT (CONTINUED)

Revenue bond debt service requirements to maturity are as follows:

<u>Fiscal Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
<b>Governmental Activities</b>			
2011	\$ 146,730,000	\$ 92,515,747	\$ 239,245,747
2012	153,330,000	85,866,959	239,196,959
2013	161,320,000	78,394,746	239,714,746
2014	168,655,000	70,586,879	239,241,879
2015	177,095,000	62,152,570	239,247,570
2016-2020	918,410,000	175,993,506	1,094,403,506
2021-2024	180,395,000	13,606,075	194,001,075
	<u>\$ 1,905,935,000</u>	<u>\$ 579,116,482</u>	<u>\$ 2,485,051,482</u>

<u>Fiscal Year Ended June 30</u>	<u>Guaranteed Refunding Revenue Bonds, Series 1998</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
<b>Business-type activities</b>			
2011	\$ 8,270,000	\$ 597,575	\$ 8,867,575
2012	8,685,000	195,413	8,880,413
	<u>\$ 16,955,000</u>	<u>\$ 792,988</u>	<u>\$ 17,747,988</u>

## NOTES TO FINANCIAL STATEMENTS

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### **NOTE 9. RELATED PARTIES**

The Georgia Department of Transportation and the State Road and Tollway Authority are considered to be related parties due to certain common management personnel. The Commissioner of the Department of Transportation serves as one of five (5) members of the State Road and Tollway Authority.

### **NOTE 10. 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 Employees' Retirement System; consolidating processing of unemployment compensation claims against state agencies and the payment of sums due to the Department of Labor; and workers' 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 for injuries and property damage.

Financial information relative to self-insurance funds is presented in the financial reports of the Department of Administrative Services and the Employees' Retirement System for the year ended June 30, 2010.

For its employee health insurance coverage, the Authority is a participant in the State of Georgia's Health Benefit Plan (the Plan), a public entity risk pool operated by the state for the benefit of employees of the State of Georgia, county governments and local education agencies located within the state. The Plan is funded by participants covered in the Plan, by employers' contributions paid by the various units of government participating in the Plan, and appropriations by the General Assembly of Georgia. The State Personnel Board, Merit System of Personnel Administration, which administers the Plan, has contracted with Blue Cross Blue Shield of Georgia to process claims in accordance with the Plan as established by the State Personnel Board. Financial information relative to the Plan is presented in the financial report of the State Personnel Board, Merit System of Personnel Administration for the year ended June 30, 2010.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 11. RETIREMENT SYSTEMS

#### **Employees' Retirement System of Georgia**

##### **Plan Description:**

The Authority participates in various retirement plans administered by the Employees' Retirement System of Georgia (ERS System). Financial statements and required supplementary information for ERS may be obtained from the Employees' Retirement System of Georgia from the following address: Employees' Retirement System of Georgia, Two Northside 75, Atlanta, Georgia 30318. The plans are described below and more detailed information can be found in the plan agreements and related legislation. Each plan, including benefit and contribution provisions, was established and can be amended by state law.

The ERS System is comprised of individual retirement systems and plans covering substantially all employees of the State of Georgia except for teachers and other employees covered by the Teachers Retirement System of Georgia. One of the ERS System plans, the Employees' Retirement System of Georgia (ERS), is a cost-sharing multiple-employer defined benefit pension plan that was established by the Georgia General Assembly during the 1949 Legislative Session for the purpose of providing retirement allowances for employees of the State of Georgia and its political subdivisions. ERS is directed by a Board of Trustees and has the powers and privileges of a corporation. ERS acts pursuant to statutory direction and guidelines, which may be amended prospectively for new hires, but for existing members and beneficiaries may be amended in some aspects only subject to potential application of certain constitutional restraints against impairment of contract.

##### **Benefits:**

On November 20, 1997, the Board created the Supplemental Retirement Benefit Plan (SRBP-ERS) of ERS. SRBP-ERS was established as a qualified governmental excess benefit plan in accordance with Section 415 of the Internal Revenue Code (IRC) as a portion of ERS. The purpose of the SRBP-ERS is to provide retirement benefits to employees covered by ERS whose benefits are otherwise limited by IRC Section 415. Beginning January 1, 1998, all members and retired former members in ERS are eligible to participate in the SRBP-ERS whenever their benefits under ERS exceed the limitation on benefits imposed by IRC Section 415.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 11. RETIREMENT SYSTEMS (CONTINUED)

#### Employees' Retirement System of Georgia (Continued)

##### Benefits: (Continued)

The benefit structure of ERS is established by the Board of Trustees under statutory guidelines. Unless the employee elects otherwise, an employee who currently maintains membership with ERS based upon State employment that started prior to July 1, 1982, is an "old plan" member subject to the plan provisions in effect prior to July 1, 1982. Members hired on or after July 1, 1982, but prior to January 1, 2009 are "new plan" members subject to the modified plan provisions. Effective January 1, 2009, newly hired state employees, as well as rehired state employees who did not maintain eligibility for the "old" or "new" plan, are members of the Georgia State Employees' Pension and Savings Plan (GSEPS). ERS members hired prior to January 1, 2009 also have the option to change their membership to the GSEPS plan.

Under the old plan, new plan, and GSEPS, a member may retire and receive normal retirement benefits after completion of 10 years of creditable service and attainment of age 60 or 30 years of creditable service regardless of age. Additionally, there are some provisions allowing for early retirement after 25 years of creditable service for members under age 60.

Retirement benefits paid to members are based upon a formula adopted by the Board of Trustees for such purpose. The formula considers the monthly average of the member's highest 24 consecutive calendar months of salary, the number of years of creditable service, and the member's age at retirement. Post-retirement cost-of-living adjustments may be made to members' benefits provided the members were hired prior to July 1, 2009. The normal retirement pension is payable monthly for life; however, options are available for distribution of the member's monthly pension, at reduced rates, to a designated beneficiary upon the member's death. Death and disability benefits are also available through ERS.

##### Contributions Required and Contributions Made:

Member contribution rates are set by law. Member contributions under the old plan are 4% of annual compensation up to \$4,200 plus 6% of annual compensation in excess of \$4,200. Under the old plan, the Authority pays member contributions in excess of 1.25% of annual compensation. Under the old plan, these Authority contributions are included in the members' accounts for refund purposes and are used in the computation of the members' earnable compensation for the purpose of computing retirement benefits. Member contributions under the new plan and GSEPS are 1.25% of annual compensation. The Authority is required to contribute at a specified percentage of active member payroll established by the Board of Trustees determined annually in accordance with actuarial valuation and minimum funding standards as provided by law. These Authority contributions are not at any time refundable to the member or his/her beneficiary.

## NOTES TO FINANCIAL STATEMENTS

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### **NOTE 11. RETIREMENT SYSTEMS (CONTINUED)**

#### **Employees' Retirement System of Georgia: (Continued)**

#### **Contributions Required and Contributions Made: (Continued)**

For the fiscal year ended June 30, 2010, the ERS employer contribution rates, based on the June 30, 2009 actuarial valuation, for the Authority were 11.63% for new Plan employees, 7.42% for GSEPS employees, and 6.88% for old Plan employees.

Members become vested after 10 years of service. Upon termination of employment, member contributions with accumulated interest are refundable upon request by the member. However, if an otherwise vested member terminates and withdraws his/her member contributions, the member forfeits all rights to retirement benefits.

The Annual Required Contributions and Actual Employer Contributions, from the Authority to the Employees' Retirement System, totaled \$318,369, \$282,263, and \$262,888 during the years ended June 30, 2010, 2009, and 2008, respectively. The Authority made 100% of the required contributions for each year and had no net pension obligation at the end of the fiscal years ended June 30, 2010, 2009, and 2008.

### **NOTE 12. OTHER POST-EMPLOYMENT BENEFITS**

The Authority participates in two State of Georgia postemployment benefit plans, the Georgia State Employees Post-employment Health Benefit Fund (administered by the Department of Community Health) and the State Employees' Assurance Department – OPEB (administered by the ERS System). Separate financial reports that include the applicable financial statements and required supplementary information for these plans are publicly available and may be obtained from the respective system offices.

Retiree health benefits were previously funded through the Georgia Retiree Health Benefit Fund (GRHBF). In 2009, the General Assembly revisited the GRHBF and enacted legislation that, effective August 31, 2009, separated the GRHBF into two new funds: the Georgia School Personnel Post-employment Health Benefit Fund and the Georgia State Employees Post-employment Health Benefit Fund. The purpose of this change was to assure employers responsible for planning and funding future retiree health costs that their contributions will be dedicated to their respective retiree populations. Funds in the GRHBF were transferred to the Georgia State Employees Post-employment Health Benefit Fund or the Georgia School Personnel Post-employment Health Benefit Fund as described in the plan financial statements. The statute that created the GRHBF is repealed effective September 1, 2010.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 12. OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

#### **Georgia State Employees Post-employment Health Benefit Fund:**

##### **Plan Description:**

The Georgia State Employees Post-employment Health Benefit Fund (State OPEB Fund) is a cost-sharing multiple-employer defined benefit postemployment healthcare plan that covers eligible former employees of state organizations (including technical colleges) and other entities authorized by law to contract with the Department of Community Health for inclusion in the plan. The State OPEB Fund provides health insurance benefits to eligible former employees and their qualified beneficiaries through the health insurance plan for state employees. The Official Code of Georgia Annotated (OCGA) assigns the authority to establish and amend the benefit provisions of the group health plans, including benefits for retirees, to the Board of Community Health (Board).

##### **Funding Policy:**

The contribution requirements of plan members and participating employers are established by the Board in accordance with the current Appropriations Act and may be amended by the Board. Contributions of plan members or beneficiaries receiving benefits vary based on plan election, dependent coverage, and Medicare eligibility and election. On average, plan members pay approximately 25 percent of the cost of the health insurance coverage.

Participating employers are statutorily required to contribute in accordance with the employer contribution rates established by the Board. The contribution rates are established to fund all benefits due under the health insurance plans for both active and retired employees based on projected "pay-as-you-go" financing requirements. Contributions are not based on the actuarially calculated annual required contribution (ARC) which represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 12. OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

#### Georgia State Employees Post-employment Health Benefit Fund: (Continued)

#### Funding Policy: (Continued)

The combined active and retiree contribution rates established by the Board for employers participating in the State OPEB Fund, the fiscal year ended June 30, 2010, were as follows:

July 2009	22.165% of covered payroll for August coverage
August 2009 – October 2009	16.581% of covered payroll for September- November coverage
November 2009 – June 2010	22.165% of covered payroll for December – July coverage

No additional contribution was required by the Board for fiscal year 2010 nor contributed to the State OPEB Fund to prefund retiree benefits. Such additional contribution amounts are determined annually by the Board in accordance with the State plan for other postemployment benefits and are subject to appropriation.

The Authority's contribution to the health insurance plans for the fiscal year ended June 30, 2010 was \$663,042, which equaled the required contribution as described above for fiscal year 2010. The Authority's contribution to the health insurance plans for the fiscal years ended June 30, 2009 and 2008 were \$338,848 and \$593,511, respectively, which equaled the required contributions as described above for fiscal years 2009 and 2008.

#### State Employees' Assurance Department - OPEB:

#### Plan Description:

State Employees' Assurance Department – OPEB (SEAD-OPEB) is a cost-sharing multiple-employer defined benefit postemployment plan that was created in fiscal year 2007 by the Georgia General Assembly to provide term life insurance to retired and vested inactive members of Employees', Judicial (JRS), and Legislative (LRS) Retirement Systems, amended to exclude members of JRS and LRS hired on or after July 1, 2009. Pursuant to Title 47 of the OCGA, the authority to establish and amend the benefit provisions of the plan is assigned to the Boards of Trustees of the Employees' and Judicial Retirement Systems.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 12. OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

#### State Employees' Assurance Department - OPEB: (Continued)

##### Funding Policy:

Contributions by plan members are established by the Boards of Trustees, up to the maximum allowed by statute (not to exceed 0.5% of earnable compensation). The Boards of Trustees of the Employees' and Judicial Retirement Systems establish employer contribution rates, such rates which, when added to members' contributions, shall not exceed 1% of earnable compensation. For the fiscal year ended June 30, 2010, contributions of ERS "old plan" members were 0.45% of earnable compensation, 0.22% of which was paid by the employer. Contributions of ERS "new plan" members and of members of the Judicial and Legislative Retirement Systems were 0.23% of earnable compensation. There were no employer annual required contributions (ARC), nor actual contributions, for the fiscal years ended June 30, 2010, 2009 and 2008 for the Authority.

### NOTE 13. COMMITMENTS AND CONTINGENCIES

#### Contractual Commitments

In addition to the liabilities enumerated in the balance sheet at June 30, 2010, the Authority has contractual commitments on uncompleted contracts of approximately \$9,999,307. These commitments are associated with the I-85 HOV to HOT project which has an expected completion date of August 2011.

#### Litigation

Litigation, claims and assessments filed against the Authority, if any, are generally considered to be actions against the State of Georgia. Accordingly, significant litigation, claims and assessments pending against the State of Georgia are disclosed in the *State of Georgia Comprehensive Annual Financial Report* for the fiscal year ended June 30, 2010.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 13. COMMITMENTS AND CONTINGENCIES (CONTINUED)

#### **State Infrastructure Bank**

In April 2008, House Bill 1019 was signed into law providing for the establishment of a Transportation Infrastructure Bank within the State Road and Tollway Authority. Through the Governor's State Infrastructure Bank Initiative, this program will be created and funded to provide government loans for a wide variety of transportation projects to help address the growing needs of the State of Georgia.

The State Infrastructure Bank is a revolving infrastructure investment fund, much like a bank, that can be used to offer financial assistance to the State of Georgia, regional and local government entities to fund needed transportation projects. The law allows government units such as cities, counties and local tax-improvement districts to borrow funds from the new bank under the direction of the State Road and Tollway Authority.

The State Infrastructure Bank may provide loans to government entities for transportation projects that demonstrate finance ability as well as transportation merit, engineering merit, economic merit, project feasibility, and innovative concepts. Eligible projects for the State Infrastructure Bank will include highways, bridges, air transport and airport facilities, rails, or transit and bicycle facility projects which provide public benefits by either: enhancing mobility and safety, promoting economic development, or increasing the quality of life and general welfare of the public.

The State Road and Tollway Authority is currently developing the loan process and plans to begin providing loans and grants in fiscal year ending June 30, 2011. The Authority has elected to reserve \$43,100,000 of the General Fund's fund balance related to this program.

## **SUPPLEMENTARY INFORMATION**

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# STATE ROAD AND TOLLWAY AUTHORITY

## CASH AND CASH EQUIVALENTS SCHEDULE FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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### INTEREST BEARING ACCOUNTS

Bank of America, N.A.,  
Atlanta, Georgia

Cash Investing Accounts

GA 400 Income	\$	3,109,002	
SRTA Operating		1,540,304	4,649,306

The Bank of New York,  
Atlanta, Georgia

Cash Investing Accounts

Guaranteed Refunding Revenue Bond Covenant Accounts

1998 S/F Interest	\$	163	
1998 S/F Principal		634	
1998 Revenue Fund		128	
1998 Rebate Fund		923	

Money Market Accounts

RIBs 2006 Revenue Account		<u>45,751</u>	47,599
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US Bank

Money Market Accounts

Guaranteed Revenue Bond Covenant Accounts

2003 Sinking Fund Inv Account		<u>11,968,298</u>	11,968,298
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Funds on Deposit with Office of Treasury and Fiscal Services

2001 Sinking Fund		7,673,125	
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Georgia 400 Account		29,523,666	
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Georgia 400 Toll Patron Account		3,007,755	
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GTIB State & Local Roadway Non-Grant Account		33,193,579	
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GTIB State & Local Roadway Grant Account		<u>10,025,865</u>	83,423,990	100,089,193
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### OTHER

Cash on Hand

			<u>32,954</u>
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				<u>\$ 100,122,147</u>
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# STATE ROAD AND TOLLWAY AUTHORITY

## INVESTMENTS SCHEDULE FOR THE FISCAL YEAR ENDED JUNE 30, 2010

FUND/INVESTMENT TYPE	PURCHASE DATE	MATURITY DATE		
<b><u>GEORGIA 400 PROJECT</u></b>				
Restricted				
Funds Held by Guaranteed Revenue Bond Trustee The Bank of New York, Atlanta, Georgia				
Toll Facility Removal Fund U.S. Treasury Bill	June 17, 2010	June 2, 2011	<u>864,232</u>	
Revenue Fund U.S. Treasury Bill	June 24, 2010	July 22, 2010	<u>2,999</u>	
Sinking Fund Interest FHLB Discount	June 24, 2010	July 1, 2010	<u>402,000</u>	
Sinking Fund Principal FHLB Discount	June 24, 2010	July 1, 2010	<u>8,268,992</u>	
Resurfacing Fund U.S. Treasury Bill	June 17, 2010	June 2, 2011	<u>6,592,513</u>	
Rebate Fund U.S. Treasury Bill	June 17, 2010	June 2, 2011	<u>83,828</u>	
Maintenance Fund U.S. Treasury Bill	June 17, 2010	June 2, 2011	<u>1,804,309</u>	
Debt Retirement Fund U.S. Treasury Notes	November 15, 2006	October 31, 2011	<u>7,509,772</u>	<u>25,528,645</u>
				<u>\$ 25,528,645</u>

## COMPLIANCE SECTION

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

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**To the Members of the  
State Road and Tollway Authority  
Atlanta, Georgia**

We have audited the financial statements of the governmental activities, the business-type activities, and each major fund of the State Road and Tollway Authority as of and for the year ended June 30, 2010, which collectively comprise the State Road and Tollway Authority's basic financial statements and have issued our report thereon dated September 20, 2010. 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.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the State Road and Tollway Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the State Road and Tollway Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the State Road and Tollway Authority's internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the State Road and Tollway Authority's financial statements are free of 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*.

We also noted certain matters that we reported to management of the State Road and Tollway Authority in a separate letter dated September 20, 2010.

This report is intended solely for the information and use of the members of the State Road and Tollway Authority, management of the State Road and Tollway Authority and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Mauldin & Jenkins, LLC*

Atlanta, Georgia  
September 20, 2010

# STATE ROAD AND TOLLWAY AUTHORITY

## SCHEDULE OF FINDINGS AND RESPONSES FOR THE YEAR ENDED JUNE 30, 2010

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### SECTION I SUMMARY OF AUDIT RESULTS

#### **Financial Statements**

Type of auditor's report issued

Unqualified

Internal control over financial reporting:

Material weaknesses identified?

\_\_\_\_\_ yes  X  no

Significant deficiencies identified not considered  
to be material weaknesses?

\_\_\_\_\_ yes  X  none reported

Noncompliance material to financial statements noted?

\_\_\_\_\_ yes  X  no

#### **Federal Awards**

There was no audit of major federal award programs as of June 30, 2010 due to the total amount of federal expenditures being less than \$500,000 during the fiscal year 2010.

### SECTION II – FINANCIAL STATEMENT FINDINGS AND RESPONSES

No findings reported relative to the audit of the Authority for the fiscal year ended June 30, 2010.

**STATE ROAD AND TOLLWAY AUTHORITY**  
**SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES**  
**FOR THE YEAR ENDED JUNE 30, 2010**

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**SECTION III – STATUS OF PRIOR AUDIT FINDINGS**

2009 - 01. Reconciliation of Fund Balance

Criteria: GAAP requires interfund receivables and payables to be classified as assets and liabilities.

Condition: The Authority improperly recorded interfund receivables and payables between the General Fund and GA400 Fund in fund balance.

Status: Resolved.