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

FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED
JUNE 30, 2011

STATE ROAD AND TOLLWAY AUTHORITY

FINANCIAL REPORT
JUNE 30, 2011

TABLE OF CONTENTS

MAULDIN & JENKINS
CERTIFIED PUBLIC ACCOUNTANTS, LLC

INDEPENDENT AUDITOR'S REPORT

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, 2011, 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, 2011, 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 26, 2011, 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 - 8 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Mauldin & Jenkins, LLC

Atlanta, Georgia
September 26, 2011

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 the Authority's financial position for the fiscal year ended June 30, 2011. The Authority is a public corporation and body corporate. The Authority maintains and operates two tolling facilities in the State of Georgia, manages a bond financing program and administers a transportation infrastructure bank 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

Georgia 400 Corridor: The Authority operates the GA 400 Extension, a 6.2 mile system that was completed in 1993. The GA 400 extension got its start with funding through the 1987 Federal Highway Act, which provided $98M for a "High Technology Demonstration Project" to bring electronic toll collection using automated vehicle identification to the area. During the fiscal year ended June 30, 2011, the Authority issued $40,000,000 in Series 2010 Toll Revenue Bonds. The issuance of these bonds enabled the Authority to enter into a Memorandum of Understanding "MOU" with the Georgia Department of Transportation (GDOT) to use the bond proceeds to fund improvements to the Georgia 400 Extension Project. In addition, the Authority agreed to commit an additional $27,343,000 to fund transportation improvement projects within the Georgia 400 Corridor. During the fiscal year ended June 30, 2011, revenue from the GA 400 Extension decreased by 2.5% from the fiscal year ended June 30, 2010 due to inclement weather experienced in January 2011 and a toll-free week in June 2011. The Authority waived tolls for a one week period to fulfill a commitment made to the public that tolls would be removed from the facility when the Series 1998 Guaranteed Refunding Revenue bonds were retired.

Defeasance of Series 1998 Guaranteed Refunding Revenue Bond: In fiscal year 2011, the Series 1998 Guaranteed Refunding Revenue Bonds were defeased with funds that were on deposit in the debt service and other trustee funds. See footnote 8 for further information.

I-85 Corridor Project: The I-85 Express Lanes project converts approximately 16 miles of the existing High Occupancy Vehicle (HOV) Lanes to High Occupancy Toll (HOT) Lanes on I-85 from Old Peachtree Road to Chamblee Tucker Road. The Express Project is part of a $110,000,000 Congestion Reduction Demonstration Program grant awarded to the Atlanta region by the United States Department of Transportation. As of June 30, 2011, $13,379,416 has been invested in capital assets relating to this project. This investment was primarily funded by a grant from the Federal Highway Administration, (FHWA) and contributions from GDOT. The project is scheduled to open during the fiscal year ending June 30, 2012.

Georgia Transportation 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. The Georgia Transportation Infrastructure Bank (GTIB) is a revolving infrastructure investment fund which operates similar to a bank. The GTIB can administer loans and grants to eligible state, regional, and local government entities to fund eligible transportation projects. During the fiscal year ended June 30, 2011, approximately $10,000,000 in grants were authorized and executed and $258,120 of funds were paid to grant recipients during the year. See footnote 13 contained herein for additional information.

Bond Management: As a result of amendments to the Authority Act that were made by the General Assembly of the State of Georgia, the Authority has the ability to issue and manage Revenue and GARVEE bonds for the purpose of funding transportation projects for the State of Georgia. The Authority has issued bonds for transportation projects which have been constructed and owned by GDOT. After the bonds are issued, the Authority coordinates with GDOT and the bond trustee to ensure the timely spend-down of bond proceeds, collection of motor fuel and federal revenues to meet debt service payments, and other bond management responsibilities are met.

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.

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 G*overnmental 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 two 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 enterprise funds to account for its Tollway operation in Atlanta, Georgia for the Georgia 400 Extension as well as the I-85 Express Lanes project.

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 $1,702,710,221 at the close of the most recent fiscal year.

The negative net assets are attributable to the General Authority Governmental Fund bond management program. Under this program, the Authority issues debt for the purpose of financing transportation projects in the State of Georgia. When completed, these projects are reported as assets on the State of Georgia's financial statements, while the debt associated with these projects is reported as a liability on the Authority's financial statements. Because the Authority is a blended component unit of the State of Georgia when consolidated into the State of Georgia's Comprehensive Annual Financial Report, the Authority's negative net assets are offset by the related transportation assets on the State of Georgia's financial statements. Funds to meet debt service obligations on the bonds are paid to the Authority from state motor fuel taxes or grant revenue from the federal government. Specifically, 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, 2011. Additionally, because the projects are owned by the State of Georgia, when completed, they are shown as assets on the State of Georgia's financial statements and not on the Authority's financial statements, thus resulting in a negative net asset balance at June 30, 2011.

The following table provides a comparison of the Authority's net assets at June 30, 2011 and June 30, 2010. 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.

Comparative Schedule of Changes In Net Assets

	Governmental Activities		Business-Type Activities		Total	
	FY 2011	FY 2010	FY 2011	FY 2010	FY 2011	FY 2010
Assets:						
Other Assets	$ 84,837,871	$ 87,556,332	$ 90,296,999	$ 62,595,077	$ 175,134,870	$ 150,151,409
Capital Assets	9,266,057	9,345,165	18,810,415	4,081,886	28,076,472	13,427,051
	$ 94,103,928	$ 96,901,497	$ 109,107,414	$ 66,676,963	$ 203,211,342	$ 163,578,460
Liabilities:						
Current Liabilities	$ 12,758,472	$ 13,227,545	$ 7,189,153	$ 4,636,315	$ 19,947,625	$ 17,863,860
Long-Term Liabilities:						
Current Portion	151,782,093	146,782,759	5,907,460	8,375,170	157,689,553	155,157,929
Noncurrent Portion	1,696,891,925	1,862,811,828	31,382,460	8,600,069	1,728,274,385	1,871,411,897
	1,861,432,490	2,022,822,132	44,479,073	21,611,554	1,905,911,563	2,044,433,686
Net Assets:						
Invested in Capital Assets	9,266,057	9,345,165	18,810,415	4,081,886	28,076,472	13,427,051
Restricted grant programs	62,550,564	43,100,000	-	-	62,550,564	43,100,000
Unrestricted	(1,839,145,183)	(1,978,365,800)	45,817,926	40,983,523	(1,793,327,257)	(1,937,382,277)
Total Net Assets	$ (1,767,328,562)	$ (1,925,920,635)	$ 64,628,341	$ 45,065,409	$ (1,702,700,221)	$ (1,880,855,226)

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.

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, 2011, the General Fund had a fund balance of $72,644,778. This fund balance was comprised of: 1) unassigned fund balance of $10,040,143 primarily consisting of interfund receivables and receivables from GDOT; 2) a non-spendable fund balance of $54,071 which represents pre-paid items; and 3) a fund balance of $62,550,564 restricted for loan and grant programs (GTIB) as well as for guaranteed revenue bond covenants. The positive fund balance on the Governmental Fund Balance Sheet does not include the bond liabilities. The Statement of Net Assets for Governmental Activities which shows a negative fund balance of $(1,767,328,562) includes bond liabilities of principal and accrued interest of $(1,859,000,483). See reconciliation of the Balance Sheet Governmental Fund to the Statement of Net Assets contained in the financial statements for more detail.

Proprietary Funds: The proprietary fund statements provide the same type of information found in the government-wide statements, but in more detail.

Georgia 400 Project: The Georgia 400 Project is a proprietary fund of the Authority. The Authority maintained a business-type proprietary fund for toll operations of the GA 400 Project during the fiscal year ending June 30, 2011. The unrestricted net assets of the Georgia 400 Project at June 30, 2011 were $22,789,785. The Authority has entered into a Memorandum of Understanding (MOU) with GDOT to provide approximately $27,343,000 to transportation improvements to the GA 400 Corridor, and this amount of net assets is restricted.

I-85 Express Lanes Project: The I-85 Express Lanes Project is also a proprietary fund of the Authority. The Authority maintained a business-type proprietary fund for this project during the fiscal year ending June 30, 2011. The unrestricted net assets of the I-85 Express Lanes Project at June 30, 2011 were $(4,324,859).

Capital Assets and Debt Administration

Capital Assets: The net assets invested in capital assets for the year were $28,076,472, representing an increase of approximately $14,600,000 from the prior fiscal year. This increase is primarily due to increase in construction in process related to the I-85 Express lane project. Additional information on the Authority's capital assets can be found in the notes to the financial statements.

Long-Term Debt: At June 30, 2011, the Authority had total long-term debt of $1,885,973,938 which was comprised of $1,848,674,018 in revenue bonds in governmental activities and $37,299,920 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.

The following table provides a comparison of the changes in the Authority's net assets for the fiscal years ended June 30, 2011 and June 30, 2010. 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.

Comparative Schedule of Changes In SRTA's Net Assets

	Governmental Activities		Business-Type Activities		Total	
	FY 2011	FY 2010	FY 2011	FY 2010	FY 2011	FY 2010
Revenues:						
Program Revenues:						
Charges for Services	$ -	$ -	$ 20,240,930	$ 20,756,211	$ 20,240,930	$ 20,756,211
General Revenues:						
Operating Grants and contributions	-	72,990	10,380,722	1,970,856	10,380,722	2,043,846
Non-operating:						
Rents and Royalties	-	-	51,787	48,587	51,787	48,587
Unrestricted Investment Earnings	314,697	1,209,281	38,295	220,788	352,992	1,430,069
Total Revenues	$ 314,697	$ 1,282,271	$ 30,711,734	$ 22,996,442	$ 31,026,431	$ 24,278,713
Expenses:						
General Government	3,797,722	4,843,967	$ -	$ -	$ 3,797,722	$ 4,843,967
Interest on Long-Term Debt	77,170,650	78,664,014	-	-	77,170,650	78,664,014
Transportation	-	365,328,375	-	-	0	365,328,375
Toll Roads	-	-	11,158,802	15,149,838	11,158,802	15,149,838
Total Expenses	$ 80,968,372	$ 448,836,356	$ 11,158,802	$ 15,149,838	$ 92,127,174	$ 463,986,194
Increase/Decrease in Net Assets Before Other Items	$ (80,653,675)	$ (447,554,085)	$ 19,552,932	$ 7,846,604	$ (61,100,743)	$ (439,707,481)
Transfers from GDOT	134,332,616	140,778,939	-	(1,482,237)	134,332,616	-
Payments from State of Georgia	104,913,132	105,251,123	-	-	104,913,132	105,251,123
Change in Net Assets	$ 158,592,073	$ (201,524,023)	$ 19,552,932	$ 6,364,367	$ 178,145,005	$ (195,159,656)
Net Assets - Beginning	(1,925,920,635)	(1,724,396,612)	45,065,409	38,701,042	(1,880,855,226)	(1,685,695,570)
Net Assets - Ending	$ (1,767,328,562)	$ (1,925,920,635)	$ 64,618,341	$ 45,065,409	$ (1,702,710,221)	$ (1,880,855,226)

Revenues: Total operating revenue for business-type activities decreased by 2.5% from $20,804,798 in the fiscal year ended June 30, 2010 to $20,292,717 in the fiscal year ended June 30, 2011 due to inclement weather in January 2011 and a toll-free week in June 2011. Non-operating revenue for business-type activities increased 375.4% from $2,191,644 in the fiscal year ended June 30, 2010 to $10,419,017 in the fiscal year ended June 30, 2011 primarily due to capital grants and contributions for the I-85 Express Lanes project. Total revenues for government-type activity decreased by 75% from $1,282,271 in the fiscal year ended June 30, 2010 to $314,697 in the fiscal year ended June 30, 2011 due to a significant decrease in unrestricted investment earnings.

Expenses: General Government expenses for the General Authority decreased by 81.9% from $448,836,356 in the fiscal year ended June 30, 2010 to $80,968,372 in fiscal year ended June 30, 2011 primarily due to the completion of the spend down of bond proceeds for the 2008A and 2009A Grant Anticipation Revenue Bonds (GARB) and the 2008A and 2009A Revenue Reimbursement Revenue Bonds (RIB) by GDOT in FY2010 of $363,280,654. Total expenses for the GA 400 and I-85 Express Lanes projects decreased by 26% from $15,149,838 in the fiscal year ended June 30, 2010 to $11,158,802 in the fiscal year ended June 30, 2011. This was primarily due to the change in amortization expense in the Estate for Years resulting from the extension of the Estate for Years for an additional seven years.

As indicated above, the Authority's net assets increased from $(1,880,855,226) to $(1,702,710,221) during the current fiscal year. The change in net assets was $178,145,005. The principal factors contributing to the increase in the fiscal year ended June 30, 2011 were attributed to the Governmental Activities bond management activities. The financial impact of these transactions on net assets is that the transfers-in and payments from the State of Georgia exceeded the amounts expended to the DOT for the payments of interest on long-term debt.

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.

Economic Factors and Next Year's Budget

The Authority's budget for fiscal year 2012 calculated revenue from operations to be comparable to the actual revenue of fiscal year 2011. 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, 4th Floor, Atlanta, Georgia 30334.

STATE ROAD AND TOLLWAY AUTHORITY

STATEMENT OF NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

ASSETS	Governmental Activities	Business-Type Activities	Total
Cash and cash equivalents	$ 4,074,608	$ 12,777,701	$ 16,852,309
Accounts receivable (net of allowance for uncollectibles)	4,375,066	33,797	4,408,863
Inventory	-	196,400	196,400
Deferred charges	9,761,083	278,915	10,039,998
Restricted assets:			
Restricted:			
Cash and cash equivalents	62,550,564	70,254,046	132,804,610
Investments	-	84,000	84,000
Prepaid items	54,071	67,283	121,354
Internal balances	4,022,479	(4,022,479)	-
Estate for years, net	-	10,627,336	10,627,336
Capital assets:			
Nondepreciable	8,982,936	18,148,321	27,131,257
Depreciable, net of accumulated depreciation	283,121	662,094	945,215
Total assets	94,103,928	109,107,414	203,211,342
LIABILITIES			
Accounts payable and other current liabilities	2,432,007	3,585,593	6,017,600
Accrued liabilities	-	1,307	1,307
Current liabilities payable from restricted assets:			
Unearned revenues	-	3,436,232	3,436,232
Customer deposits payable	-	87,130	87,130
Accrued interest payable	10,326,465	78,891	10,405,356
Revenue bonds payable	-	5,820,000	5,820,000
Bonds payable due within one year	151,730,000	-	151,730,000
Bonds payable due in more than one year	1,696,839,832	31,305,000	1,728,144,832
Compensated absences due within one year	52,093	87,460	139,553
Compensated absences due in more than one year	52,093	87,460	139,553
Total liabilities	1,861,432,490	44,489,073	1,905,921,563
NET ASSETS			
Invested in capital assets	9,266,057	18,810,415	28,076,472
Restricted for loan and grant programs	62,550,564	-	62,550,564
Restricted for guaranteed revenue bond covenant accounts	19,708,684	-	19,708,684
Restricted for agreements under Memorandum of Understanding with Georgia Department of Transportation	-	27,343,000	27,343,000
Unrestricted (deficit)	(1,858,853,867)	18,464,926	(1,840,388,941)
Total net assets	$ (1,767,328,562)	$ 64,618,341	$ (1,702,710,221)

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, 2011

		Program Revenues			Net (Expenses) Revenues and Changes in Net Assets		
Functions/Programs	**Expenses**	**Charges for Services**	**Operating Grants and Contributions**	**Capital Grants and Contributions**	**Governmental Activities**	**Business-type Activities**	**Total**
Governmental activities:							
General government	$ 3,797,722	$ -	$ -	$ -	$ (3,797,722)	$ -	$ (3,797,722)
Interest on long-term debt	77,170,650	-	-	-	(77,170,650)	-	(77,170,650)
Total governmental activities	80,968,372	-	-	-	(80,968,372)	-	(80,968,372)
Business-type activity:							
I-85 HOV to HOT project	970,955	-	-	10,380,722	-	9,409,767	9,409,767
Georgia 400 toll road	10,187,847	20,240,930	-	-	-	10,053,083	10,053,083
	11,158,802	20,240,930	-	10,380,722	-	19,462,850	19,462,850
Total	$ 92,127,174	$ 20,240,930	$ -	$ 10,380,722	$ (80,968,372)	$ 19,462,850	$ (61,505,522)
	General revenues:						
	Rents and royalties				-	51,787	51,787
	Unrestricted investment earnings				314,697	38,295	352,992
	Payments from the State of Georgia				104,913,132	-	104,913,132
	Transfers from the Department of Transportation				134,332,616	-	134,332,616
	Total general revenues and transfers				239,560,445	90,082	239,650,527
	Change in net assets				158,592,073	19,552,932	178,145,005
	Net assets, beginning of year				(1,925,920,635)	45,065,409	(1,880,855,226)
	Net assets, end of year				$ (1,767,328,562)	$ 64,618,341	$ (1,702,710,221)

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

STATE ROAD AND TOLLWAY AUTHORITY

BALANCE SHEET
GOVERNMENTAL FUND
JUNE 30, 2011

		General Fund
ASSETS		
Cash and cash equivalents	$	4,074,608
Cash and cash equivalents - restricted		62,550,564
Intergovernmental receivables (net of allowance for uncollectibles)		4,375,066
Interfund receivable		4,022,479
Prepaid items		54,071
Total assets	$	75,076,788
LIABILITIES AND FUND BALANCE		
LIABILITIES		
Accounts payable	$	2,366,663
Other liabilities		65,347
Total liabilities		2,432,010
FUND BALANCE		
Fund balance:		
Nonspendable (for prepaid items)		54,071
Restricted for loan and grant programs		42,841,880
Restricted for guaranteed revenue bond covenant accounts		19,708,684
Unassigned		10,040,143
Total fund balance		72,644,778
Total liabilities and fund balance	$	75,076,788

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, 2011

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

Total fund balance - governmental fund	$	72,644,778
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		283,121
Other long-term assets are not available to pay for current period expenditures, and, therefore, are deferred in the funds.		
Deferred charges		11,254,734
Less: Write-off of bond issue costs per refunding		(1,871,595)
Less: Amortization of bond issuance costs		(1,524,485)
Plus: Bond issuance costs per guaranteed revenue refunding bonds		1,902,429
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 (unrefunded)		(88,200,000)
Premium on guaranteed revenue bonds payable		(16,799,014)
Less: Write-off of portion of bond premium per refunding		12,742,498
Deferred amount on refunding		15,812,634
Grant anticipation revenue bonds payable		(1,041,650,000)
Premium on grant anticipation revenue bonds payable		(76,205,194)
Less: Amortization of premium on grant anticipation revenue bonds payable		12,566,261
Reimbursement revenue bonds payable		(257,700,000)
Premium on reimbursement revenue bonds payable		(10,548,995)
Less: Amortization of premium on reimbursement revenue bonds payable		1,652,947
Guaranteed revenue refunding bonds payable		(344,420,000)
Premium on guaranteed revenue refunding bonds payable		(55,820,966)
Accrued interest payable		(10,326,465)
Compensated absences		(104,186)
Net assets of governmental activities	$	(1,767,328,562)

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, 2011

	General Fund
REVENUES	
Interest and other investment income	$ 190,923
Other income	123,774
Total revenue	314,697
EXPENDITURES	
Current:	
General government	3,720,812
Debt service:	
Principal	146,730,000
Interest	92,515,748
Bond issue costs	1,902,429
Total expenditures	244,868,989
Deficiency of revenues under expenditures	(244,554,292)
OTHER FINANCING SOURCES (USES)	
Guaranteed revenue refunding bonds issued	344,420,000
Premiums on guaranteed revenue refunding bonds issued	55,820,966
Payment to refunded bond escrow agent	(398,338,537)
Transfers in (from Georgia Department of Transportation)	239,245,748
Total other financing sources (uses)	241,148,177
Net change in fund balance	(3,406,115)
FUND BALANCE, beginning of year	76,050,893
FUND BALANCE, end of year	$ 72,644,778

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, 2011

Amounts reported for governmental activities in the statement of activities are different because:		
Net change in fund balance - governmental fund	$	(3,406,115)
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 depreciation exceeds current year capital outlay.		(79,108)
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:		
Issuance of Guaranteed Revenue Refunding Bonds		(344,420,000)
Premium on Issuance of Guaranteed Revenue Refunding Bonds		(55,820,966)
Grant Anticipation Revenue Bonds Principal Retirement		93,425,000
Reimbursement Revenue Bonds Principal Retirement		24,075,000
Guaranteed Revenue Bonds Principal Retirement		29,230,000
Guaranteed Revenue Bonds Amount Refunded		371,655,000
Accrued Interest		2,650,375
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:		
Deferred Amount on Bond Refundings		15,812,634
Amortization of Premium of Grant Anticipation Revenue Bonds Payable		12,566,261
Amortization of Premium of Reimbursement Revenue Bonds Payable		1,652,947
Partial Write-off of Premium of Guaranteed Revenue Bonds Payable From Refunding		12,742,498
Guaranteed Revenue Refunding Bond Issuance Costs		1,902,429
Amortization of Grant Anticipation Revenue Bonds Issuance Costs		(1,206,280)
Amortization of Reimbursement Revenue Bonds Issuance Costs		(318,205)
Partial Write-off of Guaranteed Revenue Bonds Issuance Costs From Refunding		(1,871,595)
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.		2,198
Change in net assets of governmental activities	$	158,592,073

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, 2011

ASSETS	Georgia 400 Project Fund	I-85 Project Fund	Total
CURRENT ASSETS			
Cash and cash equivalents	$ 12,777,301	$ 400	$ 12,777,701
Cash and cash equivalents-restricted	66,626,166	-	66,626,166
Accounts receivable (net of allowance for uncollectibles)	33,797	-	33,797
Inventory	-	196,400	196,400
Due from other funds	337,277	-	337,277
Prepaid Items	67,283	-	67,283
Restricted:			
Investments	84,000	-	84,000
Total current assets	79,925,824	196,800	80,122,624
NONCURRENT ASSETS			
Restricted:			
Cash and cash equivalents:			
Customer deposits	3,626,956	-	3,626,956
Guaranteed refunding revenue bond covenant accounts	924	-	924
Total restricted assets	3,627,880	-	3,627,880
Estate for years, net	10,627,336	-	10,627,336
Deferred charges, unamortized balance	278,915	-	278,915
Capital assets:			
Non-depreciable	4,768,905	13,379,416	18,148,321
Depreciable, net of accumulated depreciation	662,094	-	662,094
Total capital assets	5,430,999	13,379,416	18,810,415
Total noncurrent assets	19,965,130	13,379,416	33,344,546
Total assets	99,890,954	13,576,216	113,467,170

	Georgia 400 Project Fund	I-85 Project Fund	Total
CURRENT LIABILITIES			
Accounts payable	2,748,645	416,032	3,164,677
Retainage payable	85,658	335,258	420,916
Accrued liabilities	1,307	-	1,307
Due to other funds	636,416	3,723,340	4,359,756
Compensated absences	63,945	23,515	87,460
Current liabilities payable from restricted assets:			
Deferred revenue	3,436,232	-	3,436,232
Customer deposits payable	87,130	-	87,130
Accrued interest payable	78,891	-	78,891
Transportation revenue bonds payable	5,820,000	-	5,820,000
Total current liabilities payable from restricted assets	9,422,253	-	9,422,253
NONCURRENT LIABILITIES			
Transportation revenue bonds payable	31,305,000	-	31,305,000
Compensated absences	63,946	23,514	87,460
Total noncurrent liabilities	31,368,946	23,514	31,392,460
Total liabilities	44,327,170	4,521,659	48,848,829
NET ASSETS			
Invested in capital assets	5,430,999	13,379,416	18,810,415
Restricted for agreements under Memorandum of Understanding with Georgia Department of Transportation	27,343,000	-	27,343,000
Unrestricted	22,789,785	(4,324,859)	18,464,926
Total net assets	$ 55,563,784	$ 9,054,557	$ 64,618,341

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, 2011

	Georgia 400 Project Fund	I-85 Project fund	Total
OPERATING REVENUES			
Charges for sales and services:			
Administrative fees	$ 517,943	$ -	$ 517,943
Toll fees			
Cash tolls	11,916,051	-	11,916,051
Cruise cards	7,804,936	-	7,804,936
Other services	2,000	-	2,000
Total charges for sales and services	20,240,930	-	20,240,930
Rents and royalties			
Rental income	51,787	-	51,787
Total operating revenues	20,292,717	-	20,292,717
OPERATING EXPENSES			
Personnel costs	2,113,047	644,985	2,758,032
Repairs and maintenance	878,884	-	878,884
Depreciation	738,667	-	738,667
Amortization	1,056,902	-	1,056,902
Other operating expenses	4,420,631	325,970	4,746,601
Total operating expenses	9,208,131	970,955	10,179,086
Operating income (loss)	11,084,586	(970,955)	10,113,631
NONOPERATING REVENUES (EXPENSES)			
Grant revenue	-	10,380,722	10,380,722
Interest income	38,295	-	38,295
Bond interest expense	(979,716)	-	(979,716)
Total nonoperating revenues (expenses)	(941,421)	10,380,722	9,439,301
Change in net assets	10,143,165	9,409,767	19,552,932
NET ASSETS, beginning of year	45,420,619	(355,210)	45,065,409
NET ASSETS, end of year	$ 55,563,784	$ 9,054,557	$ 64,618,341

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, 2011

	Georgia 400 Project	I-85 Project Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	$ 20,511,528	$ -	$ 20,511,528
Cash paid to vendors	(4,695,555)	(522,370)	(5,217,925)
Cash paid to employees	(2,146,665)	(648,515)	(2,795,180)
Net cash provided by (used in) operating activities	13,669,308	(1,170,885)	12,498,423
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Receipts from other fund	161,902	914,793	1,076,695
Net cash provided by noncapital financing activities	161,902	914,793	1,076,695
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition and construction of capital assets	(2,618,108)	(10,124,230)	(12,742,338)
Intergovernmental grant	-	10,380,722	10,380,722
Proceeds from bonds	40,000,000	-	40,000,000
Bond issuance costs	(320,996)	-	(320,996)
Interest paid on revenue bonds	(1,302,988)	-	(1,302,988)
Principal paid on revenue bonds	(19,830,000)	-	(19,830,000)
Net cash provided by capital and related financing activities	15,927,908	256,492	16,184,400
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of investment securities	(84,000)	-	(84,000)
Proceeds from sale and maturity of investments	25,528,645	-	25,528,645
Investment income received	38,295	-	38,295
Net cash provided by investing activities	25,482,940	-	25,482,940
Net increase in cash and cash equivalents	55,242,058	400	55,242,458
Cash and cash equivalents, beginning of year	27,789,289	-	27,789,289
Cash and cash equivalents, end of year	$ 83,031,347	$ 400	$ 83,031,747
Reconciliation of ending cash and cash equivalents to Statement of Net Assets - Proprietary Funds			
Current Assets:			
Cash and cash equivalents	$ 12,777,301	$ 400	$ 12,777,701
Cash and cash equivalents-restricted	66,626,166	-	66,626,166
Restricted Assets:			
Customer deposits	3,626,956	-	3,626,956
Bond covenant accounts	924	-	924
Total	$ 83,031,347	$ 400	$ 83,031,747

	Georgia 400 Project	I-85 Project Fund	Total
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:			
Operating income (loss)	$ 11,084,586	$ (970,955)	$ 10,113,631
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities			
Depreciation	738,667	-	738,667
Amortization	1,056,902	-	1,056,902
Changes in assets and liabilities:			
Decrease (increase) in inventory	654,470	(196,400)	458,070
Decrease in accounts receivable	61,976	-	61,976
Increase in prepaid items	(50,909)	-	(50,909)
Increase in accrued liabilities (other than customer deposits)	399	-	399
Decrease in customer deposits payable	(8,720)	-	(8,720)
Decrease in compensated absences	(33,618)	(3,530)	(37,148)
Increase in deferred revenues	165,555	-	165,555
Net cash provided by (used in) operating activities	$ 13,669,308	$ (1,170,885)	$ 12,498,423

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

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.

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 tolls and fees are charged to the users of the GA 400 Extension. This fund is also used when improvements to the facility are financed with debt that is secured by a pledge of the net revenues generated from the facility.
>
> The I-85 Project Fund is an enterprise fund used to report activities related to the initial phase of converting of an approximately16-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 tolls and fees are to be charged to drivers who utilize the HOT lanes. The project is set to go "live" during FY 2012.

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 tolls and fees and rents and royalties. Operating expenses include the cost of toll collection, violation processing, maintenance and, administrative expenses and depreciation on capital assets. The Authority also recognizes the amortization of the asset “Estate for Years” as an operating expense. 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.

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 the State Treasurer (OST) manages Georgia Fund 1 in accordance with policies and procedures established by state law and the State Depository Board, the oversight Board for OST. This investment is valued at the pool's share price, $1.00 per share.

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

Investments

Investments are defined as those financial instruments with terms in excess of three months from the date of purchase. 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.

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

(1) 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.

Inventory

Inventory, which is comprised of transponders used in electronic toll collection, 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 $8,464.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities and Net Assets (Continued)

Deferred Charges

As required by the relevant standards and pronouncements, unamortized bond issuance costs for respective revenue bonds issued and outstanding are recorded as deferred charges at June 30, 2011.

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 shall terminate six months after final payment of the respective outstanding bonds. It was continued in force by the Series 1998 Guaranteed Refunding Revenue Bonds, which defeased the Series 1991 Bonds. During the fiscal year ending June 30, 2011, the Authority defeased the Series 1998 Guaranteed Refunding Revenue Bonds and issued the Series 2010 Toll Revenue Bonds, and at that time the Estate for Years was extended for an additional seven years. Six months after payment in full of the Series 2010 Toll Revenue Bonds by the Authority, all rights, title and interest acquired by this agreement shall revert to the State of Georgia's Department of Transportation. Amortization of the remaining "Estate" will continue through 2017.

The asset "Estate for Years" is amortized over the life of the Series 2010 Toll Revenue Bonds. The amortization expense each year is based on the percentage of the toll revenue bonds redeemed during the year to total bonds issued multiplied by the value of the Estate for Years. The value at June 30, 2010 was $11,450,329. The Series 2010 Toll Revenue Bonds closed on December 1, 2010. The amortization expense recognized for the fiscal year 2011 was $822,993, which reduced the "Estate for Years" to $10,627,336 as of June 30, 2011.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities and Net Assets (Continued)

Capital Assets

Capital assets, which include property, 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:

Assets	Years
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.

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).

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 with a maximum of twenty (20) years.

Fund Equity

Fund Balance – Generally, fund balance represents the difference between the assets and liabilities under the current financial resources measurement focus of accounting. In the fund financial statements, governmental funds report fund balance classifications that comprise a hierarchy based primarily on the extent to which the Authority is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Fund balances are classified as follows:

Nonspendable - Fund balances are reported as nonspendable when amounts cannot be spent because they are either (a) not in spendable form (i.e., items that are not expected to be converted to cash) or (b) legally or contractually required to be maintained intact.

Restricted - Fund balances are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Authority or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Committed - Fund balances are reported as committed when they can be used only for specific purposes pursuant to constraints imposed by formal action of the governing board of the Authority through the adoption of a resolution. Only the governing board of the Authority may modify or rescind the commitment.

Assigned - Fund balances are reported as assigned when amounts are constrained by the Authority's intent to be used for specific purposes, but are neither restricted nor committed. Through resolution, the governing board of the Authority has authorized the Authority's Executive Director to assign fund balances.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities and Net Assets (Continued)

Fund Equity (Continued)

Unassigned - Fund balances are reported as unassigned as the residual amount when the balances do not meet any of the above criterion. The Authority reports positive unassigned fund balance only in the general fund. Negative unassigned fund balances may be reported in all funds.

Flow Assumptions – When both restricted and unrestricted amounts of fund balance are available for use for expenditures incurred, it is the Authority's policy to use restricted amounts first and then unrestricted amounts as they are needed. For unrestricted amounts of fund balance, it is the Authority's policy to use fund balance in the following order:

a. Committed
b. Assigned
c. Unassigned

Net Assets – Net assets represent the difference between assets and liabilities in reporting which utilizes the economic resources measurement focus. Net assets invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used (i.e., the amount that the Authority has spent) for the acquisition, construction or improvement of those assets. Net assets are reported as restricted using the same definition as used for restricted fund balance as described in the section above. All other net assets are reported as unrestricted.

The Authority applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

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 (CONTINUED)

Compliance With Bond Covenants

The Authority is subject to certain covenants with regard to the issuance of the aggregation of its revenue bonds issued and outstanding as of June 30, 2011.

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.

NOTE 4. DEPOSITS AND INVESTMENTS

At June 30, 2011, the Authority had the following investments:

Investment	Maturity	Fair Value	WAM
U.S. Treasury Bill	July 28, 2011	$ 84,000	56 days
Total		$ 84,000	

Interest Rate Risk. Interest rate risk is the possibility that an interest rate change could adversely affect an investment's fair value. The Authority manages interest rate risk on its short-term investments by keeping the weighted average maturity (WAM) of its short term investments below one year. The weighted average maturity is calculated by taking into consideration the maturity dates of all short-term securities held by the Authority. According to applicable pronouncements, an acceptable method for reporting interest rate risk is WAM. Therefore, as of June 30, 2011, interest rate risk is reported in the table above as weighted average maturities (WAM) 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, 2011, the Authority's bank balances are properly collateralized.

NOTE 5. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2011, was as follows:

	Balance June 30, 2010	Additions	Deletions	Balance June 30, 2011
Governmental Activities:				
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	402,025	-	-	402,025
Less Accumulated Depreciation For:				
Land Improvements	(8,772)	(1,815)	-	(10,587)
Equipment	(1,429)	(1,429)	-	(2,858)
Furniture and fixtures	(29,595)	(75,864)	-	(105,459)
Total Accumulated Depreciation	(39,796)	(79,108)	-	(118,904)
Total Capital Assets Being Depreciated, Net	362,229	(79,108)	-	283,121
Total Governmental Activities Capital Assets	$ 9,345,165	$ (79,108)	$ -	$ 9,266,057

	Balance June 30, 2010	Additions	Deletions	Balance June 30, 2011
Business-type Activities:				
Capital Assets Not Being Depreciated:				
Construction in Progress	$ 2,780,287	$ 15,368,034	$ -	$ 18,148,321
Capital Assets Being Depreciated:				
Buildings	4,938,197	-	-	4,938,197
Improvements Other than Buildings	2,517,311	45,887	-	2,563,198
Machinery and Equipment	5,271,622	19,314	-	5,290,936
Infrastructure	132,855	36	-	132,891
Computer Software	1,134,098	27,944	-	1,162,042
Total Capital Assets Being Depreciated	13,994,083	93,181	-	14,087,264
Less Accumulated Depreciation For:				
Buildings	(4,650,241)	(266,066)	-	(4,916,307)
Improvements Other than Buildings	(2,342,963)	(135,100)	-	(2,478,063)
Machinery and Equipment	(4,959,021)	(152,342)	-	(5,111,363)
Infrastructure	(44,284)	(20,579)	-	(64,863)
Computer Software	(689,994)	(164,580)	-	(854,574)
Total Accumulated Depreciation	(12,686,503)	(738,667)	-	(13,425,170)
Total Capital Assets Being Depreciated, Net	1,307,580	(645,486)	-	662,094
Total Business-type Activities Capital Assets	$ 4,087,867	$ 14,722,548	$ -	$ 18,810,415

NOTE 5. CAPITAL ASSETS (CONTINUED)

The beginning balance of capital assets of the business type activities as of June 30, 2010 has been reclassified with certain amounts previously reported as other assets in the amount of $5,981. Consequently, the opening balance of capital assets of the business type activities has changed from $4,081,886 to $4,087,867.

NOTE 6. INTERFUND PAYABLES

The composition of interfund balances as of June 30, 2011, is as follows:

Due to/from other funds:

Receivable Fund	Payable Fund		Amount
General Fund	Georgia 400 Project Fund	$	636,416
General Fund	I-85 Project Fund		3,386,063
Georgia 400 Project Fund	I-85 Project Fund		337,277
		$	4,359,756

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.

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, 2011, are as follows:

Fiscal Year Ended June 30		
2012	$	5,453
2013		3,533
2014		3,533
Total Minimum Commitments	$	12,519

Expenditures for rental of real property and equipment under operating leases for the year ended June 30, 2011, totaled $378,260.

Lessor Agreements

The Authority leases certain parcels of land for use by others for varying terms. The primary use of this land is for cellular towers. The leases are accounted for as operating leases and revenues are recorded when earned. Revenue derived from these leases during fiscal year 2011 amounted to $51,787. Minimum future rentals to be received under operating leases as of June 30, 2011, are as follows:

Fiscal Year Ended June 30		
2012	$	48,675
2013		1,308
Total Minimum Commitments	$	49,983

NOTE 8. LONG-TERM DEBT

Long-term obligations at June 30, 2011, and changes for the fiscal year then ended are as follows:

	June 30, 2010	Increases	Decreases	June 30, 2011	Amount Due Within One Year
Governmental activities:					
Guaranteed revenue refunding bonds, series 2011A	$ -	$ 191,335,000	$ -	$ 191,335,000	$ -
Premium on guaranteed refunding revenue bonds	-	29,259,461	-	29,259,461	-
Guaranteed revenue refunding bonds, series 2011B	-	153,085,000	-	153,085,000	-
Premium on guaranteed refunding revenue bonds	-	26,561,505	-	26,561,505	-
Guaranteed revenue bonds, series 2001	243,600,000	-	(226,195,000)	17,405,000	16,185,000
Premium on guaranteed revenue bonds	4,469,029	-	(4,111,507)	357,522	-
Deferred amount on refunding	-	(7,524,243)	-	(7,524,243)	-
Guaranteed revenue bonds, series 2003	245,485,000	-	(174,690,000)	70,795,000	12,985,000
Premium on guaranteed revenue bonds	12,329,985	-	(8,630,989)	3,698,996	-
Deferred amount on refunding	-	(8,288,391)	-	(8,288,391)	-
Grant anticipation revenue bonds, series 2006	265,375,000	-	(27,820,000)	237,555,000	29,190,000
Premium on grant anticipation revenue bonds	9,502,664	-	(1,995,737)	7,506,927	-
Reimbursement revenue bonds, series 2006	65,495,000	-	(7,080,000)	58,415,000	7,350,000
Premium on reimbursement revenue bonds	567,445	-	(117,567)	449,878	-
Grant anticipation revenue bonds, series 2008A	420,725,000	-	(33,450,000)	387,275,000	35,125,000
Premium on grant anticipation revenue bonds	25,441,860	-	(4,311,559)	21,130,301	-
Reimbursement revenue bonds, series 2008A	104,455,000	-	(8,620,000)	95,835,000	8,870,000
Premium on reimbursement revenue bonds	3,063,408	-	(511,924)	2,551,484	-
Grant anticipation revenue bonds, series 2009A	448,975,000	-	(32,155,000)	416,820,000	33,440,000
Premium on grant anticipation revenue bonds	41,260,670	-	(6,258,964)	35,001,706	-
Reimbursement revenue bonds, series 2009A	111,825,000	-	(8,375,000)	103,450,000	8,585,000
Premium on reimbursement revenue bonds	6,918,142	-	(1,023,456)	5,894,686	-
Compensated absences	106,384	53,642	(55,840)	104,186	52,093
Governmental activities long-term liabilities	$ 2,009,594,587	$ 384,481,974	$ (545,402,543)	$ 1,848,674,018	$ 151,782,093
Business-type activities:					
Georgia toll revenue bonds, series 2010	$ -	$ 40,000,000	$ (2,875,000)	$ 37,125,000	$ 5,820,000
Guaranteed refunding revenue bonds, series 1998	16,955,000	-	(16,955,000)	-	-
Premium on guaranteed refunding revenue bonds	76,753	-	(76,753)	-	-
Deferred amount on refunding	(268,582)	-	268,582	-	-
Compensated absences	212,068	56,604	(93,752)	174,920	87,460
Business-type activities long-term liabilities	$ 16,975,239	$ 40,056,604	$ (19,731,923)	$ 37,299,920	$ 5,907,460

NOTE 8. LONG-TERM DEBT (CONTINUED)

Revenue Bonds

Governmental Activities

State of Georgia Guaranteed Revenue Refunding Bonds, Series 2011 A

On March 31, 2011, the Authority issued $191,335,000 of State of Georgia Guaranteed Revenue Refunding Bonds, Series 2011 A. Including bond premiums in the amount of $29,259,461, the bond proceeds amounted to $220,594,461. The bonds were issued for the purposes of (1) refunding $209,285,000 of the $226,690,000 in outstanding principal of the State of Georgia Guaranteed Revenue Bonds, Series 2001 and (2) to pay a portion of the costs of issuance of the bonds. Interest on these bonds is payable semiannually on March 1 and September 1 of each year with interest rates ranging from 4% to 5%. These bonds mature on March 1, 2021. As of June 30, 2011, the outstanding principal balance is $191,335,000. These bonds are secured by the amount of net proceeds of motor fuel tax provided for in a joint resolution of the Georgia State Transportation Board and the Authority. Further, the State of Georgia has guaranteed the full payment of the bonds and the interest thereon in accordance with the Constitution of the State of Georgia and has reserved $29,709,291 in the State of Georgia guaranteed revenue debt common reserve fund that is on deposit at the OST. This reservation covers the aggregate highest annual debt service of Series 2011 A Bonds the Series 2001 Bonds which are discussed below.

State of Georgia Guaranteed Revenue Refunding Bonds, Series 2011 B

On March 31, 2011, the Authority issued $153,085,000 of State of Georgia Guaranteed Revenue Refunding Bonds, Series 2011 B. Including bond premiums in the amount of $26,561,505, the bond proceeds amounted to $179,646,505. The bonds were issued for the purposes of (1) refunding $162,370,000 of the $233,165,000 in outstanding principal of the State of Georgia Guaranteed Revenue Bonds, Series 2003 and (2) to pay a portion of the costs of issuance of the bonds. Interest on these bonds is payable semiannually on April 1 and October 1 of each year with an interest rate of 5%. These bonds mature on October 1, 2022. As of June 30, 2011, the outstanding principal balance is $153,085,000. These bonds are secured by the amount of net proceeds of motor fuel tax provided for in a joint resolution of the Georgia State Transportation Board and the Authority. Further, the State of Georgia has guaranteed the full payment of the bonds and the interest thereon in accordance with the Constitution of the State of Georgia and has reserved $24,497,593 in the State of Georgia Guaranteed Revenue Debt Common Reserve Fund that is on deposit at the OST. This reservation covers the aggregate highest annual debt service of the Series 2011 B Bonds and the Series 2003 Bonds which are discussed below.

NOTE 8. LONG-TERM DEBT (CONTINUED)

Revenue Bonds (Continued)

Governmental Activities (Continued)

State of Georgia Guaranteed Revenue Refunding Bonds, Series 2001

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 2.50% to 5.37%. The unrefunded portion of these bonds mature on March 1, 2017. On March 31, 2011, $209,285,000 of these bonds were advance refunded via the issuance of the State of Georgia Guaranteed Revenue Refunding Bonds, Series 2011 A. As of June 30, 2011, the outstanding principal balance is $17,405,000. These bonds are secured by the amount of net proceeds of motor fuel tax provided for in a joint resolution of the Georgia State Transportation Board and the 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 $29,709,291 in the State of Georgia guaranteed revenue debt common reserve fund that is on deposit at the OST. This reservation covers the aggregate highest annual debt service of the Series 2001 Bonds and the Series 2011 A Bonds.

State of Georgia Guaranteed Revenue Refunding Bonds, Series 2003

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 5.25%. These bonds mature on October 1, 2023. On March 31, 2011, $162,370,000 of these bonds were advance refunded via the issuance of the State of Georgia Guaranteed Revenue Refunding Bonds, Series 2011 B. As of June 30, 2011, the outstanding principal balance is $70,795,000. These bonds are secured by the amount of net proceeds of motor fuel tax provided for in a joint resolution of the Georgia State Transportation Board and the 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 $24,497,593 in the State of Georgia Guaranteed Revenue Debt Common Reserve Fund that is on deposit at the OST. This reservation covers the aggregate highest annual debt service of the Series 2003 Bonds and the Series 2011 B Bonds.

NOTE 8. LONG-TERM DEBT (CONTINUED)

Revenue Bonds (Continued)

Governmental Activities (Continued)

Federal Highway Grant Anticipation Revenue Bonds Series 2006 and Federal Reimbursement Revenue Bonds Series 2006

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 were 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, 2011, the outstanding principal balances for the Series 2006 Grant Anticipation Revenue Bonds and the Series 2006 Reimbursement Revenue Bonds are $237,555,000 and $58,415,000, respectively. These bonds are payable solely from grant and reimbursement revenues received from the Federal Highway Administration. These bonds do not constitute a pledge of the faith and credit of the Authority or the State of Georgia.

Federal Highway Grant Anticipation Revenue Bonds Series 2008 A and Federal Reimbursement Revenue Bonds Series 2008 A

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 were 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, 2011, the outstanding principal balances for the Series 2008A Grant Anticipation Revenue Bonds and the Series 2008A Reimbursement Revenue Bonds are $387,275,000 and $95,835,000, respectively. These bonds are payable solely from grant and reimbursement revenues received from the Federal Highway Administration. These bonds do not constitute a pledge of the faith and credit of the Authority or the State of Georgia.

NOTE 8. LONG-TERM DEBT (CONTINUED)

Revenue Bonds (Continued)

Governmental Activities (Continued)

Federal Highway Grant Anticipation Revenue Bonds Series 2009 A and Federal Reimbursement Revenue Bonds Series 2009 A

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 were 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, 2011, the outstanding principal balances for the Series 2009A Grant Anticipation Revenue Bonds and the Series 2009A Reimbursement Revenue Bonds are $416,820,000 and $103,450,000, respectively. These bonds are payable solely from grant and reimbursement revenues received from the Federal Highway Administration. These bonds do not constitute a pledge of the faith and credit of the Authority or the State of Georgia.

Business-Type Activities

State of Georgia Toll Revenue Bonds Series 2010

On December 1, 2010, the Authority issued $40,000,000 of State of Georgia Toll Revenue Bonds (Georgia 400 Project), Series 2010, for the purpose of: (1) financing a portion of the costs of acquiring, constructing and maintaining the Georgia 400 Project; and, (2) to pay the costs of issuance of the bonds. Interest on these bonds is payable semiannually on June 1 and December 1 of each year with an interest rate of 2.55%. These bonds mature on June 1, 2017. As of June 30, 2011, the outstanding principal balance is $37,125,000. The toll revenues generated from the usage of the Georgia 400 Project secure these bonds. The Authority has covenanted that it will maintain a debt service coverage ratio as defined in the indenture at a minimum of 1.25 times the annual debt service, and for the year ended June 30, 2011, that ratio calculated to be 1.82.

State of Georgia Guaranteed Refunding Revenue Bonds Series 1998

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: (1) refunding the Authority's outstanding State of Georgia Guaranteed Revenue Bonds (GA 400 Project), Series 1991; and, (2) paying the cost of issuing the Series 1998 Bonds. The 1998 Guaranteed Refunding Revenue Bonds were defeased with cash on hand and available from the debt service and other reserve funds prior to the issuance of the Series 2010 Toll Revenue Bonds.

NOTE 8. LONG-TERM DEBT (CONTINUED)

Revenue Bonds (Continued)

Revenue bonds outstanding at June 30, 2011, are as follows:

Governmental activities				
Guaranteed Revenue Refunding Bonds, Series 2011 A	Refunding of Guaranteed Revenue Bonds, Series 2001	4.00-5.00%	$	191,335,000
Guaranteed Revenue Refunding Bonds, Series 2011 B	Refunding of Guaranteed Revenue Bonds, Series 2003	5.00%		153,085,000
Guaranteed Revenue Bonds, Series 2001	Governor's road improvement program	2.50 - 5.37%		17,405,000
Guaranteed Revenue Bonds, Series 2003	Improvement of roads and bridges	2.25 - 5.25%		70,795,000
Federal Highway Grant Anticipation Revenue Bonds, Series 2006	Improvement of roads and bridges	4.50 - 5.00%		237,555,000
Federal Highway Reimbursement Revenue Bonds, Series 2006	Improvement of roads and bridges	3.70 - 5.00%		58,415,000
Federal Highway Grant Anticipation Revenue Bonds, Series 2008A	Improvement of roads and bridges	5.00%		387,275,000
Federal Highway Reimbursement Revenue Bonds, Series 2008A	Improvement of roads and bridges	3.50 - 5.00%		95,835,000
Federal Highway Grant Anticipation Revenue Bonds, Series 2009A	Improvement of roads and bridges	2.50 - 5.00%		416,820,000
Federal Highway Reimbursement Revenue Bonds, Series 2009A	Improvement of roads and bridges	2.50 - 5.00%		103,450,000
			$	1,731,970,000
Business-type activities				
Transportation Revenue Bonds, Series 2010	Georgia 400 Project	2.55%	$	37,125,000
Guaranteed Refunding Revenue Bonds, Series 1998	Georgia 400 Project	3.50 - 5.00%		-
			$	37,125,000

NOTE 8. LONG-TERM DEBT (CONTINUED)

Revenue bond debt service requirements to maturity are as follows:

Fiscal Year Ended June 30	Principal	Interest	Total
Governmental Activities			
2012	$ 151,730,000	$ 83,161,696	$ 234,891,696
2013	157,965,000	76,510,709	234,475,709
2014	160,310,000	69,090,866	229,400,866
2015	162,675,000	61,378,626	224,053,626
2016	185,685,000	53,563,581	239,248,581
2017-2021	845,600,000	130,325,611	975,925,611
2022-2025	68,005,000	5,213,625	73,218,625
	$ 1,731,970,000	$ 479,244,714	$ 2,211,214,714

Fiscal Year	Toll Revenue Bonds, Series 2010		
Ended June 30	**Principal**	**Interest**	**Total**
Business-type activities			
2012	$ 5,820,000	$ 946,686	$ 6,766,686
2013	5,960,000	798,278	6,758,278
2014	6,110,000	646,298	6,756,298
2015	6,255,000	490,493	6,745,493
2016	6,410,000	330,990	6,740,990
2017	6,570,000	167,535	6,737,535
	$ 37,125,000	$ 3,380,280	$ 40,505,280

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, 2011.

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 United Healthcare and Cigna 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, 2011.

NOTE 11. RETIREMENT SYSTEMS

Employees' Retirement System of Georgia

Plan Description:

The Authority participates in various retirement plans administered by the State of Georgia under the Employees' Retirement System of Georgia (ERS System). This system issues a separate, publicly available financial report that includes applicable financial statements and required supplementary information. The report may be obtained from the respective system office. The significant retirement plans that the Authority participates in are described below. More detailed information can be found in the plan agreements and related legislation. Each plan, including benefit and contribution provisions, was established and can be amended by state law.

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 (TRS) 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.

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.

NOTE 11. RETIREMENT SYSTEMS (CONTINUED)

Employees' Retirement System of Georgia: (Continued)

Contributions Required and Contributions Made: (Continued)

Employer contributions required for fiscal year 2011 were based on the June 30, 2008 actuarial valuation for the old and new plans and were set by the Board of Trustees on September 18, 2008 for the GSEPS as follows:

Old Plan*	10.41%
New Plan	10.41%
GSEPS	6.54%

*5.66% exclusive of contributions paid by the employer on behalf of old plan members

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 $323,493, $318,369, and $282,263 during the years ended June 30, 2011, 2010, and 2009, 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, 2011, 2010, and 2009.

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 offices that administer the plans.

NOTE 12. OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

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 was repealed effective September 1, 2010.

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.

NOTE 12. OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

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

Funding Policy: (Continued)

The combined required contribution rates established by the Board for the active and retiree plans for the fiscal year ended June 30, 2011 were as follows:

June 2010	22.165% of covered payroll for July Coverage
July 2010-April 2011	25.586% of covered payroll for August-May Coverage
May 2011-June 2011	22.667% of covered payroll for June-July Coverage

No additional contribution was required by the Board for fiscal year 2011 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, 2011 was $755,364, which equaled the required contribution as described above for fiscal year 2011. The Authority's contributions to the health insurance plans for the fiscal years ended June 30, 2010 and 2009 were $663,042 and $338,848, respectively, which equaled the required contributions as described above for fiscal years 2010 and 2009.

State Employees' Assurance Department - OPEB:

Plan Description:

State Employees' Assurance Department – 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 ERS, 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.

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, 2011, 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, 2011, 2010 and 2009.

NOTE 13. COMMITMENTS AND CONTINGENCIES

Contractual Commitments

In addition to the liabilities enumerated in the balance sheet at June 30, 2011, the Authority has contractual commitments on uncompleted contracts of approximately $61,805,899 associated with improvements to Georgia 400 and the toll plaza. Commitments associated with the I-85 HOV to HOT project (which is expected to be completed during the fiscal year ending June 30, 2012) totaled $10,184,898 at June 30, 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, 2011.

NOTE 13. COMMITMENTS AND CONTINGENCIES (CONTINUED)

Georgia Transportation Infrastructure Bank

Pursuant to the Georgia Transportation Infrastructure Bank Act, O.C.G.A 32-10-120 et seq, the State Road and Tollway Authority has been authorized to create and operate the Georgia Transportation Infrastructure Bank (GTIB) program. Modeled after programs used in 32 other states, the GTIB was developed as a revolving infrastructure fund to provide grants and low-interest loans for local government transportation projects. The GTIB was originally capitalized with a total of approximately $43,100,000 of funds from state motor fuel sources that were appropriated in the State of Georgia budgets in fiscal years ending June 30, 2009 and 2010, respectively.

The GTIB may provide loans and grants to government entities for transportation projects that demonstrate strong transportation merit, engineering merit, economic merit, project feasibility, innovative concepts and financial commitment. Eligible projects for the GTIB 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.

Eligible costs are those related to preliminary engineering, traffic and revenue studies, environmental studies, right of way acquisition, legal and financial services associated with the development of the qualified project, construction, construction management, facilities, and other costs necessary for the qualified project.

At the close of the fiscal year ended June 30, 2010, a total of $10,000,000 of grant funds were awarded to eight (8) Community Improvement District (CID) applicants. In the fiscal year ended June 30, 2011, the GTIB finalized all of the closing agreements with these 8 applicants and the governing board of the Authority approved a ninth award in the amount of $389,000.

In the fiscal year ended June 30, 2011, the Authority disbursed $258,120 of the awarded funds to CID's that completed work on transportation projects throughout the year. In accordance with applicable pronouncements, the Authority has restricted $42,841,880 of the General Fund's balance related to funds remaining for this program.

SUPPLEMENTARY INFORMATION

STATE ROAD AND TOLLWAY AUTHORITY

CASH AND CASH EQUIVALENTS SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

INTEREST BEARING ACCOUNTS			
Bank of America, N.A.,			
Atlanta, Georgia			
Cash Investing Accounts			
GA 400 Income	$ 1,694,195		
GA 400 Operating	1,223,072		
GA 400 Toll Patron Account	427,277		
SRTA Operating	1,930,140	5,274,684	
The Bank of New York,			
Atlanta, Georgia			
Cash Investing Accounts			
Guaranteed Refunding Revenue Bond Covenant Accounts			
1998 Rebate Fund Cash Account	924		
Series 2010 Money Market Account	37,420,755		
Series 2010 Sinking Fund Principal Money Market Account	485,000		
Series 2010 Sinking Fund Interest Money Market Account	78,891		
GA 400 Operations & Maintenance Money Market Account	1,298,520		
RIB Investment-2006 Money Market Account	13,948		
RIB Investment-2008 A Money Market Account	17,845		
RIBS Revenue Investment Money Market Account	17,604	39,333,487	
US Bank			
Money Market Accounts			
Guaranteed Revenue Bond Covenant Accounts			
2003 Sinking Fund Inv Account	11,968,463	11,968,463	
Funds on Deposit with Office of Treasury and Fiscal Services			
2001 Sinking Fund	7,690,824		
Georgia 400 Account	39,127,339		
Georgia 400 Toll Patron Investment Account	3,199,679		
GTIB State & Local Roadway Non-Grant Account	33,252,856		
GTIB State & Local Roadway Grant Account	9,785,581	93,056,279	149,632,913
OTHER			
Cash on Hand			24,006
			$ 149,656,919

STATE ROAD AND TOLLWAY AUTHORITY

INVESTMENTS SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

FUND/INVESTMENT TYPE	PURCHASE DATE	MATURITY DATE		
GEORGIA 400 PROJECT				
Restricted				
Funds Held by Guaranteed Revenue Bond Trustee				
The Bank of New York Mellon, Atlanta, Georgia				
Rebate Fund				
U.S. Treasury Bill	June 2, 2011	July 28, 2011	84,000	
				$ 84,000

COMPLIANCE SECTION

MAULDIN & JENKINS
CERTIFIED PUBLIC ACCOUNTANTS, LLC

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*

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, 2011, which collectively comprise the State Road and Tollway Authority's basic financial statements and have issued our report thereon dated September 26, 2011. 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 opinion 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses, have been identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

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. We considered the deficiency described in the accompanying schedule of findings and responses as FS 2011-01 to be a material weakness.

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 26, 2011.

The State Road and Tollway Authority's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. We did not audit the State Road and Tollway Authority's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Board 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 26, 2011

SECTION I
SUMMARY OF AUDIT RESULTS

Financial Statements

Type of auditor's report issued	Unqualified
Internal control over financial reporting: Material weaknesses identified?	__X__ yes ____ 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, 2011 due to the total amount of federal expenditures being less than $500,000 during the fiscal year 2011.

SECTION II – FINANCIAL STATEMENT FINDINGS AND RESPONSES

FS 2011-01. Management of Capital Asset Accounts in Enterprise Funds

Criteria: Generally accepted accounting principles generally require the reporting of all capital assets at their historical cost, including construction in progress, which is converted to depreciable status at the end of a project. The assets are then written off periodically, or depreciated, in a systematic and rational manner.

Condition: The Authority did not properly capitalize all expenses associated with projects that were in progress as of June 30, 2011 in both the Georgia 400 Fund and the I-85 Project Fund. Therefore, construction in progress within the fixed asset sections for these funds was incorrect at year-end.

Context: See above condition.

FS 2011-01. Management of Capital Asset Accounts in Enterprise Funds (Continued)

Effect: For the Georgia 400 Fund, adjustments in the amount of $3,064,584 were required to increase the amount recorded in fixed assets primarily in the construction in progress (non-depreciable) fixed asset accounts as of June 30, 2011. Included in the above amount are: a) approximately $2,260,000 related to capitalization of amounts previously expensed; b) approximately $85,000 related to recognition of certain retainage payable amounts; and, c) approximately $720,000 related to the correction of an amount previously recognized in another proprietary fund.

For the I-85 Fund, adjustments in the net amount of $349,920 were required to decrease amounts recorded in construction in progress (non-depreciable) fixed asset accounts as of June 30, 2011. Included in the above amount are: a) approximately $743,000 related to the correction of an amount previously recognized in the I-85 fund (via an Authority proposed adjustment) which should have been recognized in other funds; b) approximately $305,000 related to recognition of certain retainage payable amounts; and, c) approximately ($655,000) related to the recording of duplicate amounts.

Recommendation: We recommend the Authority review all capital asset activity and capitalize assets based on the Authority's capitalization policy. The Authority should record all capital asset transactions, including construction in progress, within the applicable enterprise funds. Finally, the capital asset listing should agree to the applicable general ledgers for asset type, accumulated depreciation, and current year depreciation expense.

Views of Responsible Officials and Planned Corrective Action: We concur. It had been the practice of the Authority to record payments for construction in progress on a cash basis and accrue retainage payable on all payments made during the year at year end. The Authority will strengthen the capital asset accounting procedures by requiring that all retainage payable is recorded at the time an invoice is received. The Senior Accountant in charge of fixed assets will maintain a record of all capital asset transactions, including construction in progress within the applicable enterprise funds and reconcile this list to the general ledger on a monthly basis. The fixed asset listing will be reviewed and approved by the Accounting Manager on a monthly basis to ensure that assets are capitalized appropriately and general ledger capital asset balances are properly supported.

STATE ROAD AND TOLLWAY AUTHORITY

SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2011

SECTION III – STATUS OF PRIOR AUDIT FINDINGS

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