

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

FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED
JUNE 30, 2007

STATE ROAD AND TOLLWAY AUTHORITY

FINANCIAL REPORT
JUNE 30, 2007

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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, 2007, 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 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, 2007, 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 August 14, 2007, 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.

The Management's Discussion and Analysis on pages 3 through 7 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

Mauldin & Jenkins, LLC

Macon, Georgia
August 14, 2007

STATE ROAD AND TOLLWAY AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2007

The following is a Discussion and Analysis of the financial performance of State Road and Tollway Authority (the Authority). It provides an overview of the activities for the fiscal year ended June 30, 2007. The Authority is a public corporation and body corporate. The Authority maintains and operates a toll facility in the State of Georgia and manages a bond financing program to finance transportation projects in the State of Georgia. The Management's Discussion and Analysis is designed to be read in conjunction with the Authority's financial statements.

Operating Highlights

Net Assets: As of the close of fiscal year 2007, the Authority's combined ending net assets totaled \$(721,969,367). Of this total, \$(747,562,454) is the net asset balance for Governmental Activities while \$25,593,087 is the net asset balance for Business-Type Activities. Net assets are comprised of total assets less total liabilities. The total net capital asset investment is \$13,049,985. Total net capital assets are total capital assets less the corresponding accumulated depreciation. The negative ending net assets are discussed in the section "Government-wide Financial Analysis."

Long-term Debt: The Authority's total long-term debt obligations at June 30, 2007, consist of bond indebtedness in the amount of \$1,076,532,591. Of this total, \$1,037,992,666 is the long-term bond indebtedness for Governmental Activities and \$38,539,925 is the long-term bond indebtedness for Business-Type Activities. A definition of these types of activities is provided in the following section.

Revenues: Total revenue for business-type activities increased slightly by 3% from \$21,453,449 at June 30, 2006 to \$22,005,296 at June 30, 2007. Total revenue for government-type activities increased by 334% from \$6,521,435 at June 30, 2006 to \$28,334,728 at June 30, 2007 due to other investment income from the 2006 Reimbursement Revenue Bonds, 2006 Grant Anticipation Revenue Bonds and Commercial Paper issued in during fiscal year 2007.

Expenses: General Government expenses for the Governmental Activities decreased by 20% from \$3,963,318 at June 30, 2006 to \$3,161,620 at June 30, 2007 primarily due to a reduction in contract services. Business-Type Activities expenses decreased by 41% from \$21,647,470 at June 30, 2006 to \$12,845,656 at June 30, 2007 due primarily to the completion of roadway maintenance as of June 30, 2006.

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 funds can be classified into the category of *governmental funds and proprietary funds*.

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

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

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

Proprietary fund financial statements provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide information for the Georgia 400 Project.

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

Other Information. In addition to the basic financial statements and accompanying notes, this report also

presents certain *supplementary information* concerning the State Road and Tollway Authority.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. The reader can think of the Authority's net assets as the difference between its assets (i.e., what the Authority owns) and its liabilities (i.e., what the Authority owes) at the end of a fiscal year. This balance represents one way to measure the Authority's financial health or its financial position. In the case of the State Road and Tollway Authority, liabilities exceeded assets by \$721,969,367 at the close of the most recent fiscal year.

The negative net asset amount is attributable to the General Authority Governmental Fund and the method of accounting required by Generally Accepted Accounting Principles (GAAP). The General Authority manages the bond financing activities. The General Authority issues bonds for transportation projects in the State of Georgia which are constructed and owned by the Department of Transportation (DOT). A project account is established for each bond issue. The proceeds from the bonds are maintained in the project accounts. The DOT remits invoices to the Authority for payment from the project accounts. The DOT collects motor fuel and federal revenues for State of Georgia transportation projects and is required to remit payments to the Authority for the bond sinking fund debt service requirements. As the project accounts are expended, the total asset amounts are reduced. GAAP does not allow the Authority to reflect a long-term accounts receivable from the DOT. As a result, the project accounts are reduced faster than the receipt of funds from the DOT for payment of the bond debt obligations, which caused a negative net asset balance at June 30, 2007.

The current fiscal year's total assets and total liabilities are lower than the previous year. The increase in assets is primarily due to the proceeds from the issuance of the Reimbursement Revenue Bonds, Grant Anticipation Revenue Bonds, and Commercial Paper. The increase of liabilities is primarily due to the addition of bond indebtedness.

The net assets invested in capital assets for the year was \$13,049,985. The book value of the capital assets was less than the previous year which totaled \$13,790,578 and represents accumulated depreciation in excess of the current year's capital asset acquisitions. The Authority uses these capital assets to provide services to those citizens served by the Authority.

The tabular information below provides a comparison of the Authority's net assets at June 30, 2007 and June 30, 2006. 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 SRTA's Net Assets					
	Governmental Activities		Business-Type Activities		Total	
	FY 2007	FY 2006	FY 2007	FY 2006	FY 2007	FY 2006
Other Assets	\$ 549,038,347	\$ 152,004,751	\$ 65,943,743	\$ 67,685,821	\$ 614,982,090	\$ 219,690,572
Capital Assets	10,425,292	10,427,107	2,624,693	3,363,471	13,049,985	13,790,578
Total Assets	\$ 559,463,639	\$ 162,431,858	\$ 68,568,436	\$ 71,049,292	\$ 628,032,075	\$ 233,481,150
Current Liabilities	\$ 269,033,427	\$ 48,842,238	\$ 4,435,424	\$ 5,040,792	\$ 273,468,851	\$ 53,883,030
Long-Term Liabilities						
Current	55,620,000	24,170,000	7,200,000	6,915,000	62,820,000	31,085,000
Noncurrent	982,372,666	595,767,376	31,339,925	38,252,181	1,013,712,591	634,019,557
Total Liabilities	\$ 1,307,026,093	\$ 668,779,614	\$ 42,975,349	\$ 50,207,973	\$ 1,350,001,442	\$ 718,987,587
Net Assets						
Invested in Capital Assets	\$ 10,425,292	\$ 10,427,107	\$ 2,624,693	\$ 3,363,471	\$ 13,049,985	\$ 13,790,578
Restricted						
Unrestricted	(757,987,746)	(516,774,863)	22,968,394	17,477,848	(735,019,352)	(499,297,015)
Total Net Assets	\$ (747,562,454)	\$ (506,347,756)	\$ 25,593,087	\$ 20,841,319	\$ (721,969,367)	\$ (485,506,437)

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 discussed previously.

The following table provides a comparison of the changes in the Authority's net assets for the fiscal years ended June 30, 2007 and June 30, 2006. 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 2007	FY 2006	FY 2007	FY 2006	FY 2007	FY 2006
Revenues:						
Program Revenues						
Charges for Services	\$ -	\$ -	\$ 20,854,325	\$ 20,743,001	\$ 20,854,325	\$ 20,743,001
General Revenues						
Operating grants and contributions	244,160	363,742	-	-	244,160	363,742
Rents and Royalties	-	-	47,106	48,885	47,106	48,885
Unrestricted Investment Earnings	28,090,568	6,157,693	1,103,865	661,563	29,194,433	6,819,256
Total Revenues	\$ 28,334,728	\$ 6,521,435	\$ 22,005,296	\$ 21,453,449	\$ 50,340,024	\$ 27,974,884
Expenses:						
General Government	3,161,620	3,963,318	-	-	3,161,620	3,963,318
Debt Service	-	-	-	-	-	-
Interest on Long-Term Debt	50,230,038	28,898,029	-	-	50,230,038	28,898,029
Transportation	309,980,932	172,957,232	-	-	309,980,932	172,957,232
Toll Roads	-	-	12,845,656	21,647,470	12,845,656	21,647,470
Total Expenses	\$ 363,372,590	\$ 205,818,579	\$ 12,845,656	\$ 21,647,470	\$ 376,218,246	\$ 227,466,049
Increase/Decrease in Net Assets Before Other Items	\$ (335,037,862)	\$ (199,297,144)	\$ 9,159,640	\$ (194,021)	\$ (325,878,222)	\$ (199,491,165)
Transfers	4,407,872	250,755	(4,407,872)	(250,755)	-	-
Payments from State of Georgia	89,415,292	53,999,144	-	-	89,415,292	53,999,144
Change in Net Assets	\$ (241,214,698)	\$ (145,047,245)	\$ 4,751,768	\$ (444,776)	\$ (236,462,930)	\$ (145,492,021)
Net Assets - Beginning	(506,347,756)	(361,300,511)	20,841,319	21,286,095	(485,506,437)	(340,014,416)
Net Assets - Ending	\$ (747,562,454)	\$ (506,347,756)	\$ 25,593,087	\$ 20,841,319	\$ (721,969,367)	\$ (485,506,437)

As indicated in the "FY 2007 Total" column above, the Authority's net assets decreased from \$(485,506,437) to \$(721,969,367) during the current fiscal year. The change in net assets was \$(236,462,930). The principal factors in this decrease for FY 2007 were attributed to the Governmental Activities bond management activities. The financial impact of these transactions on net assets is that the amounts expended to the DOT for transportation expenses and the payments of interest on long-term debt exceeded the transfers-in and payments from the State of Georgia.

Financial Analysis of the Authority's Funds

Governmental Fund, General Fund. The General Fund is the governmental operating fund of the Authority. At June 30, 2007, the General Fund had an unreserved fund balance of \$284,067,764 on the Governmental Fund

Balance Sheet. This fund balance is attributed to the project funds from the proceeds remaining from the 2006 Reimbursement Revenue Bonds, 2006 Grant Anticipation Revenue Bonds, and 2006 Commercial Paper being listed as assets, however, the corresponding bond liabilities are not listed under the modified accrual basis of accounting. The positive fund balance on the Governmental Fund Balance Sheet does not include the bond liabilities which are included on the Statement of Net Assets for Governmental Activities which shows a negative fund balance referenced previously.

Proprietary Funds, Georgia 400 Project. The proprietary fund statements provide the same type of information found in the government-wide statements, but in more detail. The Georgia 400 Project is the proprietary fund of the Authority. The Authority maintained a business-type proprietary fund for toll operations during the fiscal year ending June 30, 2007. The unrestricted net assets of the Georgia 400 Project at June 30, 2007, amounted to \$22,968,394.

Capital Assets and Debt Administration

Capital Assets. The Authority's investment in capital assets as of June 30, 2007 had a net book value of \$13,049,985. This investment in capital assets includes land, buildings and equipment. Actual depreciation charges for the year totaled \$793,294. Additional information on the Authority's capital assets can be found in the notes to the financial statements.

Long-Term Debt. At June 30, 2007, the Authority had total long-term debt in the amount of \$1,076,532,591, which was comprised of \$1,037,992,666 in revenue bonds in the governmental activities and \$38,539,925 in revenue bonds in the business-type activities. Additional information on the Authority's long-term debt can be found in the notes to the financial statements.

Economic Factors and Next Year's Budget

The Authority's budget for fiscal year 2008 calculated revenue from operations to be comparable to the actual revenue of fiscal year 2007. 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, 101 Marietta Street, Suite 2500, Atlanta, Georgia 30303.

STATE ROAD AND TOLLWAY AUTHORITY

STATEMENT OF NET ASSETS FOR THE FISCAL YEAR ENDED JUNE 30, 2007

ASSETS	Governmental Activities	Business-Type Activities	Total
Cash and cash equivalents	\$ 507,813,057	\$ 6,813,266	\$ 514,626,323
Investments	998,750	-	998,750
Accounts receivable (net of allowance for uncollectibles)	276,548	55,462	332,010
Inventory	-	857,900	857,900
Deferred charges	6,239,184	-	6,239,184
Restricted assets:			
Restricted:			
Cash and cash equivalents	42,143,259	65,540	42,208,799
Investments	-	22,964,441	22,964,441
Prepaid items	14,738	-	14,738
Internal balances	(8,447,189)	8,447,189	-
Estate for years, net	-	26,739,945	26,739,945
Capital assets:			
Nondepreciable	10,415,915	-	10,415,915
Depreciable, net of accumulated depreciation	9,377	2,624,693	2,634,070
Total assets	<u>559,463,639</u>	<u>68,568,436</u>	<u>628,032,075</u>
LIABILITIES			
Accounts payable and other current liabilities	424,316	54,490	478,806
Accrued liabilities	-	420,522	420,522
Commercial paper	45,000,000	-	45,000,000
Current liabilities payable from restricted assets:			
Due to State of Georgia	213,307,083	-	213,307,083
Unearned revenues	-	2,909,104	2,909,104
Customer deposits payable	-	113,385	113,385
Accrued interest payable	10,302,028	937,923	11,239,951
Noncurrent liabilities:			
Bonds payable due within one year	55,620,000	7,200,000	62,820,000
Bonds payable due in more than one year	982,372,666	31,339,925	1,013,712,591
Total liabilities	<u>1,307,026,093</u>	<u>42,975,349</u>	<u>1,350,001,442</u>
NET ASSETS			
Invested in capital assets	10,425,292	2,624,693	13,049,985
Unrestricted (deficit)	(757,987,746)	22,968,394	(735,019,352)
Total net assets	<u>\$ (747,562,454)</u>	<u>\$ 25,593,087</u>	<u>\$ (721,969,367)</u>

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

STATE ROAD AND TOLLWAY AUTHORITY

STATEMENT OF ACTIVITIES FOR THE FISCAL YEAR ENDED JUNE 30, 2007

Functions/Programs	Program Revenues			Net (Expenses) Revenues and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:						
General government	\$ 3,161,620	\$ -	\$ -	\$ (3,161,620)	\$ -	\$ (3,161,620)
Interest on long-term debt	50,230,038	-	-	(50,230,038)	-	(50,230,038)
Transportation	309,980,932	-	244,160	(309,736,772)	-	(309,736,772)
Total governmental activities	<u>363,372,590</u>	<u>-</u>	<u>244,160</u>	<u>(363,128,430)</u>	<u>-</u>	<u>(363,128,430)</u>
Business-type activity:						
Georgia 400 toll road	12,845,656	20,854,325	-	-	8,008,669	8,008,669
Total	<u>\$ 376,218,246</u>	<u>\$ 20,854,325</u>	<u>\$ 244,160</u>	<u>\$ (363,128,430)</u>	<u>\$ 8,008,669</u>	<u>\$ (355,119,761)</u>
General revenues:						
Rents and royalties				-	47,106	47,106
Unrestricted investment earnings				28,090,568	1,103,865	29,194,433
Payments from the State of Georgia				89,415,292	-	89,415,292
Transfers				4,407,872	(4,407,872)	-
Total general revenues and transfers				<u>121,913,732</u>	<u>(3,256,901)</u>	<u>118,656,831</u>
Change in net assets				(241,214,698)	4,751,768	(236,462,930)
Net assets, beginning of year				(506,347,756)	20,841,319	(485,506,437)
Net assets, end of year				<u>\$ (747,562,454)</u>	<u>\$ 25,593,087</u>	<u>\$ (721,969,367)</u>

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

STATE ROAD AND TOLLWAY AUTHORITY

BALANCE SHEET GOVERNMENTAL FUND JUNE 30, 2007

	<u>General Fund</u>
ASSETS	
Cash and cash equivalents	\$ 507,813,057
Cash and cash equivalents - restricted:	
Guaranteed revenue bond covenant accounts	42,143,259
Investments	998,750
Prepaid items	14,738
Other assets	276,548
Total assets	<u>\$ 551,246,352</u>
LIABILITIES AND FUND BALANCE	
LIABILITIES	
Accounts payable	\$ 228,701
Commercial paper payable	45,000,000
Other liabilities	195,615
Interfund payable	221,754,272
Total liabilities	<u>\$ 267,178,588</u>
FUND BALANCE	
Fund balance:	
Unreserved	<u>284,067,764</u>
Total liabilities and fund balance	<u>\$ 551,246,352</u>

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

STATE ROAD AND TOLLWAY AUTHORITY

RECONCILIATION OF THE BALANCE SHEET- GOVERNMENTAL FUND TO THE STATEMENT OF NET ASSETS JUNE 30, 2007

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

Total fund balance - governmental fund \$ 284,067,764

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:

Land	10,415,915
Land Improvements	9,377

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	(568,655,000)
Premium on guaranteed revenue bonds payable	(32,633,606)
Less: Amortization of premium on guaranteed revenue bonds payable	7,152,911
Grant anticipation revenue bonds payable	(341,135,000)
Premium on grant anticipation revenue bonds payable	(18,845,950)
Less: Amortization of premium on grant anticipation revenue bonds payable	2,193,949
Reimbursement revenue bonds payable	(85,080,000)
Premium on reimbursement revenue bonds payable	(1,121,074)
Less: Amortization of premium on reimbursement revenue bonds payable	131,104
Deferred charges	7,546,506
Less: Amortization of bond issuance costs	(1,307,322)
Accrued interest payable	(10,302,028)

Net assets of governmental activities \$ (747,562,454)

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

STATE ROAD AND TOLLWAY AUTHORITY

STATEMENT OF REVENUES, EXPENDITURES AND GOVERNMENTAL FUND CHANGES IN FUND BALANCE FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	<u>General Fund</u>
REVENUES	
Interest and other investment income	\$ 27,949,312
Intergovernmental revenue	244,160
Other income	141,256
Total revenue	<u>28,334,728</u>
EXPENDITURES	
Current:	
General government	7,116,539
Debt service:	
Principal	47,955,000
Interest	48,748,703
Total expenditures	<u>103,820,242</u>
Deficiency of revenues under expenditures	<u>(75,485,514)</u>
OTHER FINANCING SOURCES (USES)	
Proceeds from issuance of debt	469,967,024
Transfers in	93,823,164
Transfers out	(312,714,091)
Total other financing sources (uses)	<u>251,076,097</u>
Net change in fund balance	175,590,583
FUND BALANCE, beginning of year	<u>108,477,181</u>
FUND BALANCE, end of year	<u>\$ 284,067,764</u>

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, 2007

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

Net change in fund balance - governmental fund \$ 175,590,583

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 expense exceeded capital outlays in the current period. (1,815)

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:

Proceeds from issuance of debt	(450,000,000)
Premium on Grant Anticipation Revenue Bonds	(18,845,950)
Premium on Reimbursement Revenue Bonds	(1,121,074)
Grant Anticipation Revenue Bonds Principal Retirement	18,865,000
Reimbursement Revenue Bonds Principal Retirement	4,920,000
Guaranteed Revenue Bonds Principal Retirement	24,170,000
Accrued Interest	(1,481,335)

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:

Grant Anticipation Revenue Bonds Issuance Costs	2,503,754
Reimbursement Revenue Bonds Issuance Costs	608,986
Amortization of Premium of Grant Anticipation Revenue Bonds Payable	2,193,949
Amortization of Premium of Reimbursement Revenue Bonds Payable	131,104
Amortization of Premium of Guaranteed Revenue Bonds Payable	1,631,681
Amortization of Grant Anticipation Revenue Bonds Issuance Costs	(127,002)
Amortization of Reimbursement Revenue Bonds Issuance Costs	(30,891)
Amortization of Guaranteed Revenue Bonds Issuance Costs	(221,688)

Change in net assets of governmental activities \$ (241,214,698)

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

STATE ROAD AND TOLLWAY AUTHORITY

STATEMENT OF NET ASSETS PROPRIETARY FUND JUNE 30, 2007

	<u>Georgia 400 Project</u>
ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	\$ 6,813,266
Accounts receivable (net of allowance for uncollectibles)	55,462
Inventory	857,900
Due from other fund	<u>8,447,189</u>
Total current assets	<u>16,173,817</u>
NONCURRENT ASSETS	
Restricted:	
Cash and cash equivalents:	
Customer deposits	56,738
Guaranteed refunding revenue bond covenant accounts	8,802
Investments:	
Guaranteed refunding revenue bond covenant accounts	22,964,441
Total restricted assets	<u>23,029,981</u>
Estate for years, net	<u>26,739,945</u>
Capital assets:	
Depreciable, net of accumulated depreciation	<u>2,624,693</u>
Total capital assets	<u>2,624,693</u>
Total noncurrent assets	<u>29,364,638</u>
Total assets	<u>\$ 68,568,436</u>

Georgia 400 Project

CURRENT LIABILITIES

Accounts payable	\$ 54,490
Accrued liabilities	420,522
Current liabilities payable from restricted assets:	
Deferred revenue	2,909,104
Customer deposits payable	113,385
Accrued interest payable	937,923
Guaranteed refunding revenue bonds payable	7,200,000
	<hr/>
Total current liabilities payable from restricted assets	11,160,412

NONCURRENT LIABILITIES

Guaranteed refunding revenue bonds payable	32,395,000
Unamortized premium on guaranteed refunding revenue bonds	422,142
Deferred amount of refunding	(1,477,217)
	<hr/>
Total noncurrent liabilities	31,339,925
	<hr/>
Total liabilities	42,975,349

NET ASSETS

Invested in capital assets	2,624,693
Unrestricted	22,968,394
	<hr/>
Total net assets	\$ 25,593,087

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 FUND FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	<u>Georgia 400 Project</u>
OPERATING REVENUES	
Charges for sales and services	
Administrative fees	\$ 723,194
Toll fees	
Cash tolls	12,771,687
Cruise cards	7,359,444
Total charges for sales and services	<u>20,854,325</u>
Rents and royalties	
Rental income	<u>47,106</u>
Total operating revenues	<u>20,901,431</u>
OPERATING EXPENSES	
Personnel costs	1,627,476
Repairs and maintenance	625,087
Depreciation	791,479
Amortization	4,957,694
Other operating expenses	2,967,859
Total operating expenses	<u>10,969,595</u>
Operating income	<u>\$ 9,931,836</u>
NONOPERATING REVENUES (EXPENSES)	
Interest income	\$ 1,103,865
Bond interest expense	(1,876,061)
Total nonoperating revenues (expenses)	<u>(72,196)</u>
Income before transfers	9,159,640
Transfers out	<u>(4,407,872)</u>
Change in net assets	<u>4,751,768</u>
NET ASSETS, beginning of year	<u>20,841,319</u>
NET ASSETS, end of year	<u>\$ 25,593,087</u>

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

STATE ROAD AND TOLLWAY AUTHORITY

STATEMENT OF CASH FLOWS PROPRIETARY FUND FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	<u>Georgia 400 Project</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 22,845,766
Cash paid to vendors	(4,771,467)
Cash paid to employees	(1,633,473)
	<hr/>
Net cash provided by operating activities	16,440,826
	<hr/>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers to other fund	(4,407,872)
	<hr/>
Net cash used in noncapital financing activities	(4,407,872)
	<hr/>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition and construction of capital assets	(52,701)
Interest paid on guaranteed refunding revenue bonds	(2,017,818)
Principal paid on guaranteed refunding revenue bonds	(6,915,000)
	<hr/>
Net cash used in capital and related financing activities	(8,985,519)
	<hr/>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of investment securities	(23,889,688)
Proceeds from sale and maturity of investments	22,035,094
Investment income received	1,103,865
	<hr/>
Net cash used in investing activities	(750,729)
	<hr/>
Net increase in cash and cash equivalents	2,296,706
Cash and cash equivalents, beginning of year	4,582,100
	<hr/>
Cash and cash equivalents, end of year	\$ 6,878,806
	<hr/> <hr/>
Reconciliation of ending cash and cash equivalents to Statement of Net Assets - Proprietary Fund	
Current Assets:	
Cash and cash equivalents	\$ 6,813,266
Noncurrent Assets (Restricted):	
Cash and cash equivalents	56,738
Deposits	8,802
	<hr/>
Total	\$ 6,878,806
	<hr/> <hr/>

Georgia 400 Project

**Reconciliation of operating income to net cash
provided by operating activities:**

Operating income	\$	9,931,836
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation		791,479
Amortization		4,957,694
Changes in assets and liabilities:		
Increase in inventory		(777,626)
Increase in accounts receivable		(24,246)
Decrease in due from other fund		2,025,300
Decrease in liabilities (other than customer deposits)		(400,895)
Decrease in customer deposits payable		(11,405)
Decrease in funds held for others		(5,997)
Decrease in deferred revenues		(45,314)
		<hr/>
Net cash provided by operating activities	\$	<u>16,440,826</u>

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

STATE ROAD AND TOLLWAY AUTHORITY

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2007

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. Administrative services are provided to the Authority by the Georgia Department of Transportation (GDOT). The Authority is considered a component unit of the State of Georgia for financial reporting purposes because of the significance of its legal, operational and financial relationships with the State of Georgia. These reporting entity relationships are defined in Section 2100 of the Governmental Accounting Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting Standards.

B. Basis Of Presentation

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

Government-Wide Financial Statements

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

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

NOTES TO FINANCIAL STATEMENTS

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 a single proprietary fund. Separate financial statements are provided for the governmental fund and proprietary fund.

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 GDOT.

The Authority reports the following major proprietary fund:

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

NOTES TO FINANCIAL STATEMENTS

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

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

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities and Net Assets

Cash and Cash Equivalents

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

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

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

Investments

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

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities and Net Assets (Continued)

Investments (Continued)

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

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

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

Inventory

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

Accounts Receivable

Accounts receivable arising from operations of the Georgia 400 Project are reported net of an allowance for uncollectibles in the amount of \$11,148.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities and Net Assets (Continued)

Deferred Charges

Unamortized Bond Issuance Costs for the Series 2001 Guaranteed Revenue Bonds, the Series 2003 Guaranteed Revenue Bonds, the Series 2006 Grant Anticipation Revenue Bonds and the Series 2006 Reimbursement Revenue Bonds are recorded as deferred charges at June 30, 2007.

Restricted Assets

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

In addition, restricted assets include customer deposits paid to the Authority.

Estate for Years

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

The asset "Estate for Years" is amortized over the payoff period of the refunding revenue bonds. The amortization expense each year is based on the percentage of refunding revenue bonds redeemed in that year to total bonds issued multiplied by the original asset amount of \$67,508,129. This amortization method corresponds to the revenue stream projected during the payoff period of the refunding revenue bonds. The amortization expense recognized for the fiscal year 2007 was \$4,669,951, which reduced the "Estate for Years" to \$26,739,945 as of June 30, 2007.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities and Net Assets (Continued)

Capital Assets

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

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

<u>Assets</u>	<u>Years</u>
Building and Building Improvements	7-20
Improvements Other Than Buildings	7-18
Machinery and Equipment	3-9

Compensated Absences

It is the Authority's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the Authority does not have a policy to pay any amounts when employees separate from service with the government. All vacation pay is accrued and paid when incurred in the government-wide and fund financial statements. These amounts are paid when incurred due to the Georgia Department of Transportation (GDOT) performing certain administrative functions for the Authority (see note 1, A. Reporting Entity). The Authority reimburses the GDOT on a monthly basis for administrative expenses, including salaries and accrued vacation leave.

NOTES TO FINANCIAL STATEMENTS

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. Bonds payable are reported net of the applicable bond premium, discount and deferred amount on refunding. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

Net Assets

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities and Net Assets (Continued)

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

Fund Equity

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

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

NOTE 2. BUDGET

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

NOTE 3. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Compliance With Bond Covenants

The Authority is subject to certain covenants with regard to the issuance of the Series 1998 Guaranteed Refunding Revenue Bonds (Georgia 400 Project), the Series 2001 Guaranteed Revenue Bonds (Governor's Transportation Choices Initiative), the Series 2003 Guaranteed Revenue Bonds, the Series 2006 Grant Anticipation Revenue Bonds, and the 2006 Reimbursement Revenue Bonds.

NOTES TO FINANCIAL STATEMENTS

NOTE 3. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)

Compliance With Bond Covenants (Continued)

Funds of the State of Georgia cannot be placed in a depository paying interest longer than 10 days without the depository providing a surety bond to the state. In lieu of a surety bond, the depository may pledge as collateral any one or more of the following securities as enumerated in the Official Code of Georgia Annotated (OCGA) Section 50-17-59:

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

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

NOTES TO FINANCIAL STATEMENTS

NOTE 4. DEPOSITS AND INVESTMENTS

At June 30, 2007, the Authority had the following investments:

<u>Investment</u>	<u>Maturities</u>	<u>Fair Value</u>
FNMA Global Notes	November 20, 2008	\$ 998,750
U.S. Treasury	October 31, 2011	22,964,441
Total		<u>\$ 23,963,191</u>

Credit risk. As of June 30, 2007, the Authority's FNMA Global Note investments were rated AAA by Standard & Poor's.

Interest Rate Risk. Interest rate risk is the risk that changes in interest rates may adversely affect an investment's fair value. Since the price of a bond fluctuates with market interest rates, the risk that an investor faces is that the price of the bond held in a portfolio will decline if market interest rates rise. At June 30, 2007, interest rate risk is reported in the above table as "Maturities" for each investment classification.

Custodial credit risk – deposits. Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. State statutes require all deposits and investments (other than federal or state government instruments) to be collateralized by depository insurance, obligations of the U.S. government, or bonds of public authorities, counties, or municipalities. As of June 30, 2007, the Authority's bank balance of \$26,622,258 was uninsured and uncollateralized.

NOTES TO FINANCIAL STATEMENTS

NOTE 5. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2007, was as follows:

	<u>Balance</u> <u>June 30, 2006</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2007</u>
Governmental Activities:				
Capital Assets Not Being Depreciated:				
Land	\$ 10,415,915	\$ -	\$ -	\$ 10,415,915
Capital Assets Being Depreciated:				
Land Improvements	12,704	-	-	12,704
Less Accumulated Depreciation For:				
Land Improvements	(1,512)	(1,815)	-	(3,327)
Total Accumulated Depreciation	<u>(1,512)</u>	<u>(1,815)</u>	<u>-</u>	<u>(3,327)</u>
Total Capital Assets Being Depreciated, Net	<u>11,192</u>	<u>(1,815)</u>	<u>-</u>	<u>9,377</u>
Total Governmental Activities Capital Assets	<u>\$ 10,427,107</u>	<u>\$ (1,815)</u>	<u>\$ -</u>	<u>\$ 10,425,292</u>
	<u>Balance</u> <u>June 30, 2006</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2007</u>
Business-type Activities:				
Capital Assets Being Depreciated:				
Buildings	\$ 4,938,197	\$ -	\$ -	\$ 4,938,197
Improvements Other than Buildings	2,484,921	32,390	-	2,517,311
Machinery and Equipment	4,766,776	20,311	-	4,787,087
Computer Software	685,429	-	-	685,429
Total Capital Assets Being Depreciated	<u>12,875,323</u>	<u>52,701</u>	<u>-</u>	<u>12,928,024</u>
Less Accumulated Depreciation For:				
Buildings	(3,535,776)	(289,619)	-	(3,825,395)
Improvements Other than Buildings	(1,808,075)	(135,981)	-	(1,944,056)
Machinery and Equipment	(4,012,964)	(267,960)	-	(4,280,924)
Computer Software	(155,037)	(97,919)	-	(252,956)
Total Accumulated Depreciation	<u>(9,511,852)</u>	<u>(791,479)</u>	<u>-</u>	<u>(10,303,331)</u>
Total Capital Assets Being Depreciated, Net	<u>3,363,471</u>	<u>(738,778)</u>	<u>-</u>	<u>2,624,693</u>
Total Business-type Activities Capital Assets	<u>\$ 3,363,471</u>	<u>\$ (738,778)</u>	<u>\$ -</u>	<u>\$ 2,624,693</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 6. INTERFUND PAYABLES AND TRANSFERS

The composition of transfers during fiscal year 2007 is as follows:

	General Fund	Enterprise Fund Georgia 400 Project Fund	Total
Transfers In:			
Interfund	\$ 4,407,872	\$ -	\$ 4,407,872
GDOT	89,415,292	-	89,415,292
	93,823,164	-	93,823,164
Transfers Out:			
Interfund	-	4,407,872	4,407,872
GDOT	312,714,091	-	312,714,091
	312,714,091	4,407,872	317,121,963
Total Transfers	\$ (218,890,927)	\$ (4,407,872)	\$ (223,298,799)

In the fund financial statements, total transfers out are greater than total transfers in because of transfers between the General Fund and the Georgia Department of Transportation (GDOT). The transfers out to the GDOT in the amount of \$312,714,091 were transferred from the proceeds of the Guaranteed Revenue Bonds, Series 2001 and Series 2003, the Series 2006 Reimbursement Revenue Bonds, and the Series 2006 Grant Anticipation Revenue Bonds to reimburse the GDOT for the construction costs related to various transportation projects. At June 30, 2007, \$213,307,083 of the total amount transferred to the GDOT is reported as an interfund payable in the Statement of Net Assets and on the Governmental Fund Balance Sheet. At June 30, 2007, the Authority's General Fund reported an interfund payable to the Georgia 400 Project Fund of \$8,447,189.

NOTE 7. COMMERCIAL PAPER

On August 31, 2006, the Authority was authorized to issue and sell a maximum of \$150,000,000 aggregate principal amount of Federal Highway Reimbursement Revenue Commercial Paper Notes, Series A with an initial issuance of \$50,000,000. Maturities are up to 270 days from date of issue. As of year-end, the Authority only received the initial \$50,000,000 of which \$5,000,000 was repaid prior to year-end. The commercial paper notes were issued to provide interim or short-term financing for the planning, engineering, design, acquisition, and construction of various transportation projects.

NOTES TO FINANCIAL STATEMENTS

NOTE 7. COMMERCIAL PAPER (CONTINUED)

Commercial paper is issued as federal tax-exempt notes. The commercial paper notes are sold at par as interest-bearing obligations with a minimum of \$100,000 principal and in minimum denominations of \$5,000.

As of June 30, 2007, the Authority had \$45,000,000 in commercial paper obligations recorded as a liability in the General Fund of the Authority. Short-term debt activity for the year ended June 30, 2007, was as follows:

	June 30, 2006	Increases	Decreases	June 30, 2007
Governmental activities:				
Commercial paper payable	\$ -	\$ 50,000,000	\$ (5,000,000)	\$ 45,000,000
Total governmental activities				
short-term debt	\$ -	\$ 50,000,000	\$ (5,000,000)	\$ 45,000,000

NOTE 8. 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, 2007, are as follows:

Fiscal Year Ended June 30		
2008	\$	241,543
2009		24,089
2010		8,009
Total Minimum Commitments	\$	273,641

Expenditures for rental of real property and equipment under operating leases for the year ended June 30, 2007, totaled \$568,913.

Lessor Agreements

The Authority leases certain parcels of land for use by others for varying terms. The leases are accounted for as operating leases and revenues are recorded when earned. Revenue derived from these leases during fiscal year 2007 amounted to \$47,106. Minimum future rentals to be received under operating leases as of June 30, 2007, are as follows:

NOTES TO FINANCIAL STATEMENTS

NOTE 8. OPERATING LEASES (CONTINUED)

Lessor Agreements (Continued)

Fiscal Year Ended June 30

	2008	\$	37,378	
	2009		37,378	
	2010		37,378	
	2011		37,378	
	2012		37,378	
			37,378	
Total Minimum Commitments		\$	186,890	

NOTE 9. LONG-TERM DEBT

Long-term obligations at June 30, 2007, and changes for the fiscal year then ended are as follows:

	<u>June 30, 2006</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2007</u>	<u>Amount Due Within One Year</u>
Governmental activities:					
Guaranteed revenue bonds, series 2001	\$ 303,370,000	\$ -	\$ (13,845,000)	\$ 289,525,000	\$ 14,570,000
Premium on guaranteed revenue bonds	7,521,957	-	(501,464)	7,020,493	-
Guaranteed revenue bonds, series 2003	289,455,000	-	(10,325,000)	279,130,000	10,750,000
Premium on guaranteed revenue bonds	19,590,419	-	(1,130,217)	18,460,202	-
Grant anticipation revenue bonds, series 2006	-	360,000,000	(18,865,000)	341,135,000	24,030,000
Premium on grant anticipation revenue bonds	-	18,845,950	(2,193,949)	16,652,001	-
Reimbursement revenue bonds, series 2006	-	90,000,000	(4,920,000)	85,080,000	6,270,000
Premium on reimbursement revenue bonds	-	1,121,074	(131,104)	989,970	-
Governmental activities long-term liabilities	<u>\$ 619,937,376</u>	<u>\$ 469,967,024</u>	<u>\$ (51,911,734)</u>	<u>\$ 1,037,992,666</u>	<u>\$ 55,620,000</u>

	<u>June 30, 2006</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2007</u>	<u>Amount Due Within One Year</u>
Business-type activities					
Bonds payable					
Guaranteed refunding					
Guaranteed refunding revenue bonds, series 1998	\$ 46,510,000	\$ -	\$ (6,915,000)	\$ 39,595,000	\$ 7,200,000
Premium on guaranteed refunding revenue bonds	537,271	-	(115,129)	422,142	-
Deferred amount on refunding	(1,880,090)	-	402,873	(1,477,217)	-
Business-type activities long-term liabilities	<u>\$ 45,167,181</u>	<u>\$ -</u>	<u>\$ (6,627,256)</u>	<u>\$ 38,539,925</u>	<u>\$ 7,200,000</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 9. LONG-TERM DEBT (CONTINUED)

Revenue Bonds

Governmental Activities

On December 1, 2001, the Authority issued \$350,000,000 of State of Georgia Guaranteed Revenue Bonds, Series 2001, for the purposes of (1) financing a portion of the Governor's Road Improvement Program, which consists of additions, extensions and improvements to the portion of the state's highway system known as the Developmental Highway System, and to finance certain other road and bridge projects both on and off the state's highway system and (2) to pay the costs of issuance of the bonds. Interest on these bonds is payable semiannually on March 1 and September 1 of each year with interest rates ranging from 2.5% to 5.375%. These bonds mature on March 1, 2021. As of June 30, 2007, the outstanding principal balance is \$289,525,000. These bonds are secured by the amount of net proceeds of motor fuel tax provided for in a joint resolution of the State Transportation Board and the State Road and Tollway Authority. Further, the State of Georgia has guaranteed the full payment of the bonds and the interest thereon in accordance with the Constitution of the State of Georgia and has reserved \$31,141,972 in the State of Georgia guaranteed revenue debt common reserve fund that is on deposit at the Office of Treasury and Fiscal Services.

On October 1, 2003, the Authority issued \$309,140,000 of State of Georgia Guaranteed Revenue Bonds, Series 2003, for the purposes of (1) paying costs of certain road and bridge projects of the State of Georgia, (2) initially funding approximately five months of interest on the bonds, and (3) paying the costs of issuing the bonds. Interest on these bonds is payable semiannually on April 1 and October 1 of each year with interest rates ranging from 2.25% to 5.0%. These bonds mature on March 1, 2023. As of June 30, 2007, the outstanding principal balance is \$279,130,000. These bonds are secured by the amount of net proceeds of motor fuel tax provided for in a joint resolution of the State Transportation Board and the State Road and Tollway Authority. Further, the State of Georgia has guaranteed the full payment of the bonds and the interest thereon in accordance with the Constitution of the State of Georgia and has reserved \$25,679,028 in the State of Georgia Guaranteed Revenue Debt Common Reserve Fund that is on deposit at the Office of Treasury and Fiscal Services.

NOTES TO FINANCIAL STATEMENTS

NOTE 9. LONG-TERM DEBT (CONTINUED)

Governmental Activities (Continued)

On August 8, 2006, the Authority issued Federal Highway Grant Anticipation Revenue Bonds Series 2006 and Federal Highway Reimbursement Revenue Bonds Series 2006 in the amounts of \$360,000,000 and \$90,000,000, respectively. These bond proceeds will be used for the purpose of providing funds for an approved land public transportation project in the State of Georgia. Interest on these bonds is payable semiannually on June 1 and December 1 of each year, commencing on December 1, 2006 with interest rates ranging from 3.70% to 5.00%. Principal on these bonds is payable on June 1 of each year commencing on June 1, 2007 and maturing on June 1, 2018. As of June 30, 2007, the outstanding principal balances for the Series 2006 Grant Anticipation Revenue Bonds and the Series 2006 Reimbursement Revenue Bonds are \$341,135,000 and \$85,080,000, respectively.

Business-Type Activities

On February 1, 1998, the Authority issued \$89,020,000 of State of Georgia Guaranteed Refunding Revenue Bonds (Georgia 400 Project), Series 1998, for the purpose of financing a portion of the costs of acquiring, constructing and maintaining the Georgia 400 Project. Interest on these bonds is payable semiannually on January 1 and July 1 of each year with interest rates ranging from 3.50% to 5.00%. These bonds mature on July 1, 2011. As of June 30, 2007, the outstanding principal balance is \$39,595,000. The toll revenues to be generated from the usage of the Georgia 400 Project secure these bonds. Further, the State of Georgia has guaranteed the full payment of the bonds and the interest thereon in accordance with the Constitution of the State of Georgia and has reserved \$9,551,531 in the State of Georgia Guaranteed Revenue Debt Common Reserve Fund, which is on deposit at the Office of Treasury and Fiscal Services.

NOTES TO FINANCIAL STATEMENTS

NOTE 9. LONG-TERM DEBT (CONTINUED)

Revenue bonds outstanding at June 30, 2007, are as follows:

<u>Bond Issue</u>	<u>Purpose</u>	<u>Interest Rate</u>	<u>Amount</u>
Governmental activities			
Guaranteed Revenue Bonds, Series 2001	Governor's road improvement program	2.50 - 5.375%	\$ 289,525,000
Guaranteed Revenue Bonds, Series 2003	Improvement of roads and bridges	2.25 - 5.00%	279,130,000
Federal Highway Grant Anticipation Revenue Bonds, Series 2006	Improvement of roads and bridges	3.80 - 5.00%	341,135,000
Federal Highway Reimbursement Revenue Bonds, Series 2006	Improvement of roads and bridges	3.70 - 5.00%	85,080,000
			<u>\$ 994,870,000</u>
Business-type activities			
Guaranteed Refunding Revenue Bonds, Series 1998	Georgia 400 Project	3.50 - 5.00%	<u>\$ 39,595,000</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 9. LONG-TERM DEBT (CONTINUED)

Revenue bond debt service requirements to maturity are as follows:

<u>Fiscal Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Governmental Activities			
2008	\$ 55,620,000	\$ 49,290,825	\$ 104,910,825
2009	58,240,000	46,673,205	104,913,205
2010	61,055,000	43,857,480	104,912,480
2011	64,130,000	40,783,063	104,913,063
2012	67,310,000	37,600,674	104,910,674
2013-2017	391,050,000	133,511,941	524,561,941
2018-2022	251,005,000	40,303,869	291,308,869
2023-2024	46,460,000	2,352,000	48,812,000
	<u>\$ 994,870,000</u>	<u>\$ 394,373,057</u>	<u>\$ 1,389,243,057</u>

<u>Fiscal Year Ended June 30</u>	<u>Guaranteed Refunding Revenue Bonds, Series 1998</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Business-type activities			
2008	\$ 7,200,000	\$ 1,695,845	\$ 8,895,845
2009	7,560,000	1,357,058	8,917,058
2010	7,880,000	1,001,325	8,881,325
2011	8,270,000	597,575	8,867,575
2012	8,685,000	195,413	8,880,413
	<u>\$ 39,595,000</u>	<u>\$ 4,847,216</u>	<u>\$ 44,442,216</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 10. 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 11. 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, 2007.

For its employee health insurance coverage, the Authority is a participant in the State of Georgia's Health Benefit Plan (the "Plan"), a public entity risk pool operated by the state for the benefit of employees of the State of Georgia, county governments and local education agencies located within the state. The Plan is funded by participants covered in the Plan, by employers' contributions paid by the various units of government participating in the Plan, and appropriations by the General Assembly of Georgia. The State Personnel Board, Merit System of Personnel Administration, which administers the Plan, has contracted with Blue Cross Blue Shield of Georgia to process claims in accordance with the Plan as established by the State Personnel Board. Financial information relative to the Plan is presented in the financial report of the State Personnel Board, Merit System of Personnel Administration for the year ended June 30, 2007.

NOTES TO FINANCIAL STATEMENTS

NOTE 12. RETIREMENT SYSTEMS

Employees' Retirement System of Georgia

Plan Description

The Authority participates in the Employees' Retirement System of Georgia ("ERS"), a single-employer, defined benefit plan established by the Georgia General Assembly for the purpose of providing retirement allowances for employees of the State of Georgia. Financial statements and required information for ERS may be obtained from the Employees' Retirement System of Georgia.

Benefits

The benefit structure of ERS was significantly modified on July 1, 1982. Unless elected 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. All other members are "new Plan" members subject to the modified Plan provisions.

Under both the old plan and the new plan, members become vested after ten (10) years of creditable service. A member may retire and receive normal retirement benefits after completion of ten (10) years of creditable service and attainment of age sixty-five (65). If ten (10) years of service is completed and age sixty (60) is reached, the member may retire with a reduced benefit. Additionally, there are certain provisions allowing for retirement after twenty-five (25) years of service regardless of age.

Retirement benefits paid to members are based upon a formula which considers the monthly average of the member's highest twenty-four (24) consecutive calendar months of salary, the number of years of creditable service, and the member's age at retirement. Postretirement cost-of-living adjustments are also made to members' benefits. 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.

NOTES TO FINANCIAL STATEMENTS

NOTE 12. RETIREMENT SYSTEMS (CONTINUED)

Employees' Retirement System of Georgia (Continued)

In addition, the ERS Board of Trustees created the Supplemental Retirement Benefit Plan (SRBP) effective January 1, 1998. The SRBP 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 SRBP is to provide retirement benefits to employees covered by ERS whose benefits are otherwise limited by IRC 415.

The ERS issues a financial report each fiscal year which may be obtained through ERS.

Funding Policy

As established by state statute, all full-time employees of the State of Georgia and its political subdivision, who are not members of other state retirement systems, are eligible to participate in the ERS. Both employer and employee contributions are established by state statute. The Authority's payroll for the year ended June 30, 2007, for employees covered by ERS was \$2,309,981. The Authority's total payroll for all employees was \$2,335,846.

Under the old plan, member contributions consist of four percent (4%) of annual compensation up to \$4,200 and six percent (6%) of annual compensation in excess of \$4,200. Of these member contributions, the employee pays the first one and one-quarter percent (1.25%) and the employer pays the remainder on behalf of the employee. Under the new plan, member contributions consist solely of one and one-quarter percent (1.25%) of annual compensation paid by employee. The Authority also is required to contribute at a specified percentage of active member payroll determined annually by actuarial valuation. For the year ended June 30, 2007, the ERS employer contribution rate for the Authority amounted to 10.41% of covered payroll and included the amounts contributed on behalf of the employee under the old plan referred to above. Employer contributions are also made on amounts paid for accumulated leave to retiring employees.

NOTES TO FINANCIAL STATEMENTS

NOTE 12. RETIREMENT PLANS (CONTINUED)

Employees' Retirement System of Georgia (Continued)

Funding Policy (Continued)

Employer contributions made to the plan during fiscal year 2007 amounted to \$221,694. These contributions met the requirements of the plan. Employee contributions were not available. There is no net pension obligation for the plan. Employer contributions (annual pension cost) for the current fiscal year and the preceding two fiscal years are as follows:

<u>Fiscal Year</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
2007	\$ 221,694	100%	N/A
2006	225,668	100%	N/A
2005	219,797	100%	N/A

The required contribution for 2007 was determined as part of the June 30, 2006 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included (a) 7.5% investment rate of return, (b) projected salary increases ranging from 5.45% to 9.25% per year. Both (a) and (b) included an inflation component of 3.75%. The assumptions did not include postretirement cost-of-living adjustments. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The employer contributions are projected to liquidate the actuarial accrued funding excess within 10 years based upon the actuarial valuation at June 30, 2006.

Actuarial and Trend Information

Actuarial and historical trend information was obtained from the ERS' Report of the Actuary on the Valuation prepared as of June 30, 2006 (issued June 28, 2007 relative to fiscal year 2007) which may be obtained through ERS.

NOTES TO FINANCIAL STATEMENTS

NOTE 13. POSTEMPLOYMENT BENEFITS

In addition to the pension benefits described in Note 12, the State of Georgia provides postretirement health care benefits through the State Health Benefit Plan to retirees pursuant to OCGA Section 45-18. An individual eligible for these benefits must have been a full time employee at the time of retirement of either the State of Georgia or a county social service agency and must be receiving monthly retirement benefits from either the ERS or a county employees' retirement system. The State Health Benefit Plan (Plan) is a public entity risk pool funded by employee and employer contributions. Employees and retirees subject to the Plan contribute amounts determined by the Department of Community Health for various health insurance plans.

The various agencies of the state contribute to the health insurance fund based upon amounts recommended by the Department of Community Health and set forth in the State of Georgia's Appropriations Act. The plan is funded on a "pay-as-you-go" basis. Expenses of the Plan include provisions for incurred but not reported claims. The portion of employer contributions and expenses attributable to postretirement health care benefits cannot be reasonably estimated.

NOTE 14. LEAVE POLICIES

Employees earn 10 hours of sick leave each month with a maximum accumulation of 90 days. Unused accumulated sick leave does not vest with the employee and is forfeited upon retirement or termination of employment.

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 45 days. 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 15. CONTINGENCIES

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, 2007.

NOTES TO FINANCIAL STATEMENTS

NOTE 16. SUBSEQUENT EVENTS

Subsequent to June 30, 2007, the Board of the State Road and Tollway Authority approved a resolution requesting approval from the Georgia State Financing and Investment Commission to issue up to \$600,000,000 of additional Grant Anticipation Revenue Bonds.

STATE ROAD AND TOLLWAY AUTHORITY

CASH AND CASH EQUIVALENTS SCHEDULE FOR THE FISCAL YEAR ENDED JUNE 30, 2007

INTEREST BEARING ACCOUNTS

Bank of America, N.A., Atlanta, Georgia	\$	11,781,848
The Bank of New York, Atlanta, Georgia		
Cash Investing Accounts		
Guaranteed Refunding Revenue Bond Covenant Accounts		
Debt Retirement Fund	\$	103
Operating and Maintenance Fund		483
Rebate Fund		4,028
Resurfacing Fund		1,612
Revenue Fund Investment		42
Sinking Fund Interest		1,097
Sinking Fund Principal		1,235
Toll Facility Removal Fund		203
Money Market Accounts		
Reimbursement Revenue Bonds	1,106,802	
Grant Anticipation Revenue Bonds	1,474	1,117,079
Wachovia Bank, N.A., Charlotte, North Carolina		
Cash Investment Accounts		
Guaranteed Revenue Bond Covenant Accounts		
Bid Good Faith Fund	81,794	
US Bank		
Money Market Accounts		
Guaranteed Revenue Bond Covenant Accounts		
Project Fund	11,407,737	
Project Fund	17,860	
Project Fund	6,071,327	
Sinking Fund	13,810,083	31,388,801
Funds on Deposit with Office of Treasury and Fiscal Services		
Georgia 400 Investment Fund		19,694,757
Sinking Fund Investment		10,754,459
Reimbursement Revenue Bonds		85,644,441
Grant Anticipation Revenue Bonds		356,102,899
Series A Commercial Paper		40,302,466
		\$ 556,786,750
OTHER		
Cash on Hand		48,372
		\$ 556,835,122

STATE ROAD AND TOLLWAY AUTHORITY

**INVESTMENTS SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

<u>FUND/INVESTMENT TYPE</u>	<u>PURCHASE DATE</u>	<u>MATURITY DATE</u>		
<u>GENERAL FUND</u>				
Unrestricted				
Funds Held at Bank of America				
FNMA Global Notes	November 20, 2006	November 20, 2008	\$ 998,750	\$ 998,750
<u>GEORGIA 400 PROJECT</u>				
Restricted				
Funds Held by Guaranteed				
Revenue Bond Trustee				
The Bank of New York,				
Atlanta, Georgia				
Toll Facility Removal Fund				
U.S. Treasury Bill	May 25, 2007	November 23, 2007	553,928	
U.S. Treasury Bill	June 28, 2007	July 19, 2007	20,953	
			<u>574,881</u>	
Sinking Fund Interest				
U.S. Treasury Bill	June 29, 2007	July 27, 2007	784,712	
U.S. Treasury Bill	June 26, 2007	July 2, 2007	155,875	
			<u>940,587</u>	
Sinking Fund Principal				
U.S. Treasury Bill	June 29, 2007	July 27, 2007	6,616,573	
U.S. Treasury Bill	June 26, 2007	July 2, 2007	599,520	
			<u>7,216,093</u>	
Resurfacing Fund				
U.S. Treasury Bill	June 29, 2007	July 27, 2007	5,126,120	
U.S. Treasury Bill	June 26, 2007	July 2, 2007	110,911	
			<u>5,237,031</u>	
Rebate Fund				
U.S. Treasury Bill	August 1, 2005	June 30, 2007	73,503	
Maintenance Fund				
U.S. Treasury Notes	June 22, 2007	July 19, 2007	1,799,518	
Debt Retirement Fund				
U.S. Treasury Bill	November 15, 2006	October 31, 2011	7,122,828	22,964,441
				<u>\$ 23,963,191</u>



**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 (the "Authority"), a component unit of the State of Georgia, as of and for the year ended June 30, 2007, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated August 14, 2007. 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 the *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 Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described in the accompanying schedule of findings and responses as items 2007-1 through 2007-5 to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider items 2007-1 through 2007-5 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 noted certain matters that we reported to management of the Authority in a separate letter dated August 14, 2007.

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

This report is intended solely for the information and use of the members of the State Road and Tollway Authority, management, others within the organization, and the Georgia Department of Audits and Accounts, and is not intended to be and should not be used by anyone other than these specified parties.

Mauldin & Jenkins, LLC

Macon, Georgia
August 14, 2007

STATE ROAD AND TOLLWAY AUTHORITY

SCHEDULE OF FINDINGS AND RESPONSES JUNE 30, 2007

SECTION I SUMMARY OF AUDIT RESULTS

Financial Statements

Type of auditor's report issued Unqualified

Internal control over financial reporting:
Material weaknesses identified? yes no

Significant deficiencies identified not considered
to be material weaknesses? yes none reported

Noncompliance material to financial statements noted? yes no

Federal Awards

There was not an audit of major federal award programs as of June 30, 2007 due to the total amount expended being less than \$500,000.

SECTION II FINANCIAL STATEMENT FINDINGS AND RESPONSES

2007 - 1. Reversal of Prior Year Accruals in the General Fund

Criteria: Generally accepted accounting principles require reporting of all current liabilities when the goods have been received or services have been performed, regardless of the timing of related cash flows.

Condition: The Authority did not reverse several prior year accruals in a timely manner.

Context: We addressed this matter with Authority officials who determined the amounts should have been reversed after the prior year audit was completed.

Effect: An audit adjustment to decrease interfund payables and expenditures in the amount of \$39,302,531 was required to be reported by the General Fund as of June 30, 2007.

Recommendation: We recommend the Authority appropriately reverse all accruals while performing its year-end close out procedures at the conclusion of each fiscal year audit.

Views of Responsible Officials and Planned Correction Action: We concur with the finding. However, due to the change-over in management, this task was not maintained. With new management and a staffing plan, we will begin appropriately reversing all accruals during our year-end close out procedures at the conclusion of each fiscal year audit.

STATE ROAD AND TOLLWAY AUTHORITY

SCHEDULE OF FINDINGS AND RESPONSES JUNE 30, 2007

SECTION II FINANCIAL STATEMENT FINDINGS AND RESPONSES (Continued)

2007 - 2. Interfund Activity Including Allocating and Recording of Liabilities and Expenditures/Expenses

Criteria: Generally accepted accounting principles require reporting of all current liabilities when the goods have been received or services have been performed, regardless of the timing of related cash flows. This requires the recognition of all respective expenditures and expenses of each fund, respectively.

Condition: The Authority did not record or adequately estimate certain expenditures that should have been accrued as of June 30, 2007. Further, the Authority recorded all payroll benefits such as health insurance, retirement benefits, and FICA taxes in the General Fund. In addition, the Authority failed to charge the GA 400 Project Fund its share of the real estate rentals during the current period.

Context: We addressed this matter with Authority officials who determined the amounts should have been recorded as of year-end and recorded to the applicable fund.

Effect: An audit adjustment to increase interfund payables and expenditures in the amount of \$213,307,083 was required to be reported by the General Fund as of June 30, 2007. An adjustment was also made in the GA 400 Project Fund to increase accrued expenses and expenses in the amount of \$209,668. An audit adjustment to decrease interfund payables and expenditures in the amount of \$754,998 was required to be reported by the General Fund as of June 30, 2007. An adjustment was also made in the GA 400 Project Fund to decrease interfund receivables and increase expenses in the amount of \$754,998.

Recommendation: We recommend the Authority begin recognizing and recording reimbursable expenditures/expenses as required at the close of each fiscal year. Further, we recommend the Authority begin recognizing and recording these expenditures in the appropriated funds during each current accounting period.

Views of Responsible Officials and Planned Correction Action: We concur with the finding. However, due to the change-over in management, this task was not maintained. With new management and a staffing plan, we will begin recognizing and recording reimbursable expenditures/expenses as required at the close of each year and during each accounting period.

STATE ROAD AND TOLLWAY AUTHORITY

SCHEDULE OF FINDINGS AND RESPONSES JUNE 30, 2007

SECTION II FINANCIAL STATEMENT FINDINGS AND RESPONSES (Continued)

2007 - 3. Calculation of Amortization Expense in the GA 400 Project Fund

Criteria: Internal controls should be in place to ensure that amortization expense is properly calculated and posted to the general ledger.

Condition: The Authority did not properly calculate and post amortization expense in the GA 400 Project Fund during the current fiscal year.

Context: We addressed this matter with Authority officials who determined the amounts should have been calculated and recorded properly during the current fiscal year.

Effect: An audit adjustment to increase amortization expense in the amount of \$497,097, decrease interest expense by \$287,743, and decrease the Estate for Years asset balance by \$209,354 was required to be recorded in the GA 400 Project Fund as of June 30, 2007.

Recommendation: We recommend the Authority begin recognizing and recording all necessary amortization expense at the end of each financial cycle.

Views of Responsible Officials and Planned Correction Action: We concur with the finding. However, due to the change-over in management, this task was not maintained. With new management and a staffing plan, we will begin properly recording all necessary amortization expense at the end of each financial cycle.

2007 - 4. Accrual of Interest Expense in the GA 400 Project Fund and Governmental Activities

Criteria: Internal controls should be in place to ensure that accrued interest expense is properly calculated and posted to the general ledger.

Condition: The Authority did not record accrued interest on long term debt in the GA 400 Project Fund during the current fiscal year. Also, we had to work closely with Authority personnel to assist them in determining the calculation of governmental activities accrued interest payable in order to properly convert its General Fund from a modified accrual basis to a full accrual basis for financial statement purposes.

Context: We addressed this matter with Authority officials who determined the amounts should have been calculated and recorded properly during the current fiscal year and provided to the auditors.

STATE ROAD AND TOLLWAY AUTHORITY

SCHEDULE OF FINDINGS AND RESPONSES

JUNE 30, 2007

SECTION II

FINANCIAL STATEMENT FINDINGS AND RESPONSES (Continued)

2007 - 4. Accrual of Interest Expense in the GA 400 Project Fund and Governmental Activities (Continued)

Effect: An audit adjustment in the GA 400 Project Fund to increase accrued interest payable and increase interest expense in the amount of \$937,923 was required to be recorded as of June 30, 2007 while an off-the-books audit adjustment at the governmental activities level was required to increase accrued interest payable and increase interest expense by \$10,302,028 as of June 30, 2007.

Recommendation: We recommend the Authority begin recognizing and calculating accrued interest as required and record the necessary adjustments to reflect the accrued interest balance at the conclusion of each financial reporting cycle.

Views of Responsible Officials and Planned Correction Action: We concur with the finding. However, due to the change-over in management, this task was not maintained. With new management and a staffing plan, we will begin recognizing and calculating accrued interest as required and recording the necessary adjustments to reflect the accrued interest balance at the conclusion of each financial reporting cycle.

2007 - 5. Reporting of Deferred Charges on Bond Issuance Cost and Premium on New Outstanding Debt in the Governmental Activities

Criteria: Generally accepted accounting principles require governmental funds to be reported under the full accrual accounting basis when being presented in the governmental activities financial statements.

Condition: The Authority did not provide the necessary schedules or entries to report deferred charges in relation to bond issuance costs and premium on long term debt issued during the current period for its governmental activities.

Context: We addressed this matter with Authority officials who determined the amounts should have been calculated and provided to the auditors as of June 30, 2007.

Effect: An off-the-books audit adjustment at the governmental activities level was required to increase deferred charges on bond issuance costs and decrease transportation expenses by a net amount of \$2,954,847. In addition, off-the-books audit adjustments at the governmental activities level were required to decrease and eliminate proceeds from the issuance of debt (\$19,967,024), increase premium on revenue bonds (net amount of \$17,641,971), and decrease general government expenses (\$2,325,053).

STATE ROAD AND TOLLWAY AUTHORITY

SCHEDULE OF FINDINGS AND RESPONSES

JUNE 30, 2007

- 2007 - 5. Reporting of Deferred Charges on Bond Issuance Cost and Premium on New Outstanding Debt in the Governmental Activities (Continued)

Recommendation: We recommend the Authority begin providing the necessary schedules to properly convert its fund level statements to the government wide level for financial statements purposes.

Views of Responsible Officials and Planned Correction Action: We concur with the finding. However, due to the change-over in management, this task was not maintained. With new management and a staffing plan, we will begin providing the necessary schedules to properly convert our fund level statements to the government wide level for financial statements purposes.

SECTION III

FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

Not Applicable