

THE ILLINOIS STATE TOLL HIGHWAY AUTHORITY

A Component Unit of the State of Illinois
FINANCIAL AUDIT

For the Year Ended December 31, 2021

Performed as Special Assistant Auditors
for the Auditor General, State of Illinois



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THE ILLINOIS STATE TOLL HIGHWAY AUTHORITY
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FINANCIAL AUDIT
For the Year Ended December 31, 2021

Table of Contents

	<u>Schedule</u>	<u>Page(s)</u>
Tollway Officials		1
Financial Statement Report:		
Summary		2-3
Independent Auditors' Report		4-7
Management's Discussion and Analysis		8-15
Basic Financial Statements:		
Statement of Net Position		16-17
Statement of Revenues, Expenses and Changes in Net Position		18
Statement of Cash Flows		19-20
Notes to Financial Statements		21-61
Required Supplementary Information:		
Schedule of Tollway's Proportionate Share of the Net Pension Liability of the State Employees' Retirement System (SERS) Pension Plan	1	62
Schedule of Contributions to SERS Pension Plan	2	63
Schedule of the Tollway's Proportionate Share of the Net OPEB Liability of the State Employees Group Insurance Program (SEGIP)	3	64
Supplementary Information – Trust Indenture Agreement Schedules (Non-GAAP):		
Schedule of Changes in Fund Balance – by Fund	4	65-66
Schedule of Changes in Fund Balance – Revenue Fund – by Account	5	67-68
Notes to the Trust Indenture Basis Schedules		69-74
Schedule of Toll Revenue by Class of Vehicles (Unaudited)	6	75
Renewal and Replacement Account (Unaudited)	7	76
Summary of Operating Revenues, Maintenance and Operating Expenses, Net Operating Revenues and Debt Service Coverage (Unaudited)	8	77
Annual Toll Transactions: Passenger and Commercial Vehicles (Unaudited)	9	78
Annual Toll Revenues: Passenger and Commercial Vehicles (Unaudited)	10	79
Operating Revenues, Maintenance and Operating Expenses and Net Operating Revenues (Unaudited)	11	80
Independent Auditors' Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>		81-82
Schedule of Findings and Responses		83-94
Prior Year Findings Not Repeated		95

THE ILLINOIS STATE TOLL HIGHWAY AUTHORITY
A Component Unit of the State of Illinois
FINANCIAL AUDIT
For the Year Ended December 31, 2021

Illinois Tollway Officials and Financial Staff

Executive Director	Jose R. Alvarez (1/1/2021 – 3/15/2022)
Interim Executive Director	Lanyea Griffin (effective 4/1/2022 until 8/25/22)
Executive Director	Cassandra Rouse (effective 8/26/22)
Chief Operating Officer	Derek Messier (until 1/29/2021)
	Cassandra Rouse (effective 7/22/2021 until 8/25/22)
	Vacant (effective 8/26/22)
Chief Financial Officer	Cathy R. Williams
Controller	Patricia Pearn
General Counsel	Kathleen Pasulka-Brown

Illinois Tollway Board Members

Governor, State of Illinois	JB Pritzker – Ex-Officio
Secretary, Illinois Dept. of Transportation	Omer Osman – Ex-Officio
Chairman	Willard S. Evans, Jr. (until 2/18/2022) Dorothy Abreu (effective 2/18/2022)
Vice Chairman	James Connolly
Board Member	Stephen Davis (until 4/1/2022)
Board Member	Alice Gallagher
Board Member	Karen McConnaughay
Board Member	Scott Paddock
Board Member	Gary Perinar
Board Member	James Sweeney
Board Member	Jacqueline Gomez

Tollway's Central Administrative offices are located at:

2700 Ogden Avenue
Downers Grove, Illinois 60515

THE ILLINOIS STATE TOLL HIGHWAY AUTHORITY
A Component Unit of the State of Illinois
FINANCIAL AUDIT
For the Year Ended December 31, 2021

Financial Statement Report

Summary

The audit of the accompanying financial statements of the Illinois State Toll Highway Authority (the Tollway) was performed by CliftonLarsonAllen LLP, as special assistant auditors to the Illinois Office of the Auditor General.

Based on their audit, the auditors expressed an unmodified opinion on the Tollway's basic financial statements.

Summary of Findings

The auditors identified four matters involving the Tollway's internal controls over financial reporting that they considered to be material weaknesses and significant deficiencies. Further, the auditors identified one noncompliance issue.

Number of	<u>Current Report</u>	<u>Prior Report</u>
Findings	4	4
Repeated Findings	2	None
Prior Recommendations Implemented or Not Repeated	2	None

Item No.	Page	Last/First Reported	Description	Finding Type
<u>Current Finding</u>				
2021-001	83	New	Failure to Implement Controls to Comply with a Communication Letter Requirement	Material Weakness
2021-002	86	New	Inadequate Internal Controls over the Estimated Benefits of Future Retirees	Material Weakness
2021-003	89	2021/2020	Need to Enhance Relationship with the Illinois State Police	Material Weakness
2021-004	93	2021/2020	Noncompliance with the State Employees Group Insurance Act of 1971	Significant Deficiency and Noncompliance
<u>Prior Findings Not Repeated</u>				
A	95	2020/2020	Significant Understatement of OPEB Balances	
B	95	2020/2020	Inadequate Internal Control over Census Data	

THE ILLINOIS STATE TOLL HIGHWAY AUTHORITY

A Component Unit of the State of Illinois

FINANCIAL AUDIT

For the Year Ended December 31, 2021

Exit Conference

This report was discussed with the Authority at an exit conference on September 7, 2022.

Attending were:

The Illinois State Toll Highway Authority

Dorothy Abreu	Chair and CEO
Alice Gallagher	Audit Committee Chair
Cassandra Rouse	Executive Director
Cathy Williams	Chief Financial Officer
Shaun Farmer	Chief Internal Auditor
Kathleen Pasulka-Brown	General Counsel
William O'Connell	Senior Manager of Finance, Debt and Treasury
Patricia Pearn	Controller

Illinois State Police

Benjamin Dieterich	Chief Financial Officer
Kelly Griffith	Acting Chief Legal Counsel

Illinois Office of the Auditor General

Thomas L. Kizziah	Senior Audit Manager
Sara Metzger	Assistant Director, Financial/Compliance Division

CLA LLP (CliftonLarsonAllen)

Chuck Kozlik	Principal
Catherine Schweigel	Managing Principal of Assurance
Eric Gubatan	Manager
Kevin Rogers	Senior Associate

The Tollway's responses to the findings were provided by Patricia Pearn, Controller, in correspondence dated September 14, 2022, and September 23, 2022.

The Illinois State Police's response to Finding 2021-003 was provided by Benjamin Dieterich, ISP Chief Financial Officer, in correspondence dated September 23, 2022.



INDEPENDENT AUDITORS' REPORT

Honorable Frank J. Mautino
Auditor General, State of Illinois

and

Board of Directors
The Illinois State Toll Highway Authority

Report on the Audit of the Financial Statements

Opinion

As Special Assistant Auditors for the Auditor General, we have audited the accompanying financial statements of the business-type activities of the Illinois State Toll Highway Authority (the Tollway), a component unit of the State of Illinois, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the Tollway's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Illinois State Toll Highway Authority as of December 31, 2021, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with the auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Tollway, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Tollway's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Honorable Frank J. Mautino
Auditor General, State of Illinois
And
Board of Directors
The Illinois State Toll Highway Authority

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for purpose of expressing an opinion on the effectiveness of the Tollway's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment there are conditions or events, considered in the aggregate, that raise substantial doubt about the Tollway's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited the Tollway's 2020 financial statements, and we expressed an unmodified opinion on the basic financial statements our report dated October 15, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Honorable Frank J. Mautino
Auditor General, State of Illinois
And
Board of Directors
The Illinois State Toll Highway Authority

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 8-15 and the required supplementary information in Schedules 1 through 3 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Tollway's basic financial statements. The accompanying supplementary information in Schedules 4 and 5 and the notes to the trust indenture basis schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, Schedules 4 and 5 are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

We also previously audited, in accordance with GAAS, the basic financial statements of the Tollway as of and for the year ended December 31, 2020 (not presented herein), and have issued our report thereon dated October 15, 2021 which contained an unmodified opinion on the basic financial statements. The supplementary information in Schedules 4 and 5 for the year ended December 31, 2020, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and related directly to the underlying accounting and other records used to prepare the 2020 financial statements. The information was subjected to the audit procedures applied in the audit of the 2020 basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare those financial statements or to those financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the Schedules 4 and 5 for the year ended December 31, 2020, are fairly stated in all material respects in relation to the basic financial statements as a whole for the year ended December 31, 2020.

Honorable Frank J. Mautino
Auditor General, State of Illinois
And
Board of Directors
The Illinois State Toll Highway Authority

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the Tollway Officials and Schedules 6 through 11. but does not include the basic financial statements and our auditors' report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 29, 2022, on our consideration of the Tollway's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Tollway's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Tollway's internal control over financial reporting and compliance.

SIGNED ORIGINAL ON FILE

CliftonLarsonAllen LLP

Oak Brook, Illinois
September 29, 2022

THE ILLINOIS STATE TOLL HIGHWAY AUTHORITY

A Component Unit of the State of Illinois
Management's Discussion and Analysis
For the Year Ended December 31, 2021

This section offers readers a discussion and analysis of the financial performance of the Illinois State Toll Highway Authority (the Tollway), provides an overview of its financial activities, and identifies changes in the Tollway's financial position as of and for the year ended December 31, 2021. Readers should use this section of this report in conjunction with the Tollway's basic financial statements.

Financial Highlights

- In August 2011, the Tollway's Board of Directors approved a \$12.2 billion capital program, called "*Move Illinois: the Illinois Tollway Driving the Future*", which defined a program of infrastructure investments to be made by the Tollway in 2012 through 2026.
- In April 2017, the Tollway's Board of Directors approved a modification of the "*Move Illinois*" capital program, increasing the funding by \$2.1 billion, to \$14.3 billion, to provide for enhancements to the central portion of the Tri-State Tollway (Central Tri-State).
- To help fund the capital outlays approved for "*Move Illinois*", the Tollway Board set new toll rates for passenger vehicles using the Tollway system and these higher rates were effective January 1, 2012. The Tollway also affirmed a previously approved increase in commercial vehicle toll rates which was phased in over 2015-2017, with a Consumer Price Index adjustment applied beginning January 1, 2018 and annually each January 1st thereafter.
- During 2021, construction and professional engineering services contracts with a combined value of \$734 million were awarded under this program, bringing total "*Move Illinois*" contract awards to date to \$8.6 billion.
- Including \$700 million in revenue bonds issued in December 2021, a total of \$4.3 billion of revenue bonds have been issued in 2013-2021 to fund the capital program.
- In 2020, the Tollway implemented a series of tolling reforms under the name "TOLLING 2020" to provide: (i) an amnesty offer of significantly reduced fines for outstanding violations in notices dated before March 9, 2020, to the extent paid by December 31, 2020 (such deadline extended on December 17, 2020 to June 30, 2021 and subsequently extended further until June 30, 2022); (ii) relief from fines incurred during March 9 – June 25, 2020, the first 3 ½ months of the COVID-19 pandemic; and (iii) an invoicing program effective June 25, 2020, significantly reducing initial costs associated with unpaid tolls to the extent such unpaid tolls are paid within 90 days.
- The Tollway's 2021 traffic and operating revenue significantly recovered from the negative impact of the COVID-19 pandemic that occurred in 2020. Toll revenue totaled \$1.3 billion for 2021, compared to \$1.1 billion in 2020.
- Amounts on deposit on behalf of I-PASS account holders increased by 3.9% at year-end to \$206.9 million; approximately 88.8% of toll transactions are paid via I-PASS.

Basic Financial Statements

The Tollway accounts for its operations and financial transactions in a manner similar to that used by private business enterprises: the accrual basis of accounting. In these statements, revenue is recognized in the period in which it is earned, and an expense is recognized in the period in which it is incurred, regardless of the timing of its related cash flow.

THE ILLINOIS STATE TOLL HIGHWAY AUTHORITY

A Component Unit of the State of Illinois
Management's Discussion and Analysis
For the Year Ended December 31, 2021

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Tollway's basic financial statements. For each fiscal year, the Tollway's basic financial statements are comprised of the following:

- Statement of net position
- Statement of revenues, expenses and changes in net position
- Statement of cash flows
- Notes to the financial statements

The statement of net position presents information on all of the Tollway's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference between these items reported as net position. Increases or decreases in net position, over time, may serve as a useful indicator of whether the financial position of the Tollway is improving or deteriorating.

The statement of revenues, expenses and changes in net position presents revenue and expense information and the change in the Tollway's net position during the measurement period as a result of these transactions.

The statement of cash flows presents sources and uses of cash for the fiscal year, displayed in the following categories: cash flows from operating activities, cash flows from capital and related financing activities, and cash flows from investing activities.

The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements. They are an integral part of the basic financial statements.

THE ILLINOIS STATE TOLL HIGHWAY AUTHORITY

A Component Unit of the State of Illinois
Management's Discussion and Analysis
For the Year Ended December 31, 2021

Financial Analysis

2021 Results Compared to 2020

Operating Revenue

The Tollway's 2021 operating revenues, totaling \$1.5 billion, increased \$198.9 million, or 15.8%, from the previous year. This increase was mainly attributable to the recovery of traffic and resulting toll revenue resulting from the COVID-19 pandemic's adverse impact on traffic in 2020, and the impact of invoicing missed tolls for the full year of 2021. (The invoicing initiative was implemented mid-2020). In 2021, toll revenue totaled \$1.3 billion versus \$1.1 billion in 2020, an increase of \$143.3 million, or 12.5%. Revenue from toll evasion recovery increased to \$147.0 million (from \$93.2 million), due in part to an increased rate of unpaid tolls caused by the suspension of cash payment options, (in response to risks posed by the pandemic), an amnesty offer which incentivized payment of unpaid tolls and related fines, and impacts of the new invoicing program implemented effective June 25, 2020.

Concession revenue increased in 2021 to \$1.4 million (2.4%) due to the recovery of traffic which was impacted in 2020 by the COVID-19 pandemic, which impacted revenue at the over the road oases which generate concession revenue to the Tollway.

Operating Expenses

Operating expenses, excluding depreciation, decreased in 2021, to \$358.8 million (5.8%) from \$380.7 million in 2020. This was largely due to a reduction in toll collection expenses due to the suspension of cash payments for tolls, reduction in customer service costs due to the amnesty program, reduction in usage of office supplies, custodial services for building maintenance and a reduction in pension and group health insurance expenses under GASB 68 and GASB 75.

Depreciation and amortization expense increased by 4.7% to \$518.0 million, from \$494.6 million, in 2020. The resulting net operating income for the year, \$583.1 million, increased by \$197.4 million, or 51.2%, from the previous year.

Nonoperating Revenues (Expenses)

Nonoperating revenue decreased by \$11.4 million, due to decreased investment returns as the result of decreased funds on deposit and lower investment rates. Again, this year the Tollway earned interest rebates from the U.S. Department of the Treasury relating to bonds which were issued as Build America Bonds. The 2021 rebates totaled \$13.6 million, substantially the same as 2020.

Nonoperating expenses increased by \$10.6 million, due to increased interest and amortization of financing costs.

The net nonoperating expenses increased this year by 8.4% from \$261.5 million in 2020 to \$283.5 million for 2021, due to the variances noted above.

THE ILLINOIS STATE TOLL HIGHWAY AUTHORITY

A Component Unit of the State of Illinois
Management's Discussion and Analysis
For the Year Ended December 31, 2021

Summary of Changes in Net Position

	<u>2021</u>	<u>2020</u>
REVENUES:		
Operating revenues:		
Toll revenue	\$ 1,292,369,818	\$ 1,149,019,894
Toll evasion recovery	147,047,083	93,164,508
Concessions	1,428,418	1,394,810
Miscellaneous	18,958,584	17,371,262
Nonoperating revenues:		
Investment income	2,369,299	13,726,188
Revenues under intergovernmental agreements	16,788,171	19,653,073
Net gain on disposal of property	2,797,631	-
Bond interest subsidy (Build America Bonds)	13,631,459	13,611,390
Total revenues	<u>1,495,390,463</u>	<u>1,307,941,125</u>
EXPENSES:		
Operating expenses:		
Engineering and maintenance of roadway and structures	95,505,236	107,197,951
Services and toll collection	111,972,566	149,638,080
Traffic control, safety patrol, and radio communications	39,198,099	48,631,134
Procurement, IT, finance and administration	112,106,816	75,211,820
Depreciation & Amortization	517,961,956	494,637,313
Nonoperating expenses:		
Expenses under intergovernmental agreements	16,788,171	19,653,073
Net loss on disposal of property	-	32,270
Miscellaneous	360	360
Interest expense and amortization of financing costs	302,266,746	288,762,582
Total expenses	<u>1,195,799,950</u>	<u>1,183,764,583</u>
Increase in net position	299,590,513	124,176,542
Restatement of 1/1/2020 net position	-	(505,692,050)
Net position, beginning of year	<u>3,069,596,314</u>	<u>3,451,111,822</u>
Net position, end of year	<u>\$ 3,369,186,827</u>	<u>\$ 3,069,596,314</u>

Changes in Net Position

Net operating income increased in 2021 by \$197.4 million to \$583.1 million. After deducting this year's net nonoperating expense of \$283.5 million, the Tollway posted an increase in net position for the year of \$299.6 million compared to \$124.2 million increase in net position for 2020. After this year's result, the Tollway's net position totaled \$3.4 billion.

THE ILLINOIS STATE TOLL HIGHWAY AUTHORITY

A Component Unit of the State of Illinois
Management's Discussion and Analysis
For the Year Ended December 31, 2021

Summary of Net Position

	December 31,	
	2021	2020
ASSETS		
Current and other assets	\$ 2,572,178,111	\$ 2,240,301,131
Capital assets - net	10,856,252,664	10,164,520,701
Total Assets	13,428,430,775	12,404,821,832
DEFERRED OUTFLOWS OF RESOURCES		
Net loss on bond refundings	210,400,641	235,814,949
Pension related	85,294,102	59,741,932
OPEB related	58,786,704	43,550,286
Total Deferred Outflows of Resources	354,481,447	339,107,167
LIABILITIES		
Current debt outstanding	145,415,000	136,505,000
Long-term debt outstanding	7,848,500,054	7,174,022,374
Other liabilities	2,182,283,017	2,243,260,753
Total Liabilities	10,176,198,071	9,553,788,127
DEFERRED INFLOWS OF RESOURCES		
Pension related	81,857,407	33,054,063
OPEB related	155,669,917	87,490,495
Total Deferred Inflows of Resources	237,527,324	120,544,558
NET POSITION		
Net investment in capital assets	3,285,662,964	3,159,827,805
Restricted under trust indenture agreements	518,593,642	474,330,449
Restricted for supplemental pension benefits obligations	-	4,281
Unrestricted	(435,069,779)	(564,566,221)
Total Net Position	\$ 3,369,186,827	\$ 3,069,596,314

Statement of Net Position

The Tollway's capital assets of \$10.9 billion consisting of land, buildings, infrastructure, and equipment, constitutes 78.8% of total assets and deferred outflows of resources. The largest liabilities are revenue bonds totaling \$8.0 billion, (inclusive of unamortized premiums/discounts), net pension liability of \$854.5 million and net other postemployment benefits (OPEB) liability of \$494.0 million, which together constitute 89.7% of total liabilities and deferred inflows of resources. The restricted net position balance, totaling \$518.6 million, consists of resources subject to external restrictions or legislation as to their use. The remaining portion, unrestricted net position, represents the resources available to be used at the Tollway's discretion.

The Tollway's assets increased by 8.3% to \$13.4 billion, from \$12.4 billion at December 31, 2020. This increase was mainly due to an increase in capital assets.

THE ILLINOIS STATE TOLL HIGHWAY AUTHORITY

A Component Unit of the State of Illinois
Management's Discussion and Analysis
For the Year Ended December 31, 2021

Total liabilities increased by 6.5% to \$10.2 billion, from \$9.6 billion at December 31, 2020. This increase was mainly due to additional bonds outstanding during 2021 of \$683.4 million, in addition to increased interest payable and retainage on construction contracts.

Capital Assets and Debt Administration

Capital Assets

Capital assets continue to represent the largest category of Tollway assets, totaling \$10.9 billion at year-end (\$10.2 billion at 12/31/2020) comprising 78.8% of total Tollway assets and deferred outflows of resources. As the Tollway continues the "Move Illinois" capital program to expand and rebuild the Tollway system, land and infrastructure assets continue to increase. See the accompanying Notes to the Financial Statements – Notes 1(h) and 6 – for further information about capital assets.

CAPITAL ASSETS 2021 and 2020

	January 1, 2021 Net Balance	2021 Net Activity	2021 Depreciation	December 31, 2021 Net Balance
Land	\$ 893,400,822	\$ 105,891,300	\$ -	\$ 999,292,122
Construction in progress	1,510,647,803	545,954,958	-	2,056,602,761
Buildings	26,978,583	(13,666,580)	(750,963)	12,561,040
Temporary Easement	2,761,424	1,565,835	(736,198)	3,591,061
Infrastructure	7,515,220,188	416,793,501	(350,389,649)	7,581,624,040
Machinery and equipment	215,511,881	18,494,885	(31,425,126)	202,581,640
Total	<u>\$ 10,164,520,701</u>	<u>\$ 1,075,033,899</u>	<u>\$ (383,301,936)</u>	<u>\$ 10,856,252,664</u>

	January 1, 2020 Net Balance	2020 Net Activity	2020 Depreciation	December 31, 2020 Net Balance
Land	\$ 685,361,097	\$ 208,039,725	\$ -	\$ 893,400,822
Construction in progress	1,247,877,752	262,770,051	-	1,510,647,803
Buildings	26,623,427	1,909,377	(1,554,221)	26,978,583
Temporary Easement	2,970,592	(295,960)	86,792	2,761,424
Infrastructure	7,372,829,137	602,545,831	(460,154,780)	7,515,220,188
Machinery and equipment	176,135,248	71,031,137	(31,654,504)	215,511,881
Total	<u>\$ 9,511,797,253</u>	<u>\$ 1,146,000,161</u>	<u>\$ (493,276,713)</u>	<u>\$ 10,164,520,701</u>

(Note that temporary easements were shown separately from land in the schedule above for the year ended December 31, 2021, but were included in the land total in the financial report for the year ended December 31, 2020.)

THE ILLINOIS STATE TOLL HIGHWAY AUTHORITY

A Component Unit of the State of Illinois

Management's Discussion and Analysis

For the Year Ended December 31, 2021

Long-Term Debt

At year-end 2021, as compared to year-end 2020, revenue bonds payable, net of the current portion of revenue bonds payable and inclusive of unamortized original issue premium, increased by \$674.5 million to \$7.8 billion. This increase resulted from the addition of \$873.0 million of bond par amount plus original issue premium from the issuance of 2021 Series A revenue bonds to finance a portion of the "*Move Illinois*" capital program, less the \$145.4 million current portion of total revenue bonds payable as of December 31, 2021, and less the \$53.1 million of original issue premium amortized during 2021.

All Tollway bonds outstanding as of December 31, 2021 were issued under the Amended and Restated Trust Indenture effective as of March 31, 1999, amending and restating a Trust Indenture dated as of December 1, 1985 (as amended, restated, and supplemented, the Trust Indenture) from the Tollway to The Bank of New York Mellon Trust Company, N.A., as successor Trustee (the Trustee). The Trustee serves as a fiduciary for bondholders. The amount of additional senior bonds that the Tollway may issue at any time is limited by the Trust Indenture requirement that the projected Net Revenues are sufficient to meet the estimated Net Revenue Requirement for each full fiscal year through five years after the date the project being financed is estimated to be placed in service, after giving effect to the debt service attributable to such additional senior bonds. The Net Revenue Requirement is the amount necessary to cure deficiencies, if any, in the debt service and debt reserve accounts established under the Trust Indenture, plus the greater of (i) the sum of Aggregate Debt Service on Senior Bonds, the Junior Bond Revenue Requirement, and the Renewal and Replacement Deposit for such period, and (ii) 1.3 times the Aggregate Debt Service on Senior Bonds for such period (all capitalized terms as defined in the Trust Indenture). Under the terms of the Trust Indenture the revenue bond debt service coverage ratio for 2021 was 2.34.

The following table lists, as of December 31, 2021, the Tollway's bond series and the current and noncurrent principal amounts outstanding. Amounts presented in this table do not include any unamortized original issue premiums associated with such bonds.

THE ILLINOIS STATE TOLL HIGHWAY AUTHORITY

A Component Unit of the State of Illinois
Management's Discussion and Analysis
For the Year Ended December 31, 2021

	2021		
	<u>Noncurrent</u>	<u>Current</u>	<u>Total</u>
Revenue bonds payable:			
Issue of 2009 Series A	\$ 400,000,000	\$ -	\$ 400,000,000
Issue of 2009 Series B	280,000,000	-	280,000,000
Issue of 2013 Series A	500,000,000	-	500,000,000
Issue of 2014 Series A	-	101,715,000	101,715,000
Issue of 2014 Series B	500,000,000	-	500,000,000
Issue of 2014 Series C	400,000,000	-	400,000,000
Issue of 2014 Series D	171,825,000	25,845,000	197,670,000
Issue of 2015 Series A	400,000,000	-	400,000,000
Issue of 2015 Series B	400,000,000	-	400,000,000
Issue of 2016 Series A	333,060,000	-	333,060,000
Issue of 2016 Series B	300,000,000	-	300,000,000
Issue of 2017 Series A	300,000,000	-	300,000,000
Issue of 2018 Series A	468,440,000	15,855,000	484,295,000
Issue of 2019 Series A	300,000,000	-	300,000,000
Issue of 2019 Series B	225,245,000	-	225,245,000
Issue of 2019 Series C	695,870,000	2,000,000	697,870,000
Issue of 2020 Series A	500,000,000	-	500,000,000
Issue of 2021 Series A	700,000,000	-	700,000,000
Total revenue bonds payable	<u>\$ 6,874,440,000</u>	<u>\$ 145,415,000</u>	<u>\$7,019,855,000</u>

Factors Impacting Future Operations

During 2021, the Tollway progressed on the \$14.3 billion “*Move Illinois*” capital program. Land acquisition, design and construction work continued for the Elgin-O’Hare Western Access Project and for the widening of the Central Tri-State Tollway. The Tollway forecasts approximately 60% of the “*Move Illinois*” Program’s total costs are expected to be funded by toll revenue.

Contacting the Tollway’s Financial Management

This financial report is designed to provide our customers, bondholders, employees and other stakeholders with an overview of the Tollway’s finances and to demonstrate the Tollway’s accountability for the funds it receives and deploys. Questions concerning this report or requests for additional financial information should be directed to the Controller, The Illinois State Toll Highway Authority, 2700 Ogden Avenue, Downers Grove, Illinois 60515.

THE ILLINOIS STATE TOLL HIGHWAY AUTHORITY
A Component Unit of the State of Illinois
Statement of Net Position
December 31, 2021
(With Summarized Comparative Totals for 2020)

Assets	2021	2020
Current assets:		
Current unrestricted assets:		
Cash and cash equivalents	\$ 1,042,160,059	\$ 1,022,766,480
Accounts receivable, less allowance for doubtful accounts of \$444,366,594	69,863,109	60,617,559
Intergovernmental receivables	74,233,499	52,775,634
Accrued interest receivable	2,905	4,707
Risk management cash and cash equivalents	15,121,366	12,763,016
Investments	99,958,290	49,996,900
Prepaid expenses	9,239,935	4,559,428
Total current unrestricted assets	1,310,579,163	1,203,483,724
Current restricted assets:		
Cash and cash equivalents - debt service	205,553,069	181,401,171
Cash and cash equivalents - I-PASS accounts	206,943,195	199,150,846
Prepaid expenses restricted for debt service	213,647	206,897
Accrued interest receivable	30,216	226,599
Supplemental pension benefits assets	-	4,281
Total current restricted assets	412,740,127	380,989,794
Total current assets	1,723,319,290	1,584,473,518
Noncurrent unrestricted assets:		
Capital assets:		
Land, improvements and construction in progress	3,055,894,883	2,404,048,625
Other capital assets, net of accumulated depreciation	7,800,357,781	7,760,472,077
Total capital assets	10,856,252,664	10,164,520,702
Other noncurrent unrestricted assets:		
Intergovernmental receivable less current portion	88,911,716	101,697,014
Prepaid expenses less current portion	10,033,026	1,729,175
Total noncurrent unrestricted assets	98,944,742	103,426,189
Noncurrent restricted assets:		
Cash and cash equivalents - debt reserve	57,163,186	330,190,001
Investments - debt reserve	400,000,000	95,000,000
Prepaid expenses - debt reserve	2,068,965	2,275,862
Cash and cash equivalents - construction	290,681,928	124,935,561
Total noncurrent restricted assets	749,914,079	552,401,424
Total assets	13,428,430,775	12,404,821,833
Deferred Outflows of Resources		
Net loss on bond refundings	210,400,641	235,814,949
Deferred outflows of resources - pension related	85,294,102	59,741,932
Deferred outflows of resources - OPEB related	58,786,704	43,550,286
Total deferred outflows of resources	\$ 354,481,447	\$ 339,107,167

See accompanying notes to the financial statements.

THE ILLINOIS STATE TOLL HIGHWAY AUTHORITY

A Component Unit of the State of Illinois

Statement of Net Position

December 31, 2021

(With Summarized Comparative Totals for 2020)

Liabilities	2021	2020
Current liabilities:		
Payable from unrestricted current assets:		
Accounts payable	\$ 5,962,704	\$ 15,365,144
Accrued liabilities	260,423,275	236,587,008
Accrued compensated absences	6,600,000	5,100,000
Intergovernmental agreement payable	83,465,644	76,075,648
Risk management claims payable	7,791,870	6,952,957
Deposits and retainage	77,757,215	54,916,032
Unearned revenue, net of accumulated amortization of \$1,464,996	350,996	660,115
Net OPEB liability - current	27,101,254	24,417,291
Total current liabilities payable from unrestricted current assets	469,452,958	420,074,195
Payable from current restricted assets:		
Current portion of revenue bonds payable	145,415,000	136,505,000
Accrued interest payable	146,435,442	134,970,081
Deposits and unearned revenue – IPASS accounts	206,943,195	199,150,846
Total current liabilities payable from current restricted assets	498,793,637	470,625,927
Total current liabilities	968,246,595	890,700,122
Noncurrent liabilities:		
Revenue bonds payable, less current portion	7,848,500,054	7,174,022,374
Accrued compensated absences	3,996,027	6,957,250
Risk management claims payable	12,039,723	11,010,865
Net pension liability	854,495,091	891,871,048
Net OPEB liability, less current portion	466,862,561	555,600,990
Unearned revenue, less accumulated amortization of \$12,371,512	22,058,020	23,625,478
Total noncurrent liabilities	9,207,951,476	8,663,088,005
Total liabilities	10,176,198,071	9,553,788,127
Deferred Inflows of Resources		
Deferred inflows of resources - pension related	81,857,407	33,054,063
Deferred inflows of resources - OPEB related	155,669,917	87,490,495
Total deferred inflows of resources	237,527,324	120,544,558
Net Position		
Net position:		
Net investment in capital assets	3,285,662,964	3,159,827,805
Restricted under the Trust Indenture	518,593,642	474,330,449
Restricted for supplemental pension benefits obligations	-	4,281
Unrestricted	(435,069,779)	(564,566,221)
Total net position	\$ 3,369,186,827	\$ 3,069,596,314

See accompanying notes to the financial statements.

THE ILLINOIS STATE TOLL HIGHWAY AUTHORITY
A Component Unit of the State of Illinois
Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended December 31, 2021
(With Summarized Comparative Totals for 2020)

	2021	2020
Operating revenues:		
Toll revenue	\$ 1,292,369,818	\$ 1,149,019,894
Toll evasion recovery	147,047,083	93,164,508
Concessions	1,428,418	1,394,810
Miscellaneous	18,958,584	17,371,262
Total operating revenues	<u>1,459,803,903</u>	<u>1,260,950,474</u>
Operating expenses:		
Engineering and maintenance of roadway and structures	95,505,236	107,197,951
Services and toll collection	111,972,566	149,638,080
Traffic control, safety patrol and radio communications	39,198,099	48,631,134
Procurement, IT, finance and administration	112,106,816	75,211,820
Depreciation and amortization	517,961,956	494,637,313
Total operating expenses	<u>876,744,673</u>	<u>875,316,298</u>
Operating income	<u>583,059,230</u>	<u>385,634,176</u>
Nonoperating revenues (expenses):		
Revenues under intergovernmental agreements	16,788,171	19,653,073
Expenses under intergovernmental agreements	(16,788,171)	(19,653,073)
Net Gain on disposal of property	2,797,631	(32,270)
Interest (expense) and amortization of financing costs	(302,266,746)	(288,762,582)
Bond interest subsidy (Build America Bonds)	13,631,459	13,611,390
Miscellaneous revenue (expense)	(360)	(360)
Investment income	2,369,299	13,726,188
Total nonoperating revenues (expenses), net	<u>(283,468,717)</u>	<u>(261,457,634)</u>
Change in net position	299,590,513	124,176,542
Net position, beginning of year	3,069,596,314	3,451,111,822
Restatement of 1/1/20 Net Position	-	(505,692,050)
Net position, end of year	<u>\$ 3,369,186,827</u>	<u>\$ 3,069,596,314</u>

See accompanying notes to the financial statements.

THE ILLINOIS STATE TOLL HIGHWAY AUTHORITY

A Component Unit of the State of Illinois

Statement of Cash Flows

For the Year Ended December 31, 2021

(With Summarized Comparative Totals for 2020)

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities:		
Cash received from sales and services	\$ 1,434,212,742	\$ 1,253,145,233
Cash payments to suppliers	(230,401,773)	(194,728,705)
Cash payments to employees	(182,505,474)	(180,135,705)
Net cash provided by operating activities	<u>1,021,305,495</u>	<u>878,280,823</u>
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	(1,196,770,545)	(1,172,631,414)
Cash received from other governments for capital assets	19,215,224	71,190,126
Proceeds from sale of property	16,398,842	512,337
Bond proceeds	872,974,010	644,942,984
Principal paid on revenue bonds	(136,505,000)	(129,260,000)
Bond subsidy (Build America Bonds)	20,417,089	6,825,760
Interest expense and issuance costs paid on revenue bonds	(318,229,762)	(290,198,128)
Net cash (used in) capital and related financing activities	<u>(722,500,142)</u>	<u>(868,618,335)</u>
Cash flows from investing activities:		
Proceeds from sales and maturities of investments	144,996,900	1,076,468,730
Purchase of investments	(499,958,290)	-
Interest on investments	2,567,484	15,067,596
Net cash provided by (used in) investing activities	<u>(352,393,906)</u>	<u>1,091,536,326</u>
Net (decrease) increase in cash and cash equivalents	(53,588,553)	1,101,198,814
Cash and cash equivalents at beginning of year	<u>1,871,211,356</u>	<u>770,012,542</u>
Cash and cash equivalents at end of year	\$ <u>1,817,622,803</u>	\$ <u>1,871,211,356</u>
Reconciliation of cash and cash equivalents:		
Cash and cash equivalents	\$ 1,042,160,059	\$ 1,022,766,480
Risk management reserved cash and cash equivalents	15,121,366	12,763,016
Cash and cash equivalents restricted for debt service and debt reserve	262,716,255	511,591,172
Cash and cash equivalents – I-PASS accounts	206,943,195	199,150,846
Supplemental pension benefit assets	-	4,281
Cash and cash equivalents - construction	290,681,928	124,935,561
Total cash and cash equivalents at end of year	\$ <u>1,817,622,803</u>	\$ <u>1,871,211,356</u>

See accompanying notes to the financial statements.

THE ILLINOIS STATE TOLL HIGHWAY AUTHORITY

A Component Unit of the State of Illinois

Statement of Cash Flows

For the Year Ended December 31, 2021

(With Summarized Comparative Totals for 2020)

	<u>2021</u>	<u>2020</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 583,059,230	\$ 385,634,176
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	517,961,956	494,637,313
Provision for bad debt	246,478,356	117,991,102
Prior Year Feasibility Study Project	7,088,644	905,052
Amortization of unearned revenue	23,691,532	(1,924,519)
Pension adjustment	(14,124,783)	12,579,718
Other post employment benefits adjustment	(33,111,463)	(11,921,084)
Effects of changes in operating assets and liabilities:		
(Increase) in accounts receivable	(258,028,512)	(138,740,029)
(Increase) in intergovernmental receivables	(28,451,889)	(3,061,164)
(Increase) in prepaid expenses	(12,984,718)	(741,762)
(Decrease) in accounts payable	(1,778,673)	(4,539,396)
(Decrease) in accrued liabilities	(698,114)	3,503,697
(Decrease) in accrued compensated absences	(1,461,223)	2,902,651
Increase in intergovernmental agreement payable	10,054,443	1,851,932
Increase in deposits - I-PASS	7,792,349	5,354,460
(Decrease) in unearned revenue	(25,410,499)	12,428,741
Increase in risk management claims payable	1,228,859	1,419,935
Net cash provided by operating activities	\$ <u>1,021,305,495</u>	\$ <u>878,280,823</u>
Noncash capital and related financing activities:		
Increase in capital asset obligation accounts payable	\$ 41,630,806	\$ 10,411,089

See accompanying notes to the financial statements.

THE ILLINOIS STATE TOLL HIGHWAY AUTHORITY

A Component Unit of the State of Illinois

Notes to the Financial Statements

For the Year Ended December 31, 2021

(1) Summary of Significant Accounting Policies

The accounting policies and financial reporting practices of The Illinois State Toll Highway Authority (the Tollway) conform to accounting principles generally accepted in the United States of America (GAAP), as promulgated by the Governmental Accounting Standards Board (GASB).

(a) Financial Reporting Entity

The Tollway, a component unit of the State of Illinois, was created by an Act of the General Assembly of the State of Illinois – the Toll Highway Act, 605 ILCS 10/1 *et seq.*, as amended (the Act) – for the purpose of constructing, operating, regulating, and maintaining a toll highway or a system of toll highways and, in connection with the financing of such projects, is authorized to issue revenue bonds which shall be retired from revenues derived from the operation of the Tollway. Under the provisions of the Act, no bond issue of the Tollway, or any interest thereon, is an obligation of the State of Illinois. In addition, the Tollway is empowered to issue refunding bonds for the purpose of refunding any revenue bonds issued under the provisions of the Act.

The enabling legislation empowers the Tollway's Board of Directors with duties and responsibilities which include, but are not limited to, the ability to approve and modify the Tollway's budget, the ability to approve and modify toll rates and fees charged for use of the Tollway system, the ability to employ and discharge employees as necessary in the judgment of the Tollway, and the ability to acquire, own, use, hire, lease, operate, and dispose of personal property, real property, and any interest therein.

Component units are separate legal entities for which the primary government is legally accountable. The Tollway is a component unit of the State of Illinois for financial reporting purposes because exclusion would cause the State's financial statements to be incomplete. The governing body of the Tollway is an 11 member Board of Directors of which nine members are appointed by the Governor of Illinois with the advice and consent of the Illinois Senate. The Governor and the Secretary of the Illinois Department of Transportation are also ex-officio members of the Tollway's Board of Directors. Information from these financial statements is included in the State's annual comprehensive financial report. The Tollway itself does not have any component units.

(b) Basis of Accounting

The Tollway accounts for its operations and financing in a manner similar to a private business enterprise; the intent is that costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

Accordingly, the Tollway is accounted for as a proprietary fund (enterprise fund) using the economic resources measurement focus and the accrual basis of accounting. Under this measurement focus, all assets and all liabilities associated with the Tollway's operations are included in the statement of net position. Revenue is recognized in the period in which it is earned, and expenses are recognized in the period in which incurred.

Nonexchange transactions, in which the Tollway receives value without directly giving equal value in return, include fines for toll evasion.

THE ILLINOIS STATE TOLL HIGHWAY AUTHORITY

A Component Unit of the State of Illinois

Notes to the Financial Statements

For the Year Ended December 31, 2021

(c) Cash and Cash Equivalents

With the exception of \$58.9 million in locally held funds and cash on hand at December 31, 2021, all cash and cash equivalents are held for the Tollway either by the Illinois State Treasurer (the Treasurer) as custodian or by the Trustee under the Tollway's Trust Indenture.

For purposes of the statement of net position and the statement of cash flows, the Tollway considers repurchase agreements, money market funds, and the Illinois Funds local government investment pool (LGIP), as cash equivalents.

(d) Investments

The Tollway reports investments at fair value or amortized cost in its statement of net position with the corresponding changes in fair value being recognized as an increase or decrease to nonoperating revenue in the statement of revenues, expenses and changes in net position. All investments are held for the Tollway either by the Treasurer as custodian or by the Trustee under the Tollway's Trust Indenture.

The primary objective in the investment of Tollway funds is preservation of principal. Additional objectives are managing liquidity to meet the financial obligations of the Tollway and investment return.

Investments in the Illinois Funds LGIP, sponsored by the Treasurer in accordance with Illinois state law that is rated AAAM by Standard & Poor's rating agency, are reported at amortized cost which is equal to the value of the pool shares. Other funds held for the Tollway by the Treasurer are invested in U.S. Treasury and agency issues which are valued at fair value or par. Repurchase agreements held for the Tollway by the Treasurer are recorded at face value which approximates fair value. State statute requires that all investments comply with the Illinois Public Funds Investment Act.

The Trust Indenture authorizes the Tollway to invest in U.S. Treasury and agency issues, money market funds comprised of U.S. Treasury and agency issues, repurchase agreements thereon, time deposits, and certificates of deposit. All funds held by the Tollway's Trustee were held in compliance with these restrictions for the year ended December 31, 2021.

(e) Accounts Receivable

The Tollway's accounts receivable consist of various toll charges and amounts due from individuals and commercial, governmental, and other entities. A provision for doubtful accounts has been recorded for the estimated amount of uncollectible accounts.

(f) Prepaid Expenses and Inventory

Certain payments made to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses. The Tollway's inventory items consist mostly of consumable supplies that are quickly turned over and therefore the payments for such are directly expensed.

THE ILLINOIS STATE TOLL HIGHWAY AUTHORITY

A Component Unit of the State of Illinois

Notes to the Financial Statements

For the Year Ended December 31, 2021

(g) Noncurrent Cash and Investments

Cash and investments that are externally restricted for reserve funds or for the purchase or construction of capital or other noncurrent assets are classified as noncurrent assets in the statement of net position.

(h) Capital Assets

Capital assets include the historical cost of land and improvements, easements, roadway and transportation structures (infrastructure), buildings and related improvements, machinery, equipment and software with a cost exceeding \$5,000. (Projects whose individual components are less than \$5,000 but in their entirety are greater than \$5,000 may be capitalized at the discretion of the Tollway). Most expenses for the maintenance and repairs to the roadway and transportation structures, buildings, and related improvements are charged to operations when incurred. All expenses for land, buildings, infrastructure, and construction in progress that increase the value or productive capacities of assets are capitalized. Capital assets are depreciated using the straight-line method of depreciation over the asset's useful life, as follows:

Buildings	20 Years
Infrastructure	5 to 40 Years
Machinery, equipment and software	3 to 20 Years

(i) Leases

The Tollway makes a distinction between: 1) capital leases that effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to ownership of the leased assets, and 2) operating leases under which the lessor effectively retains all such risks and benefits. The Tollway was not a party to any capital leases during the year.

Operating leases are accounted for as an operating revenue or expense, depending on whether the Tollway is the lessor or lessee.

(j) Long-Term Accounts Receivable

In the course of business, the Tollway may enter into contracts with various parties that call for payments to the Tollway to be made at a date more than one year in the future. These receivables are classified as long-term. See Note 7 for a description of these receivables.

(k) Debt Refunding

In accordance with GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, the difference between the reacquisition price and the net carrying amount of the old debt is reported as a deferred outflow or inflow of resources and recognized as a component of interest expense systematically over the remaining life of the old debt or the life of the new debt, whichever is shorter.

(l) Unearned Revenue

The Tollway recognizes revenue when earned. Amounts received in advance of the periods in which related services are rendered are recorded as an unearned revenue liability in the statement of net position. See Note 9.

THE ILLINOIS STATE TOLL HIGHWAY AUTHORITY

A Component Unit of the State of Illinois

Notes to the Financial Statements

For the Year Ended December 31, 2021

(m) Pensions

Substantially all of the Tollway's employees participate in the State Employee Retirement System (SERS), a single-employer, public employee defined benefit pension plan of the State of Illinois, as more fully described in Note 11.

In accordance with GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*, the net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense have been recognized in the Tollway's financial statements.

The net pension liability is calculated as the difference between the actuarially calculated value of the projected benefit payments attributed to past periods of service and the plan's fiduciary net position. The pension expense is comprised of the service cost or actuarial present value of projected benefit payments attributed to the valuation year, interest on the total pension liability, plan administrative expenses, current year benefit changes, and other changes in plan fiduciary net position less employee contributions and projected earnings on plan investments.

Additionally, the pension expense includes the annual recognition of deferred outflows and inflows of resources related to pension assets and liabilities.

For purposes of measuring the net pension liability, deferred outflows of resources, deferred inflows of resources, expense and expenditures associated with the Tollway's contribution requirements, information about the fiduciary net position of the plan and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported within the separately issued plan financial statements. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the terms of the plan. Investments are reported at fair value.

(n) Adoption of New Accounting Pronouncements

There were no new accounting pronouncements that the Tollway was required to adopt in the year ended December 31, 2021.

(o) Net Position

The statement of net position presents the Tollway's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference reported in three categories:

Net investment in capital assets consists of capital assets, net of accumulated depreciation, and reduced by outstanding balances for revenue bonds and other debt that is attributable to the acquisition, construction, or improvement of those assets.

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

Unrestricted Net Position consists of net positions that do not meet the criteria of the two preceding categories.

THE ILLINOIS STATE TOLL HIGHWAY AUTHORITY

A Component Unit of the State of Illinois

Notes to the Financial Statements

For the Year Ended December 31, 2021

At December 31, 2021, restrictions on net position consisted of: *Restricted under the Trust Indenture* which reflects restrictions imposed by the Tollway's Trust Indenture.

(p) Toll Revenue and Evasion Recovery

Toll revenue is recognized when the transaction occurs. Effective June 25, 2020, the Tollway implemented an invoicing process for unpaid tolls. This process provides for invoice(s) for missed tolls, including an administrative fee(s). The fee amount, reduced by an estimated allowance for doubtful accounts, is recorded as evasion recovery revenue when the invoice is issued. Toll revenue that remains unpaid through the invoicing process become subject to additional administrative fees, which, reduced by an estimated allowance for doubtful accounts, are recorded as evasion recovery. Fines on pre-June 25, 2020 violation debt are recorded as revenue upon receipt of cash by the Tollway.

(q) Classification of Operating Revenues and Expenses

The Tollway's operating revenues and expenses consist of revenues earned and expenses incurred relating to the operation and maintenance of its Tollway system, including the Tollway's allocated share of SERS' pension expense pursuant to GASB Statements No. 68 and 71 and the Tollway's allocated share of the State of Illinois' postemployment benefits liability. All other revenues and expenses are reported as nonoperating revenues and expenses or as special items.

Toll evasion recovery revenue is shown net of bad debt expense; concession revenue only includes oasis revenue.

The majority of the Tollway's expenses are exchange transactions, which GASB defines as operating expenses for financial statement presentation purposes. Nonoperating expenses include transfers under intergovernmental agreements and capital financing costs.

Employee benefits and retirement costs have been allocated to functional expense categories within these statements on the basis of gross payroll for each category of functional expense.

(r) Risk Management

The Tollway has self-insured risk retention programs with stop-loss limits for current employee group health and self-insured reserves for workers' compensation claims and has provided accruals for estimated losses arising from such claims. See Note 13.

(s) Use of Estimates in Preparing Financial Statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, deferred inflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(t) Summarized Comparative Information

Comparative amounts for the prior year have been presented in the basic financial statements to provide an understanding of changes in the Tollway's financial position and operations.

THE ILLINOIS STATE TOLL HIGHWAY AUTHORITY

A Component Unit of the State of Illinois

Notes to the Financial Statements

For the Year Ended December 31, 2021

The comparative amounts may be summarized in total and not at the level of detail required for presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the government's financial statements for the year ended December 31, 2020, from which the summarized information was derived.

(2) Cash and Investments

(a) Custodial Credit Risk – Deposits

Custodial credit risk is the risk that an institution holding the Tollway's deposits may fail and expose the Tollway to a loss if the Tollway's deposits cannot be returned upon maturity or demand. State law (30 ILCS 230/2C) requires that all deposits of public funds be covered by the Federal Deposit Insurance Corporation (FDIC) insurance or eligible collateral. The Tollway has no policy that would further limit the requirements under state law. As of December 31, 2021, the Tollway's deposits were covered by FDIC insurance or eligible collateral.

(b) Schedule of Investments

As of December 31, 2021, the carrying value of the Tollway's investments (with associated maturities) is as follows:

Investment Type	Investment Maturities (in years)		
	Fair Value or Amortized Cost	Less Than 1	1 - 5
Money market funds*	\$ 1,515,067,219	\$ 1,515,067,219	\$ -
U.S. Treasury - SLGS	400,000,000	66,000,000	334,000,000
U.S. Treasury Bills	99,958,290	99,958,290	-
Illinois Funds LGIP*	252,626,991	252,626,991	-
	<u>\$ 2,267,652,500</u>	<u>\$ 1,933,652,500</u>	<u>\$ 334,000,000</u>

* Weighted average maturity is less than one year.

For purposes of the statement of net position, money market funds, and Illinois Funds LGIP are classified as cash equivalents.

The Tollway categorizes its fair value measurements within the fair value hierarchy established by U.S. GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. The Tollway has no Level 2 or Level 3 inputs.

The Tollway has the following recurring fair value measurements as of December 31, 2021:

Investment Type	Total	Level 1
U.S. Treasury Bills	\$ 99,958,290	\$ 99,958,290

Money market funds, U.S. Treasury - SLGS, and Illinois Funds LGIP are measured at amortized cost.

THE ILLINOIS STATE TOLL HIGHWAY AUTHORITY

A Component Unit of the State of Illinois

Notes to the Financial Statements

For the Year Ended December 31, 2021

(c) *Interest Rate Risk*

Interest rate risk is the risk that the fair value of investments will decrease as a result of an increase in interest rates. As a means of limiting its exposure to fair value losses from rising interest rates, and as a means of managing liquidity, the Tollway's investment policy requires that the majority of Tollway funds, excluding bond proceeds, be invested in instruments with maturities of less than one year. No investment is to exceed a 10-year maturity.

(d) *Credit and Concentration Risks*

Credit risk is the risk that the Tollway will not recover its investments due to the inability of the issuer to fulfill its obligation. The Tollway's investment policy limits investment of Tollway funds to: securities guaranteed by the United States government; obligations of agencies and instrumentalities of the United States; interest-bearing savings accounts, certificates of deposit, or bank time deposits with institutions which meet specified capitalization requirements; money market mutual funds registered under the Investment Company Act of 1940; the Illinois Funds LGIP; and repurchase agreements of government securities as defined in the Government Securities Act of 1986. The Tollway's investment policy further requires that the investment portfolio be diversified, as necessary to reduce the risk of loss in terms of specific maturity, specific issuer, or specific class of securities. Final maturities are limited to ten years; the majority of the Tollway's funds, excluding bond proceeds, are to be invested in maturities of less than one year. The Tollway was in compliance with these policies during 2021.

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THE ILLINOIS STATE TOLL HIGHWAY AUTHORITY

A Component Unit of the State of Illinois

Notes to the Financial Statements

For the Year Ended December 31, 2021

As of December 31, 2021, the Tollway's investments in debt securities were rated by Moody's Investor Services, S&P Global and Fitch Ratings, as follows. The ratings shown for United States Treasury securities include short-term ratings applicable to maturities of less than one year.

Investment Type	Fair Value or Amortized Cost	Ratings at 12/31/2021		
		Moody's Investor Services	S&P Global	Fitch Ratings
Money Market Funds	\$ 1,515,067,219	Aaa-mf	AAAm	AAAmmf
U.S. Treasury SLGS	400,000,000	Aaa	AAA	AAA
U.S. Treasury Bills	99,958,290	Aaa	AaA	AAA
Illinois Public Treasurer's Investment pool (IPTIP) (aka Illinois Funds)	252,626,991	None	None	AAAmmf
Total	\$ 2,267,652,500			

(3) Accounts Receivable

The Tollway's accounts receivable consist of various toll charges and other amounts due from individuals, commercial, governmental, and other entities. A provision for doubtful accounts has been recorded for estimated uncollectible amounts. As of December 31, 2021, the Tollway's accounts receivable balance consists of the following:

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THE ILLINOIS STATE TOLL HIGHWAY AUTHORITY

A Component Unit of the State of Illinois

Notes to the Financial Statements

For the Year Ended December 31, 2021

	<u>Gross accounts receivables</u>	<u>Allowance for doubtful accounts</u>	<u>Net accounts receivable</u>
Tolls	\$ 14,967,210	\$ (9,028,475)	\$ 5,938,735
Toll evasion recovery	487,875,226	(431,319,755)	56,555,471
Oases receivables	62,478	-	62,478
Damage claims	359,340	(358,748)	592
Over dimension vehicle permit	480,970	(128,315)	352,655
Fiber optic agreements	8,161,531	(1,341,105)	6,820,426
Other	2,322,947	(2,190,196)	132,751
Total non-governmental receivables	<u>514,229,702</u>	<u>(444,366,594)</u>	<u>69,863,108</u>
Various local government and other state agency	15,420,101	-	15,420,101
E-Z Pass Agency Group	58,813,398	-	58,813,398
Illinois Department of Transportation	88,911,716	-	88,911,716
Total intergovernmental receivables	<u>163,145,215</u>	<u>-</u>	<u>163,145,215</u>
 Total receivables	 <u>\$ 677,374,917</u>	 <u>\$ (444,366,594)</u>	 <u>\$ 233,008,323</u>

(4) Prepaid Expenses

In the normal course of business, the Tollway pays for goods and services that will be consumed beyond the current year. These are established as prepaid expenses. As of December 31, 2021, the Tollway had \$21.6 million in prepaid expenses. These are categorized as both current and noncurrent.

(5) Leases Receivable

During 2002, the Tollway, as lessor, entered into two 25-year lease agreements for the oasis system (a retail lease and a fuel lease). Under the terms of each lease, the lessee became financially responsible for rebuilding and remains responsible for renovating the oases structures. At the end of each lease, ownership of the improvements reverts to the Tollway. In the retail lease, the lessee is responsible for the payment of all expenses associated with administration and operation of the facilities including the securing of tenants. In the fuel lease, the lessee is responsible for the operation of the service station and car wash facilities.

THE ILLINOIS STATE TOLL HIGHWAY AUTHORITY

A Component Unit of the State of Illinois

Notes to the Financial Statements

For the Year Ended December 31, 2021

The fuel lease agreement set up a three-step environmental program for the oases: (1) was remediation by the Tollway of the pre-existing contamination and establishing a baseline for contamination; (2) was remediation of contamination caused by the lessee(s) during the lease period; and (3) was a post-lease testing regimen and remediation to the base line by the lessee(s). This agreement ensured that the oasis system was in compliance with environmental laws when the property was leased, and that lessee(s) would be in compliance during the term of the lease. The Tollway was solely financially responsible for the remediation program for all environmental releases prior to the lease commencement date. Additionally, the Tollway conducted post-remediation testing to establish the baseline. The Tollway completed the remediation program, and has received "No Further Remediation (NFR)" letters from the Illinois Environmental Protection Agency for all locations. Any environmental releases during the lease are solely the responsibility of the lessee(s). Furthermore, any remediation necessary after the lease to bring the site back to pre-lease conditions are the responsibility of the lessee(s). Finally, the lease requires that the fuel tanks and related equipment be removed at the end of the lease and all costs associated with the removal will be the responsibility of the lessee(s).

The future minimum lease payments receivable under these agreements as of December 31, 2021 are as follows:

Year Ending			
December 31	Retail Lease	Fuel Lease	Total Leases
2022	\$ 485,714	\$ 689,582	\$ 1,175,296
2023	485,714	689,582	1,175,296
2024	485,714	689,582	1,175,296
2025	485,714	689,582	1,175,296
2026	485,714	689,582	1,175,296
2027	161,905	229,861	391,766
	<u>\$ 2,590,475</u>	<u>\$ 3,677,771</u>	<u>\$ 6,268,246</u>

The future minimum leases receivable do not include contingent rents that may be owed under these leases should the lessees generate revenues in excess of specific target amounts.

The future minimum lease amounts above will be treated as revenue in the year they are earned.

In connection with the Central Tri-State widening and reconstruction, several of the oasis sites have been closed or are scheduled for demolition. The minimum lease commitments schedule above reflects the closures that have occurred.

THE ILLINOIS STATE TOLL HIGHWAY AUTHORITY
A Component Unit of the State of Illinois
Notes to the Financial Statements
For the Year Ended December 31, 2021

(6) Capital Assets

Changes in capital assets for the year ended December 31, 2021, are as follows:

	<u>Balance at Jan 1, 2021</u>	<u>Additions and transfers in</u>	<u>Deletions and transfers out</u>	<u>Balance at Dec 31, 2021</u>
Nondepreciable capital assets:				
Land and improvements	\$ 893,400,822	\$ 105,891,300	\$ -	\$ 999,292,122
Construction in progress	1,510,647,803	1,053,340,726	(507,385,768)	2,056,602,761
Total nondepreciable capital assets	<u>2,404,048,625</u>	<u>1,159,232,026</u>	<u>(507,385,768)</u>	<u>3,055,894,883</u>
Depreciable capital assets				
Buildings	75,168,960	-	(13,666,580)	61,502,380
Temporary Easement	5,305,291	2,118,185	(552,350)	6,871,126
Infrastructure	11,872,308,109	545,482,811	(128,689,310)	12,289,101,610
Machinery and equipment	466,165,582	23,935,455	(5,440,571)	484,660,467
Total depreciable capital assets	<u>12,418,947,942</u>	<u>571,536,451</u>	<u>(148,348,811)</u>	<u>12,842,135,583</u>
Less accumulated depreciation				
Buildings	(48,190,377)	(1,429,913)	678,950	(48,941,340)
Temporary Easement	(2,543,867)	(1,288,548)	552,350	(3,280,065)
Infrastructure	(4,357,087,921)	(479,078,959)	128,689,310	(4,707,477,570)
Machinery and equipment	(250,653,701)	(36,164,536)	4,739,410	(282,078,827)
Total accumulated depreciation	<u>(4,658,475,866)</u>	<u>(517,961,956)</u>	<u>134,660,020</u>	<u>(5,041,777,802)</u>
Total depreciable assets, net	<u>7,760,472,076</u>	<u>53,574,495</u>	<u>(13,688,791)</u>	<u>7,800,357,781</u>
Total capital assets, net	<u>\$ 10,164,520,701</u>	<u>\$ 1,212,806,521</u>	<u>\$ (521,074,559)</u>	<u>\$ 10,856,252,664</u>

(7) Long-Term Accounts Receivable

As of December 31, 2021, long-term accounts receivable consisted of the following:

Illinois Department of Transportation \$ 88,911,716

Long-term accounts receivable represents the noncurrent amount due under intergovernmental agreements for cost-sharing construction projects.

THE ILLINOIS STATE TOLL HIGHWAY AUTHORITY
A Component Unit of the State of Illinois
Notes to the Financial Statements
For the Year Ended December 31, 2021

(8) Revenue Bonds Payable

Changes in revenue bonds payable for the year ended December 31, 2021 are as follows:

	<u>Balance at Jan 1, 2021*</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at Dec 31, 2021</u>	<u>Due within one year</u>
2009 Series A	\$ 400,000,000	\$ -	\$ -	\$ 400,000,000	\$ -
2009 Series B	280,000,000	-	-	280,000,000	-
2013 Series A	500,000,000	-	-	500,000,000	-
2014 Series A	198,585,000	-	(96,870,000)	101,715,000	101,715,000
2014 Series B	500,000,000	-	-	500,000,000	-
2014 Series C	400,000,000	-	-	400,000,000	-
2014 Series D	223,475,000	-	(25,805,000)	197,670,000	25,845,000
2015 Series A	400,000,000	-	-	400,000,000	-
2015 Series B	400,000,000	-	-	400,000,000	-
2016 Series A	333,060,000	-	-	333,060,000	-
2016 Series B	300,000,000	-	-	300,000,000	-
2017 Series A	300,000,000	-	-	300,000,000	-
2018 Series A	498,125,000	-	(13,830,000)	484,295,000	15,855,000
2019 Series A	300,000,000	-	-	300,000,000	-
2019 Series B	225,245,000	-	-	225,245,000	-
2019 Series C	697,870,000	-	-	697,870,000	2,000,000
2020 Series A	500,000,000	-	-	500,000,000	-
2021 Series A	-	700,000,000	-	700,000,000	-
Totals	\$ 6,456,360,000	\$ 700,000,000	\$ (136,505,000)	\$ 7,019,855,000	\$ 145,415,000
Current portion of revenue bonds payable	(136,505,000)	(145,415,000)	136,505,000	(145,415,000)	
Unamortized bond premium	<u>854,167,374</u>	<u>172,974,010</u>	<u>(53,081,330)</u>	<u>974,060,054</u>	
Revenue bonds payable net of current portion, plus unamor- tized bond premium	<u>\$ 7,174,022,374</u>	<u>\$727,559,010</u>	<u>\$(53,081,330)</u>	<u>\$ 7,848,500,054</u>	

*The January 1, 2021 balances are before any payments of principal due on January 1, 2021.

THE ILLINOIS STATE TOLL HIGHWAY AUTHORITY

A Component Unit of the State of Illinois

Notes to the Financial Statements

For the Year Ended December 31, 2021

(a) Build America Bonds

The American Recovery and Reinvestment Act of 2009 authorized the Tollway to issue taxable bonds known as “Build America Bonds” to finance capital expenditures for which it could issue tax-exempt bonds and to elect to receive a subsidy payment from the federal government equal to 35% of the amount of each interest payment on such taxable bonds. The receipt of such subsidy payments by the Tollway is subject to certain requirements, including the filing of a form with the Internal Revenue Service prior to each interest payment date. The subsidy payments are not full faith and credit obligations of the United States of America. As a result of the impact of sequestration, the federal government reduced the amount of the subsidy payments by: 8.7% for subsidies received between March 2013 and September 2013; 7.2% for subsidies received between October 2013 and September 2014; 7.3% for subsidies received between October 2014 and September 2015; 6.8% for subsidies received between October 2015 and September 2016; 6.9% for subsidies received between October 2016 and September 2017; 6.6% for subsidies received between October 2017 and September 2018; 6.2% for subsidies received between October 2018 and September 2019; 5.9% for subsidies received between October 2019 and September 2020; and 5.7% for subsidies received between October 2020 and September 2021. The sequestration reduction rate for the federal fiscal year 2022 of October 1, 2021, through September 30, 2022, will remain at 5.7%. The 5.7% sequestration reduction rate will be applied through October 1, 2030, unless and until a law is enacted that cancels or otherwise affects the sequester, at which time the sequestration reduction rate is subject to change. (see Note 21 – Subsequent Events). The Series 2009A Bonds and Series 2009B Bonds are taxable Build America Bonds; all other Tollway bonds are tax-exempt bonds.

(b) Series 2009A Bonds

The May 21, 2009, the Tollway issued \$500,000,000 of Toll Highway Senior Priority Revenue Bonds, Taxable 2009 Series A (Build America Bonds – Direct Payment). The Tollway made an irrevocable election to designate the bonds as Build America Bonds pursuant to the provisions of Section 54AA(g) of the Internal Revenue Code of 1986. The Tollway covenanted to apply Build America Bonds subsidy payments to the payment of debt service. This issuance was the fifth bond sale utilized to finance capital projects in the Congestion-Relief Program. The bonds also financed a deposit to the debt reserve account and costs of issuance. The bonds were sold as two term bonds, \$100,000,000 maturing on January 1, 2024 and \$400,000,000 maturing on January 1, 2034. The term bond maturing January 1, 2024, then-outstanding in an amount of \$78,060,000, was refunded and redeemed, at a redemption price of 100% of the principal amount plus accrued interest, in connection with the issuance of the Tollway’s Series 2018A Bonds on January 10, 2019. The bonds maturing January 1, 2034 bear an interest rate of 6.184%, were sold at a price of 100% of the par amount of the bonds, and are subject to optional redemption at a redemption price equal to the greater of: (i) 100% of the principal amount of the bonds to be redeemed; and (ii) the sum of the present value of the remaining scheduled payments of principal and interest to the maturity date of the bonds to be redeemed, discounted to the date on which the bonds are to be redeemed on a semi-annual basis at the yield to maturity as of such redemption date of the U.S. Treasury security with a constant maturity most nearly equal to the period from the redemption date to the maturity date of the bonds to be redeemed, plus 30 basis points, plus, in each case, accrued interest. The bonds have not been insured or otherwise credit enhanced by the Tollway.

THE ILLINOIS STATE TOLL HIGHWAY AUTHORITY

A Component Unit of the State of Illinois

Notes to the Financial Statements

For the Year Ended December 31, 2021

(c) Series 2009B Bonds

On December 8, 2009, the Tollway issued \$280,000,000 of Toll Highway Senior Priority Revenue Bonds, Taxable 2009 Series B (Build America Bonds – Direct Payment). The Tollway made an irrevocable election to designate the bonds as Build America Bonds pursuant to the provisions of Section 54AA(g) of the Internal Revenue Code of 1986. The Tollway covenanted to apply Build America Bonds subsidy payments to the payment of debt service. This issuance was the sixth bond sale utilized to finance capital projects in the Congestion-Relief Program. The bonds also financed a deposit to the debt reserve account and costs of issuance. In connection with the issuance of the bonds, the Tollway deposited \$12,000,000 funds on hand into the debt service account to pay the bond interest due on June 1, 2010 and a portion of the bond interest due on December 1, 2010. The bonds mature on December 1, 2034. The bonds bear an interest rate of 5.851% and were sold at a price of 100% of the par amount of the bonds. The bonds are subject to optional redemption at a redemption price equal to the greater of: (i) 100% of the principal amount of the bonds to be redeemed; and (ii) the sum of the present value of the remaining scheduled payments of principal and interest to the maturity date of the bonds to be redeemed, discounted to the date on which the bonds are to be redeemed on a semi-annual basis at the yield to maturity as of such redemption date of the U.S. Treasury security with a constant maturity most nearly equal to the period from the redemption date to the maturity date of the bonds to be redeemed, plus 25 basis points, plus, in each case, accrued interest. The bonds have not been insured or otherwise credit enhanced by the Tollway.

(d) Series 2013A Bonds

On May 16, 2013, the Tollway issued \$500,000,000 of Toll Highway Senior Revenue Bonds, 2013 Series A. This issuance was the first bond sale utilized to finance capital projects in the “Move Illinois” Program. The bonds also financed a deposit to the debt reserve account and costs of issuance. The bonds were sold as serial bonds maturing on January 1 of each of the years 2027 through 2035 and a term bond maturing January 1, 2038. All bonds were sold bearing a 5.0% interest rate. The bonds were sold at yields which produced an original issue premium of \$63,601,290. The bonds are subject to optional redemption on or after January 1, 2023, at a redemption price of 100% of the principal amount plus accrued interest. The term bond maturing January 1, 2038 is subject to sinking fund redemption prior to maturity. The bonds have not been insured or otherwise credit enhanced by the Tollway.

(e) Series 2014A Bonds

On February 26, 2014, the Tollway issued \$378,720,000 of Toll Highway Senior Revenue Bonds, 2014 Series A (Refunding). The bonds advance refunded \$436,545,000 of Toll Highway Senior Priority Revenue Bonds, 2005 Series A. The bonds also financed costs of issuance. The bonds were sold as serial bonds maturing on December 1 of each of the years 2019 through 2022. The bonds were sold bearing interest rates ranging from 4.5% - 5.0%. The bonds were sold at yields which produced an original issue premium of \$66,772,076. The bonds are not subject to optional redemption. The bonds have not been insured or otherwise credit enhanced by the Tollway. The purpose of the refunding was to reduce debt service. The aggregate difference in debt service between the refunding debt, if outstanding through final maturity, and the refunded debt, had it remained outstanding through final maturity, net of Tollway funds on hand that were applied to the refunding transaction, was \$55.7 million. The present value of such savings was estimated at \$44.1 million at the time of the transaction’s closing.

THE ILLINOIS STATE TOLL HIGHWAY AUTHORITY

A Component Unit of the State of Illinois

Notes to the Financial Statements

For the Year Ended December 31, 2021

(f) Series 2014B Bonds

On June 4, 2014, the Tollway issued \$500,000,000 of Toll Highway Senior Revenue Bonds, 2014 Series B. This issuance was the second bond sale utilized to finance capital projects in the "Move Illinois" Program. The bonds also financed a deposit to the debt reserve account and costs of issuance. The bonds were sold as serial bonds maturing on January 1 of each of the years 2026 through 2039. All bonds were sold bearing a 5.0% interest rate. The bonds were sold at yields which produced an original issue premium of \$48,929,739. The bonds are subject to optional redemption on or after January 1, 2024, at a redemption price of 100% of the principal amount plus accrued interest. The bonds have not been insured or otherwise credit enhanced by the Tollway.

(g) Series 2014C Bonds

On December 4, 2014, the Tollway issued \$400,000,000 of Toll Highway Senior Revenue Bonds, 2014 Series C. This issuance was the third bond sale utilized to finance capital projects in the "Move Illinois" Program. The bonds also financed a deposit to the debt reserve account and costs of issuance. The bonds were sold as serial bonds maturing on January 1 of each of the years 2027 through 2039. All bonds were sold bearing a 5.0% interest rate. The bonds were sold at yields which produced an original issue premium of \$53,737,539. The bonds are subject to optional redemption on or after January 1, 2025, at a redemption price of 100% of the principal amount plus accrued interest. The bonds have not been insured or otherwise credit enhanced by the Tollway.

(h) Series 2014D Bonds

On December 18, 2014, the Tollway issued \$264,555,000 of Toll Highway Senior Revenue Bonds, 2014 Series D (Refunding). The bonds advance refunded \$291,660,000 of Toll Highway Senior Priority Revenue Bonds, 2006 Series A-1. The bonds also financed costs of issuance. The bonds were sold as serial bonds maturing on January 1 of each of the years 2018 through 2025. All bonds were sold bearing a 5.0% interest rate. The bonds were sold at yields which produced an original issue premium of \$49,884,988. The bonds are not subject to optional redemption. The bonds have not been insured or otherwise credit enhanced by the Tollway. The purpose of the refunding was to reduce debt service. The aggregate difference in debt service between the refunding debt, if outstanding through final maturity, and the refunded debt, had it remained outstanding through final maturity, net of Tollway funds on hand that were applied to the refunding transaction, was \$38.4 million. The present value of such savings was estimated at \$33.0 million at the time of the transaction's closing.

(i) Series 2015A Bonds

On July 30, 2015, the Tollway issued \$400,000,000 of Toll Highway Senior Revenue Bonds, 2015 Series A. This issuance was the fourth bond sale utilized to finance capital projects in the "Move Illinois" Program. The bonds also financed a deposit to the debt reserve account and costs of issuance. The bonds were sold as serial bonds maturing on January 1 of each of the years 2027 through 2037 and a term bond maturing January 1, 2040. All bonds were sold bearing a 5.0% interest rate. The bonds were sold at yields which produced an original issue premium of \$39,445,649. The bonds are subject to optional redemption on or after July 1, 2025 at a redemption price of 100% of the principal amount plus accrued interest. The term bond maturing January 1, 2040 is subject to sinking fund redemption prior to maturity. The bonds have not been insured or otherwise credit enhanced by the Tollway.

THE ILLINOIS STATE TOLL HIGHWAY AUTHORITY

A Component Unit of the State of Illinois

Notes to the Financial Statements

For the Year Ended December 31, 2021

(j) Series 2015B Bonds

On December 17, 2015, the Tollway issued \$400,000,000 of Toll Highway Senior Revenue Bonds, 2015 Series B. This issuance was the fifth bond sale utilized to finance capital projects in the "Move Illinois" Program. The bonds also financed a deposit to the debt reserve account and costs of issuance. The bonds were sold as serial bonds maturing on January 1 of each of the years 2027 through 2037 and a term bond maturing January 1, 2040. All bonds were sold bearing a 5.0% interest rate. The bonds were sold at yields which produced an original issue premium of \$47,418,612. The bonds are subject to optional redemption on or after January 1, 2026 at a redemption price of 100% of the principal amount plus accrued interest. The term bond maturing January 1, 2040 is subject to sinking fund redemption prior to maturity. The bonds have not been insured or otherwise credit enhanced by the Tollway.

(k) Series 2016A Bonds

On January 14, 2016, the Tollway issued \$333,060,000 of Toll Highway Senior Revenue Bonds, 2016 Series A (Refunding). The bonds advance refunded \$350,000,000 of Toll Highway Senior Priority Revenue Bonds, 2008 Series B. The bonds also financed costs of issuance. The bonds were sold as serial bonds maturing on December 1, 2031 bearing interest rates of 4.00% and 5.00% and December 1, 2032 bearing an interest rate of 5.00%. The bonds were sold at yields which produced an original issue premium of \$49,635,106. The bonds are subject to optional redemption on or after January 1, 2026, at a redemption price of 100% of the principal amount plus accrued interest. The bonds have not been insured or otherwise credit enhanced by the Tollway. The purpose of the refunding was to reduce debt service. The aggregate difference in debt service between the refunding debt, if outstanding through final maturity, and the refunded debt, had it remained outstanding through final maturity, net of Tollway funds on hand that were applied to the refunding transaction, was \$70.0 million. The present value of such savings was estimated at \$50.9 million at the time of the transaction's closing.

(l) Series 2016B Bonds

On June 16, 2016, the Tollway issued \$300,000,000 of Toll Highway Senior Revenue Bonds, 2016 Series B. This issuance was the sixth bond sale utilized to finance capital projects in the "Move Illinois" Program. The bonds also financed a deposit to the debt reserve account and costs of issuance. The bonds were sold as serial bonds maturing on January 1 of each of the years 2027 through 2038 and a term bond maturing January 1, 2041. All bonds were sold bearing a 5.0% interest rate. The bonds were sold at yields which produced an original issue premium of \$59,573,902. The bonds are subject to optional redemption on or after July 1, 2026, at a redemption price of 100% of the principal amount plus accrued interest. The term bond maturing January 1, 2041 is subject to sinking fund redemption prior to maturity. The bonds have not been insured or otherwise credit enhanced by the Tollway.

(m) Series 2017A Bonds

On December 6, 2017, the Tollway issued \$300,000,000 of Toll Highway Senior Revenue Bonds, 2017 Series A. This issuance was the seventh bond sale utilized to finance capital projects in the "Move Illinois" Program. The bonds also financed a deposit to the debt reserve account and costs of issuance. The bonds were sold as serial bonds maturing on January 1 of each of the years 2028 through 2039 and a term bond maturing January 1, 2042. All bonds were sold bearing a 5.0% interest rate. The bonds were sold at yields which produced an original issue premium of \$50,071,706. The bonds are subject to optional redemption on or after January 1, 2028, at a redemption price of 100% of the principal amount plus accrued interest.

THE ILLINOIS STATE TOLL HIGHWAY AUTHORITY

A Component Unit of the State of Illinois

Notes to the Financial Statements

For the Year Ended December 31, 2021

The term bond maturing January 1, 2042 is subject to sinking fund redemption prior to maturity. The bonds have not been insured or otherwise credit enhanced by the Tollway.

(n) Series 2018A Bonds

On January 10, 2019, the Tollway issued \$515,250,000 of Toll Highway Senior Revenue Bonds, 2018 Series A (Refunding). The bonds refunded \$262,500,000 of Toll Highway Variable Rate Senior Priority Revenue Bonds, 2007 Series A-2, \$189,600,000 of Toll Highway Variable Rate Senior Refunding Revenue Bonds, 2008 Series A-1a, and \$78,060,000 2009 Series A Bonds scheduled to mature on January 1, 2024. The bonds also financed costs of issuance and costs of terminating two variable-to-fixed interest rate exchange agreements (swaps) associated with the refunded bonds. The bonds were sold as serial bonds maturing on January 1 of each of the years 2020 through 2031 and were sold bearing an interest rate of 5.00%. The bonds were sold at yields which produced an original issue premium of \$79,372,651. The bonds are subject to optional redemption on or after January 1, 2029, at a redemption price of 100% of the principal amount plus accrued interest. The purpose of the refunding was to reduce risks related to variable interest rates and third-party agreements. The bonds have not been insured or otherwise credit enhanced by the Tollway.

(o) Series 2019A Bonds

On July 11, 2019, the Tollway issued \$300,000,000 of Toll Highway Senior Revenue Bonds, 2019 Series A. This issuance was the eighth bond sale utilized to finance capital projects in the "Move Illinois" Program. The bonds also financed a deposit to the debt reserve account and costs of issuance. The bonds were sold as serial bonds maturing on January 1 of each of the years 2036 through 2041 and two term bonds maturing January 1, 2044. Bonds were sold bearing interest rates ranging from 3.0% to 5.0%. The bonds were sold at yields which produced an original issue premium of \$47,215,820. The bonds are subject to optional redemption on or after July 1, 2029, at a redemption price of 100% of the principal amount plus accrued interest. The term bonds maturing January 1, 2044 are each subject to sinking fund redemption prior to maturity. The bonds have not been insured or otherwise credit enhanced by the Tollway.

(p) Series 2019B Bonds

On November 14, 2019, the Tollway issued \$225,245,000 of Toll Highway Senior Revenue Bonds, 2019 Series B (Refunding). The bonds refunded \$276,560,000 of Toll Highway Senior Refunding Revenue Bonds, 2010 Series A-1. The bonds also financed costs of issuance. The bonds were sold as serial bonds maturing on January 1 of each of the years 2025 through 2031 and were sold bearing an interest rate of 5.00%. The bonds were sold at yields which produced an original issue premium of \$51,916,736. The bonds are subject to optional redemption on or after January 1, 2030, at a redemption price of 100% of the principal amount plus accrued interest. The bonds have not been insured or otherwise credit enhanced by the Tollway. The purpose of the refunding was to reduce debt service. The aggregate difference in debt service between the refunding debt, if outstanding through final maturity, and the refunded debt, had it remained outstanding through final maturity, net of Tollway funds on hand that were applied to the refunding transaction, was \$69.2 million. The present value of such savings was estimated at \$62.2 million at the time of the transaction's closing.

THE ILLINOIS STATE TOLL HIGHWAY AUTHORITY

A Component Unit of the State of Illinois

Notes to the Financial Statements

For the Year Ended December 31, 2021

(q) Series 2019C Bonds

On December 23, 2019, the Tollway issued \$697,870,000 Toll Highway Senior Revenue Bonds, 2019 Series C (Refunding). The bonds refunded \$350,000,000 of Toll Highway Variable Rate Senior Priority Revenue Bonds, 2007 Series A-1, \$87,500,000 of Toll Highway Variable Rate Senior Priority Revenue Bonds, 2007 Series A-2d, \$189,600,000 of Toll Highway Variable Rate Senior Refunding Revenue Bonds, 2008 Series A-1b, and \$94,825,000 of Toll Highway Variable Rate Senior Refunding Revenue Bonds, 2008 Series A-2. The bonds also financed costs of issuance and costs of terminating five variable-to-fixed interest rate exchange agreements (swaps) associated with the refunded bonds. The bonds were sold as serial bonds maturing on January 1 of each of the years 2022 through 2031 and were sold bearing an interest rate of 5.00%. The bonds were sold at yields which produced an original issue premium of \$166,652,297. The bonds are subject to optional redemption on or after January 1, 2030, at a redemption price of 100% of the principal amount plus accrued interest. The purpose of the refunding was to reduce risks related to variable interest rates and third-party agreements. The bonds have not been insured or otherwise credit enhanced by the Tollway.

(r) Series 2020A Bonds

On December 17, 2020, the Tollway issued \$500,000,000 of Toll Highway Senior Revenue Bonds, 2020 Series A. This issuance was the ninth bond sale utilized to finance capital projects in the "Move Illinois" Program. The bonds also financed a deposit to the debt reserve account and costs of issuance. The bonds were sold as serial bonds maturing on January 1 of each of the years 2036 through 2041 and a term bond maturing January 1, 2045. Bonds were sold bearing an interest rate of 5.0%. The bonds were sold at yields which produced an original issue premium of \$144,942,984. The bonds are subject to optional redemption on or after January 1, 2031, at a redemption price of 100% of the principal amount plus accrued interest. The term bond maturing January 1, 2045 is subject to sinking fund redemption prior to maturity. The bonds have not been insured or otherwise credit enhanced by the Tollway.

(s) Series 2021A Bonds

On December 16, 2021, the Tollway issued \$700,000,000 of Toll Highway Senior Revenue Bonds, 2021 Series A. This issuance was the tenth bond sale utilized to finance capital projects in the "Move Illinois" Program. The bonds also financed a deposit to the debt reserve account and costs of issuance. The bonds were sold as serial bonds maturing on January 1 of each of the years 2039 through 2043 and two term bonds maturing January 1, 2046. Bonds were sold bearing interest rates of 4.0% or 5.0%. The bonds were sold at yields which produced an original issue premium of \$172,974,010. The bonds are subject to optional redemption on or after January 1, 2032, at a redemption price of 100% of the principal amount plus accrued interest. The term bonds maturing January 1, 2046 are each subject to sinking fund redemption prior to maturity. The bonds have not been insured or otherwise credit enhanced by the Tollway.

(t) Defeased Bonds

As of December 31, 2021, there were no defeased Tollway revenue bonds outstanding.

THE ILLINOIS STATE TOLL HIGHWAY AUTHORITY

A Component Unit of the State of Illinois

Notes to the Financial Statements

For the Year Ended December 31, 2021

(u) All Series

Details of outstanding revenue bonds as of December 31, 2021 are as follows:

Issue of 2009 Series A, 6.184% due on January 1, 2032-2034	\$ 400,000,000
Issue of 2009 Series B, 5.851% due on December 1, 2034	280,000,000
Issue of 2013 Series A, 5.00% due on January 1, 2027-2038	500,000,000
Issue of 2014 Series A, 5.00% due on December 1, 2022	101,715,000
Issue of 2014 Series B, 5.00% due on January 1, 2026-2039	500,000,000
Issue of 2014 Series C, 5.00% due on January 1, 2027-2039	400,000,000
Issue of 2014 Series D, 5.00% due on January 1, 2022-2025	197,670,000
Issue of 2015 Series A, 5.00% due on January 1, 2027-2040	400,000,000
Issue of 2015 Series B, 5.00% due on January 1, 2027-2040	400,000,000
Issue of 2016 Series A, 4.00% due on December 1, 2031 and 5.00% due on December 1, 2031-2032	333,060,000
Issue of 2016 Series B, 5.00% due on January 1, 2027-2041	300,000,000
Issue of 2017 Series A, 5.00% due on January 1, 2028-2042	300,000,000
Issue of 2018 Series A, 5.00% due on January 1, 2022-2031	484,295,000
Issue of 2019 Series A, 3.00% due on January 1, 2038, 4.00% due on January 1, 2037, 2039 and 2042-2044, and 5.00% due on January 1, 2036 and 2040-2044	300,000,000
Issue of 2019 Series B, 5.00% due on January 1, 2025-2031	225,245,000
Issue of 2019 Series C, 5.00% due on January 1, 2022-2031	697,870,000
Issue of 2020 Series A, 5.00% due on January 1, 2036-2045	500,000,000
Issue of 2021 Series A, 4.00% due on January 1, 2039-2040, 2042, and 2044-2046, and 5.00% due on 2041 and 2044-2046	700,000,000
	<hr/>
Total revenue bonds payable	\$ 7,019,855,000
Less current portion*	\$ (145,415,000)
Plus unamortized bond premium	<u>974,060,054</u>
Long-term portion of revenue bonds payable plus unamortized bond premium	<u>\$ 7,848,500,054</u>

Accrued interest payable as of the year ended December 31, 2021, was \$146,435,442.

THE ILLINOIS STATE TOLL HIGHWAY AUTHORITY
A Component Unit of the State of Illinois
Notes to the Financial Statements
For the Year Ended December 31, 2021

The annual requirements to retire principal and pay interest on all bonds outstanding at December 31, 2021, all of which are fixed interest rate bonds, are as follows.

Year ending December 31	Principal	Interest	Total Debt Service
2022	\$ 145,415,000	\$ 337,764,884	\$ 483,179,884
2023	45,925,000	345,091,425	391,016,425
2024	155,025,000	340,067,675	495,092,675
2025	162,715,000	332,124,175	494,839,175
2026	187,530,000	323,368,050	510,898,050
2027	231,265,000	312,898,175	544,163,175
2028	242,700,000	301,049,050	543,749,050
2029	255,135,000	288,603,175	543,738,175
2030	268,090,000	275,522,550	543,612,550
2031	444,185,000	261,783,675	705,968,675
2032	310,030,000	243,242,048	553,272,048
2033	147,435,000	226,733,900	374,168,900
2034	614,505,000	212,715,401	827,220,401
2035	74,300,000	184,557,500	258,857,500
2036	374,425,000	173,339,375	547,764,375
2037	393,175,000	154,169,375	547,344,375
2038	412,800,000	134,080,000	546,880,000
2039	433,300,000	113,077,500	546,377,500
2040	454,800,000	91,085,000	545,885,000
2041	437,100,000	68,887,500	505,987,500
2042	328,000,000	50,397,500	378,397,500
2043	284,000,000	35,852,500	319,852,500
2044	284,000,000	22,185,000	306,185,000
2045	214,000,000	10,450,000	224,450,000
2046	120,000,000	2,700,000	122,700,000
Total	\$ <u>7,019,855,000</u>	\$ <u>4,841,745,433</u>	\$ <u>11,861,600,433</u>

(v) Capitalized Interest

In 2018, the Tollway implemented GASB 89 – *Accounting for Interest Cost Incurred Before the End of a Construction Period* which requires that all interest costs be recognized as an expense in the current period. Prior to implementation, a portion of interest expense attributable to construction was required to be capitalized. GASB 89 changed this requirement prospectively. As of December 31, 2021, the Tollway continues to amortize previously capitalized interest with an unamortized balance of \$108.5 million.

THE ILLINOIS STATE TOLL HIGHWAY AUTHORITY

A Component Unit of the State of Illinois

Notes to the Financial Statements

For the Year Ended December 31, 2021

(w) Trust Indenture Agreement

All Tollway bonds outstanding as of December 31, 2021, were issued under the Amended and Restated Trust Indenture effective as of March 31, 1999, amending and restating a Trust Indenture dated as of December 1, 1985 (as amended, restated, and supplemented, the "Trust Indenture") from the Tollway to The Bank of New York Mellon Trust Company, N.A., as successor Trustee (the "Trustee"). The Trustee serves as fiduciary for bondholders. The Trust Indenture establishes the conditions under which the Tollway may issue bonds and the security to be pledged to bondholders. The Trust Indenture establishes two funds: (i) a construction fund to account for the spending of Tollway bond proceeds; and (ii) a revenue fund to account for the deposit of Tollway revenues. The construction fund is divided into different accounts for each project under the Trust Indenture. The revenue fund is divided into six different accounts (some of which are further divided into sub-accounts) which establish an order of funding priority through which Tollway revenues flow. Revenues first fund the maintenance and operation account, which is the only account in the revenue fund in which bondholders do not have a security interest. Remaining revenues fund the other accounts of the revenue fund in the following order of priority: the debt service account, the debt reserve account, the renewal and replacement account, the improvement account, and the system reserve account. (The Trust Indenture also allows for the creation of junior lien bond accounts; to date the Tollway has never issued junior lien bonds.) All accounts of the construction fund and the debt service account and debt reserve account of the revenue fund are held by the Trustee. The Trustee-held funds classified as net position restricted under the Trust Indenture is included in Note 10.

(x) Arbitrage Rebate

In the 1980s, Congress determined that arbitrage rebate rules were needed to curb issuance of investment motivated tax-exempt bonds. These rules were designed to create additional safeguards against issuers obtaining an arbitrage benefit by issuing bonds either prematurely or in excess of actual need in order to benefit from an expected spread between tax-exempt borrowing cost and return on investment of bond proceeds. As a result, under certain conditions gain from arbitrage must be rebated to the United States Government. The Tollway determined that, as of December 31, 2021, no arbitrage rebate liability had accrued.

THE ILLINOIS STATE TOLL HIGHWAY AUTHORITY

A Component Unit of the State of Illinois

Notes to the Financial Statements

For the Year Ended December 31, 2021

(9) Unearned Revenue

The Tollway's communications network includes a fiber optic system. Excess capacity on the fiber optic lines is leased to other organizations in order to offset the cost of the system. Since 2000, when the system was initially upgraded, the Tollway has entered into fiber optic system lease agreements with terms of twenty years. The Tollway has collected a cumulative total of \$55,619,310 in upfront payments; the related revenue will be earned over the lease terms.

The total unearned revenue balance for the fiber optic system, after removing fully amortized agreements, was \$8,302,300 at December 31, 2021, and the amount earned was \$33,561,290 through December 31, 2021.

The Tollway also invoices annual fiber optic maintenance fees. At December 31, 2021, some of these fees had been paid in advance. These have also been recorded as unearned revenue.

On October 1, 2013, the Tollway entered into a 3-year agreement with Travelers Marketing, LLC, for sponsorship of the Tollway's Highway Emergency Lane Patrol (H.E.L.P.) trucks by its advertising sponsor/partner, State Farm Insurance. In exchange for a cumulative sponsorship fee of \$5,559,250, Travelers has the exclusive right to place State Farm Insurance branding on Tollway H.E.L.P. trucks and H.E.L.P. truck operator uniforms. On October 1, 2016, this contract was extended for an additional 3 years and on October 1, 2019, a three-month extension was executed. An additional 3-year agreement was executed in January 2020. The sponsorship fee paid by Travelers in 2020 has been recorded as unearned revenue and is recognized as revenue as earned.

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THE ILLINOIS STATE TOLL HIGHWAY AUTHORITY
A Component Unit of the State of Illinois
Notes to the Financial Statements
For the Year Ended December 31, 2021

A summary of changes in unearned revenue for the year ended December 31, 2021, is as follows:

	<u>Balance at January 1</u>	<u>Current Year Activity</u>	<u>Balance at December 31</u>	<u>Current Portion</u>
Unearned revenue				
Fiber optics and co-location	\$ 56,031,900	\$ (25,401,520)	\$ 30,630,380	\$ 1,735,056
Accumulated amortization	<u>(31,993,832)</u>	<u>23,691,532</u>	<u>(8,302,300)</u>	<u>(1,464,996)</u>
	<u>24,038,068</u>	<u>(1,709,988)</u>	<u>22,328,080</u>	<u>270,060</u>
Intergovernmental agreements	222,483	(166,589)	55,894	55,894
Accumulated amortization	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>222,483</u>	<u>(166,589)</u>	<u>55,894</u>	<u>55,894</u>
H.E.L.P. Truck advertising revenue	4,958,250	601,000	5,559,250	25,042
Accumulated amortization	<u>(4,933,208)</u>	<u>(601,000)</u>	<u>(5,534,208)</u>	<u>-</u>
	<u>25,042</u>	<u>-</u>	<u>25,042</u>	<u>25,042</u>
Totals				
Unearned revenue	61,212,633	(24,967,109)	36,245,524	1,815,992
Accumulated amortization	<u>(36,927,040)</u>	<u>23,090,532</u>	<u>(13,836,508)</u>	<u>(1,464,996)</u>
Net deferred revenue	<u>\$ 24,285,593</u>	<u>\$ (1,876,577)</u>	<u>\$ 22,409,016</u>	<u>\$ 350,996</u>

(10) Restricted Net Position

As of December 31, 2021, the Tollway reported the following restricted net position:

<u>Description</u>	<u>December 31, 2021</u>
Net position restricted under Trust Indenture Agreement	<u>\$ 518,593,642</u>

THE ILLINOIS STATE TOLL HIGHWAY AUTHORITY

A Component Unit of the State of Illinois

Notes to the Financial Statements

For the Year Ended December 31, 2021

(11) State Employees' Retirement System

Plan Description

Substantially all of the Tollway's full-time employees, as well as the State Police assigned to the Tollway who are not eligible for any other state-sponsored retirement plan, participate in the Illinois State Employees' Retirement System (SERS), which is a component unit of the State of Illinois reporting entity. SERS is a single-employer defined benefit public employee retirement system in which state employees participate, except those covered by the State Universities, Teachers, General Assembly and Judges' Retirement Systems. SERS is governed by a 13 member Board of Trustees, consisting of the Illinois Comptroller, six trustees appointed by the Governor with the advice and consent of the Illinois Senate, four trustees elected by SERS members, and two trustees appointed by SERS retirees. SERS issues a separate annual comprehensive financial report (ACFR). The financial position and results of operations for SERS for fiscal year 2021 are also included in the state's ACFR for the year ended June 30, 2021.

As of June 30, 2021, the breakdown of employees participating or benefitting from SERS, as a whole, is as follows:

Active employees	62,253
Retirees and beneficiaries currently receiving benefits	75,939
Inactive employees entitled to but not yet receiving benefits	3,825

A summary of SERS' benefit provisions, changes in benefit provisions, employee eligibility requirements including eligibility for vesting, and the authority under which benefit provisions are established are included as an integral part of the SERS' ACFR. Also included therein is a discussion of employer and employee obligations to contribute and the authority under which those obligations are established.

To obtain a copy of SERS' ACFR, write, call, or email:

State Employees' Retirement System

2101 S. Veterans Parkway

Springfield, IL 62794-9255

(217) 785-7444

sers@mail.state.il.us

THE ILLINOIS STATE TOLL HIGHWAY AUTHORITY

A Component Unit of the State of Illinois

Notes to the Financial Statements

For the Year Ended December 31, 2021

Benefit Provisions

SERS provides retirement benefits based on the member's final average compensation and the number of years of credited service that have been established. The retirement benefit formula available to general State employees is 1.67% for each year of covered service and 2.2% for each year of noncovered service. (Covered service is defined as service time where the employee contributed to Social Security as well as SERS). Alternative formula employees have a formula of 2.5% for covered service and 3.0% for noncovered service. The maximum retirement annuity payable is 75% of final average compensation as calculated under the regular formula. The maximum retirement annuity payable is 80% of final average compensation as calculated under the alternative formula.

The minimum monthly retirement annuity payable is \$15 for each year of covered employment and \$25 for each year of noncovered employment.

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THE ILLINOIS STATE TOLL HIGHWAY AUTHORITY

A Component Unit of the State of Illinois

Notes to the Financial Statements

For the Year Ended December 31, 2021

Participants in SERS under the regular formula Tier 1 and Tier 2 receive the following levels of benefits based on their respective age and years of service credits:

Regular Formula Tier 1	Regular Formula Tier 2
<p>A member must have a minimum of eight years of service credit and may retire at:</p> <ul style="list-style-type: none"> • Age 60, with eight years of service credit. • Any age, when the member's age (years and whole months) plus years of service credit (years and whole months) equal 85 years (1,020 months) (Rule of 85) with eight years of credited service. • Between ages 55-60 with 25-30 years of service credit (reduced 1/2 of 1% for each month under age 60). <p>The retirement benefit is based on final average compensation and credited service. Final average compensation is the 48 highest consecutive months of service within the last 120 months of service.</p> <p>Under the Rule of 85, a member is eligible for the first 3% increase on January 1 following the first full year of retirement, even if the member is not age 60. If the member retires at age 60 or older, he/she will receive a 3% pension increase every year on January 1, following the first full year of retirement.</p> <p>If the member retires before age 60 with a reduced retirement benefit, he/she will receive a 3% pension increase every January 1 after the member turns age 60 and has been retired at least one full year. These pension increases are not limited by the 75% maximum.</p>	<p>A member must have a minimum of 10 years of credited service and may retire at:</p> <ul style="list-style-type: none"> • Age 67, with 10 years of credited service. • Between ages 62-67 with 10 years of credited service (reduced 1/2 of 1% for each month under age 67). <p>The retirement benefit is based on final average compensation and credited service. For regular formula employees, final average compensation is the average of the 96 highest consecutive months of service within the last 120 months of service. The retirement benefit is calculated on a maximum salary of \$106,800. This amount increases annually by 3% or one-half of the Consumer Price Index, whichever is less.</p> <p>If the member retires at age 67 or older, he/she will receive a pension increase of 3% or one-half of the Consumer Price Index for the preceding calendar year, whichever is less, every year on January 1, following the first full year of retirement. The salary limits for calendar year 2021 is \$116,740.</p> <p>If the member retires before age 67 with a reduced retirement benefit, he/she will receive a pension increase of 3% or 1/2 of the Consumer Price Index for the preceding calendar year, whichever is less, every January 1 after the member turns age 67 and has been retired at least one full year. These pension increases are not limited by the 75% maximum.</p>

THE ILLINOIS STATE TOLL HIGHWAY AUTHORITY

A Component Unit of the State of Illinois

Notes to the Financial Statements

For the Year Ended December 31, 2021

Additionally, SERS provides an alternative retirement formula for State employees in high-risk jobs, such as State policemen, fire fighters, and security employees. Employees qualifying for benefits under the alternative formula may retire at an earlier age depending on membership in Tier 1 or Tier 2. The retirement formula is 2.5% for each year of covered service and 3.0% for each year of noncovered service.

SERS also provides occupational and nonoccupational (including temporary) disability benefits. To be eligible for nonoccupational (including temporary) disability benefits, an employee must have at least eighteen months of credited service. The nonoccupational (including temporary) disability benefit is equal to 50% of the average rate of compensation of the employee on the date of removal from the payroll. Occupational disability benefits are provided when the member becomes disabled as a direct result of injuries or diseases arising out of and in the course of State employment. The monthly benefit is equal to 75% of the average rate of compensation on the date of removal from the payroll. This benefit amount is reduced by workers' compensation or payments under the Occupational Diseases Act.

Occupational and nonoccupational death benefits are also available through SERS. Certain nonoccupational death benefits vest after eighteen months of credited service. Occupational death benefits are provided from the date of employment.

Contributions

Contribution requirements of active employees and the State are established in accordance with Chapter 40, section 5/14-133 of the Illinois Compiled Statutes (ILCS). Member contributions are based on fixed percentages of covered payroll ranging between 4% and 12.50%. Employee contributions are fully refundable, without interest, upon withdrawal from State employment. Tier 1 members contribute based on total annual compensation. Tier 2 members contribute based on an annual compensation rate not to exceed \$116,740 for 2021 with limitations for future years increased by the lesser of 3% or one-half of the annual percentage increase in the Consumer Price Index.

The State is required to make payment for the required departmental employer contributions, all allowances, annuities, any benefits granted under Chapter 40, Article 5/14 of the ILCS and all administrative expenses of SERS to the extent specified in the ILCS. State law provides that the employer contribution rate be determined based upon the results of each annual actuarial valuation.

For fiscal year 2020, the required employer contributions were computed in accordance with the State's funding plan. This funding legislation provides for a systematic 50-year funding plan with an ultimate goal to achieve 90% funding of the plan's liabilities. In addition, the funding plan provided for a 15-year phase-in period to allow the State to adapt to the increased financial commitment. Since the 15-year phase-in period ended June 30, 2010, the State's contribution will remain at a level percentage of payroll, recomputed annually, for the next 35 years until the 90% funded level is achieved. For state fiscal year 2021, the employer contribution rate is 54.831%. The Tollway's contribution amount for calendar year 2021 was \$65,315,580.

The Tollway has made all required contributions through December 31, 2021.

THE ILLINOIS STATE TOLL HIGHWAY AUTHORITY

A Component Unit of the State of Illinois

Notes to the Financial Statements

For the Year Ended December 31, 2021

Pension Liability, Deferred Outflows of Resources, Deferred Inflows of Resources, and Expense Related to Pensions

GASB Statement No. 68, as amended by GASB Statement No. 71, requires an allocation of net pension liability and pension expense, and to recognize proportionate shares for the primary government and component units, including the Tollway.

At December 31, 2021, the Tollway reported a liability of \$854,495,091 for its allocated share of the State's net pension liability for SERS on the statement of net position. The net pension liability was measured as of June 30, 2021 (current year measurement date), and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Tollway's portion of the net pension liability was based on the Tollway's proportion of employer contributions relative to all employer contributions made to the plan during the year ended June 30, 2021. As of the current year measurement date of June 30, 2020, the Tollway's proportion was 2.5815%, which was an increase of 0.0237% from its proportion of 2.5578% measured as of the prior year measurement date of June 30, 2020.

Change in the net pension liability allocated to the Tollway for the year ended December 31, 2021, is as follows:

	Balance			Balance		Amounts due
	January 1	Additions	Deletions	December 31		within one year
Net Pension Liability	\$ 891,871,048	\$ 75,922,240	\$ 113,298,197	\$ 854,495,091	\$	-

For the year ended December 31, 2021, the Tollway recognized pension expense of \$50.4 million. This expense is higher than the statutory actual contributions made by the Tollway, due to the implementation of GASB Statement No. 68.

At December 31, 2021, the Tollway reported deferred outflows and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 13,406,618	\$ 745,088
Changes in assumptions	33,262,182	971,946
Net difference between projected and actual investment earnings on pension plan investments	-	65,863,214
Changes in proportion and differences between Tollway contributions and proportionate share of contributions	6,492,048	14,277,159
Tollway contributions subsequent to the measurement date	32,133,254	-
	<u>\$ 85,294,102</u>	<u>\$ 81,857,407</u>

THE ILLINOIS STATE TOLL HIGHWAY AUTHORITY

A Component Unit of the State of Illinois

Notes to the Financial Statements

For the Year Ended December 31, 2021

The \$32.1 million reported as deferred outflow of resources related to pensions resulting from Tollway contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2022.

Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

<u>Year Ending</u>		<u>Amount</u>
12/31/2022	\$	(9,178,178)
12/31/2023		(4,041,443)
12/31/2024		(2,848,444)
12/31/2025		(12,628,498)
Total	\$	<u>(28,696,563)</u>

Actuarial Methods and Assumptions

The total pension liability was determined by an actuarial valuation as of June 30, 2021, using the following actuarial assumptions, applied to all periods included in the measurement:

Mortality: Pub-2010 General and Public Safety Healthy Retiree mortality tables, sex distinct, with rates projected to 2018 generational mortality improvement factors were updated to projection scale MP-2018.

Inflation: 2.25%

Investment Rate of Return: 6.75%, net of pension plan investment expense, including inflation.

Salary increases: Salary increase rates based on age related productivity and merit rates plus inflation.

Post-retirement benefit increases of 3.00%, compounded, for Tier 1 and the lesser of 3.00% or one-half of the annual increase in the Consumer Price Index for Tier 2.

Retirement Age: Experience-based table of rates specific to the type of eligibility condition. Table was last updated for the June 30, 2019, valuation pursuant to an experience study of the period July 1, 2015 to June 30, 2018.

THE ILLINOIS STATE TOLL HIGHWAY AUTHORITY

A Component Unit of the State of Illinois

Notes to the Financial Statements

For the Year Ended December 31, 2021

The long-term expected real rate of return on pension plan investments was determined based on the simulated average 20-year annualized geometric return for each major asset class. These returns are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage. For each major asset class that is included in the pension plan's target asset allocation, calculated as of the measurement date of June 30, 2021, the 20-year simulated real rates of return are summarized in the following table:

	Asset Allocation	
	Target Allocation	20 Year Simulated Rate of Return
U.S. Equity	23.0%	4.8%
Developed Foreign Equity	13.0%	5.3%
Emerging Market Equity	8.0%	6.5%
Private Equity	7.0%	6.8%
Intermediate Investment Grade Bonds	14.0%	0.4%
Long-Term Government Bonds	4.0%	0.6%
TIPS	4.0%	0.3%
High Yield and Bank Loans	5.0%	2.5%
Opportunistic Debt	8.0%	4.3%
Emerging Market Debt	2.0%	2.2%
Real Estate	10.0%	5.6%
Infrastructure	2.0%	6.5%
Total	100.0%	

Discount Rate

A discount rate of 6.20% was used to measure the total pension liability as of June 30, 2021. This single blended discount rate was based on the expected rate of return on pension plan investments of 6.75% and a municipal bond rate of 1.92%. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that contributions will be made at rates equal to the difference between the statutory contributions and the member rate. Based on these assumptions, the pension plan's fiduciary net position and future contributions were sufficient to finance the benefit payments through the year 2076 at June 30, 2021. As a result, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the year 2076, and the municipal bond rate was applied to all benefit payments after that date.

THE ILLINOIS STATE TOLL HIGHWAY AUTHORITY

A Component Unit of the State of Illinois

Notes to the Financial Statements

For the Year Ended December 31, 2021

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The net pension liability for the plan was calculated using a single discount rate of 6.20%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate as shown below as of June 30, 2021:

	June 30, 2021		
	1% decrease (5.20%)	Current Discount Rate (6.20%)	1% increase (7.20%)
Tollway's net pension liability	\$1,054,404,309	\$854,495,091	\$690,427,205

Payables to the Pension Plan

At December 31, 2021, the Tollway had no payable to SERS for outstanding contributions to the pension plans.

(12) Other Post-Employment Benefits (OPEB)

Plan description

The State Employees Group Insurance Act of 1971 ("Act"), as amended, authorizes the Illinois State Employees Group Insurance Program ("SEGIP") to provide health, dental, vision, and life insurance benefits for certain retirees and their dependents. SEGIP includes substantially all employees of State agencies as well as retired employees of The Illinois Toll Highway Authority, Illinois Comprehensive Health Insurance Plan ("ICHIP"), and the State's nine university component units. (Tollway retirees participate in SEGIP, but its active employees are covered under the Tollway's own self-insured health plan and do not participate in SEGIP). Members receiving monthly benefits from the General Assembly Retirement System ("GARS"), Judges Retirement System ("JRS"), State Employees' Retirement System of Illinois ("SERS"), Teachers' Retirement System ("TRS"), and State Universities Retirement System of Illinois ("SURS") are eligible for these other post-employment benefits ("OPEB"). Additionally, certain members covered under TRS for pension purposes are eligible for retiree healthcare benefits under the Teachers' Retirement Insurance Program ("TRIP"). Other TRS members eligible for coverage under SEGIP include: certified teachers employed by certain State agencies, executives employed by the Board of Education, regional superintendents, regional assistant superintendents, TRS employees and members with certain reciprocal service.

The Department of Central Management Services administers these benefits for annuitants with the assistance of the public retirement systems sponsored by the State (GARS, JRS, SERS, TRS and SURS). The State recognizes SEGIP OPEB benefits as a single-employer defined benefit plan. The plan does not issue a stand-alone financial report.

THE ILLINOIS STATE TOLL HIGHWAY AUTHORITY

A Component Unit of the State of Illinois

Notes to the Financial Statements

For the Year Ended December 31, 2021

Benefits provided

The health, dental, and vision benefits provided to and contribution amounts required from annuitants are the result of collective bargaining between the State and the various unions representing the State's and the university component units' employees in accordance with limitations established in the Act. Therefore, the benefits provided and contribution amounts are subject to periodic change. Coverage through SEGIP becomes secondary to Medicare after Medicare eligibility has been reached. Members must enroll in Medicare Parts A and B to receive the subsidized SEGIP premium available to Medicare eligible participants. The Act requires the State to provide life insurance benefits for annuitants equal to their annual salary as of the last day of employment until age 60, at which time, the benefit amount becomes \$5,000.

Funding policy and annual other postemployment benefit cost

OPEB offered through SEGIP are financed through a combination of retiree premiums, State contributions and Federal government subsidies from the Medicare Part D program. Contributions are deposited in the Health Insurance Reserve Fund, which covers both active State employees and retirement members. Annuitants may be required to contribute towards health and vision benefits with the amount based on factors such as date of retirement, years of credited service with the State, whether the annuitant is covered by Medicare, and whether the annuitant has chosen a managed health care plan. Annuitants who retired prior to January 1, 1998, and who are vested in the State Employee's Retirement System do not contribute toward health and vision benefits. For annuitants who retired on or after January 1, 1998, the annuitant's contribution amount is reduced 5% for each year of credited service with the State allowing those annuitants with 20 or more years of credited service to not have to contribute towards health and vision benefits. All annuitants are required to pay for dental benefits regardless of retirement date. The Director of Central Management Services shall, on an annual basis, determine the amount the State shall contribute toward the basic program of group health benefits. State contributions are made primarily from the General Revenue Fund on a pay-as-you-go basis. No assets are accumulated or dedicated to funding the retiree health insurance benefit and a separate trust has not been established for the funding of OPEB.

Total OPEB liability, deferred outflows of resources, deferred inflows of resources and expense related to OPEB.

GASB 75 requires an allocation of net OPEB liability and OPEB expense and to recognize proportionate shares for the primary government and component units, including the Tollway.

At December 31, 2021, the Tollway recorded a liability of \$493,963,815 for its allocated share of the State's net OPEB liability on the statement of net position. The total OPEB liability, as reported at December 31, 2021, was measured as of June 30, 2021, with an actuarial valuation as of June 30, 2020. The Tollway's portion of the net OPEB liability was based on the Tollway's proportion of employer contributions relative to all employer contributions made to the plan during the year ended June 30, 2021 for Illinois State Police District 15 active employees and a specific liability for Tollway active employees. As of the current year measurement date of June 30, 2021, the Tollway's proportion was 1.2567%.

For the year ended December 31, 2021, the Tollway recognized OPEB expense recovery of \$17.1 million.

THE ILLINOIS STATE TOLL HIGHWAY AUTHORITY

A Component Unit of the State of Illinois

Notes to the Financial Statements

For the Year Ended December 31, 2021

At December 31, 2021, the Tollway reported deferred outflows and deferred inflows of resources, as of the measurement date of June 30, 2021, from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 3,608,097	\$ 3,436,681
Changes in assumptions	11,173,319	135,946,234
Changes in proportion	16,904,034	16,287,002
Tollway contributions subsequent to the measurement date	27,101,254	-
	<u>\$ 58,786,704</u>	<u>\$ 155,669,917</u>

The amounts reported as deferred outflows of resources related to OPEB resulting from Tollway contributions subsequent to the measurement date will be recognized as a reduction to the OPEB liability in the year ended December 31, 2022. Other amounts reported as deferred outflows and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ending</u>	<u>Amount</u>
12/31/2022	\$ 40,123,884
12/31/2023	29,815,743
12/31/2024	29,576,448
12/31/2025	20,806,087
12/31/2026	3,662,305
	<u>\$ 123,984,467</u>

Actuarial methods and assumptions

The total OPEB liability was determined by an actuarial valuation using the following actuarial assumptions, applied to all periods included in the measurement unless otherwise specified. The actuarial valuation for the SEGIP was based on GARS, JRS, SERS, TRS, and SURS active, inactive, and retiree data as of June 30, 2019, for eligible SEGIP employees, and SEGIP retiree data as of June 30, 2020.

THE ILLINOIS STATE TOLL HIGHWAY AUTHORITY

A Component Unit of the State of Illinois

Notes to the Financial Statements

For the Year Ended December 31, 2021

Valuation Date	June 30, 2020
Measurement Date	June 30, 2021
Actuarial Cost Method	Entry Age Normal, used to measure the Total OPEB liability
Discount Rate	1.92%
Inflation Rate	2.25%
Projected Salary Increases	2.75% - 7.17%
Healthcare Cost Trend Rates	Actual trend used for fiscal year 2022. For fiscal years on and after 2023, trend starts at 8.00% for non-Medicare cost and post-Medicare costs,
Retirees' Share of Benefit-Related Costs	Healthcare premium rates for members depend on the date of retirement and the years of service earned at retirement. Members who retire before January 1, 1998, are eligible for single coverage at no cost to the member. Members who retire after January 1, 1998, are eligible for single coverage provided they pay a portion of the premium equal to 5% for each year of service under 20 years. Eligible dependents receive coverage provided they pay 100% of the required dependent premium. Premiums for plan years 2019 and 2020 are based on actual premiums. Premiums after 2020 were projected based on the same healthcare cost trend rates applied to per capita claim costs.

The demographic assumptions and economic assumptions used in the OPEB valuation are consistent with those used in the June 30, 2021, pension valuations for GARS, JRS, SERS, TRS, and SURS as follows:

General Employees and retirees	Proposed Mortality Table	Male Set Back Years	Female Set Back Years	Male Scaling Factor	Female Scaling Factor
Pre-retirement	Pub-2010 General Employee, sex distinct	2	1	89%	95%
Post-retirement	Pub-2010 General Healthy Retiree sex distinct	0	(1)	111%	111%

THE ILLINOIS STATE TOLL HIGHWAY AUTHORITY

A Component Unit of the State of Illinois

Notes to the Financial Statements

For the Year Ended December 31, 2021

Discount Rate

Retirees contribute a percentage of the premium rate based on service at retirement. The State contributes additional amounts to cover claims and expenses in excess of retiree contributions. Because plan benefits are financed on a pay-as-you-go basis, the single discount rate is based on a tax-exempt municipal bond rate index of 20-year general obligation bonds with an average AA credit rating as of the measurement date. A single discount rate of 2.45% at June 30, 2020, and 1.92% at June 30, 2021, was used to measure the total OPEB liability.

Sensitivity of total OPEB liability to changes in the single discount rate

The following presents the plan's total OPEB liability, calculated using a Single Discount Rate of 1.92%, as well as what the plan's total OPEB liability would be if it were calculated using a Single Discount rate that is one percentage point higher (2.92%) or lower (.92%) than the current rate:

June 30, 2021		
Current Single Discount		
1% Decrease ^(a)	Rate Assumption	1% Increase ^(b)
92.00%	1.92%	2.92%
\$ 583,367,635	\$ 493,963,815	\$ 423,226,557

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rate

The following presents the plans total OPEB liability, calculated using the healthcare cost trend rates as well as what the plan's total OPEB liability would be if it were calculated using a healthcare cost trend rate that is one percentage point higher or lower, than the current healthcare cost trend rates. The key trend rates are 8.0% in 2023 decreasing to an ultimate trend rate of 4.25% in 2038.

June 30, 2021		
Healthcare Cost		
1% Decrease ^(a)	Trend Rates Assumption	1% Increase ^(b)
\$ 412,197,345	\$ 493,963,815	\$ 602,161,285

(a) One percentage point decrease in healthcare trend rates are 7.00% in 2023 decreasing to an ultimate trend rate of 3.25% in 2038.

(b) One percentage point increase in healthcare trend rates are 9.00% in 2023, decreasing to an ultimate trend rate of 5.25% in 2038.

THE ILLINOIS STATE TOLL HIGHWAY AUTHORITY

A Component Unit of the State of Illinois

Notes to the Financial Statements

For the Year Ended December 31, 2021

(13) Risk Management

The Tollway has a self-insured risk program for workers' compensation claims, and is liable to pay all approved claims. Claims liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Claims liabilities include non-incremental claims adjustment expenses. The estimated liabilities for workers' compensation claims of \$18,139,723 and incurred but not reported employee health claims of \$1,691,870 as of December 31, 2021, are included in the accompanying financial statements.

Changes in workers' compensation claims payable for the year ended December 31, 2021, are as follows:

Balance at January 1	Additions	Deletions	Balance at December 31	Current Portion
\$ 16,910,865	\$ 6,045,383	\$ (4,816,525)	\$ 18,139,723	\$ 6,100,000

Changes in health insurance claims payable for the year ended December 31, 2021, are as follows:

Balance at January 1	Additions	Deletions	Balance at December 31	Current Portion
\$ 1,052,957	\$ 20,301,437	\$ (19,662,524)	\$ 1,691,870	\$ 1,691,870

Additionally, the Tollway purchases commercial insurance policies for general liability insurance and vehicle liability insurance which have a level of retention of \$1,000,000 per occurrence for general liability and for vehicle insurance. Property insurance coverage for damages to capital assets other than vehicles includes retention of \$1,000,000 per occurrence.

The Tollway has not had significant reductions in insurance coverage during the current or prior year nor did settlements exceed insurance coverage in any of the last three years.

THE ILLINOIS STATE TOLL HIGHWAY AUTHORITY

A Component Unit of the State of Illinois

Notes to the Financial Statements

For the Year Ended December 31, 2021

(14) Compensated Absences

The accrued compensated absences liability reported in the statement of net position represents the vacation for all years, and 50% of unused sick time for the period beginning January 1, 1984, and ending December 31, 1997, accrued by the employees, and is payable upon termination or death of the employee. The payment provided shall not be allowed if the purpose of the separation from employment and any subsequent re-employment is for the purpose of obtaining such payment. The Tollway's liability for unused annual vacation leave and sick leave as defined above is recorded in the accompanying financial statements at the employee's pay rate.

Changes in accrued compensated absences for the year ended December 31, 2021, are as follows:

<u>Balance at January 1</u>	<u>Accrued</u>	<u>Used</u>	<u>Balance at December 31</u>	<u>Due within one year</u>
\$ 12,057,250	\$ 5,094,029	\$ 6,555,252	\$ 10,596,027	\$ 6,600,000

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THE ILLINOIS STATE TOLL HIGHWAY AUTHORITY
A Component Unit of the State of Illinois
Notes to the Financial Statements
For the Year Ended December 31, 2021

(15) Pledges of Future Revenues

All revenue bonds issued under the Tollway's Trust Indenture are secured by a pledge of and lien on Tollway revenues and certain other funds (excluding amounts reserved for the payment of maintenance and operating expenses) as provided in the Trust Indenture.

<u>Bond issue</u>	<u>Purpose</u>	<u>December 31, 2021</u>	
		<u>Pledged future revenues</u>	<u>Term of commitment</u>
2009 Series A Senior Priority Revenue (Build America Bonds - Direct Payment)	Fund Congestion-Relief Program	\$ 696,549,700	2034
2009 Series B Senior Priority Revenue (Build America Bonds - Direct Payment)	Fund Congestion-Relief Program	492,976,400	2034
2013 Series A Senior Revenue	Fund <i>Move Illinois</i> Program	845,499,750	2038
2014 Series A (Refunding) Senior Revenue	Refund 2005A Bonds	106,800,750	2022
2014 Series B Senior Revenue	Fund <i>Move Illinois</i> Program	868,625,000	2039
2014 Series C Senior Revenue	Fund <i>Move Illinois</i> Program	691,400,000	2039
2014 Series D (Refunding) Senior Revenue	Refund 2006A Bonds	218,299,750	2025
2015 Series A Senior Revenue	Fund <i>Move Illinois</i> Program	727,482,500	2040
2015 Series B Senior Revenue	Fund <i>Move Illinois</i> Program	727,482,500	2040
2016 Series A (Refunding) Senior Revenue	Refund 2008B Bonds	502,894,500	2032
2016 Series B Senior Revenue	Fund <i>Move Illinois</i> Program	550,700,000	2041
2017 Series A Senior Revenue	Fund <i>Move Illinois</i> Program	560,935,000	2042
2018 Series A (Refunding) Senior Revenue	Refund portions of 2007A, 2008A, 2009A Bonds	635,991,625	2031
2019 Series A Senior Revenue	Fund <i>Move Illinois</i> Program	587,890,000	2031
2019 Series B (Refunding) Senior Revenue	Refund 2010A-1 Bonds	296,938,625	2044
2019 Series C (Refunding) Senior Revenue	Refund 2007A, 2008A Bonds	933,227,250	2031
2020 Series A Senior Revenue	Fund <i>Move Illinois</i> Program	1,029,505,000	2045
2021 Series A Senior Revenue	Fund <i>Move Illinois</i> Program	1,388,402,083	2046
		<u>\$ 11,861,600,433</u>	

Proceeds from the bonds identified above provided financing or refinancing for the construction and/or improvement of the various corridors within the Tollway's toll highway system. Future projected principal and interest payments on the bonds are expected to require approximately 37% of future pledged net revenue (incorporating previously approved, as of December 31, 2021, commercial vehicle annual toll rate increases based on the consumer price index, such increases projected at 2.0% annually). The total principal and interest remaining to be paid on the bonds is \$11.9 billion. Principal and interest paid in calendar year 2021 was \$452.4 million, and total pledged net revenue in calendar year 2021 was \$1.1 billion.

THE ILLINOIS STATE TOLL HIGHWAY AUTHORITY

A Component Unit of the State of Illinois

Notes to the Financial Statements

For the Year Ended December 31, 2021

(16) Commitments

At December 31, 2021, the remaining obligations against current contracts open for capital programs for CRP and “*Move Illinois*” totaled \$2.1 billion. The Tollway plans to fund remaining payments under these contracts through revenues, accumulated cash, and bond issue proceeds.

(17) Pending Litigation

There are pending claims and lawsuits against the Tollway, which, among other things, seek damages arising out of alleged personal injury, unpaid health insurance contributions, wrongful discharge and other employment-related matters. Generally, the Tollway’s exposure is limited to the self-insured retention of \$500,000 per general liability incident. Also pending are various workers’ compensation claims and numerous Administrative Review actions in which individual parties are challenging the results of toll violation enforcement proceedings.

Management, after taking into consideration legal counsel’s evaluation of such actions, is of the opinion that the outcome of these matters will have no material effect on the financial position of the Tollway.

(18) Contingent Liabilities

A contingent liability is defined as a liability that is not sufficiently predictable to permit recording in the accounts but in which there is a reasonable possibility of an outcome which might affect financial position or results of operations. It is the opinion of management that the Tollway has no liabilities meeting this definition as of December 31, 2021.

(19) New Governmental Accounting Standards

The Governmental Accounting Standards Board (GASB) has issued the following statements:

GASB Statement No. 87 – *Leases* – This statement changes the accounting treatment for operating leases. This statement is effective for fiscal years beginning after June 15, 2021. Management has not yet determined the impact of this pronouncement on the Tollway’s financial statements.

GASB Statement No. 91 – *Conduit Debt Obligations* – The requirements of this statement will improve financial reporting by eliminating the existing option for issuers to report conduit debt obligations as their own liabilities, thereby ending significant diversity in practice. The clarified definition will resolve stakeholders’ uncertainty as to whether a given financing is, in fact, a conduit debt obligation. Requiring issuers to recognize liabilities associated with additional commitments extended by issuers and to recognize assets and deferred inflows of resources related to certain arrangements associated with conduit debt obligations also will eliminate diversity, thereby improving comparability in reporting by issuers. Revised disclosure requirements will provide financial statement users with better information regarding the commitments issuers extend and the likelihood that they will fulfill those commitments. That information will inform users of the potential impact of such commitments on the financial resources of issuers and help users assess issuers’ roles in conduit debt obligations. This statement is effective for reporting periods beginning after December 15, 2021. This statement will not impact the Tollway’s financial statements.

GASB Statement No. 93 – *Replacement of Interbank Offered Rates* – This statement addresses accounting and financial reporting implications that result from the replacement of interbank offered rate (IBOR). This statement is effective for years beginning after June 30, 2021. This statement will not impact the Tollway’s financial statements.

THE ILLINOIS STATE TOLL HIGHWAY AUTHORITY

A Component Unit of the State of Illinois

Notes to the Financial Statements

For the Year Ended December 31, 2021

GASB Statement No. 94 – *Public-Private Partnerships and Availability Payment Arrangements* – The objective of this statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements, in which a government contracts with an operator to provide public services. This statement is effective for fiscal years beginning after June 15, 2022. Management has not yet determined the impact of this pronouncement on the Tollway's financial statements.

GASB Statement No. 95 – *Postponement of the Effective Dates of Certain Authoritative Guidance* – This statement postponed the effective dates of previously issued GASB pronouncements due to the COVID-19 pandemic. The revised effective dates are reflected for the pronouncements listed in this footnote.

Statement No. 96 – *Subscription-Based Information Technology Arrangements (SBITAs)*– This statement provides guidelines for the financial reporting for SBITA liabilities, capitalization and note disclosures. This statement is effective for fiscal years beginning after June 15, 2022. Management has not yet determined the impact of this pronouncement on the Tollway's financial statements.

Statement No. 97 – *Certain Component Unit Criteria and Financial Reporting for IRC Code 457 Deferred Compensation Plans – An Amendment of GASB Statements No. 14 and 84* -The purpose of this statement is to enhance financial reporting related to Section 457 plans. This statement is effective generally for reporting periods beginning after June 15, 2021. Management has not yet determined the impact of this pronouncement on the Tollway's financial statements.

Statement No. 98 – *The Annual Comprehensive Financial Report* – This statement established term annual comprehensive financial report and the acronym of ACFR to replace the term comprehensive annual financial report and its acronym. This statement is effective for fiscal years beginning after December 15, 2021. The Tollway early implemented this statement.

(20) Related Parties

The Tollway has entered into various intergovernmental agreements with the State of Illinois, through the Illinois Department of Transportation (IDOT). Intergovernmental receivables of approximately \$88.9 million are recorded at December 31, 2021, representing construction projects performed by the Tollway that pertain to the infrastructure owned by IDOT. Accrued liabilities totaling approximately \$37.4 million are recorded for amounts owed to IDOT for construction projects IDOT has performed for infrastructure assets owned by the Tollway.

(21) Subsequent Events

On January 1, 2022, a toll rate increase took effect for commercial vehicles, reflecting an increase in the Consumer Price Index (CPI) for All Urban Consumers based on the percentage change in the CPI over the 12-month period ending on June 30 of the prior year. This increase was implemented pursuant to the Tollway Board of Directors' approval in 2008 and affirmation in 2011 of annual CPI-based commercial vehicle toll rate increases beginning January 1, 2018 and each year thereafter.

On January 20, 2022, to continue relief to Tollway customers and more smoothly transition collection of unpaid tolls, fines and fees to a new violation enforcement program expected to be implemented in the fourth quarter of 2022, the Tollway extended the expiration date of an amnesty program initially implemented June 25, 2020, from February 10, 2022, to June 30, 2022.

THE ILLINOIS STATE TOLL HIGHWAY AUTHORITY

A Component Unit of the State of Illinois

Notes to the Financial Statements

For the Year Ended December 31, 2021

Effective February 18, 2022, the Governor of Illinois appointed Dorothy L. Abreu Chair of the Tollway's Board of Directors to replace Willard S. Evans. Chair Abreu also is the Chief Executive Officer of the Tollway. Effective March 14, 2022, Jose Alvarez resigned as Executive Director of the Tollway. Tollway Board Member Stephen Davis resigned effective April 1, 2022, and that position remains vacant as of the date of this report. Effective April 1, 2022, Chair and Chief Executive Officer Abreu appointed Lanyea Griffin Interim Executive Director of the Tollway. Effective August 26, 2022, Chair and Chief Executive Officer Abreu appointed Cassaundra Rouse Executive Director of the Tollway.

On May 19, 2022, the Tollway Board authorized the issuance of up to \$400,000,000 of senior-lien fixed rate revenue bonds for purposes of funding a portion of Move Illinois program capital expenditures.

A 5.7% reduction in U.S. Treasury subsidies of Build America Bond interest payments for the federal fiscal year ending September 30, 2022 reduced such subsidies earned by the Tollway for the Series 2009B interest payment due June 1, 2022, and the Series 2009A interest payment due July 1, 2022 by a total of \$410,160.

On September 15, 2022, the Tollway Board approved a change in the methodology used to calculate annual commercial vehicle toll rate adjustments. Effective January 1, 2023, the methodology will be based on the annualized percentage change in CPI over the 36-month period ending on June 30 of the prior year.

REQUIRED SUPPLEMENTARY INFORMATION

THE ILLINOIS STATE TOLL HIGHWAY AUTHORITY

A Component Unit of the State of Illinois
 Schedule of Tollway's Proportionate Share
 of the Net Pension Liability of the
 State Employees' Retirement System (SERS)
 Year ended December 31, 2021

Last 10 Fiscal Years**

	SERS Fiscal Year Ended June 30,							
	2021	2020	2019	2018	2017***	2016	2015	2014
Tollway's proportion of the net pension liability*	2.5815%	2.5578%	2.5568%	2.6698%	2.6999%	2.6382%	2.6261%	2.6826%
Tollway's proportionate share of the net pension liability, pursuant to GASB 68 reporting requirements	\$ 854,495,091	\$ 891,871,048	\$ 853,819,076	\$ 882,540,010	\$ 888,456,774	\$ 900,824,457	\$ 733,523,053	\$ 727,079,026
Tollway's covered payroll	\$ 118,275,046	\$ 112,876,932	\$ 115,464,445	\$ 110,352,910	\$ 111,183,988	\$ 111,478,841	\$ 112,947,877	\$ 110,979,470
Tollway's proportionate share of the net pension liability as a percentage of its covered payroll	722.46%	790.13%	739.46%	799.74%	798.78%	808.07%	649.44%	655.15%
Plan fiduciary net position as a percentage of the total pension liability	41.91%	35.51%	35.64%	34.57%	33.44%	30.58%	35.27%	34.98%

* Tollway's proportion of net pension liability is estimated as the percentage of Tollway annual contributions to SERS to total annual contributions to SERS.

** GASB 68 requires disclosure of this information over a 10 year period. However, since GASB 68 was implemented in 2015, applicable information is only available for the eight years presented.

*** Effective for fiscal year 2017, GASB Statement No. 82 amends GASB Statement Nos. 67 and 68 to require the presentation of covered payroll, defined as the payroll on which contributions to a pension plan are based instead of covered-employee payroll, which is the payroll of employees that are provided with pensions through the pension plan.

See accompanying independent auditors' report.

THE ILLINOIS STATE TOLL HIGHWAY AUTHORITY

A Component Unit of the State of Illinois

Schedule of Contributions to SERS Pension Plan

Year ended December 31, 2021

Year Ended June 30,	Actuarially Determined Contribution	Actual Contribution*	Contribution Deficiency (Excess)	Covered Payroll*	Actual Contribution as a % of Covered Payroll
2021	\$ 78,630,956	\$ 65,315,580	\$ 13,315,376	\$ 117,725,621	55.48%
2020	74,525,328	\$ 61,919,610	\$ 12,605,718	\$ 115,054,947	53.82%
2019	76,600,914	59,411,115	17,189,799	113,210,062	52.48%
2018	73,135,906	55,197,741	17,938,165	110,795,575	49.82%
2017	57,493,911	55,576,566	1,917,345	111,226,982	49.97%
2016	53,283,494	50,197,749	3,085,745	111,478,841	45.03%
2015	53,713,047	48,299,509	5,413,538	112,947,877	42.76%
2014	52,494,228	44,751,713	7,742,515	110,979,470	40.32%

Note: GASB 68 requires disclosure of this information over a 10 year period. However, since GASB 68 was implemented in 2015, applicable information is only available for the eight years presented.

Actuarially determined contributions are calculated as of June 30th, which is 6 months prior to the beginning of the fiscal year

* Actual contributions and covered payroll are based on the Tollway's calendar year and were equal to the statutorily required contribution.

See accompanying independent auditors' report.

THE ILLINOIS STATE TOLL HIGHWAY AUTHORITY

A Component Unit of the State of Illinois
 Schedule of Tollway's Proportionate Share
 of the Net OPEB Liability of the
 State's Employee Group Insurance Program (SEGIP)
 For the Year Ended December 31, 2021

Last 10 Fiscal Years**

	Fiscal Year Ended June 30,				
	2021	2020	2019	2018	2017
Tollway's proportion of the net OPEB liability*	1.2567%	1.3706%	0.2995%	0.3495%	0.2520%
Tollway's proportionate share of the net OPEB liability	\$ 493,963,815	\$ 580,018,281	\$ 131,448,041	\$ 140,125,903	\$ 104,136,124
Tollway's covered-employee payroll	\$ 118,275,046	\$ 112,876,932	\$ 115,464,445	\$ 110,352,910	\$ 111,183,988
Proportionate share of Net OPEB liability as a percentage of covered-employee payroll	417.64%	513.85%	113.84%	126.98%	93.66%

* Beginning in 2020, the Tollway's proportion of net OPEB liability is estimated based on the Tollway's specific actuarial share of the total State of Illinois liability. Prior to 2020, the Tollway's share was erroneously estimated based on actual contributions to SEGIP. See Note 21.

** GASB 75 requires disclosure of this information over a 10 year period. However, since GASB 75 was implemented in 2018, applicable information is only available for the four years presented.

See accompanying independent auditors' report.

**SUPPLEMENTARY INFORMATION-TRUST INDENTURE
AGREEMENT SCHEDULES (NON-GAAP)**

THE ILLINOIS STATE TOLL HIGHWAY AUTHORITY
A Component Unit of the State of Illinois

Schedule of Changes in Fund Balance – by Fund
Trust Indenture Basis of Accounting (Non GAAP)
For the Year Ended December 31, 2021

	<u>Revenue</u> <u>fund</u>	<u>Construction</u> <u>fund</u>	<u>Total</u>
Increases:			
Toll revenue	\$ 1,292,369,818	\$ -	\$ 1,292,369,818
Toll evasion recovery	147,047,083	-	147,047,083
Concessions	1,428,418	-	1,428,418
Interest	2,355,771	13,529	2,369,300
Miscellaneous	20,575,673	-	20,575,673
Total increases	<u>1,463,776,763</u>	<u>13,529</u>	<u>1,463,790,292</u>
Decreases:			
Engineering and maintenance of roadway and structures	89,903,171	-	89,903,171
Services and toll collection	104,741,994	-	104,741,994
Traffic control, safety patrol, and radio communications	44,705,767	-	44,705,767
Procurement, IT, finance and administration	81,314,607	-	81,314,607
Insurance and employee benefits	50,452,012	-	50,452,012
Construction	1,239,321,433	-	1,239,321,433
Construction expense reimbursed by bond proceeds	(675,256,144)	675,256,144	-
Bond principal payments	136,505,000	-	136,505,000
Build America bond subsidy	(13,631,459)	-	(13,631,459)
Bond Proceeds	-	(843,317,045)	(843,317,045)
Bond interest and other financing costs	327,555,360	-	327,555,360
Bond Issuance Costs - Bonds for Construction	-	2,364,046	2,364,046
Total increases/(decreases)	<u>1,385,611,741</u>	<u>(165,696,855)</u>	<u>1,219,914,886</u>
Change in fund balance	78,165,022	165,710,384	243,875,406
Fund balance, January 1, 2021	1,300,661,188	124,935,561	1,425,596,749
Fund balance, December 31, 2021	\$ <u><u>1,378,826,210</u></u>	\$ <u><u>290,645,945</u></u>	\$ <u><u>1,669,472,155</u></u>

See accompanying independent auditors' report.

THE ILLINOIS STATE TOLL HIGHWAY AUTHORITY

A Component Unit of the State of Illinois
 Schedule of Changes in Fund Balance – by Fund
 Trust Indenture Basis of Accounting (Non GAAP)
 Year ended December 31, 2020

	<u>Revenue</u> <u>fund</u>	<u>Construction</u> <u>fund</u>	<u>Total</u>
Increases:			
Toll revenue	\$ 1,149,019,894	\$ -	\$ 1,149,019,894
Toll evasion recovery	93,164,508	-	93,164,508
Concessions	1,394,810	-	1,394,810
Interest	13,726,180	8	13,726,188
Miscellaneous	<u>25,234,903</u>	-	<u>25,234,903</u>
Total increases	<u>1,282,540,295</u>	<u>8</u>	<u>1,282,540,303</u>
Decreases:			
Engineering and maintenance of roadway and structures	91,503,160	-	91,503,160
Services and toll collection	130,700,789	-	130,700,789
Traffic control, safety patrol, and radio communications	45,729,173	-	45,729,173
Procurement, IT, finance and administration	46,334,258	-	46,334,258
Insurance and employee benefits	45,935,450	-	45,935,450
Construction expenses	1,102,792,431	-	1,102,792,431
Construction expense reimbursed by bond proceeds	(499,783,000)	499,783,000	-
Bond principal payments	129,260,000	-	129,260,000
Net funds applied to refunding			
Build America bond subsidy	(13,611,390)	-	(13,611,390)
Bond interest and other financing costs	<u>308,823,485</u>	<u>1,827,767</u>	<u>310,651,252</u>
Total decreases	<u>1,387,684,356</u>	<u>501,610,767</u>	<u>1,889,295,123</u>
Bond Proceeds - Series 2020A	18,396,664	626,546,320	644,942,984
Prior Period Adjustment	<u>(2,995,188)</u>	-	<u>(2,995,188)</u>
Change in fund balance	(89,742,585)	124,935,561	35,192,976
Fund balance, January 1	1,403,073,655	-	1,403,073,655
Restatement of January 1, 2020 fund balance	<u>(12,669,882)</u>	-	<u>(12,669,882)</u>
Fund balance, December 31	<u>\$ 1,300,661,188</u>	<u>\$ 124,935,561</u>	<u>\$ 1,425,596,749</u>

Statement of Net Position is presented on the full accrual basis in the basic financial statements

See accompanying independent auditors' report.

THE ILLINOIS STATE TOLL HIGHWAY AUTHORITY

A Component Unit of the State of Illinois

Schedule of Changes in Fund Balance – Revenue Fund – by Account
Trust Indenture Basis of Accounting (Non GAAP)
For the Year Ended December 31, 2021

Revenue fund and accounts								
	Maintenance and operations							
	Revenue account	Operating sub account	Operating reserve sub account	Debt service	Debt service reserve	Renewal and replacement	Improvement	Total
Increases:								
Toll revenue	\$ 1,292,369,818	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,292,369,818
Toll evasion recovery	147,047,083	-	-	-	-	-	-	147,047,083
Concessions	1,428,418	-	-	-	-	-	-	1,428,418
Interest	97,586	-	-	13,587	2,118,104	22,348	104,146	2,355,771
Miscellaneous	20,575,673	-	-	-	-	-	-	20,575,673
Intrafund transfers	(1,452,825,074)	372,141,623	-	456,108,541	-	228,000,000	396,574,910	-
Total increases	<u>8,693,504</u>	<u>372,141,623</u>	<u>-</u>	<u>456,122,128</u>	<u>2,118,104</u>	<u>228,022,348</u>	<u>396,679,056</u>	<u>1,463,776,763</u>
Decreases:								
Engineering and maintenance of roadway and structures	-	89,903,171	-	-	-	-	-	89,903,171
Services and toll collection	-	104,741,994	-	-	-	-	-	104,741,994
Traffic control, safety patrol, and radio communications	-	44,705,767	-	-	-	-	-	44,705,767
Procurement, IT, finance and administration	-	81,314,607	-	-	-	-	-	81,314,607
Insurance and employee benefits	-	50,452,012	-	-	-	-	-	50,452,012
Construction expenses	-	-	-	-	-	263,921,389	975,400,044	1,239,321,433
Construction expenses reimbursed by bond proceeds	-	-	-	-	-	-	(675,256,144)	(675,256,144)
Bond principal payments	-	-	-	136,505,000	-	-	-	136,505,000
Build America bond subsidy	-	-	-	(13,631,459)	-	-	-	(13,631,459)
Interest and other financing costs	-	-	-	327,348,463	206,897	-	-	327,555,360
Total decreases	<u>-</u>	<u>371,117,551</u>	<u>-</u>	<u>450,222,004</u>	<u>206,897</u>	<u>263,921,389</u>	<u>300,143,900</u>	<u>1,385,611,741</u>
Change in fund balance	8,693,504	1,024,072	-	5,900,124	1,911,207	(35,899,041)	96,535,156	78,165,022
Fund balance, January 1, 2021	1,244,903	6,975,576	27,400,000	53,218,945	427,897,134	185,109,541	598,815,089	1,300,661,188
Fund balance, December 31, 2021	<u>\$ 9,938,407</u>	<u>\$ 7,999,648</u>	<u>\$ 27,400,000</u>	<u>\$ 59,119,069</u>	<u>\$ 429,808,341</u>	<u>\$ 149,210,500</u>	<u>\$ 695,350,245</u>	<u>\$ 1,378,826,210</u>

See accompanying independent auditors' report.

THE ILLINOIS STATE TOLL HIGHWAY AUTHORITY
A Component Unit of the State of Illinois
Schedule of Changes in Fund Balance – Revenue Fund – by Account
Trust Indenture Basis of Accounting (Non GAAP)
Year ended December 31, 2020

	Revenue fund and accounts							Total
	Revenue account	Maintenance and operations		Debt service	Debt service reserve	Renewal and replacement	Improvement	
		Operating sub account	Operating reserve sub account					
Increases:								
Toll revenue	\$ 1,149,019,894	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,149,019,894
Toll evasion recovery	93,164,508	-	-	-	-	-	-	93,164,508
Concessions	1,394,810	-	-	-	-	-	-	1,394,810
Interest	1,482,428	-	-	303,397	5,772,755	1,455,373	4,712,227	13,726,180
Miscellaneous	25,234,903	-	-	-	-	-	-	25,234,903
Intrafund transfers	(1,284,253,897)	364,681,363	-	422,894,127	-	120,000,000	376,678,407	-
Total increases	(13,957,354)	364,681,363	-	423,197,524	5,772,755	121,455,373	381,390,634	1,282,540,295
Decreases:								
Engineering and maintenance of roadway and structures	-	91,503,160	-	-	-	-	-	91,503,160
Services and toll collection	-	130,700,789	-	-	-	-	-	130,700,789
Traffic control, safety patrol, and radio communications	-	45,729,173	-	-	-	-	-	45,729,173
Procurement, IT, finance and administration	-	46,334,258	-	-	-	-	-	46,334,258
Insurance and employee benefits	-	45,935,450	-	-	-	-	-	45,935,450
Construction expenses	-	-	-	-	-	307,154,612	795,637,819	1,102,792,431
Construction expenses reimbursed by bond proceeds	-	-	-	-	-	-	(499,783,000)	(499,783,000)
Bond principal payments	-	-	-	129,260,000	-	-	-	129,260,000
Gain/loss on defeased bonds	-	-	-	-	-	-	-	-
Build America bond subsidy	-	-	-	(13,611,390)	-	-	-	(13,611,390)
Interest and other financing costs	-	-	-	308,616,588	206,897	-	-	308,823,485
Total decreases	-	360,202,830	-	424,265,198	206,897	307,154,612	295,854,819	1,387,684,356
Net increase (decrease)	(13,957,354)	4,478,533	-	(1,067,674)	5,565,858	(185,699,239)	85,535,815	(105,144,061)
Bond Proceeds - Series 2020A	-	-	-	-	18,396,664	-	-	18,396,664
Prior Period Adjustment	-	-	-	(2,927,453)	(67,735)	-	-	(2,995,188)
Change in fund balance	(13,957,354)	4,478,533	-	(3,995,127)	23,894,787	(185,699,239)	85,535,815	(89,742,585)
Fund balance, January 1	15,202,257	15,166,925	27,400,000	57,214,071	404,002,348	370,808,780	513,279,274	1,403,073,655
Restatement of January 1, 2020 fund balance	-	(12,669,882)	-	-	-	-	-	(12,669,882)
Fund balance, December 31	\$ 1,244,903	\$ 6,975,576	\$ 27,400,000	\$ 53,218,944	\$ 427,897,135	\$ 185,109,541	\$ 598,815,089	\$ 1,300,661,188

See accompanying independent auditors' report.

THE ILLINOIS STATE TOLL HIGHWAY AUTHORITY

A Component Unit of the State of Illinois
Notes to the Trust Indenture Basis Schedules
December 31, 2021

(1) Summary of Significant Accounting Policies

The Trust Indenture requires the Tollway to provide separate funds for construction (Construction Fund) and for operations (Revenue Fund), which funds are not annually appropriated by the Illinois General Assembly. The Trust Indenture permits the Tollway to create additional accounts for the purpose of more precise accounting. The Illinois State Treasurer holds monies for the Tollway as ex-officio custodian and has recorded these monies in a custodial account. Part of this account is part of the Maintenance and Operation Account within the Revenue Fund.

Prior to fiscal year 2005, the Tollway issued separate annual financial statements, prepared on the basis of accounting described below, in order to demonstrate compliance with the requirements of the Trust Indenture (Trust Indenture Annual Statements). Beginning in 2005, the Tollway has included schedules, prepared on the basis of accounting described below, in the supplementary information section of this report. The Tollway believes that these schedules, along with the GAAP basis financial statements contained in this report, are sufficient to demonstrate compliance with the annual financial reporting requirements of the Trust Indenture. As a result, separate Trust Indenture Annual Statements are no longer prepared. Certain items in the presentation of the Trust Indenture information contained herein vary from the presentation previously used in the Trust Indenture Annual Statements. In addition, the schedules contained in this section of the report present only the Revenue Fund and the Construction Fund. Previously, the Trust Indenture Annual Statements included "Infrastructure and Long-term Debt Accounts," which was optional reporting allowed under the Trust Indenture.

Basis of Accounting

Under the provisions of the Trust Indenture, the basis of accounting followed for the Construction Fund and the Revenue Fund within the Schedule of Changes in Fund Balance by Fund, differs in certain respects from accounting principles generally accepted in the United States of America.

The major differences are as follows:

1. Capital construction and asset acquisitions are charged against fund balance as incurred. In addition, there is no provision for depreciation.
2. Monies received from sale of assets are recorded as revenue when the cash is received.
3. Monies received for long-term fiber optic leases are recorded as revenue when received.
4. Principal retirements on revenue bonds are expensed when paid. The results of defeasement are accounted for as revenue or expense at the time of the transaction.
5. Bond proceeds (including premiums) are recorded as income in the year received. Amounts received from refunding issuances, if any, are recorded net of transfers to the escrow agent.
6. Unrealized gains and losses on Debt Reserve invested funds are netted against interest and other financing costs.
7. Capital lease obligations are not recorded. Payments under capital leases are expensed in the period payments are made.

THE ILLINOIS STATE TOLL HIGHWAY AUTHORITY

A Component Unit of the State of Illinois
Notes to the Trust Indenture Basis Schedules
December 31, 2021

8. Interest related to construction in progress is not capitalized.
9. Recoveries of expenses are classified as decreases in operating expenses for Trust Indenture reporting and as miscellaneous operating revenue for GAAP.
10. In Trust Indenture reporting, transponder purchases and other miscellaneous expenses are reflected in the Renewal and Replacement fund as capital expense. For GAAP the expenses are reflected as an operating expense.
11. Construction expenses incurred under intergovernmental agreements are decreased by payments received under these intergovernmental agreements.
12. Prepaid expenses are recorded only if refundable for Trust Indenture reporting.
13. The provisions of GASB Statement No. 68 regarding net pension liability and deferred outflows and inflows of resources are not reflected in the Trust Indenture reporting. Pension expense reflects the statutory contributions required under Chapter 40, section 5/14 of the Illinois Compiled Statutes.
14. The provisions of GASB Statement No. 75 regarding net OPEB liability and deferred outflows and inflows of resources are not reflected in the Trust Indenture reporting.

Therefore, the accompanying Schedules of Changes in Fund Balance by Fund, which are prepared in accordance with the aforementioned accounting principles, are not intended to, and do not, present the financial position or the results of operations in accordance with accounting principles generally accepted in the United States of America.

A description of the individual accounts within the Revenue Fund and Construction Fund, as well as the required distribution of revenues collected, is as follows:

The Revenue Fund

All revenues received by the Tollway other than investment income shall be delivered by the Tollway to the Treasurer, for deposit in the Revenue Fund. On or before the 20th day of each month the Treasurer shall, at the direction of the Tollway, transfer or apply the balance as of such date of transfer in the Revenue Fund not previously transferred or applied in the following order of priority:

- A. To the Operating Sub-Account, operating expenses set forth in the annual budget for the fiscal year in an amount equal to one-twelfth of the total approved budget, less all other amounts previously transferred by the Treasurer for deposit to the credit of the Operating Sub-Account during that fiscal year, less the balance, if any, which was on deposit to the credit of the Operating Sub-Account on December 31 of the preceding fiscal year.
- B. To the Operating Reserve Sub-Account, the amount specified by the Tollway, but not to exceed 30% of the amount annually budgeted for operating expenses.

THE ILLINOIS STATE TOLL HIGHWAY AUTHORITY

A Component Unit of the State of Illinois
Notes to the Trust Indenture Basis Schedules
December 31, 2021

- C. To the Interest Sub-Account, an amount equal to interest due on unpaid bonds, plus one-sixth of the difference between the interest payable on bond and interest due within the next six months.
- D. To the Principal Sub-Account, an amount equal to any principal due plus one-twelfth of any principal of such outstanding senior bonds payable on the next principal payment date.
- E. To the Redemption Sub-Account, an amount for each bond equal to one-twelfth of any sinking fund installment of outstanding bonds payable within the next twelve months.
- F. To the Provider Payment Sub-Account, amounts as provided in any supplemental indenture for paying costs of credit enhancement or qualified hedge agreements for bonds or for making reimbursements to providers of credit enhancement or qualified hedge agreements for bonds.
- G. To the Debt Service Reserve Account, an amount sufficient to cause the balance in it to equal the debt reserve requirement and to make reimbursement to providers of reserve account credit facilities.
- H. To the Junior Bond Debt Service or Junior Bond Debt Reserve Account, any amounts required by applicable supplemental indentures.
- I. To the Renewal and Replacement Account, one-twelfth the portion of the renewal and replacement amount set forth in the annual budget for the fiscal year.
- J. The balance of such amounts in the Revenue Funds are to be applied as follows:
 - 1) To the credit of the Improvement Account for allocation to a project as determined by the Tollway in its sole discretion, until the balance in the Account is equal to the improvement requirement or a lesser amount as the Tollway may from time to time determine.
 - 2) To the credit of the System Reserve Account, the entire amount remaining in the Revenue Fund after depositing or allocating all amounts required to be deposited to the credit of the above Accounts and Sub-Accounts.

Maintenance and Operation Account

The Maintenance and Operation Account consists of the Operating Sub-Account and the Operating Reserve Sub-Account. Moneys in the Operating Sub-Account are applied to operating expenses at the direction of the Tollway.

THE ILLINOIS STATE TOLL HIGHWAY AUTHORITY

A Component Unit of the State of Illinois
Notes to the Trust Indenture Basis Schedules
December 31, 2021

Revenues are transferred to the Operating Sub-Account to cover the expenses set forth in the annual budget for the current fiscal year. One-twelfth of the operating expenses outlined in the annual budget are transferred to this account once a month. Revenue is recorded on an accrual basis and as such may not be available for allocation until the cash is collected.

The Operating Reserve Sub-Account receives or retains an amount not to exceed 30% of the amount budgeted for operating expenses in the annual budget for the current fiscal year. Monies in the Operating Reserve Sub-Account are held as a reserve for the payment of operating expenses and are to be withdrawn if moneys are not available to the credit of the Operating Sub-Account to pay operating expenses.

If the Tollway determines that the amount in the Operating Reserve Sub-Account exceeds that amount necessary, the excess will be withdrawn from such Sub-Account and applied as revenues. By resolution, the Board voted to maintain a \$27.4 million fund balance in this account.

Debt Service Account

The Debt Service Account consists of the Interest Sub-Account, the Principal Sub-Account, the Redemption Sub-Account, and the Provider Payment Sub-Account, to be held by the Trustee.

Revenues are required to be deposited to cover the interest and principal amounts due and unpaid for bonds, credit enhancement or qualified hedge agreements. Revenues must also be deposited to the credit of the Debt Reserve Account in an amount sufficient to cause the balance in it to equal the debt reserve requirement.

The Debt Reserve Account receives funds to provide an amount sufficient to cause the balance in it to equal the debt reserve requirement and to make any required reimbursement to providers of reserve account credit facilities.

Renewal and Replacement Account

Revenues must be credited to the Renewal and Replacement Account in an amount set forth in the annual budget for the renewal and replacement deposit. An amount set forth in the budget shall be determined based on recommendations of the Consulting Engineer. Additional funds can be transferred to this account by the Tollway, based on the capital plan expenditures.

Improvement Account

At the direction of the Tollway, the balance of amounts in the Revenue Fund are applied to the Improvement Account, for allocations to projects, determined by the Tollway, until the balance in the Account is equal to the improvement requirement.

THE ILLINOIS STATE TOLL HIGHWAY AUTHORITY
A Component Unit of the State of Illinois
Notes to the Trust Indenture Basis Schedules
December 31, 2021

System Reserve Account

At the direction of the Tollway, the balance in the Revenue Fund is deposited to the credit of the System Reserve Account to provide for deficiencies in any other account or sub-account. If all accounts have sufficient funds, System Reserve Account funds can be used to pay off debt, fund construction projects, make improvements, or pay for any other lawful Tollway purpose. There were no balances or activity in the System Reserve Account during 2021.

The Construction Fund

The Construction Fund is held as a separate segregated fund. The Construction Fund receives funds from the sale of bonds (other than refunding bonds) and investment of proceeds. The Treasurer establishes and maintains within the Construction Fund a separate, segregated account for each Project, the costs of which are to be paid in whole or in part out of the Construction Fund.

(2) Miscellaneous

The following items are reported as Bond Interest and Other Financing Costs:

Components of Bond Interest and Other Financing Costs - 2021

	Debt Service	Debt Reserve	Total
Bond interest expense	\$ 327,312,258	\$ -	\$ 327,312,258
Other financing costs	36,205	206,897	243,102
	\$ 327,348,463	\$ 206,897	\$ 327,555,360

Other Information:

- (1) Construction and Other Capital Expenses for Renewal and Replacement and Improvement include accrued expenses.
- (2) Bond interest expense includes accrued interest payable at December 31, 2021.
- (3) In November 2008, the Tollway purchased a \$100 million surety bond. This policy is being amortized over the life of the bonds (24.1 years). The amortization is shown in the debt reserve column above.
- (4) Cash and investment balances held by the Trustee at December 31, 2021, are \$205.6 million in the Debt Service accounts, \$457.2 million in the Debt Reserve account and \$290.7 in the Construction account.
- (5) Insurance and Employee Benefits includes expense for retirement, worker's compensation, the employer portion of FICA, and medical insurance.

THE ILLINOIS STATE TOLL HIGHWAY AUTHORITY
A Component Unit of the State of Illinois
Notes to the Trust Indenture Basis Schedules
December 31, 2021

(3) Restatement of Fund Balance

The fund balance as of January 1, 2020, has been restated to correct the amount due to the Illinois State Employees Group Insurance Program for retiree health insurance. It was determined that the Tollway's required payments had been inaccurately calculated through December 31, 2020. As the result of these errors, it was necessary for the Tollway to restate its beginning fund balance for the portion that pertained to years prior to 2020.

Schedule 6

THE ILLINOIS STATE TOLL HIGHWAY AUTHORITY

A Component Unit of the State of Illinois
 Schedule of Toll Revenue by Class of
 Vehicles (Unaudited)

For the Years Ended December 31, 2021 and 2020

Class of Vehicle	2021		2020	
	Average Daily Transactions*	Revenue**	Average Daily Transactions*	Revenue**
1. Auto, motorcycle, taxi, station wagon, ambulance, single-unit truck or tractor: 2 axles, 4 tires	2,210,407	\$ 616,711,641	1,879,631	\$ 522,789,269
2. Single-unit truck or tractor, buses: 2 axles, 6 tires	45,417	34,314,601	41,647	31,023,154
3. Trucks and buses with 3 & 4 axles	59,617	72,139,062	54,460	65,378,812
4. Trucks with 5 or more axles, other vehicles and toll adjustments	250,573	569,204,514	234,261	529,828,659
TOTAL	2,566,014	\$ 1,292,369,818	2,209,999	\$ 1,149,019,894

* The "Average Daily Transactions" represents the average daily number of vehicles passing through the toll plazas.

** Toll revenue does not include tolls collected through the Evasion Recovery Program of approximately \$147.0 and \$93.2 million, respectively. These are reported as Toll Evasion Recovery revenue.

THE ILLINOIS STATE TOLL HIGHWAY AUTHORITY
 A Component Unit of the State of Illinois
 Renewal and Replacement Account (Unaudited)⁽¹⁾
 Trust Indenture Basis (Non-GAAP)
 For the Years Ended December 31, 2007 through 2021

<u>Year</u>	<u>Total funds Credited (1)</u>
2007	\$ 198,331,687
2008	1,907,175
2009	161,463,238
2010	206,096,487
2011	174,192,997
2012	300,660,937
2013	200,364,611
2014	200,208,079
2015	240,311,545
2016	300,845,345
2017	423,015,675
2018	425,924,437
2019	428,965,993
2020	121,455,373
2021	228,022,348

⁽¹⁾ Includes earnings on the Renewal and Replacement Account

See accompanying independent auditors' report.

THE ILLINOIS STATE TOLL HIGHWAY AUTHORITY
A Component Unit of the State of Illinois
Summary of Operating Revenues, Maintenance and Operating
Expenses, Net Operating Revenues and Debt Service Coverage (Unaudited)
Trust Indenture Basis (Non-GAAP)
For the Years Ended December 31, 2012 through December 31, 2021
(Amounts in thousands)

	<u>2021</u>	<u>2020</u>	<u>2019⁽⁸⁾ (9) (10)</u>	<u>2018</u>	<u>2017</u>	<u>2016⁽⁶⁾⁽⁷⁾</u>	<u>2015⁽⁵⁾</u>	<u>2014⁽⁴⁾</u>	<u>2013⁽³⁾</u>	<u>2012</u>
Operating revenue:										
Toll revenue	\$ 1,292,370	\$ 1,149,020	\$ 1,380,751	\$ 1,341,051	\$ 1,309,189	\$ 1,216,298	\$ 1,146,629	\$ 968,972	\$ 943,152	\$ 922,390
Toll evasion recovery	147,047	93,164	81,554	70,469	65,640	64,491	64,323	53,769	54,221	32,599
Concession and other revenue	22,004	26,630	8,864	12,232	13,041	11,481	7,664	12,373	11,537	7,377
Interest income ⁽¹⁾	2,356	13,726	38,455	34,389	13,947	6,529	1,846	1,041	866	1,389
Total operating revenue	<u>1,463,777</u>	<u>1,282,540</u>	<u>1,509,624</u>	<u>1,458,141</u>	<u>1,401,817</u>	<u>1,298,799</u>	<u>1,220,462</u>	<u>1,036,155</u>	<u>1,009,776</u>	<u>963,755</u>
Maintenance and operating expenses:										
Engineering and maintenance	89,903	91,503	95,540	78,404	74,054	53,650	55,477	47,614	43,225	39,144
Toll services	104,742	130,701	136,124	141,981	140,217	109,854	101,415	107,326	106,321	93,590
Police, safety and communication	44,706	45,729	42,190	40,762	37,908	27,256	24,958	27,606	22,551	22,808
Procurement, IT, finance and administration	81,315	46,334	46,074	47,341	32,077	25,731	23,851	24,192	19,138	19,971
Insurance and employee benefits	50,452	45,935	30,278	27,873	35,282	92,748	92,778	91,082	86,278	77,544
Total expenses	<u>371,118</u>	<u>360,202</u>	<u>350,206</u>	<u>336,361</u>	<u>319,538</u>	<u>309,239</u>	<u>298,479</u>	<u>297,820</u>	<u>277,513</u>	<u>253,057</u>
Net operating revenues	<u>\$ 1,092,659</u>	<u>\$ 922,338</u>	<u>\$ 1,159,418</u>	<u>\$ 1,121,780</u>	<u>\$ 1,082,279</u>	<u>\$ 989,560</u>	<u>\$ 921,983</u>	<u>\$ 738,335</u>	<u>\$ 732,263</u>	<u>\$ 710,698</u>
Total debt service ⁽²⁾⁽³⁾	\$ 467,926	\$ 442,114	\$ 419,460	\$ 424,244	\$ 398,411	\$ 387,933	\$ 358,846	\$ 308,443	\$ 297,708	\$ 250,253
Net revenues after debt service ⁽²⁾	\$ 624,733	\$ 480,224	\$ 739,958	\$ 697,536	\$ 683,868	\$ 601,627	\$ 563,137	\$ 429,892	\$ 434,555	\$ 460,455
Debt service coverage ⁽²⁾	2.34	2.09	2.76	2.64	2.72	2.55	2.56	2.39	2.46	2.84

(1) - Excludes interest income on construction funds.

(2) - Includes, as applicable in years 2011 -2019, synthetic fixed interest rates as determined under swap agreements for 1998 Series B, 2007 Series A, and 2008 Series A.

(3) - In August 2013, the Tollway advance refunded a portion of the 2005 A bonds.

(4) - In February 2014, the Tollway advance refunded a portion of the 2005 A bonds.

In December 2014, the Tollway advance refunded the remainder of the Tollway's outstanding 2006 A-1 bonds.

(5) - On July 1, 2015, the Tollway redeemed \$ 36.81 million principal amount of 2005 A bonds, in advance of their January 1, 2016, scheduled maturity.

(6) - In January 2016, the Tollway advance refunded all of the 2008B bonds.

(7) - In April 2016, the Tollway redeemed \$69.2 million principal amount of 1998B in advance of their January 1, 2017, scheduled maturity.

(8) - In January 2019, the Tollway refunded a portion of its 2007 Series A, 2008 Series A and 2009 Series A bonds.

(9) - In November 2019, the Tollway refunded all of the 2010 Series A-1 bonds.

(10) - In December 2019, the Tollway refunded the remainder of its 2007 Series A and 2008 Series A bonds.

See accompanying independent auditors' report.

THE ILLINOIS STATE TOLL HIGHWAY AUTHORITY
A Component Unit of the State of Illinois

Annual Toll Transactions
Passenger and Commercial Vehicles (Unaudited)
For the Years Ended December 31, 2012 through 2021
(Transactions in thousands)

<u>Year</u>	<u>Passenger</u>	<u>Commercial</u>	<u>Total</u>	<u>Percentage passenger</u>
2012	711,680	92,100	803,780	88.54%
2013	720,513	95,529	816,042	88.29%
2014	737,238	101,041	838,279	87.95%
2015	777,719	103,896	881,615	88.22%
2016	823,643	108,248	931,891	88.38%
2017	883,468	113,866	997,334	88.58%
2018	889,184	119,768	1,008,952	88.13%
2019	900,809	122,413	1,023,222	88.04%
2020	686,065	120,584	806,649	85.05%
2021	806,799	129,797	936,596	86.14%

The Tollway began tolling the Illinois Route 390 tollway on an approximately 6.5 mile segment in July 2016, and an approximately 3.5 mile segment in November 2017.

THE ILLINOIS STATE TOLL HIGHWAY AUTHORITY

A Component Unit of the State of Illinois

Annual Toll Revenues

Passenger and Commercial Vehicles (Unaudited)

For years 2012 to 2021

(Dollars in thousands)

<u>Year</u>	<u>Passenger</u>	<u>Commercial</u>	<u>Total</u>	<u>Percentage passenger</u>
2012	\$ 615,957	\$ 306,433	\$ 922,390	66.78%
2013	622,349	320,803	943,152	65.99%
2014	630,556	338,416	968,972	65.07%
2015	662,720	483,909	1,146,629	57.80%
2016	686,846	529,452	1,216,298	56.47%
2017	724,905	584,285	1,309,190	55.37%
2018	719,165	621,886	1,341,051	53.63%
2019	726,063	654,688	1,380,751	52.58%
2020	522,789	626,231	1,149,020	45.50%
2021	616,712	675,658	1,292,370	47.72%

The changed rate structures implemented in 2012 and 2015-2018 contributed to the increase and decrease, respectively, in the percentage of revenues from passenger vehicles.

See accompanying independent auditors' report.

THE ILLINOIS STATE TOLL HIGHWAY AUTHORITY

A Component Unit of the State of Illinois

Operating Revenues, Maintenance and Operating
Expenses and Net Operating Revenues¹ (Unaudited)

For selected years from 1959 to 2021

(Dollars in thousands)

Year:	<u>Operating revenue</u>	<u>Maintenance and operating expenses</u>	<u>Net operating revenues</u>
1959	\$ 14,974	\$ 4,709	\$ 10,265
1969	57,395	13,015	44,380
1979	100,436	39,733	60,703
1989	254,734	85,065	169,669
1994	309,949	116,996	192,953
1999	366,092	146,881	219,211
2004	423,427	198,302	225,125
2009	658,052	255,185	402,867
2010	672,760	250,857	421,903
2011	697,416	245,975	451,441
2012	963,755	253,058	710,697
2013	1,009,776	277,512	732,264
2014	1,036,156	297,821	738,335
2015	1,220,462	298,479	921,983
2016	1,298,799	309,239	989,560
2017	1,401,817	319,538	1,082,279
2018	1,458,141	336,361	1,121,780
2019	1,509,624	350,206	1,159,418
2020	1,282,540	360,202	922,338
2021	1,463,777	371,118	1,092,659

⁽¹⁾ Determined according to the Series 1955 Bond Resolution through December 26, 1985, and in accordance with the Indenture subsequent to December 26, 1985.

See accompanying independent auditors' report.



**INDEPENDENT AUDITORS' 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**

Honorable Frank J. Mautino
Auditor General, State of Illinois

and

Board of Directors
The Illinois State Toll Highway Authority

As Special Assistant Auditors for the Auditor General, we have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of the Illinois State Toll Highway Authority (the Tollway), a component unit of the State of Illinois, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the Tollway's basic financial statements, and have issued our report thereon dated September 29, 2022.

Report on Internal Control Over Financial Reporting

Management of the Tollway is responsible for establishing and maintaining effective internal control over financial reporting (internal control). In planning and performing our audit of the financial statements, we considered the Tollway's internal control as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Tollway's internal control. Accordingly, we do not express an opinion on the effectiveness of the Tollway's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying Schedule of Findings and Responses, we did identify certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Responses as items 2021-001, 2021-002, and 2021-003 to be material weaknesses.

Honorable Frank J. Mautino
Auditor General, State of Illinois
and
Board of Directors
The Illinois State Toll Highway Authority

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying Schedule of Findings and Responses as item 2021-004 to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Tollway's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Responses as item 2021-004.

Tollway's Responses to the Findings

Government Auditing Standards require the auditor to perform limited procedures on the Tollway's responses to the findings identified in our audit and described in the accompanying Schedule of Findings and Responses. The Tollway's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

Purpose of this Report

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

SIGNED ORIGINAL ON FILE

CliftonLarsonAllen LLP

Oak Brook, Illinois
September 29, 2022

THE ILLINOIS STATE TOLL HIGHWAY AUTHORITY
A Component Unit of the State of Illinois
Schedule of Findings and Responses
For the Year Ended December 31, 2021
Current Findings – *Government Auditing Standards*

Finding 2021-001 – Failure to Implement Controls to Comply with a Communication Letter Requirement

The Illinois State Toll Highway Authority (Authority) failed to implement controls necessitated by the terms of our communication letter that required timely notification to its external auditor, that one of our employees was seeking employment with the Authority, increasing the impact of an independence breach and resulting in a waste of the State's resources as defined in Government Auditing Standards, §6.21.

As initially contracted for by the Auditor General and our firm on November 10, 2021, we were engaged to perform the Authority's financial audit and State compliance examination for Calendar Year 2021. In the communication letter from our firm dated November 23, 2021, the Authority's Executive Director (representing management) and the Authority's Audit Committee Chair (representing governance) signed a written agreement acknowledging the scope of the financial audit and State compliance examination, our role and responsibilities, and the Authority's role and responsibilities during the engagements which included the following requirement:

To help ensure both the Office of the Auditor General and CliftonLarsonAllen LLP do not have an independence impairment under the Code of Professional Conduct published by the American Institute of Certified Public Accountants, you agree to inform [the appointed representatives of Auditor General and our firm] before discussing any potential employment with any of our personnel.

In December 2021, a staff member of our engagement team intended to seek employment with the Authority and then actually applied to two open positions within the Authority's Internal Audit Department, which violated the legal and ethical requirements imposed on our staff members and firm to maintain our independence in fact and appearance with respect to the Authority. On February 22, 2022, the impaired staff person began charging time to the Authority's compliance examination, which included some limited testing used to support the Authority's financial audit.

On March 29, 2022, a committee at the Authority, including the Authority's Chief Internal Auditor, held an interview with our impaired staff person for the first position, eventually extending an employment offer to our impaired staff person which was ultimately turned down. On April 25, 2022, the impaired staff person took part in an interview for the second position at the Authority, which also included the Chief Internal Auditor, accepted the offer that followed on May 31, 2022, and subsequently notified our firm's team leader they had accepted an offer of employment from the Authority on June 2, 2022.

In recognition of this breach of our firm's independence and, after consulting with the Office of the Auditor General, our national office, and an independent national expert on auditor independence, we identified a remedy to cure the breach of the independence rules for the financial audit, which was ultimately concurred with by the Authority's Board of Directors on July 20, 2022. However, unlike the financial audit, the breach was pervasive to the State compliance examination and the professional judgment, integrity, objectivity, and professional skepticism of our engagement team was so compromised that we resigned from the State compliance examination engagement. As a result, the Authority will undergo a new State compliance examination covering Calendar Year 2021 as part of a future engagement covering the two years ending December 31, 2022.

THE ILLINOIS STATE TOLL HIGHWAY AUTHORITY
A Component Unit of the State of Illinois
Schedule of Findings and Responses
For the Year Ended December 31, 2021
Current Findings – *Government Auditing Standards*

During the audit, we noted the following:

- The Authority did not implement the controls necessary to comply with a Communication Letter requirement to timely inform the Auditor General that our employee had applied for employment with the Authority.
- The Authority's Chief Internal Auditor knew, or should have known, our impaired staff person was a member of our engagement team when the Chief Internal Auditor served on the committees interviewing our impaired staff person and did not immediately report this matter to the appointed representatives of the Auditor General and our firm to limit the extent of the breach of the independence requirements by our impaired staff person.

By failing to inform us prior to discussing any potential employment with our staff person as agreed-to by the Authority's Audit Committee Chair and Executive Director, we were unaware of the breach until June 2, 2022, resulting in a waste of State resources expended to provide us with routine activities, responses, and documentation to support our Calendar Year 2021 State compliance examination. Additionally, failure to notify us prior to discussing any potential employment with our staff person resulted in reperformance of limited audit work to support our Calendar Year 2021 financial audit that could have been avoided had we been notified sooner.

As the Illinois State Auditing Act (30 ILCS 5/3-2) requires a compliance examination of the Authority for its activities during Calendar Year 2021, the scope of the Authority's next State compliance examination will be expanded to cover the two years ending on December 31, 2022, necessitating duplication by the Authority to provide routine activities, responses, and documentation to auditors again related to Calendar Year 2021. While we were unable to quantify the total monetary value of these wasted resources, the effort expended to conduct a State compliance examination is not insignificant.

Government Auditing Standards (§6.21) defines waste as "the act of using or expending resources ... to no purpose" primarily related to mismanagement, inappropriate actions, and inadequate oversight. Further, the Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the Authority establish and maintain a system, or systems, of internal administrative controls to provide assurance resources are safeguarded against waste or loss.

Authority officials indicated the firm is directly responsible for maintaining auditor independence and objectivity throughout an engagement. The firm's impaired staff failed to notify the firm that they were actively engaged in the ongoing compliance examination while simultaneously seeking employment at the Authority. The Authority's hiring manager, due to Rutan hiring policies and procedures, was unaware that the impaired staff had applied for either position prior to March 29, 2022, but thereafter failed to provide notice, per the terms of the November 23, 2021 communication letter.

Failure by the Authority to adhere to its agreed-upon responsibilities as delineated in our communication letter delayed the completion of the Authority's financial audit as we worked to resolve the impact of this breach of the independence requirements, resulted in a waste of State resources, and hindered the ability of the Auditor General to provide the General Assembly with timely and relevant feedback about the Authority's operations and compliance with laws and regulations during Calendar Year 2021. (Finding Code No. 2021-001)

THE ILLINOIS STATE TOLL HIGHWAY AUTHORITY
A Component Unit of the State of Illinois
Schedule of Findings and Responses
For the Year Ended December 31, 2021
Current Findings – *Government Auditing Standards*

RECOMMENDATION

We recommend the Authority implement controls to ensure employment applications received are timely screened for individuals with current or previous employment with the Authority's external audit firm or the Auditor General, with any such individuals immediately reported to the appointed representatives of the Auditor General or the Authority's external audit firm.

TOLLWAY RESPONSE

The Authority agrees that it failed to timely advise the external audit firm and the Auditor General that a member of the firm's audit team improperly sought employment with the Authority while the audit was ongoing. Due to the firm employee's misconduct, there was a breach of the firm's independence, which, in conjunction with the Authority's reporting failure, delayed completion of the Authority's financial audit and rendered its work on the compliance audit unusable. The Tollway has established additional hiring process controls to ensure that employment applications received from persons working for the Authority's external audit firm or the Auditor General are identified at the outset of its hiring process and once identified, the Tollway will notify the Authority's external audit firm and the Auditor General.

THE ILLINOIS STATE TOLL HIGHWAY AUTHORITY
A Component Unit of the State of Illinois
Schedule of Findings and Responses
For the Year Ended December 31, 2021
Current Findings – *Government Auditing Standards*

Finding 2021-002 – Inadequate Internal Controls over the Estimated Benefits of Future Retirees

The Illinois State Toll Highway Authority (Tollway) and the Department of Central Management Services (CMS) failed to implement internal controls to ensure the pro rata share estimate of future retiree benefits for “True Tollway Employees” and “ISP District 15 Support Staff” is prepared completely and accurately using a three-year rolling average of the pro rata share of current retirees.

We noted employee-related costs incurred by the Tollway include both Tollway employees and staff of the Illinois State Police (ISP) consisting of three groups, as defined and further described below:

- 1) “True Tollway Employees” work for the Tollway, including its administrative, engineering, traffic, construction, and maintenance staff. These employees are paid on Tollway payroll vouchers and participate in the Tollway’s own group insurance program. Upon retirement, they transition to the State Employees Group Insurance Program (SEGIP) administered by the State of Illinois, Department of Central Management Services (CMS) for their OPEB. SEGIP does not receive a “retiree-load” charge (a charge added to contributions for current employees to obtain cash to pay benefit costs for both employees and retirees on a pay-as-you-go basis) for these employees’ current benefits provided by the Tollway’s own group insurance plan.
- 2) “ISP District 15 State Troopers” consist of two groups providing personal services within ISP District 15, which patrols the highways and facilities which encompass the Tollway’s operations.
 - a. The majority of these employees participate in the SEGIP for both their current employee benefits and OPEB during retirement.
 - b. Master sergeants, however, can opt-out of SEGIP for healthcare benefits and participate in the Teamsters Local No. 727 Health and Welfare Benefits Fund (union plan) for health insurance along with SEGIP for vision, dental, and life insurance benefits as an employee and then transition to SEGIP for all of their OPEB at retirement.

All troopers are paid on ISP’s payroll vouchers which are charged against the Tollway’s agency number and accounts. These vouchers include contributions to SEGIP for all troopers’ SEGIP-provided benefits. In addition, CMS prepares supplemental billings charged to the Tollway’s accounts for SEGIP to recover the healthcare costs paid to the union plan along with the associated “retiree-load” for SEGIP.

- 3) “ISP District 15 Support Staff” work for the Tollway supporting the troopers assigned to ISP District 15. These employees are paid on Tollway payroll vouchers and participate in the Tollway’s own group insurance program until they transition to SEGIP for their OPEB at retirement. SEGIP does not receive a “retiree-load” charge calculated on these employees’ current benefits from the Tollway’s own group insurance plan.

THE ILLINOIS STATE TOLL HIGHWAY AUTHORITY
A Component Unit of the State of Illinois
Schedule of Findings and Responses
For the Year Ended December 31, 2021
Current Findings – *Government Auditing Standards*

Because the “True Tollway Employees” and “ISP District 15 Support Staff” participate in the Tollway’s group insurance program until retirement, CMS has not charged the “retiree-load” built into active-employee SEGIP contributions to fund pay-as-you-go costs associated with retirees participating in SEGIP. Rather, the Tollway reimburses SEGIP for the pro rata share of the cost of providing retiree benefits to those retirees who had service in “True Tollway Employees” and “ISP District 15 Support Staff” positions compared to their total service credit to the State as determined by the State Employees’ Retirement System of Illinois (SERS), as required by the State Employees Group Insurance Act of 1971 (Act) (5 ILCS 375/11).

Per finding 2020-001, CMS only considered current employee contributions (accounted for within detail object code 1180 group insurance contributions) to SEGIP within its allocation methodology. Both CMS and the Tollway failed to identify the pro rata share for “True Tollway Employees” and “ISP District 15 Support Staff” had not been considered in SEGIP’s State Fiscal Year 2019 allocation, which supported the Tollway’s opening balances for Calendar Year 2020. This matter was resolved, and the Tollway restated its opening Net Position and properly recorded the 12/31/2020 OPEB Liability in the 2020 Financial Statements.

During our follow-up procedures on prior year finding 2020-001, Significant Understatement of OPEB Balances, we noted that the Tollway failed to implement internal control procedures to properly pro-rate the retired employees’ SEGIP contributions between the Tollway and any other state agencies with which retired employees may have had service. Per discussions with Tollway officials, the Tollway is working with CMS and SERS to develop a method for fiscal year 2022 and thereafter to properly prorate the retired employees’ SEGIP contributions but this process was not yet implemented for fiscal year 2021.

Tollway officials are responsible for understanding SEGIP’s allocation methodology and communicating with CMS officials about how the Tollway’s unique group insurance program and governing provision within Section 11 of the Act impact SEGIP’s allocation and Tollway’s OPEB balances. In addition, the Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the Tollway to establish and maintain a system, or systems, of internal fiscal and administrative controls to provide assurance resources and funds applicable to operations are properly recorded and accounted for to permit the preparation of accounts and reliable financial reports. Additionally, the Government Accountability Office’s Standards for Internal Control in the Federal Government (Green Book) (§ 15.02 and § 15.03) endorses an entity’s management having open communication with, and obtaining quality information from, external parties using established reporting lines to help achieve management’s objectives and address related risks.

Authority officials indicated this error was first disclosed during the 2020 external audit performed in 2021, and there was insufficient time to remedy this finding prior to the close of 2021.

Failure to establish adequate internal controls agreed upon by both the Tollway and CMS increases the risk of an error in the allocation of SEGIP’s OPEB activity to the Tollway which could result in a material misstatement of the Tollway’s Annual Comprehensive Financial Report (ACFR) and negatively impact the allocation of the State’s OPEB balances among the governmental activities, business-type activities, and component units reported in the State’s ACFR. (Finding Code No. 2021-002)

THE ILLINOIS STATE TOLL HIGHWAY AUTHORITY
A Component Unit of the State of Illinois
Schedule of Findings and Responses
For the Year Ended December 31, 2021
Current Findings – *Government Auditing Standards*

RECOMMENDATION

We recommend the Tollway communicate with CMS so both parties have a complete understanding of the Tollway's various employee groups so the factors unique to each group can be considered in preparing SEGIP's separately-stated liability for "True Tollway Employees" and "ISP District 15 Support Staff" and proportionate allocation of OPEB balances related to "ISP District 15 State Troopers" among the State's other funds and public universities. In addition, the Tollway and CMS should develop internal controls to reconcile the active and inactive "True Tollway Employees" and "ISP District 15 Support Staff" recorded within the SERS' records to the Tollway's records by focusing on the incremental changes from the prior reconciliation to ensure SEGIP's separately-stated OPEB balances associated with the Tollway are determined using complete and accurate data. Finally, the Tollway and CMS should implement internal controls to ensure the pro rata share estimate of future retiree benefits for "True Tollway Employees" and "ISP District 15 Support Staff" is prepared using a three-year rolling average of the pro rata share of current retirees and this average is complete and accurate.

TOLLWAY RESPONSE

In 2022, the Tollway and CMS reconciled the pro rata share of Tollway retirees through 12/31/2021, and are in the process of documenting procedures to be followed moving forward.

THE ILLINOIS STATE TOLL HIGHWAY AUTHORITY
A Component Unit of the State of Illinois
Schedule of Findings and Responses
For the Year Ended December 31, 2021
Current Findings – *Government Auditing Standards*

Finding 2021-003 – Need to Enhance Relationship with the Illinois State Police

The Illinois State Toll Highway Authority (Tollway) needs to update the duties, roles, functions, and responsibilities within its Intergovernmental Agreement (IGA) with the Illinois State Police (ISP).

The State Police Act (20 ILCS 2610/20) notes ISP and the Tollway may enter into an IGA to provide for policing of toll highways, including remuneration of police services, which comprise of (1) compensation and training of troopers and clerical employees, (2) uniforms, equipment, and supplies used by the ISP in patrolling the Tollway, and (3) reimbursements for injuries or occupational illnesses suffered by ISP personnel in the line of duty. In accordance with this IGA, ISP has assigned troopers to District 15 who police the Tollway's highways and facilities, while also allowing for troopers to be diverted to or from District 15 in emergency situations. This IGA was last updated on June 12, 2012.

During testing, we noted the following:

- The IGA does not address how the Tollway and ISP will implement a census data reconciliation process for the troopers directly paid for by the Tollway to provide assurance census data submitted to the State Employees' Retirement System of Illinois (SERS) for pension benefits and the State Employees Group Insurance Program administered by the State of Illinois, Department of Central Management Services (CMS) for the troopers' other postemployment benefits (OPEB) is complete and accurate. Under the current process, we noted:
 - 1) ISP maintains each trooper's personnel records;
 - 2) ISP is responsible for updating each trooper's personnel records;
 - 3) the Tollway is responsible for transmitting the census data within each trooper's personnel records to SERS and CMS through the Tollway's transmission of payroll data to the Office of the Comptroller to actually pay the troopers for their work; and,
 - 4) the Tollway is responsible for subsequently ensuring the information transmitted to SERS and CMS agrees with the records maintained by ISP which support the pension and OPEB balances recorded in the Tollway's financial statements.

The IGA (Part III, Section A) requires the Tollway directly pay the salaries and benefits of troopers assigned to District 15 in accordance with any applicable contract between the ISP and the ISP's unions, making the troopers effectively Tollway employees for financial reporting purposes. For employers where their employees participate in plans with multiple-employer and cost-sharing features, the American Institute of Certified Public Accountants' *Audit and Accounting Guide: State and Local Governments* (AAG-SLG) (§ 13.177 for pensions and § 14.184 for OPEB) notes the determination of net pension/OPEB liability, pension/OPEB expense, and the associated deferred inflows and deferred outflows of resources depends on employer-provided census data reported to the plan being complete and accurate along with the accumulation and maintenance of this data by the plan being complete and accurate. To help mitigate against the risk of a plan's actuary using incomplete or inaccurate census data within similar agent multiple-employer plans, the AAG-SLG (§ 13.181 (A-27) for pensions and § 14.141 for OPEB) recommends an employer annually reconcile its active members' census data to a report from the plan of census data submitted to the plan's actuary, by comparing the current year's census data file to both the prior year's census data file and its underlying records for changes occurring during the current year.

THE ILLINOIS STATE TOLL HIGHWAY AUTHORITY
A Component Unit of the State of Illinois
Schedule of Findings and Responses
For the Year Ended December 31, 2021
Current Findings – *Government Auditing Standards*

Tollway officials stated that ISP is responsible for reconciling its census data.

ISP officials indicated there have been ongoing discussions with the Tollway to update the IGA to clarify data sharing for reconciliation. In the meantime, ISP will provide the supporting documentation necessary to completely and accurately reconcile.

- The Tollway and ISP have not fully established proper procedures and mutual understanding of what books and records should be shared between the Tollway and ISP to enable complete and accurate financial reporting within the IGA.

While the IGA (Part IV, Section B) notes ISP shall supply, upon the request of the Tollway, additional books and records related to the cost or efficiency of providing police services to the Tollway, the IGA does not establish what and how financial and non-financial records needed to prepare financial information are to be supplied between Tollway and ISP officials.

Tollway officials indicated they believe ISP officials should have fulfilled this request pursuant to their obligations under the IGA and they did not.

ISP officials indicated there have been ongoing discussions with the Tollway to update the IGA to clarify data sharing for reconciliation. In the meantime, ISP will provide the supporting documentation necessary to completely and accurately reconcile.

- The Tollway and ISP do not appear to have active communication protocols to address financial matters within the IGA. We identified several instances of confusion about the responsibilities of the parties and no clear assigned point of contact at both the Tollway and ISP who would oversee their respective party's interactions with the other party within the IGA.

The Government Accountability Office's *Standards for Internal Control in the Federal Government (Green Book)* (§15.02 and §15.03) endorses an entity's management having open communication with, and obtaining quality information from, external parties using established reporting lines to help achieve management's objectives and address related risks. A good system of internal control would include these protocols within the written IGA.

Tollway officials indicated they believed the lines of communication were adequate.

ISP officials indicated ISP and the Tollway are drafting a revised IGA that is intended to clarify communication to support data reconciliation.

THE ILLINOIS STATE TOLL HIGHWAY AUTHORITY
A Component Unit of the State of Illinois
Schedule of Findings and Responses
For the Year Ended December 31, 2021
Current Findings – *Government Auditing Standards*

- The ISP has not been able to maintain a minimum staffing level of 175 troopers assigned to District 15.

The IGA (Part II, Section K) requires, subject to budget availability and certain reassignments and/or diversions allowed for by the IGA, the ISP maintain, at least, 175 troopers with a goal of 196 troopers assigned to District 15.

Tollway officials indicated that due to the express statement that the staffing level is subject to budget availability and certain reassignments and/or diversions, they disagree that the IGA establishes a minimum staffing level. Also, for 2021, ISP indicated that the complement of District 15 personnel did not include 175 troopers due to budget availability and/or reassignments/diversions.

ISP officials indicated ISP understands consistent staffing levels aid in the accurate allocation of pension expenses, which we understand to be the focus. However, ISP must prioritize its core mission to promote public safety throughout the state. Challenges with recruiting and retention have resulted in staffing shortages at ISP and require ISP to prioritize staffing in a way that maximizes the impact officers can have on public safety.

Despite these challenges, ISP is committed to maintaining consistent staffing levels sufficient to maintain public safety on the State's tollways. In August 2021, ISP initiated a new cadet class with the specific intent of increasing staffing on the Tollway. Unfortunately, unusually high attrition in FY22 partially offset the increase, ending the year with an increase of only six sworn officers over the low point in FY22.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the Tollway establish and maintain a system, or systems, of internal fiscal and administrative controls to provide assurance resources and funds applicable to operations are properly recorded and accounted for to permit the preparation of accounts and reliable financial reports. Further, the *Green Book* (§16.09 and §17.06) endorses an entity's management conducting ongoing monitoring of operations to identify internal control deficiencies to remediate those deficiencies by implementing timely and appropriate corrective action.

Failure to ensure the IGA between the Tollway and ISP reflects up-to-date duties, roles, functions, and responsibilities and covers all areas of internal control hinders the ability of the Tollway to timely prepare its ACFR and could result in noncompliance with the Tollway's continuing disclosure requirements for its bond issues. Further, failure to ensure compliance with the minimum number of troopers could hinder efforts to provide timely police services and adequate protection of the Tollway's highways and facilities. (Finding Code No. 2021-003, 2020-002)

THE ILLINOIS STATE TOLL HIGHWAY AUTHORITY
A Component Unit of the State of Illinois
Schedule of Findings and Responses
For the Year Ended December 31, 2021
Current Findings – *Government Auditing Standards*

RECOMMENDATION

We recommend the Tollway work with ISP to update its IGA to allow for:

- 1) performing an initial complete reconciliation of ISP's census data recorded by SERS and CMS to ISP's internal records to establish a base year of complete and accurate census data;
- 2) developing a process to annually obtain from SERS and CMS the incremental changes recorded by SERS and CMS in their census data records and reconcile these changes back to ISP's internal supporting records;
- 3) establishing proper procedures and mutual understanding of what books and records can be shared between the Tollway and ISP to facilitate each party's operations;
- 4) establishing active communication protocols to address financial matters; and,
- 5) establishing deadlines for responses reflective of the Tollway's need to release its ACFR within six months after the end of its fiscal year.

Further, we recommend the Tollway and ISP work together to ensure District 15 has, at least, the minimum number of troopers assigned as required by the IGA.

TOLLWAY RESPONSE

The Tollway is currently working with ISP to appropriately update the existing IGA. The Tollway also has enhanced the ISP payroll certification process.

ILLINOIS STATE POLICE RESPONSE

The ISP concurs with the recommendation to update our IGA with the Tollway to clarify the roles and responsibilities of each party. This update is currently underway.

THE ILLINOIS STATE TOLL HIGHWAY AUTHORITY
A Component Unit of the State of Illinois
Schedule of Findings and Responses
For the Year Ended December 31, 2021
Current Findings – *Government Auditing Standards*

Finding 2021-004 – Noncompliance with the State Employees Group Insurance Act of 1971

The Illinois State Toll Highway Authority (Tollway) did not enter into an interagency agreement with the State Employees Retirement System (SERS) and the Department of Central Management Services (CMS) to memorialize each party's roles and responsibilities to fulfill compliance with the State Employees Group Insurance Act of 1971 (Act).

Per discussions with Tollway officials as part of our prior year finding follow-up procedures, we noted that the Tollway has not entered into an interagency agreement with CMS and SERS detailing the roles and responsibilities of each party as recommended in finding 2020-003 to achieve compliance with the Act.

Under Section 11 of the Act, the Tollway and CMS are solely responsible for ensuring compliance with this mandate. While SERS has some of the historical records necessary for the Tollway and CMS to fulfill this mandate, neither CMS nor the Tollway have communicated with nor entered into a written agreement with SERS so SERS officials could understand the information needs of the Tollway and CMS. As a result, errors occurred that led to the Tollway's OPEB balance being significantly understated. Refer to finding 2020-001 and 2020-003 for additional information over the errors and adjustments corrected in the fiscal year 2020 financial statements.

Tollway and CMS officials are jointly-responsible for understanding and complying with the retiree cost repayment provisions of Section 11 of the Act. In addition, the Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the Tollway to establish and maintain a system, or systems, of internal fiscal and administrative controls to provide assurance resources and funds applicable to operations are properly accounted for to permit the preparation of accounts and reliable financial reports. Finally, the Government Accountability Office's Standards for Internal Control in the Federal Government (Green Book) (§ 15.02 and § 15.03) endorses an entity's management having open communication with, and obtaining quality information from, external parties using established reporting lines to help achieve management's objectives and address related risks.

Tollway officials indicated this issue was first noted during the 2020 audit that was performed in 2021 and finalized in late 2021, and there was insufficient time to remedy this finding prior to the close of 2021.

Failure to properly calculate reimbursements to SEGIP for the pro rata share of the cost of providing retiree benefits to those retirees who had service in "True Tollway Employees" and "ISP District 15 Support Staff" positions compared to their total service to the State hindered the accuracy of the Tollway's financial reporting, delayed SEGIP's receipt of cash and prolonged SEGIP's payment delays to vendors, and represents noncompliance with State law. (Finding Code No. 2021-004, 2020-003)

THE ILLINOIS STATE TOLL HIGHWAY AUTHORITY
A Component Unit of the State of Illinois
Schedule of Findings and Responses
For the Year Ended December 31, 2021
Current Findings – *Government Auditing Standards*

RECOMMENDATION

We recommend the Tollway communicate with CMS and SERS so all parties have a complete understanding of both the overall process and Tollway's various employee groups so the factors unique to each group can be considered in calculating the Tollway's monthly retiree OPEB cost repayment pursuant to Section 11 of the Act. When an understanding has been reached, the parties should enter into a formal, written interagency agreement to memorialize each party's roles and responsibilities to fulfill this mandate. At a minimum, officials at the Tollway and the Department should agree their records for the amount due to SEGIP at June 30 and December 31 each year.

In addition, the Tollway should work with CMS and SERS to calculate the total amount due to SEGIP which can be ascertained or, if necessary, soundly estimated based on available records and contribute this amount to SEGIP as soon as practicable.

If, after investigation, the Tollway and CMS determine it is not possible and/or not practicable to comply with Section 11 of the Act both for past periods and future periods, the Tollway and CMS should work with the Governor and the General Assembly to develop a legislative remedy that addresses both the financing needs of SEGIP and facilitates financial reporting in accordance with generally accepted accounting principles.

TOLLWAY RESPONSE

The Tollway is currently working with CMS and SERS to identify and document each party's responsibility in a process to properly calculate the reimbursement required for Tollway retiree OPEB cost.

THE ILLINOIS STATE TOLL HIGHWAY AUTHORITY
A Component Unit of the State of Illinois
Prior Year Findings Not Repeated – *GOVERNMENT AUDITING STANDARDS*
For the Year Ended December 31, 2021

A. Significant Understatement of OPEB Balances

During the prior year financial audit, the Illinois State Toll Highway Authority (the Tollway) did not identify an allocation error within its other postemployment benefits (OPEB) amounts recorded in its financial statements resulting in a beginning balance restatement which reduced the Tollway's unrestricted net position by \$505,692,050.

During the current year financial audit, we noted there was no similar misstatement of OPEB balances. Some of the recommended internal control improvements were still in the process of being strengthened. See current year finding 2021-002 for additional details. (Finding Code No. 2020-001)

B. Inadequate Internal Control over Census Data

During the prior year financial audit, the Illinois State Toll Highway Authority (the Tollway) did not work with SERS and CMS to develop an annual reconciliation of its active members' census data from its underlying records to a report from each plan of census data submitted to the plan's actuary.

During the current year financial audit, we noted the Tollway strengthened its controls over their census data and its reconciliation to the plans. Similar exceptions were not noted during our current year engagement. (Finding Code No. 2020-004)



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