

THE ILLINOIS STATE TOLL HIGHWAY AUTHORITY

A Component Unit of the State of Illinois
FINANCIAL AUDIT

For the Year Ended December 31, 2022

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



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A Component Unit of the State of Illinois
FINANCIAL AUDIT
For the Year Ended December 31, 2022

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Illinois Tollway Officials and Financial Staff

Executive Director	Jose R. Alvarez (until 3/14/2022)
Interim Executive Director	Lanyea Griffin (effective 4/1/2022 until 8/25/2022)
Executive Director	Cassandra Rouse (effective 8/26/2022)
Chief Operating Officer	Cassandra Rouse (until 8/25/2022)
	Jeffrey Donoghue (effective 11/17/2022)
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)
	Vacant (effective 4/1/2022)
Board Member	Alice Gallagher (until 3/21/2023)*
Board Member	Karen McConnaughay
Board Member	Scott Paddock
Board Member	Gary Perinar
Board Member	James Sweeney*
Board Member	Jacqueline Gomez*

*See Note 20 - Subsequent Events in the Notes to the Financial Statements.

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, 2022

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 one matter involving the Tollway’s internal controls over financial reporting that they considered to be a significant deficiency and noncompliance.

Exit Conference

The Tollway waived an exit conference in correspondence from Patricia Pearn, Controller, on June 22, 2023. The responses to the recommendations were provided by Patricia Pearn, Controller, in correspondence dated June 27, 2023.

Number of	<u>Current Report</u>	<u>Prior Report</u>
Findings	1	4
Repeated Findings	None	2
Prior Recommendations Implemented or Not Repeated	4	2

<u>Item No.</u>	<u>Page</u>	<u>Last/First Reported</u>	<u>Description</u>	<u>Finding Type</u>
<u>Current Finding</u>				
2022-001	84	New	Inadequate Internal Controls over Intergovernmental Agreements	Significant Deficiency and Noncompliance
<u>Prior Findings Not Repeated</u>				
A	86	2021/2021	Failure to Implement Controls to Comply with a Communication Letter Requirement	
B	86	2021/2021	Inadequate Internal Controls over the Estimated Benefits of Future Retirees	
C	86	2021/2020	Need to Enhance Relationship with the Illinois State Police	
D	86	2021/2020	Noncompliance with the State Employees Group Insurance Act of 1971	



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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, 2022, 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, 2022, 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 judgment 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.

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 the management's discussion and analysis and the required supplementary information in Schedules 1 through 3 as listed in the table of contents, 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, 2021 (not presented herein), and have issued our report thereon dated September 29, 2022 which contained an unmodified opinion on the basic financial statements. The supplementary information in Schedules 4 and 5 for the year ended December 31, 2021, 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 2021 financial statements. The information was subjected to the audit procedures applied in the audit of the 2021 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, Schedules 4 and 5 for the year ended December 31, 2021, are fairly stated in all material respects in relation to the basic financial statements as a whole for the year ended December 31, 2021.

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 July 12, 2023, 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 ON ORIGINAL FILE

CliftonLarsonAllen LLP

Oak Brook, Illinois
July 12, 2023

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, 2022

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, 2022. 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.
- A total of \$4.3 billion of revenue bonds have been issued since 2013 to fund the capital program.
- During 2022, construction and professional engineering services contracts with a combined value of \$1.1 billion were awarded under this program, bringing total "*Move Illinois*" contract awards to date to \$10.5 billion.
- 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 subsequently extended to June 30, 2022); (ii) relief from fines 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 toll revenue totaled \$1.3 billion for 2022, which was comparable to the 2021 toll revenue of \$1.3 billion. The 2019 pre-pandemic toll revenue was \$1.4 billion.
- Amounts on deposit on behalf of I-PASS account holders remained fairly stable at \$210.1 million; approximately 87.2% 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, 2022

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, 2022

Financial Analysis

2022 Results Compared to 2021

Operating Revenue

The Tollway's 2022 operating revenues, totaling \$1.6 billion, increased \$94.7 million, or 6.5%, from the previous year. This increase was mainly attributable to a continued increase in the missed toll invoices issued under the Tolling 2020 initiative. In 2022, toll revenue totaled \$1.3 billion, slightly higher than 2021, posting an increase of \$44.2 million, or 3.4%. Revenue from toll evasion recovery increased to \$198.6 million (from \$147.0 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 offers which incentivized payment of unpaid tolls and related fines, which was extended until June 30, 2022, and impacts of the Tolling 2020 invoicing program implemented effective June 25, 2020.

Concession revenue declined in 2022, due to the closure of the Hinsdale oasis pavilion in 2021 and the implementation of GASB 87 in 2022.

Operating Expenses

Operating expenses, excluding depreciation and the OPEB adjustment, increased in 2022, to \$367.8 million (2.5%) from \$358.8 million in 2021. This was due to an increase in parts and fuel expense and group health insurance claim, offset by reductions in other categories of expense.

Depreciation and amortization expense increased by 2.7% to \$531.8 million, from \$518.0 million, in 2021. As further discussed in the Notes to the Financial Statements, there was a substantial adjustment to the unfunded OPEB liability and related deferred outflows and inflows allocated to the Tollway due to the negotiation of favorable health insurance contracts by the Department of Central Management Services. This resulted in a negative operating expense of \$ 517.4 million in 2022. The resulting net operating income for the year, \$1,172.3 million, increased by \$589.3 million, or 101.1%, from the previous year.

Nonoperating Revenues (Expenses)

Nonoperating revenue increased by \$15.9 million, due to increased investment returns on funds on deposit. 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 2022 rebates totaled \$13.6 million, substantially the same as 2021.

Nonoperating expenses increased by \$19.4 million, due to increased interest and amortization of financing costs.

The net nonoperating expenses increased this year by 1.2% from \$283.5 million in 2021 to \$286.9 million for 2022, 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, 2022

Summary of Changes in Net Position

	2022	2021
REVENUES:		
Operating revenues:		
Toll revenue	\$ 1,336,521,453	\$ 1,292,369,818
Toll evasion recovery	198,557,196	147,047,083
Concessions	47,206	1,428,418
Miscellaneous	19,354,183	18,958,584
Nonoperating revenues:		
Investment income	25,763,738	2,369,299
Revenues under intergovernmental agreements	12,165,554	16,788,171
Net gain on disposal of property	-	2,797,631
Bond interest subsidy (Build America Bonds)	13,571,260	13,631,459
Total revenues	1,605,980,590	1,495,390,463
EXPENSES:		
Operating expenses:		
Engineering and maintenance of roadway and structures	97,184,463	95,505,236
Services and toll collection	104,444,385	111,972,566
Traffic control, safety patrol, and radio communications	39,868,397	39,198,099
Procurement, IT, finance and administration	126,274,149	112,106,816
Depreciation & Amortization	531,791,165	517,961,956
OPEB expense recovery	(517,423,118)	-
Nonoperating expenses:		
Expenses under intergovernmental agreements	12,165,554	16,788,171
Net loss on disposal of property	8,852,072	-
Miscellaneous	360	360
Interest expense and amortization of financing costs	317,432,443	302,266,746
Total expenses	720,589,870	1,195,799,950
Increase in net position	885,390,720	299,590,513
Net position, beginning of year	3,369,186,827	3,069,596,314
Net position, end of year	\$ 4,254,577,547	\$ 3,369,186,827

Changes in Net Position

Net operating income increased in 2022 by \$589.3 million to \$1.2 billion. After deducting this year's net nonoperating expense of \$286.9 million, the Tollway posted an increase in net position for the year of \$885.4 million compared to \$299.6 million increase in net position for 2021. After this year's result, the Tollway's net position totaled \$4.3 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, 2022

Summary of Net Position

	December 31,	
	2022	2021
ASSETS		
Current and other assets	\$ 2,187,729,143	\$ 2,572,178,111
Capital assets - net	11,428,334,950	10,856,252,664
Total Assets	<u>13,616,064,093</u>	<u>13,428,430,775</u>
DEFERRED OUTFLOWS OF RESOURCES		
Net loss on bond refundings	185,093,466	210,400,641
Pension related	80,501,400	85,294,102
OPEB related	446,053,380	58,786,704
Total Deferred Outflows of Resources	<u>711,648,246</u>	<u>354,481,447</u>
LIABILITIES		
Current debt outstanding	45,925,000	145,415,000
Long-term debt outstanding	7,743,586,021	7,848,500,054
Other liabilities	1,857,921,836	2,182,283,017
Total Liabilities	<u>9,647,432,857</u>	<u>10,176,198,071</u>
DEFERRED INFLOWS OF RESOURCES		
Pension related	117,009,877	81,857,407
OPEB related	290,875,786	155,669,917
Lease related	17,816,272	-
Total Deferred Inflows of Resources	<u>425,701,935</u>	<u>237,527,324</u>
NET POSITION		
Net investment in capital assets	3,473,668,882	3,285,662,964
Restricted under trust indenture agreements	518,315,612	518,593,642
Unrestricted	262,593,053	(435,069,779)
Total Net Position	<u>\$ 4,254,577,547</u>	<u>\$ 3,369,186,827</u>

Statement of Net Position

The Tollway's capital assets of \$11.4 billion consisting of land, buildings, infrastructure, and equipment, constitutes 79.8% of total assets and deferred outflows of resources. The largest liabilities are revenue bonds totaling \$7.8 billion, (inclusive of unamortized premiums/discounts), net pension liability and related deferred inflows of \$896.9 million and net other postemployment benefits (OPEB) liability and related deferred inflows of \$519.5 million, which together constitute 91.4% of total liabilities and deferred inflows of resources.

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, 2022

The restricted net position balance, totaling \$518.3 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 1.4% to \$13.6 billion, from \$13.4 billion at December 31, 2021. This increase was mainly due to an increase in capital assets.

Total liabilities decreased by 5.2% to \$9.6 billion, from \$10.2 billion at December 31, 2021. This decrease was mainly due to a reduction in the Tollway's allocated share of the State's net pension and OPEB liabilities and payment of principal on outstanding bonds. There were no additional bonds issued in 2022.

Capital Assets and Debt Administration

Capital Assets

Capital assets continue to represent the largest category of Tollway assets, totaling \$11.4 billion at year-end (\$10.9 billion at 12/31/2021) comprising 79.8% 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), 5 and 6 – for further information about capital assets.

CAPITAL ASSETS 2022 and 2021

	January 1, 2022 Net Balance	2022 Net Activity	2022 Depreciation	December 31, 2022 Net Balance
Land	\$ 999,292,122	\$ 33,775,733	\$ -	\$ 1,033,067,855
Construction in progress	2,056,602,761	230,543,227	-	2,287,145,988
Buildings	12,561,040	9,003,483	(1,478,686)	20,085,837
Temporary Easement	3,591,061	1,069,903	(342,480)	4,318,484
Infrastructure	7,581,624,040	703,465,411	(396,793,738)	7,888,295,713
Machinery and equipment	202,581,640	24,709,369	(32,205,362)	195,085,647
Lease Asset	-	738,157	(402,731)	335,426
Total	<u>\$ 10,856,252,664</u>	<u>\$ 1,003,305,283</u>	<u>\$ (431,222,997)</u>	<u>\$ 11,428,334,950</u>

	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>

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, 2022

Long-Term Debt

At year-end 2022, as compared to year-end 2021, the long-term portion of revenue bonds payable, inclusive of total unamortized original issue premium, declined by \$104.9 million, from \$7,848.5 million to \$7,743.6 million. This decline resulted from \$45.9 million of revenue bonds becoming currently payable during 2022 and \$59.0 million of original issue premium being amortized during 2022.

All Tollway bonds outstanding as of December 31, 2022, 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 2022 was 2.43.

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THE ILLINOIS STATE TOLL HIGHWAY AUTHORITY

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Management's Discussion and Analysis

For the Year Ended December 31, 2022

The following table lists, as of December 31, 2022, 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.

Revenue bonds payable	December 31, 2022		
	Noncurrent	Current	Total
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 B	500,000,000	-	500,000,000
Issue of 2014 Series C	400,000,000	-	400,000,000
Issue of 2014 Series D	140,935,000	30,890,000	171,825,000
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	455,540,000	12,900,000	468,440,000
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	693,735,000	2,135,000	695,870,000
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	\$ 6,828,515,000	\$ 45,925,000	\$ 6,874,440,000

Factors Impacting Future Operations

During 2022, the Tollway continued to progress on the "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 67.5% of the "Move Illinois" Program's total remaining costs are expected to be funded by 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, 2022

	2022
Assets	
Current assets:	
Current unrestricted assets:	
Cash and cash equivalents	\$ 976,756,176
Accounts receivable, less allowance for doubtful accounts of \$672,068,470	134,691,122
Intergovernmental receivables	53,629,272
Accrued interest receivable	2,902,388
Risk management cash and cash equivalents	16,793,868
Investments	-
Prepaid expenses	8,055,542
Lease Receivable	2,618,775
Total current unrestricted assets	1,195,447,143
Current restricted assets:	
Cash and cash equivalents - debt service	214,004,135
Cash and cash equivalents - IPASS accounts	210,091,950
Prepaid expenses restricted for debt service	206,897
Accrued interest receivable	2,869,771
Total current restricted assets	427,172,753
Total current assets	1,622,619,896
Noncurrent unrestricted assets:	
Capital assets:	
Land, improvements and construction in progress	3,320,213,843
Other capital assets, net of accumulated depreciation/amortization	8,108,121,107
Total capital assets	11,428,334,950
Other noncurrent unrestricted assets:	
Intergovernmental receivable less current portion	83,289,633
Prepaid expenses less current portion	5,519,898
Lease Receivable less current portion	15,492,861
Total noncurrent unrestricted assets	104,302,392
Noncurrent restricted assets:	
Cash and cash equivalents - debt reserve	2,944,786
Investments - debt reserve	456,000,000
Prepaid expenses - debt reserve	1,862,069
Cash and cash equivalents - construction	-
Total noncurrent restricted assets	460,806,855
Total assets	13,616,064,093
Deferred Outflows of Resources	
Net loss on bond refundings	185,093,466
Deferred outflows of resources - Pension related	80,501,400
Deferred outflows of resources - OPEB related	446,053,380
Total deferred outflows of resources	\$ 711,648,246

See accompanying notes to the financial statements.

THE ILLINOIS STATE TOLL HIGHWAY AUTHORITY
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Statement of Net Position
December 31, 2022

Liabilities

2022

Current liabilities:

Payable from unrestricted current assets:

Accounts payable	\$	11,972,305
Accrued liabilities		238,696,435
Accrued compensated absences		8,800,000
Intergovernmental agreement payable		80,650,021
Risk management claims payable		5,989,644
Deposits and retainage		93,131,311
Unearned revenue, net of accumulated amortization of \$1,827,383		431,074
Net OPEB liability - current		10,089,766
Lease Liabilities		345,443

Total current liabilities payable from unrestricted
current assets

450,105,999

Payable from current restricted assets:

Current portion of revenue bonds payable		45,925,000
Accrued interest payable		159,572,046
Deposits and unearned revenue – I-PASS accounts		210,091,950

Total current liabilities payable from current restricted
assets

415,588,996

Total current liabilities

865,694,995

Noncurrent liabilities:

Revenue bonds payable, less current portion		7,743,586,021
Accrued compensated absences		1,723,374
Risk management claims payable		12,408,796
Net pension liability		779,868,174
Net OPEB liability, less current portion		218,511,738
Unearned revenue, net of accumulated amortization of \$14,677,378		25,639,759

Total noncurrent liabilities

8,781,737,862

Total liabilities

9,647,432,857

Deferred Inflows of Resources

Deferred inflows of resources - Pension related		117,009,877
Deferred inflows of resources - OPEB related		290,875,786
Deferred inflows of resources - Lease related		17,816,272
Total deferred inflows of resources		425,701,935

Net Position

Net position:

Net investment in capital assets		3,473,668,882
Restricted under the Trust Indenture		518,315,612
Unrestricted		262,593,053
Total net position	\$	4,254,577,547

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, 2022

	2022
Operating revenues:	
Toll revenue	\$ 1,336,521,453
Toll evasion recovery	198,557,196
Concessions	47,206
Miscellaneous	19,354,183
Total operating revenues	1,554,480,038
Operating expenses:	
Engineering and maintenance of roadway and structures	97,184,463
Services and toll collection	104,444,385
Traffic control, safety patrol and radio communications	39,868,397
Procurement, IT, finance and administration	126,274,149
Depreciation and amortization	531,791,165
OPEB expense recovery	(517,423,118)
Total operating expenses	382,139,441
Operating income	1,172,340,597
Nonoperating revenues (expenses):	
Revenues under intergovernmental agreements	12,165,554
Expenses under intergovernmental agreements	(12,165,554)
Net Gain/(Loss) on disposal of property	(8,852,072)
Interest (expense) and amortization of financing costs	(317,432,443)
Bond interest subsidy (Build America Bonds)	13,571,260
Miscellaneous revenue (expense)	(360)
Investment income	25,763,738
Total nonoperating revenues (expenses), net	(286,949,877)
Change in net position	885,390,720
Net position, beginning of year	3,369,186,827
Net position, end of year	\$ 4,254,577,547

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, 2022

	<u>2022</u>
Cash flows from operating activities:	
Cash received from sales and services	\$ 1,505,887,175
Cash payments to suppliers	(230,848,282)
Cash payments to employees	(185,751,533)
Net cash provided by operating activities	<u>1,089,287,360</u>
Cash flows from capital and related financing activities:	
Acquisition and construction of capital assets	(1,111,771,143)
Cash received relate to capital assets	11,398,497
Proceeds from sale of property	19,716,698
Principal paid on revenue bonds	(145,415,000)
Bond subsidy (Build America Bonds)	13,571,260
Interest expense and issuance costs paid on revenue bonds	(337,802,550)
Net cash (used in) capital and related financing activities	<u>(1,550,302,238)</u>
Cash flows from investing activities:	
Proceeds from sales and maturities of investments	525,839,290
Purchase of investments	(481,881,000)
Interest on investments	20,024,700
Net cash provided by investing activities	<u>63,982,990</u>
Net (decrease) increase in cash and cash equivalents	(397,031,888)
Cash and cash equivalents at beginning of year	<u>1,817,622,803</u>
Cash and cash equivalents at end of year	<u>\$ 1,420,590,915</u>
Reconciliation of cash and cash equivalents:	
Cash and cash equivalents	\$ 976,756,176
Risk management reserved cash and cash equivalents	16,793,868
Cash and cash equivalents restricted for debt service and debt reserve	216,948,921
Cash and cash equivalents – I-PASS accounts	210,091,950
Total cash and cash equivalents at end of year	<u>\$ 1,420,590,915</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, 2022

	2022
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 1,172,340,597
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation and amortization	531,791,165
Provision for bad debt	227,887,918
Amortization of unearned revenue	(1,835,848)
Pension adjustment	(34,681,746)
Other post employment benefits adjustment	(517,423,118)
Cash paid out Local Fund	(15,650)
GASB 87 Expense	(392,714)
GASB 87 Revenue	(295,364)
Effects of changes in operating assets and liabilities:	
(Increase) in accounts receivable	(294,062,100)
Decrease in intergovernmental receivables	24,201,184
Decrease in prepaid expenses	5,438,855
(Decrease) in accounts payable	(2,660,835)
(Decrease) in accrued liabilities	(20,673,438)
(Decrease) in accrued compensated absences	(72,653)
(Decrease) in intergovernmental agreement payable	(7,645,815)
Increase in deposits - I-PASS	3,148,756
Increase in unearned revenue	5,669,094
(Decrease) in risk management claims payable	(1,430,928)
Net cash provided by operating activities	\$ 1,089,287,360
Noncash capital and related financing activities:	
Increase in capital asset obligation accounts payable	\$ 24,510,110

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, 2022

(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.

THE ILLINOIS STATE TOLL HIGHWAY AUTHORITY

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Notes to the Financial Statements

For the Year Ended December 31, 2022

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

(c) Cash and Cash Equivalents

With the exception of \$62.9 million in locally held funds and cash on hand at December 31, 2022, 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 overnight 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 AAmmf by Fitch Ratings, 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, 2022.

(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.

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Notes to the Financial Statements

For the Year Ended December 31, 2022

(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, software and right-to-use building	3 to 20 Years

(i) 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 3 for a description of these receivables.

(j) 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.

(k) 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 8.

(l) 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 10.

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.

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Notes to the Financial Statements

For the Year Ended December 31, 2022

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.

(m) Adoption of New Accounting Pronouncements

In the year ended December 31, 2022, the Tollway adopted GASB pronouncement number 87 – Leases. This pronouncement requires the recognition of certain lease assets and liabilities for leases that were previously classified as operating leases. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. A lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The Tollway adopted the requirements of the guidance that was effective for periods beginning after June 15, 2021, and has applied the provisions of this standard to the beginning of the period of adoption.

(n) 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.

At December 31, 2022, restrictions on net position consisted of: *Restricted under the Trust Indenture* which reflects restrictions imposed by the Tollway's Trust Indenture.

THE ILLINOIS STATE TOLL HIGHWAY AUTHORITY

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Notes to the Financial Statements

For the Year Ended December 31, 2022

(o) 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.

(p) 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.

(q) 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 12.

(r) 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.

(s) Summarized Comparative Information

Comparative amounts for the prior year have not been presented in the basic financial statements due to the adoption of GASB 87 in 2022.

(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

THE ILLINOIS STATE TOLL HIGHWAY AUTHORITY

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Notes to the Financial Statements

For the Year Ended December 31, 2022

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, 2022, the Tollway's deposits were covered by FDIC insurance or eligible collateral.

(b) Schedule of Investments

As of December 31, 2022, 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*	\$ 1,086,941,547	\$ 1,086,941,547	\$ -
U.S. Treasuries - State and Local Government Series (SLGS)	456,000,000	134,000,000	322,000,000
Illinois Funds LGIP*	296,520,018	296,520,018	-
	<u>\$ 1,839,461,565</u>	<u>\$ 1,517,461,565</u>	<u>\$ 322,000,000</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 1, 2 or Level 3 inputs.

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

(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.

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Notes to the Financial Statements

For the Year Ended December 31, 2022

(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 2022.

As of December 31, 2022, 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 12/31/2022		
		Moody's Investor Services	S&P Global	Fitch Ratings
Money Market Funds	\$ 1,086,941,547	Aaa-mf	AAAm	AAAmmf
U.S. Treasury SLGS	456,000,000	Aaa	AA+	AAA
Illinois Funds LGIP	296,520,018	None	None	AAAmmf
Total	\$ 1,839,461,565			

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(3) Accounts Receivable

The Tollway's accounts receivable consists 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, 2022, the Tollway's accounts receivable balance consists of the following:

	<u>Gross accounts receivables</u>	<u>Allowance for doubtful accounts</u>	<u>Net accounts receivable</u>
Tolls	\$ 16,855,109	\$ (10,680,690)	\$ 6,174,419
Toll evasion recovery	778,431,546	(655,133,404)	123,298,142
Oases receivables	57,465	-	57,465
Damage claims	382,605	(123,616)	258,989
Over dimension vehicle permit	635,830	(268,520)	367,310
Fiber optic agreements	8,000,715	(3,632,950)	4,367,765
Other	2,396,322	(2,229,290)	167,032
Total non-governmental receivables	<u>806,759,592</u>	<u>(672,068,470)</u>	<u>134,691,122</u>
Various local government and other state agency	21,010,210	-	21,010,210
E-Z Pass Agency Group	32,619,062	-	32,619,062
Illinois Department of Transportation	83,289,633	-	83,289,633
Total intergovernmental receivables	<u>136,918,905</u>	<u>-</u>	<u>136,918,905</u>
 Total receivables	 <u>\$ 943,678,497</u>	 <u>\$ (672,068,470)</u>	 <u>\$ 271,610,027</u>

As of December 31, 2022, long term accounts receivable consisted of the following:

Illinois Department of Transportation	\$ <u>83,289,633</u>
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(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, 2022, the Tollway had \$15.6 million in prepaid expenses. These are categorized as both current and noncurrent.

(5) GASB 87 Lease Activity

GASB Statement No. 87 – *Leases* was a new accounting pronouncement that was adopted by the Tollway in the year ended December 31, 2022. This statement requires recognition of certain lease assets and liabilities for leases that were previously classified as operating leases. It establishes a single model for lease accounting based on the principle that leases are financings of the right to use the underlying asset. A lessee is required to recognize a lease liability and an

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intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources.

Lessor Activity:

The Tollway is a lessor under various long-term types of leases, as follows:

- Land leases, under which entities lease part of Tollway's property.
- Water reservoir lease, under which a local municipality leases a water reservoir owned by the Tollway.
- Oases retail and fuel station leases, under which one company leases the over the road oases pavilions to operate retail establishments and offer rest stops to Tollway patrons and another company operates fuel stations and convenience stores.
- Cell tower leases, under which companies lease space on Tollway cell towers along the Tollway's roadways to place their communication equipment.
- Fiber optic leases, under which companies lease Tollway fiber and duct lines along the Tollway's roadways.

The leases expire at various dates through 2076 and provide for various renewal options. Certain leases provide for increases in future minimum annual rental payments based on defined increases in the Consumer Price Index. Management uses the Tollway's incremental borrowing rate when interest rates are not specified in lease agreements.

Some leases require variable payments based on future performance of the lessee and are not included in the measurement of the lease receivable. These variable payments are recognized as inflows of resources in the periods in which the payments are received.

For the year ended December 31, 2022, the Tollway recognized revenue from these leases, as follows:

Lease revenue	\$ 2,761,806
Interest revenue	<u>574,079</u>
Total	<u>\$ 3,335,885</u>

Total future minimum lease payments to be received under lease agreements are as follows:

	Business Type Activities		
	Principal	Interest	Total
2023 \$	2,618,775	\$ 515,315	\$ 3,134,090
2024	2,478,485	441,493	2,919,978
2025	2,493,909	365,132	2,859,041
2026	2,571,874	289,714	2,861,588
2027	1,825,501	218,449	2,043,950
2028-2032	4,003,490	568,179	4,571,669
2033 and thereafter	2,119,602	370,741	2,490,343
Total minimum lease payments \$	<u>18,111,636</u>	<u>\$ 2,769,023</u>	<u>\$ 20,880,659</u>

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Lessee Activity:

The Tollway is a lessee under one lease, in which the Tollway leases space to operate a customer service call center for its IPASS program. This lease expires in 2023.

For the year ended December 31, 2022, the Tollway recognized the following right-to-use lease asset and accumulated amortization:

Right-to-use lease asset	\$ 738,157
Accumulated amortization	<u>(402,731)</u>
Balance – December 31, 2022	\$ 335,426

This lease expires in 2023. The principal and interest requirements to maturity for this lease are as follows:

Principal to maturity	\$ 345,443
Interest to maturity	<u>866</u>
Total	\$ 346,309

(6) Capital and Lease Assets

Changes in capital and lease assets for the year ended December 31, 2022, are as follows:

	Balance at Jan 1, 2022	Additions and transfers in	Deletions and transfers out	Balance at Dec 31, 2022
Nondepreciable capital assets:				
Land and improvements	\$ 999,292,122	\$ 61,565,458	\$ (27,789,725)	\$ 1,033,067,855
Construction in progress	2,056,602,761	989,901,892	(759,358,665)	2,287,145,988
Total nondepreciable capital assets	<u>3,055,894,883</u>	<u>1,051,467,350</u>	<u>(787,148,390)</u>	<u>3,320,213,843</u>
Depreciable capital assets				
Buildings	61,502,380	9,003,483	-	70,505,863
Temporary Easement	6,871,126	2,136,733	(1,066,830)	7,941,029
Infrastructure	12,289,101,610	798,884,393	(95,418,982)	12,992,567,021
Machinery and equipment	484,660,467	29,557,369	(4,848,000)	509,369,836
Right-to-use building	-	738,157	-	738,157
Total depreciable capital and lease assets	<u>12,842,135,583</u>	<u>840,320,135</u>	<u>(101,333,812)</u>	<u>13,581,121,906</u>
Less accumulated depreciation and amortization				
Buildings	(48,941,340)	(1,478,686)	-	(50,420,026)
Temporary Easement	(3,280,065)	(1,409,310)	1,066,830	(3,622,545)
Infrastructure	(4,707,477,570)	(492,212,720)	95,418,982	(5,104,271,308)
Machinery and equipment	(282,078,827)	(36,287,718)	4,082,356	(314,284,189)
Right-to-use building	-	(402,731)	-	(402,731)
Total accumulated depreciation and amortization	<u>(5,041,777,802)</u>	<u>(531,791,165)</u>	<u>100,568,168</u>	<u>(5,473,000,799)</u>
Total depreciable assets, net	<u>7,800,357,781</u>	<u>308,528,970</u>	<u>(765,644)</u>	<u>8,108,121,107</u>
Total capital assets, net	\$ <u>10,856,252,664</u>	\$ <u>1,359,996,320</u>	\$ <u>(787,914,034)</u>	\$ <u>11,428,334,950</u>

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(7) Revenue Bonds Payable

Changes in revenue bonds payable for the year ended December 31, 2022, are as follows:

	Balance at Jan 1, 2022*	Additions	Deletions	Balance at Dec 31, 2022	Due within one year
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	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	197,670,000	-	(25,845,000)	171,825,000	30,890,000
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	484,295,000	-	(15,855,000)	468,440,000	12,900,000
2019 Series A	300,000,000	-	-	300,000,000	-
2019 Series B	225,245,000	-	-	225,245,000	-
2019 Series C	697,870,000	-	(2,000,000)	695,870,000	2,135,000
2020 Series A	500,000,000	-	-	500,000,000	-
2021 Series A	700,000,000	-	-	700,000,000	-
Totals	\$ 7,019,855,000	\$ -	\$ (145,415,000)	\$ 6,874,440,000	\$ 45,925,000
Current portion of revenue bonds payable	(145,415,000)	(45,925,000)	145,415,000	(45,925,000)	
Unamortized bond premium	974,060,054	-	(58,989,033)	915,071,021	
Revenue bonds payable net of current portion, plus unamor- tized bond premium	<u>\$ 7,848,500,054</u>	<u>\$ (45,925,000)</u>	<u>\$ (58,989,033)</u>	<u>\$ 7,743,586,021</u>	

* The January 1, 2022 balances are before any payments of principal due on January 1, 2022.

(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

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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 2022. 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 20 – Subsequent Events). The Series 2009A Bonds and Series 2009B Bonds are taxable Build America Bonds; all other Tollway bonds are federally 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.

(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)

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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 beginning and 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 annual sinking fund redemption prior to maturity, beginning January 1, 2036. 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 were not subject to optional redemption. The bonds were not 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 final principal and interest payments on the bonds was December 1, 2022, as scheduled.

(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

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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 annual sinking fund redemption prior to maturity, beginning January 1, 2038. The bonds have not been insured or otherwise credit enhanced by the Tollway.

(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

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bond maturing January 1, 2040, is subject to annual sinking fund redemption prior to maturity, beginning January 1, 2038. 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 annual sinking fund redemption prior to maturity, beginning January 1, 2039. 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 term bond maturing January 1, 2042, is subject to annual sinking fund redemption prior to maturity, beginning January 1, 2040. 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

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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 annual sinking fund redemption prior to maturity, beginning January 1, 2042. 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.

(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

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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 annual sinking fund redemption prior to maturity, beginning January 1, 2042. 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 annual sinking fund redemption prior to maturity, beginning January 1, 2024. The bonds have not been insured or otherwise credit enhanced by the Tollway.

(t) Defeased Bonds

As of December 31, 2022, there were no defeased Tollway revenue bonds outstanding.

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(u) All Series

Details of outstanding revenue bonds as of December 31, 2022, 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 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, 2023-2025	171,825,000
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, 2023-2031	468,440,000
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, 2023-2031	695,870,000
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 January 1, 2041, and 2043-2046	700,000,000
	<hr/>
Total revenue bonds payable	\$ 6,874,440,000
Less current portion	\$ (45,925,000)
Plus unamortized bond premium	<u>915,071,021</u>
Revenue bonds payable net of current portion, plus unamortized bond premium	\$ <u><u>7,743,586,021</u></u>

Accrued interest payable as of the year ended December 31, 2022, was \$159,572,046.

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The annual requirements to retire principal and pay interest on all bonds outstanding at December 31, 2022 all of which are fixed interest rate bonds, are as follows.

<u>Year ending December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
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	212,715,402	827,220,402
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>\$ 6,874,440,000</u>	<u>\$ 4,503,980,550</u>	<u>\$ 11,378,420,550</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, 2022, the Tollway continues to amortize previously capitalized interest with an unamortized balance of \$98.6 million.

(w) Trust Indenture Agreement

All Tollway bonds outstanding as of December 31, 2022, were issued under the Amended and Restated Trust Indenture effective as of March 31, 1999, amending and restating a Trust

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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 on behalf of 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 9.

(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, 2022, no arbitrage rebate liability had accrued.

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(8) 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 total unearned revenue balance for the fiber optic system, after removing fully amortized agreements, was \$36,293,674 at December 31, 2022, and the amount earned was \$10,369,553 through December 31, 2022.

The Tollway also invoices annual fiber optic maintenance fees. At December 31, 2022, 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 \$6,160,250, 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.

A summary of changes in unearned revenue for the year ended December 31, 2022, 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	\$ 30,630,380	\$ 5,663,294	\$ 36,293,674	\$ 2,111,745
Accumulated amortization	<u>(8,302,300)</u>	<u>(2,067,253)</u>	<u>(10,369,553)</u>	<u>(1,827,383)</u>
	<u>22,328,080</u>	<u>3,596,041</u>	<u>25,924,121</u>	<u>284,362</u>
Intergovernmental agreements	55,894	65,776	121,670	121,670
Accumulated amortization	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>55,894</u>	<u>65,776</u>	<u>121,670</u>	<u>121,670</u>
H.E.L.P. Truck advertising revenue	5,559,250	601,000	6,160,250	25,042
Accumulated amortization	<u>(5,534,208)</u>	<u>(601,000)</u>	<u>(6,135,208)</u>	<u>-</u>
	<u>25,042</u>	<u>-</u>	<u>25,042</u>	<u>25,042</u>
Totals				
Unearned revenue	36,245,524	6,330,070	42,575,594	2,258,457
Accumulated amortization	<u>(13,836,508)</u>	<u>(2,668,253)</u>	<u>(16,504,761)</u>	<u>(1,827,383)</u>
Net unearned revenue	<u>\$ 22,409,016</u>	<u>\$ 3,661,817</u>	<u>\$ 26,070,833</u>	<u>\$ 431,074</u>

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(9) Restricted Net Position

As of December 31, 2022, the Tollway reported the following restricted net position:

<u>Description</u>	<u>December 31, 2022</u>
Net position restricted under Trust Indenture Agreement	\$ <u>518,315,612</u>

(10) 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 2022 are also included in the state's ACFR for the year ended June 30, 2022.

As of June 30, 2022, the breakdown of employees participating or benefitting from SERS, as a whole, is as follows:

Active employees	61,056
Retirees and beneficiaries currently receiving benefits	75,826
Inactive employees entitled to but not yet receiving benefits	3,708

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

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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.

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 2022 is \$119,892.</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>

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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 \$119,892 for 2022 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 2022, 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 2022, the employer contribution rate is 56.169%. The Tollway's contribution amount for calendar year 2022 was \$64,614,356.

The Tollway has made all required contributions through December 31, 2022.

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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, 2022, the Tollway reported a liability of \$779,868,174 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, 2022 (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, 2022. As of the current year measurement date of June 30, 2022, the Tollway's proportion was 2.4117%, which was a decrease of 0.1698% from its proportion of 2.5815% measured as of the prior year measurement date of June 30, 2021.

Change in the net pension liability allocated to the Tollway for the year ended December 31, 2022, is as follows:

	Balance				Balance		Amounts due
	January 1	Additions	Deletions		December 31		within one year
Net Pension Liability	\$ 854,495,091	\$ 29,348,866	\$ 103,975,783		\$ 779,868,174		\$ -

For the year ended December 31, 2022, the Tollway recognized pension expense of \$29.3 million. This expense is less than the statutory actual contributions made by the Tollway, due to the implementation of GASB Statement No. 68. The expense decreased due to a decline in the actuarially computed unfunded pension liability because of changes in assumptions used by the actuaries.

At December 31, 2022, 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	\$ 8,781,965	\$	\$ 85,863
Changes in assumptions	20,239,171		66,787,105
Net difference between projected and actual investment earnings on pension plan investments	14,983,807		-
Changes in proportion and differences between Tollway contributions and proportionate share of contributions	4,620,927		50,136,909
Tollway contributions subsequent to the measurement date	31,875,530		-
	<u>\$ 80,501,400</u>	\$	<u>\$ 117,009,877</u>

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The \$31.9 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, 2023.

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>
12/31/2023	\$	(20,479,664)
12/31/2024		(19,016,380)
12/31/2025		(28,213,276)
12/31/2026		(674,687)
Total	\$	<u>(68,384,007)</u>

Actuarial Methods and Assumptions

The total pension liability was determined by an actuarial valuation as of June 30, 2022, 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 2021 generational mortality improvement factors were updated to projection scale MP-2021.

Inflation: 2.25%

Investment Rate of Return: 6.75%

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

Post-Retirement increases: 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, 2022, valuation pursuant to an experience study of the period July 1, 2018 to June 30, 2021.

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The long-term expected real rate of return on pension plan investments is reviewed annually by the SERS' actuary as part of the economic assumptions review. The actuarial assumptions are developed using historical data and projections employed to model future returns as provided by the Illinois State Board of Investments (ISBI) in conjunction with its investment consultant. The assumed rate of inflation which must be combined with the projected real return is 2.25%.

The target allocations and forward looking annualized geometric real rates of return for each major asset class, which are applicable for a 20-year projection period, are summarized in the following table. The 20-year projections produced an estimated annual real return of 5.11% and a standard deviation of 12.3% for the aggregate portfolio.

	Asset Allocation	
	Target Allocation	20 Year Simulated Rate of Return
U.S. Equity	23.0%	4.6%
Developed Foreign Equity	13.0%	4.9%
Emerging Market Equity	8.0%	5.9%
Private Equity	9.0%	6.9%
Intermediate Investment Grade Bonds	15.0%	-0.5%
Long-Term Government Bonds	5.0%	0.3%
TIPS	3.0%	-0.5%
High Yield and Bank Loans	2.0%	1.9%
Opportunistic Debt	9.0%	4.4%
Real Estate	10.0%	3.3%
Infrastructure	3.0%	6.8%
Total	100.0%	

Discount Rate

A single discount rate of 6.58% was used to measure the total pension liability as of June 30, 2022. This represents an increase of 0.38% from the discount rate used for the June 30, 2021 valuation, 6.20%.

The single discount rate was based on the June 30, 2022 expected rate of return on pension plan investments of 6.75% and a municipal bond rate of 3.69% as of June 30, 2022. 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 employer 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, 2022. 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.

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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 6.58%, 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.

	June 30, 2022		
	1% decrease (5.58%)	Current Discount Rate (6.58%)	1% increase (7.58%)
Tollway's net pension liability	\$948,858,282	\$779,868,174	\$640,113,741

Payables to the Pension Plan

At December 31, 2022, the Tollway had no payable to SERS for outstanding contributions to the pension plans.

(11) 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.

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

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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, 2022, the Tollway recorded a liability of \$228,601,504 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, 2022, was measured as of June 30, 2022, with an actuarial valuation as of June 30, 2021. 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 the Tollway's active employees and Illinois State Police District 15 active employees. Effective January 9, 2023, the "Act" was amended to change the method used to calculate the Tollway's annual contribution for its retired employees. Instead of requiring a specific liability to be calculated for future tollway retirees, the Tollway became required to contribute the "retiree-load" portion of SEGIP premiums for all active Tollway employees each month. Under this methodology, the Tollway will no longer be required to pay a portion of its retirees' health, dental and life premiums. The legislative change applied to any payments not yet made as of the date of the legislation. Therefore, the calendar year 2022 contribution due from the Tollway was computed using this method. As of the current year measurement date of June 30, 2022, the Tollway's proportion was 1.3384%.

The Department of Central Management Services was able to negotiate favorable Medicare Advantage Prescription Drug Plan (MAPD) premium rates including zero premiums from 2023 – 2028. Therefore the unfunded OPEB liability, a portion of which is allocated to the Tollway,

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decreased significantly. This resulted in a recovery of OPEB expense in the amount of \$ 517.4 million for the year ended December 31, 2022. Generally accepted accounting principles require that this recovery be shown as a negative operating expense.

At December 31, 2022, the Tollway reported deferred outflows and deferred inflows of resources, as of the measurement date of June 30, 2022, from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experien	\$ 2,338,549	\$ 62,511,101
Changes in assumptions	5,642,777	223,918,820
Changes in proportion	427,982,288	4,445,865
Tollway contributions subsequent to the measurement date	<u>10,089,766</u>	<u>-</u>
	<u>\$ 446,053,380</u>	<u>\$ 290,875,786</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, 2023. 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>
12/31/2023	\$ 26,033,988
12/31/2024	24,676,141
12/31/2025	31,685,116
12/31/2026	48,352,635
12/31/2027	<u>14,339,948</u>
	<u>\$ 145,087,828</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, 2021, for eligible SEGIP employees, and SEGIP retiree data as of June 30, 2021.

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For the Year Ended December 31, 2022

Valuation Date	June 30, 2021
Measurement Date	June 30, 2022
Actuarial Cost Method	Entry Age Normal, used to measure the Total OPEB liability
Discount Rate	3.69%
Inflation Rate	2.25%
Projected Salary Increases	2.75% - 7.17%
Healthcare Cost Trend Rates	Trend rates for plan year 2023 are based on actual premium increases. For non-Medicare costs, trend rates start at 8% for plan year 2024 and decrease gradually to an ultimate rate of 4.25% in 2039. For MAPD costs, trend rates are 0% in 2024 to 2028, 19.42% in 2029 to 2033 and 5.77% in 2034, declining gradually to an ultimate rate of 4.25% in 2039.
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 2022 and 2023 are based on actual premiums. Premiums after 2023 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, 2022, pension valuations for GARS, JRS, SERS, TRS, and SURS as follows:

General Employees and retirees	Base 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	—	(1)	111%	111%

Discount Rate

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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 3.69% at June 30, 2022, 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 3.69%, 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 (4.69%) or lower (2.69%) than the current rate:

June 30, 2022		
Current Single Discount		
1% Decrease^(a)	Rate Assumption	1% Increase^(b)
2.69%	3.69%	4.69%
\$ 252,214,867	\$ 228,601,504	\$ 203,045,962

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For the Year Ended December 31, 2022

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 2024 decreasing to an ultimate trend rate of 4.25% in 2039.

June 30, 2022		
Healthcare Cost 1% Decrease^(a)	Trend Rates Assumption	1% Increase^(b)
\$ 197,923,196	\$ 228,601,504	\$ 259,694,852

(a) Current healthcare trend rates -

Pre-Medicare per capita costs: 6.08% in 2023, 8.00% in 2024, decreasing by 0.25% per year to an ultimate rate of 4.25% in 2039.

Post-Medicare per capita costs: 2.78% in 2023, 0.00% from 2024 to 2028, 19.42% from 2029 to 2033, 5.77% in 2034 decreasing ratably to an ultimate trend rate of 4.25% in 2039.

(b) One percentage point decrease in current healthcare trend rates -

Pre-Medicare per capita costs: 5.08% in 2023, 7.00% in 2024, decreasing by 0.25% per year to an ultimate rate of 3.25% in 2039

Post-Medicare per capita costs: 1.78% in 2023, 0.00% from 2024 to 2028, 18.24% from 2029 to 2033, 4.77% in 2034, decreasing ratably to an ultimate trend rate of 3.25% in 2039.

(c) One percentage point increase in current healthcare trend rates -

Pre-Medicare per capita costs: 7.08% in 2023, 9.00% in 2024, decreasing by 0.25% per year to an ultimate rate of 5.25% in 2039

Post-Medicare per capita costs: 3.78% in 2023, 1.00% from 2024 to 2028, 20.42% from 2029 to 2033, 6.77% in 2034, decreasing ratably to an ultimate trend rate of 5.25% in 2039.

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For the Year Ended December 31, 2022

(12) 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 \$16,708,796 and incurred but not reported employee health claims of \$1,689,644 as of December 31, 2022, are included in the accompanying financial statements.

Changes in workers' compensation claims payable for the year ended December 31, 2022, are as follows:

<u>Balance at January 1</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at December 31</u>	<u>Current Portion</u>
\$ 18,139,723	\$ 4,302,042	\$ (5,732,969)	\$ 16,708,796	\$ 4,300,000

Changes in health insurance claims payable for the year ended December 31, 2022, are as follows:

<u>Balance at January 1</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at December 31</u>	<u>Current Portion</u>
\$ 1,691,870	\$ 20,275,730	\$ (20,277,956)	\$ 1,689,644	\$ 1,689,644

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.

(13) 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, 2022, 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>
10,596,027	\$ 8,694,521	\$ 8,767,174	\$ 10,523,374	\$ 8,800,000

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For the Year Ended December 31, 2022

(14) Pledges of Future Revenues

All revenue bonds issued under the Tollway's Trust Indenture are secured by a pledge of and lien on Tollway net 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, 2022</u>	
		<u>Pledged future net revenues</u>	<u>Term of commitment</u>
2009 Series A Senior Priority Revenue (Build America Bonds - Direct Payment)	Fund Congestion-Relief Program	\$ 671,813,700	2034
2009 Series B Senior Priority Revenue (Build America Bonds - Direct Payment)	Fund Congestion-Relief Program	476,593,600	2034
2013 Series A Senior Revenue	Fund <i>Move Illinois</i> Program	820,499,750	2038
2014 Series B Senior Revenue	Fund <i>Move Illinois</i> Program	843,625,000	2039
2014 Series C Senior Revenue	Fund <i>Move Illinois</i> Program	671,400,000	2039
2014 Series D (Refunding) Senior Revenue	Refund 2006A Bonds	183,217,375	2025
2015 Series A Senior Revenue	Fund <i>Move Illinois</i> Program	707,482,500	2040
2015 Series B Senior Revenue	Fund <i>Move Illinois</i> Program	707,482,500	2040
2016 Series A (Refunding) Senior Revenue	Refund 2008B Bonds	486,762,750	2032
2016 Series B Senior Revenue	Fund <i>Move Illinois</i> Program	535,700,000	2041
2017 Series A Senior Revenue	Fund <i>Move Illinois</i> Program	545,935,000	2042
2018 Series A (Refunding) Senior Revenue	Refund portions of 2007A, 2008A, 2009A Bonds	596,318,250	2031
2019 Series A Senior Revenue	Fund <i>Move Illinois</i> Program	573,940,000	2031
2019 Series B (Refunding) Senior Revenue	Refund 2010A-1 Bonds	285,676,375	2044
2019 Series C (Refunding) Senior Revenue	Refund 2007A, 2008A Bonds	896,383,750	2031
2020 Series A Senior Revenue	Fund <i>Move Illinois</i> Program	1,004,505,000	2045
2021 Series A Senior Revenue	Fund <i>Move Illinois</i> Program	1,371,085,000	2046
		<u>\$ 11,378,420,550</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 35% of future pledged net revenue (incorporating estimates for previously approved future commercial vehicle annual toll rate increases based on the consumer price index, such increases 3.65% in 2023 and projected to be approximately 4.5% in each of 2024 and 2025, 3% in 2026, and 2% thereafter. The total principal and interest remaining to be paid on the bonds is approximately \$11.4 billion. Principal and interest paid in calendar year 2022 was approximately \$483.2 million, and total pledged net revenue in calendar year 2022 was approximately \$1.2 billion.

THE ILLINOIS STATE TOLL HIGHWAY AUTHORITY

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Notes to the Financial Statements

For the Year Ended December 31, 2022

(15) Commitments

At December 31, 2022, the remaining obligations against current contracts open for the “*Move Illinois*” capital program totaled \$2.3 billion. The Tollway plans to fund remaining payments under these contracts through revenues, accumulated cash, and bond issue proceeds.

(16) 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 not aware of any matters that would have a material effect on the financial position of the Tollway.

(17) 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, 2022.

(18) New Governmental Accounting Standards

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

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. 99 – *Omnibus 2022* – This statement clarifies practice issues relating to derivative instruments, GASB 34, GASB 53, GASB 63, GASB 87, GASB 94, GASB 96, extends the period during which the London Interbank Offered Rate (LIBOR) is considered appropriate and disclosures related to nonmonetary transactions, accounting for SNAP benefits. Some requirements were effective upon issuance, some are effective for years beginning after June 15, 2022, and some are effective for years beginning after June 15, 2023. The clarifications addressed in this pronouncement will be followed by the Tollway as necessary.

Statement No. 100 – *Accounting Changes and Error Corrections* – This statement clarifies the reporting requirements for accounting changes and error corrections. It is effective for years beginning after June 15, 2023. Management does not anticipate that this will impact the Tollway’s financial statements.

Statement No. 101 – *Compensated Absences* – This statement requires that liabilities for compensated absences be recognized for leave that has not been used and leave that has been used but not yet paid in cash, if the leave is attributable to services already rendered, the leave accumulates and the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. However, leave that is more likely than not to be settled through conversion to defined benefit postemployment benefits should not be included. This statement is

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For the Year Ended December 31, 2022

effective for years beginning after December 15, 2023. Management has not yet determined the impact of this pronouncement on the Tollway's financial statements.

(19) 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 \$83.3 million are recorded at December 31, 2022, representing construction projects performed by the Tollway that pertain to the infrastructure owned by IDOT. Accrued liabilities totaling approximately \$40.8 million are recorded for amounts owed to IDOT for construction projects IDOT has performed for infrastructure assets owned by the Tollway.

(20) Subsequent Events

On January 1, 2023, 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 annualized percentage change in the CPI over the 36-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, and approval in 2022 of a revised calculation methodology beginning January 1, 2023.

Effective February 17, 2023, the Governor of Illinois appointed Arnaldo Rivera Chairman of the Tollway's Board of Directors. Chairman Rivera replaced former Chair Dorothy Abreu who resigned on January 30, 2023. Per the Tollway's bylaws, Chairman Rivera also is the Chief Executive Officer of the Tollway. Director Alice Gallagher passed away on March 21, 2023, which created a vacancy that remains as of the date of this report. The total number of vacancies, as of the date of this report, is two. On May 1, 2023, the Governor of Illinois reappointed Jacqueline Gomez Fuentes, James Connolly and James Sweeney to the Tollway Board of Directors, each to a term ending March 1, 2027.

On May 18, 2023, the Tollway issued \$500 million of Toll Highway Senior Revenue Bonds, 2023 Series A, to fund a portion of "Move Illinois" Program capital program expenditures.

The 5.7% reduction in U.S. Treasury subsidies of Build America Bond interest payments for the federal fiscal year ending September 30, 2023 is expected to reduce such subsidies earned by the Tollway for the Series 2009B interest payment due June 1, 2023 and the Series 2009A interest payment due July 1, 2023 by a total of \$410,160.

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, 2022

Last 10 Fiscal Years**

	SERS Fiscal Year Ended June 30,								
	2022	2021	2020	2019	2018	2017***	2016	2015	2014
Tollway's proportion of the net pension liability*	2.4117%	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	\$ 779,868,174	\$ 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	\$ 115,611,655	\$ 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	674.56%	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	40.73%	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 nine 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
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Schedule of Contributions to SERS Pension Plan
Year ended December 31, 2022

Year Ended June 30,	Actuarially Determined Contribution	Actual Contribution*	Contribution Deficiency (Excess)	Covered Payroll*	Actual Contribution as a % of Covered Payroll
2022	\$ 72,108,036	\$ 64,614,356	\$ 7,493,680	\$ 118,137,448	54.69%
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 nine 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.

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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, 2022

Last 10 Fiscal Years**

	Fiscal Year Ended June 30,					
	2022	2021	2020	2019	2018	2017
Tollway's proportion of the net OPEB liability*	1.3384%	1.2567%	1.3706%	0.2995%	0.3495%	0.2520%
Tollway's proportionate share of the net OPEB liability	\$ 228,601,504	\$ 493,963,815	\$ 580,018,281	\$ 131,448,041	\$ 140,125,903	\$ 104,136,124
Tollway's covered-employee payroll	\$ 115,611,655	\$ 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	197.73%	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.

** 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 five years presented.

See accompanying independent auditors' report.

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

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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, 2022

	<u>Revenue fund</u>	<u>Construction fund</u>	<u>Total</u>
Increases:			
Toll revenue	\$ 1,336,521,453	\$ -	\$ 1,336,521,453
Toll evasion recovery	198,557,196	-	198,557,196
Concessions	1,222,500	-	1,222,500
Interest	25,293,715	470,022	25,763,737
Miscellaneous	30,083,897	-	30,083,897
Total increases	<u>1,591,678,761</u>	<u>470,022</u>	<u>1,592,148,783</u>
Decreases:			
Engineering and maintenance of roadway and structures	93,674,878	-	93,674,878
Services and toll collection	97,874,084	-	97,874,084
Traffic control, safety patrol, and radio communications	46,961,179	-	46,961,179
Procurement, IT, finance and administration	91,265,723	-	91,265,723
Insurance and employee benefits	45,084,973	-	45,084,973
Construction	1,136,845,116	-	1,136,845,116
Construction expense reimbursed by bond proceeds	(291,154,468)	291,154,468	-
Bond principal payments	145,415,000	-	145,415,000
Bond interest and other financing costs	350,901,488	-	350,901,488
Build America bond subsidy	(13,571,260)	-	(13,571,260)
Bond - Other Financing Costs	242,397	-	242,397
Recovery of Series 2021 A Bond Issuance Costs	-	(38,501)	(38,501)
Total decreases	<u>1,703,539,110</u>	<u>291,115,967</u>	<u>1,994,655,077</u>
Change in fund balance	(111,860,349)	(290,645,945)	(402,506,294)
Fund balance, January 1, 2022	1,378,826,210	290,645,945	1,669,472,155
Fund balance, December 31, 2022	<u>\$ 1,266,965,861</u>	<u>\$ -</u>	<u>\$ 1,266,965,861</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)
 For the Year Ended December 31, 2021

	<u>Revenue fund</u>	<u>Construction 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 (decreases)/increases	<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>\$ 1,378,826,210</u>	<u>\$ 290,645,945</u>	<u>\$ 1,669,472,155</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)
For the Year Ended December 31, 2022

	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	\$ 1,336,521,453	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,336,521,453
Toll evasion recovery	198,557,196	-	-	-	-	-	-	198,557,196
Concessions	1,222,500	-	-	-	-	-	-	1,222,500
Interest	6,169,294	-	-	2,782,772	4,066,131	3,283,725	8,991,793	25,293,715
Miscellaneous	30,083,897	-	-	-	-	-	-	30,083,897
Intrafund transfers	(1,557,182,811)	402,474,613	-	475,869,958	-	288,000,000	390,838,240	-
Total increases	<u>15,371,529</u>	<u>402,474,613</u>	<u>-</u>	<u>478,652,730</u>	<u>4,066,131</u>	<u>291,283,725</u>	<u>399,830,033</u>	<u>1,591,678,761</u>
Decreases:								
Engineering and maintenance of roadway and structures	-	93,674,878	-	-	-	-	-	93,674,878
Services and toll collection	-	97,874,084	-	-	-	-	-	97,874,084
Traffic control, safety patrol, and radio communications	-	46,961,179	-	-	-	-	-	46,961,179
Procurement, IT, finance and administration	-	91,265,723	-	-	-	-	-	91,265,723
Insurance and employee benefits	-	45,084,973	-	-	-	-	-	45,084,973
Construction expenses	-	-	-	-	-	256,816,701	880,028,415	1,136,845,116
Construction expenses reimbursed by bond proceeds	-	-	-	-	-	-	(291,154,468)	(291,154,468)
Bond principal payments	-	-	-	145,415,000	-	-	-	145,415,000
Interest and other financing costs	-	-	-	350,901,488	206,897	-	-	351,108,385
Build America bond subsidy	-	-	-	(13,571,260)	-	-	-	(13,571,260)
Bond - Other Financing Costs	-	-	-	35,500	-	-	-	35,500
Total decreases	<u>-</u>	<u>374,860,837</u>	<u>-</u>	<u>482,780,728</u>	<u>206,897</u>	<u>256,816,701</u>	<u>588,873,947</u>	<u>1,703,539,110</u>
Change in fund balance	15,371,529	27,613,776	-	(4,127,998)	3,859,234	34,467,024	(189,043,914)	(111,860,349)
Fund balance, January 1, 2022	9,938,407	7,999,648	27,400,000	59,119,069	429,808,341	149,210,500	695,350,245	1,378,826,210
Fund balance, December 31, 2022	<u>\$ 25,309,936</u>	<u>\$ 35,613,424</u>	<u>\$ 27,400,000</u>	<u>\$ 54,991,071</u>	<u>\$ 433,667,575</u>	<u>\$ 183,677,524</u>	<u>\$ 506,306,331</u>	<u>\$ 1,266,965,861</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)
For the Year Ended December 31, 2021

	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	\$ 1,292,369,818	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 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
Notes to the Trust Indenture Basis Schedules
December 31, 2022

(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, 2022

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.
15. The provisions of GASB 87 regarding leases 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, 2022

- 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, 2022

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, 2022

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 2022.

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 - 2022

	<u>Debt Service</u>	<u>Debt Reserve</u>	<u>Total</u>
Bond interest expense	\$ 350,901,488	\$ -	\$ 350,901,488
Other financing costs	35,500	206,897	242,397
	<u>\$ 350,936,988</u>	<u>\$ 206,897</u>	<u>\$ 351,143,885</u>

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, 2022.
- (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, 2022, are \$214.0 million in the Debt Service accounts and \$458.9 million in the Debt Reserve account.
- (5) Insurance and Employee Benefits includes expense for retirement, worker's compensation, the employer portion of FICA, and medical insurance.

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, 2022 and 2021

Class of Vehicle	2022		2021	
	<u>Average Daily Transactions*</u>	<u>Revenue**</u>	<u>Average Daily Transactions*</u>	<u>Revenue**</u>
1. Auto, motorcycle, taxi, station wagon, ambulance, single-unit truck or tractor: 2 axles, 4 tires	2,267,560	\$ 642,279,365	2,210,407	\$ 616,711,641
2. Single-unit truck or tractor, buses: 2 axles, 6 tires	45,430	35,152,243	45,417	34,314,601
3. Trucks and buses with 3 & 4 axles	60,123	75,168,239	59,617	72,139,062
4. Trucks with 5 or more axles, other vehicles and toll adjustments	<u>249,176</u>	<u>583,921,606</u>	<u>250,573</u>	<u>569,204,514</u>
TOTAL	<u>2,622,289</u>	<u>\$ 1,336,521,453</u>	<u>2,566,014</u>	<u>\$ 1,292,369,818</u>

* 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 \$198.6 and \$147.0 million, respectively. These are reported as Toll Evasion Recovery revenue.

Schedule 7

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, 2008 through 2022

<u>Year</u>		<u>Total funds Credited (1)</u>
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
2022		291,283,725

⁽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, 2013 through December 31, 2022
(Amounts in thousands)

	<u>2022</u>	<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>
Operating revenue:										
Toll revenue	\$ 1,336,521	\$ 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
Toll evasion recovery	198,557	147,047	93,164	81,554	70,469	65,640	64,491	64,323	53,769	54,221
Concession and other revenue	31,307	22,004	26,630	8,864	12,232	13,041	11,481	7,664	12,373	11,537
Interest income ⁽¹⁾	25,294	2,356	13,726	38,455	34,389	13,947	6,529	1,846	1,041	866
Total operating revenue	<u>1,591,679</u>	<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>
Maintenance and operating expenses:										
Engineering and maintenance	93,675	89,903	91,503	95,540	78,404	74,054	53,650	55,477	47,614	43,225
Toll services	97,874	104,742	130,701	136,124	141,981	140,217	109,854	101,415	107,326	106,321
Police, safety and communication	46,961	44,706	45,729	42,190	40,762	37,908	27,256	24,958	27,606	22,551
Procurement, IT, finance and administration	91,266	81,315	46,334	46,074	47,341	32,077	25,731	23,851	24,192	19,138
Insurance and employee benefits	45,085	50,452	45,935	30,278	27,873	35,282	92,748	92,778	91,082	86,278
Total expenses	<u>374,861</u>	<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>
Net operating revenues	<u>\$ 1,216,818</u>	<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>
Total debt service ⁽²⁾⁽³⁾	\$ 500,297	\$ 467,926	\$ 442,114	\$ 419,460	\$ 424,244	\$ 398,411	\$ 387,933	\$ 358,846	\$ 308,443	\$ 297,708
Net revenues after debt service ⁽²⁾	\$ 716,521	\$ 624,733	\$ 480,224	\$ 739,958	\$ 697,536	\$ 683,868	\$ 601,627	\$ 563,137	\$ 429,892	\$ 434,555
Debt service coverage ⁽²⁾	2.43	2.34	2.09	2.76	2.64	2.72	2.55	2.56	2.39	2.46

(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, 2013 through 2022
(Transactions in thousands)

Year	Passenger	Commercial	Total	Percentage passenger
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%
2022	827,659	129,476	957,135	86.47%

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 2013 to 2022

(Dollars in thousands)

<u>Year</u>	<u>Passenger</u>	<u>Commercial</u>	<u>Total</u>	<u>Percentage passenger</u>
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%
2022	642,279	694,242	1,336,521	48.06%

The changed rate structures implemented in 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 2022

(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
1999	366,092	146,881	219,211
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
2022	1,591,679	374,861	1,216,818

⁽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.



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**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, 2022, and the related notes to the financial statements, which collectively comprise the Tollway's basic financial statements, and have issued our report thereon dated July 12, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Tollway's internal control over financial reporting (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.

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. 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.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified a certain deficiency in internal control, described in the accompanying Schedule of Findings as item 2022-001, that we consider 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 as item 2022-001.

Tollway's Response to the Finding

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

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 ON ORIGINAL FILE

CliftonLarsonAllen LLP

Oak Brook, Illinois
July 12, 2023

THE ILLINOIS STATE TOLL HIGHWAY AUTHORITY
A Component Unit of the State of Illinois
Schedule of Findings
For the Year Ended December 31, 2022
Current Findings – *Government Auditing Standards*

Finding 2022-001 – Inadequate Internal Controls over Intergovernmental Agreements

The Illinois State Toll Highway Authority (Tollway) did not have adequate internal controls in place to ensure transactions over Intergovernmental Agreements (IGA) were properly recorded for financial reporting purposes.

The Tollway enters into intergovernmental agreements with other governments and municipalities for cost sharing on construction projects that impact both the Tollway and other entities' property. The intergovernmental agreements itemize the estimated costs to each party. The Tollway utilizes percentage of completion reports to calculate the estimated amount due from each entity at a given point in time. The amount due from the other entity is recorded as a receivable and as a reduction of Assets Under Construction (capital asset – construction in progress). IGA revenue and expense are recognized for the same amount. Upon completion of the project, final actual costs are determined, and the final receivable is adjusted to the earned amount. The net effect is no impact to the Tollway's Net Position.

During our testing of Intergovernmental Receivables, we noted the Tollway improperly recorded receivable balances from two entities within an IGA resulting in an overstatement of Intergovernmental Receivables of \$4,971,539, an understatement of Capital Assets of \$4,971,539, and an overstatement of both Revenue and Expense of \$4,971,539. All errors net to a zero effect on the Statement of Net Position and the Statement of Revenue, Expenses and Changes in Net Position.

After extrapolating the known errors over the sample population of \$12,829,216, the estimated projected impact of these errors is an overstatement of Intergovernmental Receivables of \$8,100,807, an understatement of Capital Assets – Construction in Progress of \$8,100,807, and an overstatement of both Revenues and Expenses under IGA's of \$8,100,807. The net effect of this error on net position is \$0. Management elected not to record the proposed adjusting entry for this error.

The Internal Control-Integrated Framework (COSO Report) requires adequate internal controls over financial reporting to ensure transactions are properly recorded and accounted for to permit the preparation of reliable financial statements and demonstrate compliance with laws, regulations, and other compliance requirements. Internal controls should be in place to provide reasonable assurance that financial statements are prepared in accordance with U.S. Generally Accepted Accounting Principles. Additionally, 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. Effective internal controls should include procedures to accurately record financial transactions and accurately prepare the financial statements.

Tollway officials stated this error was due to a misinterpretation of the payment terms in the intergovernmental agreement.

Failure to accurately record financial transactions could result in a misstatement of the Tollway's financial statements. (Finding Code No. 2022-001)

RECOMMENDATION

We recommend the Tollway implement controls to ensure Intergovernmental Agreements are reviewed and accurately accounted for to reduce the risk of future potential misstatements.

THE ILLINOIS STATE TOLL HIGHWAY AUTHORITY
A Component Unit of the State of Illinois
Schedule of Findings
For the Year Ended December 31, 2022
Current Findings – *Government Auditing Standards*

TOLLWAY RESPONSE

The Tollway concurs with the recommendation. The Tollway has enhanced its verification procedures for intergovernmental agreement accounting to include additional verifications of payment terms and balances with Tollway staff involved in drafting and administering the agreements.

THE ILLINOIS STATE TOLL HIGHWAY AUTHORITY
A Component Unit of the State of Illinois
Schedule of Findings
For the Year Ended December 31, 2022
Prior Year Findings Not Repeated – *Government Auditing Standards*

A. Failure to Implement Controls to Comply with a Communication Letter Requirement

During the prior year financial audit, the Illinois State Toll Highway Authority (Tollway) 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.

During the current year financial audit, we noted the Tollway strengthened its controls over hiring and tracking members involved on the financial audit team both from the external audit firm and the Office of the Auditor General. Similar exceptions were not noted during our current year engagement. (Finding Code No. 2021-001)

B. Inadequate Internal Controls over the Estimated Benefits of Future Retirees

During the prior year financial audit, the 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.

During the current year financial audit, we noted the Tollway, State Employees Retirement System, and CMS developed a legislative remedy that allowed for the improvement of the Tollway’s calculation of the estimated benefit of future retirees. The condition was noted to be remediated during the financial audit for the year ended December 31, 2022. (Finding Code No. 2021-002)

C. Need to Enhance Relationship with the Illinois State Police

During the prior year financial audit, we noted the need for Tollway to update the duties, roles, functions, and responsibilities within its Intergovernmental Agreement (IGA) with the Illinois State Police (ISP).

During the current year financial audit, we noted the Tollway and ISP agreed to revise the IGA between both parties, enhancing the relationship between the Tollway and ISP. The condition was noted to be remediated during the financial audit for the year ended December 31, 2022. (Finding Code No. 2021-003, 2020-002)

D. Noncompliance with the State Employees Group Insurance Act of 1971

During the prior year financial audit, the 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).

During the current year financial audit, we noted the Tollway, SERS, and CMS developed a legislative remedy which complies with Section 11 of the Act. The condition was noted to be remediated during the financial audit for the year ended December 31, 2022. (Finding Code No. 2021-004, 2020-003)



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