



STATE OF ILLINOIS
**OFFICE OF THE
 AUDITOR GENERAL**

Frank J. Mautino, Auditor General

SUMMARY REPORT DIGEST

ILLINOIS STATE TOLL HIGHWAY AUTHORITY

Financial Audit
 For the Year Ended December 31, 2022

Release Date: November 16, 2023

FINDINGS THIS AUDIT: 2				AGING SCHEDULE OF REPEATED FINDINGS			
				Repeated Since	Category 1	Category 2	Category 3
	<u>New</u>	<u>Repeat</u>	<u>Total</u>				
Category 1:	1	0	1				
Category 2:	1	0	1				
Category 3:	<u>0</u>	<u>0</u>	<u>0</u>				
TOTAL	2	0	2	No Repeat Findings			
FINDINGS LAST AUDIT: 4							

INTRODUCTION

This digest covers the Illinois State Toll Highway Authority’s (Tollway) Financial Audit as of and for the year ended December 31, 2022.

SUBSEQUENT DISCOVERY OF FACTS

Subsequent to the original issuance of the financial statements an error was discovered in the methodology used to calculate the Other Post Employment Benefit Expense Recovery resulting in a material misstatement to the Tollway’s financial statements as is described in footnote 21, which has since been corrected by this reissuance.

SYNOPSIS

- **22-01** The Tollway did not have adequate internal controls in place to ensure transactions over Intergovernmental Agreements were properly recorded for financial reporting purposes.
- **22-02** The Tollway did not have adequate internal controls in place to ensure other post-employment benefits expense, and the related deferred inflows of resources and deferred outflows of resources, were properly recorded in the financial statements.

Category 1:	Findings that are material weaknesses in internal control and/or a qualification on compliance with State laws and regulations (material noncompliance).
Category 2:	Findings that are significant deficiencies in internal control and noncompliance with State laws and regulations.
Category 3:	Findings that have no internal control issues but are in noncompliance with State laws and regulations.

ILLINOIS STATE TOLL HIGHWAY AUTHORITY
FINANCIAL AUDIT
For the Year Ended December 31, 2022

FINANCIAL OPERATIONS (GAAP Basis)	2022	2021
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
Total Operating Revenues.....	<u>1,554,480,038</u>	<u>1,459,803,903</u>
Operating Expenses		
Depreciation and Amortization.....	531,791,165	517,961,956
Services and Toll Collection.....	104,444,385	111,972,566
Engineering and Maintenance of Roadway and Structures.....	97,184,463	95,505,236
Traffic Control, Safety Patrol, and Radio Communications.....	39,868,397	39,198,099
Procurement, IT, Finance and Administration.....	126,274,149	112,106,816
OPEB Expense Recovery.....	(70,076,140)	-
Total Operating Expenses.....	<u>829,486,419</u>	<u>876,744,673</u>
Operating Income.....	724,993,619	583,059,230
Total Nonoperating (Expenses), net.....	<u>(286,949,877)</u>	<u>(283,468,717)</u>
Change in Net Position.....	438,043,742	299,590,513
Net Position, beginning of year, as restated.....	<u>3,369,186,827</u>	<u>3,069,596,314</u>
Net Position, end of year.....	<u>\$ 3,807,230,569</u>	<u>\$ 3,369,186,827</u>
SIGNIFICANT ACCOUNT BALANCES (GAAP Basis)	2022	2021
Cash/Cash Equivalents/Investments (Unrestricted).....	\$ 976,756,176	\$ 1,142,118,349
Cash/Cash Equivalents/Investments Restricted for Debt Service.....	\$ 672,948,921	\$ 662,716,255
Cash and Cash Equivalents - I-PASS Accounts.....	\$ 210,091,950	\$ 206,943,195
Cash and Cash Equivalents - Construction.....	\$ -	\$ 290,681,928
Accounts Receivable - Current (net).....	\$ 134,691,122	\$ 69,863,109
Intergovernmental Receivable - Less Current Portion.....	\$ 83,289,633	\$ 88,911,714
Capital Assets.....	\$ 11,428,334,950	\$ 10,856,252,664
Deferred Outflows of Resources.....	\$ 300,152,399	\$ 354,481,447
Revenue Bonds Payable.....	\$ 7,789,511,021	\$ 7,993,915,054
Net Pension Liability.....	\$ 779,868,174	\$ 854,495,091
Net OPEB Liability.....	\$ 228,601,504	\$ 493,963,815
Deferred Inflows of Resources.....	\$ 461,553,066	\$ 237,527,324
Total Net Position.....	\$ 3,807,230,569	\$ 3,369,186,827
EXECUTIVE DIRECTOR		
During Audit Period: Jose Alvarez (through 3/15/22), Lanyea Griffin (4/1/22 through 8/25/22)		
Current: Cassandra Rouse (effective 8/26/22)		

FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS

INADEQUATE INTERNAL CONTROLS OVER INTERGOVERNMENTAL AGREEMENTS

Internal controls over Intergovernmental Agreements need improvement

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.

Intergovernmental Receivables, Revenues and Expenses were overstated by \$4.97 million and Capital Assets were understated by the same amount

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. (Finding 1, pages 78-79)

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

Tollway agreed with the auditors

Tollway officials concurred with the recommendation and stated they have enhanced their 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.

INADEQUATE INTERNAL CONTROLS OVER THE FINANCIAL REPORTING OF OTHER POST-EMPLOYMENT BENEFITS

The Illinois State Toll Highway Authority (Tollway) did not have adequate internal controls in place to ensure other post-employment benefits (OPEB) expense, and the related deferred inflows of resources and deferred outflows of resources, were properly recorded in the financial statements.

Significant adjustments were needed to correct the financial statements

The Tollway relies on the audited Report on the Allocation of Other Post Employment Benefit Amounts provided by Central Management Services in order to recognize its OPEB liability, OPEB expense, and related deferred inflows of resources and deferred outflows of resources. The Tollway did not properly utilize the information in the report, causing deferred inflows of resources to be understated by \$35,851,131, deferred outflows of resources to be overstated by \$411,495,847, and OPEB expense recovery to be overstated by \$447,346,978.

Failure to accurately record financial transactions resulted in a material misstatement of the Tollway’s financial statements. The audited financial statements for the year ended December 31, 2022 were required to be recalled and reissued. (Finding 2, pages 80-81)

We recommended the Tollway implement controls to ensure its OPEB liability, OPEB expense, and related deferred inflows of resources and outflows of resources are reviewed and accurately accounted for to reduce the risk of future potential misstatements.

Tollway agreed with the auditors

Tollway officials concurred with the recommendation.

AUDITOR’S OPINION

The auditors stated the financial statements of the Tollway as of and for the year ended December 31, 2022 is fairly stated in all material respects.

This financial audit was conducted by CliftonLarsonAllen LLP.

SIGNED ORIGINAL ON FILE

JANE CLARK
Division Director

This report is transmitted in accordance with Section 3-14 of the Illinois State Auditing Act.

SIGNED ORIGINAL ON FILE

FRANK J. MAUTINO
Auditor General

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