



Record of Meeting | December 14, 2023

The Illinois State Toll Highway Authority (“Tollway”) held the regularly scheduled Finance & Audit Committee meeting on Thursday, December 14, 2023, in the Boardroom of Tollway headquarters in Downers Grove, Illinois. The meeting was held pursuant to the By-Laws of the Tollway upon call and notice of the meeting executed by Chairman Arnaldo Rivera and posted in accordance with the requirements of the Open Meetings Act, 5 ILCS 120/1, *et seq.*

[Bolded entries indicate issues which may require follow-up to present or report to Directors.]

Call to Order / Roll Call

Committee Chair Perinar called the meeting to order at approximately 9:16 a.m. He asked the Board Secretary to call the roll, those Directors present and absent being as follows:

Committee Members Present:
Committee Chair Gary Perinar
Director James Connolly
Director Jacqueline Gomez
Director Karen McConnaughay
Director Scott Paddock

Other Directors in Attendance:
Director Melissa Neddermeyer
Director James Sweeney
Director Mark Wright
Chairman Arnaldo Rivera

Committee Members Not Present:
None

The Board Secretary declared a quorum present.

Public Comment

Committee Chair Perinar opened the floor for public comment. No public comment was offered.

Committee Chair’s Items

Committee Chair Perinar entertained a motion to approve **Committee Chair’s Item 1**, the minutes of the regular Finance & Audit Committee meeting held on November 16, 2023. Director Gomez



made a motion to approve the minutes, seconded by Director Paddock. The motion PASSED unanimously by voice vote.

Having no further items, Committee Chair Perinar called on Executive Director Cassandra Rouse.

Executive Director's Items

Executive Director Rouse introduced Controller Patti Pearn to present the Tollway's final audited financial results for the year ended December 31, 2022. [See attached presentation.](#)

Executive Director Rouse introduced Chief Internal Auditor Shaun Farmer to present an update on the Internal Audit Department and the 2-Year Audit Plan. [See attached presentation.](#)

Upon conclusion of the presentations and discussion, Committee Chair Perinar thanked the presenters.

Items for Consideration

Finance

Executive Director Rouse requested that consideration of Finance Item 3 be deferred. She then asked Chief Financial Officer Cathy Williams to present for consideration of the Committee the remaining Finance items:

Item 1: Approval of the FY 2024 Final Budget.

Item 2: Award of Contract 23-0186 to Mesirow Insurance Services, Inc. for the purchase of Cyber Liability Insurance Coverage in an amount not to exceed \$274,841.00 (Order Against CMS Master Contract).

Item 3: Approval to amend authorization to refund Series 2013A and 2014B bonds. – DEFERRED.

Committee Chair Perinar stated that consideration of Finance Item 3 would be deferred until a future meeting.

Committee Chair Perinar entertained a motion to consolidate for consideration and action Finance items 1 and 2. Director Gomez made a motion to consolidate these items, seconded by Director Paddock. The motion PASSED unanimously by voice vote.



The motion to consolidate these items having carried, Committee Chair Perinar entertained a motion to approve placement of **Finance Items 1 and 2** on the December Board of Directors meeting agenda with the Committee's recommendation for approval by the Board. Director Gomez made a motion to approve these items, seconded by Director Paddock. The motion PASSED unanimously by voice vote.

Director McConnaughay conveyed her appreciation to Cathy Williams and the staff for their dedicated efforts on the budget. Committee Chair Perinar agreed and extended gratitude on behalf of all Directors.

Internal Audit

Item 1: *Approval of the Two-Year Internal Audit Plan for 2024-2025.*

Committee Chair Perinar entertained a motion to approve **Internal Audit Item 1**, the Two-Year Internal Audit Plan. Director Gomez made a motion to approve this item, seconded by Director Paddock. The motion PASSED unanimously by voice vote.

Adjournment

There being no further Committee business, Committee Chair Perinar entertained a motion to adjourn. Director Gomez made a motion to adjourn, seconded by Director Paddock. The motion PASSED unanimously by voice vote.

The meeting was adjourned at approximately 9:38 a.m.

A handwritten signature in cursive script that reads "Christi Regnery".

Minutes taken by: _____

Christi Regnery
Board Secretary
Illinois State Toll Highway Authority



ILLINOIS TOLLWAY

Financial Results Year Ended December 31, 2022

Controller Patricia J. Pearn
December 14, 2023



Annual Reporting

Two financial reports are issued for the Tollway annually

Audited financial statements prepared in accordance with Generally Accepted Accounting Principles (GAAP)

- Contains an opinion on the accuracy of the financial report issued by an external audit firm hired by the Illinois Auditor General
- The report is released by the Illinois Auditor General on its website

Annual Comprehensive Financial Report (ACFR)

- Issued by the Tollway but also contains the external audit opinion
- Submitted to Government Finance Officers Association for Certificate of Achievement of Excellence in Financial Reporting – the Tollway has received this award for 26 years



Basis of Accounting

Tollway financial statements are prepared in accordance with GAAP

GAAP accounting differs from Trust Indenture accounting used for budgeting and quarterly budget-to-actual presentations

Major differences in Trust Indenture accounting

- Capital assets are recorded as expenses vs. fixed assets, no depreciation
- Bond principal retirements are recorded as expenses when paid rather than a reduction of a liability
- Long-term fiber-optic revenue is recorded as revenue when received
- GASB 68 pension liability and expense are not recognized for Trust Indenture reporting
- GASB 75 OPEB liability and expense are not recognized for Trust Indenture reporting
- Other GASB accounting standards are not recognized for Trust Indenture reporting



2022 Financial Highlights

- In 2022, toll revenue increased by 3.4 percent (\$44 million) compared to 2021 as the result of the continued recovery of the traffic decline due to the COVID-19 pandemic and a commercial toll rate increase
- Evasion recovery increased by 35.4 percent (\$52 million) as the result of invoicing missed tolls to patrons
- Operating expenses (excluding depreciation and OPEB expense recovery) totaled \$368 million, \$10 million more than 2021



2022 Financial Highlights

- The Tollway reported a favorable OPEB cost recovery in 2022, which will be recognized over approximately five years. This favorable recovery was due a substantial adjustment to the portion of the State of Illinois' unfunded OPEB liability and related deferred outflows and inflows allocated to the Tollway.
 - This adjustment was due to the State of Illinois' successful negotiation of favorable retiree health insurance premium contracts and a legislative change to the methodology to compute the Tollway's allocated share of the unfunded OPEB liability. This recovery reduced the 2022 operating expenses by \$70 million



2022 Financial Highlights

- In 2022, the Tollway posted favorable operating results (revenues in excess of expenses) of \$438 million (compared to \$300 million in 2021)
- Investment in capital assets increased by \$572 million as the result of continued infrastructure investments under the *Move Illinois* Program



Statement of Changes in Net Position

	<u>2022</u>	<u>2021</u>	<u>Percent Change (2022 vs 2021)</u>
Tolls	1,337	1,292	3.4%
Evasion Recovery	199	147	35.4%
Concessions and Other	19	20	-5.0%
Total operating revenue	1,555	1,459	6.6%
Depreciation and Amortization	532	518	2.7%
Other Operating Expenses	368	358	2.8%
OPEB expense recovery	-70	-	100.0%
Total operating expenses	830	876	-5.3%
Operating income	725	583	24.4%
Net Non-Operating Expense	-287	-283	1.4%
Change in net position	438	300	46.0%

(Amounts in Millions)



Statement of Net Position

Assets and Deferred Outflows

	2022	2021	Percent Change (2022 vs 2021)
Unrestricted cash and cash equivalents	994	1,157	-14.1%
Accounts receivable, net	135	70	92.9%
IGA receivables - current portion	54	74	-27.0%
Other	12	9	33.3%
Total current unrestricted	1,195	1,310	-8.8%
Restricted cash - debt service	214	206	3.9%
I-PASS cash in escrow	210	207	1.4%
Other current restricted	3	-	100.0%
Total current restricted	427	413	3.4%
Total current assets	1,622	1,723	-5.9%
Capital assets, net of depreciation	11,428	10,856	5.3%
Other non-current assets & deferred outflow of resources	866	1,203	-28.0%
Total assets	13,916	13,782	1.0%

(Amounts in Millions)



Statement of Net Position

Liabilities and Net Position

	<u>2022</u>	<u>2021</u>	<u>Percent Change (2022 vs 2021)</u>
Accounts payable and accruals	259	273	-5.1%
Deposits and retainage	93	78	19.2%
Other unrestricted liabilities	87	92	-5.4%
Current - payable from unrestricted	439	443	-0.9%
Bonds payable - current portion	46	145	-68.3%
Interest payable	160	146	9.6%
Deposits - I-PASS escrow	210	207	1.4%
Current - payable from restricted	416	498	-16.5%
Total current liabilities	855	941	-9.1%
Revenue bonds payable	7744	7703	0.5%
Other	58	183	-68.3%
Net pension and OPEB liability and related deferred inflows	1452	1586	-8.4%
Total liabilities	10,109	10,413	-2.9%
Net position	3,807	3,369	13.0%

(Amounts in Millions)



An aerial photograph of a highway toll plaza at dusk. The scene shows multiple lanes of traffic moving through toll gantries. The gantries are illuminated with warm lights, and the sky is a mix of blue and orange. In the background, there's a building and some parked cars. The overall atmosphere is that of a busy infrastructure project.

THANK YOU



INTERNAL AUDIT UPDATE

Chief Internal Auditor Shaun Farmer
December 14, 2023

AGENDA

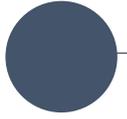
Current State of Internal Audit

- Key Board updates
- Internal Audit Charter
- Internal Audit resources
- Audit Plan considerations
- Internal Audit Plan
- Audit Department highlights



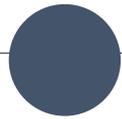
2024 KEY UPDATES

Tentative Agenda Items



APRIL

- Summary of Internal Audit purpose, authority and responsibility
- Audit activities update
- Internal control program updates
- Governance issues/concerns



JULY

- Internal control program updates



SEPTEMBER



DECEMBER

- Current state of Internal Audit resources
- Approval of two-year audit plan
- Audit charter review *(if needed)*



INTERNAL AUDIT CHARTER

Purpose

Accountability and Authority

Responsibilities

Scope of Work

Independence

Reporting Process

Periodic Assessments

Internal Audit confirms that there are no significant facts or matters that impact or impair our independence as auditors



DEPARTMENT ORGANIZATION

Chief Internal Auditor

Oversees Executive Secretary and Department



Senior Internal Audit Manager

Oversees Internal Audit Managers



Internal Audit Managers (2)

Oversee Internal Auditor Supervisor and staff



Internal Audit Supervisor

Oversees Senior Internal Auditors (2)

Oversees Internal Auditors (3)

Oversees Strategy Analysts (2)

Vacancies

- Internal Auditor Manager (*Construction*)
- Internal Audit Supervisor
- Two Senior Internal Auditors
- One Internal Auditor
- One Strategy Analyst

AUDIT PLAN

Annual Ongoing Risk-Based Exercise

1

Determine possible areas of concern

2

Identify potential risk areas for consideration in annual audit plan

3

Examine resources/skillset across internal audit staff

Key Factors

- ✓ Potential for impact on agency policies and procedures
- ✓ Changes in systems, processes, policies or procedures
- ✓ Results and time since last audit engagement
- ✓ Extent of government regulation
- ✓ Information and communication
- ✓ Transaction volume
- ✓ Staffing levels



CYCLE AUDIT SCHEDULE

2024

Revenues and Receivables

Property, Equipment and Inventory

Budget Accounting and Reporting

Electronic Data Processing

Administrative Support Services

Petty Cash (*If Disbursements Exceed \$5,000*) OR Grants
(*If Tollway Receives Any Grants*)

Personnel/Payroll

2025

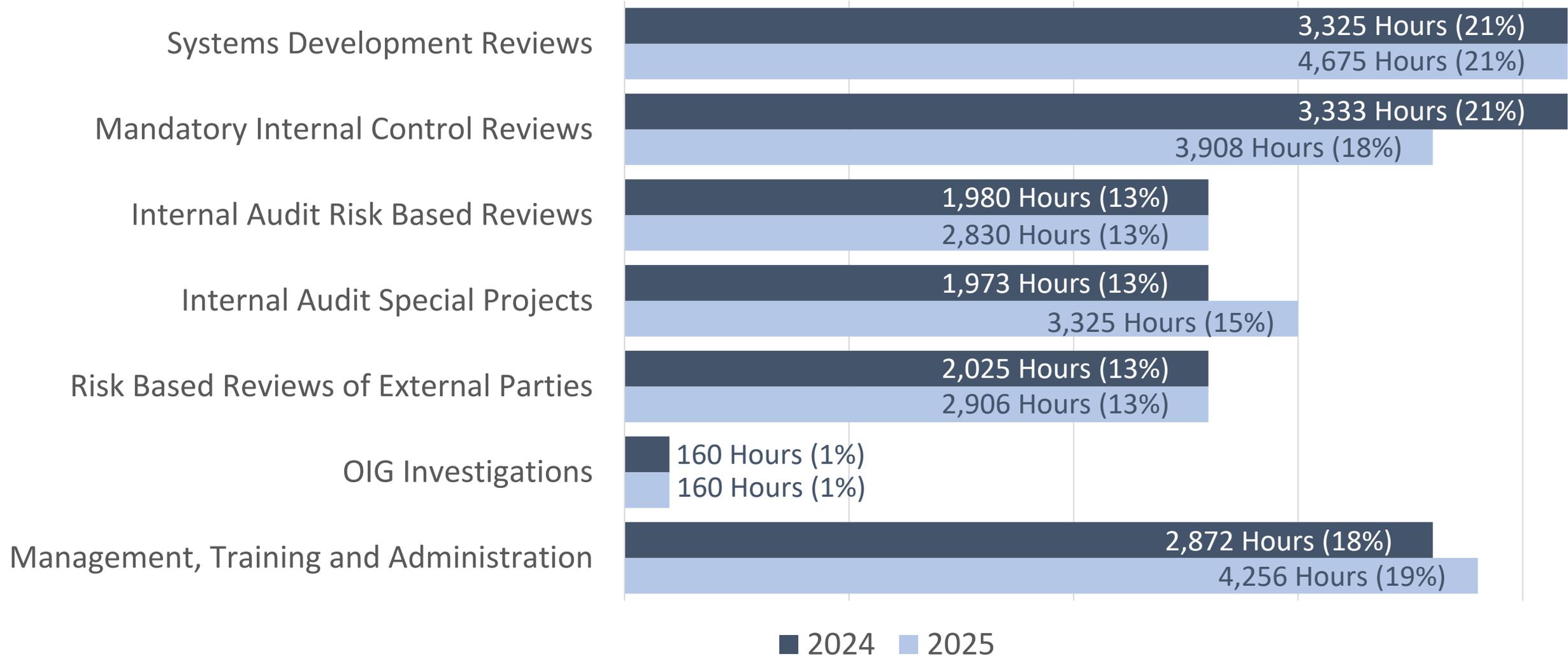
Purchasing and Procurement (Procurement Process)

Agency Organization and Management (AOM) Cycle

Expenditure Cycle

2024 / 2025 INTERNAL AUDIT PLAN

Allocation of Available Hours



2023 AUDIT ACTIVITY HIGHLIGHTS

- ✓ Completed all required cycle audits
- ✓ Performed reviews of Engineering, IT, vendors and key risk areas
- ✓ On-time submittal of annual Internal Control Certification Letter (*Auditor General*)
- ✓ Partnered with business units on various strategic initiatives
- ✓ Annual September 30 Letter to executive management
- ✓ Use of technology to drive efficiencies in audit activities
- ✓ Implemented audit software to support Board initiatives
- ✓ Represented Tollway as audit industry leader at multiple events



2023 AUDIT ACTIVITY HIGHLIGHTS

- ✓ Continued support of the Tollway's ERM and SOX programs
- ✓ Oversight of Tollway's annual PCI review
- ✓ Assisted a state agency in completion of statutorily required peer review
- ✓ Rolled out agile audit principles
- ✓ Enhanced training opportunities and skills
- ✓ Actively managed open audit findings; partnered with business for closure
- ✓ Liaison for the 2022 annual external audit





THANK YOU