Illinois State Toll Highway Authority (A Component Unit of the State of Illinois)

Financial Audit For the Year Ended December 31, 2010

and

Compliance Examination For the Year Ended December 31, 2010

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

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

Financial Audit and Compliance Examination
For the Year Ended December 31, 2010

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

Financial Audit for the Year Ended December 31, 2010
and Compliance Examination for the Year Ended December 31, 2010

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December 31, 2010

Agency Officials

Executive Director	Kristi Lafleur – April 19, 2010 - Current
Acting Executive Director	Michael King - February 6, 2009 – April 18, 2010
Chief of Staff	Doug Kucia - April 26, 2010 – May 26, 2011
Deputy Chief of Staff	Andrew Boron – May 18, 2009 - December 2, 2010
Chief of Finance	Michael Colsch
Controller	Leslie Savickas
Fiscal Operations Manager	Patricia Pearn
General Counsel	Thomas Bamonte

Central Administrative agency offices are located at:

2700 Ogden Avenue
Downers Grove, Illinois 60515

Illinois Tollway

The Illinois State Toll Highway Authority
2700 Ogden Avenue
Downers Grove, Illinois 60515-1703
630/241-6800
Fax: 630/241-6100
T.T.Y. 630/241-6898

June 21, 2011

McGladrey & Pullen, LLP
Certified Public Accountants
20 N. Martingale Road, Suite 500
Schaumburg, IL 60173

Ladies and Gentlemen:

We are responsible for the identification of, and compliance with, all aspects of laws, regulations, contracts, or grant agreements that could have a material effect on the operations of the Tollway. We are responsible for and we have established and maintained an effective system of internal controls over compliance requirements. We have performed an evaluation of the Tollway's compliance with the following assertions during the period ended December 31, 2010. Based on this evaluation, we assert that during the year ended December 31, 2010 the Tollway has materially complied with the assertions below.

A. The Tollway has obligated, expended, received and used public funds of the Tollway in accordance with the purpose for which such funds have been appropriated or otherwise authorized by law.

B. The Tollway has obligated, expended, received and used public funds of the Tollway in accordance with any limitations, restrictions, conditions or mandatory directions imposed by law upon such obligation, expenditure, receipt or use.

C. The Tollway has complied, in all material respects, with applicable laws and regulations, including the State uniform accounting system, in its financial and fiscal operations.

D. The revenues and receipts collected by the Tollway are in accordance with applicable laws and regulations and the accounting and recordkeeping of such revenues and receipts is fair, accurate and in accordance with law.

E. The money or negotiable securities or similar assets handled by the Tollway or held in trust by the Tollway have been properly and legally administered, and the accounting and recordkeeping relating thereto is proper, accurate and in accordance with law.

Yours very truly,

Illinois State Toll Highway Authority

Kristi Lafleur, Executive Director

Michael Colsch, Chief of Finance

Thomas Bamonte, General Counsel

Compliance Summary

The compliance testing performed during this examination was conducted in accordance with *Government Auditing Standards* and in accordance with the Illinois State Auditing Act.

Accountants' Reports

The Independent Accountants' Report on State Compliance, on Internal Control Over Compliance and on Supplementary Information for State Compliance Purposes does not contain scope limitations, disclaimers, or other significant non-standard language.

Summary of Findings

Number of	Current Report	Prior Report
Findings	0	3
Repeated Findings	0	1
Prior recommendations implemented or not repeated	3	4

Details of findings are presented in a separately tabbed report section.

Schedule of Findings

Item No.	Page	Description
		Prior Findings Not Repeated
A	10	Financial Reporting
B	10	Hardship Program
C	10	Certification Not Printed on Invoices

Exit Conference

The findings and recommendations appearing in this report were discussed with Tollway personnel at an exit conference on June 20, 2011. Attending were:

Illinois State Toll Highway Authority

Kristi Lafleur	Executive Director
Michael J. Colsch	Chief of Finance
Michael Stone	Chief of Administration
Michael Fudali	Chief Internal Auditor
Ariana Jaupi	Internal Control & Compliance Manager
Patricia Pearn	Fiscal Operations Manager
William Iacullo	Chief Accountant M&O
Tara Martin	Chief Account, Debt and Capital

McGladrey & Pullen, LLP

Linda Abernethy	Partner
Rolake Adedara	Director

Office of the Auditor General

Thomas L. Kizziah, CPA	Audit Manager

The responses to the recommendations were provided by Patricia Pearn, Fiscal Operations Manager, in a letter dated June 16, 2011.

Independent Accountants' Report on State Compliance, on Internal Control Over Compliance, and on Supplementary Information for State Compliance Purposes

Honorable William G. Holland
Auditor General
State of Illinois

Compliance

As Special Assistant Auditors for the Auditor General, we have examined the Illinois State Toll Highway Authority's compliance with the requirements listed below, as more fully described in the Audit Guide for Financial Audits and Compliance Attestation Engagements of Illinois State Agencies (Audit Guide) as adopted by the Auditor General, during the year ended December 31, 2010. The management of the Illinois State Toll Highway Authority is responsible for compliance with these requirements. Our responsibility is to express an opinion on the Illinois State Toll Highway Authority's compliance based on our examination.

A. The Illinois State Toll Highway Authority has obligated, expended, received, and used public funds of the State in accordance with the purpose for which such funds have been appropriated or otherwise authorized by law.

B. The Illinois State Toll Highway Authority has obligated, expended, received, and used public funds of the State in accordance with any limitations, restrictions, conditions or mandatory directions imposed by law upon such obligation, expenditure, receipt or use.

C. The Illinois State Toll Highway Authority has complied, in all material respects, with applicable laws and regulations, including the State uniform accounting system, in its financial and fiscal operations.

D. State revenues and receipts collected by the Illinois State Toll Highway Authority are in accordance with applicable laws and regulations and the accounting and recordkeeping of such revenues and receipts is fair, accurate and in accordance with law.

E. Money or negotiable securities or similar assets handled by the Illinois State Toll Highway Authority on behalf of the State or held in trust by the Illinois State Toll Highway Authority have been properly and legally administered and the accounting and recordkeeping relating thereto is proper, accurate, and in accordance with law.

We conducted our examination in accordance with attestation standards established by the American Institute of Certified Public Accountants; the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States; the Illinois State Auditing Act (Act); and the Audit Guide as adopted by the Auditor General pursuant to the Act; and, accordingly, included examining, on a test basis, evidence about the Illinois State Toll Highway Authority's compliance with those requirements listed in the first paragraph of this report and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the Illinois State Toll Highway Authority's compliance with specified requirements.

In our opinion, the Tollway complied, in all material respects, with the requirements listed in the first paragraph of this report during the year ended December 31, 2010.

Internal Control

The management of the Illinois State Toll Highway Authority is responsible for establishing and maintaining effective internal control over compliance with the requirements listed in the first paragraph of this report. In planning and performing our examination, we considered the Illinois State Toll Highway Authority's internal control over compliance with the requirements listed in the first paragraph of this report in order to determine our examination procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with the Audit Guide issued by the Illinois Office of the Auditor General, but not for the purpose of expressing an opinion on the effectiveness of the Tollway's internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Tollway's internal control over compliance.

A *deficiency* in an entity's internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with the requirements listed in the first paragraph of this report on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with requirements listed in the first paragraph of this report will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

As required by the Audit Guide, immaterial findings excluded from this report have been reported in a separate letter to your office.

Supplementary Information for State Compliance Purposes

As Special Assistant Auditors for the Auditor General, we have audited the financial statements of the Illinois State Toll Highway Authority as of and for the year ended December 31, 2010, which collectively comprise the Illinois State Toll Highway Authority's basic financial statements, and have issued our report thereon dated June 21, 2011. The accompanying supplementary information, as listed in the table of contents as Supplementary Information for State Compliance Purposes, is presented for purposes of additional analysis and is not a required part of the basic financial statements of the Illinois State Toll Highway Authority. The 2010 Supplementary Information for State Compliance Purposes, except for that portion marked "unaudited" on which we express no opinion, has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements for the year ended December 31, 2010 taken as a whole.

We have also previously audited, in accordance with auditing standards generally accepted in the United States, the Illinois State Toll Highway Authority's basic financial statements for the year ended December 31, 2009. In our report dated August 16, 2010 on the basic financial statements, we expressed an unqualified opinion on the basic financial statements. In our opinion, the 2009 Supplementary Information for State Compliance Purposes, except for the portion marked "unaudited," is fairly stated in all material respects in relation to the basic financial statements for the year ended December 31, 2009, taken as a whole.

This report is intended solely for the information and use of the Auditor General, the General Assembly, the Legislative Audit Commission, the Governor, the Board of Directors and Tollway management and is not intended to be and should not be used by anyone other than these specified parties.

McGladrey & Pullen, LLP

Schaumburg, Illinois
June 21, 2011

McGladrey

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 William G. Holland
Auditor General
State of Illinois

As Special Assistant Auditors for the Auditor General, we have audited the basic financial statements of the Illinois State Toll Highway Authority, a component unit of the State of Illinois, as of and for the year ended December 31, 2010, and have issued our report thereon dated June 21, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Illinois State Toll Highway Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, and not for the purpose of expressing an opinion in the effectiveness of the Illinois State Toll Highway Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Illinois State Toll Highway Authority's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in the internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Illinois State Toll Highway Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Auditor General, the General Assembly, the Legislative Audit Commission, the Governor, the Board of Directors and Tollway management and is not intended to be and should not be used by anyone other than these specified parties.

McGladrey & Pullen, LLP

Schaumburg, Illinois
June 21, 2011

Prior Findings Not Repeated

***Government Auditing Standards* and State Compliance**

A. Financial Reporting

The Illinois State Toll Highway Authority (Tollway) did not have sufficient control over the financial reporting process. (Finding Code No. 09-1)

During our current year audit, we noted the Tollway improved controls over the financial reporting process. Remaining improvements needed have been reported in the immaterial letter in finding IM 10-1.

B. Hardship Program

The Illinois State Toll Highway Authority was not adequately documenting its reasons for granting settlements to certain toll violators. (Finding Code No. 09-2)

During the current examination we noted no instances of undocumented reasons for granting settlements to toll violators.

C. Certification Not Printed on Invoices

The Illinois State Toll Highway Authority (Tollway) was not enforcing 605 ILCS 10/16.1 which required Tollway vendors to provide certain certifications to the Tollway. (Finding Code No. 09-3)

During 2010, the Tollway enforced the statute and we noted no instances where the Tollway failed to obtain the required certifications.

Financial Statement Report

Summary

The audit of the accompanying financial statements of the Illinois State Toll Highway Authority (Tollway) was performed by McGladrey & Pullen, LLP.

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

Independent Auditors' Report

Honorable William G. Holland
Auditor General
State of Illinois

As Special Assistant Auditors for the Auditor General, we have audited the accompanying basic financial statements of the Illinois State Toll Highway Authority (Tollway), a component unit of the State of Illinois, as of and for the year ended December 31, 2010, as listed in the table of contents. These basic financial statements are the responsibility of the Illinois State Toll Highway Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year partial comparative information has been derived from the Tollway's 2009 financial statements and, in our report dated August 16, 2010, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Illinois State Toll Highway Authority, as of December 31, 2010, and the changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1 to the financial statements, the December 31, 2009 assets and liabilities have been restated to reflect the implementation of Governmental Accounting Standards Board Statement No. 53 relating to derivatives.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 21, 2011 on our consideration of the Illinois State Toll Highway Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 14-21 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and do not express an opinion on it.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information as listed in the Table of Contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information, except for that portion marked "unaudited" on which we express no opinion, has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is presented fairly, in all material respects, in relation to the basic financial statements taken as a whole.

McGladrey & Pullen, LLP

Schaumburg, Illinois
June 21, 2011

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 for the year ended December 31, 2010. Readers should use this section of this report in conjunction with the Tollway's basic financial statements.

2010 FINANCIAL HIGHLIGHTS

- Design and construction work on the Tollway's $5.8 billion, reduced from the original amount of $6.3 billion, 12-year Congestion-Relief Program, initiated in 2005, continued throughout 2010, though at a lesser pace as the bulk of the work has been performed. By year-end more than 80% of the work planned for this program was completed.

- The Tollway issued its 2010 Series A-1 bonds in the principal amount of $279.3 million. Proceeds and other Tollway funds were used to refund a portion of its 2008 Series A-2 bonds, to make a payment terminating a hedging agreement related to the refunded bonds, and to pay the transaction costs of issuance (for further information see Note 8). After this issuance and these payments, the Tollway's senior lien underlying credit ratings continued to be reported as follows: by Fitch Ratings – AA-; by Moody's Investor Services – Aa3; and by Standard & Poor's – AA-.

- Operating revenues increased $15.5 million or 2% during 2010, while operating expenses increased $11.7 million or 2.0%. After the effects of net non-operating expenses and capital contributions, the Tollway's net assets decreased by $95.9 million, a 4.8% decline in 2010.

- Amounts on deposit on behalf of I-PASS account holders increased by 6% at year-end 2010 to $139 million; the percentage of Tollway users paying by I-PASS was 83% in 2010 (versus 82% in 2009).

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.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are 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 Assets
- Statement of Revenues, Expenses and Changes in Net Assets
- Statement of Cash Flows
- Notes to the Financial Statements

The Statement of Net Assets presents information on all of the Tollway's assets and liabilities, with the difference between the two reported as net assets. Increases or decreases in net assets, over time, may serve as a useful indicator of whether the financial position of the Tollway is improving or deteriorating.

OVERVIEW OF THE FINANCIAL STATEMENTS (continued):

The Statement of Revenues, Expenses and Changes in Net Assets present revenue and expense information and how the Tollway's net assets changed 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 non-capital financing activities, cash flows from capital 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.

FINANCIAL ANALYSIS

2010 RESULTS COMPARED TO 2009

OPERATING REVENUE:

The Tollway's operating revenues in 2010 surpassed those of the previous year, up $15 million (2%) at $673 million, versus $658 million in 2009. The primary factor leading to the increase was a $37 million (6%) increase in toll revenue which totaled $629 million this year (up from $592 million last year). Countering this growth was an expected decline in revenue from evasion recovery. The Tollway's evasion recovery systems have been operational for more than three years, all backlogs for notice issuances have been eliminated, and—perhaps—public awareness of the penalties for toll evasion is properly heightened among the toll-paying public. The result was evasion recovery revenue of $35 million in 2010, a decline from $55 million the previous year.

Concession revenue was relatively flat at $2.3 million and miscellaneous income (largely from payments for use of the Tollway's fiber optic network) was down slightly at $7.4 million (from $8.8 million in 2009), but in 2009 miscellaneous revenues were helped by the reversal of previous years' bad debt allowances when collection prospects improved.

OPERATING EXPENSES:

Total operating expenses increased by $12 million (2%) in 2010, from $580 million to $592 million. The increase was primarily the result of an $18 million increase in the year's depreciation expense—up (6%) to $315 million from $297 million last year. Other operating expenses—apart from depreciation—posted a $6 million (2%) decline to $277 million, from $283 million the previous year. The primary drivers of this improvement were found in the Engineering and Toll Collection areas where efficiencies were possible with fewer construction obstacles on the system.

NON-OPERATING REVENUE, CAPITAL CONTRIBUTIONS AND EXPENSE:

Net non-operating expense continued to increase (this year by 3%--$5.8 million) to $177.5 million for 2010. The single largest component in this category was a $7 million (4%) increase in interest and other financing costs, all attributable to the revenue bonds issued in support of the Congestion-Relief Program. Notably this year, and separately accounted for, the Tollway again earned an interest rebate from the federal treasury relating to bonds which were issued as Build America Bonds. The 2010 rebate totaled $16.1 million, up from $6.4 million received for 2009.

NON-OPERATING REVENUE, CAPITAL CONTRIBUTIONS AND EXPENSE (continued):

Other notable items in this category of revenue and expense include another drop in investment income, from $3.2 million to $1.7 million, as a result of both lower interest rates earned in a lower-rate market and smaller invested balances, as Tollway cash was used to fund Congestion-Relief Program projects. Capital contributions declined to approximately $400,000, significantly less than last year's $6.6 million which recognized long-term agreements entered into with five local governments relating to the construction of the Veterans Memorial South Extension. Miscellaneous non-operating revenue also declined notably to $4 million from $13 million last year as the result of the 2009 reversal of a $10.5 million administrative expense in 2008.

ILLINOIS STATE TOLL HIGHWAY AUTHORITY
CHANGES IN NET ASSETS
For the Years Ended December 31, 2010 and 2009

	2010	2009
Revenues		
Operating Revenues:		
Toll Revenue	$ 628,753,508	$ 592,063,529
Toll Evasion Recovery	34,923,828	54,828,660
Concessions	2,387,581	2,338,841
Miscellaneous	7,385,229	8,759,200
Nonoperating Revenues:		
Investment Income	1,749,894	3,199,960
Revenues under Intergovernmental Agreements	10,734,092	97,983,825
Net Increase (Decrease) in Fair Value of Investments	287,425	(1,365,846)
Bond Interest Subsidy (Build America Bonds)	16,132,636	6,422,870
Miscellaneous	4,007,969	13,424,947
Total Revenues	706,362,162	777,655,986
Expenses		
Operating Expenses:		
Engineering and Maintenance of Roadway and Structures	45,768,938	48,942,122
Services and Toll Collection	112,640,323	116,613,280
Traffic Control, Safety Patrol, and Radio Communications	22,821,776	22,649,767
Procurement, IT, Finance, and Administration	24,369,106	22,406,891
Insurance and Employee Benefits	71,681,922	72,493,677
Depreciation and Amortization	314,933,275	297,371,719
Nonoperating Expenses:		
Expenses under Intergovernmental Agreements	10,734,092	97,983,825
Intergovernmental Expense (Contributions)	1,858,125	-
Net Loss on Disposal of Property	26,357	3,249,477
Interest Expense and Amortization of Financing Costs	197,804,008	190,168,729
Total Expenses	802,637,922	871,879,487
Deficiency of Revenues over Expenses	(96,275,760)	(94,223,501)
Capital contributions	369,821	6,570,819
Change in Net Assets	(95,905,939)	(87,652,682)
Net Assets, beginning of year	2,017,893,477	2,105,546,159
Net Assets, end of year	$ 1,921,987,538	$2,017,893,477

NET ASSETS:

Again as the result of increases in depreciation and interest expense—largely incurred in respect of the Congestion-Relief Program—the Tollway's change in net assets for 2010 was negative at $96 million (versus a negative change for 2009 of $88 million). As noted above, for the full year, depreciation expense rose by 6% ($18 million) to $315 million from $297 million the previous year. Interest and financing costs also rose by 4% ($8 million) to a 2010 outlay of $198 million (from $190 million in 2009).

ILLINOIS STATE TOLL HIGHWAY AUTHORITY
STATEMENT OF NET ASSETS
December 31, 2010 and 2009

	2010	Restated (1) 2009
Current and Other Assets	$ 1,294,685,301	$1,330,283,298
Capital Assets -Net	5,263,500,475	5,363,764,762
Total Assets	6,558,185,776	6,694,048,060
Current Debt Outstanding	49,910,000	1,065,000
Long-Term Debt Outstanding	4,017,017,496	4,078,573,329
Other Liabilities	569,270,742	596,516,254
Total Liabilities	4,636,198,238	4,676,154,583
Net Assets:		
Invested in Capital Assets, Net of Related Debt	1,196,572,979	1,284,350,633
Restricted under Trust Indenture Agreements	272,539,329	234,633,390
Restricted for Supplemental Pension Benefits Obligations	74,407	360,441
Unrestricted	452,800,823	498,549,013
Total Net Assets	$ 1,921,987,538	$2,017,893,477

(1) 2009 assets and liabilities were restated for the implementation of GASB Statement No. 53. See Note 1 on page 31 for additional information.

CAPITAL ASSETS AND DEBT ADMINISTRATION

CAPITAL ASSETS:

Capital assets continue to represent the largest category of Tollway assets, totaling $5.3 billion at year-end ($5.4 billion a year ago) and continuing to comprise 82% of total Tollway assets.

IILLINOIS STATE TOLL HIGHWAY AUTHORITY

CAPITAL ASSETS

For the Year Ended December 31, 2010 and 2009

	January 1, 2010 Net Balance	2010 Net Activity	2010 Depreciation	December 31, 2010 Net Balance
Land	$ 304,331,535	$ 8,926,524	$ -	$ 313,258,059
Construction in Progress	232,930,401	(158,513,171)	-	74,417,230
Buildings	14,211,662	532,596	(2,395,023)	12,349,235
Infrastructure	4,724,986,846	358,047,677	(301,723,252)	4,781,311,271
Machinery and Equipment	87,304,318	5,675,362	(10,815,000)	82,164,680
Total	$ 5,363,764,762	$ 214,668,988	$ (314,933,275)	$ 5,263,500,475

	January 1, 2009 Net Balance	2009 Net Activity	2009 Depreciation	December 31, 2009 Net Balance
Land	$ 299,708,525	$ 4,623,010	$ -	$ 304,331,535
Construction in Progress	493,546,645	(260,616,244)	-	232,930,401
Buildings	10,767,599	5,683,678	(2,239,615)	14,211,662
Infrastructure	3,975,226,747	1,035,180,018	(285,419,919)	4,724,986,846
Machinery and Equipment	73,890,153	23,126,350	(9,712,185)	87,304,318
Total	$ 4,853,139,669	$ 807,996,812	$ (297,371,719)	$ 5,363,764,762

Additional information regarding capital assets can be found in Note 6.

LONG -TERM DEBT:

On July 1, 2010 the Tollway issued its only series of revenue bonds during 2010 in an amount of $279.3 million. The 2010 Series A-1 bonds are scheduled to mature in 2031 and were issued at interest rates ranging from 3.50% to 5.25%. The bonds are backed by pledged revenue and restricted funds and were issued to refund a $287.3 million portion of the Tollway's 2008 Series A-2 synthetic fixed rate bonds in order to reduce the risks associated with synthetic fixed rate bonds.

At year-end 2010, total revenue bonds payable had been reduced by $9 million (from $4.076 billion to $4.067 billion), the result of a $1 million January 1, 2010 1998 Series A principal payment and an $8 million debt reduction due to the aforementioned refunding of $287.3 million of 2008 Series A-2 bonds with, among other sources, $279.3 million of 2010 Series A-1 Bonds. All bond issues are described more fully in Note 8.

OTHER DEBT RELATED INFORMATION

The 1998 Series B, 2007 Series A-1 and A-2, and 2008 Series A-1 and A-2 bonds were issued as variable rate bonds. In connection with the issuance of these variable rate series, the Tollway entered into ten separate variable-to-fixed interest rate exchange (swap) agreements in total notional amounts and with amortizations equal to the total principal amounts and amortizations of the Tollway's three variable rate bond issues. In connection with a refunding of a portion of the 2008 Series A-2 Bonds, one of the ten swap agreements was terminated on July 1, 2010, leaving nine swap agreements outstanding as of December 31, 2010. Two swap agreements are associated with the 1998 Series B bonds, in original amounts totaling $123.1 million, all of which is outstanding as of December 31, 2010. Four swap agreements are associated with the 2007 Series A-1 and A-2 bonds, in original amounts totaling $700 million, all of which is outstanding as of December 31, 2010. Three swap agreements are associated with the 2008 Series A-1 and A-2 bonds, in original amounts totaling $478.875 million, all of which is outstanding as of December 31, 2010. The Tollway utilized these nine swap agreements in order to hedge against rising interest rates and to reduce its borrowing rate (as compared to the borrowing rate obtainable by issuing fixed rate bonds). The risks associated with these types of arrangements and the strategies employed by the Tollway to mitigate those risks are discussed in Note 9 of the financial statements.

Governmental Accounting Standards Board Statement No. 53, Accounting and Financial Reporting for Derivative Instruments (GASB 53) establishes accounting and financial reporting standards for the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. In accordance with the provisions of GASB 53 requiring its use in financial statements for periods beginning after June 15, 2009, the Tollway has adopted the standard in these fiscal year 2010 financial statements. Prior to adopting GASB 53, the Tollway accounted for its derivative contracts under the provisions of GASB Technical Bulletin 2003-1 (GASB TB 03-1). The requirements of GASB TB 03-1 have been superseded by GASB 53.

As of December 31, 2010, fair market value analysis of the swap agreements estimate that if the Tollway had terminated the swap contracts on that date, the Tollway would have been required to make payments of: a total of $17.8 million for the two 1998 Series B swap agreements; a total of $71.3 million for the four 2007 Series A-1 and A-2 swap agreements; and a total of $30.3 million for the three 2008 Series A-1 and A-2 swap agreements.

The amount of additional bonds that the Tollway may issue at any time is limited by the requirement that the projected net revenues are sufficient to meet the Net Revenue Requirement, after giving effect to the debt service attributable to such additional bonds. The Net Revenue Requirement is comprised of the amount necessary to cure deficiencies, if any, in debt service accounts 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 2010 was 1.7x.

IILLINOIS STATE TOLL HIGHWAY AUTHORITY
LONG TERM DEBT ANALYSIS
December 31, 2010 and 2009

	2010		
	Noncurrent	**Current**	**Total**
Revenue Bonds Payable			
Issue of 1992 Series A	$ 51,870,000	$ 48,795,000	$ 100,665,000
Issue of 1998 Series A	191,935,000	1,115,000	193,050,000
Issue of 1998 Series B	123,100,000	-	123,100,000
Issue of 2005 Series A	770,000,000	-	770,000,000
Issue of 2006 Series A-1	291,660,000	-	291,660,000
Issue of 2007 Series A-1	350,000,000	-	350,000,000
Issue of 2007 Series A-2	350,000,000	-	350,000,000
Issue of 2008 Series A-1	383,100,000	-	383,100,000
Issue of 2008 Series A-2	95,800,000	-	95,800,000
Issue of 2008 Series B	350,000,000	-	350,000,000
Issue of 2009 Series A	500,000,000	-	500,000,000
Issue of 2009 Series B	280,000,000	-	280,000,000
Issue of 2010 Series A-1	279,300,000		279,300,000
Total Rev. Bonds Payable	$ 4,016,765,000	$ 49,910,000	$ 4,066,675,000

	2009		
	Noncurrent	**Current**	**Total**
Revenue Bonds Payable			
Issue of 1992 Series A	$ 100,665,000	$ -	$ 100,665,000
Issue of 1998 Series A	193,050,000	1,065,000	194,115,000
Issue of 1998 Series B	123,100,000	-	123,100,000
Issue of 2005 Series A	770,000,000	-	770,000,000
Issue of 2006 Series A-1	291,660,000	-	291,660,000
Issue of 2007 Series A-1	350,000,000	-	350,000,000
Issue of 2007 Series A-2	350,000,000	-	350,000,000
Issue of 2008 Series A-1	383,100,000	-	383,100,000
Issue of 2008 Series A-2	383,100,000	-	383,100,000
Issue of 2008 Series B	350,000,000	-	350,000,000
Issue of 2009 Series A	500,000,000	-	500,000,000
Issue of 2009 Series B	280,000,000	-	280,000,000
Total Rev. Bonds Payable	$ 4,074,675,000	$ 1,065,000	$ 4,075,740,000

Note: Amounts presented in this table exclude unamortized bond premiums and amounts deferred on refunding.

Additional information concerning long-term debt can be found in Note 8.

FACTORS IMPACTING FUTURE OPERATIONS

During 2011 the Tollway will continue implementing the work of the Congestion-Relief Program. Additionally, management and the Tollway board have begun a review of other prospective work that could be recommended for future capital plans. As a result of these activities the Tollway's future financial position is likely to be impacted by:

- Depreciation expense, which will increase over the short term as completed infrastructure projects are placed in service.

- The choice of sources to fund future capital projects that may be designated by Tollway governance.

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, Illinois State Toll Highway Authority, 2700 Ogden Avenue, Downers Grove, Illinois 60515.

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

STATEMENT OF NET ASSETS
DECEMBER 31, 2010
(With Comparative Totals as of December 31, 2009)

	2010	Restated 2009
ASSETS		
CURRENT ASSETS		
CURRENT UNRESTRICTED ASSETS		
Cash and Cash Equivalents	$ 394,796,342	$ 499,070,519
Investments	25,150,950	-
Accounts Receivable, less allowance for doubtful accounts of $273,691,353 and $259,231,468 in 2010 and 2009, respectively	23,869,116	32,912,950
Intergovernmental Receivables, less allowance for doubtful accounts of $642,267 and $34,375 in 2010 and 2009, respectively	102,057,955	80,003,796
Accrued Interest Receivable	228,019	59,700
Current Portion of Leases Receivable	1,643,250	1,643,250
Risk Management Reserved Cash and Cash Equivalents	16,381,926	16,436,770
Prepaid Expenses	11,840,550	18,547,957
Total Current Unrestricted Assets	575,968,108	648,674,942
CURRENT RESTRICTED ASSETS		
Cash and Cash Equivalents Restricted for Debt Service	358,396,822	317,510,640
Cash and Cash Equivalents - I-PASS Accounts	113,980,783	131,548,729
Investments - I-PASS Accounts	25,148,200	-
Accrued Interest Receivable	4,270	10,601
Cash and Cash Equivalents - Construction Fund	-	224,200
Supplemental Pension Benefits Assets	323,206	360,441
Total Current Restricted Assets	497,853,281	449,654,611
Total Current Assets	1,073,821,389	1,098,329,553
NONCURRENT ASSETS		
CAPITAL ASSETS		
Land, Improvements and Construction in Progress	387,675,289	537,261,936
Other Capital Assets, net of Accumulated Depreciation	4,875,825,186	4,826,502,826
Total Capital Assets, net	5,263,500,475	5,363,764,762
OTHER NONCURRENT ASSETS		
Leases Receivable, less current portion	26,801,500	28,444,750
Accounts Receivable less current portion	58,085,787	78,907,465
Deferred Outflow of Resources	119,465,483	108,244,408
Deferred Bond Issuance Costs, net of accumulated amortization of $9,878,066 and $10,082,316 in 2010 and 2009, respectively	16,511,142	16,357,122
Total Other Noncurrent Assets	220,863,912	231,953,745
Total Noncurrent Assets	5,484,364,387	5,595,718,507
TOTAL ASSETS	$ 6,558,185,776	$ 6,694,048,060

See accompanying notes to the financial statements.

(Continued)

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

STATEMENT OF NET ASSETS
DECEMBER 31, 2010
(With Comparative Totals as of December 31, 2009)

LIABILITIES AND NET ASSETS	**2010**	**Restated 2009**
LIABILITIES		
CURRENT LIABILITIES		
Payable from Unrestricted Current Assets:		
Accounts Payable	$ 7,537,907	$ 5,404,044
Accrued Liabilities	71,218,738	92,114,621
Accrued Compensated Absences	4,550,994	3,546,533
Intergovernmental Agreement Payable	60,165,202	58,539,104
Risk Management Claims Payable	15,065,704	16,022,848
Deposits and Retainage	16,957,143	47,399,278
Total Current Liabilities Payable from Unrestricted Current Assets	175,495,688	223,026,428
Payable from Current Restricted Assets:		
Supplemental Pension Benefit Obligation	248,799	-
Current Portion of Revenue Bonds Payable	49,910,000	1,065,000
Accrued Interest Payable	85,861,763	82,887,851
Deposits and Deferred Revenue - I-PASS Accounts	139,128,983	131,548,729
Total Current Liabilities Payable from Current Restricted Assets	275,149,545	215,501,580
Total Current Liabilities	450,645,233	438,528,008
NONCURRENT LIABILITIES		
Revenue Bonds Payable, less current portion	4,016,765,000	4,074,675,000
Bond Premium, less deferred amount on refunding	252,496	3,898,329
Accrued Compensated Absences	5,131,972	3,999,282
Derivative Instrument Liability	119,465,483	108,244,408
Deferred Revenue, less accumulated amortization of $28,452,184 and $25,325,635 in 2010 and 2009, respectively	43,938,054	46,809,556
Total Noncurrent Liabilities	4,185,553,005	4,237,626,575
Total Liabilities	4,636,198,238	4,676,154,583
NET ASSETS		
Invested in Capital Assets, net of Related Debt	1,196,572,979	1,284,350,633
Restricted under Trust Indenture Agreements	272,539,329	234,633,390
Restricted for Supplemental Pension Benefits Obligations	74,407	360,441
Unrestricted	452,800,823	498,549,013
Total Net Assets	1,921,987,538	2,017,893,477
TOTAL LIABILITIES AND NET ASSETS	$ 6,558,185,776	$ 6,694,048,060

See accompanying notes to the financial statements.

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

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2010
(With Comparative Totals for the Year Ended December 31, 2009)

	2010	2009
OPERATING REVENUES		
Toll Revenue	$ 628,753,508	$ 592,063,529
Toll Evasion Recovery	34,923,828	54,828,660
Concessions	2,387,581	2,338,841
Miscellaneous	7,385,229	8,759,200
Total Operating Revenues	673,450,146	657,990,230
OPERATING EXPENSES		
Engineering and Maintenance of Roadway and Structures	45,768,938	48,942,122
Services and Toll Collection	112,640,323	116,613,280
Traffic Control, Safety Patrol and Radio Communications	22,821,776	22,649,767
Procurement, IT, Finance, and Administration	24,369,106	22,406,891
Insurance and Employee Benefits	71,681,922	72,493,677
Depreciation and Amortization	314,933,275	297,371,719
Total Operating Expenses	592,215,340	580,477,456
Operating Income	81,234,806	77,512,774
NONOPERATING REVENUES (EXPENSES)		
Investment Income	1,749,894	3,199,960
Capital contributed under intergovernmental agreements	(1,858,125)	-
Revenues under intergovernmental agreements	10,734,092	97,983,825
Expenses under intergovernmental agreements	(10,734,092)	(97,983,825)
Net Increase (Decrease) in Fair Value of Investments	287,425	(1,365,846)
Net Loss on Disposal of Property	(26,357)	(3,249,477)
Interest Expense and Amortization of Financing Costs	(197,804,008)	(190,168,729)
Bond Interest Subsidy (Build America Bonds)	16,132,636	6,422,870
Miscellaneous Revenue	4,007,969	13,424,947
Total Nonoperating Revenues (Expenses)	(177,510,566)	(171,736,275)
LOSS BEFORE CONTRIBUTIONS	(96,275,760)	(94,223,501)
Capital Contributions	369,821	6,570,819
CHANGE IN NET ASSETS	(95,905,939)	(87,652,682)
NET ASSETS AT BEGINNING OF YEAR	2,017,893,477	2,105,546,159
NET ASSETS AT END OF YEAR	$ 1,921,987,538	$ 2,017,893,477

See accompanying notes to the financial statements.

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

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2010
(With Comparative Totals for the Year Ended December 31, 2009)

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Sales and Services	$ 692,853,947	$ 676,785,085
Cash Received from Other Governments for Services	393,617	-
Cash Paid for Intergovernmental Services	-	(72,096,485)
Cash Payments to Suppliers	(145,124,457)	(195,712,374)
Cash Payments to Employees	(142,746,183)	(139,743,118)
Net Cash Provided by Operating Activities	405,376,924	269,233,108
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and Construction of Capital Assets	(238,874,771)	(830,929,602)
Cash Received from Other Governments Restricted to Capital	369,821	6,570,819
Cash Paid for Intergovernmental Capital Projects	(1,858,125)	-
Proceeds from Sale of Property	328,062	235,354
Proceeds from Sale of Bonds	289,292,839	780,000,000
Payment to terminate SWAPs	(10,331,528)	-
Defeased Bonds	(287,300,000)	-
Principal paid on Revenue Bonds	(1,065,000)	(97,150,000)
Bond Subsidy (Build America Bonds)	16,132,636	6,422,870
Interest Expense and Issuance Costs paid on Revenue Bonds	(204,881,281)	(174,821,350)
Net Cash (Used in) Capital and Related Financing Activities	(438,187,347)	(309,671,909)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Investment Securities	(60,000,000)	-
Proceeds from Sales and Maturities of Investments	10,000,000	74,038,196
Interest on Investments	1,575,438	2,892,301
Net Cash Provided by (Used in) Investing Activities	(48,424,562)	76,930,497
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(81,234,985)	36,491,696
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	964,790,858	928,299,162
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 883,555,873	$ 964,790,858
RECONCILIATION OF CASH AND CASH EQUIVALENTS		
Cash and Cash Equivalents	$ 394,796,342	$ 499,070,519
Risk Management Reserved Cash and Cash Equivalents	16,381,926	16,436,770
Cash and Cash Equivalents Restricted for Debt Service	358,396,822	317,510,640
Cash and Cash Equivalents - I-PASS Accounts	113,980,783	131,548,729
Cash and Cash Equivalents Restricted for Construction	-	224,200
TOTAL CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 883,555,873	$ 964,790,858

See accompanying notes to the financial statements.

(Continued)

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

STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2010
(With Comparative Totals for the Year Ended December 31, 2009)

	2010	2009
Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Operating Income	$ 81,234,806	$ 77,512,774
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	314,933,272	297,371,719
Provision for Bad Debt	88,320,150	65,747,372
Amortization of Deferred Revenue	(2,871,502)	(1,180,608)
Intergovernmental Revenues	10,734,092	97,983,825
Intergovernmental Expenses	(10,734,092)	(97,983,825)
Miscellaneous Revenue	4,007,969	13,424,947
Effects of Changes in Operating Assets and Liabilities:		
(Increase) in Accounts Receivable	(79,276,316)	(68,092,524)
(Increase) in Intergovernmental Receivables	(1,232,481)	(72,096,485)
Decrease in Lease Receivable	1,643,246	1,643,250
Decrease in Prepaid Expenses	6,707,407	870,116
Decrease in Net Assets Available for Pension Benefits	37,235	36,129
Increase (Decrease) in Accounts Payable	2,133,863	(22,193,109)
(Decrease) in Accrued Liabilities	(20,895,883)	(36,524,446)
Increase in Accrued Compensated Absences	2,137,151	323,471
Increase (Decrease) in Supplemental Pension Obligation	248,799	(6,736)
Increase in Intergovernmental Agreement Payable	1,626,098	-
Increase (Decrease) in Deposits and Deferred Revenue - I-PASS	7,580,254	7,252,418
Increase (Decrease) in Risk Management Claims Payable	(957,144)	5,144,820
Net Cash Provided by Operating Activities	$ 405,376,924	$ 269,233,108

The fair value of investments increased by $1,653,271 in 2010 and decreased by $1,144,665 in 2009, respectively.

See accompanying notes to the financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and financial reporting practices of the Illinois State Toll Highway Authority (the Tollway), a component unit of the State of Illinois, conform to generally accepted accounting principles (GAAP), as promulgated in pronouncements of the Governmental Accounting Standards Board (GASB) and the pronouncements of the Financial Accounting Standards Board (FASB) issued before December 1, 1989, which are not in conflict with GASB pronouncements. As permitted by GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the Tollway has elected to not apply FASB pronouncements issued after November 30, 1989.

Financial Reporting Entity

The Illinois State Toll Highway Authority, 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 – 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, which are then outstanding.

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 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 with the advice and consent of the Illinois Senate. The Governor and the Secretary of the Illinois Department of Transportation are also members of the Tollway's Board of Directors. These financial statements are included in the State's comprehensive annual financial report and the State's separately issued basic financial statements. The Tollway itself does not have any component units.

Basis of Accounting

The Tollway is accounted for as a proprietary fund (enterprise fund) using the flow of economic resources measurement focus and the accrual basis of accounting. With this measurement focus, all assets and all liabilities associated with the Tollway's operations are included on the Statement of Net Assets. Revenue is recognized in the period in which it is earned and expenses are recognized in the period in which incurred.

The Tollway accounts for its operations and financings in a manner similar to private business enterprises; 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash Equivalents

With the exception of $29 million in locally held funds, all cash and investments are held for the Tollway either by the Illinois State Treasurer (the Treasurer) as custodian or by the bond trustee under the Tollway's Trust Indenture.

For purposes of the Statement of Cash Flows, the Tollway considers all highly liquid investments, including restricted assets with a maturity of three months or less when purchased, repurchase agreements and all other investments held on its behalf by the Treasurer, to be cash equivalents, as these investments are available upon demand.

Investments

The Tollway reports investments at fair value in its Statement of Net Assets with the corresponding changes in fair value being recognized as an increase or decrease to non-operating revenue in the Statement of Revenues, Expenses and Changes in Net Assets. Fair value is defined as the amount at which an investment could be exchanged in a current transaction between willing parties, rather than in a forced sale or liquidation. All investments are held for the Tollway either by the Treasurer as custodian or the bond trustee under the Tollway's Trust Indenture.

The primary objective in the investment of Tollway funds is to ensure the safety of principal, while managing liquidity to meet the financial obligations of the Tollway, and to provide the highest investment return using authorized instruments.

All investments in U.S. Treasury and agency issues owned by the Tollway are reported at fair value. Fair value for the investments in Illinois Funds (a state-operated money market fund, sponsored by the Treasurer in accordance with Illinois state law that is rated AAAm by Standard & Poor's rating agency) is equal to the value of the pool shares. State statute requires that Illinois Funds comply with the Illinois Public Funds Investment Act. Other funds held for the Tollway by the Treasurer and the bond trustee are invested in U.S. Treasury and agency issues at the direction of the Tollway and in repurchase agreements which are recorded at face value which approximates fair value.

The Trust Indenture, as amended, under which the Tollway's revenue bonds were issued, 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 bond trustee were held in compliance with these restrictions for the year ended December 31, 2010.

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.

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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets

Capital assets include the historical cost of land and improvements, easements, roadway and transportation structures (infrastructure), buildings and related improvements, software and equipment. 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. Effective July 1, 2004, machinery and equipment expenses of $5,000 or more are capitalized. The Tollway capitalizes interest related to construction in progress.

Building	20 Years
Infrastructure	5 to 40 Years
Machinery, equipment and software	5 to 30 Years

During 2006 the Tollway implemented new software to track individual capital asset acquisitions and deletions and to calculate accumulated depreciation for these assets. Prior to fiscal year 2006, the Tollway recorded and depreciated capital assets using a pooling method, that is, assets acquired for each year in each category were combined into one total and depreciated as a group. Deletions decreased the group as a whole but were not attributed to one specific asset. As the pools become fully depreciated the value of the pool and the offsetting accumulated depreciation are removed. The effect on net capital assets is zero. Assets are depreciated using the straight line method.

Accounting for Leases

The Tollway makes a distinction between 1) capital leases that effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to ownership of the leased assets and 2) operating leases under which the lessor effectively retains all such risks and benefits.

When the Tollway is lessee: Assets acquired under capital leases are included as capital assets in the Statement of Net Assets. Assets acquired under capital leases are recorded at the lesser of the present value of the future minimum lease payments or the fair value of the asset at the beginning of the lease term and depreciated on a straight-line basis to the Statement of Revenues, Expenses and Changes in Net Assets, over the useful life of the asset. A corresponding liability is established and minimum lease payments are allocated between the liability and interest expense. Capital lease liabilities are classified as current and noncurrent, depending on when the principal component of the lease payment is due. The Tollway is currently not a lessee under any capital leases.

When the Tollway is lessor: A lease receivable (current and noncurrent) is established on the Statement of Net Assets which represents the future minimum rental payments guaranteed under the terms of the capital lease. Lease receipts are credited to the Statement of Revenues, Expenses and Changes in Net Assets in the periods in which they are earned over the term of the lease, as this represents the pattern of benefits derived from the leased assets. A bad debt reserve is recorded for any amounts whose collectibility is uncertain.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Long-Term Accounts Receivable

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

Deferred Bond Issuance Costs

Costs incurred in connection with the issuance of the 1992 Series A, 1998 Series A and B, 2005 Series A bonds, 2006 Series A-1, and 2007 Series A-1 and A-2, 2008 Series A-1 and A-2, 2008 Series B, 2009 Series A, 2009 Series B and 2010 Series A bonds are amortized over the lives of the bonds, using the straight line method.

Debt Refunding

In accordance with GASB Statement No. 23, *Accounting and Financial Reporting for Refundings of Debt Reported by Proprietary Activities*, when the Tollway refunds any of its bonds the difference between the carrying amount of the new bonds and the reacquisition price of the old bonds is deferred and amortized over the lesser of the life of the old debt or the life of the new debt.

Deferred Revenue

The Tollway recognizes revenue when earned. Amounts received in advance of the periods in which related services are rendered are recorded as a liability under “Deferred Revenue.”

Swap Agreements

In accordance with GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, the Tollway records changes in fair values of the hedging derivative instruments (swaps) as deferred inflows or deferred outflows in the statement of net assets.

Net Assets

The Statement of Net Assets presents the Tollway’s assets and liabilities with the difference reported in three categories:

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

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

Unrestricted net assets consist of net assets that do not meet the criteria of the two preceding categories.

At December 31, 2010, restrictions on net assets consisted of:

Restricted for Supplemental Pension Obligation reflects monies set aside for a retirement plan established in 1990 and suspended in 1994.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Assets: (continued)

Restricted under Trust Indenture Agreements reflects restrictions on net assets imposed by the Tollway's Master Trust Indenture Agreement.

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

Toll Revenue

Toll Revenue is recognized in the month in which the transaction occurs. Revenue from Toll Evasion Recovery is recognized when the notice is issued. Both tolls and fines recovered under the evasion recovery enforcement system are recorded as Toll Evasion Recovery revenue.

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. All other revenues and expenses are reported as non-operating revenues and expenses or as special items.

Toll Evasion revenue is shown net of bad debt expense, concession revenue includes only oasis revenue.

Comparative Data and Restatements

Comparative total data for the prior year has been presented in selected sections of the accompanying financial statements in order to provide an understanding of the changes in the Tollway's assets, liabilities, net assets, revenues and expenses. Such prior year information does not include notes to the financial statements which are required to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such prior year information should be read in conjunction with the Tollway's financial statements for the year ended December 31, 2009, from which such partial information was derived. The Tollway implemented the provisions of GASB Statement 53 *Accounting and Financial Reporting for Derivative Instruments* during 2010. The data presented for 2009 is restated to include the applicable Deferred Outflows of Resources and the Derivative Instrument Liability as of December 31, 2009, in accordance with the Statement. There was no impact on Net Assets in 2010 or 2009 as a result of implementing this Statement.

Risk Management

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

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 and liabilities 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.

NOTE 2 – CASH AND INVESTMENTS

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that an institution holding Tollway deposits may fail and expose the Tollway to a loss if the Tollway's deposits were not returned upon maturity or demand. State law (30 ILCS 230/2C) requires that all deposits of public funds be covered by FDIC insurance or eligible collateral. The Tollway has no policy that would further limit the requirements under state law. As of December 31, 2010, the Tollway's deposits were not exposed to custodial credit risk.

Schedule of Investments

As of December 31, 2010, the Tollway had the following investments and maturities:

		Investment Maturities (in Years)	
Investment Type	Fair Value	Less Than 1	1 - 5
Repurchase agreements	$ 390,608,867	$ 390,608,867	$ -
Money market funds*	377,822,959	377,822,959	-
Illinois Funds*	113,141,835	113,141,835	-
US Agency:			
Federal Home Loan Bank	14,939,600	-	14,939,600
Federal Home Loan Mortgage Corp	30,354,200	-	30,354,200
Federal National Mortgage Association	5,005,350	-	5,005,350
	$ 931,872,811	$ 881,573,661	$ 50,299,150

* Weighted average maturity is less than one year.

NOTE 2 – CASH AND INVESTMENTS (CONTINUED)

Interest Rate Risk

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 be invested in instruments with maturities of less than one year. No investment is to exceed a ten-year maturity. Investment maturities as of December 31, 2010 are as follows:

December 31 Maturity	2010 Percentage
Less than one year	95%
One to five years	5%

Credit and Concentration Risks

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; municipal bonds with credit ratings not lower than the credit rating of the Tollway's senior bonds outstanding; 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; and repurchase agreements of government securities as defined in the Government Securities Act of 1986. Investment policy further requires that the investment portfolio be diversified in terms of specific maturity, specific issuer, or specific class of securities. Final maturities are limited to ten years; the majority of Tollway funds should be invested in maturities of less than one year. The Tollway was in compliance with these policies during 2010.

The Tollway's investments in debt securities were rated or the securities underlying the repurchase agreements were rated by Standard & Poors/Moody's as follows for the year ended December 31, 2010:

	2010 (Moody's/S&P)	
Investment Type	**Fair Value**	**Rating**
Repurchase agreements	$ 390,608,867	Aaa/AAA
Money market funds	377,822,959	Aaa/AAAm
Illinois Funds	113,141,835	N/R/AAAm
US Agency:		
Federal Home Loan Bank	14,939,600	Aaa/AAA
Federal Home Loan Mortgage Corp	30,354,200	Aaa/AAA
Federal National Mortgage Association	5,005,350	Aaa/AAA

NOTE 3 – CURRENT ACCOUNTS RECEIVABLE

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

	December 31, 2010 Net Receivables
Tolls	$ 1,766,833
Toll Evasion Recovery	20,586,339
Oases Receivable	71,741
Damage Claims/Emergency Services	59,836
Insufficient I-PASS	593,925
Over Dimension Vehicle Permits	42,805
Fiber Optic Agreements	246,977
Workers' Compensation	4,752
Other	495,908
Total Non-Governmental Receivables	23,869,116
Various Local and Municipal Governments	9,084,248
IAG Agencies	8,711,133
Other Agencies of the State of Illinois	84,262,574
Total Intergovernmental Receivables	102,057,955
Total Receivables	$ 125,927,071

NOTE 4 – PREPAID EXPENSES

In the normal course of business the Tollway pays for services that will be consumed beyond the current year. These are established as prepaid expenses. As of December 31, 2010 the Tollway has $11.8 million in prepaid insurance.

NOTE 5 – LEASES RECEIVABLE

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

The fuel lease agreement requires the parties to complete a remediation program to ensure that the oasis system is in compliance with current environmental laws and that compliance continues for the term of the lease. The Tollway is solely responsible for the remediation program until it has received “No Further Remediation” (NFR) letters from the Illinois Environmental Protection Agency (IEPA), except for the DeKalb oases and the Belvidere North, which are the responsibility of ExxonMobil. The IEPA issues the letters along with approval for reimbursement of approved expenses from the LUST (Leaking Underground Storage Tank) Fund established by Congress. Remediation work has been completed at all oasis sites. NFR letters have been received for seven remediation sites controlled by the Tollway and by ExxonMobil for the DeKalb Oasis. The remaining sites are being contested over reimbursement and other technical issues. The Tollway believes that the remaining NFR letters, relating to five additional sites, will be issued without further material remediation costs being incurred.

The future minimum lease payments receivable under these agreements as of December 31, 2010 are as follows:

Year Ended December 31,	Retail Lease	Fuel Lease	Total Leases
2011	$ 743,000	$ 900,250	$ 1,643,250
2012	814,333	900,250	1,714,583
2013	850,000	900,250	1,750,250
2014	850,000	900,250	1,750,250
2015	850,000	900,250	1,750,250
Thereafter	9,633,331	10,202,836	19,836,167
	$ 13,740,664	$ 14,704,086	$ 28,444,750

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

NOTE 6 – CAPITAL ASSETS

Capital assets as of December 31, 2010, are as follows:

	Balance January 1	Additions and Transfers in	Deletions and Transfers Out	Balance December 31
Nondepreciable Capital Assets:				
Land and Improvements	$ 304,331,535	$ 8,927,274	$ (750)	$ 313,258,059
Construction in Progress	232,930,401	144,083,010	(302,596,181)	74,417,230
Total Nondepreciable Capital Assets	537,261,936	153,010,284	(302,596,931)	387,675,289
Depreciable Capital Assets				
Buildings	46,593,501	532,596	-	47,126,097
Less: Accumulated Depreciation	(32,381,839)	(2,395,023)	-	(34,776,862)
Net Buildings	14,211,662	(1,862,427)	-	12,349,235
Infrastructure	7,966,823,653	358,047,677	(1,521,730,863)	6,803,140,467
Less: Accumulated Depreciation	(3,241,836,807)	(301,723,252)	1,521,730,863	(2,021,829,196)
Net Infrastructure	4,724,986,846	56,324,425	-	4,781,311,271
Machinery and Equipment	201,693,523	6,029,032	(5,909,456)	201,813,099
Less: Accumulated Depreciation	(114,389,205)	(10,815,000)	5,555,786	(119,648,419)
Net Machinery and Equipment	87,304,318	(4,785,968)	(353,670)	82,164,680
Total Capital Assets	8,752,372,613	517,619,589	(1,830,237,250)	7,439,754,952
Less: Accumulated Depreciation	(3,388,607,851)	(314,933,275)	1,527,286,649	(2,176,254,477)
Total Capital Assets, Net	$ 5,363,764,762	$ 202,686,314	$ (302,950,601)	$ 5,263,500,475

NOTE 7 – LONG-TERM ACCOUNTS RECEIVABLE

At year end, the Tollway is due the below-listed amounts that are due at various times after December 31, 2011.

	2010 Long-Term Receivables
Will County - I-355 South Intergovernmental Agreement	$ 857,144
Village of Lemont - I-355 South Intergovernmental Agreement	857,144
City of Lockport - I-355 South Intergovernmental Agreement	857,144
Village of Homer Glen - I-355 South Intergovernmental Agreement	857,144
Village of New Lenox - I-355 South Intergovernmental Agreement	857,144
Various Other Intergovernmental Agreements	5,567,383
Illinois Department of Transportation	48,232,684
	$ 58,085,787

NOTE 8 – REVENUE BONDS PAYABLE

Series 2010A-1 Bonds

On July 1, 2010, the Tollway issued $279,300,000 of Toll Highway Senior Refunding Revenue Bonds (2010 Series A-1). The bonds refunded $287,300,000 of the Tollway's $383,100,000 then-outstanding 2008 Series A-2 Bonds. The bonds also financed costs of issuance. Maturities of the bonds ranging from January 1, 2018 through January 1, 2031 were sold bearing interest rates ranging from 3.50% to 5.25%. The bonds were sold at yields which produced a net Original Issue Premium of $9,648,275. The bonds are subject to optional redemption on or after January 1, 2020 at a redemption price of 100% of the principal amount plus accrued interest. In connection with the refunding, the Tollway terminated a variable-to-fixed interest rate exchange (swap) agreement with Depfa Bank plc. The swap agreement was in a notional amount of $287,325,000 and was terminated in its entirety on June 10, 2010. The Tollway made a termination payment of $10,331,528 from Tollway funds on hand in connection with the termination of the swap agreement.

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. The Series 2009B Bonds and Series 2009A Bonds are taxable Build America Bonds. All other Tollway bonds are tax-exempt bonds.

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 transferred $12,000,000 of its funds on hand into the debt service account to pay the bond interest due on June 1, 2010 and a portion of the bond interest due on December 1, 2010. The bonds mature on December 1, 2034. The bonds bear an interest rate of 5.851% and were sold at a price of 100% of the par amount of the bonds. The bonds are subject to optional redemption at a redemption price equal to the greater of: (i) 100% of the principal amount of the bonds to be redeemed; and (ii) the sum of the present value of the remaining scheduled payments of principal and interest to the maturity date of the bonds to be redeemed, discounted to the date on which the bonds are to be redeemed on a semi-annual basis at the yield to maturity as of such redemption date of the United States Treasury security with a constant maturity most nearly equal to the period from the redemption date to the maturity date of the bonds, plus 25 basis points. The bonds are not insured.

NOTE 8 – REVENUE BONDS PAYABLE (CONTINUED)

Series 2009A Bonds

On 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 maturing on January 1, 2024 and January 1, 2034. The bonds maturing January 1, 2024 bear an interest rate of 5.293% and were sold at a price of 100% of the par amount of the bonds. The bonds maturing January 1, 2034 bear an interest rate of 6.184% and were sold at a price of 100% of the par amount of the bonds. The bonds are subject to optional redemption at a redemption price equal to the greater of: (i) 100% of the principal amount of the bonds to be redeemed; and (ii) the sum of the present value of the remaining scheduled payments of principal and interest to the maturity date of the bonds to be redeemed, discounted to the date on which the bonds are to be redeemed on a semi-annual basis at the yield(s) to maturity as of such redemption date of the United States Treasury security(ies) with a constant maturity(ies) most nearly equal to the period from the redemption date to the maturity date(s) of the bonds to be redeemed, plus 30 basis points. The bonds are not insured.

Series 2008B Bonds

On November 18, 2008, the Tollway issued $350,000,000 of Toll Highway Senior Priority Revenue Bonds (2008 Series B). This issuance was the fourth bond sale utilized to finance capital projects in the Congestion-Relief Program. The bonds also financed capitalized interest through June 30, 2009 and costs of issuance. The bonds were sold as a term bond maturing on January 1, 2033 bearing a 5.50% interest rate and priced to yield 5.70%, which produced an Original Issue Discount of $9,142,000. The bonds are subject to optional redemption on or after January 1, 2018 at a redemption price of 100% of the principal amount plus accrued interest. The bonds are not insured. In connection with the bond issue, a Surety Policy in the face amount of $100,000,000 was purchased from Berkshire Hathaway Assurance Corporation for deposit in the Debt Reserve Account. The Surety Policy expires on January 1, 2033.

Series 2008A Bonds

On February 7, 2008, the Tollway issued $766,200,000 of Variable Rate Senior Refunding Revenue Bonds ($383,100,000 2008 Series A-1 and $383,100,000 2008 Series A-2). The bonds advance refunded all of the Tollway's $500,000,000 then-outstanding 2006 Series A-2 Bonds and a $208,340,000 portion of the $500,000,000 then-outstanding 2006 Series A-1 Bonds. The bonds also financed costs of issuance. The bonds were sold at par and initially issued in a weekly mode and have remained in a weekly mode through fiscal year end 2010. Interest rates on the bonds are set pursuant to the terms of a remarketing agreement. While in the weekly mode, the bonds are subject to demand for purchase from bondholders. Any such bonds tendered for purchase are remarketed pursuant to the terms of a remarketing agreement. Bonds tendered for purchase that are not remarketed to new bondholder(s) are funded, subject to certain conditions, under a Standby Bond Purchase Agreement among the Tollway, the Trustee, and Dexia Credit Local, New York Branch.

NOTE 8 – REVENUE BONDS PAYABLE (CONTINUED)

Series 2008A Bonds (continued)

Any such funded bonds that either (a) remain unremarketed for 180 days or (b) remain unremarketed on the expiration date of the Standby Bond Purchase Agreement and such Standby Bond Purchase Agreement is not replaced, are required to be repaid by the Tollway on the earlier of: (i) their originally scheduled payment date; and (ii) in twenty equal semi-annual principal installments, commencing 6 months following such 180 day period. The cost of the Standby Bond Purchase Agreement is a per annum fee of 23 basis points times the commitment amount of $774,764,647, which consists of $766,200,000 for payment of principal and $8,564,647 for payment of interest. While in the weekly mode, the bonds are subject to optional redemption by the Tollway. The expiration date of the Standby Bond Purchase Agreement was February 7, 2011. The Standby Bond Purchase Agreement was replaced on February 7, 2011 by Standby Bond Purchase Agreements from JPMorgan Chase Bank, National Association and PNC Bank, National Association. See Note 21-Subsequent Events. Payments of principal when due at maturity and interest of the bonds are insured by Assured Guaranty Municipal Corp., pursuant to the acquisition of the original bond insurer, Financial Security Assurance Inc., by Assured Guaranty Ltd. on July 1, 2009. On July 1, 2010, $287,300,000 of the 2008 Series A-2 bonds was refunded by the Tollway's $279,300,000 Toll Highway Senior Refunding Revenue Bonds (2010 Series A-1). The final maturity of the bonds is January 1, 2031.

Series 2007A Bonds

On November 1, 2007, the Tollway issued $700,000,000 of Variable Rate Senior Priority Revenue Bonds (2007 Series A-1 and Series A-2). This issuance was the third 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 at par and initially issued in a weekly mode and remained in a weekly mode through fiscal year end 2010. Interest rates on the bonds are set pursuant to the terms of a remarketing agreement. While in the weekly mode, the bonds are subject to demand for purchase from bondholders. Any such bonds tendered for purchase are remarketed pursuant to the terms of a remarketing agreement. Bonds tendered for purchase that are not remarketed to new bondholder(s) are funded, subject to certain conditions, under a Standby Bond Purchase Agreement among the Tollway, the Trustee, and Dexia Credit Local, New York Branch. Any such funded bonds that either (a) remain unremarketed for 180 days or (b) remain unremarketed on the expiration date of the Standby Bond Purchase Agreement and such Standby Bond Purchase Agreement is not replaced, are required to be repaid by the Authority on the earlier of: (i) their originally scheduled payment date; and (ii) in twenty equal semi-annual principal installments, commencing 6 months following such 180 day period. The cost of the Standby Bond Purchase Agreement is a per annum fee of 31 basis points times the commitment amount of $709,780,822, which consists of $700,000,000 for payment of principal and $9,780,822 for payment of interest. While in the weekly mode, the bonds are subject to optional redemption by the Tollway. The final maturity of the bonds is July 1, 2030. The expiration date of the Standby Bond Purchase Agreement is March 18, 2011. The Standby Bond Purchase Agreement was replaced on March 20, 2011 by Letters of Credit from Citibank, N.A., PNC Bank, National Association, The Bank of Tokyo-Mitsubishi, Ltd. UFJ, Harris N.A., The Northern Trust Company and Wells Fargo Bank, N.A. See Note 21-Subsequent Events.

NOTE 8 – REVENUE BONDS PAYABLE (CONTINUED)

Series 2006A Bonds

On June 7, 2006, the Tollway issued $1,000,000,000 of Senior Priority Revenue Bonds (2006 Series A-1 and Series A-2). This issuance was the second bond sale utilized to fund capital projects in the Congestion-Relief Program. The bonds also financed a deposit to the Debt Reserve Account and costs of issuance. All maturities of the bonds were sold bearing 5.0% interest rates at yields which produced an Original Issue Premium of $40,019,000. The bonds are subject to optional redemption on or after July 1, 2016 at a redemption price of 100% of the principal amount plus accrued interest. The scheduled payments of principal and interest of the bonds are insured by Assured Guaranty Municipal Corp., pursuant to the acquisition of the original bond insurer, Financial Security Assurance Inc., by Assured Guaranty Ltd. on July 1, 2009. On February 7, 2008, $708,340,000 of the 2006 Series A bonds was advance refunded by the Tollway's $766,200,000 Variable Rate Senior Refunding Revenue Bonds (2008 Series A-1 and Series A-2). The final maturity of the bonds is January 1, 2025.

Series 2005A Bonds

On June 22, 2005, the Tollway issued $770,000,000 of Senior Priority Revenue Bonds (2005 Series A). This issuance was the first bond sale utilized to fund capital projects in the Congestion-Relief Program. The bonds also financed a deposit to the Debt Reserve Account and costs of issuance. All maturities of the bonds were sold bearing 5.0% interest rates except for the $101,935,000 par amount maturing on January 1, 2020 which was sold bearing an interest rate of 4.125%. The bonds were sold at yields which produced a net Original Issue Premium of $60,405,414. The bonds are subject to optional redemption on or after July 1, 2015 at a redemption price of 100% of the principal amount plus accrued interest. The scheduled payments of principal and interest of this bond series are insured by Assured Guaranty Municipal Corp., pursuant to the acquisition of the original bond insurer, Financial Security Assurance Inc., by Assured Guaranty Ltd. on July 1, 2009, except for the principal and interest of the $101,935,000 maturing January 1, 2020, which is not insured. The final maturity of the bonds is January 1, 2023.

Series 1998A and 1998B Bonds

On December 30, 1998, the Tollway issued $325,135,000 of Refunding Revenue Bonds, consisting of $202,035,000 of Fixed Rate Bonds (1998 Series A) and $123,100,000 of Variable Rate Bonds (1998 Series B). The bonds financed the refunding of a portion ($313,105,000) of the Tollway's Series 1992A Bonds and also financed costs of issuance and accrued interest on the Series 1998 Series A Bonds. The Series 1998A Bonds were sold with fixed interest rates ranging from 4.0% to 5.5% at yields which produced a net Original Issue Premium of $17,414,484. The Series 1998A Bonds, of which $193,050,000 were outstanding as of December 31, 2010, are not subject to redemption prior to maturity. The Series 1998B Bonds were initially issued in a weekly mode and were in a weekly mode during all of 2010. Interest rates on the Series 1998B Bonds are set pursuant to the terms of a remarketing agreement. While in the weekly mode, the Series 1998B Bonds are subject to demand for purchase from bondholders. Any such Series 1998B Bonds tendered for purchase are remarketed pursuant to the terms of a remarketing agreement. Series 1998B Bonds tendered for purchase that are not remarketed to new bondholder(s) are funded, subject to certain conditions, under a Standby Bond Purchase Agreement among the Tollway, the Trustee, and Helaba Landesbank.

NOTE 8 – REVENUE BONDS PAYABLE (CONTINUED)

Series 1998A and 1998B Bonds (continued)

Any such funded bonds that remain unremarketed on the expiration date of the Standby Bond Purchase Agreement and such Standby Bond Purchase Agreement is not replaced are required to be repaid by the Tollway on the earlier of: (i) their originally scheduled payment date; and (ii) over a five year period in five equal annual installments, commencing on the expiration date of the Standby Bond Purchase Agreement. The cost of the Standby Bond Purchase Agreement is a per annum fee of 60 basis points times the commitment amount of $129,339,315, which consists of $123,100,000 for payment of principal and $6,239,315 for payment of interest. While in the weekly mode, the Series 1998B Bonds are subject to optional redemption by the Tollway. The expiration date of the Standby Bond Purchase Agreement is December 28, 2012. The final maturity of the 1998A and 1998B bonds is January 1, 2016 and January 1, 2017, respectively. The scheduled payments of principal and interest of the Series 1998A Bonds and the Series 1998B Bonds are insured by Assured Guaranty Municipal Corp., pursuant to the acquisition of the original bond insurer, Financial Security Assurance Inc., by Assured Guaranty Ltd. on July 1, 2009.

Series 1992A Bonds

On October 14, 1992, the Tollway issued $459,650,000 of Priority Revenue Bonds (1992 Series A). The bonds financed certain capital projects, a deposit to the Debt Reserve Account and costs of issuance. A portion of the bonds were advance refunded. The bonds that remain outstanding were sold bearing an interest rate of 6.30% at a price of 99.75% and mature on January 1, 2011 and January 1, 2012. Such outstanding bonds in the amount of $100,665,000 are not subject to redemption prior to maturity and are not insured.

NOTE 8 – REVENUE BONDS PAYABLE (CONTINUED)

All Series

Details of outstanding revenue bonds as of December 31, 2010, are as follows:

Issue of 1992 Series A, 6.30%, due on various dates through January 1, 2012	$ 100,665,000
Issue of 1998 Series A, 5.00% to 5.50%, due on various dates through January 1, 2016	193,050,000
Issue of 1998 Series B, variable rates, due on various dates through January 1, 2017	123,100,000
Issue of 2005 Series A, 4.125% to 5.00%, due on various dates through January 1, 2023	770,000,000
Issue of 2006 Series A-1, 5.00%, due on various dates through January 1, 2025	291,660,000
Issue of 2007 Series A-1, variable rates, due on various dates through July 1, 2030	350,000,000
Issue of 2007 Series A-2, variable rates, due on various dates through July 1, 2030	350,000,000
Issue of 2008 Series A-1, variable rates, due on various dates through January 1, 2031	383,100,000
Issue of 2008 Series A-2, variable rates, due on various dates through January 1, 2031	95,800,000
Issue of 2008 Series B, 5.50%, due on various dates through January 1, 2033	350,000,000
Issue of 2009 Series A, 5.293% to 6.184%, due on various dates through January 1, 2034	500,000,000
Issue of 2009 Series B, 5.851%, due on various dates through December 1, 2034	280,000,000
Issue of 2010 Series A-1, 3.50%, to 5.25% due on various dates through January 1, 2031	279,300,000
Totals	4,066,675,000
Less current maturities	(49,910,000)
Less unamortized deferred amount on refunding	(58,351,768)
Plus unamortized bond premium	58,604,264
Total long-term portion	$ 4,017,017,496

Accrued interest payable for the year ended December 31, 2010 was $85,861,763.

NOTE 8 – REVENUE BONDS PAYABLE (CONTINUED)

A summary of changes in revenue bonds payable is as follows for December 31, 2010:

	Balance January 1	Additions	Deletions	Balance December 31	Amounts Due Within One Year
1992 Series A	$ 100,665,000	$ -	$ -	$ 100,665,000	$ 48,795,000
1998 Series A	194,115,000	-	(1,065,000)	193,050,000	1,115,000
1998 Series B	123,100,000	-	-	123,100,000	-
2005 Series A	770,000,000	-	-	770,000,000	-
2006 Series A-1	291,660,000	-	-	291,660,000	-
2007 Series A-1 & A-2	700,000,000	-	-	700,000,000	-
2008 Series A-1 & A-2	766,200,000	-	(287,300,000)	478,900,000	-
2008 Series B	350,000,000	-	-	350,000,000	-
2009 Series A	500,000,000	-	-	500,000,000	-
2009 Series B	280,000,000	-	-	280,000,000	-
2010 Series A-1	-	279,300,000	-	279,300,000	-
Totals	4,075,740,000	279,300,000	(288,365,000)	4,066,675,000	$ 49,910,000
Less:					
Unamortized deferred amount on refunding	(49,587,666)	(12,907,460)	4,143,358	(58,351,768)	
Unamortized bond premium	53,485,995	9,992,839	(4,874,570)	58,604,264	
Current portion of Revenue bonds payable	(1,065,000)	(49,910,000)	1,065,000	(49,910,000)	
Revenue bonds payable, Net of current portion	$ 4,078,573,329	$ 226,475,379	$ (288,031,212)	$ 4,017,017,496	

NOTE 8 – REVENUE BONDS PAYABLE (CONTINUED)

The annual requirements to retire the principal and interest amount for all bonds outstanding at December 31, 2010, are as follows:

Year Ended December 31,	Principal	Interest	Total Debt Service
2011	$ 49,910,000	$ 198,450,059	$ 248,360,059
2012	53,040,000	195,264,573	248,304,573
2013	56,365,000	191,966,207	248,331,207
2014	92,855,000	187,988,719	280,843,719
2015	97,795,000	182,916,969	280,711,969
2016	102,910,000	177,936,506	280,846,506
2017	107,850,000	172,967,296	280,817,296
2018	111,315,000	167,750,956	279,065,956
2019	137,785,000	161,537,989	299,322,989
2020	144,640,000	154,952,712	299,592,712
2021	150,695,000	147,927,720	298,622,720
2022	157,980,000	140,256,721	298,236,721
2023	165,615,000	132,171,780	297,786,780
2024	223,660,000	123,742,050	347,402,050
2025	198,605,000	113,576,750	312,181,750
2026	181,350,000	105,872,816	287,222,816
2027	246,565,000	97,893,121	344,458,121
2028	206,045,000	89,106,671	295,151,671
2029	215,850,000	80,350,131	296,200,131
2030	225,550,000	71,186,788	296,736,788
2031	110,295,000	61,616,666	171,911,666
2032	237,545,000	53,606,386	291,151,386
2033	249,790,000	39,734,988	289,524,988
2034	542,665,000	24,504,400	567,169,400
Total	$ 4,066,675,000	$ 3,073,278,974	$ 7,139,953,974

NOTE 8 – REVENUE BONDS PAYABLE (CONTINUED)

Defeased Bonds

On July 1, 2010 the Tollway issued $279.3 million of Toll Highway Senior Refunding Revenue Bonds (2010 Series A-1) to refund $287.3 million of Toll Highway Variable Rate Senior Refunding Revenue Bonds, 2008 Series A-2. In connection with this refunding, on July 1, 2010 net proceeds of $289.2 million were deposited into an irrevocable trust with an escrow agent to provide for debt service payments on the refunded portion of 2008 Series A-2 bonds during the period July 1, 2010 through July 21, 2010. As a result, the refunded portion of 2008 Series A-2 Bonds is considered to be defeased as of July 1, 2010 and the liability for those bonds was removed from the Statement of Net Assets in 2010. As a result of the refunding, the Tollway increased its total debt service payments and annual costs over the next 21 years by approximately $7.3 million. The economic loss (difference between the present values of the debt service payments on the old and new debt) is approximately $5.4 million. All of the defeased bonds were redeemed by the escrow agent on July 21, 2010.

On February 7, 2008, the Tollway issued $766.2 million of Variable Rate Senior Refunding Bonds (2008 Series A-1 and A-2) to advance refund $708.3 million of the 2006A ($208.3 million of A-1 and $500 million of A-2) Senior Priority Revenue Bonds with an interest rate of 5.0%. The net proceeds of $758.6 million (after payment of $7.6 million in underwriting fees, insurance and other issuance costs) plus an additional $8.8 million of 2006A Trustee-held monies were used to purchase U.S. government securities. Those securities were deposited into an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded portion of 2006A Senior Priority Revenue Bonds. As a result, the refunded portion of 2006A Senior Priority Revenue Bonds is considered to be defeased and the liability for those bonds was removed from the Statement of Net Assets in 2008. The principal amount of defeased bonds outstanding for this series is $708.3 million as of December 31, 2010.

Capitalized Interest

In 2010 the Tollway's total interest incurred for revenue bonds equaled $198.2 million of which $6.6 million was capitalized in respect of construction in progress.

Trust Indenture Agreement

On March 31, 1999, the Tollway executed an Amended and Restated Trust Indenture with the Trustee acting as fiduciary for bondholders. The Indenture establishes the conditions under which the Tollway may issue bonds and the security to be pledged to bondholders. The 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 Project Accounts – one for each bond issue that finances new project(s). 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 Operation and Maintenance 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 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 classification of Trustee-held funds in these financial statements is detailed in Note 11.

NOTE 8 – REVENUE BONDS PAYABLE (CONTINUED)

Arbitrage Rebate

In the 1980's, 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, 2010, no arbitrage rebate liability had accrued.

NOTE 9 – DERIVATIVE INSTRUMENTS

The fair value balances and notional amounts of derivative instruments outstanding as of December 31, 2010, classified by type, and the changes in fair value of such derivatives instruments for the year then ended as reported in the 2010 financial statements are as follows (amounts in thousands; debit (credit))

	Changes in Fair Value		Fair Value at December 31, 2010		
Cash Flow Hedges:	Classification	Amount	Classification	Amount	Notional Amount
Pay fixed interest rate swaps	Deferred outflow	$ (21,553)	Debt	$ (119,465)	$ 1,301,975

As a means of lowering its borrowing costs, the Tollway had entered into ten separate variable-to-fixed interest rate exchange agreements (swaps) in connection with its three variable rate bond issues. Nine of the ten swaps were outstanding as of December 31, 2010. Per the terms of the swaps, the Tollway pays a fixed rate of interest to the swap provider in exchange for a variable rate of interest expected to match or closely approximate the variable rate of interest owed by the Tollway to bondholders. At the time each of the swaps was entered into by the Tollway, the Tollway's fixed rate obligation in the swap was less than the fixed rate of interest obtainable by the Tollway from issuing fixed rate bonds.

Four of the swaps became effective February 7, 2008, two of which are associated with the 2008 Series A-1 bonds and two of which were associated with the 2008 Series A-2 bonds. One of the swaps associated with the 2008 Series A-2 Bonds was terminated on June 10, 2010 in connection with the Tollway's refunding of a portion of its 2008 Series A-2 Bonds on July 1, 2010. Four of the swaps became effective November 1, 2007, two of which are associated with the 2007 Series A-1 bonds and two of which are associated with the 2007 Series A-2 bonds. Two of the swaps became effective December 30, 1998 and are associated with the 1998 Series B bonds.

NOTE 9 – DERIVATIVE INSTRUMENTS (CONTINUED):

Details of these derivative instruments outstanding are as follows (amounts in thousands):

Bond Series	Current Notional Amount	Effective Date	Termination Date	Fixed Rate Paid	Estimated Counterparty Credit Ratings	Fair Value as of 12/31/10
1998B	$ 67,705	12/30/1998	01/01/2017	4.3250%	Aa1/AAA	$ (9,796)
1998B	55,395	12/30/1998	01/01/2017	4.3250%	Aa1/AA-	(8,015)
2007A-1	175,000	11/01/2007	07/01/2030	3.9720%	A1/A+	(17,597)
2007A-1	175,000	11/01/2007	07/01/2030	3.9720%	Aa3/A	(17,597)
2007A-2	262,500	11/01/2007	07/01/2030	3.9925%	Aa3/A+	(27,114)
2007A-2	87,500	11/01/2007	07/01/2030	3.9925%	Aa2/AA	(9,038)
2008A-1	191,550	02/07/2008	01/01/2031	3.7740%	Aaa/AA	(12,188)
2008A-1	191,550	02/07/2008	01/01/2031	3.7740%	Aa3/A+	(12,162)
2008A-2	95,775	02/07/2008	01/01/2031	3.7640%	A2/A	(5,958)
Totals	$ 1,301,975					$ (119,465)

The swap counterparty ratings included in the chart are from Moody's Investors Service and Standard & Poor's Corporation, respectively.

The notional amounts of the swaps match the outstanding principal amounts of the associated bonds, with the exception that the swap associated with the Tollway's $95,800,000 outstanding 2008 Series A-2 Bonds is in a notional amount of $95,775,000. The amortizations of the 2008 Series A-2 Bonds and the related swap result in the bond amount outstanding always exceeding the swap notional amount outstanding, with the difference between the two never exceeding $25,000. The Tollway's swaps contain scheduled reductions to notional amounts that match the scheduled reductions in the associated "revenue bonds payable" category. For the 1998 Series B bonds, the Tollway pays the counterparties a fixed rate of 4.325% and receives a variable payment based on the actual amount of interest paid to bondholders (cost of funds). For the 2007 Series A-1 and Series A-2 bonds, the Tollway pays the counterparties fixed rates of 3.972% and 3.9925%, respectively, and receives variable payments based on the SIFMA 7-day Municipal Swap Index. For the 2008 Series A-1 and Series A-2 bonds, the Tollway pays the counterparties fixed rates of 3.774% and 3.764%, respectively, and receives variable payments based on the SIFMA 7-day Municipal Swap Index.

Interest rate swaps are not normally valued through exchange-type markets with easily accessible quotation systems and procedures. The fair market values of the swaps were calculated by a financial advisor of the Tollway using information obtained from generally recognized sources with respect to quotations, reporting of specific transactions and market conditions, and based on accepted industry standards and methodologies. The fair market values of the swaps as of December 31, 2010 were calculated using the zero coupon method as described in GASB 53. This method calculates the future net settlement payments required by the swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement on the swaps.

NOTE 9 – DERIVATIVE INSTRUMENTS (CONTINUED):

RISKS

Credit Risk

Counterparty credit risk is the risk that a swap is terminated and the counterparty fails to make a required termination payment. The termination payment is a market-based payment approximating the value of the swap at the time of termination. The Tollway was not exposed to counterparty credit risk as of December 31, 2010 because the negative market values of each swap would render no payments owing by the counterparties in the event of a termination. If changes in interest rates were to create positive market values for the swaps in the future, the Tollway would be exposed to counterparty credit risk in the amount of those positive market values. The swaps require full collateralization from the counterparty of any positive market value of the swaps in the event the counterparty's credit rating falls below a Standard & Poor's rating of A- or a Moody's Investor Services' rating of A3. The swaps require full collateralization from the counterparty of positive market value of the swaps in the event the counterparty's credit rating falls below a Standard & Poor's rating of AA- or a Moody's Investor Services' rating of Aa3 and the amount of the positive market value exceeds certain thresholds as specified in the swap agreements. The swaps require such collateral to be held by a third party custodian in the form of cash, debt obligations issued by the U.S. Treasury or debt issued by federally sponsored agencies. The nine swaps outstanding as of December 31, 2010 are with nine different counterparties from seven different financial firms. The counterparty with the largest notional amount holds 20% of the total notional amount of the outstanding swaps.

The financial firm with the largest notional amount holds 28% of the total notional amount of the outstanding swaps.

Basis Risk

Basis risk is the extent to which the Tollway's variable rate interest payments to bondholders differs from the variable rate payments received from the swap counterparties. The Tollway's variable rate interest payments to bondholders are determined by rates established by remarketing agents on a weekly basis. In the case of the 1998 Series B swaps, the variable rate interest payments received from the swap counterparties are equal to the variable rate interest payments owed to bondholders, which renders this swap to be currently without basis risk. Under certain circumstances as specified in the 1998 Series B swap agreements and upon notice from the swap counterparties, the variable rate payments received from swap counterparties may change from a basis of the actual bond interest rate to the SIFMA 7-day Municipal Swap Index plus eight basis points. During 2010, the average interest rate paid to 1998 Series B bondholders was 0.27%, compared to a SIFMA 7-day Municipal Swap Index of 0.26%. In the case of the 2007 Series A-1 and Series A-2 swaps, the variable rate payments received from the swap counterparties is equal to the SIFMA 7-day Municipal Swap Index, so basis risk is incurred to the extent the rates set by remarketing agents on the Tollway's 2007 Series A-1 and A-2 bonds exceed the SIFMA 7-day Municipal Swap Index. During 2010, the average interest rate paid to Series 2007A bondholders was 0.29%, compared to a SIFMA 7-day Municipal Swap Index of 0.26%. In the case of the 2008 Series A-1 and Series A-2 swaps, the variable rate payments received from the swap counterparties are equal to the SIFMA 7-day Municipal Swap Index, so basis risk is incurred to the extent the rates set by remarketing agents on the Tollway's 2008 Series A-1 and A-2 bonds exceed the SIFMA 7-day Municipal Swap Index. During 2010, the average interest rate paid to Series 2008A bondholders was 0.29%, compared to a SIFMA 7-day Municipal Swap Index of 0.26%.

NOTE 9 – DERIVATIVE INSTRUMENTS (CONTINUED):

Termination Risk

The Tollway's swap agreements do not contain any out-of-the-ordinary termination provisions that would expose it to significant termination risk. Consistent with agreements of this type, the Tollway and the counterparty each have the ability to terminate a swap agreement if the other party fails to perform under the terms of the agreement. The agreements allow either party to terminate in the event of a significant loss of creditworthiness by the other party. If a swap were to be terminated, the associated variable rate bonds would no longer be hedged and the Tollway would be subject to variable rate risk, unless it entered into a new hedge following termination. In addition, if the swap were to have a negative market value at the time of termination, the Tollway would be liable to the counterparty for a payment approximately equal to the market value of the swap.

Interest Rate Risk

Low interest rates contributed to the negative December 31, 2010 market valuations (fair values) included in the preceding chart for the Tollway's swaps. At the time of the swaps, the synthetic fixed rates achieved by the swaps were less than the fixed rates that could have been achieved by issuing fixed rate bonds. The swaps' fair market values were estimated by a financial advisor of the Tollway.

Rollover Risk

There is no rollover risk, given that the swap agreements have final maturities and amortizations that approximately match the final maturities and amortizations of the related bond issues.

DERIVATIVE INSTRUMENT PAYMENTS AND HEDGED DEBT

As of December 31, 2010 aggregate projected debt service requirements of the Tollway's hedged debt and net receipts/payments on associated hedging derivative instruments are presented below. The projected amounts assume that the interest rates on variable-rate debt and reference rates on associated hedging derivative instruments as of December 31, 2010 will remain the same for their terms. As these rates vary, interest payments on variable-rate bonds and net receipts/payments on the associated hedging derivative instruments will vary. The hedging derivative instruments column reflects only the net receipts/payments on derivative instruments that qualify for hedge accounting. All of the Tollway's derivative instruments as of December 31, 2010 qualified for hedge accounting.

Fiscal Year Ending December 31,	Hedged Debt Principal	Hedged Debt Interest	Hedging Derivative Instruments - Net Receipts/Payments	Total
2011	$ -	$ 4,532,293	$ 56,686,593	$ 61,218,886
2012	-	4,532,293	56,686,593	61,218,886
2013	-	4,532,293	56,686,593	61,218,886
2014	-	4,532,293	56,686,593	61,218,886
2015	-	4,532,293	56,686,593	61,218,886
2016 - 2020	130,600,000	20,807,048	260,799,036	412,206,084
2021 - 2025	211,625,000	19,702,813	246,379,449	477,707,261
2026 - 2030	890,500,000	8,720,688	108,346,708	1,007,567,395
2031	69,250,000	-	-	69,250,000
	$ 1,301,975,000	$ 71,892,010	$ 898,958,158	$ 2,272,825,168

NOTE 10 – DEFERRED REVENUE

During 2002, the Tollway, as lessor, entered into two 25-year capital lease agreements for the refurbishing and operation of the oasis system. Rental payments earned have been recorded as concession revenue. The future minimum rental payments for the remainder of the terms of the leases as of December 31, 2010 of $28,444,750 have been recorded as lease receivables (see Note 5) and as deferred revenue which will be amortized over the remaining lease terms.

In the year 2000, the Tollway upgraded its communications network with the addition of a fiber optic system. Excess capacity on the fiber optic lines was leased to other organizations in order to offset the cost of the system. In 1999 and 2000, the Tollway entered into eight twenty-year fiber optic system lease agreements and at those times collected $26,086,389 in total upfront payments; the related revenue was deferred and has been and is being amortized over the lease terms. From 2002 through 2010 the Tollway entered into additional fiber optic leases in the total amount of $3,909,599. As before, monies were collected at the beginning of the lease. These leases are being accounted for in the same manner.

The total deferred revenue balance for the oasis system and fiber optic system was $72,390,238 at December 31, 2010, and accumulated amortization of deferred revenue was $28,452,184 as of December 31, 2010.

A summary of changes in deferred revenue for the year ended December 31, 2010, is as follows:

	Balance at January 1	Current Year Activity	Balance at December 31
Deferred Revenue			
Fiber Optics	$ 29,740,941	$ 255,047	$ 29,995,988
Accumulated Amortization	(13,019,385)	(1,483,299)	(14,502,684)
	16,721,556	(1,228,252)	15,493,304
Lease Receivable	42,394,250	-	42,394,250
Accumulated Amortization	(12,306,250)	(1,643,250)	(13,949,500)
	30,088,000	(1,643,250)	28,444,750
Totals			
Deferred Revenue	72,135,191	255,047	72,390,238
Accumulated Amortization	(25,325,635)	(3,126,549)	(28,452,184)
Net Deferred Revenue	$ 46,809,556	$ (2,871,502)	$ 43,938,054

NOTE 11 – RESTRICTED NET ASSETS

As of December 31, 2010, the Tollway reported the following restricted net assets:

Description		December 31, 2010
Revenue bond trust indenture agreement restrictions	$	222,629,329
Portion classified as Invested in Capital Assets net of Related Debt		49,910,000
Net assets restricted under Trust Indenture agreement restrictions		272,539,329
Assets restricted to paying pension benefit obligations		74,407
Total	$	272,613,736

NOTE 12 – CONTRIBUTIONS TO 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 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 (PERS) in which state employees participate, except those covered by the State Universities, Teachers, General Assembly and Judges' Retirement Systems. SERS issues a separate comprehensive annual financial report (CAFR). The financial position and results of operations for SERS for fiscal year 2010 are also included in the state's Comprehensive Annual Financial Report (CAFR) for the year ended June 30, 2010.

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' CAFR. 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' CAFR, write, call, or email:

State Employees Retirement System
2101 S. Veterans Parkway
Springfield, IL. 62794-9255
(217) 785-2340
sers@mail.state.il.us

NOTE 12 – CONTRIBUTIONS TO STATE EMPLOYEES' RETIREMENT SYSTEM (CONTINUED):

Funding Policy: The contribution requirements of SERS members and the State are established by State statute and may be amended by action of the General Assembly and the Governor. Tollway employees covered by SERS contribute between 4.0% and 8.5% of their annual covered payroll. The State contribution rates for the State's fiscal years ended June 30, 2011 and 2010 were determined according to the statutory schedule.

Tollway contribution rates to SERS for the Tollway's SERS covered employees for the State fiscal years ended June 30, 2011, 2010 and 2009 were 30.253 percent, (revised on January 1, 2011 to 27.988 percent retroactive to July 1, 2010) 28.377 percent and 21.049 percent, respectively. Tollway contributions for the calendar years ended December 31, 2010, 2009 and 2008 were $30,279,821, $33,618,063 and $20,215,178, respectively. The retroactive contribution rate adjustment will result in approximately a $1.2 million reduction of Tollway contributions.

In addition to contributions to this retirement plan, effective July 1, 1990, the Tollway adopted, under the provisions of the Tollway Act (605 ILCS 10/1 et. seq.), a non-contributory defined-benefit pension plan which covered employees who were members of SERS and who were not members of any collective bargaining unit. The plan was intended to meet the requirements of a tax-qualified plan under Section 401(a) of the Internal Revenue Code. The plan provided benefits based upon years of service and employee compensation levels. The Tollway's policy was to make contributions consistent with sound actuarial practice. Annual cost was determined using the projected unit credit actuarial method. The Tollway suspended the plan's benefits as of September 15, 1994, and terminated the plan effective December 31, 1994. As of December 31, 2010 the net assets available for these benefits were $323,206, (valued at the lesser of market value or actuarial value) and the pension benefit obligation was recorded as $252,496. As of December 31, 2010, 7 beneficiaries remained in the plan.

Other Post Employment Benefits (OPEB): Under provisions of SERS, the State of Illinois provides certain health, dental, and life insurance benefits to annuitants who are former Tollway employees. Substantially all Tollway employees may become eligible for post-employment benefits if they eventually become annuitants. Currently, 862 retirees meet the eligibility requirements. Life insurance benefits are limited to $5,000 per annuitant age 60 or older. For the year ended December 31, 2010 the Tollway contributed $4,317,857 towards the state's current cost of benefits.

The actuarially determined annual OPEB cost for providing these benefits and the related OPEB obligations are recorded in the financial statements of the state agencies responsible for paying these benefits. The Department of Healthcare and Family Services (HFS) administers the Health Insurance Reserve Fund (for payment of health benefits), and the Department of Central Management Services (CMS) administers the Group Life Insurance Funds (for payment of life insurance benefits).

A summary of OPEB benefit provisions, changes in benefit provisions, and the authority under which benefit provisions are established are included as an integral part of the state's CAFR. Also included therein is a discussion of employer and employee obligations to contribute and the authority under which those obligations are established.

NOTE 13 – RISK MANAGEMENT

The Tollway has self-insured risk retention programs for workers' compensation claims. The Tollway's exposure under this program is limited to self-insured retentions per workers' compensation incident. In accordance with GASB Statement No. 10, claims liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. The estimated liabilities for asserted workers' compensation claims of $14,565,704 and both asserted and unasserted employee health claims of $500,000 are included in the accompanying financial statements. Amounts are reported as current because the Tollway generally pays the self-insured retention portion in the subsequent fiscal year.

Year	Estimated Claims Payable January 1	Current Claims	Claims Payments	Estimated Claims Payable December 31
2010	$ 16,022,848	$ 6,064,517	$ 7,021,661	$ 15,065,704
2009	10,878,028	11,946,415	6,801,595	16,022,848

Additionally, the Tollway purchases commercial insurance policies for general liability insurance and vehicle liability insurance which have a level of retention of $250,000 per occurrence. 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.

NOTE 14 – COMPENSATED ABSENCES

The liability reported in the Statement of Net Assets represents the vacation 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.

Amounts accrued as compensated absences payable at December 31, 2010 are as follows:

Balance at January 1	Accrued	Used	Balance at December 31	Due Within One Year
$ 7,545,815	$ 5,656,604	$ 3,519,453	$ 9,682,966	$ 4,550,994

NOTE 15 – PLEDGES OF FUTURE REVENUES

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

Bond Issue	Purpose	Future Pledged Revenues	Term of Commitment
1992 Series A Priority Revenue Bonds	Fund Construction for Tri-State Tollway Widening Project	$ 107,103,758	2012
1998 Series A Priority Refunding Revenue Bonds (Fixed Rate)	Refund Outstanding Bonds	231,580,238	2016
1998 Series B Priority Refunding Revenue Bonds (Variable Rate)	Refund Outstanding Bonds	155,375,313	2017
2005 Series A Senior Priority Revenue Bonds	Fund Congestion Relief Program	1,115,239,910	2023
2006 Series A-1 Senior Priority Revenue Bonds	Fund Congestion Relief Program	468,863,500	2025
2007 Series A-1 & A-2 Variable Rate Senior Priority Revenue Bonds	Fund Congestion Relief Program	1,188,830,785	2030
2008 Series A-1 & A-2 Variable Rate Senior Refunding Revenue Bonds	Refund Outstanding Bonds	781,077,856	2031
2008 Series B Senior Priority Revenue Bonds	Fund Congestion Relief Program	773,757,675	2033
2009 Series A Senior Priority Revenue Bonds (Build America Bonds - Direct Payment)	Fund Congestion Relief Program	1,125,458,911	2034
2009 Series B Senior Priority Revenue Bonds (Build America Bonds - Direct Payment)	Fund Congestion Relief Program	673,187,200	2034
2010 Series A-1 Senior Priority Refunding Revenue Bonds	Refund Outstanding Bonds	519,478,828	2031
		$ 7,139,953,974	

NOTE 15 – PLEDGES OF FUTURE REVENUES (CONTINUED)

Proceeds from the bonds identified above provided financing for the construction and/or improvement of the various toll highway systems in Illinois. Annual principal and interest payments on the bonds are expected to require approximately 60% of the pledged net revenues.

The total principal and interest remaining to be paid on the bonds is approximately $7.1 billion. Principal and interest paid in the current year and total pledged net revenues were $199.3 million and $421.9 million, respectively. Annual principal and interest payments for synthetic fixed rate bonds (1998 Series B, 2007 Series A and 2008 Series A) are estimated at the fixed rates of the related swap agreements.

NOTE 16 – COMMITMENTS

At December 31, 2010, there remain open contracts in the original amount of approximately $211 million, of which $109 million is unused for projects under the Tollway’s construction accounts. During 2010, approximately $294 million were paid on these and other such contracts. The Tollway plans to fund the remaining payments under these contracts through revenues and accumulated cash.

NOTE 17 – PENDING LITIGATION

There are lawsuits pending against the Tollway claiming, among other things, damages for wrongful discharge, personal injuries and from the operation of the Tollway's evasion recovery system and disadvantaged business enterprise program. Workers’ compensation lawsuits are also pending. The Tollway's exposure is limited to the self-insured retention of $250,000 per general liability incident.

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

NOTE 18 – CONTINGENT LIABILITIES

A contingent liability is defined as a liability that is not sufficiently predictable to permit recording in the accounts but in which there is a reasonable possibility of an outcome which might affect financial position or results of operations. It is the opinion of management that the Tollway has no contingent liabilities as of December 31, 2010.

NOTE 19 – NEW GOVERNMENTAL ACCOUNTING STANDARDS

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

Statement No. 59 - *Financial Instruments Omnibus*. The objective of this Statement is to update and improve existing standards regarding financial reporting and disclosure requirements of certain financial instruments and external investment pools. The Tollway is required to implement the provisions of this Statement for the year ending December 31, 2011.

NOTE 19 – NEW GOVERNMENTAL ACCOUNTING STANDARDS (CONTINUED)

Statement No. 60 - *Accounting and Financial Reporting for Service Concession Arrangements.* The objective of this Statement is to improve financial reporting by addressing issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. As used in this Statement, an SCA is an arrangement between a transferor (a government) and an operator (governmental or nongovernmental entity) in which (1) the transferor conveys to an operator the right and related obligation to provide services through the use of infrastructure or another public asset (a "facility") in exchange for significant consideration and (2) the operator collects and is compensated by fees from third parties. The Tollway is required to implement the provisions of this Statement for the year ending December 31, 2012.

Statement No. 61 - *The Financial Reporting Entity: Omnibus—an amendment of GASB Statements No. 14 and No. 34.* This Statement modifies certain requirements for inclusion of component units in the financial reporting entity. This Statement also amends the criteria for reporting component units as if they were part of the primary government (that is, blending) in certain circumstances. This Statement also clarifies the reporting of equity interests in legally separate organizations. The Tollway is required to implement the provisions of this Statement for the year ending December 31, 2013.

Statement No. 62 – *Codification of Accounting and Financial Reporting Guidance contained in pre-November 1989 FASB and AICPA Pronouncements*, was established to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in certain FASB and AICPA pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements. The Tollway is required to implement the provisions of this Statement for the year ending December 31, 2012.

Management has not yet determined what impact these Statements will have on the financial position and results of operations of the Tollway.

NOTE 20 – RELATED PARTIES

The Tollway has entered into various intergovernmental agreements with the State of Illinois, through the Illinois Department of Transportation (IDOT). Intergovernmental receivables of approximately $132 million are recorded at December 31, representing construction projects performed by the Tollway that pertain to the infrastructure owned by IDOT. Accrued liabilities totaling approximately $60 million are recorded for amounts owed to IDOT for construction projects IDOT is performing for infrastructure assets owned by the Tollway.

NOTE 21 – SUBSEQUENT EVENTS

Liquidity Providers

As of December 31, 2010, liquidity support for the Tollway's $700,000,000 2007 Series A Bonds, consisting of $350,000,000 2007 Series A-1 Bonds and $350,000,000 2007 Series A-2 Bonds, was provided by a Standby Bond Purchase Agreement from Dexia Credit Local, New York Branch, as described in NOTE 8 – REVENUE BONDS PAYABLE. On March 18, 2011, the effective expiration date of the Standby Bond Purchase Agreement provided by Dexia Credit Local, New York Branch, the 2007 Series A Bonds were mandatorily tendered and, on the same day, subsequently remarketed as six separate sub-series, each sub-series secured by a letter of credit that qualified as a Substitute Liquidity Facility under the Supplemental Indenture for the 2007 Series A Bonds. The following provides pertinent information regarding the sub-series and letters of credit.

(Bond amounts are presented in millions of dollars)

	$175 2007 Series A-1a	$175 2007 Series A-1b	$100 2007 Series A-2a	$107.5 2007 Series A-2b	$55 2007 Series A-2c	$87.5 2007 Series A-2d
Bond Maturity Date:	July 1, 2030	July 1, 2030	July 1, 2030	July 1, 2030	July 1, 2030	July 1, 2030
Bank Providing Letter of Credit:	Citibank, N.A.	PNC Bank, National Association	The Bank of Tokyo-Mitsubishi UFJ, Ltd., acting through its NY Branch	Harris N.A.	The Northern Trust Company	Wells Fargo Bank, National Association
Stated Expiration Date of Letter of Credit:	January 31, 2014	March 18, 2014	March 17, 2014	March 18, 2014	March 18, 2014	March 18, 2013
Short Term Bond Rating on March 18, 2011 Moody's/S&P/Fitch:	VMIG 1/A-1/F1+	VMIG 1/A-1/F1	VMIG 1/A-1/F1	VMIG 1/A-1/F1+	VMIG 1/A-1+/F1+	VMIG 1/A-1+/F1+
Long Term Bond Rating on March 18, 2011 Moody's/S&P/Fitch:	Aa1/AAA/AA+	Aa1/AAA/AA+	Aa1/AAA/AA+	Aa1/AAA/AA+	Aa1/AAA/AA+	Aa1/AAA/AA+

NOTE 21 – SUBSEQUENT EVENTS (CONTINUED)

As of December 31, 2010, liquidity support for the Tollway's $478,900,000 2008 Series A Bonds, consisting of $383,100,000 2008 Series A-1 Bonds and $95,800,000 2008 Series A-2 Bonds, was provided by a Standby Bond Purchase Agreement from Dexia Credit Local, New York Branch, as described in NOTE 8 – REVENUE BONDS PAYABLE. On February 7, 2011, the expiration date of the Standby Bond Purchase Agreement provided by Dexia Credit Local, New York Branch, the 2008 Series A Bonds were mandatorily tendered and, on the same day, subsequently remarketed as three separate sub-series, each sub-series liquidity supported by a standby bond purchase agreement that qualified as a Substitute Liquidity Facility under the Supplemental Indenture for the 2008 Series A Bonds. The following provides pertinent information regarding the sub-series and standby bond purchase agreements.

Liquidity Providers (continued) (Bond amounts presented in millions of dollars)

	$191.5 2007 Series A-1a	$191.6 2007 Series A-1b	$95.8 2008 Series A-2a
Bond Maturity Date:	January 1, 2031	January 1, 2031	January 1, 2031
Bank Providing Letter of Credit:	JPMorgan Chase Bank, National Association	PNC Bank, National Association	The Bank of Tokyo-Mitsubishi UFJ, Ltd., acting through its NY Branch
Stated Expiration Date of Standby Bond Purchase Agreement:	February 7, 2013	February 7, 2014	February 7, 2013
Short Term Bond Rating on February 7, 2011 Moody's/S&P:	VMIG 1/A-1+	VMIG 1/A-1	VMIG 1/A-1+
Long Term Bond Rating on February 7, 2011 Moody's/S&P:	Aa3/AA+	Aa3/AA+	Aa3/AA+

Oases Lease Assignment

Effective March 24, 2011, ExxonMobil assigned its interest in the fuel lease described in Note 5 to 7-Eleven, Inc.

SUPPLEMENTARY INFORMATION

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, 2010

	Revenue Fund	Construction Fund	Total
INCREASES			
Toll Revenue	$ 628,753,508	$ -	$ 628,753,508
Toll Evasion Recovery	34,923,828	-	34,923,828
Concessions	2,387,581	-	2,387,581
Interest	1,749,901	-	1,749,901
Miscellaneous	4,945,078	-	4,945,078
Total Increases	672,759,896	-	672,759,896
DECREASES			
Engineering and Maintenance of Roadway and Structures	45,626,619	-	45,626,619
Services and Toll Collection	88,580,169	-	88,580,169
Traffic Control, Safety Patrol, and Radio Communications	22,810,685	-	22,810,685
Procurement, IT, Finance and Administration	22,164,903	-	22,164,903
Insurance and Employee Benefits	71,674,242	-	71,674,242
Construction	223,680,549	-	223,680,549
Bond Principal Payments	1,065,000	-	1,065,000
Build America Bond Subsidy	(16,132,636)	-	(16,132,636)
Bond Interest and Other Financing Costs	210,415,718	-	210,415,718
Total Decreases	669,885,249	-	669,885,249
NET INCREASES	2,874,647	-	2,874,647
OTHER CHANGES IN FUND BALANCES			
Unrealized Gain/Loss on Investments-IPASS	279,500	-	279,500
Amortization of Other Financing Costs	(2,597,612)	-	(2,597,612)
	(2,318,112)	-	(2,597,612)
CHANGE IN FUND BALANCE	556,535	-	556,535
FUND BALANCE, JANUARY 1	645,712,980	-	645,712,980
FUND BALANCE, DECEMBER 31	$ 646,269,515	$ -	$ 646,269,515

The Balance Sheet is presented on a full accrual basis in the Basic Financial Statements.

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, 2010

	Revenue Fund and Accounts							
		Maintenance and Operations						
	Revenue Account	Operating Sub Account	Operating Reserve Sub Account	Debt Service	Debt Service Reserve	Renewal and Replacement	Improvement	Total
INCREASES								
Toll Revenue	$ 628,753,508	$ -	$ -	$ -	$ -	$ -	$ -	$ 628,753,508
Toll Evasion Recovery	34,923,828	-	-	-	-	-	-	34,923,828
Concessions	2,387,581	-	-	-	-	-	-	2,387,581
Interest	514,224	-	-	34,306	65,286	581,175	554,910	1,749,901
Miscellaneous	4,945,078	-	-	-	-	-	-	4,945,078
Intrafund Transfers	(683,812,282)	253,312,115	-	224,984,855	-	205,515,312	-	-
Total Increases	(12,288,063)	253,312,115	-	225,019,161	65,286	206,096,487	554,910	672,759,896
DECREASES								
Engineering and Maintenance of Roadway and Structures	-	45,626,619	-	-	-	-	-	45,626,619
Services and Toll Collection	-	88,580,169	-	-	-	-	-	88,580,169
Traffic Control, Safety Patrol, and Radio Communications	-	22,810,685	-	-	-	-	-	22,810,685
Procurement, IT, Finance and Administration	-	22,164,903	-	-	-	-	-	22,164,903
Insurance and Employee Benefits	-	71,674,242	-	-	-	-	-	71,674,242
Construction Expenses	-	-	-	-	-	168,214,616	55,465,933	223,680,549
Bond Principal Payments	-	-	-	1,065,000	-	-	-	1,065,000
Build America Bond Subsidy	-	-	-	(16,132,636)	-	-	-	(16,132,636)
Interest and Other Financing Costs	-	-	-	210,208,821	206,897	-	-	210,415,718
Total Decreases	-	250,856,618	-	195,141,185	206,897	168,214,616	55,465,933	669,885,249

(Continued)

ILLINOIS STATE TOLL HIGHWAY AUTHORITY
(A Component Unit of the State of Illinois)
SCHEDULE OF CHANGES IN FUND BALANCE - REVENUE FUND - BY ACCOUNT (CONTINUED)
TRUST INDENTURE BASIS OF ACCOUNTING (NON GAAP)
FOR THE YEAR ENDED DECEMBER 31, 2010

	Revenue Fund and Accounts							
		Maintenance and Operations						
	Revenue Account	Operating Sub Account	Operating Reserve Sub Account	Debt Service	Debt Service Reserve	Renewal and Replacement	Improvement	Total
NET INCREASE (DECREASE)	$ (12,288,063)	$ 2,455,497	$ -	$ 29,877,976	$ (141,611)	$ 37,881,871	$ (54,911,023)	$ 2,874,647
Unrealized Gain/Loss on Investments	279,500	-	-	-	-	-	-	279,500
Transfer of Funds for Swap Termination	-	-	-	30,000,000	-	-	(30,000,000)	-
Reclass fund balance per reconciliation	(4,163,222)	-	-	4,163,222	-	-	-	-
Amortization of Other Financing Costs	-	-	-	-	(2,597,612)	-	-	(2,597,612)
CHANGE IN FUND BALANCE	(16,171,785)	2,455,497	-	64,041,198	(2,739,223)	37,881,871	(84,911,023)	556,535
FUND BALANCE, JANUARY 1	39,293,902	4,994,082	17,000,000	25,894,932	210,218,796	138,216,995	210,094,273	645,712,980
FUND BALANCE, DECEMBER 31	$ 23,122,117	$ 7,449,579	$ 17,000,000	$ 89,936,130	$ 207,479,573	$ 176,098,866	$ 125,183,250	$ 646,269,515

See GAAP financial statements for balance sheet information.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The 1999 Amended and Restated Trust Indenture (the Trust Indenture) requires the Tollway to provide separate funds for construction (Construction Fund) and for operations (Revenue Fund), which funds are not 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 custodian account. This account is part of the Maintenance and Operation Account within the Revenue Fund.

Prior to fiscal year 2005, the Tollway issued separate financial statements, prepared on the basis of accounting described below, in order to demonstrate compliance with the requirements of the Trust Indenture (Trust Indenture 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 requirements of the Trust Indenture. As a result, separate Trust Indenture 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 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 Statements included "Infrastructure and Long-term Debt of Accounts", which was optional reporting allowed under the Trust Indenture.

<u>Basis of Accounting</u>

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.
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. Bond issuance costs are expensed as incurred.
8. Capital lease obligations are not recorded. Payments under capital leases are expensed in the period payments are made.
9. Interest related to construction in progress is not capitalized.
10. Recoveries of expenses are classified as decreases in operating expenses.
11. Construction expenses incurred under intergovernmental agreements are decreased by payments received under these intergovernmental agreements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 thirty percent of the amount annually budgeted for operating expenses.
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 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 percent 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 $25 million fund balance in this account and has subsequently authorized a fund balance of $17 million.

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 Service 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

NOTE 2 – MISCELLANEOUS

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

Components of Bond Interest and Other Financing Costs - 2010

	Debt Service	Debt Reserve	Total
Amortization of Bond Premium (Discounts) insurance and remarketing fees	$ 1,636,191	$ 206,897	$ 1,843,088
Bond Interest Expense	198,198,124	-	198,198,124
Loss on Defeasement of Bonds	42,977	-	42,977
Swap Termination Fees	10,331,529	-	10,331,529
	$ 210,208,821	$ 206,897	$ 210,415,718

Other Information:

- In November 2008 the Tollway purchased a $100 million surety bond. This premium is being amortized over the life of the bonds (25 years). The amortization is shown in the debt reserve column above.
- During 2010 the Tollway Board of Directors authorized $30 million to be transferred from the Improvement fund to the Debt Service fund for swap termination payments only. $10.3 million of these funds were used to terminate swaps associated with the 2008 A-2 bond series. The remaining balance cannot be used to meet debt service obligations.
- $18.3 million of the Intrafund transfers represents amounts collected after the last transfer date of the year and applied to the credit of the renewal and replacement fund.
- Insurance and Employee Benefits includes expense for retirement, workers compensation, the employer portion of FICA, and medical insurance.

ILLINOIS STATE TOLL HGHWAY AUTHORITY
(A Component Unit of the State of Illinois)

SCHEDULE OF TOLL REVENUE BY CLASS OF VEHICLES AND OTHER REVENUE SOURCES (UNAUDITED) FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

	2010		2009	
	Average Daily Transactions*	**Revenue**	**Average Daily Transactions***	**Revenue**
Class of Vehicle				
1. Auto, motorcycle, taxi, station wagon, ambulance, single-unit truck or tractor: 2 axles, 4 tires	2,002,183	$ 348,945,033	1,903,663	$ 334,519,451
2. Single-unit truck or tractor, buses: 2 axles, 6 tires	35,278	17,786,825	34,542	17,144,543
3. Trucks and buses with 3 & 4 axles	35,616	27,857,247	34,157	26,464,126
4. Trucks with 5 or more axles, other vehicles and toll adjustments	165,505	234,164,403	151,892	213,935,409
TOTAL	2,238,582	628,753,508	2,124,254	592,063,529
Other Revenues				
Concessions		2,387,581		2,338,841
Toll Evasion Recovery		34,923,828		54,828,660
Interest - Revenue Fund		1,749,901		3,199,960
Miscellaneous		4,945,078		5,620,819
TOTAL		$ 672,759,896		$ 658,051,809

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

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

SCHEDULE OF CAPITAL ASSETS BY SOURCE (1)
DECEMBER 31, 2010

		2010
Capital Assets (at original cost):		
Land and Improvements	$	313,258,059
Buildings		47,126,097
Infrastructure		6,671,712,756
Vehicles		41,890,084
Office Equipment		31,035,451
Information Systems		128,887,564
Construction in Progress		74,417,230
Total Capital Assets	$	7,308,327,241
Capital Assets Provided From:		
Bond Proceeds net of related Interest Income	$	5,552,273,927
Revenues		1,756,053,314
Total Sources of Capital Assets	$	7,308,327,241

(1) Prepared in accordance with the Trust Indenture (non-GAAP).
Infrastructure assets do not include capitalized interest totaling $131,427,711.

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

SCHEDULE OF CHANGES IN CAPITAL ASSETS (1)
FOR THE YEAR ENDED DECEMBER 31, 2010

	Balance January 1, 2010	Additions	Deletions [2]	Balance December 31, 2010
Land and Improvements	$ 304,331,535	$ 8,927,274	$ (750)	$ 313,258,059
Buildings	46,593,501	532,596	-	47,126,097
Infrastructure	7,841,985,964	351,457,655	(1,521,730,863)	6,671,712,756
Vehicles	41,770,509	6,029,031	(5,909,456)	41,890,084
Office Equipment	31,035,451	-	-	31,035,451
Information Systems	128,887,564	-	-	128,887,564
Construction in Progress	232,930,401	144,083,010	(302,596,181)	74,417,230
TOTAL CAPITAL ASSETS	$ 8,627,534,925	$ 511,029,566	$ (1,830,237,250)	$ 7,308,327,241

(1) Prepared in accordance with the Trust Indenture (non-GAAP). Infrastructure assets do not include capitalized interest totaling $131,427,711.

(2) Infrastructure deletions above represent assets that are fully depreciated on a GAAP basis.

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

REHABILITATION REPAIR AND REPLACEMENT PROGRAM (UNAUDITED)
FOR THE YEARS ENDED DECEMBER 31, 1996 THROUGH 2010

Year	Total Funds Credited (1)
1996	$ 71,480,356
1997	31,632,184
1998	30,493,591
1999	59,505,292
2000	87,517,692
2001	91,073,256
2002	121,375,438
2003	157,366,445
2004	157,375,682
2005	204,609,580
2006	186,545,035
2007	198,331,687
2008	1,907,175
2009	161,463,238
2010	206,096,487

(1) - Includes earnings on the Renewal and Replacement Account

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
TRUST INDENTURE BASIS
FOR THE YEARS ENDED DECEMBER 31, 2005 THROUGH DECEMBER 31, 2010
(Amounts in Thousands)

	2010	2009 (4)	2008	2007	2006	2005
Operating Revenue:						
Toll Revenue	$ 628,754	$ 592,063	$ 583,647	$ 572,093	$ 567,500	$ 580,442
Toll Evasion Recovery	34,924	54,829	77,654	10,080	195	13,257
Concession & Other Revenue	7,332	7,960	6,832	5,775	5,900	8,014
Interest Income (1)	1,750	3,200	22,980	49,846	33,359	11,321
Total Operating Revenue	$ 672,760	$ 658,052	$ 691,113	$ 637,794	$ 606,954	$ 613,034
Maintenance and Operating Expenses:						
Engineering and Maintenance	$ 45,627	$ 47,895	$ 43,899	$ 44,834	$ 35,559	$ 31,644
Toll Services	88,580	91,541	100,464	79,538	85,887	86,089
Police, Safety and Communication	22,811	22,650	21,895	21,247	19,145	18,034
Procurement, IT, Finance and Administration	22,165	20,605	18,382	24,262	23,279	27,698
Insurance and Employee Benefits	71,674	72,494	59,635	52,414	49,640	42,110
Total Expenses	250,857	255,185	244,275	222,295	213,510	205,575
Net Operating Revenues	$ 421,903	$ 402,867	$ 446,838	$ 415,499	$ 393,444	$ 407,459
Total Debt Service (2) (3)	$ 248,108	$ 173,319	$ 198,429	$ 172,284	$ 145,633	$ 99,366
Net Revenues After Debt Service (2)	$ 173,795	$ 229,548	$ 248,409	$ 243,215	$ 247,811	$ 308,093
Debt Service Coverage (2)	1.70	2.32	2.25	2.41	2.70	4.10

(1) - Excludes interest income on construction funds.
(2) - Includes annual synthetic fixed interest rates as determined under swap agreements for 1993 Series B, 1998 Series B, 2007 Series A and 2008 Series A. See Note 8 for specifics.
(3) - In January 2009 the Tollway early retired the 1993B bonds ($44.4 million of principal) from existing funds. The amount is not shown as part of the Total Debt Service above.
(4) - 2009 balances have been corrected to include the $1,065 principal on the 1998A bonds.

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

ANNUAL TOLL TRANSACTIONS
PASSENGER AND COMMERCIAL VEHICLES (UNAUDITED)

FOR SELECTED YEARS FROM 1959 TO 2010
(Transactions in thousands)

Year	Passenger	Commercial	Total	% Passenger
1959	37,884	5,050	42,937	88.23%
1964	72,721	7,005	79,726	91.21%
1969	146,476	14,488	160,964	91.00%
1974	204,360	28,446	232,806	87.78%
1979	268,051	42,606	310,657	86.29%
1984	308,104	42,890	350,994	87.78%
1989	428,745	57,193	485,938	88.23%
1994	565,601	66,693	632,294	89.45%
1999	648,269	71,835	720,104	90.02%
2000	664,002	72,308	736,310	90.18%
2001	687,856	76,429	764,285	90.00%
2002	715,073	77,763	792,836	90.19%
2003	693,507	108,096	801,603	86.52%
2004	714,120	109,025	823,145	86.76%
2005	695,378	85,068	780,446	89.10%
2006	678,535	85,590	764,125	88.80%
2007	696,055	92,237	788,292	88.30%
2008	688,516	89,366	777,882	88.51%
2009	694,837	80,516	775,353	89.62%
2010	730,797	86,286	817,083	89.44%

1959 was the first full year of toll operations for the Illinois State Toll Highway Authority.

In 2003 with a change to the toll collection system, vehicles were classified by a combination of axle count and actual toll paid. In 2003 and 2004 commercial vehicle counts were inflated by the system due to passenger vehicle overpayments at ramp plazas.

In 2006 the Tollway converted from bidirectional to one-way tolling at the Belvidere and Marengo Mainline Toll Plazas in conjunction with a doubling of the fares at these plazas. Due to this reconfiguration total transactions were reduced by 14.6 million in 2006 with no localized revenue impact.

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

ANNUAL TOLL REVENUES
PASSENGER AND COMMERCIAL VEHICLES (UNAUDITED)

FOR SELECTED YEARS FROM 1959 TO 2010
(Transactions in thousands)

Year	Passenger	Commercial	Total	% Passenger
1959	$ 11,943	$ 2,593	$ 14,536	82.16%
1964	26,284	4,888	31,172	84.32%
1969	46,872	8,803	55,675	84.19%
1974	55,419	14,891	70,310	78.82%
1979	73,048	24,068	97,116	75.22%
1984	114,233	43,094	157,327	72.61%
1989	155,394	57,387	212,781	73.03%
1994	215,221	66,922	282,143	76.28%
1999	259,448	73,178	332,626	78.00%
2000	268,277	75,668	343,945	78.00%
2001	276,724	78,050	354,774	78.00%
2002	276,763	86,472	363,235	76.19%
2003	275,751	101,703	377,454	73.06%
2004	287,218	104,368	391,586	73.35%
2005	341,352	239,090	580,442	58.81%
2006	324,556	242,943	567,499	57.19%
2007	321,008	251,085	572,093	56.11%
2008	335,653	247,994	583,647	57.51%
2009	334,520	257,543	592,063	56.50%
2010	348,946	279,808	628,754	55.50%

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

OPERATING REVENUES, MAINTENANCE AND OPERATING EXPENSES AND NET OPERATING REVENUES [1] (UNAUDITED)

FOR SELECT YEARS FROM 1964 TO 2010
(Dollars in thousands)

Year	Operating Revenue	Maintenance and Operating Expenses	Net Operating Revenues
1964	$ 32,135	$ 6,832	$ 25,303
1969	57,395	13,015	44,380
1974	72,737	23,715	49,022
1979	100,436	39,733	60,703
1984	162,108	56,639	105,469
1989	254,734	85,065	169,669
1994	309,949	116,996	192,953
1995	341,636	121,103	220,533
1996	343,743	127,704	216,039
1997	352,176	131,437	220,739
1998	362,726	134,334	228,392
1999	366,092	146,881	219,211
2000	398,215	150,372	247,843
2001	389,827	160,565	229,262
2002	381,329	166,009	215,320
2003	430,804	187,300	243,504
2004	423,427	198,302	225,125
2005	613,034	205,575	407,459
2006	606,954	213,510	393,444
2007	637,794	222,295	415,499
2008	691,113	244,275	446,838
2009	658,052	255,185	402,867
2010	672,760	250,857	421,903

(1) Determined according to the Series 1955 Bond Resolution through December 26, 1985, and in accordance with the Indenture subsequent to December 16, 1985.

SUPPLEMENTARY INFORMATION FOR STATE COMPLIANCE PURPOSES

Summary

Supplementary Information for State Compliance Purposes presented in this section of the report includes the following:

Fiscal Schedules and Analysis:

Schedule of Cash and Cash Equivalents Balances
Schedule of Investment Depositories
Schedule of Commodities Inventory
Schedule of Accounts Receivable
Schedule of Changes in Capital Assets
Explanation of Significant Variations in Asset Accounts
Explanation of Significant Variations in Liability Accounts
Explanation of Significant Variations in Revenues and Expenses

Analysis of Operations

Tollway Functions and Planning Program
Average Number of Employees by Function (Unaudited)
Emergency Purchases
Service Efforts and Accomplishments (Unaudited)

The accountants' report that covers the Supplementary Information for State Compliance Purposes presented in the Compliance Report Section states that it has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in the accountants' opinion, except for that portion marked "unaudited," on which they express no opinion, it is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

ILLINOIS STATE TOLL HIGHWAY AUTHORITY

(A Component Unit of the State of Illinois)

SCHEDULE OF CASH AND CASH EQUIVALENTS BALANCES

DECEMBER 31, 2010 (with summary totals for 2009)

	Carrying Amount	Financial Institution Balances
Cash (Unrestricted):		
Currency and Coin on Hand		
Change funds at toll plazas and Administrative Building	$ 446,900	$ -
Petty Cash	1,350	-
Cash in Banks		
Bank of America - New Segments Account	28,714	-
Bank of America - Revolving Accounts	(1,979)	621
Bank of America - Treasurer Accounts *	(1,378,868)	15,546
Wells Fargo - Checking	17,148	17,148
Cash Equivalents (Unrestricted):		
Certificates of Deposits - Treasurer Accounts *	2,030,000	2,030,000
Bank of New York - Money Market Account	19,426,136	19,426,136
Bank of America - Repurchase Agreements - Treasurer Accounts*	3,566,665	3,566,665
Bank of America - Repurchase Agreements - New Segments Account	4,780,113	4,780,113
Bank of America - Repurchase Agreements - Revolving Accounts	7,127,672	7,127,672
Bank of America - Repurchase Agreements - Risk Management	16,381,926	16,381,926
Wells Fargo - Repurchase Agreements - Treasurer Accounts *	358,752,491	358,750,000
Total cash and cash equivalents (Unrestricted)	411,178,268	412,095,827
Cash (Restricted):		
Bank of America - Restricted for I-PASS Accounts	838,948	39,305
Cash Equivalents (Restricted):		
Restricted for Debt Service		
Money Market Accounts:		
Priority Debt Reserve	202,857,874	202,857,875
Priority Debt Service	137,635,867	137,635,866
Debt Service	13,972,177	13,972,177
Provider Payment	3,930,904	3,930,904
Total Restricted for Debt Service	358,396,822	358,396,822
Northern Trust - Pension Benefit Asset	323,206	323,206
Illinois Funds - Restricted for I-PASS Accounts	113,141,835	113,141,835
Total cash and cash equivalents (Restricted)	472,700,811	471,901,168
Total Cash and Cash Equivalents at December 31, 2010	$ 883,879,079	$ 883,996,995
Total Cash and Cash Equivalents at December 31, 2009	$ 962,639,574	$ 974,614,484

* Not locally held, account administered by the Illinois State Treasurer.

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

SCHEDULE OF INVESTMENT DEPOSITORIES
DECEMBER 31, 2010 (with summary totals for 2009)

	Year End Interest Rates	Carrying Amount (Fair Value)
Locally Held at		
US Bank		
US Agency issues:		
Restricted for I-PASS (FHLMC)	2.15%	$ 10,138,600
Restricted for I-PASS (FHLMC)	3.00%	5,038,500
Restricted for I-PASS (FHLB)	1.00%	9,971,100
Wells Fargo		
US Agency issues:		
Debt Reserve (FHLB)	1.00%	4,968,500
Debt Reserve (FHLMC)	3.00%	5,038,500
Debt Reserve (FHLMC)	2.15%	10,138,600
Debt Reserve (FNMA)	1.50%	5,005,350
Total Investments at December 31, 2010		$ 50,299,150
Total Investments at December 31, 2009		$ 2,511,725

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

SCHEDULE OF COMMODITIES INVENTORY
DECEMBER 31, 2010 AND 2009

Location	2010	2009
Central Warehouse	$ 889,267	$ 1,047,186
Maintenance Buildings	8,557,507	7,844,302
Electrical Shops	399,690	391,488
Central Sign Shop	868,557	1,137,257
Carpenter Shop	453,195	548,072
Central Garage	329,754	327,413
Pool Car Garage	29,776	17,624
Total Commodities Inventory at December 31	$ 11,527,746	$ 11,313,342

Note: Balances represent commodities inventories on hand as of year end. For financial reporting purposes, these amounts are expensed when the associated liability is incurred and inventories are not recorded as assets on the Statement of Net Assets.

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

SCHEDULE OF ACCOUNTS RECEIVABLE
DECEMBER 31, 2010 AND 2009

	AGING				Allowance for	
	0-180 Days	180-365 Days	Over One Year	Gross Total	Doubtful Accounts	Net Receivables
Tolls	$ 1,859,519	$ 30,287	$ 320,254	$ 2,210,060	$ (443,227)	$ 1,766,833
Toll Evasion Recovery - Tolls & Initial Fines	108,841,020	75,479,555	105,942,603	290,263,178	(269,676,839)	20,586,339
Oases Receivable	71,741	-	-	71,741	-	71,741
Damage Claims/Emergency Services	23,956	13,904	450,248	488,108	(428,272)	59,836
Insufficient I-Pass	280,396	313,529	1,408,905	2,002,830	(1,408,905)	593,925
Over dimension Vehicle Permits	22,450	2,125	18,230	42,805	-	42,805
Fiber Optic Agreements	246,977	-	-	246,977	-	246,977
Workers' Compensation	4,752	-	-	4,752	-	4,752
Other	1,494,193	10,000	725,825	2,230,018	(1,734,110)	495,908
Subtotal - Accounts Receivable	112,845,004	75,849,400	108,866,065	297,560,469	(273,691,353)	23,869,116
E-Z Pass Agency Group (IAG Agencies)	8,711,133	-	-	8,711,133	-	8,711,133
Illinois Department of Transportation	-	-	84,262,574	84,262,574	-	84,262,574
Other Governments	-	-	9,726,515	9,726,515	(642,267)	9,084,248
Subtotal - Government Agency Receivables	8,711,133	-	93,989,089	102,700,222	(642,267)	102,057,955
I-355 Intergovernmental Agreement Contributions	-	-	4,285,720	4,285,720	-	4,285,720
Illinois Department of Transportation	-	-	48,232,684	48,232,684	-	48,232,684
Other Intergovernmental Agreements	-	-	5,567,383	5,567,383	-	5,567,383
Subtotal - Long Term Receivables	-	-	58,085,787	58,085,787	-	58,085,787
Total Receivables at December 31, 2010	$ 121,556,137	$ 75,849,400	$ 260,940,941	$ 458,346,478	$ (274,333,620)	$ 184,012,858
Total Receivables at December 31, 2009	$ 155,976,840	$ 136,896,824	$ 158,216,390	$ 451,090,054	$ (259,265,843)	$ 191,824,211

* In addition Toll Evasion Recovery Escalated fines are booked as a receivable and are fully reserved as to collectibility. They are not included in the above Schedule of Accounts Receivable.

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

SCHEDULE OF CHANGES IN CAPITAL ASSETS
YEAR ENDED DECEMBER 31, 2010

Acct #	Fixed Assets by Type	Balance January 1	Additions and Transfers In	Deletions and Transfers Out	Balance December 31
8000	Other Equipment	$ 5,744	$ 6,944	$ -	$ 12,688
8100	Office Furn. and Fixtures	10,459,946	-	(54,803)	10,405,143
8200	Data Proc. Equipment	83,716,069	154,565	(2,499,380)	81,371,254
8300	Cash Handling	137,214	-	-	137,214
8350	Telecommunication	2,494,074	-	(694,747)	1,799,327
8400	Toll Collection	10,484,724	-	-	10,484,724
8500	Garage and Shop	1,180,536	378,426	(10,892)	1,548,070
8520	Bldg. and Bldg. Maintenance	53,415	-	-	53,415
8550	Bldg. and Bldg. Maintenance	124,776	-	-	124,776
8700	Autos	6,182,312	962,233	(362,291)	6,782,254
8750	Police Car Equipment	64,906	-	-	64,906
8800	Trucks	33,852,998	382,995	(1,956,551)	32,279,442
8900	Roadway Equipment	11,761,832	858,987	(330,792)	12,290,027
Total Equipment		160,518,546	2,744,150	(5,909,456)	157,353,240
	Buildings and Infrastructure	7,888,579,464	351,990,252	(1,521,730,863)	6,718,838,853
	Capitalized Interest	124,837,690	6,590,021	-	131,427,711
	Land and Land Improvements	304,331,535	8,927,274	(750)	313,258,059
	Construction in Progress	232,930,401	144,083,010	(302,596,181)	74,417,230
	Toll Collection Equipment	2,093,739	-	-	2,093,739
	Reciprocity Server (IAG)	299,590	-	-	299,590
	Next Generation Network	2,869,889	7,512	-	2,877,401
	TIMS	1,586,077	841,997	-	2,428,074
	Various Machinery & Equipment	3,328,585	17,213	-	3,345,798
	Web and E-Commerce	1,630,983	473,510	-	2,104,493
	Disaster Recovery	224,292	-	-	224,292
	Contingency Software	14,004	-	-	14,004
	RITE System	18,453,944	1,420,140	-	19,874,084
	Unisys Mainframe	1,303,550	-	-	1,303,550
	CCTV Cameras	8,582,796	454,440	-	9,037,236
	IWIN Computers	200,586	-	-	200,586
	Energy Attenuators	473,190	-	-	473,190
	Field Server	31,296	-	-	31,296
	RWIS system	46,352	65,498	-	111,850
	Mainframe Legacy System	36,104	4,572	-	40,676
Total Capital Assets		$ 8,752,372,613	$ 517,619,589	$ (1,830,237,250)	$ 7,439,754,952

Note: The above information has been reconciled to reports (Form C-15) submitted to the Office of the Comptroller.

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

EXPLANATION OF SIGNIFICANT VARIATIONS IN ASSET ACCOUNTS*
DECEMBER 31, 2010 AND 2009

	December 31, 2010	December 31, 2009	Increase (Decrease)	Percentage Change
Assets				
Cash and Cash Equivalents	$ 394,796,342	$ 499,070,519	$ (104,274,177)	-21%
Accounts Receivable, less allowance for doubtful accounts	23,869,116	32,912,950	(9,043,834)	-27%
Intergovernmental Receivables	102,057,955	80,003,796	22,054,159	28%
Prepaid Expenses	11,840,550	18,547,957	(6,707,407)	-36%
Investments	25,150,950	-	25,150,950	100%
Land, Improvements and Construction in Progress	387,675,289	537,261,936	(149,586,647)	-28%
Long-Term Accounts Receivable	58,085,787	78,907,465	(20,821,678)	-26%

Cash and Cash Equivalents	Cash on hand was used to fund operations and improvement projects.
Accounts Receivable, less allowance for doubtful accounts	Decreases in violation and fiber optic receivables during 2010 due to collections and timely billing.
Intergovernmental Receivables	Construction projects are being completed and intergovernmental agreement invoices are being reclassified from Long-Term to Current.
Prepaid Expenses	The decrease resulted from a $4.7 million increase in price adjustments on construction contracts and a $1.8 million decrease in bond insurance due to defeasement of 2008A-2 bonds.
Investments	During 2010, the Tollway invested monies in U.S. Government agency securities.
Land, Improvements and Construction in Progress	Increase in construction projects placed in service and decrease in new projects being started.
Long-Term Accounts Receivable	Amounts booked from other agencies and municipalities have become current receivables.

* Variances over $5 million and 20% are considered significant.

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

EXPLANATION OF SIGNIFICANT VARIATIONS IN LIABILITY ACCOUNTS*
DECEMBER 31, 2010 AND 2009

	December 31, 2010	December 31, 2009	Increase (Decrease)	Percentage Change
Liabilities				
Accrued Liabilities	$ 71,218,738	$ 92,114,621	$ (20,895,883)	-23%
Deposits and Retainage	16,957,143	47,399,278	(30,442,135)	-64%
Current Portion of Revenue Bonds Payable	49,910,000	1,065,000	48,845,000	4586%

Accrued Liabilities	Construction projects have been completed and few new ones have begun resulting in a decrease of accrued invoices.
Deposits and Retainage	Construction projects have closed out and retainages were paid out.
Current Portion of Bonds Payable	At the end of 2009 only one bond series is requiring a principal payment within one year. At the end of 2010 two bond series are requiring a principal payment within one year.

* Variances over $5 million and 20% are considered significant.

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

EXPLANATION OF SIGNIFICANT VARIATIONS IN REVENUES AND EXPENSES*
YEARS ENDED DECEMBER 31, 2010 AND 2009

	2010	2009	Increase (Decrease)	Percentage Change
Toll Evasion Recovery	$ 34,923,828	$ 54,828,660	$ (19,904,832)	-36%
Investment Income	1,749,894	3,199,960	(1,450,066)	-45%
Net increase (decrease) in Fair Value of Investments	287,425	(1,365,846)	1,653,271	-121%
Net loss on Disposal of Property	(26,357)	(3,249,477)	3,223,120	-99%
Capital Contributed Under Intergovernmental Agreements	(1,858,125)	-	(1,858,125)	100%
Capital Contributions	369,821	6,750,819	(6,380,998)	-95%
Bond Interest Subsidy (Build America Bonds)	16,132,636	6,422,870	9,709,766	151%
Miscellaneous Income - Nonoperating	4,007,969	13,424,947	(9,416,978)	-70%

Toll Evasion Recovery	An increase in bad debt expense in 2010 combined with the elimination of the billing backlog, caused a reduction in revenue.
Investment Income	Throughout 2010 interest rates have remained at low rates. This combined with decreased cash balances caused a decrease in this item.
Net Increase (Decrease) in Fair Value of Investments	The Tollway invested $50 million in government agency investments during 2010 that are earning greater returns than the money market rates.
Net Gain (Loss) on Disposal of Property	Some disposed assets were not fully depreciated, but fewer than in 2009.
Capital Contributed under Intergovernmental Agreements and Capital Contributions	In 2010, there were contributions made for non-Tollway assets. In 2009 the Tollway received contributions from other governments restricted for capital.
Build America Bond Subsidy	In 2010, the Tollway received a full year of subsidy for all applicable bond series. In 2009, the Subsidy was for approximately 6 months.
Miscellaneous Income - Nonoperating	In 2009 the Tollway recognized a reversal of the state administrative charge. This was a one time occurrence and did not recur in 2010.

* Variances over 20% are considered significant.

ANALYSIS OF OPERATIONS

TOLLWAY FUNCTIONS AND PLANNING PROGRAM

The Illinois State Toll Highway Authority (Tollway) was established in 1968 as an instrumentality and administrative agency of the State of Illinois. The Tollway was created to provide for construction, operation, regulation, and maintenance of toll highways to accommodate the traveling public through and within the State of Illinois.

The Tollway's predecessor, the Illinois State Toll Highway Commission, issued revenue bonds totaling $493,250,000 to finance the original three toll highways. During 1981, the Tollway completed the Ronald Reagan Memorial Tollway (formerly East-West Extension) of the toll highway system. In 1992 the Tollway completed the Veterans Memorial Tollway (formerly the North-South). Since 1985 the following bonds have been issued:

- 1985, $167,200,000, Advance refunding bonds to retire the original outstanding bonds;
- 1986, $400,825,000, Priority revenue bonds to pay the cost of construction of the North-South Tollway, an expansion of the State toll highway system;
- 1987, $139,145,000, Refunding revenue bonds to advance refund $117,115,000 of the 1985 refunding bonds;
- 1992, $459,650,000, Priority revenue bonds to pay the cost of construction of the Tri-State Tollway Widening Project;
- 1993, $387,345,000, Refunding revenue bonds to advance refund $342,290,000 of 1985, 1986, and 1992 series bonds;
- 1996, $148,285,000, Refunding revenue bonds to advance refund $144,300,000 of 1986 and 1987 series bonds;
- 1998, $325,135,000, Refunding revenue bonds to advance refund $313,105,000 of 1992 series bonds;
- 2005, $770,000,000, Priority revenue bonds to pay the costs of the Congestion Relief Program.
- 2006, $1,000,000,000, Priority revenue bonds to pay the costs of the Congestion Relief Program.
- 2007, $700,000,000, Variable Rate Senior Priority Revenue Bonds to pay the costs of the Congestion Relief Program.
- 2008 A,$766,200,000, Variable Rate Senior Priority Revenue Bonds to advance refund all of the $500,000,000 2006 Series A-2 Bonds and $208,340,000 of the 2006 Series A-1 Bonds.
- 2008 B,$350,000,000, Priority revenue bonds to pay the costs of the Congestion Relief Program.

TOLLWAY FUNCTIONS AND PLANNING PROGRAM (Continued)

- 2009, $780,000,000, Priority revenue bonds (Taxable) to pay the costs of the Congestion Relief Program.

- 2010A, $279,300,000, Senior Refunding Revenue Bonds to advance refund $278,300,000 2008 Series A-2 Bonds.

The operations of the Tollway are administered by a Board of Directors, which includes the State Governor and Secretary of the Illinois Department of Transportation.

The Tollway has the power and responsibility to establish and collect tolls sufficient to pay for maintenance, repairs, regulation, and operation of the toll highway system and to meet the principal and interest bond funding requirements. During 2010, the Tollway did not receive any State government appropriations. In March of 2007, FHWA awarded the Tollway a second Value Pricing grant for $750,000. Similar to a grant made in 2003, this grant will reimburse the Tollway for 80% of the costs incurred and will span three years. To date, $930,900 has been expended and $750,000 has been received as reimbursement. No additional grants have been received in 2010.

The Trust Indenture and the First, Second, Third, Fourth, Fifth, Sixth and 1996 and 1999 Amendatory Supplemental Indentures securing the 1985, 1986, 1987, 1992, 1993, 1996, 1998, 2005, 2006, 2007, 2008, 2009 and 2010 bond issues, respectively, prescribe many of the investment and accounting requirements for the Tollway. The accounting records of the Tollway are maintained on an accrual basis.

The office of Ms. Kristi Lafleur, the Tollway's Executive Director, for the fiscal year being audited, is located at the Tollway's Central Administration Building, 2700 Ogden Avenue, Downers Grove, Illinois, 60515.

The Trust Indenture dated December 1, 1985 requires the Tollway to prepare a tentative budget of the operating expenditures for the ensuring calendar year on or before October 31. The budget is required to include recommendations of the consulting engineers as to the Renewal and Replacement deposit for the budget year. The final budget must be approved by the Board of Directors of the Tollway prior to January 31 of the calendar year budgeted. The Tollway complied with these budgetary requirements for this fiscal year.

Annual detailed departmental budgets are prepared for all Tollway expenditures. The Controller and Chief of Finance of the Tollway and each department manager monitor expenditures and analyze budgetary variances.

The consulting engineers also develop long-range improvement programs for the toll highway system. The Chief Engineer of the Tollway uses the long range plan with traffic studies and physical inspections to develop annual improvement programs and budgets.

The Tollway has developed an adequate and comprehensive planning program to meet its objectives of providing for the construction, operation, regulation, and maintenance of the toll highway system. The Tollway believes that its monitoring of its expenditures and its monitoring of the physical condition of the roads is adequate to meet Tollway's goals related to its operating expenditures and improvement programs.

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

ANALYSIS OF OPERATIONS
AVERAGE NUMBER OF EMPLOYEES BY FUNCTION (UNAUDITED)
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

	Full-time Scheduled		Part-time Scheduled		Total	
	2010	2009	2010	2009	2010	2009
Tollway Employees						
Executive Director	6	3	-	-	6	3
Directors	10	10	-	-	10	10
Inspector General	12	13	-	-	12	13
Legal	11	11	-	-	11	11
State Police	16	17	-	-	16	17
Finance	44	49	-	-	44	49
Administration	31	31	-	-	31	31
Operations						
Toll Collectors	323	348	172	191	495	539
Plaza Managers						
and assistants	34	39	-	-	34	39
Other	147	154	-	-	147	154
Office of Info Tech	54	61	-	-	54	61
Engineering:						
Maintenance:						
Roadway	358	381	-	-	358	381
Transportation	69	69	-	-	69	69
Engineers	35	35	-	-	35	35
Others	75	73	-	-	75	73
Planning	16	17	-	-	16	17
Procurement	50	52	-	-	50	52
Communications	11	10	-	-	11	10
Business Systems	61	63	-	-	61	63
Total Authority Employees	1,363	1,436	172	191	1,535	1,627
State Troopers	174	193	-	-	174	193
Total Personnel	1,537	1,629	172	191	1,709	1,820

Hourly base payroll	$ 69,068,292	65.05%
Overtime	3,839,024	3.61%
Salaries	33,274,674	31.34%
2010 Total Payroll	$ 106,181,990	100.00%
Hourly base payroll	$ 68,544,955	63.70%
Overtime	4,574,821	4.25%
Salaries	34,485,303	32.05%
2009 Total Payroll	$ 107,605,079	100.00%

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

EMERGENCY PURCHASES
FOR THE YEAR ENDED DECEMBER 31, 2010

The Tollway reported the following emergency purchases to the Office of the Auditor General during the fiscal year ended December 31, 2010:

Description		Cost
Contract with firm to review assignment of Exxon-Mobil Lease	$	90,000
Security audit of Tollway computer systems		150,000
Replace existing waste water treatment system @ Waukegan Plaza with aerobic system		43,400
Total	$	283,400

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

SERVICE EFFORTS AND ACCOMPLISHMENTS (UNAUDITED)
FOR THE YEAR ENDED DECEMBER 31, 2010

Agency Mission

The Illinois State Toll Highway Authority is dedicated to providing and promoting a safe and efficient system of toll supported highways while ensuring the highest possible level of customer service.

Strategic Priorities

- Reduce traffic congestion
- Implement Congestion-Relief Program (12 year capital construction plan)
- Improve operational efficiency and effectiveness

Summary of Agency Operations

The Illinois State Toll Highway Authority maintains and operates 286 miles of interstate tollways in 12 counties in Northeastern Illinois, including the Regan Memorial Tollway (I-88), the Veterans Memorial Tollway (I-355), the Jane Addams Memorial Tollway (I-90), and the Tri-State Tollway (I-94, I-294, I-80). In September 2004, the Illinois Tollway embarked on the Congestion- Relief Program to reduce traffic and congestion by rebuilding and restoring a majority of the system. Major improvements include/will include: adding lanes, converting all mainline toll plazas to Open Road Tolling, rebuilding and widening a majority of the system and constructing the south extension of I-355.

Key Performance Measures

The following metrics were reported for the year ending December 31, 2010.

1. The percentage of vehicles using I-PASS during rush hour: 88%
2. The percentage of vehicles using I-PASS for all hours: 83%
3. Number of Open Road Tolling (ORT) Lanes: 113
4. Travel Time Index Congestion Measure for the A.M. rush hour: 1.02
5. The average personal injury incidents accident clearance time: 30:35 minutes