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

Financial Audit
For the Year Ended December 31, 2009
and
Compliance Examination
For the Year Ended December 31, 2009

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 for the Year Ended December 31, 2009
and Compliance Examination for the Year Ended December 31, 2009

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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, 2009
and Compliance Examination for the Year Ended December 31, 2009

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Agency Officials

Executive Director	Kristi Lafleur – April 19, 2010
Acting Executive Director	Dawn Catuara - December 18, 2008 - February 5, 2009 Michael King - February 6, 2009 – April 18, 2010
Chief of Staff	Doug Kucia - April 26, 2010
Deputy Chief of Staff	Andrew Boron – May 18, 2009
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

The Illinois Tollway
2700 Ogden Avenue
Downers Grove, Illinois 60515-1703
Phone: 630/241-6800
Fax: 630/241-6100
TTY: 630/241-6898

August 16, 2010

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, 2009. Based on this evaluation, we assert that during the year ended December 31, 2009 the Tollway has materially complied with the assertions below.

A. The Tollway 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 Tollway 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 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 State 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 on behalf of the State 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	3	5
Repeat Findings	1	4
Prior recommendations implemented or not repeated	4	7

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

Schedule of Findings

Item No.	Page	Description	Finding Type
		Current Findings (*Government Auditing Standards*)	
09-1	10	Financial Reporting	Significant deficiency
		Current Findings (*State Compliance*)	
09-2	12	Hardship Program	Noncompliance
09-3	14	Certification not Printed on Invoices	Noncompliance

In addition, the following findings which are reported as current findings relating to *Government Auditing Standards* also meet the reporting requirements for State Compliance.

Item No.	Page	Description	Finding Type
09-1	10	Financial Reporting	Noncompliance
		Prior Findings Not Repeated	
A	15	Interest Not Properly Capitalized	
B	15	Capital Assets	
C	15	Master Vendor Listing	
D	15	Procurement Process	

Exit Conference

The findings and recommendations appearing in this report were discussed with Tollway personnel at an exit conference on August 13, 2010. Attending were:

Illinois State Toll Highway Authority

Leslie M. Savickas	Controller
Patricia Pearn	Fiscal Operations Manager
William Iacullo	Chief Accountant M&O
Tara Martin	Chief Account, Debt and Capital
John Jesernik	Commander Illinois State Police District 15
James Wagner	Acting Inspector General
Joseph Fivelson	Acting Chief of Administration
Cristina Grosso	Executive Secretary
Jeffrey Redding	Chief of Toll Operations
Andrew Boron	Deputy Chief of Staff
Tom Bamonte	General Counsel
StanRyniewski	Chief of Business Systems
Albert Murillo	Chief of Procurement
Ed Vargas	Acting Chief of I.T.
Doug Kucia	Chief of Staff
Paul Kovacs	Chief Engineer
Kristi Lafleur	Executive Director
Michael J. Colsch	Chief of Finance

McGladrey & Pullen, LLP

Linda Abernethy	Partner
Rolake Adedara	Director
Syril Thomas	Senior In-Charge

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 August 16, 2010.

McGladrey & Pullen
Certified Public Accountants

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, 2009. 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.

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In our opinion, the Illinois State Toll Highway Authority complied, in all material respects, with the requirements listed in the first paragraph of this report during the year ended December 31, 2009. However, the results of our procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with criteria established by the Audit Guide, issued by the Illinois Office of the Auditor General and which are described in the accompanying Schedule of Findings as findings 09-1, 09-2 and 09-3.

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.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

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. However, we identified certain deficiencies in internal control over compliance described in findings 09-1, 09-2 and 09-3 in the accompanying schedule of findings that we consider to be significant deficiencies in internal control over compliance. A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

The Illinois State Toll Highway Authority's responses to the findings identified in our examination are described in the accompanying schedule of findings. We did not examine the Illinois State Toll Highway Authority's responses and, accordingly, we express no opinion on them.

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, 2009, which collectively comprise the Illinois State Toll Highway Authority's basic financial statements, and have issued our report thereon dated August 16, 2010. 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 2009 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, 2009 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, 2008. In our report dated August 28, 2009 on the basic financial statements, we expressed an unqualified opinion on the basic financial statements. In our opinion, the 2008 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, 2008, 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
August 16, 2010

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, 2009, and have issued our report thereon dated August 16, 2010. 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. However, we identified certain deficiencies in internal control over financial reporting described in finding 09-1 in the accompanying schedule of findings that we consider to be a significant deficiency in internal control over financial reporting. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance

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<u>Compliance and Other Matters</u>

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 an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings as item 09-1.

The Illinois State Toll Highway Authority's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the Illinois State Toll Highway Authority's responses and, accordingly, we express no opinion on them.

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
August 16, 2010

Current Findings – *Government Auditing Standards*

Finding 09 – 1 Financial Reporting

The Illinois State Toll Highway Authority (Tollway) does not have sufficient control over the financial reporting process.

During our audit of the financial statements we noted the following:

- The Tollway was not able to provide auditors with a detailed accounts receivable aging for its toll evasion receivable account.

- The toll evasion accounts receivable detail provided, did not agree to the amount recorded in the financial statements as of year-end. The reconciliation provided shows the gross receivable per the general ledger is overstated by approximately $2.6 million when compared to the subsidiary ledger (Rite System).

- The Tollway improperly accounted for two intergovernmental agreements (IGA). The Tollway did not record long term IGA receivables for approximately $24 million, related to projects with IDOT and a County, which will be funded by these other governments in future years. Additionally, the Tollway improperly capitalized the cost of these projects as infrastructure, even though they were for infrastructure that will be owned by the other governments. For the final financial statements, $21 million of these adjustments was recorded and the remaining $3 million was deemed immaterial and not recorded.

Under a good system of internal control, detailed records supporting amounts recorded in the financial statements should be reconciled to the general ledger on a periodic basis, preferably monthly. The general ledger should be updated at this time to reflect any adjustments identified. In addition, a detailed aging report should be reviewed monthly to ensure that all long outstanding accounts are properly addressed. Receivables, revenues and expenses should be recognized for work performed under intergovernmental agreements in accordance with accounting principles generally accepted in the United States of America (GAAP).

Per Tollway management, an accounts receivable aging report has been a contract requirement since inception of the violation system integration contract. This report was finally delivered in 2010 to be utilized going forward. In lieu of this report, the Tollway provided a query of the violation database that provided complete detail of the ending accounts receivable ledger balance, although this was not aged. In the absence of a standard, fully integrated general ledger system, the Tollway produces GAAP statements by accumulating information from a large number of financial databases maintained by various departments within the Tollway. General Accounting personnel must determine which accounting information is verified and should be recorded in the financial system. The complexity of the process to prepare statements leaves open the possibility of human error. There is no way of verifying whether all information that should be provided to Finance has been provided.

The draft financial statements presented to the auditors were misstated and contained errors in the manner described above. The balance reported as accounts receivable in the final financial statements is overstated by approximately $2.6 million at year-end, and the IGA receivable is understated by approximately $3 million. Additionally, revenues and expenses were understated and capital assets were overstated by approximately $3 million. These adjustments were proposed but were deemed immaterial and were not recorded by the Tollway. (Finding Code No. 09-1, 08-2, 07-1, 06-1, 05-1)

Current Findings – *Government Auditing Standards*

Finding 09 – 1 Financial Reporting (Continued)

Recommendation

In order to strengthen controls over financial reporting, we recommend the Tollway obtain an accounts receivable aging report from the RITE system. The report should be reconciled to the general ledger on a periodic basis, preferably monthly. Any adjustments identified as a result of the reconciliation should be recorded in a timely fashion. Additionally, the Tollway should develop policies and procedures to obtain and review all intergovernmental agreements, and ensure the accounting for those agreements is proper.

Tollway Response

We concur. As noted above, a violation aging report was finally delivered in 2010 and will be utilized in the future to reconcile to the general ledger. The Tollway will develop a procedure to obtain the necessary information to properly account for intergovernmental agreements. The Tollway continues to pursue the acquisition of an ERP system that would improve the financial reporting process.

Current Findings – State Compliance

Finding 09 – 2 Hardship Program

The Illinois State Toll Highway Authority is not adequately documenting its reasons for granting settlements to certain toll violators.

The Illinois State Toll Highway Authority has implemented a program to offer relief to certain toll violators who have financial difficulties. This program is called the hardship program. In operation of this program, The Tollway adopted guidance contained in Illinois Compiled Statute 605 ILCS 10/10 to be used in reviewing hardship cases. Per this statute "The Authority, at its discretion and in consultation with the Attorney General, is further authorized to settle an administrative fine or penalty if it determines that settling for less than the full amount is in the best interests of the Authority after taking into account the following factors: (1) the merits of the Authority's claim against the respondent; (2) the amount that can be collected relative to the administrative fine or penalty owed by the respondent; (3) the cost of pursuing further enforcement or collection action against the respondent; (4) the likelihood of collecting the full amount owed; and (5) the burden on the judiciary."

In order to be considered for relief under the hardship program, the violator (respondent) must contact the Tollway and complete a hardship application form. This form is then reviewed and processed by the Tollway's Legal and Business Systems department. The Tollway has established an informal policy requiring Board approval of receivable write-offs that exceed $1,000.

The exceptions noted below are based on our review of a sample of 25 hardship files:

- 25 out of 25 hardship case files tested (100%), did not adequately document the reason it was in the best interest of the Authority to settle for less than the full amount, taking into consideration items (1) through (5) noted above.
- Out of the 25 files sampled, 18 contained settlements that were $1,000 or more below the toll and fine (pre-escalation) amount. None of these 18 cases were provided to the Board for their review.

Based on the documentation contained in the hardship file, we could not determine how the Tollway arrived at the conclusion that the respondent represented a hardship and that it was believed to be in the Tollway's best interest to settle for an amount below the pre-escalated amount assessed. Although the respondents all provided some financial data, it was unclear how this information was evaluated to determine whether this individual was indeed a hardship case, and whether the Tollway was better served by agreeing to a reduced payment.

Under a good system of internal control, there should be documentation maintained in every hardship file explaining the conclusions reached for granting a hardship settlement amount. Such documentation could be a general memo describing the conclusions reached and the reasons for those conclusions. In order to demonstrate fair and consistent consideration of all cases, and to maintain transparency, it is important to document the analysis and conclusions.

Current Findings – State Compliance

Finding 09 – 2 Hardship Program (Continued)

Tollway management stated that the hardship application and the dual sign off on the recommended settlement by the Legal and Business Systems departments pursuant to internal written procedures, using written forms required to be filled out by the hardship settlement applicants and applying the statutory factors set out in the Tollway Highway Act was sufficient to document hardship settlements and provided adequate internal controls.

Lack of documentation of the reasons for granting hardship settlements decreases the level of transparency in the process and increases the possibility of abuse. (Finding Code No. 09-2)

Recommendation

We recommend the Tollway update its hardship procedure to require documentation in each file explaining the conclusions reached for granting a hardship settlement amount. Further, the Tollway should adopt a formal write-off policy that addresses all types of debt forgiveness, including settlements.

Tollway Response

The Tollway will modify its existing procedures and documentation to provide for a written summary of its application of the statutory factors to the facts of each case. The Tollway will also formalize and consolidate its various debt forgiveness policies.

Current Findings – State Compliance

Finding 09 – 3 Certification not Printed on Invoices

The Illinois State Toll Highway Authority (Tollway) is not enforcing 605 ILCS 10/16.1 which requires its vendors to provide certain certifications to the Tollway.

During our examination of statute 605 ILCS 10/16.1, it was noted that the statute requires a specific statement be attached to the Maintenance and Operation invoices by all sellers to the Tollway as follows:

"By submitting an invoice, the Seller hereby certifies that the goods, merchandise and wares shipped in accordance with this order have met all the required standards as set forth in the purchasing contract."

It was noted of the 25 vouchers sampled, 25 (100%) did not contain this, or a similar, statement on any invoice from the vendor.

Per 605 ILCS 10/16.1, "all sellers to the Authority shall attach a statement to the delivery invoice attesting that the standards set forth in the contracts have been met. The statement shall be substantially in the following form: "The Seller,.... hereby certifies that the goods, merchandise and wares shipped in accordance with the attached delivery invoice have met all the required standards set forth in the purchasing contract."

Tollway management stated that in previous years the Tollway has taken the position that requiring vendors to provide the statement resulted in significant and routine delays in voucher processing.

The Tollway is not in compliance with the requirements of this statute. (Finding Code No. 09-3)

Recommendation

We recommend the Tollway either enforce vendor compliance with the statute or seek legislative remedy that rescinds the requirement to have the statement included on all invoices.

Tollway Response

Procurement has developed a new process to require vendors to submit this certification with their invoices.

Prior Findings Not Repeated

Government Auditing Standards and State Compliance

A. Interest Not Properly Capitalized

The Illinois State Toll Highway Authority (Tollway) did not comply with Statement of Financial Accounting Standards No. 34 *Capitalization of Interest Cost*, which requires capitalization of interest costs incurred during the asset's construction period. (Finding Code No. 08-1)

During the current year, we noted that the Tollway is properly capitalizing interest costs incurred during the construction period.

B. Capital Assets

The Illinois State Toll Highway Authority's (Tollway) practices and procedures for recording and maintaining capital asset records needs improvement. Certain costs incurred by the Tollway for repairs, maintenance and licensing costs were improperly capitalized. Capital assets and accounts payable were each understated by approximately $777 thousand due to an entry at year end to void a check. (Finding Code No. 08-3, 07-2, 06-2, 05-4)

During the current year, we noted that the Tollway has made considerable improvement in recording and maintaining capital asset records.

C. Master Vendor Listing

The Illinois State Toll Highway Authority's (Tollway) Master Vendor Listing contained duplicated and inactive vendors. Previously, we noted that there were 121 different listings of vendors which were inactive but in the file and had the same FEIN as an active vendor listing. We also noted that there was an employee included in the vendor file. (Finding Code No. 08-4, 07-4)

During the current year, we noted that the Tollway has made considerable improvement in correcting its Master Vendor Listing.

D. Procurement Process

The Illinois State Toll Highway Authority (Tollway) user departments and procurement department were not following the established procurement policies. During our prior audit we noted instances where purchase orders were added to the SUN system after receipt of the goods and invoices, and we noted one purchase order that was for a vendor with cumulative purchases over the small purchase threshold that did not have a contract associated with the purchase. (Finding Code No. 08-5, 07-7)

During the current year, we did not note deviations from the established policy.

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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.

McGladrey & Pullen
Certified Public Accountants

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, 2009, 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 Tollway's financial statements include partial prior year comparative information. Such 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 information should be read in conjunction with the Tollway's financial statements for the year ended December 31, 2008, from which such partial information was derived.

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, 2009, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 16, 2010 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.

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The Management's Discussion and Analysis on pages 19-27 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
August 16, 2010

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, 2009. Readers should use this section of this report in conjunction with the Tollway's basic financial statements.

2009 FINANCIAL HIGHLIGHTS

- Design and construction work on the Tollway's $6.1 billion Congestion-Relief Program, initiated in 2004, continued throughout 2009. By year-end nearly 80% of the work planned for this program was completed.

- The ninth and tenth series of toll revenue bonds (2009 Series A and B, each issued as Build America Bonds) in support of the Congestion-Relief Program resulted in total par amount of $780 million and average interest rates of 6.09% and 5.85%, for Series 2009 A and 2009 B, respectively; principal retirements are scheduled to begin in 2019 and continue through 2034. Proceeds of these issues were used to fund the projects in the Congestion-Relief Program.

- Concomitant with the issuance of the 2009 bonds, the Tollway's senior lien underlying credit ratings continued to be as follows: by Fitch Ratings – AA-; by Moody's Investor Services – Aa3; and by Standard & Poor's – AA-.

- Amounts on deposit on behalf of I-PASS account holders increased by 6% at year-end 2009 to $132 million; the percentage of Tollway users paying by I-PASS was 82% in 2009 (versus 81% in 2008).

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.

The Statement of Revenues, Expenses and Changes in Net Assets presents 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

2009 RESULTS COMPARED TO 2008

OPERATING REVENUE:

Total operating revenue of $658 million in 2009 was marginally less than the previous year's $668 million, a drop of 1.5% or $10 million, though the Tollway's primary revenue source, tolls, resulted in a modest, 1.4%--$8 million, increase. We believe this growth in toll revenue resulted from a combination of decreasing construction obstacles on the system, countered perhaps by a lesser amount of economic activity in the current recession and thus less traffic.

Concession revenue, earned from leases to service station and other retail operators at the oases on the Tollway system, remained steady year-over-year at $2.3 million this year; such concession revenues equal 0.4% of total operating receipts. Miscellaneous operating revenues increased substantially over the year earlier, reaching nearly $9 million in 2009 (from $4 million in 2008) as a result of income from newly initiated agreements for external party use of the Tollway's fiber optic network as well as the reversal of allowances for uncollectibility taken earlier against certain amounts due to the Tollway.

Net revenue from evasion recovery for the year at $55 million declined from $78 million posted in 2008 (by 29%--$23 million). Net evasion recovery revenue equals the amount of violation notices issued less dismissed notices and less an estimate of related bad debt expense for outstanding notices. This decline was, however, expected, given that 2008 evasion recovery revenues were amplified by the catch-up that year for notices deferred from 2007 during a systems conversion.

OPERATING EXPENSES:

Total (cash plus non-cash) operating expenses increased notably over the previous year, up by 8%--$41 million to a total $580 million. About half of this increase was the result of increased depreciation expense for the year, up 7%--$19 million, as projects in the Congestion-Relief Program were completed and placed in service for accounting purposes, thus triggering their depreciation over 20- to 40-year periods. The second major component of increased operating expenses came from higher outlays for insurance and employee benefit costs which grew by 22%--$13 million; these increased payments were made for employee health care and workers' compensation costs and for the Tollway's employer contribution to retirement plans.

With operating revenue close to flat and operating expense up 8%, the resultant operating income for the year was down 40% at $78 million (versus $128 million last year).

NON-OPERATING REVENUE AND EXPENSE:

Net non-operating expense continued to increase (this year by 56%--$59 million) to $165 million for 2009. The single largest component of this category was a $59 million (45%) 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 earned a $6.4 million interest rebate from the federal treasury relating to 2009 bonds which were issued as Build America Bonds, which qualify for such a rebate.

Other notable items in this category of revenue and expense include a steep drop in investment income (86%--$20 million) as a result of both lower interest rates earned in a lower-rate market and smaller invested balances, as Tollway and construction fund cash were used to fund Congestion-Relief Program projects. Also, miscellaneous non-operating revenue totaled $13 million (up from about $500,000 last year), largely as the result of the reversal of a previous year’s $10.5 million expense for allocation of state overhead assessed to the Tollway.

Illinois State Toll Highway Authority
Changes in Net Assets
For the Years Ended December 31, 2009 and 2008

	2009	2008
Revenues		
Operating Revenues:		
Toll Revenue	$ 592,063,529	$ 583,646,592
Toll Evasion Recovery	54,828,660	77,653,862
Concessions	2,338,841	2,236,551
Miscellaneous	8,759,200	4,273,563
Nonoperating Revenues:		
Investment income	3,199,960	22,979,654
Intergovernmental contributions	6,570,819	1,071,429
Revenues under intergovernmental agreements	97,983,825	81,091,003
Bond Interest Subsidy (Build America Bonds)	6,422,870	-
Miscellaneous	13,424,947	542,517
Total Revenues	$ 785,592,651	$ 773,495,171
Expenses		
Operating Expenses:		
Engineering and Maintenance of Roadway and Structures	$ 48,942,122	$ 46,309,976
Services and Toll Collection	116,613,280	110,681,535
Traffic Control, Safety Patrol, and Radio Communications	22,649,767	22,374,844
Procurement, IT, Finance, and Administration	22,406,891	22,100,592
Insurance and Employee Benefits	72,493,677	59,634,767
Depreciation and Amortization	297,371,719	278,626,714
Nonoperating Expenses:		
Expenses under intergovernmental agreements	97,983,825	81,091,003
Net gain (loss) on disposal of property	3,249,477	(377,214)
Net decrease in fair value of investments	1,365,846	221,181
Interest expense and amortization of financing costs	190,168,729	130,889,438
Total Expenses	$ 873,245,333	$ 751,552,836
Increase (Decrease) in Net Assets	(87,652,682)	21,942,335
Net Assets, beginning of year	2,105,546,159	2,083,603,824
Net Assets, end of year	$ 2,017,893,477	$ 2,105,546,159

NET ASSETS:

As a result of the large increases in both depreciation expense (a $19 million increase in a non-cash item) and interest and financing costs (a $59 million increase), the Tollway posted a decrease in net assets in the amount of $88 million. Depreciation expense has steadily grown over the last four years of the Congestion-Relief Program, as projects have been completed and placed in service and thus their depreciation over their useful lives is underway. But on a cash flow basis, the Tollway shows a net increase in cash for the year of $36 million, with $269 million of cash coming from operating activities (versus $384 million last year). This operating cash flow, along with $780 million of bond proceeds and $74 million of maturing invested cash, was sufficient to fund the year's Congestion-Relief Program and other capital outlays and to satisfy principal payments and interest and other financing costs due in 2009.

Illinois State Toll Highway Authority
Statement of Net Assets
December 31, 2009 and 2008

	2009	2008
Current and other assets	$ 1,222,038,890	$ 1,178,964,531
Capital assets - net	5,363,764,762	4,853,139,669
Total assets	6,585,803,652	6,032,104,200
Current debt outstanding	1,065,000	97,150,000
Long-term debt outstanding	4,078,573,329	3,300,394,225
Other liabilities	488,271,846	529,013,816
Total Liabilities	4,567,910,175	3,926,558,041
Net Assets:		
Invested in capital assets,		
net of related debt	1,284,350,633	1,622,755,006
Restricted under Trust Indenture Agreements	234,633,390	282,076,511
Restricted for pension benefits obligations	360,441	389,834
Unrestricted	498,549,013	200,324,808
Total Net Assets	$ 2,017,893,477	$ 2,105,546,159

CAPITAL ASSETS AND DEBT ADMINISTRATION

CAPITAL ASSETS:

Capital assets continue to represent the largest category of Tollway assets, totaling $5.4 billion at year-end ($4.9 billion a year ago) and comprising 82% of total assets (versus 80% at year-end 2008).

Illinois State Toll Highway Authority
Capital Assets
For the Year Ended December 31, 2009 and 2008

	January 1, 2009 Net Balance	2009 Net Activity	2009 Depreciation	December 31, 2009 Net Balance
Land and Improvements	$ 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

	(Restated) January 1, 2008 Net Balance	2008 Net Activity	2008 Depreciation	December 31, 2008 Net Balance
Land and Improvements	$ 282,676,939	$ 17,031,586	$ -	$ 299,708,525
Construction in Progress	660,331,366	(166,784,721)	-	493,546,645
Buildings	10,933,019	1,875,478	(2,040,898)	10,767,599
Infrastructure	3,015,497,730	1,228,763,360	(269,034,343)	3,975,226,747
Machinery and Equipment	61,663,328	19,778,298	(7,551,473)	73,890,153
Total	$ 4,031,102,382	$ 1,100,664,001	$ (278,626,714)	$ 4,853,139,669

The January 1, 2008 balances reflect a restatement for capitalized interest.

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

LONG -TERM DEBT:

The Tollway issued two series of revenue bonds; each backed by pledged revenue and restricted funds, in order to finance projects under the Congestion-Relief Program. Issues in 2009 totaled $780 million (versus $1.1 billion in 2008). Thus total bonds payable at year-end were $4.1 billion (versus a total amount of $3.4 billion a year earlier).

OTHER DEBT RELATED INFORMATION

The 1993 Series B, 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 eleven 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 four variable rate bond issues. One swap agreement was associated with the 1993 Series B bonds, in an original amount of $178.2 million, none of which was outstanding as of December 31, 2009. 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, 2009. 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, 2009. Four swap agreements are associated with the 2008 Series A-1 and A-2 bonds, in original amounts totaling $766.2 million, all of which is outstanding as of December 31, 2009. The Tollway utilized these eleven 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 8 of the financial statements.

In an effort to improve disclosures associated with derivative contracts, the Government Accounting Standards Board (GASB) has issued critical accounting guidance that requires more comprehensive reporting for state and local governments. This Technical Bulletin (No. 2003-1) became effective for periods ending after June 15, 2003, and requires the Tollway to determine the fair market value of the swap contracts as of the year ended December 31, 2003, and into the future, and to disclose these amounts.

The Tollway has received fair market valuations as of December 31, 2009 for each of the swaps outstanding on that date from the counterparties for each of those swaps. As of December 31, 2009, 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 $12.8 million for the two 1998 Series B swap agreements; a total of $61.1 million for the four 2007 Series A-1 and A-2 swap agreements; and a total of $38.9 million for the four 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 all 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 agreement the revenue bond coverage ratio for 2009 was 2.3x.

Illinois State Toll Highway Authority
Long-Term Debt Analysis
December 31, 2009 and 2008

	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

	2008		
	Noncurrent	Current	Total
Revenue Bonds Payable			
Issue of 1992 Series A	$ 100,665,000	$ -	$ 100,665,000
Issue of 1993 Series B	-	80,500,000	80,500,000
Issue of 1996 Series A	-	15,625,000	15,625,000
Issue of 1998 Series A	194,115,000	1,025,000	195,140,000
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
Total Rev. Bonds Payable	$ 3,295,740,000	$ 97,150,000	$ 3,392,890,000

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

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

FACTORS IMPACTING FUTURE OPERATIONS

During 2010 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:

- Continued net increases in capital assets and in related depreciation expense as completed infrastructure projects are placed in service.
- The choice of sources to fund incremental 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, 2009
(With Comparative Totals as of December 31, 2008)

	2009	2008
ASSETS		
CURRENT ASSETS		
CURRENT UNRESTRICTED ASSETS		
Cash and Cash Equivalents	$ 499,070,519	$ 357,722,016
Accounts Receivable, less allowance for doubtful accounts of $259,231,468 and $195,674,372 in 2009 and 2008, respectively	32,912,950	30,567,798
Intergovernmental Receivables, less allowance for doubtful accounts of $34,375 and $0 in 2009 and 2008, respectively	80,003,796	86,814,775
Accrued Interest Receivable	59,700	317,275
Current Portion of Leases Receivable, less allowance for doubtful accounts of $0 and $783,746 in 2009 and 2008, respectively	1,643,250	1,643,250
Risk Management Reserved Cash and Cash Equivalents	16,436,770	11,293,764
Prepaid Expenses	18,547,957	14,631,288
Total Current Unrestricted Assets	648,674,942	502,990,166
CURRENT RESTRICTED ASSETS		
Cash and Cash Equivalents Restricted for Debt Service	317,510,640	267,827,509
Cash and Cash Equivalents - I-PASS Accounts	131,548,729	124,296,311
Investments Restricted for Debt Service, at fair value	-	74,038,196
Accrued Interest Receivable	10,601	811,212
Cash and Cash Equivalents - Construction Fund	224,200	167,159,562
Pension Benefit Assets	360,441	396,570
Total Current Restricted Assets	449,654,611	634,529,360
Total Current Assets	1,098,329,553	1,137,519,526
NONCURRENT ASSETS		
CAPITAL ASSETS		
Land, Improvements and Construction in Progress	537,261,936	793,255,170
Other Capital Assets, net of Accumulated Depreciation	4,826,502,826	4,059,884,499
Total Capital Assets, net	5,363,764,762	4,853,139,669
OTHER NONCURRENT ASSETS		
Leases Receivable, less current portion	28,444,750	30,088,000
Accounts Receivable less current portion - violations	500,000	-
Intergovernmental Receivables less current portion	78,407,465	-
Deferred Bond Issuance Costs, net of accumulated amortization of $10,082,316 and $8,993,114 in 2009 and 2008, respectively	16,357,122	11,357,005
Total Other Noncurrent Assets	123,709,337	41,445,005
Total Noncurrent Assets	5,487,474,099	4,894,584,674
TOTAL ASSETS	$ 6,585,803,652	$ 6,032,104,200

See accompanying notes to the financial statements.

Illinois State Toll Highway Authority
(A Component Unit of the State of Illinois)
Statement of Net Assets (Continued)
December 31, 2009
(With Comparative Totals as of December 31, 2008)

LIABILITIES AND NET ASSETS	2009	2008
LIABILITIES		
CURRENT LIABILITIES		
Payable from Unrestricted Current Assets:		
Accounts Payable	$ 5,404,044	$ 27,597,153
Accrued Liabilities	150,653,725	187,178,171
Accrued Compensated Absences	3,546,533	4,188,960
Risk Management Claims Payable	16,022,848	10,878,028
Deposits and Retainage	47,399,278	63,244,503
Total Current Liabilities Payable from Unrestricted Current Assets	223,026,428	293,086,815
Payable from Current Restricted Assets:		
Pension Benefit Obligation	-	6,736
Current Portion of Revenue Bonds Payable	1,065,000	97,150,000
Accrued Interest Payable	82,887,851	60,600,406
Deposits and Deferred Revenue - I-PASS Accounts	131,548,729	124,296,311
Total Current Liabilities Payable from Current Restricted Assets	215,501,580	282,053,453
Total Current Liabilities	438,528,008	575,140,268
NONCURRENT LIABILITIES		
Revenue Bonds Payable, less current portion	4,074,675,000	3,295,740,000
Bond Premium, less deferred amount on refunding	3,898,329	4,654,225
Accrued Compensated Absences	3,999,282	3,033,384
Deferred Revenue, less accumulated amortization of $25,325,635 and $20,829,800 in 2009 and 2008, respectively	46,809,556	47,990,164
Total Noncurrent Liabilities	4,129,382,167	3,351,417,773
Total Liabilities	4,567,910,175	3,926,558,041
NET ASSETS		
Invested in Capital Assets, net of Related Debt	1,284,350,633	1,622,755,006
Restricted under Trust Indenture Agreements	234,633,390	282,076,511
Restricted for Pension Benefit Obligation	360,441	389,834
Unrestricted	498,549,013	200,324,808
Total Net Assets	2,017,893,477	2,105,546,159
TOTAL LIABILITIES AND NET ASSETS	$ 6,585,803,652	$ 6,032,104,200

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, 2009
(With Comparative Totals for the Year Ended December 31, 2008)

	2009	2008
OPERATING REVENUES		
Toll Revenue	$ 592,063,529	$ 583,646,592
Toll Evasion Recovery	54,828,660	77,653,862
Concessions	2,338,841	2,236,551
Miscellaneous	8,759,200	4,273,563
Total Operating Revenues	657,990,230	667,810,568
OPERATING EXPENSES		
Engineering and Maintenance of Roadway and Structures	48,942,122	46,309,976
Services and Toll Collection	116,613,280	110,681,535
Traffic Control, Safety Patrol and Radio Communications	22,649,767	22,374,844
Procurement, IT, Finance, and Administration	22,406,891	22,100,592
Insurance and Employee Benefits	72,493,677	59,634,767
Depreciation and Amortization	297,371,719	278,626,714
Total Operating Expenses	580,477,456	539,728,428
Operating Income	77,512,774	128,082,140
NONOPERATING REVENUES (EXPENSES)		
Investment Income	3,199,960	22,979,654
Contributions Restricted for Capital	6,570,819	1,071,429
Revenues under Intergovernmental Agreements	97,983,825	81,091,003
Expenses under Intergovernmental Agreements	(97,983,825)	(81,091,003)
Net Decrease in Fair Value of Investments	(1,365,846)	(221,181)
Net Gain (Loss) on Disposal of Property	(3,249,477)	377,214
Interest Expense and Amortization of Financing Costs	(190,168,729)	(130,889,438)
Bond Interest Subsidy (Build America Bonds)	6,422,870	-
Miscellaneous Revenue	13,424,947	542,517
Total Nonoperating Revenues (Expenses)	(165,165,456)	(106,139,805)
(DECREASE) INCREASE IN NET ASSETS	(87,652,682)	21,942,335
NET ASSETS AT BEGINNING OF YEAR	2,105,546,159	2,083,603,824
NET ASSETS AT END OF YEAR	$ 2,017,893,477	$ 2,105,546,159

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, 2009
(With Comparative Totals for the Year Ended December 31, 2008)

	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Sales and Services	$ 676,785,085	$ 675,219,969
Cash Received from Other Governments for Services	-	6,029,017
Cash Paid to Other Governments for Services	(72,096,485)	-
Cash Payments to Suppliers	(195,712,374)	(178,387,553)
Cash Payments to Employees	(139,743,118)	(118,419,630)
Net Cash Provided by Operating Activities	269,233,108	384,441,803
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and Construction of Capital Assets	(830,929,602)	(1,086,200,179)
Cash Paid to Other Governments for Capital Assets	-	(22,595,213)
Cash Received from Other Governments Restricted to Capital	6,570,819	-
Proceeds from Sale of Property	235,354	480,910
Proceeds from Sale of Bonds	780,000,000	1,116,200,000
Original Issue Discount for Sale of Bonds	-	(9,142,000)
Defeased Bonds	-	(708,340,000)
Principal paid on Revenue Bonds	(97,150,000)	(50,030,000)
Bond Interest Subsidy (Build America Bonds)	6,422,870	-
Interest Expense and Issuance Costs paid on Revenue Bonds	(174,821,350)	(220,795,363)
Net Cash Used in Capital and Related Financing Activities	(309,671,909)	(980,421,845)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Investment Securities	-	(797,681,159)
Proceeds from Sales and Maturities of Investments	74,038,196	863,511,064
Interest on Investments	2,892,301	32,525,093
Net Cash Provided by Investing Activities	76,930,497	98,354,998
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	36,491,696	(497,625,044)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	928,299,162	1,425,924,206
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 964,790,858	$ 928,299,162
RECONCILIATION OF CASH AND CASH EQUIVALENTS		
Cash and Cash Equivalents	$ 499,070,519	$ 357,722,016
Cash and Cash Equivalents Restricted for Debt Service	317,510,640	267,827,509
Cash and Cash Equivalents Restricted for Construction	224,200	167,159,562
Cash and Cash Equivalents - I-PASS Accounts	131,548,729	124,296,311
Risk Management Reserved Cash and Cash Equivalents	16,436,770	11,293,764
TOTAL CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 964,790,858	$ 928,299,162

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, 2009
(With Comparative Totals for the Year Ended December 31, 2008)

	2009	2008
Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Operating Income	$ 77,512,774	$ 128,082,140
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	297,371,719	278,626,714
Provision for Bad Debt	65,747,372	146,850,695
Amortization of Deferred Revenue	(1,180,608)	4,717,379
Intergovernmental Contributions and Revenues	97,983,825	82,162,432
Intergovernmental Expenses	(97,983,825)	-
Miscellaneous Revenue	13,424,947	542,517
Effects of Changes in Operating Assets and Liabilities:		
(Increase) in Accounts Receivable	(68,092,524)	(151,537,410)
(Increase) in Intergovernmental Receivables	(72,096,485)	(75,061,986)
(Increase) Decrease in Lease Receivable	1,643,250	(4,659,214)
(Increase) Decrease in Prepaid Expenses	870,116	(4,831,522)
Decrease in Net Assets Available for Pension Benefits	36,129	28,202
Increase (Decrease) in Accounts Payable	(22,193,109)	2,192,282
(Decrease) in Accrued Liabilities	(36,524,446)	(36,546,060)
Increase in Accrued Compensated Absences	323,471	971,041
(Decrease) in Pension Obligation	(6,736)	(33,984)
(Decrease) in Deposits and Retainage	-	(2,681,368)
Increase in Deposits and Deferred Revenue - I-PASS	7,252,418	15,430,847
Increase in Risk Management Claims Payable	5,144,820	189,098
Net Cash Provided by Operating Activities	$ 269,233,108	$ 384,441,803

The fair value of investments decreased by $1,144,665 in 2009 and by $3,518,548 in 2008, respectively.
The interest paid on revenue bonds was $172,254,062 and $148,412,572 in 2009 and 2008, 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 is 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 $28.7 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, 2009.

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, roadway and transportation structures (infrastructure), buildings and related improvements, 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 incurred during the construction period.

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

In 2009 the Tollway re-characterized certain recently completed infrastructure projects previously placed into service. Certain reconstruction-and-widen projects had originally been set to depreciate over 20-year periods; further review and consultation led to the conclusion that such projects have 40-year depreciable lives and these have been adjusted in 2009.

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. 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 collectability 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, 1993 Series B, 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 and 2009 Series B 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.”

Net Assets

The Statement of Net Assets presents the Tollway’s assets and liabilities with the difference reported in four 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, 2009, restrictions on net assets consisted of:

Restricted Under Trust Indenture Agreements reflect restrictions on net asset use imposed by the Tollway’s Master Trust Indenture Agreement.

Restricted for Pension Benefit Obligation reflects monies set aside for a retirement plan established in 1990 and suspended in 1994. These resources will be used to pay the remaining plan participants.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Assets: (continued)

When both restricted and unrestricted resources are available for a specific use, generally it is the Tollway's policy to use restricted resources first, then unrestricted resources as they are needed. At times, the Tollway will pay for capital expenditures with unrestricted resource pools and will later reimburse those pools as restricted resources become available through the issuance of bonds.

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.

Comparative Data

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 asets, liabilities, net assets, revenues and expenses.

In 2009 the Tollway made the following financial statement presentation adjustments: Toll Evasion revenue is shown net of bad debt expense. Concession revenue includes only oasis revenue. All other types of revenue previously shown as concession revenue has been classified as miscellaneous revenue. See Note 16 for a summary of these changes.

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, 2009, the Tollway's deposits were not exposed to custodial credit risk.

Schedule of Investments

As of December 31, 2009, the Tollway had the following investments and maturities:

		Investment Maturities (in Years)	
Investment Type	Fair Value	Less Than 1	1 - 5
Repurchase agreements	$ 520,793,471	$ 520,793,471	$ -
Certificates of Deposit	7,110,000	7,110,000	-
Money market funds*	318,095,280	318,095,280	-
Illinois Funds*	128,520,528	128,520,528	-
US Agency:			
Federal Home Loan Mortgage Corp	2,511,725	2,511,725	-
	$ 977,031,004	$ 977,031,004	$ -

* 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, 2009 are as follows:

December 31 Maturity	2009 Percentage
Less than one year	100%
One to five years	0%

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 2009.

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, 2009:

	2009	
Investment Type	Fair Value	Rating
Repurchase agreements	$ 520,793,471	AAA/Aaa
Money market funds	318,095,280	AAAm/Aaa
Illinois Funds	128,520,528	AAAm/NR
US Agency:		
Federal Home Loan Mortgage Corp	2,511,725	AAA/Aaa

NR = Not Rated

NOTE 3 – CURRENT ACCOUNTS RECEIVABLE

The Tollway's current 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, 2009 Net Receivables
Tolls	$ 1,299,559
Toll Evasion Recovery	29,098,568
Oases Receivable	134,414
Damage Claims/Emergency Services	81
Insufficient I-Pass	328,750
Overdimension Vehicle Permits	51,135
Fiber Optic Agreements	42,529
Workers' Compensation	60,475
Other	1,897,439
Total Non-Governmental Receivables	$ 32,912,950
Various Local and Municipal Governments	93,370
IAG Agencies	7,535,920
Other Agencies of the State of Illinois	72,374,506
Total Intergovernmental Receivables	80,003,796
Total Receivables	$ 112,916,746

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. Following is a summary table:

	December 31, 2009 Prepaid Expenses
Insurance	$ 13,761,172
Construction Contract Price Adjustments	4,786,785
	$ 18,547,957

NOTE 5 – LEASES RECEIVABLE

During 2002, the Tollway, as lessor, entered into two 25-year lease agreements, each 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 oasis, which is the responsibility of ExxonMobil. A new release in 2008 at Belvidere North will also be handled by 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, 2009 are as follows:

Year Ended December 31,	Retail Lease	Fuel Lease	Total Leases
2010	$ 743,000	$ 900,250	$ 1,643,250
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
Thereafter	10,483,333	11,103,084	21,586,417
	$ 14,483,666	$ 15,604,334	$ 30,088,000

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, 2009, are as follows:

	Balance January 1	Additions and Transfers in	Deletions and Transfers Out	Balance December 31
Nondepreciable Capital Assets:				
Land and Improvements	$ 299,708,525	$ 4,740,260	$ (117,250)	$ 304,331,535
Construction in Progress	493,546,645	726,833,190	(987,449,434)	232,930,401
Total Nondepreciable Capital Assets	793,255,170	731,573,450	(987,566,684)	537,261,936
Depreciable Capital Assets				
Buildings	40,909,823	5,683,678	-	46,593,501
Less: Accumulated Depreciation	(30,142,224)	(2,239,615)	-	(32,381,839)
Net Buildings	10,767,599	3,444,063	-	14,211,662
Infrastructure	6,936,281,035	1,038,271,617	(7,728,999)	7,966,823,653
Less: Accumulated Depreciation	(2,961,054,288)	(285,419,919)	4,637,400	(3,241,836,807)
Net Infrastructure	3,975,226,747	752,851,698	(3,091,599)	4,724,986,846
Machinery and Equipment	181,726,203	23,402,332	(3,435,012)	201,693,523
Less: Accumulated Depreciation	(107,836,050)	(9,712,185)	3,159,030	(114,389,205)
Net Machinery and Equipment	73,890,153	13,690,147	(275,982)	87,304,318
Total Capital Assets	7,952,172,231	1,798,931,077	(998,730,695)	8,752,372,613
Less: Accumulated Depreciation	(3,099,032,562)	(297,371,719)	7,796,430	(3,388,607,851)
Total Capital Assets, Net	$ 4,853,139,669	$ 1,501,559,358	$ (990,934,265)	$ 5,363,764,762

NOTE 7 – LONG-TERM INTERGOVERNMNETAL RECEIVABLES

At year end, the Tollway is due the below-listed amounts that are due at various times after December 31, 2010.

Will County - I-355 South Intergovernmental Agreement	$ 1,071,429
Village of Lemont - I-355 South Intergovernmental Agreement	1,071,429
City of Lockport - I-355 South Intergovernmental Agreement	1,071,429
Village of Homer Glen - I-355 South Intergovernmental Agreement	1,071,429
Village of New Lenox - I-355 South Intergovernmental Agreement	1,071,429
Various Other Intergovernmental Agreements	1,690,660
DuPage County	21,459,600
Illinois Department of Transportation	49,900,060
	$ 78,407,465

NOTE 8 – REVENUE BONDS PAYABLE

Build America Bonds

The American Recovery and Reinvestment Act of 2009 authorizes 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 deposited $12,000,000 funds on hand into the debt service account to pay the bond interest due on June 1, 2010 and a portion of the bond interest due on December 1, 2010. The bonds mature on December 1, 2034. The bonds bear an interest rate of 5.851% and were sold at a price of 100% of the par amount of the bonds. The bonds are subject to optional redemption at a redemption price equal to the greater of: (i) 100% of the principal amount of the bonds to be redeemed; and (ii) the sum of the present value of the remaining scheduled payments of principal and interest to the maturity date of the bonds to be redeemed, discounted to the date on which the bonds are to be redeemed on a semi-annual basis at the yield to maturity as of such redemption date of the 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.

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)

NOTE 8 – REVENUE BONDS PAYABLE (continued)

Series 2009A Bonds (continued):

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 (2008 Series A-1 and Series A-2). This issuance 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 remained in a weekly mode through fiscal year-end. 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 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. The expiration date of the Standby Bond Purchase Agreement is February 7, 2011. While in the weekly mode, the bonds are subject to optional redemption by the Tollway. 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. The final maturity of the bonds is January 1, 2031.

NOTE 8 – REVENUE BONDS PAYABLE (continued)

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. 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. The expiration date of the Standby Bond Purchase Agreement is March 20, 2011. 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.

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.

NOTE 8 – REVENUE BONDS PAYABLE (continued)

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 a 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 $194,115,000 were outstanding as of December 31, 2009, 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 2009. 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. 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 Authority 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 50 basis points (at December 31, 2009) 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. The expiration date of the Standby Bond Purchase Agreement is December 29, 2010. While in the weekly mode, the Series 1998B Bonds are subject to optional redemption by the Tollway. The final maturity of the bonds is January 1, 2017. 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. The final maturity of the 1998A and 1998B bonds is January 1, 2016 and January 1, 2017, respectively.

NOTE 8 – REVENUE BONDS PAYABLE (continued)

Series 1996A Bonds

On October 10, 1996, the Tollway issued $148,285,000 of Refunding Revenue Bonds (1996 Series A). The bonds financed a refunding of certain of the Tollway's then-outstanding Series 1986 and Series 1987 Bonds. The bonds also financed costs of issuance and accrued interest. The Series 1996A Bonds were sold with fixed interest rates ranging from 4.7% to 6.0% at yields which produced a net Original Issue Premium of $2,387,535. The bonds were insured by Financial Guaranty Insurance Company. The final maturity of the bonds was an amount of $15,625,000 maturing on January 1, 2009, which was paid on schedule. These these bonds are no longer outstanding.

Series 1993B Bonds

On March 24, 1993, the Tollway issued $178,200,000 of Refunding Revenue Bonds (1993 Series B). The bonds were used to advance refund portions of then-outstanding Series 1985, 1986 and 1992 bonds and pay certain costs of issuance and to finance the cost of a $22,974,900 surety bond from Municipal Bond Investors Assurance Corporation to satisfy a portion of the Debt Reserve Requirement. The bonds were sold at a price of 100% of the par amount of the bonds. The final maturity of the bonds was originally scheduled for January 1, 2010 in an amount of $44,400,000, all of which was optionally redeemed by the Tollway on January 28, 2009. Thus these bonds are no longer outstanding. The bonds were initially issued in a weekly mode and were in a weekly mode during 2009. Interest rates on the bonds were set pursuant to the terms of a remarketing agreement. While in the weekly mode, the bonds were subject to demand for purchase from bondholders. Any such bonds tendered for purchase were remarketed pursuant to the terms of a remarketing agreement. Bonds tendered for purchase that were not remarketed to new bondholder(s) were funded, subject to certain conditions, under a Letter of Credit from Societe Generale, issued pursuant to a Reimbursement Agreement among the Tollway, the Trustee, and Societe Generale. The cost of the Letter of Credit was a per annum fee of 20 basis points times the commitment amount of $49,324,143 which consisted of $44,400,000 for payment of principal and $4,924,143 for payment of interest. The Letter of Credit expired in connection with the redemption of the bonds on January 28, 2009. While in the weekly mode, the bonds were subject to optional redemption by the Tollway. The scheduled payments of principal and interest of the bonds were insured by Municipal Bond Investors Assurance Corporation.

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, 2009, 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, 4.0 to 5.50%, due on various dates through January 1, 2016		194,115,000
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		383,100,000
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
Totals	$	4,075,740,000
Less current maturities		(1,065,000)
Less deferred amount on refunding		(49,587,666)
Plus bond premium		53,485,995
Total long-term portion	$	4,078,573,329

The carrying amount of the Tollway's long-term debt approximates its fair value at December 31, 2009, based on discounted cash flow analyses, using the Tollway's current estimated incremental borrowing rate. Accrued interest payable for the year ended December 31, 2009 was $82,887,851.

NOTE 8 – REVENUE BONDS PAYABLE (continued)

A summary of changes in revenue bonds payable is as follows for December 31, 2009:

	Balance January 1	Additions	Deletions	Balance December 31	Amounts Due Within One Year
1992 Series A	$ 100,665,000	$ -	$ -	$ 100,665,000	$ -
1993 Series B	80,500,000	-	(80,500,000)	-	-
1996 Series A	15,625,000	-	(15,625,000)	-	-
1998 Series A	195,140,000	-	(1,025,000)	194,115,000	1,065,000
1998 Series B	123,100,000	-	-	123,100,000	-
2005 Series A	770,000,000	-	-	770,000,000	-
2006 Series A-1 & A-2	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	-	-	766,200,000	-
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	-
Totals	$ 3,392,890,000	$ 780,000,000	$ (97,150,000)	$ 4,075,740,000	$ 1,065,000
Less:					
Unamortized deferred amount on refunding	(53,462,612)	-	3,874,946	(49,587,666)	
Unamortized bond premium	58,116,837	-	(4,630,842)	53,485,995	
Current portion of Revenue bonds payable	(97,150,000)	(1,065,000)	97,150,000	(1,065,000)	
Revenue bonds payable, Net of current portion	$ 3,300,394,225	$ 778,935,000	$ (755,896)	$ 4,078,573,329	

NOTE 8 – REVENUE BONDS PAYABLE (continued)

The annual requirements to retire the principal and interest amount for all bonds outstanding at December 31, 2009, are as follows:

Year Ended December 31,	Principal	Interest	Total Debt Service
2010	$ 1,065,000	$ 187,919,892	$ 188,984,892
2011	49,910,000	195,314,075	245,224,075
2012	53,040,000	192,164,171	245,204,171
2013	56,365,000	188,794,640	245,159,640
2014	92,855,000	184,852,735	277,707,735
2015	97,795,000	179,780,985	277,575,985
2016	102,910,000	174,836,104	277,746,104
2017	107,850,000	169,795,729	277,645,729
2018	111,260,000	164,653,676	275,913,676
2019	138,025,000	158,437,449	296,462,449
2020	144,595,000	151,886,776	296,481,776
2021	150,645,000	144,800,439	295,445,439
2022	157,925,000	137,171,534	295,096,534
2023	165,550,000	129,096,186	294,646,186
2024	223,590,000	120,713,074	344,303,074
2025	201,760,000	111,829,931	313,589,931
2026	179,400,000	104,517,454	283,917,454
2027	248,700,000	97,235,211	345,935,211
2028	207,800,000	88,395,958	296,195,958
2029	217,300,000	80,053,941	297,353,941
2030	226,600,000	71,453,054	298,053,054
2031	110,800,000	62,473,988	173,273,988
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	$ 4,075,740,000	$ 3,214,022,776	$ 7,289,762,776

NOTE 8 – REVENUE BONDS PAYABLE (continued)

Defeased Bonds

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 as of December 31, 2009 is $708.3 million.

Capitalized Interest

In 2009 the Tollway's total interest incurred for revenue bonds equaled $183 million of which $1.2 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 manage the spending of Tollway bond proceeds; and (ii) a Revenue Fund to manage 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 Footnote 10.

Interest Rate Exchange Agreements

As a means of lowering its borrowing costs, the Tollway has entered into eleven separate variable-to-fixed interest rate exchange agreements (swaps) in connection with its five variable rate bond issues. Ten of the eleven swaps were outstanding as of December 31, 2009. 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

NOTE 8 – REVENUE BONDS PAYABLE (continued)

Interest Rate Exchange Agreements (continued)

2008 Series A-1 bonds and two of which are associated with the 2008 Series A-2 bonds. 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. One swap became effective March 24, 1993 and is associated with the 1993 Series B bonds. The swap counterparty ratings included in the following chart are from Moody's Investors Service and Standard & Poor's Corporation, respectively.

Significant terms of the agreements are as follows:

	Notional Amount	Effective Date	Fixed Rate Paid	Variable Rate Received	Termination Date	Mark to Market*	Counterparty Credit Ratings
Series 1998B	67,705,000	12/30/1998	4.3250%	Cost of Funds	01/01/17	(6,463,315)	Aa1/AAA
Series 1998B	55,395,000	12/30/1998	4.3250%	Cost of Funds	01/01/17	(6,336,698)	Aa1/AA-
Series 2007A-1	175,000,000	11/01/2007	3.9720%	SIFMA 7-day Muni Index	07/01/30	(15,126,363)	A1/A
Series 2007A-1	175,000,000	11/01/2007	3.9720%	SIFMA 7-day Muni Index	07/01/30	(14,667,200)	Aa3/A
Series 2007A-2	262,500,000	11/01/2007	3.9925%	SIFMA 7-day Muni Index	07/01/30	(23,673,596)	Aa3/A+
Series 2007A-2	87,500,000	11/01/2007	3.9925%	SIFMA 7-day Muni Index	07/01/30	(7,621,801)	Aa2/AA
Series 2008A-1	191,550,000	02/07/2008	3.7740%	SIFMA 7-day Muni Index	01/01/31	(9,736,279)	Aaa/AA
Series 2008A-1	191,550,000	02/07/2008	3.7740%	SIFMA 7-day Muni Index	01/01/31	(9,491,256)	Aa1/A+
Series 2008A-2	287,325,000	02/07/2008	3.7640%	SIFMA 7-day Muni Index	01/01/31	(14,856,901)	A3/BBB
Series 2008A-2	95,775,000	02/07/2008	3.7640%	SIFMA 7-day Muni Index	01/01/31	(4,796,372)	A2/A

* Includes accrued interest. Mark to market valuation provided by swap counterparties.

The swap associated with the 1993 Series B Bonds was terminated on January 28, 2009 in connection with the Tollway's optional redemption on that same date of all then-outstanding 1993 Series B Bonds.

The notional amounts of the swaps match the outstanding principal amounts of the associated bonds. The Tollway's swaps contain scheduled reductions to notional amounts that match the scheduled reductions in the associated "revenue bonds payable" category. For the 1993 Series B bonds before their redemption on January 28, 2009, the Tollway paid the counterparty a fixed rate of 4.920% and received a variable payment which based on the SIFMA 7-day Municipal Swap Index. 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.

NOTE 8 – REVENUE BONDS PAYABLE (continued)

Market Valuation

Low interest rates and to a lesser extent a decrease in duration contributed to the negative December 31, 2009 market valuations 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 the respective counterparties and were confirmed by the Tollway.

Counterparty 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, 2009 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 of any positive market value of the swaps in the event 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 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 ten swaps outstanding as of December 31, 2009 are with ten different counterparties from eight different financial firms. The counterparty with the largest notional amount holds 21% of the total notional amount of the outstanding swaps. The financial firm with the largest notional amount holds 25% 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 are determined by rates established by remarketing agents on a weekly basis. In the case of the 1993 Series B swap, for the period in 2009 before the 1993 Series B bonds were redeemed and the 1993 Series B swap was terminated, both of which occurred on January 28, 2009, the average interest rate paid to bondholders was 1.53%, compared to a SIFMA 7-day Municipal Swap Index of 0.41%. 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 without basis risk. 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 2009, the average interest rate paid to Series 2007A bondholders was 1.11%, compared to a SIFMA 7-day Municipal Swap Index of 0.41%. 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 2009, the average interest rate paid to Series 2008A bondholders was 1.48%, compared to a SIFMA 7-day Municipal Swap Index of 0.41%.

NOTE 8 – REVENUE BONDS PAYABLE (continued)

Termination Risk

The Tollway or the counterparties may terminate any of the swaps if the other party fails to perform under terms of the swaps. If a swap were terminated, the associated variable rate bonds would no longer carry synthetic fixed interest rates. In addition, if the swap has a negative market value at the time of termination, the Tollway would be liable to the counterparty for a payment equal to the swap's market value.

NOTE 9 – 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, 2009 of $30,088,000 have been recorded as lease receivables 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 payments; the related revenue was deferred and has been and is being amortized over the lease terms. From 2002 through 2009 the Tollway entered into additional fiber optic leases in the total amount of $3,654,552. These leases are being accounted for in the same manner.

The total deferred revenue balance for the oasis system and fiber optic system was $72,135,191 at December 31, 2009, and accumulated amortization of deferred revenue was $25,325,635 as of December 31, 2009.

A summary of changes in deferred revenue for the year ended December 31, 2009, is as follows:

	Balance at January 1	Current Year Activity	Balance at December 31
Deferred Revenue			
Fiber Optics	$ 27,807,214	$ 1,933,727	$ 29,740,941
Accumulated Amortization	(11,548,300)	(1,471,085)	(13,019,385)
	16,258,914	462,642	16,721,556
Lease Receivable	41,012,750	1,381,500	42,394,250
Accumulated Amortization	(9,281,500)	(3,024,750)	(12,306,250)
	31,731,250	(1,643,250)	30,088,000
Totals			
Deferred Revenue	68,819,964	3,315,227	72,135,191
Accumulated Amortization	(20,829,800)	(4,495,835)	(25,325,635)
Net Deferred Revenue	$ 47,990,164	$ (1,180,608)	$ 46,809,556

NOTE 10 – RESTRICTED NET ASSETS

As of December 31, 2009, the Tollway reported the following restricted net assets:

Description	December 31, 2009
Revenue bond trust indenture agreement restrictions	$ 233,792,590
Portion classified as Invested in Capital Assets net of Related Debt	840,800
Net assets restricted under Trust Indenture agreement restrictions	234,633,390
Assets restricted to paying pension benefit obligations	360,441
Total	$ 234,993,831

NOTE 11 – 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 2009 are also included in the state's Comprehensive Annual Financial Report (CAFR) for the year ended June 30, 2009.

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 11 – 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, 2010 and 2009 were actuarially determined according to the statutory schedule.

Tollway contribution rates to SERS for its SERS covered employees for the State fiscal years ended June 30, 2010, 2009 and 2008 were 28.377 percent, 21.049 percent and 16.561 percent respectively. Tollway contributions for the calendar years ended December 31, 2009, 2008 and 2007 were $33,618,063, $20,215,178 and $14,383,885 respectively.

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, 2009 the net assets available for these benefits were $360,441, (valued at the lesser of market value or actuarial value) and there was no pension benefit obligation. As of December 31, 2009, 9 beneficiaries remained in the plan.

Other Post Employment Benefits: 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, 812 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, 2009 the Tollway contributed $3,672,797 towards the state's cost of these 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 budget 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 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 12 – 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 $15,222,848 and both asserted and unasserted employee health claims of $800,000 are included in the accompanying financial statements.

Year	Estimated Claims Payable January 1	Current Claims	Claims Payments	Estimated Claims Payable December 31
2009	$ 10,878,028	$ 11,946,415	$ 6,801,595	$ 16,022,848
2008	10,688,930	5,438,898	5,249,800	10,878,028

Additionally, the Tollway purchases commercial insurance policies for general liability insurance and vehicle liability damage to capital assets other than vehicles which have a level of retention of $250,000 per occurrence. Property coverage 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 13 – 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, 2009 are as follows:

Balance at January 1	Accrued	Used	Balance at December 31	Due Within One Year
$ 7,222,344	$ 5,887,516	$ 5,564,045	$ 7,545,815	$ 3,546,533

NOTE 14 – PLEDGES OF FUTURE REVENUES

All revenue bonds issued under the Tollway's Trust Indenture are secured by a pledge of and lien on Tollway 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	$	113,445,653	2012
1998 Series A Priority Refunding Revenue Bonds (Fixed Rate)	Refund Outstanding Bonds		243,274,460	2016
1998 Series B Priority Refunding Revenue Bonds (Variable Rate)	Refund Outstanding Bonds		160,699,388	2017
2005 Series A Senior Priority Revenue Bonds	Fund Congestion Relief Program		1,152,847,979	2023
2006 Series A-1 & A-2 Senior Priority Revenue Bonds	Fund Congestion Relief Program		483,446,500	2025
2007 Series A-1 & A-2 Variable Rate Senior Priority Revenue Bonds	Fund Congestion Relief Program		1,216,706,535	2030
2008 Series A-1 & A-2 Variable Rate Senior Refunding Revenue Bonds	Refund Outstanding Bonds		1,290,258,674	2031
2008 Series B Senior Priority Revenue Bonds	Fund Congestion Relief Program		793,007,675	2033
2009 Series A Senior Priority Revenue Bonds (Build America Bonds - Direct Payment)	Fund Congestion Relief Program		1,158,824,467	2034
2009 Series B Senior Priority Revenue Bonds (Build America Bonds - Direct Payment)	Fund Congestion Relief Program		677,251,445	2034
		$	7,289,762,776	

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 $7.3 billion. Principal and interest paid for the current year and total pledged net revenues were $269.4 million and $403 million, respectively.

NOTE 15 – COMMITMENTS

In addition to amounts already recorded, contracts of approximately $158.7 million have been let and are outstanding as of December 31, 2009, for projects to be included under the Tollway's construction accounts. During 2009, approximately $1.0 billion in invoices were paid on approximately $4.9 billion of total contracts. The Tollway plans to fund remaining payments under these contracts through revenues and accumulated cash.

NOTE 16 – STATEMENT PRESENTATION

There are times when the Tollway changes presentation of accounts either to meet the requirements of governmental GAAP or to provide information that is easier for users of the statements to understand. Below is a summary of presentation changes made in 2009 to the 2008 Statement of Revenues, Expenses and Changes in Net Assets. The most significant change is netting bad debt expense against the corresponding revenue.

	2008	
	Original Presentation	Revised Presentation
Toll Evasion Recovery Revenue	$ 224,047,528	$ 77,653,862
Concession Revenue	1,754,403	2,236,551
Miscellaneous Revenue	3,429,783	4,273,563
Engineering and Maintenance of Roadway and Structures Expense	(45,304,051)	(46,309,976)
Services and Toll Collection Expense	(110,093,269)	(110,681,535)
Traffic Control, Safety Patrol and Radio Communications Expense	(22,344,274)	(22,374,844)
Procurement, IT, Finance, and Administration Expense	(21,942,396)	(22,100,592)
Bad Debt Expense	(146,850,695)	-
Total	$ (117,302,971)	$ (117,302,971)

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. 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.

Contingent Liability for Arbitrage Rebate

In the 1980's, the U.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 any gain from arbitrage that is realized must be rebated to the United States Government.

The Tollway retained a third-party expert to perform arbitrage calculations and determine any arbitrage rebate liability. In the opinion of this third party, as of December 31, 2009, the Tollway need not accrue any arbitrage rebate liability relating to its Series 1992A, 1993B, 1996A, 1998A, 1998B, 2005A, 2006A, 2007A, 2008A, 2008B, and 2009A Bonds.

The contingent arbitrage rebate liability relating to the Tollway's Series 2009B Bonds, which were issued on December 8, 2009, has been calculated internally by the Tollway. The Tollway calculates no contingent arbitrage rebate liability on its Series 2009B Bonds for the period ended December 31, 2009.

NOTE 19 – NEW GOVERNMENTAL ACCOUNTING STANDARDS

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

Statement No. 51, *Accounting and Financial Reporting for Intangible Assets,* establishes accounting and financial reporting requirements for intangible assets. All intangible assets not specifically excluded by the scope of this Statement should be classified as capital assets. All existing authoritative guidance for capital assets should be applied to these intangible assets, as applicable. The Tollway is required to implement this Statement for the year ending December 31, 2010.

Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. The Tollway is required to implement this Statement for the year ending December 31, 2010.

Management has not yet determined what impact, if any, 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 $122 million ($72 million current and $50 million long-term) are recorded at December 31, 2009, representing construction projects performed by the Tollway that pertain to infrastructure owned by IDOT. Accrued liabilities totaling $58 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

On July 1, 2010 the Tollway issued $279,300,000 of Toll Highway Senior Refunding Revenue Bonds, 2010 Series A-1 (the "2010A-1 Bonds"). The 2010A-1 Bonds were issued to refund $287,300,000 of the Tollway's Variable Rate Senior Refunding Revenue Bonds, 2008 Series A-2. The purpose of the refunding was to reduce the Tollway's reliance on bank liquidity agreements and to reduce swap counterparty risk. In connection with this refunding, the Tollway terminated its swap agreement with Depfa Bank, plc, in the notional amount of $287,300,000. The Tollway made a payment of $10,331,528 to Depfa Bank, plc in connection with the termination of the swap agreement.

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, 2009

	Revenue Fund	Construction Fund	Total
INCREASES			
Toll Revenue	$ 592,063,529	$ -	$ 592,063,529
Toll Evasion Recovery	54,828,660	-	54,828,660
Concessions	2,338,841	-	2,338,841
Interest	3,199,960	143,395	3,343,355
Miscellaneous	5,620,819	-	5,620,819
Total Increases	658,051,809	143,395	658,195,204
DECREASES			
Engineering and Maintenance of Roadway and Structures	47,895,062	-	47,895,062
Services and Toll Collection	91,540,686	-	91,540,686
Traffic Control, Safety Patrol, and Radio Communications	22,649,812	-	22,649,812
Procurement, IT, Finance and Administration	20,604,762	-	20,604,762
Insurance and Employee Benefits	72,493,678	-	72,493,678
Construction	898,904,716	-	898,904,716
Bond Principal Payments	52,750,000	-	52,750,000
Bond Interest and Other Financing Costs	187,805,554	-	187,805,554
Build America Bond Interest Subsidy	(6,422,870)	-	(6,422,870)
Total Decreases	1,388,221,400	-	1,388,221,400
NET INCREASES (DECREASES)	(730,169,591)	143,395	(730,026,196)
OTHER CHANGES IN FUND BALANCES			
Early Retirement of 1993 Series B Bonds (Principal)	(44,400,000)	-	(44,400,000)
Transfers in (out)	940,439,822	(940,439,822)	-
Reversal of State Administrative Charge	10,589,896	-	10,589,896
Proceeds from Bond Sale	-	780,000,000	780,000,000
Bond Issuance Costs	-	(6,211,587)	(6,211,587)
	906,629,718	(166,651,409)	739,978,309
CHANGE IN FUND BALANCE	176,460,127	(166,508,014)	9,952,113
FUND BALANCE, JANUARY 1	469,252,853	166,508,014	635,760,867
FUND BALANCE, DECEMBER 31	$ 645,712,980	$ -	$ 645,712,980

See accompanying Notes to the Trust Indenture Basis Schedules.

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, 2009

	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	$ 592,063,529	$ -	$ -	$ -	$ -	$ -	$ -	$ 592,063,529
Toll Evasion Recovery	54,828,660	-	-	-	-	-	-	54,828,660
Concessions	2,338,841	-	-	-	-	-	-	2,338,841
Interest	721,791	-	-	200,253	1,492,619	463,238	322,059	3,199,960
Miscellaneous	5,620,819	-	-	-	-	-	-	5,620,819
Intrafund Transfers	(653,614,808)	257,645,800	-	183,370,112	-	161,000,000	51,598,896	-
Total Increases	1,958,832	257,645,800	-	183,570,365	1,492,619	161,463,238	51,920,955	658,051,809
DECREASES								
Engineering and Maintenance of Roadway and Structures	-	47,895,062	-	-	-	-	-	47,895,062
Services and Toll Collection	-	91,540,686	-	-	-	-	-	91,540,686
Traffic Control, Safety Patrol, and Radio Communications	-	22,649,812	-	-	-	-	-	22,649,812
Procurement, IT, Finance and Administration	-	20,604,762	-	-	-	-	-	20,604,762
Insurance and Employee Benefits	-	72,493,678	-	-	-	-	-	72,493,678
Construction Expenses	-	-	-	-	-	155,278,492	743,626,224	898,904,716
Bond Principal Payments	-	-	-	52,750,000	-	-	-	52,750,000
Bond Interest and Other Financing Costs	243,135	-	-	186,202,871	1,359,548	-	-	187,805,554
Build America Bond Interest Subsidy	-	-	-	(6,422,870)	-	-	-	(6,422,870)
Total Decreases	243,135	255,184,000	-	232,530,001	1,359,548	155,278,492	743,626,224	1,388,221,400

(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, 2009

	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 INCREASES (DECREASE)	$ 1,715,697	$ 2,461,800	$ -	$ (48,959,636)	$ 133,071	$ 6,184,746	$ (691,705,269)	$ (730,169,591)
OTHER CHANGES IN FUND BALANCE								
Early Retirement of 1993B Bonds (Principal)	-	-	-	(44,400,000)	-	-	-	(44,400,000)
Transfer from Construction Fund	-	-	-	-	38,609,053	-	901,830,769	940,439,822
Reversal of State Admin Charge	10,589,896	-	-	-	-	-	-	10,589,896
Funding for Early Retirement of Debt	-	-	-	44,400,000	-	-	(44,400,000)	-
Transfer funds for 2009 B Interest	-	-	-	12,000,000	-	-	(12,000,000)	-
	10,589,896	-	-	12,000,000	38,609,053	-	845,430,769	906,629,718
CHANGE IN FUND BALANCE	12,305,593	2,461,800	-	(36,959,636)	38,742,124	6,184,746	153,725,500	176,460,127
FUND BALANCE, JANUARY 1	26,988,309	2,532,282	17,000,000	62,854,568	171,476,672	132,032,249	56,368,773	469,252,853
FUND BALANCE, DECEMBER 31	$ 39,293,902	$ 4,994,082	$ 17,000,000	$ 25,894,932	$ 210,218,796	$ 138,216,995	$ 210,094,273	$ 645,712,980

See accompanying Notes to the Trust Indenture Basis Schedules.

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.

Basis of Accounting

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

The major differences are as follows:

1. Capital construction and asset acquisitions are charged against fund balance as incurred. In addition, there is no provision for depreciation.
2. Monies received from sale of assets are recorded as revenue when the cash is received.
3. Monies received for long term fiber optic leases are recorded as revenue when received.
4. Principal retirements on revenue bonds are expensed when paid.
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 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 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.

Illinois State Toll Highway Authority
(A Component Unit of the State of Illinois)
Schedule of Toll Revenue by Class of Vehicles
and Other Revenue Sources (Unaudited)
Last Two Fiscal Years

	2009		2008	
	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	1,903,663	$ 334,519,451	1,881,192	$ 335,653,248
2. Single-unit truck or tractor, buses: 2 axles, 6 tires	34,542	17,144,543	37,199	15,738,510
3. Trucks and buses with 3 & 4 axles	34,157	26,464,126	35,534	24,290,663
4. Trucks with 5 or more axles, other vehicles and toll adjustments	151,892	213,935,409	171,436	207,964,171
TOTAL	2,124,254	592,063,529	2,125,361	583,646,592
Other Revenues				
Toll Evasion Recovery		54,828,660		77,653,862
Concessions		2,338,841		2,236,551
Interest - Revenue Fund		3,199,960		22,980,042
Gain (Loss) on Sale of Investments		-		1,125
Miscellaneous		5,620,819		4,595,310
TOTAL		$ 658,051,809		$ 691,113,482

* 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, 2009

Capital Assets (at original cost):		
Land and Improvements	$	304,331,535
Buildings		46,593,501
Infrastructure		7,841,985,964
Vehicles		41,770,509
Office Equipment		31,035,451
Information Systems		128,887,564
Construction in Progress		232,930,401
Total Capital Assets	$	8,627,534,925
Capital Assets Provided From:		
Bond Proceeds net of related Interest Income	$	5,552,273,928
Revenues		3,075,260,997
Total Sources of Capital Assets	$	8,627,534,925

(1) Prepared in accordance with the Trust Indenture (non-GAAP).
Infrastructure assets do not include capitalized interest totaling $124,837,690.

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, 2009

	Balance January 1, 2009	Additions	Deletions	Balance December 31, 2009
Land and Improvements	$ 299,708,525	$ 4,740,260	$ (117,250)	$ 304,331,535
Buildings	40,909,823	5,683,678	-	46,593,501
Infrastructure	6,812,627,397	1,037,087,566	(7,728,999)	7,841,985,964
Vehicles	37,050,942	7,355,210	(2,635,643)	41,770,509
Office Equipment	20,375,852	11,458,968	(799,369)	31,035,451
Information Systems	124,299,409	4,588,155	-	128,887,564
Construction in Progress	493,546,645	726,833,190	(987,449,434)	232,930,401
TOTAL CAPITAL ASSETS	$ 7,828,518,593	$ 1,797,747,027	$ (998,730,695)	$ 8,627,534,925

(1) Prepared in accordance with the Trust Indenture (non-GAAP). Infrastructure assets do not include capitalized interest of $124,837,690.

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 2009

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

(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 (Unaudited)
Trust Indenture Basis
For the Years Ended December 31, 2005 through December 31, 2009
(Amounts in Thousands)

	2009	2008	2007	2006	2005
Operating Revenue:					
Toll Revenue	$ 592,063	$ 583,647	$ 572,093	$ 567,500	$ 580,442
Toll Evasion Recovery	54,829	77,654	10,080	195	13,257
Concession & Other Revenue	7,960	6,832	5,775	5,900	8,014
Interest Income (1)	3,200	22,980	49,846	33,359	11,321
Total Operating Revenue	$ 658,052	$ 691,113	$ 637,794	$ 606,954	$ 613,034
Maintenance and Operating Expenses:					
Engineering and Maintenance	$ 47,895	$ 43,899	$ 44,834	$ 35,559	$ 31,644
Toll Services	91,541	100,464	79,538	85,887	86,089
Police, Safety and Communication	22,650	21,895	21,247	19,145	18,034
Procurement, IT, Finance and Administration	20,605	18,382	24,262	23,279	27,698
Insurance and Employee Benefits	72,494	59,635	52,414	49,640	42,110
Total Expenses	255,185	244,275	222,295	213,510	205,575
Net Operating Revenues	$ 402,867	$ 446,838	$ 415,499	$ 393,444	$ 407,459
Total Debt Service (2) (3)	$ 172,254	$ 198,429	$ 172,284	$ 145,633	$ 99,366
Net Revenues After Debt Service (2)	$ 230,613	$ 248,409	$ 243,215	$ 247,811	$ 308,093
Debt Service Coverage (2)	2.339	2.252	2.412	2.702	4.101

(1) - Excludes interest income on construction funds.
(2) - Includes an annual synthetic fixed interest rate as determined under swap agreements for 1993 Series B, 1998 Series B, 2007 Series A and 2008 Series A. See footnote 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 FY2009 Total Debt Service above.

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 2009
(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%

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 account 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 2009
(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	242,944	567,500	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%

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 2009
(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

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

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, 2009 (with summary totals for 2008)

	Carrying Amount	Financial Institution Balances
Cash (Unrestricted):		
Currency and Coin on Hand		
Change funds at toll plazas and Administrative Building	$ 446,900	$ -
Petty Cash	1,450	-
Cash in Banks		
Bank of America - New Segments Account	94	-
Bank of America - Revolving Accounts	98,752	20,097
Bank of America - Treasurer Accounts *	(12,979,084)	14,066
Bank of America - Risk Management Account	225	-
Cash Equivalents (Unrestricted):		
Certificates of Deposits - Treasurer Accounts *	7,110,000	7,110,000
Bank of America - Repurchase Agreements - Treasurer Accounts*	3,979,751	3,979,751
Bank of America - Repurchase Agreements - New Segments Account	4,808,433	4,808,433
Bank of America - Repurchase Agreements - Revolving Accounts	6,368,742	6,368,742
Bank of America - Repurchase Agreements - Risk Management	16,436,545	16,436,545
Wells Fargo - Repurchase Agreements - Treasurer Accounts *	489,200,000	489,200,000
Wells Fargo - Checking	35,481	35,481
Total cash and cash equivalents (Unrestricted)	$ 515,507,289	$ 527,973,115
Cash (Restricted):		
Bank of America - Restricted for I-PASS Accounts	$ 516,476	$ 25,557
Cash Equivalents (Restricted):		
Restricted for Debt Service		
JP Morgan Money Market Accounts:		
Priority Debt Reserve	202,823,318	202,823,320
Priority Debt Service	101,609,724	101,609,725
Debt Service	9,686,942	9,686,942
Provider Payment	3,390,656	3,390,656
Total Restricted for Debt Service	317,510,640	317,510,643
Restricted for Construction		
Federated Money Market Accounts	224,200	224,200
Northern Trust - Restricted for Pension Benefit Asset	360,441	360,441
Illinois Funds - Restricted for I-PASS Accounts	128,520,528	128,520,528
Total cash and cash equivalents (Restricted)	$ 447,132,285	$ 446,641,369
Total Cash and Cash Equivalents at December 31, 2009	$ 962,639,574	$ 974,614,484
Total Cash and Cash Equivalents at December 31, 2008	$ 906,044,302	$ 926,544,693

* 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, 2009 (with summary totals for 2008)

	Year End Interest Rates	Carrying Amount (Fair Value)
Locally Held at		
U.S. Bank - U.S. Agency Securities		
FHLMC - Restricted for I-PASS Accounts	4.875%	$ 2,511,725
Total Investments at December 31, 2009		$ 2,511,725
Total Investments at December 31, 2008		$ 96,293,056

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

Schedule of Commodities Inventory
December 31, 2009 and 2008

Location	2009	2008
Central Warehouse	$ 1,047,186	$ 1,017,711
Maintenance Buildings	7,844,302	5,307,551
Electrical Shops	391,488	380,685
Central Sign Shop	1,137,257	1,079,805
Carpenter Shop	548,072	451,472
Central Garage	327,413	303,437
Pool Car Garage	17,624	21,149
Total Commodities Inventory at December 31	$ 11,313,342	$ 8,561,810

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, 2009 and 2008

	AGING		
	0-180 Days	180-365 Days	Over One Year
Tolls	$ 1,403,360	$ 55,526	$ 278,482
Toll Evasion Recovery - Tolls	1,486,957	1,772,192	3,854,265
Toll Evasion Recovery - Initial Fines	57,991,640	69,116,280	150,316,580
Total Toll Evasion Recovery*	59,478,597	70,888,472	154,170,845
Oases Receivable	134,414	-	-
Damage Claims/Emergency Services	81	-	422,274
Insufficient I-Pass	154,489	489,213	643,702
Overdimension Vehicle Permits	37,505	3,045	10,585
Fiber Optic Agreements	42,006	484	39
Workers' Compensation	60,475	-	-
Other	1,917,620	4,260	1,948,944
Subtotal - Accounts Receivable	63,228,547	71,441,000	157,474,871
Various Local and Municipal Governments	62,500	30,870	-
IAG Agencies	7,535,920	-	-
Other Agencies of the State of Illinois	6,242,408	65,424,954	741,519
Subtotal - Intergovernmental Receivables	13,840,828	65,455,824	741,519
Violations Settlement	500,000	-	-
I-355 Intergovernmental Agreement Contributions	5,357,145	-	-
DuPage County	21,459,600	-	-
Illinois Department of Transportation	49,900,060	-	-
Other Intergovernmental Agreements	1,690,660	-	-
Subtotal - Long Term Receivables	78,407,465	-	-
Total Receivables at December 31, 2009	$ 155,976,840	$ 136,896,824	$ 158,216,390
Total Receivables at December 31, 2008	$ 133,745,976	$ 87,624,043	$ 91,686,926

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

Gross Total	Allowance for Doubtful Accounts	Net Receivables
$ 1,737,368	$ (437,809)	$ 1,299,559
7,113,414	-	7,113,414
277,424,500	(255,439,346)	21,985,154
284,537,914	(255,439,346)	29,098,568
134,414	-	134,414
422,355	(422,274)	81
1,287,404	(958,654)	328,750
51,135	-	51,135
42,529	-	42,529
60,475	-	60,475
3,870,824	(1,973,385)	1,897,439
292,144,418	(259,231,468)	32,912,950
93,370	-	93,370
7,535,920	-	7,535,920
72,408,881	(34,375)	72,374,506
80,038,171	(34,375)	80,003,796
500,000	-	500,000
5,357,145	-	5,357,145
21,459,600	-	21,459,600
49,900,060	-	49,900,060
1,690,660	-	1,690,660
78,407,465	-	78,407,465
$ 451,090,054	$ (259,265,843)	$ 191,824,211
$ 313,056,945	$ (195,674,372)	$ 117,382,573

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

Schedule of Changes in Capital Assets
Year Ended December 31, 2009

Acct #	Fixed Assets by Type	Balance January 1	Additions and Transfers In	Deletions and Transfers Out	Balance December 31
8000	Other Equipment	$ 5,744	$ -	$ -	$ 5,744
8100	Office Furn. and Fixtures	10,470,846	-	(10,900)	10,459,946
8200	Data Proc. Equipment	80,871,542	2,844,527	-	83,716,069
8300	Cash Handling	137,214	-	-	137,214
8350	Telecommunication	2,494,074	-	-	2,494,074
8400	Toll Collection	10,484,724	-	-	10,484,724
8500	Garage and Shop	1,035,249	174,141	(28,854)	1,180,536
8520	Bldg. and Bldg. Maintenance	53,415	-	-	53,415
8550	Bldg. and Bldg. Maintenance	124,776	-	-	124,776
8700	Autos	6,243,342	871,396	(932,426)	6,182,312
8750	Police Car Equipment	64,906	-	-	64,906
8800	Trucks	29,072,401	6,483,814	(1,703,217)	33,852,998
8900	Roadway Equipment	11,024,625	1,496,822	(759,615)	11,761,832
Total Equipment		152,082,858	11,870,700	(3,435,012)	160,518,546
	Buildings and Infrastructure	6,977,190,858	1,043,955,295	(7,728,999)	8,013,417,154
	Land and Land Improvements	299,708,525	4,740,260	(117,250)	304,331,535
	Toll Collection Equipment	2,093,739	-	-	2,093,739
	Construction in Progress	493,546,645	726,833,190	(987,449,434)	232,930,401
	Reciprocity Server (IAG)	299,590	-	-	299,590
	Next Generation Network	2,869,638	251	-	2,869,889
	TIMS	776,237	809,840	-	1,586,077
	Various Machinery & Equipment	376,444	2,952,141	-	3,328,585
	Web and E-Commerce	1,188,965	442,018	-	1,630,983
	Disaster Recovery	224,292	-	-	224,292
	Contingency Software	14,004	-	-	14,004
	RITE System	15,200,356	3,253,588	-	18,453,944
	Unisys Mainframe	1,303,550	-	-	1,303,550
	CCTV Cameras	4,663,644	3,919,152	-	8,582,796
	IWIN Computers	200,586	-	-	200,586
	Energy Attenuators	432,300	40,890	-	473,190
	Field Server	-	31,296	-	31,296
	RWIS system	-	46,352	-	46,352
	Mainframe Legacy System	-	36,104	-	36,104
Total Capital Assets		$ 7,952,172,231	$ 1,798,931,077	$ (998,730,695)	$ 8,752,372,613

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, 2009 and 2008

	December 31, 2009	December 31, 2008	Increase/ (Decrease)	Percentage Change
Assets				
Cash and Cash Equivalents	$ 499,070,519	$ 357,722,016	$ 141,348,503	40%
Investments Restricted for Debt Service	-	74,038,196	(74,038,196)	-100%
Cash and Cash Equivalents - Construction	224,200	167,159,562	(166,935,362)	-100%
Land, Improvements and Construction in Progress	537,261,936	793,255,170	(255,993,234)	-32%
Long-Term Accounts Receivable	78,907,465	-	78,907,465	100%
Deferred Bond Issuance Costs	16,357,122	11,357,005	5,000,117	44%

Cash and Cash Equivalents	The Tollway completed two bond issues during 2009. These monies plus the beginning balance in the construction fund were reimbursed and deposited into Tollway unrestricted cash.
Investments Restricted for Debt Service	Remaining debt reserve investments matured during the year. Receipts were invested in money markets (cash and cash equivalents).
Cash and Cash Equivalents - Construction	The Tollway continued to fund portions of 2009 Congestion-Relief Program projects with bond proceeds. Monies were transferred to unrestricted cash.
Land, Improvements and Construction in Progress	Increase in construction projects placed in service and decrease in new projects being started.
Long-Term Accounts Receivable	The Tollway booked amounts due from other agencies and municipalities that will be collected in future years.
Deferred Bond Issuance Costs, net	Increase in bond issuance costs caused by two bond issues during 2009.

* 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, 2009 and 2008

	December 31, 2009	December 31, 2008	Increase (Decrease)	Percentage Change
Liabilities				
Accounts Payable	$ 5,404,044	$ 27,597,153	$ (22,193,109)	-80%
Accrued Liabilities	150,653,725	187,178,171	(36,524,446)	-20%
Risk Management Claims Payable	16,022,848	10,878,028	5,144,820	47%
Deposits and Retainage	47,399,278	63,244,503	(15,845,225)	-25%
Current Portion of Bonds Payable	1,065,000	97,150,000	(96,085,000)	-99%
Accrued Interest Payable	82,887,851	60,600,406	22,287,445	37%
Revenue Bonds Payable, less current portion	4,074,675,000	3,295,740,000	778,935,000	24%

Accounts Payable	During the year the Tollway has paid bills more timely. This is consistent with the overall reduction in total cash and investments of approximately $37 million compared to last year.
Accrued Liabilities	At the end of 2009 there was a $2.7 million accrual for amounts due E-Z Pass agencies, a $20.1 million decrease in operating expense accrual ($10.5 for state administrative charge), and a $19.1 million decrease in construction accruals.
Risk Management Claims Payable	Increase in liability based on actuarial review and analysis.
Deposits and Retainage	Construction projects have closed out and retainages were paid.
Current Portion of Bonds Payable	At the beginning of 2009 three bond series either matured or were retired early. At the end of 2009 only one bond series is requiring a principal payment within one year.
Accrued Interest Payable	Increase in interest payable for 2008 B and 2009 A bond series.
Revenue Bonds Payable	In 2009 $780,000,000 in new debt was issued.

* 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, 2009 and 2008

	2009	2008	Increase (Decrease)	Percentage Change
Toll Evasion Recovery	$ 54,828,660	$ 77,653,862	$ (22,825,202)	-29%
Insurance and Employee Benefits	72,493,677	59,634,767	12,858,910	22%
Investment Income	3,199,960	22,979,654	(19,779,694)	-86%
Contributions Restricted for Capital	6,570,819	1,071,429	5,499,390	513%
Interest Expense and Amortization of Financing Costs	(190,168,729)	(130,889,438)	(59,279,291)	45%
Bond Interest Subsidy (Build America Bonds)	6,422,870	-	6,422,870	100%
Miscellaneous Revenue - Nonoperating	13,424,947	542,517	12,882,430	2375%

Toll Evasion Recovery	There was no catch up of the backlog of notices during 2009 as there was in 2008.
Insurance and Employee Benefits	Increased health insurance, workers compensation and retirement provision costs.
Investment Income	Throughout 2009 interest rates have declined. This combined with Tollway long term investments maturing led to a decrease in investment income.
Contributions Restricted for Capital	Recognized the remaining revenue for contributions from municipalities for capital improvements.
Interest Expense and Amortization of Financing Costs	Increase is due to new bond issues. Increases were seen for both bond expense and issuance costs.
Bond Interest Subsidy (Build America Bonds)	The Tollway received its first subsidy for the 2009A Build America Bonds.
Miscellaneous Income - Nonoperating	Reversal of state administrative charge. Recognized as non-operating income.

* Variances over $5 million and20% are considered significant.
Certain December 31, 2008 balances have been reclassified to conform to the current presentation.

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

TOLLWAY FUNCTIONS AND PLANNING PROGRAM (Continued)

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 2009, 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 $502,032 has been received as reimbursement.

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 and 2009 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 current Executive Director, 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 Year Ended December 31, 2009 and 2008

	Full-time Scheduled		Part-time Scheduled		Total	
	2009	2008	2009	2008	2009	2008
Tollway Employees						
Executive Director	3	4	-	-	3	4
Directors	10	10	-	-	10	10
Inspector General	13	13	-	-	13	13
Legal	11	11	-	-	11	11
State Police	17	18	-	-	17	18
Finance	49	51	-	-	49	51
Administration	31	141	-	-	31	141
Operations						
Toll Collectors	348	364	191	204	539	568
Plaza Managers and assistants	39	47	-	-	39	47
Other	154	40	-	-	154	40
Office of Info Tech	61	63	-	-	61	63
Engineering:						
Maintenance:						
Roadway	381	381	-	-	381	381
Transportation	69	72	-	-	69	72
Engineers	35	34	-	-	35	34
Others	73	75	-	-	73	75
Planning	17	17	-	-	17	17
Procurement	52	51	-	-	52	51
Communications	10	11	-	-	10	11
Business Systems	63	58	-	-	63	58
Total Authority Employees	1,436	1,461	191	204	1,627	1,665
State Troopers	193	196	-	-	193	196
Total Personnel	1,629	1,657	191	204	1,820	1,861

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%
Hourly base payroll	$ 71,010,142	66.61%
Overtime	5,671,867	5.32%
Salaries	29,919,118	28.07%
2008 Total Payroll	$ 106,601,127	100.00%

Illinois State Toll Highway Authority
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Emergency Purchases
For the Year Ended December 31, 2009

The Tollway reported the following emergency purchases to the Office of the Auditor General for the fiscal year ended December 31, 2009:

Description	Cost
Repair garage floor before extensive damage occurs	$ 35,675
Low volatile organic compound epoxy paint to refurbish snow removal equipment	44,838
Total	$ 80,513

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 included/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, 2009.

1. The percentage of vehicles using I-PASS during rush hour: 87%
2. The percentage of vehicles using I-PASS for all hours: 82%
3. Number of Open Road Tolling (ORT) Lanes: 113
4. Travel Time Index Congestion Measure for the A.M. rush hour: 1.07
5. The average Accident Clearance Time for personal injury incidents: 38:53 minutes