ILLINOIS STATE TOLL HIGHWAY AUTHORITY

(A Component Unit of the State of Illinois)

Financial Audit and Compliance Examination

Year ended December 31, 2014

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)

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ILLINOIS STATE TOLL HIGHWAY AUTHORITY
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December 31, 2014

Agency Officials

Executive Director	Kristi Lafleur
Chief of Staff	Michael Stone
Chief of Finance	Michael Colsch
Controller	Patricia Pearn
General Counsel	David Goldberg

Central Administrative agency offices are located at:

2700 Ogden Avenue
Downers Grove, Illinois 60515

Illinois Tollway

June 17, 2015

KPMG LLP
200 East Randolph Street, Suite 5500
Chicago, Illinois 60601

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 year ended December 31, 2014. Based on this evaluation, we assert that during the year ended December 31, 2014, the Tollway has materially complied with the assertions below.

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

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

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

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

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

Yours very truly,

Illinois State Toll Highway Authority

Kristi Lafleur, Executive Director

Michael Colsch, Chief of Finance

David Goldberg, General Counsel

ILLINOIS TOLLWAY
2700 Ogden Avenue | Downers Grove, IL 60515 | p. 630.241.6800 | TTY 630.241.6988
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ILLINOIS STATE TOLL HIGHWAY AUTHORITY
(A Component Unit of the State of Illinois)

December 31, 2014

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 nonstandard language.

Summary of Findings

Number of:	Current Report	Prior Report
Findings	7	6
Repeated findings	5	5
Prior recommendations implemented or not repeated	1	3

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

Schedule of Findings

Findings (*Government Auditing Standards)*

Finding No.	Page No.	Description	Finding Type
2014-001	11	Inadequate Financial Reporting Systems	Significant deficiency
2014-002	13	Inadequate Controls Over Information Systems	Significant deficiency
2014-003	15	Inadequate Year End Payables Process	Significant deficiency

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

December 31, 2014

Findings (*State Compliance*)

Item No.	Page	Description	Finding Type
2014-004	17	Procurement: Lack of Evaluation Comments	Significant deficiency and noncompliance
2014-005	18	Failure to Accurately and Properly Report Accounts Receivables and Locally Held Funds	Significant deficiency and noncompliance
2014-006	20	Inadequate Procedures to Approve Timecards	Significant deficiency and noncompliance
2014-007	22	Failure to Ensure the Accuracy of Documentation Supporting the Determination of Qualified Professional Services Vendors	Significant deficiency and 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.

Findings (*Government Auditing Standards*)

Item No.	Page	Description	Finding Type
2014-001	11	Inadequate Financial Reporting Systems	Significant deficiency and noncompliance
2014-002	13	Inadequate Controls Over Information Systems	Significant deficiency and noncompliance
2014-003	15	Inadequate Year-End Payables Process	Significant deficiency and noncompliance

Exit Conference

The findings and recommendations appearing in this report were discussed with Tollway personnel at an exit conference on June 11, 2015. Attending were:

Illinois State Toll Highway Authority	
Kristi Lafleur	Executive Director
Michael Stone	Chief of Staff
Michael J. Colsch	Chief of Finance
Cassaundra Rouse	Chief Internal Auditor
Patricia Pearn	Controller
John Danato	Chief of Procurement
Linda Collins	General Manager of Engineering
Dan Rozek	Senior Manager of Communications
KPMG LLP	
Catherine Baumann	Partner
Jason Rosheisen	Senior Manager
Manish Baid	Director
Illinois Office of the Auditor General	
Thomas L. Kizziah, CPA	Audit Manager

The responses to the recommendations were provided by Cassaundra Rouse, Chief Internal Auditor, in emails dated June 12, 2015, June 15, 2015, and June 16, 2015.

KPMG LLP
Aon Center
Suite 5500
200 East Randolph Drive
Chicago, IL 60601-6436

Independent Accountants' Report on State Compliance and on Internal Control over Compliance

Honorable William G. Holland
Auditor General State of Illinois

and

The Board of Directors
Illinois State Toll Highway Authority:

Compliance

As Special Assistant Auditors for the Auditor General, we have examined the Illinois State Toll Highway Authority's (the Tollway) 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, 2014. The management of the Tollway is responsible for compliance with these requirements. Our responsibility is to express an opinion on the Tollway's compliance based on our examination.

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

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

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

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

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

Our examination was conducted 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 Tollway'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 Tollway's compliance with specified requirements.

In our opinion, the Tollway complied, in all material respects, with the compliance requirements listed in the first paragraph of this report during the year ended December 31, 2014. However, the results of our procedures disclosed instances of noncompliance with the 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 finding numbers 2014-001 through 2014-007.

Internal Control

Management of the Tollway 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 Tollway's internal control over compliance with the requirements listed in the first paragraph of this report to determine the examination procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with the Audit Guide, issued by the Illinois Office of the Auditor General, but not for the purpose of expressing an opinion on the effectiveness of the Tollway's internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Tollway's internal control over compliance.

A deficiency in 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 in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a requirement listed in the first paragraph of this report will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings as items 2014-001 through 2014-007 that we considered to be significant deficiencies.

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

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

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.

KPMG LLP

Chicago, Illinois
June 17, 2015

KPMG LLP
Aon Center
Suite 5500
200 East Randolph Drive
Chicago, IL 60601-6436

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

and

The Board of Directors
Illinois State Toll Highway Authority:

As Special Assistant Auditors for the Auditor General, we have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the basic financial statements of the Illinois State Toll Highway Authority (the Tollway), which comprise the statement of net position as of December 31, 2014, and the related statements of revenues, expenses, and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 17, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the basic financial statements, we considered the Tollway's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Tollway's internal control. Accordingly, we do not express an opinion on the effectiveness of the Tollway's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as findings 2014-001 through 2014-003 that we consider to be significant deficiencies.

Compliance and Other Matters

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

Management's Response to Findings

Management's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. Management's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Tollway's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Tollway's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

KPMG LLP

Chicago, Illinois
June 17, 2015

Finding 2014-001 – Inadequate Financial Reporting Systems

The Tollway does not have adequate financial systems to prepare its annual financial statements and significant manual effort is required to prepare the annual financial statements in accordance with generally accepted accounting principles (GAAP).

During our audit, we noted the Tollway uses several stand-alone applications to track its financial transactions in accordance with provisions of the trust indentures. The financial data from each financial application is summarized and manually entered into two applications which are used as a general ledger. Several manual reconciliation procedures are required to ensure the information in the general ledger applications agrees to the various financial applications.

Once this information has been reconciled, a data file is generated from the general ledger applications and is imported into another application which is used to create a trial balance. Since the information in the financial applications is recorded based upon the provisions of the trust indentures, several top side entries are required to convert the trial balance to GAAP-based financial statements. As a result, the preparation of the annual financial statements is extremely time consuming and requires significant effort by management to ensure the statements are prepared in conformity with GAAP.

Additionally, we noted several of the applications used in the Tollway's financial reporting process, including one of the general ledger applications, do not have mechanisms to: restrict access for posting transactions, track specific user activity, or evidence supervisory reviews of transactions activity. Therefore, the Tollway's process for approving journal entries is also manual and time consuming.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the Tollway to establish and maintain a system or systems of internal fiscal and administrative controls, which shall provide assurance revenues, expenditures, and transfers of assets, resources, or funds applicable to operations are properly recorded and accounted for to permit the preparation of accounts and reliable financial and statistical reports and to maintain accountability over the State's resources.

In discussing these conditions with Tollway management, they stated the official general ledger system is a mainframe database developed many years ago. Although the systems are cumbersome, proper accounting is achieved with much manual effort.

The manual nature of the Tollway's financial reporting systems and related processes may result in financial reporting errors and untimely preparation of the annual financial statements. (Finding Code 2014-001, 2013-001, 12-01, 11-01)

(Continued)

Recommendation:

We recommend the Tollway review the adequacy of its existing financial systems and consider automating its financial reporting process.

Tollway Response:

The Tollway concurs with the auditors' recommendation and is pursuing an ERP system which will consolidate data, integrate information across our agency, and bring our financial systems up to date.

(Continued)

Finding 2014-002 – Inadequate Controls Over Information Systems

The Tollway had not established adequate internal controls over information systems used in its financial reporting process.

The Tollway operates a general ledger system to manage the activities of the Tollway in addition to operating and supporting information systems for purchasing, payroll, toll collection, and time reporting. Access is granted to users of the Tollway's information systems based on standardized user access profiles. The standardized user profiles are intended to assist the Tollway in limiting access to the information systems based upon assigned job functions of the specific users to which the profiles are assigned. The Tollway also has formal policies and procedures to address computer security, password management, change management, software development, disaster recovery, and physical security of the information systems to ensure the reliability of the data generated by the systems and support the assertion that systems operate as intended and that output is reliable.

During our review of controls related to change management, we noted appropriate documentation of the change request, evidence of testing, and approvals prior to implementation to production were not always available. Specifically, we identified the following:

- For a selection of changes for the payroll and general ledger systems, 3 of 25 changes did not have documented evidence of approval prior to implementation to production.
- For a selection of changes for the timekeeping system, 3 out of 12 changes did not have documented evidence of approval prior to implementation to production.
- The toll collection system is operated by a third-party vendor which maintains the ability to develop and migrate changes to production. There is no review performed of the system-generated list of changes by the Tollway that would monitor and/or detect inappropriate changes on the part of the third-party vendor.
- For a system upgrade of the timekeeping system, there was no documented evidence of a project plan, testing, or approvals prior to the go-live date of the system upgrade.

During our review of controls related to user access, we noted inappropriate access. Specifically, we identified the following:

- Twelve users (within a population of 19 users) with inappropriate access to adjust accrued leave or sick time within the payroll system.
- Eleven users (within a population of 238 users) with inappropriate access to edit time records within the timekeeping system.
- Four terminated users with access to the toll collection system and one terminated user with access to the payroll system (within a population of 106 terminated employees with access to financial systems relevant to our testing) after their termination dates.

Additionally, the Tollway's password length configurations for the payroll and general ledger systems did not meet the requirements as defined in the Tollway's policies.

(Continued)

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires all State agencies to establish and maintain a system, or systems, of internal fiscal and administrative controls. In addition, generally accepted information technology guidance endorses the development and implementation of suitable change management procedures to control changes to information systems. In addition, effective computer security controls, the establishment of appropriate system access and sufficient password lengths, provide for safeguarding, securing, and controlling access to hardware, software, and information stored in information systems.

In discussing these conditions with Tollway management, they stated the access and change management exceptions were the result of the timing of the implementation of corrective action prior year findings and inadequate documentation of controls over access and segregation of duties. They also stated they used informal methods to document the timekeeping system upgrade as they did not view the upgrade as complex. With respect to the password configurations, they stated there are separate configuration requirements for the payroll and general ledger systems which are not reflected in a formal policy.

Without adequate change management procedures, there is a greater risk of unauthorized, improper, or erroneous changes to information systems. In addition, inconsistently applied security parameters increase the risk of unauthorized access to information systems. (Finding Code 2014-002, 2013-002, 12-02, 11-02)

Recommendation:

We recommend the Tollway ensure all changes to information systems are properly initiated, planned, developed, tested, and implemented. Specifically, procedures to retain evidence of change requests, evidence of testing, and evidence of approvals prior to implementation to production should be developed and implemented. The Tollway should also ensure all the key steps and evidences are documented before new upgrades and developments are implemented. We also recommend the Tollway review its policies for user password configurations. Tollway should consider providing access based on employee's current roles and responsibilities to maintain appropriate access over time. Lastly, we recommend removing system access for terminated employees in a timely manner.

Tollway Response:

The Tollway concurs with the auditors' recommendation. The Tollway developed and implemented additional compensating controls to enhance change management procedures over documenting and maintaining evidence of approvals.

The Tollway has a policy that states there will be a segregation of duties between operational, test and development environments for change control. The Tollway will review the ETC environment for adherence to this policy among the development, test, and production environments. The Tollway will also review our change control process to ensure that unapproved changes cannot be introduced into the production environment.

The Tollway will continue to evaluate future projects and develop project plans as appropriate. In May 2015 the Tollway improved the process of removing access for employees to include the IT Security Administrator reviewing access rights on a monthly basis in addition to the yearly review of user rights which will include access rights to specific screens for a system.

Finding 2014-003 – Inadequate Year End Payables Process

The Tollway has not established adequate internal controls over accurately identifying and recording period end payable transactions for financial reporting purposes.

During our audit, we noted the Tollway's year end accounts payable procedures include specifically reviewing cash disbursements made subsequent to year end to determine to which accounting period the related expense transaction pertained through the end of January. Additionally, each Tollway department works with its vendors to obtain estimated or actual fiscal year end billings prior to the end of January.

In relation to our testwork on expense transactions, we reviewed 156 cash disbursements subsequent to year end (totaling $112,062,689). During our review of these transactions we noted the following items were not recorded to the proper accounting period:

- One contractual services expenditure (totaling $34,974) was erroneously accrued twice to fiscal year 2014.
- One administrative expenditure related to trustee fees (totaling $29,333) which pertained to fiscal year 2015 was recorded as expense in fiscal year 2014.
- One roadway maintenance expenditure (totaling $16,996) which pertained to fiscal year 2014 was recorded in fiscal year 2015.
- One computer software expenditure (totaling $9,800) which pertained to fiscal year 2015 was recorded as expense in fiscal year 2014.

Generally accepted accounting principles require transactions to be reported in the period they are incurred. Additionally, the Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the Tollway to establish and maintain a system or systems of internal fiscal and administrative controls, which shall provide assurance that: (1) resources are utilized efficiently, effectively and in compliance with applicable law; (2) obligations and costs are in compliance with applicable law; (3) funds, property and other assets and resources are safeguarded against waste, loss, unauthorized use, and misappropriation; (4) revenues, expenditures, and transfers of assets resources, or funds applicable to operations are properly recorded and accounted for to permit the preparation of accounts and reliable financial and statistical reports and to maintain accountability over the State's resources; and (5) funds held outside the State Treasury are managed, used, and obtained in strict accordance with the terms of their enabling authorities and that no unauthorized funds exist. Effective internal controls should include procedures to accurately assess whether expenditures are reported in the appropriate period.

In discussing these conditions with Tollway management, they stated the accrual process is manual and dependent upon user departments forwarding unpaid and properly accruable invoices to General Accounting. The Tollway does not have an ERP system with a fully automated accounts payable module, which the Tollway believes would reduce the chance of missed accruals.

Failure to accurately identify and record period end accounts payable transactions may result in the misstatement of the Tollway's financial statements. (Finding Code 2014-003, 2013-003, 12-03, 11-04)

(Continued)

Recommendation:

We recommend the Tollway review its current process to assess the completeness of its expense accruals at year end and consider changes necessary to ensure all period end accounts payable are accurately identified and recorded.

Tollway Response:

The Tollway concurs with the auditors' recommendation and is pursuing and ERP system that will include improved and automated controls concerning accounts payable.

Current Findings – *State Compliance*

Finding 2014-004 Procurement: Lack of Evaluation Comments

The Tollway did not adequately document rationale to support scores awarded to vendor proposals.

During our procurement testing we selected a sample of 40 procurements executed by the Tollway during the year ended December 31, 2014. The 40 procurements tested were estimated, with renewals, to be approximately $527 million. Four of the opportunities (with awards estimated at $49 million) were procured using Request for Proposal (RFP) for goods and services and the other 36 opportunities (with awards estimated at $478 million) were either procured as State-use contracts, engineering professional services contracts, or awarded to lowest bidder. We noted inadequate evaluation comments for two contracts executed in March and July 2014. Specifically, we noted for one contract that one of five evaluators did not complete 5 of 16 criteria. We also noted for the second contract that one of six evaluators did not complete 2 of 24 criteria.

The Tollway's Evaluation Guidelines for RFP requires an evaluator's total score be supported by and consistent with appropriate comments in each category.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires all State agencies to establish and maintain a system, or systems, of internal fiscal and administrative controls. These controls should include comments to support the points awarded to technical criteria.

In discussing these conditions with Tollway management, they stated the exceptions were the result of oversight by the evaluators and the Tollway does not believe the vendor selection would have changed.

Failure to provide thorough and appropriate comments relative to how scores were assigned to evaluation criteria is in violation with the Tollway's procurement procedures and prevents an independent reviewer from assessing whether the appropriate vendor was awarded the contract. (Finding Code 2014-004, 2013-004, 12-05, 11-05)

Recommendation:

We recommend the Tollway take the necessary steps to ensure that procurement evaluation criteria are followed and appropriately documented by all evaluators when awarding State contracts. Such steps should include ensuring that evaluators submit thorough and appropriate comments to support scores awarded for evaluation criteria and following up with evaluation team members who fail to document such comments.

Tollway Response:

The Tollway concurs with the auditors' recommendation. Evaluation guidelines were enhanced and implemented to include additional oversight and monitoring. We will continue to reinforce guidelines to ensure evaluators document thorough comments for all evaluation criteria.

Finding 2014-005 Failure to Accurately and Properly Report Accounts Receivables and Locally Held Funds

The Tollway did not accurately report accounts receivable and locally held funds balances to the Office of the State Comptroller in accordance with reporting requirements.

On a quarterly basis the Tollway submits four financial reports to the Office of the Comptroller to report accounts receivables activity, aging of receivables balances, estimates of uncollectible receivables, and collection activity. These reports include the Summary of Accounts Receivable Activity (Form C-97), Aging of Total Gross Receivables (Form C-98), Collections Activity for Accounts over 180 Days Past Due (Form C-99), and Collection of Accounts 180 Days Past Due and Over $15 Thousand (Form C-99A). During our review of accounts receivable reports for the quarters ended September 30, 2014 and December 31, 2014, we noted the following:

- Accounts receivables greater than 90 days past due and over $1,000 reported in Form C-98 were understated by $99,000 for the quarter ended September 30, 2014.

- Accounts which have receivables over 180 days past due being collected by private collection firms reported in Form C-99 were overstated by two customer accounts totaling $6,516 for the quarter ended September 30, 2014, and understated by 19,639 customer accounts totaling $316,385 for the quarter ended December 31, 2014.

- Aging of accounts receivable from other revenue sources reported in Form C-98 was not accurate. Accounts receivable aged 91 to 180 days past due was overstated by four customer accounts totaling $135,904, while the accounts receivable aged 181 to 1 year past due was understated by four customer accounts totaling $135,904, for the quarter ended September 30, 2014. Moreover, the accounts receivable aged 1 to 30 days past due was overstated by three customer accounts totaling $21, accounts receivable aged 31 to 90 days past due was overstated by 20 customers accounts totaling $2,637, and accounts receivable aged 91 to 180 days past due was understated by 23 customers accounts totaling $2,658 for the quarter ended December 31, 2014.

The Tollway also submits on a quarterly basis the Report of Receipts and Disbursements for Locally Held Funds (Form C-17) for five funds to report on the fiscal year-to-date receipts and disbursements activities of each fund. During our review of the locally held funds reports for the quarters ended September 30, 2014 and December 31, 2014, we noted that the receipts and disbursements for the quarter ended December 31, 2014 were not accurately reported for two funds resulting in understatement of total receipts and disbursement by $14,274,875 and $11,564,104, respectively. The net effect is an understatement in cash balance of $2,710,771 in the December 31, 2014 quarterly report.

The Statewide Accounting Management System (Procedures 33.13.20) requires that the Report of Receipts and Disbursement for Locally Held Funds (Form C-17) reflects the fiscal year-to-date receipts and disbursements per the agency's records for each locally held funds maintained by the reporting agency.

In addition, the Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires State agencies to establish and maintain a system or systems of internal fiscal and administrative controls, which shall provide assurance that revenues, expenditures, and transfers of assets, resources, or funds applicable to operations are properly recorded and accounted for to permit the preparation of accounts and reliable financial and statistical reports and to maintain accountability over the State's resources. Effective internal controls should include procedures to ensure that the Tollway accurately reports information about accounts receivables and locally held funds activities.

In discussing these conditions with Tollway management, they stated the amounts reported on the quarterly Accounts Receivable report (C-97 to C-99) are manually compiled from numerous sources, including collection agency reports. Aging of some invoices is manually calculated. This resulted in the errors noted.

Additionally, Tollway management stated the errors noted on the Locally Held Funds Report (C-17) were due to timing delays in booking year end entries, due to the conversion to a new accounting software system.

Failure to accurately report information about account receivables and locally held funds balances inhibits the ability of the Office of the State Comptroller to properly monitor and evaluate the Tollway's receivables, collection, receipts, and disbursements activities. (Findings Code 2014-005, 2013-006)

Recommendation:

We recommend the Tollway review its current procedures for preparing quarterly accounts receivable and locally held funds reports, and consider any changes necessary to ensure information submitted to the Office of the Comptroller is accurate. Additionally, we recommend the Tollway work with the Office of the Comptroller in addressing inaccurate reports previously submitted.

Tollway Response:

The Tollway concurs with the auditors' recommendation. Improvements to the review process were made in 2014, and review procedures will be further enhanced in 2015. The Tollway is pursuing an ERP system, which will assist in automating these reports.

(Continued)

Current Findings – *State Compliance*

Finding 2014-006 Inadequate Procedures to Approve Timecards

The Tollway did not ensure all timecards were complete and properly approved in accordance with their formal policies and procedures.

The Tollway utilizes an electronic time reporting system that requires all employees to check in each day upon arrival and requires each employee to check out at the end of each day before leaving. The electronic time punches are supported by biometric verification of employees' identities. This system is used to track the time worked by each employee and the hours reported by employees checking in and checking out each day and is used in each pay cycle when the payroll is processed to calculate the hourly earnings. In addition to this daily time reporting, the Tollway's formal policies and procedures require each time card to be certified by the employee and approved by the employees' supervisor to ensure the accuracy of the time reported and to ensure any personal, vacation, or sick time is properly included and reported. During our testwork over 40 time cards, we noted the following:

- Three timecards were not approved by the employee.
- Five timecards were not approved by the employee's supervisor.
- Four timecards were not approved by the employee and employee's supervisor.
- Two timecards were approved by the employee 57 days after the supervisor's approval.

The Tollway's Policies and Procedures Manual (Chapter 6, Section 3 Part E) states employees are responsible for signing their timecards to certify the accuracy of all time recorded. Their supervisor must also review and approve the time record before submitting it to payroll processing. Additionally, the Fiscal Control and Internal Auditing Act (30 ILCS 10/3001), requires the Tollway to establish and maintain a system, or systems of internal fiscal and administrative controls, which shall provide assurance that: (1) resources are utilized efficiently, effectively, and in accordance with applicable law; (2) obligations and costs are in compliance with applicable law; (3) funds, property, and other assets and resources are safeguarded against waste, loss, unauthorized use and misappropriation; (4) revenues, expenditures, and transfers of assets, resources, or funds applicable to operations are properly recorded and accounted for to permit the preparation of reliable financial and statistical reports and to maintain accountability over State's resources; and (5) funds held outside of the State Treasury are managed, used and obtained in strict accordance with the terms of their enabling authorities and that no unauthorized funds exist. Effective internal controls should include procedures to ensure timecards are approved in accordance with its policies and procedures.

In discussing these conditions with Tollway management, they stated these exceptions were caused by human oversight and the Tollway is legally obligated to pay employees according to their time record and not withhold paychecks for time approval.

Failure to review and approve timecards results in noncompliance with the Tollway's established internal control procedures. (Finding Code 2014-006)

(Continued)

Recommendation:

We recommend Tollway review its current procedures for completing and reviewing timecards and make any changes necessary to ensure all timecards are completed and properly approved in accordance with their formal policies and procedures.

Tollway Response:

The Tollway concurs with the auditors’ recommendation and will reinforce current procedures to ensure timely approval of all timecards.

Current Findings – *State Compliance*

Finding 2014-007 Failure to Ensure the Accuracy of Documentation Supporting the Determination of Qualified Professional Services Vendors

The Tollway failed to ensure the documentation (scoring evaluations) supporting the determination and selection of qualified professional services vendors was accurate.

During our procurement testing, we selected seven engineering professional services contracts advertised in the Professional Service Bulletin (PSB) and reviewed available documentation utilized by the Tollway for these procurements. Our evaluation of the procurement process utilized by the Tollway for these contracts identified that signed score sheets of two evaluators did not match the summary score sheet and ranking used by Tollway's Chief Engineer and Deputy Chief Engineers for one of the professional services contracts reviewed, however, the results of the vendor selection was not impacted. The summary score sheet is one of the mechanisms used by the Chief Engineer and Deputy Chief Engineers to nominate firms and to prepare recommended rankings for the review of Consultant Selection Committee (CSC).

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires State agencies to establish and maintain a system, or systems, of internal fiscal and administrative controls, which shall provide assurance that (1) resources are utilized efficiently, effectively, and in compliance with applicable law, (2) obligations and costs are in compliance with applicable law, (3) funds, property, and other assets and resources are safeguarded against waste, loss, unauthorized use, and misappropriation, (4) revenues, expenditures, and transfers of assets, resources, or funds applicable to operations are properly recorded and accounted for to permit the preparation of accounts and reliable financial and statistical reports and to maintain accountability over the State's resources. Effective internal controls should ensure that the results of scoring evaluations are accurately documented.

In discussing these conditions with Tollway management, they stated the tabulation errors noted were the result of changes made to the initial vendor evaluation scores subsequent to the addition of a previously disqualified vendor that was later determined to be qualified.

Failure to ensure the accuracy of scoring evaluations could result in professional services contracts being awarded to unqualified vendors. (Finding Code 2014-007)

Recommendation:

We recommend the Tollway take the necessary steps to ensure that results of scoring evaluations are accurately documented.

Tollway Response:

The Tollway concurs with the auditors' recommendation and we implemented process improvements to ensure scoring results are appropriately documented.

Prior Findings Not Repeated

Year ended December 31, 2014

A. Procurement : Scoring Evaluation Certification

The Tollway failed to have evaluation team members certify their evaluation scores. Additionally, the initial administrative review of proposals lacked certification signatures. (Finding Code 2013-005, 12-06, 11-06)

In the current year, similar exceptions were not noted in the sample tested.

Financial Statement Report

Summary

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

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

KPMG LLP
Aon Center
Suite 5500
200 East Randolph Drive
Chicago, IL 60601-6436

Independent Auditors' Report

Honorable William G. Holland
Auditor General State of Illinois

and

The Board of Directors
Illinois State Toll Highway Authority:

Report on the Financial Statements

As Special Assistant Auditors for the Illinois Auditor General, we have audited the accompanying basic financial statements of the Illinois State Toll Highway Authority (the Tollway), a component unit of the State of Illinois, as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the Tollway's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design 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. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Illinois State Toll Highway Authority as of December 31, 2014, and the respective changes in financial position, and cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Report on Summarized Comparative Information

We have previously audited the Tollway's 2013 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 20, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2013 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis on pages 28–34 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming an opinion on the Tollway's basic financial statements. The accompanying supplementary information in Schedules 1 through 17 and the Analysis of Operations section is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The accompanying supplementary information in Schedules 1, 2, 4, 5, and 11 through 17 is the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information in Schedules 1, 2, 4, 5 and 11 through 17 is fairly stated in all material respects in relation to the basic financial statements as a whole.

The supplementary information included in Schedules 3 and 6 through 10 and in the Analysis of Operations section have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 17, 2015 on our consideration of the Tollway's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Tollway's internal control over financial reporting and compliance.

KPMG LLP

Chicago, Illinois
June 17, 2015

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, 2014. Readers should use this section of this report in conjunction with the Tollway's basic financial statements.

2014 Financial Highlights

- In August of 2011, the Tollway's Board of Directors approved a $12 billion capital plan, called "Move Illinois, the Illinois Tollway Driving the Future", which established a guide for infrastructure investments to be made by the Tollway beginning in 2012 through 2026. During 2014, construction and professional engineering services contracts with a combined value of $1,147 million were awarded under this program.
- The Move Illinois program provides capital investments in addition to investments programmed in the previously approved Congestion Relief program (CRP). About $366 million is approved in the current capital plans to be invested under the CRP for years 2015 through 2016.
- To fund the capital outlays approved for "Move Illinois", the Tollway board set new toll rates for passenger vehicles using the system; these higher rates were effective January 1, 2012. The Tollway also affirmed a previously approved increase in commercial vehicle toll rates, which will be phased in over 2015 – 2017, with an annual Consumer Price Index inflator applied beginning January 1, 2018.
- The anticipated funding for the capital plan will be new revenue bonds to be issued through 2022, totaling about $5 billion, of which $900 million were issued in 2014 and $500 million were issued in 2013.
- In 2014, the Tollway also issued bonds in the par amount of $643.3 million to advance refund a portion of the 2005A series, and to advance refund all of the outstanding 2006A series.
- The Tollway's 2014 operating revenue totaled $1042.8 million, an increase of $25.9 million from the previous year. Net operating income for 2014 was $419.4 million, an increase of $8.2 million.
- Amounts on deposit on behalf of I-PASS account holders increased by 1.5% at year-end to $167 million; the percentage of Tollway users paying by I-PASS was 87% in 2014.

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 is intended to serve as an introduction to the Tollway's basic financial statements. For each fiscal year the Tollway's basic financial statements are comprised of the following:

- Statement of Net Position
- Statement of Revenues, Expenses and Changes in Net Position
- Statement of Cash Flows
- Notes to the Financial Statements

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

The Statement of Revenues, Expenses and Changes in Net Position presents revenue and expense information and the change in the Tollway's net position during the measurement period as a result of these transactions.

The Statement of Cash Flows presents sources and uses of cash for the fiscal year, displayed in the following categories: cash flows from operating activities, cash flows from 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

2014 Results Compared to 2013

Operating Revenue

The Tollway's total 2014 operating revenues exceeded those of the previous year, up $25.9 million (2.5%) at $1,042.8 million (compared to $1,016.9 million in 2013). The bulk of this increase came from toll revenue which totaled $969.0 million in 2014 (up from $943.2 million in 2013), due to an increase in both commercial and passenger vehicle traffic. Revenue from toll evasion recovery was slightly lower (-.8%) than 2013, at $53.8 million in 2014 (versus $54.2 million in 2013).

Other revenue remained fairly consistent year over year.

Operating Expenses

Operating expenses, excluding depreciation, increased $17.7 million (6.0%) in 2014. The increased operating cost was due mainly to increased retirement contributions, winter roadway materials, equipment maintenance and consulting fees. Depreciation expense was stable year over year, less by .01% at $308.8 million, from $308.9 million in 2013. The resulting net operating income for the year, $419.4 million, was up by $8.2 million from the previous year.

Non-operating Revenue and Expense

Net non-operating expense decreased this year (by 8.5%) from $206.6 million in 2013 to $188.9 million for 2014, primarily the result of a reclassification of dormant project costs in 2013 to miscellaneous expense which did not recur in 2014. There was also a decrease of $3.9 million (1.9%) in interest and other financing costs which totaled $203.7 million this year (versus $207.6 million in 2013). Again this year the Tollway received an interest rebate from the federal treasury relating to bonds which were issued as Build America Bonds. The 2014 rebate totaled $15.1 million, an increase of $.1 million from 2013.

(Continued)

Statement of Changes in Net Position

	2014	2013
Revenues:		
Operating revenues:		
Toll revenue	$ 968,971,925	$ 943,152,070
Toll evasion recovery	53,769,282	54,220,590
Concessions	2,096,881	2,305,563
Miscellaneous	17,982,788	17,238,843
Nonoperating revenues:		
Investment income	1,057,937	946,210
Revenues under intergovernmental agreements	39,218,519	35,287,508
Net gain on disposal of property	-	159,590
Bond interest subsidy (Build America Bonds)	15,066,431	14,952,722
Total revenues	1,098,163,763	1,068,263,096
Expenses:		
Operating expenses:		
Engineering and maintenance of roadway and structures	53,850,571	47,314,811
Services and toll collection	115,778,783	116,319,349
Traffic control, safety patrol, and radio communications	25,503,136	22,554,755
Procurement, IT, finance, and administration	28,322,665	24,325,930
Insurance and employee benefits	91,082,480	86,277,850
Depreciation and amortization	308,835,872	308,869,419
Nonoperating expenses:		
Expenses under intergovernmental agreement	39,218,519	35,287,508
Net loss on disposal of property	451,284	-
Miscellaneous	959,699	15,078,644
Interest expense and amortization of financing cost	203,660,387	207,566,638
Total expenses	867,663,396	863,594,904
Capital contributions under intergovernmental agreements	1,868,528	103,915
Increase in net position	232,368,895	204,772,107
Net position, beginning of year	2,246,335,592	2,041,563,485
Net position, end of year	$ 2,478,704,487	$ 2,246,335,592

Changes in Net Position

Net operating income increased in 2014 by $8.2 million to $419.4 million. After deducting this year's net non-operating expense of $188.9 million, the Tollway posted an increase in net position for the year of $232.4 million (compared to $204.8 million increase in net position for 2013). After this year's result, the Tollway's net position totaled nearly $2.5 billion.

Statement of Net Position
December 31, 2014 and 2013

	2014	2013
ASSETS		
Current and other Assets	$ 2,257,173,010	$ 1,885,634,855
Capital assets – net	6,235,314,815	5,429,506,171
Total Assets	8,492,487,825	7,315,141,026
DEFERRED OUTFLOWS OF RESOURCES		
Accumulated decrease in fair value of hedging derivates	257,181,557	136,553,050
Net gain on bond refundings	71,787,511	53,689,425
	328,969,068	190,242,475
LIABILITIES		
Current debt outstanding	97,795,000	92,855,000
Long-term debt outstanding	5,319,392,765	4,426,731,373
Other liabilities	925,564,641	739,461,536
Total liabilities	6,342,752,406	5,259,047,909
NET POSITION		
Invested in capital assets, net of related debt	1,227,482,902	1,126,446,163
Restricted under trust indenture agreement	410,020,656	364,205,442
Restricted for supplemental pension benefits obligations	57,996	61,950
Unrestricted	841,142,933	755,622,037
Total Net Position	$ 2,478,704,487	$ 2,246,335,592

(Continued)

Capital Assets and Debt Administration

Capital Assets

Capital assets continue to represent the largest category of Tollway assets, totaling $6.2 billion at year-end ($5.4 billion a year ago) comprising 71% of total Tollway assets. See the accompanying Notes to the Financial Statements - notes 1 and 6 - for further information about capital assets.

Capital Assets
December 31, 2014 and 2013

	January 1, 2014 Net Balance	Net Changes in Capital Assets	Net Changes in Accumulated Depreciation	December 31, 2014 Net Balance
Land	$ 337,264,544	$ 52,033,107	$ -	$ 389,297,651
Construction in progress	355,523,656	461,798,517	-	817,322,173
Buildings	14,412,990	1,754,057	(950,912)	15,216,135
Infrastructure	4,640,142,452	86,060,454	192,447,273	4,918,650,178
Machinery and equipment	82,162,529	23,477,664	(10,811,515)	94,828,678
Total	$ 5,429,506,171	$ 625,123,799	$ 180,684,846	$ 6,235,314,815

	January 1, 2013 Net Balance	Net Changes in Capital Assets	Net Changes in Accumulated Depreciation	December 31, 2013 Net Balance
Land	$ 327,977,023	$ 9,287,521	$ —	$ 337,264,544
Construction in progress	132,755,334	222,768,322	—	355,523,656
Buildings	14,891,365	455,949	(934,324)	14,412,990
Infrastructure	4,602,500,222	331,293,028	(293,650,798)	4,640,142,452
Machinery and equipment	80,282,370	15,413,536	(13,533,377)	82,162,529
Total	$ 5,158,406,314	$ 579,218,356	$ (308,118,499)	$ 5,429,506,171

Long-Term Debt

At year-end 2014, total revenue bonds payable had increased by $897.6 million (from $4.52 billion), primarily the result of two principal payments, two new money bond issuances, and two refunding bond issuances in 2014. All debt issues and related transactions are described more fully in note 8.

Other Debt–Related Information

The 1998 Series B, 2007 Series A-1 and A-2, and 2008 Series A-1 and A-2 bonds were issued as variable rate bonds. In connection with the issuance of these variable rate series, the Tollway entered into ten separate variable-to-fixed interest rate exchange (swap) agreements in total notional amounts and with amortizations matching the total principal amounts and amortizations of the Tollway's three variable rate bond issues. In connection with a refunding of a portion of the 2008 Series A-2 Bonds, one of the ten swap agreements was terminated on July 1,

2010. Nine swap agreements are outstanding as of December 31, 2014. Two swap agreements are associated with the 1998 Series B bonds, in original amounts totaling $123.1 million, both of which are outstanding as of December 31, 2014 and 2013. Four swap agreements are associated with the 2007 Series A-1 and A-2 bonds, in original amounts totaling $700 million, all of which are outstanding as of December 31, 2014 and 2013. Three swap agreements are associated with the 2008 Series A-1 and A-2 bonds, in original amounts totaling $478.9 million, all of which are outstanding as of December 31, 2014 and 2013. The Tollway utilized these nine swap agreements in order to hedge against rising interest rates and to reduce its borrowing rate (as compared to the borrowing rate obtainable through fixed rate bonds). The risks associated with these types of arrangements and the strategies employed by the Tollway to mitigate those risks are discussed in note 9 of the financial statements.

As of December 31, 2014, respectively, fair market value analyses 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, net of accrued interest, of: a total of $7.4 million for the two 1998 Series B swap agreements; a total of $155.5 million for the two 2007 Series A-1 and A-2 swap agreements; and a total of $94.3 million for the three 2008 Series A-1 and A-2 swap agreements.

As more fully described in Note 8, on February 7, 2014 the $478,900,000 2008 Series A Bonds were mandatorily tendered and subsequently remarketed as three separate sub series. As of December 31, 2014, each sub-series was liquidity supported by a standby bond purchase agreement that qualified as a Substitute Liquidity Facility under the Supplemental Indenture for the 2008 Series A Bonds. The Substitute Liquidity Facilities were provided by JPMorgan Chase Bank, N.A. and Bank of America, N.A.

As more fully described in Note 8, on March 18, 2014 the $700,000,000 2007 Series A Bonds were mandatorily tendered and subsequently remarketed as six separate sub series. As of December 31, 2014, each sub-series was secured by a letter of credit that qualified as a Substitute Credit Facility under the Supplemental Indenture for the 2007 Series A Bonds. The Substitute Credit Facilities were provided by: Citibank, N.A.; Mizuho Bank, Ltd.; The Bank of Tokyo Mitsubishi UFJ, Ltd., acting through its New York Branch; BMO Harris Bank, N.A.; Northern Trust Company and Royal Bank of Canada.

The amount of additional senior bonds that the Tollway may issue at any time is limited by the requirement that the projected net revenues are sufficient to meet the Net Revenue Requirement, after giving effect to the debt service attributable to such additional bonds. The Net Revenue Requirement is comprised of the amount necessary to cure deficiencies, if any, in debt service accounts and debt reserve accounts established under the Trust Indenture, plus the greater of (i) the sum of Aggregate Debt Service on Senior Bonds, the Junior Bond Revenue Requirement, and the Renewal and Replacement Deposit for such period, and (ii) 1.3 times the Aggregate Debt Service on Senior Bonds for such period (all capitalized terms as defined in the Trust Indenture). Under the terms of the Trust Indenture the revenue bond debt service coverage ratio for 2014 was 2.4.

Note: Amounts presented in this table exclude unamortized bond premiums and deferred amounts on refunding. Additional information concerning long term debt can be found in note 8.

Long Term Debt Analysis

	Noncurrent	Current	Total
Revenue bonds payable:			
Issue of 1998 Series A	$ 12,200,000	$ 62,735,000	$ 74,935,000
Issue of 1998 Series B	123,100,000	—	123,100,000
Issue of 2005 Series A	36,810,000	35,060,000	71,870,000
Issue of 2007 Series A-1	350,000,000	—	350,000,000
Issue of 2007 Series A-2	350,000,000	—	350,000,000
Issue of 2008 Series A-1	383,100,000	—	383,100,000
Issue of 2008 Series A-2	95,800,000	—	95,800,000
Issue of 2008 Series B	350,000,000	—	350,000,000
Issue of 2009 Series A	500,000,000	—	500,000,000
Issue of 2009 Series B	280,000,000	—	280,000,000
Issue of 2010 Series A-1	279,300,000	—	279,300,000
Issue of 2013 Series A	500,000,000	—	500,000,000
Issue of 2013 Series B-1	217,390,000	—	217,390,000
Issue of 2014 Series A	378,720,000	—	378,720,000
Issue of 2014 Series B	500,000,000	—	500,000,000
Issue of 2014 Series C	400,000,000	—	400,000,000
Issue of 2014 Series D	264,555,000	—	264,555,000
Total revenue bonds payable	$ 5,020,975,000	$ 97,795,000	$ 5,118,770,000

Factors Impacting Future Operations

In 2014 the Tollway continued the work of its $12 billion Move Illinois capital program. Land acquisition and design work increased significantly for: the widening and rebuilding of the Jane Addams Memorial Tollway (I-90), including an interchange project at Illinois 47; the construction of the I-294/I-57 interchange; and the development of the Elgin-O'Hare Western Access Project. Four new bond series were issued in 2014, two being refunding issues and the other two to fund capital construction. The Tollway forecasts that for the fifteen-year span of the Move Illinois program, about 60% of the program's costs are expected to be funded by toll revenues.

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 Position

December 31, 2014

(With Comparative Totals for 2013)

Assets	**2014**	**2013**
Current assets:		
Current unrestricted assets:		
Cash and cash equivalents	$ 898,262,170	$ 812,039,408
Accounts receivable, less allowance for doubtful accounts of $31,292,779 and $27,618,205, in 2014 and 2013, respectively	9,808,640	8,795,293
Intergovernmental receivables	38,911,286	37,378,453
Accrued interest receivable	736	212
Risk management reserved cash and cash equivalents	19,013,137	18,297,141
Prepaid expenses	1,361,416	2,237,667
Total current unrestricted assets	967,357,385	878,748,174
Current restricted assets:		
Cash and cash equivalents - debt service	165,018,679	214,486,678
Cash and cash equivalents – I-PASS accounts	167,097,111	164,702,419
Investments - debt service	30,800,000	—
Accrued interest receivable	265,485	1,400
Supplemental pension benefits assets	27,822	27,822
Total current restricted assets	363,209,097	379,218,319
Total current assets	1,330,566,482	1,257,966,493
Noncurrent assets:		
Capital assets:		
Land, improvements and construction in progress	1,206,619,824	692,788,200
Other capital assets, net of accumulated depreciation	5,028,694,991	4,736,717,971
Total capital assets	6,235,314,815	5,429,506,171
Other noncurrent assets:		
Accounts receivable less current portion	138,551,087	108,265,566
Prepaid expenses less current portion	6,380,249	7,424,212
Total noncurrent unrestricted assets	144,931,336	115,689,778
Noncurrent restricted assets:		
Cash, cash equivalents and investments - debt reserve	300,371,821	241,571,008
Supplemental pension benefits assets	160,009	191,785
Cash and cash equivalents - construction	481,143,362	270,215,790
Total noncurrent restricted assets	781,675,192	511,978,583
Total assets	8,492,487,825	7,315,141,026
Deferred Outflows of Resources		
Accumulated decrease in fair value of hedging derivatives	257,181,557	136,553,050
Net loss on bond refundings	71,787,511	53,689,425
	$ 328,969,068	$ 190,242,475

See accompanying notes to the financial statements.

ILLINOIS STATE TOLL HIGHWAY AUTHORITY
(A Component Unit of the State of Illinois)
Statement of Net Position
December 31, 2014
(With Comparative Totals for 2013)

Liabilities and Net Position	**2014**	**2013**
Liabilities:		
Current liabilities		
Payable from unrestricted current assets:		
Accounts payable	$ 35,562,754	$ 37,668,878
Accrued liabilities	176,551,452	151,387,709
Accrued compensated absences	5,800,000	5,667,157
Intergovernmental agreement payable	97,239,773	84,445,594
Risk management claims payable	7,400,000	6,000,000
Deposits and retainage	61,265,134	30,101,093
Unearned revenue, net of accumulated amortization of $1,870,898 and $124,208, respectively	910,041	475,792
Total current liabilities payable from unrestricted current assets	384,729,154	315,746,223
Payable from current restricted assets:		
Supplemental pension benefit obligation	129,835	157,657
Current portion of revenue bonds payable	97,795,000	92,855,000
Accrued interest payable	86,435,329	91,853,644
Deposits and unearned revenue – I-PASS accounts	167,097,111	164,702,419
Total current liabilities payable from current restricted assets	351,457,275	349,568,720
Total current liabilities	736,186,429	665,314,943
Noncurrent liabilities:		
Revenue bonds payable, less current portion	5,319,392,765	4,426,731,373
Accrued compensated absences	4,249,082	4,020,291
Risk management claims payable	12,038,086	12,082,622
Derivative instrument liability	257,181,557	136,553,050
Unearned revenue, less accumulated amortization of $19,974,760 and $19,385,613, respectively	13,704,487	14,345,630
Total noncurrent liabilities	5,606,565,977	4,593,732,966
Total liabilities	6,342,752,406	5,259,047,909
Net position:		
Net investment in capital assets	1,227,482,902	1,126,446,163
Restricted under trust indenture agreements	410,020,656	364,205,442
Restricted for supplemental pension benefits obligations	57,996	61,950
Unrestricted	841,142,933	755,622,037
Total net position	$ 2,478,704,487	$ 2,246,335,592

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 Position

Year ended December 31, 2014

(With Comparative Totals for the year ended December 31, 2013)

	2014	2013
Operating revenues:		
Toll revenue	$ 968,971,925	$ 943,152,070
Toll evasion recovery	53,769,282	54,220,590
Concessions	2,096,881	2,305,563
Miscellaneous	17,982,788	17,238,843
Total operating revenues	1,042,820,876	1,016,917,066
Operating expenses:		
Engineering and maintenance of roadway and structures	53,850,571	47,314,811
Services and toll collection	115,778,783	116,319,349
Traffic control, safety patrol and radio communications	25,503,136	22,554,755
Procurement, IT, finance, and administration	28,322,665	24,325,930
Insurance and employee benefits	91,082,480	86,277,850
Depreciation and amortization	308,835,872	308,869,419
Total operating expenses	623,373,507	605,662,114
Operating income	419,447,369	411,254,952
Nonoperating revenues (expenses):		
Revenues under intergovernmental agreements	39,218,519	35,287,508
Expenses under intergovernmental agreements	(39,218,519)	(35,287,508)
Net gain (loss) on disposal of property	(451,284)	159,590
Interest expense and amortization of financing costs	(203,660,387)	(207,566,638)
Bond interest subsidy (Build America Bonds)	15,066,431	14,952,722
Miscellaneous expense	(959,699)	(15,078,644)
Investment income	1,057,937	946,210
Total nonoperating revenues (expenses), net	(188,947,002)	(206,586,760)
Capital contribution under intergovernmental agreements	1,868,528	103,915
Change in net position	232,368,895	204,772,107
Net position, beginning of year	2,246,335,592	2,041,563,485
Net position,end of year	$ 2,478,704,487	$ 2,246,335,592

See accompanying notes to the financial statements.

ILLINOIS STATE TOLL HIGHWAY AUTHORITY
(A Component Unit of the State of Illinois)
Statement of Cash Flows
Year ended December 31, 2014
(With Comparative Totals for the year ended December 31, 2013)

Cash flows from operating activities:	2014	2013
Cash received from sales and services	$ 1,047,098,908	$ 1,029,028,024
Cash payments to suppliers	(132,304,971)	(122,708,942)
Cash payments to employees	(159,234,270)	(151,324,265)
Net cash provided by operating activities	755,559,667	754,994,817
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	(1,088,161,273)	(550,055,971)
Cash received from other governments for capital assets	15,325,759	13,297,333
Cash paid for intergovernmental services	(1,948,101)	(8,742,764)
Proceeds from sale of property	777,781	318,028
Bond proceeds	976,431,727	565,345,459
Principal paid on revenue bonds	(92,855,000)	(56,365,000)
Payment to defease bonds	—	(1,015,538)
Bond subsidy (Build America Bonds)	15,066,431	14,952,722
Interest expense and issuance costs paid on revenue bonds	(240,892,868)	(211,313,725)
Net cash (used in) capital and related financing activities	(416,255,544)	(233,579,456)
Cash flows from investing activities:		
Proceeds from sales and maturities of investments	—	12,000,000
Purchase of investments	(165,800,000)	—
Interest on investments	1,057,937	946,210
Net cash provided by (used in) investing activities	(164,742,063)	12,946,210
Net (decrease) increase in cash and cash equivalents	174,562,060	534,361,571
Cash and cash equivalents at beginning of year	1,661,532,051	1,127,170,480
Cash and cash equivalents at end of year	$ 1,836,094,111	$ 1,661,532,051

Reconciliation of cash and cash equivalents:		
Cash and cash equivalents	$ 898,262,170	$ 812,039,408
Risk management reserved cash and cash equivalents	19,013,137	18,297,141
Cash and cash equivalents restricted for debt service and debt reserve	270,390,500	396,057,686
Cash and cash equivalents restricted for construction	481,143,362	270,215,790
Cash and cash equivalents – I-PASS accounts	167,097,111	164,702,419
Supplemental pension benefit assets	187,831	219,607
Total cash and cash equivalents at end of year	$ 1,836,094,111	$ 1,661,532,051

Non-cash investing and financing activities:		
Land Contribution from Boone County	$ 253,543	$ —

See accompanyuing notes to the financial statements.

ILLINOIS STATE TOLL HIGHWAY AUTHORITY

(A Component Unit of the State of Illinois)

Statement of Cash Flows

Year ended December 31, 2014

(With Comparative Totals for the year ended December 31, 2013)

Reconciliation of operating income to net cash provided by operating activities:	2014	2013
Operating income	$ 419,447,369	$ 411,254,952
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	308,835,872	308,869,419
Provision for bad debt	4,115,528	6,185,355
Amortization of unearned revenue	(2,573,703)	(1,645,404)
Miscellaneous revenue	1,828,556	—
Effects of changes in operating assets and liabilities:		
(Increase) decrease in accounts receivable	(233,298)	(1,439,083)
(Increase) decrease in intergovernmental receivables	(1,204,036)	(685,584)
Increase (decrease) in prepaid expenses	3,205	160,986
Increase in accounts payable	1,673,788	660,817
Increase in accrued liabilities	16,851,558	18,272,661
Decrease in accrued compensated absences	361,634	(125,005)
Decrease in supplemental pension obligation	(27,822)	(28,821)
Increase in intergovernmental agreement payable	2,772,211	566,562
Increase in deposits - I-PASS	2,394,693	3,845,720
Decrease in unearned revenue	(41,352)	4,621,946
Increase in risk management claims payable	1,355,464	4,480,296
Net cash provided by operating activities	$ 755,559,667	$ 754,994,817

See accompanying notes to the financial statements.

(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 U.S. generally accepted accounting principles (GAAP), as promulgated by the Governmental Accounting Standards Board (GASB).

(a) Financial Reporting Entity

The Illinois State Toll Highway Authority, a component unit of the State of Illinois, was created by an Act of the General Assembly of the State of Illinois – the Toll Highway Act – for the purpose of constructing, operating, regulating, and maintaining a toll highway or a system of toll highways and, in connection with the financing of such projects, is authorized to issue revenue bonds which shall be retired from revenues derived from the operation of the Tollway. Under the provisions of the Act, no bond issue of the Tollway, or any interest thereon, is an obligation of the State of Illinois. In addition, the Tollway is empowered to issue refunding bonds for the purpose of refunding any revenue bonds issued under the provisions of the Act, which are then outstanding.

The enabling legislation empowers the Tollway's Board of Directors with duties and responsibilities which include, but are not limited to, the ability to approve and modify the Tollway's budget, the ability to approve and modify toll rates and fees charged for use of the system, the ability to employ and discharge employees as necessary in the judgment of the Tollway, and the ability to acquire, own, use, hire, lease, operate, and dispose of personal property, real property, and any interest therein.

Component units are separate legal entities for which the primary government is legally accountable. The Tollway is a component unit of the State of Illinois for financial reporting purposes because exclusion would cause the State's financial statements to be incomplete. The governing body of the Tollway is an 11 member Board of Directors of which nine members are appointed by the Governor of Illinois 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.

(b) Basis of Accounting

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.

Accordingly, 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. Under this measurement focus, all assets and all liabilities associated with the Tollway's operations are included in the Statement of Net Position. Revenue is recognized in the period in which it is earned and expenses are recognized in the period in which incurred.

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

(c) Cash Equivalents

With the exception of $54 million in locally held funds and cash on hand at December 31, 2014, 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 assets with a maturity of three months or less when purchased, repurchase agreements and investments held on its behalf by the Treasurer to be cash equivalents, as these investments are available upon demand.

(d) Investments

The Tollway reports investments at fair value in its Statement of Net Position 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 Position. All investments are held for the Tollway either by the Treasurer as custodian or by the bond trustee under the Tollway's Trust Indenture.

The primary objectives 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. Other funds held for the Tollway by the Treasurer 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. State statute requires that all investments comply with the Illinois Public Funds Investment Act.

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, 2014.

(e) Accounts Receivable

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

(f) Prepaid Expenses and Inventory

Certain payments made to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses. The Tollway's inventory items consist mostly of consumable supplies that are quickly turned over and therefore the payments for such are directly expensed.

(g) Noncurrent Cash and Investments

Cash and investments that are externally restricted for sinking or reserve funds for the purchase or construction of capital or other noncurrent assets are classified as noncurrent assets in the Statement of Net Position.

(h) Capital Assets

Capital assets include the historical cost of land and improvements, easements, roadway and transportation structures (infrastructure), buildings and related improvements, software and equipment, with a cost exceeding $5,000. (Projects whose individual components are less than $5,000 but in its entirety are greater than $5,000 may be capitalized at the discretion of the Tollway). Most expenses for the maintenance and repairs to the roadway and transportation structures, buildings, and related improvements are charged to operations when incurred. All expenses for land, buildings, infrastructure, and construction in progress that increase the value or productive capacities of assets are capitalized. The Tollway capitalizes interest related to construction in progress. Capital assets are depreciated using the straight line method of depreciation over the asset's useful life, as follows:

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

(i) 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. The Tollway currently is not a party to any capital leases.

Operating leases are accounted for as an operating revenue or expense, depending on whether the Tollway is the lessor or lessee.

(j) 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.

(k) Debt Refunding

In accordance with GASB 65, *Items Previously Reported as Assets and Liabilitie*s, the difference between the reacquisition price and the net carrying amount of the old debt is reported as a deferred outflow or inflow of resources and recognized as a component of interest expense systematically over the remaining life of the old debt or the life of the new debt, whichever is shorter.

(Continued)

(l) Unearned Revenue

The Tollway recognizes revenue when earned. Amounts received in advance of the periods in which related services are rendered are recorded as an unearned revenue liability in the Statement of Net Position.

(m) Swap Agreements

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

(n) Net Position

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

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

Restricted Net Position results when constraints placed on net position use are either externally imposed by creditors, grantors, contributors, and the like, or imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Position consists of net positions that do not meet the criteria of the two preceding categories.

At December 31, 2014, restrictions on net positions consisted of:

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

Restricted under Trust Indenture Agreements result when constraints placed on net positions use either externally imposed creditors, grantors, contributors, and the like, or imposed by law through constitutional provisions or enabling legislations.

(o) Toll Revenue

Toll Revenue is recognized in the month in which the transaction occurs. The fines attributed to toll evasion recovery are recorded as revenue when received in cash. Both tolls and fines recovered under the evasion recovery enforcement system are recorded as toll evasion recovery revenue.

(p) Classification of Operating Revenues and Expenses

The Tollway's operating revenues and expenses consist of revenues earned and expenses incurred relating to the operation and maintenance of its tollway system. All other revenues and expenses are reported as nonoperating revenues and expenses or as special items.

Toll evasion revenue is shown net of bad debt expense; concession revenue includes only oasis revenue.

The majority of the Tollway's expenses are exchange transactions, which GASB defines as operating expenses for financial statement presentation purposes. Nonoperating expenses include transfers under intergovernment agreements and capital financing costs.

(q) Risk Management

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

(r) Comparative Totals

Comparative total data for the prior year has been presented in selected sections of the accompanying financial statements in order to provide an understanding of the changes in the Tollway's assets, deferred outflows, liabilities, deferred inflows, net position, revenues and expenses. Such prior year information does not include notes to the financial statements which are required to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such prior information should be read in conjunction with the Tollway's financial statements for the year ended December 31, 2013, from which such partial information was derived.

(s) Use of Estimates in Preparing Financial Statements

The preparation of financial statements in conformity with U.S. generally accepted accounting principles 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.

(2) Cash and Investments

(a) 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, 2014, the Tollway's deposits were not exposed to custodial credit risk.

(b) *Schedule of Investments*

As of December 31, 2014, the Tollway had the following investments and maturities:

Investment type	Fair Value	Investment maturities (in years) Less Than 1	1-5
Repurchase agreements	$ 863,010,979	$ 863,010,979	$ —
Money market funds*	751,533,862	751,533,862	—
U.S. Treausury Cert. of Indebtedness - SLGS	225,800,000	55,800,000	170,000,000
Illinois Funds*	188,422,648	188,422,648	—
	$ 2,028,767,489	$ 1,858,767,489	$ 170,000,000

*Weighted average maturity is less than one year.

(c) *Interest Rate Risk*

Interest rate risk is the risk that the fair value of investments will decrease as a result of an increase in interest rates. As a means of limiting its exposure to fair value losses from rising interest rates, and as a means of managing liquidity, the Tollway's investment policy requires that the majority of Tollway funds be invested in instruments with maturities of less than one year. No investment is to exceed a ten-year maturity.

(d) *Credit and Concentration Risks*

Credit risk is the risk that the Tollway will not recover its investments due to the inability of the issuer to fulfill its obligation. The Tollway's investment policy limits investment of Tollway funds to securities guaranteed by the United States government; obligations of agencies and instrumentalities of the United States; interest-bearing savings accounts, certificates of deposit, or bank time deposits with institutions which meet specified capitalization requirements; money market mutual funds registered under the Investment Company Act of 1940; the Illinois Funds; 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 2014.

The Tollway's investments in debt securities (or the securities underlying the repurchase agreements) were rated by Moody's and Standard & Poor's as follows for the year ended December 31, 2014:

		2014 (Moody's/S&P)	
Investment type		**Fair value**	**Rating**
Repurchase agreements	$	863,010,979	AAA/AA+u
Money market funds		751,533,862	Aaa-mf/AAAm
US Treasury Cert. of Indebtedness-SLGS		225,800,000	AAA/AA+u
Illinois Funds		188,422,648	N/R/AAAm

(3) Accounts Receivable

The Tollway's accounts receivable consist of various toll charges and other amounts due from individuals and commercial and other entities. A provision for doubtful accounts has been recorded for estimated uncollectible amounts. As of December 31, 2014, the Tollway's accounts receivable balance consists of the following:

		Gross accounts receivables		Allowance for doubtful accounts		Net accounts receivables
Tolls	$	4,668,716	$	(395,170)	$	4,273,546
Toll evasion recovery		30,519,795		(27,493,846)		3,025,949
Oases receivable		99,683		-		99,683
Damage claims/emergency service		245,333		(217,419)		27,914
Insufficient I-PASS		1,296,030		(1,036,824)		259,206
Over dimension vehicle permit		105,740		(25,755)		79,985
Fiber optic agreements		40,615		2,821		43,436
Workers' compensation		11,768		-		11,768
Other		4,113,739		(2,126,586)		1,987,153
Total non-governmental receivables		41,101,419		(31,292,779)		9,808,640
Various local and municipal government		11,197,129		-		11,197,129
IAG Agencies		11,066,600		-		11,066,600
Other agencies of the state of Illinois		155,198,644		-		155,198,644
Total intergovernmental receivables		177,462,373		-		177,462,373
Total receivables	$	218,563,792	$	(31,292,779)	$	187,271,013

(4) Prepaid Expenses

In the normal course of business the Tollway pays for services that will be consumed beyond the current year. These are established as prepaid expenses. As of December 31, 2014, the Tollway has $7.7 million in prepaid expenses. These are categorized as both current and noncurrent.

(5) Leases Receivable

During 2002, the Tollway, as lessor, entered into two 25-year lease agreements 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.

In order to rebuild and widen the Jane Addams Tollway, it was necessary to remove the over the road building at the Des Plaines oasis. Accordingly, effective April 1, 2014, the retail lease was amended to revise the annual rent downward to reflect the closure of the Des Plaines site over the road facility.

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 up until the lease commencement date until it has received “No Further Remediation” (NFR) letters from the Illinois Environmental Protection Agency (IEPA). 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 by the Tollway for all remediation sites that are the responsibility of the Tollway, except for the Lincoln Oasis North and South locations. The Tollway believes that the remaining NFR letters will be issued without further material remediation costs being incurred.

The future minimum lease payments receivable under these agreements as of December 31, 2014 are as follows:

Year ended December 31	Retail lease	Fuel lease	Total leases
2015	$ 728,571	$ 900,250	$ 1,628,821
2016	728,571	900,250	1,628,821
2017	728,571	900,250	1,628,821
2018	728,571	900,250	1,628,821
2019	728,571	900,250	1,628,821
Thereafter	5,342,854	6,601,833	11,944,687
	$ 8,985,709	$ 11,103,083	$ 20,088,792

The future minimum leases receivable do not include contingent rents that may be owed under these leases should the lessees generate revenues in excess of specific target amounts. The future minimum lease amounts above will be treated as revenue in the year they are earned.

(6) Capital Assets

Changes in capital assets for the year ended December 31, 2014 are as follows:

	Balance January 1	Additions and transfers in	Deletions and transfers out	Balance December 31
Nondepreciable capital assets:				
Land and improvements	$ 337,264,544	$ 52,033,107	$ -	$ 389,297,651
Construction in progress	355,523,656	971,599,999	(509,801,482)	817,322,173
Total nondepreciable capital assets	692,788,200	1,023,633,106	(509,801,482)	1,206,619,824
Depreciable capital assets:				
Buildings	54,481,559	1,754,057	-	56,235,616
Infrastructure	7,314,116,135	569,095,896	(483,035,442)	7,400,176,588
Machinery and equipment	231,087,505	29,649,452	(6,171,788)	254,565,169
Total depeciable capital assets	7,599,685,199	600,499,405	(489,207,230)	7,710,977,373
Less accumulated depreciation:				
Buildings	(40,068,569)	(950,912)	-	(41,019,481)
Infrastructure	(2,673,973,683)	(290,588,169)	483,035,442	(2,481,526,410)
Machinery and equipment	(148,924,976)	(15,810,239)	4,998,724	(159,736,491)
Total accumulated depreciation	(2,862,967,228)	(307,349,320)	488,034,166	(2,682,282,382)
Total depreciable capital assets, net	4,736,717,971	293,150,085	(1,173,064)	5,028,694,991
Total capital assets, net	$ 5,429,506,171	$ 1,316,783,191	$ (510,974,546)	$ 6,235,314,815

(7) Long-Term Accounts Receivable

As of December 31, 2014, long-term accounts receivable consisted of the following:

Village of Lemont – I-355 South Intergovernmental Agreement	$ 62,500
Northwest Suburban Municipal Joint Action Water Agency (NSMJAWA)	6,124,816
Illinois Department of Transportation	132,363,771
	$ 138,551,087

(Continued)

(8) Revenue Bonds Payable

Changes in revenue bonds payable for the year ended December 31, 2014 are as follows:

	Balance January 1	Additions	Deletions	Balance December 31	Amounts due within one year*
1998 Series A	$ 134,400,000	$ -	$ (59,465,000)	$ 74,935,000	$ 62,735,000
1998 Series B	123,100,000	-	-	123,100,000	
2005 Series A	541,805,000	-	(469,935,000)	71,870,000	35,060,000
2006 Series A-1	291,660,000	-	(291,660,000)	-	-
2007 Series A-1 & A-2	700,000,000	-	-	700,000,000	-
2008 Series A-1 & A-2	478,900,000	-	-	478,900,000	-
2008 Series B	350,000,000	-	-	350,000,000	-
2009 Series A	500,000,000	-	-	500,000,000	-
2009 Series B	280,000,000	-	-	280,000,000	-
2010 Series A-1	279,300,000	-	-	279,300,000	-
2013 Series A	500,000,000	-	-	500,000,000	-
2013 Series B-1	217,390,000	-	-	217,390,000	-
2014 Series A	-	378,720,000	-	378,720,000	-
2014 Series B	-	500,000,000	-	500,000,000	-
2014 Series C	-	400,000,000	-	400,000,000	-
2014 Series D	-	264,555,000	-	264,555,000	-
Totals	4,396,555,000	1,543,275,000	(821,060,000)	5,118,770,000	$ 97,795,000
Unamortized bond premium	123,031,373	219,324,343	(43,937,951)	298,417,765	
Current portion of revenue bonds payable	(92,855,000)	(97,795,000)	92,855,000	(97,795,000)	
Revenue bonds payable, net of current portion	$ 4,426,731,373	$ 1,664,804,343	$ (772,142,951)	$ 5,319,392,765	

* Principal amounts either due or for which required third-party liquidity is expiring within one year and was not renewed prior to report issuance date. As of December 31, 2014, there was no principal outstanding for which required third-party liquidity was expiring within one year.

(a) *Series 1998A and 1998B Bonds*

On December 30, 1998, the Tollway issued $325,135,000 of Refunding Revenue Bonds, consisting of $202,035,000 of Fixed Rate Bonds (1998 Series A) and $123,100,000 of Variable Rate Bonds (1998 Series B). The bonds financed the refunding of a portion ($313,105,000) of the Tollway's Series 1992A Bonds and also financed costs of issuance and accrued interest on the Series 1998A 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 $74,935,000 were outstanding as of December 31, 2014, 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 2014. 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 1998 Series B Bonds tendered for purchase are remarketed pursuant to the terms of a remarketing agreement. 1998 Series B 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 Landesbank Hessen-Thüringen Girozentale, New York Branch.

Any bonds funded pursuant to the Standby Bond Purchase Agreement that remain unremarketed on their scheduled payment dates of January 1, 2016 and January 1, 2017 are required to be paid by the Tollway on such scheduled payment dates. The cost of the Standby Bond Purchase Agreement is a per annum fee of 40 basis points times the commitment amount of $129,339,315, which consists of $123,100,000 for payment of principal and $6,239,315 for payment of interest. While in the weekly mode, the Series 1998B Bonds are subject to optional redemption by the Tollway. The stated expiration date of the Standby Bond Purchase Agreement is January 3, 2017. The scheduled 1998 Series B principal payments are $53,900,000 on January 1, 2016 and $69,200,000 on January 1, 2017. The final maturity of the 1998 Series A and 1998 Series B bonds is January 1, 2016 and January 1, 2017, respectively. The scheduled payments of principal and interest of the 1998 Series A Bonds and the 1998 Series B 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 variable interest rate of the 1998 Series B Bonds as of December 31, 2014 was 0.23%.

(b) Series 2005A Bonds

On June 22, 2005, the Tollway issued $770,000,000 of Toll Highway Senior Priority Revenue Bonds (2005 Series A). This issuance was the first 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. 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 remaining 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. The final maturity of the bonds is January 1, 2016. On August 13, 2013, $228,195,000 of the 2005 Series A Bonds that were scheduled to mature on January 1 of 2017, 2018 and 2019 were advance refunded in connection with the issuance of the $217,390,000 of Toll Highway Senior Revenue Bonds, 2013 Series B-1 (Refunding). On February 26, 2014, $436,545,000 of the 2005 Series A Bonds that were scheduled to mature on January 1 of 2020, 2021, 2022 and 2023 were advance refunded in connection with the issuance of the $378,720,000 of Toll Highway Senior Revenue Bonds, 2014 Series A (Refunding).

(c) Series 2006A Bonds

On June 7, 2006, the Tollway issued $1,000,000,000 of Toll Highway 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 were 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 were 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 in connection with the issuance of the Tollway's $766,200,000 Variable Rate Senior Refunding Revenue Bonds (2008 Series A-1 and Series A-2). On December 18, 2014, the remaining $291,660,000 of 2006 Series A bonds was advance refunded in connection with the issuance of the Tollway's $264,555,000 Senior Revenue Bonds, 2014 Series D (Refunding).

(d) Series 2007A Bonds

On November 1, 2007, the Tollway issued $700,000,000 of Toll Highway 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 2014. 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 optional redemption by the Tollway. While in the weekly mode, the bonds are subject to bondholder tender for purchase. Any such bonds tendered for purchase are remarketed pursuant to the terms of a remarketing agreement. Funding for any bonds tendered for purchase that failed to be remarketed was available, under certain circumstances, from a Liquidity Facility in the form of a Standby Bond Purchase Agreement provided by Dexia Credit Local, New York Branch, through March 18, 2011, the effective expiration date of that Standby Bond Purchase Agreement. On March 18, 2011, the 2007 Series A Bonds were mandatorily tendered and, on the same day, subsequently remarketed as six separate sub-series, each sub-series secured by a direct-pay letter of credit that qualified as a Substitute Credit Facility under the Supplemental Indenture for the 2007 Series A Bonds. The following provides information regarding each of those sub-series and their respective letters of credit.

(e) Series 2007A-1a Bonds

On March 18, 2011 the Tollway remarketed $175,000,000 of the 2007 Series A-1 Bonds as 2007 Series A-1a (the "Series 2007A-1a Bonds"). While in the weekly mode, the Series 2007A-1a Bonds are secured by a direct-pay letter of credit from Citibank, N.A. pursuant to the terms of the Letter of Credit Reimbursement Agreement dated as of March 1, 2011 between the Tollway and such bank (the "2007A-1a Credit Facility"). The 2007A-1a Credit Facility provides up to $175,000,000 for payment of principal and up to $3,595,891 for payment of interest (equivalent to 50 days' accrued interest at 15%), including for the purpose of paying the principal and interest portions of the purchase price of any bonds tendered and not remarketed. To the extent the 2007A-1a Credit Facility is utilized to purchase bonds tendered and not remarketed, and such bonds continue to fail to be remarketed, then such bonds are required to be repaid by the Authority thirteen months after the termination date of the 2007A-1a Credit Facility. The 2007A-1a Credit Facility, if not extended, is currently scheduled to expire on January 31, 2017. The cost of the 2007A-1a Credit Facility is a per annum fee of 45 basis points times the stated amount of $178,595,891. The variable interest rate of the Series 2007A-1a Bonds as of December 31, 2014 was 0.05%.

(f) Series 2007A-1b Bonds

On March 18, 2011 the Tollway remarketed $175,000,000 of the 2007 Series A-1 Bonds as 2007 Series A-1b (the "Series 2007A-1b Bonds"). While in the weekly mode, the Series 2007A-1b Bonds are secured by a direct-pay letter of credit from Mizuho Bank Ltd. pursuant to the terms of the Reimbursement Agreement dated as of March 1, 2014 between the Tollway and such bank (the "2007A-1b Credit Facility"). Mizuho Bank Ltd. replaced PNC Bank, National Association as credit facility provider for the Series 2007 A-1b Bonds on March 18, 2014. The 2007A-1b Credit Facility provides up to $175,000,000 for payment of principal and up to $3,236,302 for payment of interest (equivalent to 45 days' accrued interest at 15%), including for the purpose of paying the principal and interest portions of the purchase price of any bonds tendered and not remarketed. To the extent the 2007A-1b Credit Facility is utilized to purchase bonds tendered and not remarketed, and to the extent such bonds continue to either (a) remain unremarketed for 180 days or (b) remain unremarketed on the termination date of the 2007A-1b Credit Facility, then such funded bonds are required to be repaid by the Authority in equal semi-annual principal installments commencing on the earlier of (i) 180 days after the date the bonds were purchased and (ii) the termination date of the 2007A-1b Credit Facility, and ending on the date three years following the date the bonds were purchased. The 2007A-1b Credit Facility, if not extended, is currently scheduled to expire on March 18, 2016. The cost of the 2007A-1b Credit Facility is a per annum fee of 34 basis points times the stated amount of $178,236,302. The variable interest rate of the Series 2007A-1b Bonds as of December 31, 2014 was 0.05%.

(g) Series 2007A-2a Bonds

On March 18, 2011 the Tollway remarketed $100,000,000 of the 2007 Series A-2 Bonds as 2007 Series A-2a (the "Series 2007A-2a Bonds"). While in the weekly mode, the Series 2007A-2a Bonds are secured by a direct-pay letter of credit from The Bank of Tokyo-Mitsubishi UFJ, Ltd., acting through its New York Branch pursuant to the terms of the Reimbursement Agreement dated as of March 1, 2011 between the Tollway and such bank (the "2007A-2a Credit Facility"). The 2007A-2a Credit Facility provides up to $100,000,000 for payment of principal and up to $1,849,316 for payment of interest (equivalent to 45 days' accrued interest at 15%), including for the purpose of paying the principal and interest portions of the purchase price of any bonds tendered and not remarketed. To the extent the 2007A-2a Credit Facility is utilized to purchase bonds tendered and not remarketed, and to the extent such bonds continue to remain unremarketed on the first business day of the fourth calendar month immediately succeeding the date the bonds were purchased, then such funded bonds are required to be repaid by the Authority in equal quarterly principal installments commencing on such first business day of the fourth calendar month immediately succeeding the date the bonds were purchased, and ending on the date four (4) years after the date the bonds were purchased. The 2007A-2a Credit Facility, if not extended, is currently scheduled to expire on March 17, 2017. The cost of the

2007A-2a Credit Facility is a per annum fee of 42.5 basis points times the stated amount of $101,849,316. The variable interest rate of the Series 2007A-2a Bonds as of December 31, 2014 was 0.05%.

(h) Series 2007A-2b Bonds

On March 18, 2011 the Tollway remarketed $107,500,000 of the 2007 Series A-2 Bonds as 2007 Series A-2b (the "Series 2007A-2b Bonds"). While in the weekly mode, the Series 2007A-2b Bonds are secured by a direct-pay letter of credit from Harris, N.A. pursuant to the terms of the Reimbursement Agreement dated as of March 1, 2011 between the Tollway and such bank (the "2007A-2b Credit Facility"). The 2007A-2b Credit Facility provides up to $107,500,000 for payment of principal and up to $1,988,014 for payment of interest (equivalent to 45 days' accrued interest at 15%), including for the purpose of paying the principal and interest portions of the purchase price of any bonds tendered and not remarketed. To the extent the 2007A-2b Credit Facility is utilized to purchase bonds tendered and not remarketed, and to the extent such bonds continue to either (a) remain unremarketed for 180 days or (b) remain unremarketed on the termination date of the 2007A-2b Credit Facility, then such funded bonds are required to be repaid by the Authority in equal quarterly principal installments commencing on the date one year following the earlier of (i) 180 days after the date the bonds were purchased and (ii) the termination date of the 2007A-2b Credit Facility, and ending on the date two years following the earlier of (i) 180 days after the date the bonds were purchased and (ii) the termination date of the 2007A-2b Credit Facility. The 2007A-2b Credit Facility, if not extended, is currently scheduled to expire on March 18, 2017. The cost of the 2007A-2b Credit Facility is a per annum fee of 45 basis points times the stated amount of $109,488,014. The variable interest rate of the Series 2007-2b Bonds as of December 31, 2014 was 0.05%.

(i) Series 2007A-2c Bonds

On March 18, 2011 the Tollway remarketed $55,000,000 of the 2007 Series A-2 Bonds as 2007 Series A-2c (the "Series 2007A-2c Bonds"). While in the weekly mode, the Series 2007A-2c Bonds are secured by a direct-pay letter of credit from The Northern Trust Company pursuant to the terms of the Reimbursement Agreement dated as of March 1, 2011 between the Tollway and such bank (the "2007A-2c Credit Facility"). The 2007A-2c Credit Facility provides up to $55,000,000 for payment of principal and up to $1,017,123 for payment of interest (equivalent to 45 days' accrued interest at 15%), including for the purpose of paying the principal and interest portions of the purchase price of any bonds tendered and not remarketed. To the extent the 2007A-2c Credit Facility is utilized to purchase bonds tendered and not remarketed, and to the extent such bonds continue to either (a) remain unremarketed for 270 days or (b) remain unremarketed on the termination date of the 2007A-2c Credit Facility, then such funded bonds are required to be repaid by the Authority in equal semi-annual principal installments commencing on the next ensuing January 1 or July 1 after the earlier of (i) 270 days after the date the bonds were purchased and (ii) the termination date of the 2007A-2c Credit Facility, and ending on the date three years following the earlier of (i) 270 days after the date the bonds were purchased and (ii) the termination date of the 2007A-2c Credit Facility. The 2007A-2c Credit Facility, if not extended, is currently scheduled to expire on March 17, 2017. The cost of the 2007A-2c Credit Facility is a per annum fee of 37.5 basis points times the stated amount of $56,017,123. The variable interest rate of the Series 2007A-2c Bonds as of December 31, 2014 was 0.05%.

(j) Series 2007A-2d Bonds

On March 18, 2011 the Tollway remarketed $87,500,000 of the 2007 Series A-2 Bonds as 2007 Series A-2d (the "Series 2007A-2d Bonds"). While in the weekly mode, the Series 2007A-2d Bonds are secured by a direct-pay letter of credit from Royal Bank of Canada pursuant to the terms of the Reimbursement Agreement dated as of March 18, 2014 between the Tollway and such bank (the "2007A-2d Credit Facility"). Royal Bank of Canada replaced Wells Fargo Bank, National Association as credit facility provider for the Series 2007A-2d Bonds on March 18, 2014. The 2007A-2d Credit Facility provides up to $87,500,000 for payment of principal and up to $1,618,151 for payment of interest (equivalent to 45 days' accrued interest at 15%), including for the purpose of paying the principal and interest portions of the purchase price of any bonds tendered and not remarketed. To the extent the 2007A-2d Credit Facility is utilized to purchase bonds tendered and not remarketed, and to the extent such bonds continue to either (a) remain unremarketed for 181 days or (b) remain unremarketed on the termination date of the 2007A-2d Credit Facility, then such funded bonds are required to be repaid by the Authority in equal semi-annual principal installments commencing on the earlier of (i) 181 days after the date the bonds were purchased and (ii) the termination date of the 2007A-2d Credit Facility, and ending on the date three years following the date the bonds were purchased. The 2007A-2d Credit Facility, if not extended, is currently scheduled to expire on March 17, 2017. The cost of the 2007A-2d Credit Facility is a per annum fee of 40 basis points times the stated amount of $89,118,151. The variable interest rate of the Series 2007A-2d Bonds as of December 31, 2014 was 0.05%.

(k) Series 2008A Bonds

On February 7, 2008, the Tollway issued $766,200,000 of Toll Highway Variable Rate Senior Refunding Revenue Bonds ($383,100,000 2008 Series A-1 and $383,100,000 2008 Series A-2). The bonds advance refunded $708,340,000 of the then-outstanding 2006 Series A Bonds and financed costs of issuance. Payments of principal when due at maturity and interest 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 bonds were sold at par and initially issued in a weekly mode and have remained in a weekly mode through fiscal year end 2014. On July 1, 2010, $287,300,000 of the 2008 Series A-2 bonds was refunded by the Tollway's $279,300,000 Toll Highway Senior Refunding Revenue Bonds (2010 Series A-1). $383,100,000 of the 2008 Series A-1 Bonds and $95,800,000 of the 2008 Series A-2 Bonds remain outstanding. 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 optional redemption by the Tollway. While in the weekly mode, the bonds are subject to bondholder tender for purchase. Any such bonds tendered for purchase are remarketed pursuant to the terms of a remarketing agreement. Funding for any bonds tendered for purchase that failed to be remarketed was available, under certain circumstances, from a Liquidity Facility in the form of a Standby Bond Purchase Agreement provided by Dexia Credit Local, New York Branch, through February 7, 2011, the effective expiration date of that Standby Bond Purchase Agreement. On February 7, 2011, the 2008 Series A Bonds were mandatorily tendered and, on the same day, subsequently remarketed as three separate sub-series, each sub-series secured by a standby bond purchase agreement that qualified as a Substitute Liquidity Facility under the Supplemental Indenture for the 2008 Series A Bonds. The following provides information regarding each of those sub-series and their respective standby bond purchase agreements.

(l) Series 2008A-1a Bonds

On February 7, 2011 the Tollway remarketed $191,500,000 of the 2008 Series A-1 Bonds as 2008 Series A-1a (the “Series 2008A-1a Bonds”). While in the weekly mode, liquidity support is provided for the Series 2008A-1a Bonds by a Standby Bond Purchase Agreement dated as of February 1, 2011 among the Tollway, the Trustee, and JPMorgan Chase Bank, National Association (the “2008A-1a Liquidity Facility”). The 2008A-1a Liquidity Facility provides up to $191,500,000 for payment of principal and up to $2,203,562 for payment of interest (equivalent to 35 days’ accrued interest at 12%) for the purpose of paying the principal and interest portions of the purchase price of any bonds tendered and not remarketed. To the extent the 2008A-1a Liquidity Facility is utilized to purchase bonds tendered and not remarketed, and to the extent such bonds continue to remain unremarketed for 91 days, then such funded bonds are required to be repaid by the Authority in ten equal semi-annual principal installments commencing on the first business day of the sixth full month following the date 91 days after the date the bonds were purchased. The 2008A-1a Liquidity Facility, if not extended, is currently scheduled to expire on February 5, 2016. The cost of the 2008A-1a Liquidity Facility is a per annum fee of 56 basis points times the commitment amount of $193,703,562. The variable interest rate of the Series 2008A-1a Bonds as of December 31, 2014 was 0.06%.

(m) Series 2008A-1b Bonds

On February 7, 2011 the Tollway remarketed $191,600,000 of the 2008 Series A-1 Bonds as 2008 Series A-1b (the “Series 2008A-1b Bonds”). While in the weekly mode, liquidity support is provided for the Series 2008A-1b Bonds by a Standby Bond Purchase Agreement dated as of February 7, 2014 among the Tollway, the Trustee, and Bank of America, N.A. (the “2008A-1b Liquidity Facility”). Bank of America, N.A. replaced PNC Bank, N.A. as liquidity facility provider for the Series 2008A-1b Bonds on February 7, 2014. The 2008A-1b Liquidity Facility provides up to $191,600,000 for payment of principal and up to $2,141,721 for payment of interest (equivalent to 34 days’ accrued interest at 12%) for the purpose of paying the principal and interest portions of the purchase price of any bonds tendered and not remarketed. To the extent the 2008A-1b Liquidity Facility is utilized to purchase bonds tendered and not remarketed, and to the extent such bonds continue to remain unremarketed for 180 days, then such funded bonds are required to be repaid by the Authority in equal semi-annual principal installments commencing on the first business day of the sixth full month following the date 180 days after the date the bonds were purchased and ending on the date five years after the date the bonds were purchased. The 2008A-1b Liquidity Facility, if not extended, is currently scheduled to expire on February 5, 2016. The cost of the 2008A-1b Liquidity Facility is a per annum fee of 40 basis points times the commitment amount of $193,741,721. The variable interest rate of the Series 2008A-1b Bonds as of December 31, 2014 was 0.07%.

(n) Series 2008A-2 Bonds

On February 7, 2011 the Tollway remarketed $95,800,000 of the 2008 Series A-2 Bonds (the “Series 2008A-2 Bonds”). While in the weekly mode, liquidity support is provided for the Series 2008A-2 Bonds by a Standby Bond Purchase Agreement dated as of February 1, 2011 among the Tollway, the Trustee, and JPMorgan Chase Bank, National Association (the “2008A-2 Liquidity Facility”). The 2008A-2 Liquidity Facility provides up to $95,800,000 for payment of principal and up to $1,102,357 for payment of interest (equivalent to 35 days' accrued interest at 12%) for the purpose of paying the principal and interest portions of the purchase price of any bonds tendered and not remarketed. To the extent the 2008A-2 Liquidity Facility is utilized to purchase bonds tendered and not remarketed, and to the extent such bonds continue to remain unremarketed for 91 days, then such funded bonds are required to be repaid by the Authority in ten equal semi-annual principal installments commencing on the first business day of the sixth full month following the date 91 days after the date the bonds were purchased. The 2008A-2 Liquidity Facility, if not extended, is currently scheduled to expire on February 5, 2016. The cost of the 2008A-2 Liquidity Facility is a per annum fee of 56 basis points times the commitment amount of $96,902,357. The variable interest rate of the Series 2008A-2 Bonds as of December 31, 2014 was 0.04%.

(o) 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 subject to sinking fund redemption prior to maturity. 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.

(p) Build America Bonds

The American Recovery and Reinvestment Act of 2009 authorized the Tollway to issue taxable bonds known as "Build America Bonds" to finance capital expenditures for which it could issue tax-exempt bonds and to elect to receive a subsidy payment from the federal government equal to 35% of the amount of each interest payment on such taxable bonds. The receipt of such subsidy payments by the Tollway is subject to certain requirements, including the filing of a form with the Internal Revenue Service prior to each interest payment date. The subsidy payments are not full faith and credit obligations of the United States of America. As a result of the impact of sequestration, the federal government reduced the amount of the subsidy payments by: 8.7% for subsidies received between March 2013 and September 2013; 7.2% for subsidies received between October 2013 and September 2014; and 7.3% for subsidies received between October 2014 and September 2015. The Series 2009A Bonds and Series 2009B Bonds are taxable Build America Bonds. All other Tollway bonds are tax-exempt bonds.

(q) 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%, were sold at a price of 100% of the par amount of the bonds, and are subject to optional redemption on or after January 1, 2019 at a redemption price of 100% of the principal amount plus accrued interest. The bonds maturing January 1, 2034 bear an interest rate of 6.184%, were sold at a price of 100% of the par amount of the bonds, and are subject to optional redemption at a redemption price equal to the greater of: (i) 100% of the principal amount of the bonds to be redeemed; and (ii) the sum of the present value of the remaining scheduled payments of principal and interest to the maturity date of the bonds to be redeemed, discounted to the date on which the bonds are to be redeemed on a semi-annual basis at the yield(s) to maturity as of such redemption date of the United States Treasury security(ies) with a constant maturity(ies) most nearly equal to the period from the redemption date to the maturity date(s) of the bonds to be redeemed, plus 30 basis points, plus, in each case, accrued interest. The bonds are subject to sinking fund redemption prior to maturity. The bonds are not insured.

(r) 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, plus, in each case, accrued interest. The bonds are not insured.

(s) Series 2010A-1 Bonds

On July 1, 2010, the Tollway issued $279,300,000 of Toll Highway Senior Refunding Revenue Bonds (2010 Series A-1). The bonds refunded $287,300,000 of the Tollway’s $383,100,000 then-outstanding 2008 Series A-2 Bonds. The bonds also financed costs of issuance. The bonds were sold as serial bonds maturing on January 1 of each of the years 2018 through 2031 and were sold bearing interest rates ranging from 3.50% to 5.25%. The bonds were sold at yields which produced a net Original Issue Premium of $9,648,275. The bonds are subject to optional redemption on or after January 1, 2020 at a redemption price of 100% of the principal amount plus accrued interest. In connection with the refunding, the Tollway terminated a variable-to-fixed interest rate exchange (swap) agreement with

Depfa Bank plc. The swap agreement was in a notional amount of $287,325,000 and was terminated in its entirety on June 10, 2010. The Tollway made a termination payment of $10,331,527 from Tollway funds on hand in connection with the termination of the swap agreement.

(t) Series 2013A Bonds

On May 16, 2013, the Tollway issued $500,000,000 of Toll Highway Senior Revenue Bonds, 2013 Series A. This issuance was the first bond sale utilized to finance capital projects in the Move Illinois Program. The bonds also financed a deposit to the Debt Reserve Account and costs of issuance. The bonds were sold as serial bonds maturing on January 1 of each of the years 2027 through 2035 and a term bond maturing January 1, 2038. All bonds were sold bearing a 5.0% interest rate. The bonds were sold at yields which produced an Original Issue Premium of $63,601,290. The bonds are subject to optional redemption on or after January 1, 2023 at a redemption price of 100% of the principal amount plus accrued interest. The term bond maturing January 1, 2038 is subject to sinking fund redemption prior to maturity. The bonds are not insured. The final maturity of the bonds is January 1, 2038.

(u) Series 2013B-1 Bonds

On August 13, 2013 the Tollway issued $217,390,000 of Toll Highway Senior Revenue Bonds, 2013 Series B-1 (Refunding). The bonds advance refunded $228,195,000 of the Tollway's $770,000,000 then-outstanding 2005A Bonds. The bonds also financed costs of issuance. The bonds were sold as serial bonds maturing on December 1 of each of the years 2016 through 2018. All bonds were sold bearing a 5.0% interest rate. The bonds were sold at yields which produced an Original Issue Premium of $32,127,075. The bonds are not subject to optional redemption. The bonds are not insured. The final maturity of the bonds is December 1, 2018.

(v) Series 2014A Bonds

On February 26, 2014, the Tollway issued $378,720,000 of Toll Highway Senior Revenue Bonds, 2014 Series A (Refunding). The bonds advance refunded $436,545,000 of the Tollway's $508,415,000 then-outstanding 2005A Bonds. The bonds also financed costs of issuance. The bonds were sold as serial bonds maturing on December 1 of each of the years 2019 through 2022. The bonds were sold bearing interest rates ranging from 4.5% - 5.0%. The bonds were sold at yields which produced an Original Issue Premium of $66,772,076. The bonds are not subject to optional redemption. The bonds are not insured. The final maturity of the bonds is December 1, 2022.

(w) Series 2014B Bonds

On June 4, 2014, the Tollway issued $500,000,000 of Toll Highway Senior Revenue Bonds, 2014 Series B. This issuance was the second bond sale utilized to finance capital projects in the Move Illinois Program. The bonds also financed a deposit to the Debt Reserve Account and costs of issuance. The bonds were sold as serial bonds maturing on January 1 of each of the years 2026 through 2039. All bonds were sold bearing a 5.0% interest rate. The bonds were sold at yields which produced an Original Issue Premium of $48,929,739. The bonds are subject to optional redemption on or after January 1, 2024 at a redemption price of 100% of the principal amount plus accrued interest. The bonds are not insured. The final maturity of the bonds is January 1, 2039.

(Continued)

(x) Series 2014C Bonds

On December 4, 2014, the Tollway issued $400,000,000 of Toll Highway Senior Revenue Bonds, 2014 Series C. This issuance was the third bond sale utilized to finance capital projects in the Move Illinois Program. The bonds also financed a deposit to the Debt Reserve Account and costs of issuance. The bonds were sold as serial bonds maturing on January 1 of each of the years 2027 through 2039. All bonds were sold bearing a 5.0% interest rate. The bonds were sold at yields which produced an Original Issue Premium of $53,737,539. The bonds are subject to optional redemption on or after January 1, 2025 at a redemption price of 100% of the principal amount plus accrued interest. The bonds are not insured. The final maturity of the bonds is January 1, 2039.

(y) Series 2014D Bonds

On December 18, 2014, the Tollway issued $264,555,000 of Toll Highway Senior Revenue Bonds, 2014 Series D (Refunding). The bonds advance refunded $291,660,000 of the Tollway's 2006A-1 Bonds. The bonds also financed costs of issuance. The bonds were sold as serial bonds maturing on January 1 of each of the years 2018 through 2025. All bonds were sold bearing a 5.0% interest rate. The bonds were sold at yields which produced an Original Issue Premium of $49,884,988. The bonds are not subject to optional redemption. The bonds are not insured. The final maturity of the bonds is January 1, 2025.

(z) Defeased Bonds

On February 7, 2008, the Tollway issued $766.2 million of Toll Highway Variable Rate Senior Refunding Bonds (2008 Series A-1 and A-2) to advance refund $708.34 million of the 2006A ($208.34 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, 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 interest payments on the refunded portion of 2006A Toll Highway Senior Priority Revenue Bonds to July 1, 2016 and redemption of such refunded bonds on July 1, 2016. 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 Position in 2008.

On August 13, 2013, the Tollway issued $217.39 million of Toll Highway Senior Revenue Bonds, 2013 Series B-1 (Refunding) to advance refund $228.195 million of the 2005A Toll Highway Senior Priority Revenue Bonds with an interest rate of 5.0%. The net proceeds of $248.53 million (including original issue premium of $32.1 million and after payment of $0.98 million in underwriting and other issuance costs) plus an additional $1.02 million of 2005A 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 interest payments on the refunded portion of 2005A Toll Highway Senior Priority Revenue Bonds to July 1, 2015 and redemption of such refunded bonds on July 1, 2015. As a result, the refunded portion of 2005A Toll Highway Senior Priority Revenue Bonds is considered to be defeased and the liability for those bonds was removed from the Statement of Net Position in 2013.

On February 26, 2014, the Tollway issued $378.720 million of Toll Highway Senior Revenue Bonds, 2014 Series A (Refunding) to advance refund $436.545 million of the 2005A Toll Highway Senior Priority Revenue Bonds with interest rates ranging from 4.125% - 5.0%. The net proceeds of $443.823 million (including original issue premium of $66.772 million and after payment of $1.669 million in underwriting and other issuance costs) plus an additional $23.094 million of 2005A and other available 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 interest payments on the refunded portion of 2005A Toll Highway Senior Priority Revenue Bonds to July 1, 2015 and redemption of such refunded bonds on July 1, 2015. As a result, the refunded portion of 2005A Toll Highway Senior Priority Revenue Bonds is considered to be defeased and the liability for those bonds was removed from the Statement of Net Position in 2014.

On December 18, 2014, The Tollway issued $264.555 million of Toll Highway Senior Revenue Bonds, 2014 Series D (Refunding) to advance refund $291.660 million of the 2006A Toll Highway Senior Priority Revenue Bonds with an interest rate of 5.0%. The net proceeds of $313.174 million (including original issue premium of $49.885 million and after payment of $1.266 million in underwriting and other issuance costs) plus an additional $6.076 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 interest payments on the refunded portion of 2006A Toll Highway Senior Priority Revenue Bonds to July 1, 2016 and redemption of such refunded bonds on July 1, 2016. As a result, the refunded portion of 2006A Toll Highway Senior Priority Revenue Bonds is considered to be defeased and the liability for those bonds was removed from the Statement of Net Position in 2014.

As of December 31, 2014 the principal amount of Tollway defeased bonds outstanding is $1,664.74 million.

(aa) All Series

Details of outstanding revenue bonds as of December 31, 2014, are as follows:

Issue of 1998 Series A, 5.50%, due on January 1, 2015-2016	$	74,935,000
Issue of 1998 Series B, variable rates, due on January 1, 2016-2017		123,100,000
Issue of 2005 Series A, 5.00%, due on January 1, 2015-2016		71,870,000
Issue of 2007 Series A-1, variable rates, due on July 1, 2024-2030		350,000,000
Issue of 2007 Series A-2, variable rates, due on July 1, 2024-2030		350,000,000
Issue of 2008 Series A-1, variable rates, due on January 1, 2018-2031		383,100,000
Issue of 2008 Series A-2, variable rates, due on January 1, 2018-2031		95,800,000
Issue of 2008 Series B, 5.50%, due on January 1, 2032-2033		350,000,000
Issue of 2009 Series A, 5.293% to 6.184%, due on January 1, 2019-2024 and 2032-2034		500,000,000
Issue of 2009 Series B, 5.851%, due on December 1, 2034		280,000,000
Issue of 2010 Series A-1, 3.50% to 5.25%, due on January 1, 2018-2031		279,300,000
Issue of 2013 Series A, 5.00%, due on January 1, 2027-2038		500,000,000
Issue of 2013 Series B-1, 5.00%, due on December 1, 2016-2018		217,390,000
Issue of 2014 Series A, 4.50%-5.00%, due on December 1, 2019-2022		378,720,000
Issue of 2014 Series B, 5.00%, due on January 1, 2026-2039		500,000,000
Issue of 2014 Series C, 5.00%, due on January 1, 2027-2039		400,000,000
Issue of 2014 Series D, 5.00%, due on January 1, 2018-2025		264,555,000
Totals	$	5,118,770,000
Less current maturities *		(97,795,000)
Plus unamortized bond premium		298,417,765
Total long-term portion	$	5,319,392,765

*Principal amounts either due within one year or for which required third-party liquidity is expiring within one year and was not renewed prior to report issuance. As of December 31, 2014, there was no principal outstanding for which required third-party liquidity was expiring within one year.

Accrued interest payable for the year ended December 31, 2014, was $ 86,435,329.

The annual requirements to retire the principal and interest amounts for all bonds outstanding at December 31, 2014, are as follows:

Year ended December 31,	Principal	Interest	Total Debt Service
2015	$ 97,795,000	$ 236,414,993	$ 334,209,993
2016	138,135,000	244,195,774	382,330,774
2017	158,060,000	238,431,487	396,491,487
2018	113,160,000	232,024,496	345,184,496
2019	118,780,000	226,104,156	344,884,156
2020	134,840,000	219,902,428	354,742,428
2021	142,230,000	213,013,398	355,243,398
2022	149,090,000	205,896,960	354,986,960
2023	49,485,000	198,386,979	247,871,979
2024	208,595,000	193,248,044	401,843,044
2025	192,945,000	183,575,531	376,520,531
2026	188,650,000	175,809,122	364,459,122
2027	277,570,000	166,843,280	444,413,280
2028	238,130,000	156,462,617	394,592,617
2029	248,150,000	146,070,359	394,220,359
2030	258,595,000	135,248,150	393,843,150
2031	144,630,000	123,972,702	268,602,702
2032	278,405,000	114,081,386	392,486,386
2033	294,020,000	98,082,738	392,102,738
2034	590,405,000	80,552,902	670,957,902
2035	49,100,000	53,627,500	102,727,500
2036	272,125,000	45,596,875	317,721,875
2037	285,775,000	31,649,375	317,424,375
2038	300,100,000	17,002,500	317,102,500
2039	190,000,000	4,750,000	194,750,000
Total	$ 5,118,770,000	$ 3,740,943,752	$ 8,859,713,752

(bb) Capitalized Interest

In 2014, the Tollway's total interest expense for revenue bonds equaled $224.2 million, of which $22.5 million was capitalized in respect of construction in progress.

(cc) Trust Indenture Agreement

On March 31, 1999, the Tollway executed an Amended and Restated Trust Indenture with the Trustee acting as fiduciary for bondholders. The Indenture establishes the conditions under which the Tollway may issue bonds and the security to be pledged to bondholders. The Indenture establishes two funds:

(i) a Construction Fund to account for the spending of Tollway bond proceeds; and (ii) a Revenue Fund to account for the deposit of Tollway revenues. The Construction Fund is divided into different Project Accounts – one for each bond issue that finances new project(s). The Revenue Fund is divided into six different Accounts (some of which are further divided into Sub-Accounts) which establish an order of funding priority through which Tollway revenues flow. Revenues first fund the Operation and Maintenance Account, which is the only Account in the Revenue Fund in which bondholders do not have a security interest. Remaining revenues fund the other Accounts of the Revenue Fund in the following order of priority: the Debt Service Account, the Debt Reserve Account, the Renewal and Replacement Account, the Improvement Account, and the System Reserve Account. (The Indenture also allows for the creation of Junior Lien Bond Accounts; to date the Tollway has never issued Junior Lien Bonds.) All Accounts of the Construction Fund and the Debt Service Account and Debt Reserve Account of the Revenue Fund are held by the Trustee. The Trustee-held funds classified as net assets restricted under the Trust Indenture is included in note 11.

(dd) Arbitrage Rebate

In the 1980's, Congress determined that arbitrage rebate rules were needed to curb issuance of investment motivated tax-exempt bonds. These rules were designed to create additional safeguards against issuers obtaining an arbitrage benefit by issuing bonds either prematurely or in excess of actual need in order to benefit from an expected spread between tax-exempt borrowing cost and return on investment of bond proceeds. As a result, under certain conditions gain from arbitrage must be rebated to the United States Government. The Tollway determined that as of December 31, 2014, no arbitrage rebate liability had accrued.

(9) Derivative Instruments

The fair value balances and notional amounts of derivative instruments outstanding as of December 31, 2014, classified by type, and the changes in fair value of such derivatives instruments for the year then ended as reported in the 2014 financial statements are as follows (amounts in thousands; debit (credit))

	Changes in fair value		December 31, 2014		Notional
Cash flow hedges:	Classification	Amount	Classification	Amount	Amount
Pay fixed, receive variable, interest rate swaps	Deferred outflow	$ 120,629	Derivative instrument liability	$ (257,182)	$ 1,301,975

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

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

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

Bond Series	Current notional amount	Effective date	Swap Termination Date	Fixed rate paid	Variable rate received	Fair value as of 12/31/14	Counterparty	Estimated counterparty credit ratings
1998B	$ 67,705	12/30/1998	01/01/2017	4.3250%	Actual bond rate	$ (4,064)	Goldman Sachs Mitsui Marine Derivative Products, L.P.	Aa2/AAA
1998B	55,395	12/30/1998	01/01/2017	4.3250%	Actual bond rate	(3,325)	JPMorgan Chase Bank, National Association	Aa3/A+
2007A-1	175,000	11/01/2007	07/01/2030	3.9720%	SIFMA	(38,672)	Citibank N.A.	A2/A
2007A-1	175,000	11/01/2007	07/01/2030	3.9720%	SIFMA	(38,672)	Goldman Sachs Bank USA	A2/A
2007A-2	262,500	11/01/2007	07/01/2030	3.9925%	SIFMA	(58,616)	Bank of America, N.A.	A2/A
2007A-2	87,500	11/01/2007	07/01/2030	3.9925%	SIFMA	(19,539)	Wells Fargo Bank, N.A.	Aa3/AA-
2008A-1	191,550	02/07/2008	01/01/2031	3.7740%	SIFMA	(37,760)	The Bank of New York Mellon, N.A.	Aa2/AA-
2008A-1	191,550	02/07/2008	01/01/2031	3.7740%	SIFMA	(37,760)	Deutsche Bank AG, New York Branch	A3/A
2008A-2	95,775	02/07/2008	01/01/2031	3.7640%	SIFMA	(18,774)	Bank of America, N.A.	A2/A
Totals	$ 1,301,975					$ (257,182)		

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

The notional amounts of the swaps match the outstanding principal amounts of the associated bonds, with the exception that the swap associated with the Tollway’s $95,800,000 outstanding 2008 Series A-2 bonds is in a notional amount of $95,775,000. The amortizations of the 2008 Series A-2 Bonds and the related swap result in the bond amount outstanding always exceeding the swap notional amount outstanding, with the difference between the two never exceeding $25,000.

Interest rate swaps are not normally valued through exchange-type markets with easily accessible quotation systems and procedures. The fair market values of the swaps were calculated using the zero coupon method as described in GASB 53.

Risks

(a) Credit Risk

Counterparty credit risk is the risk that a swap is terminated and the counterparty fails to make one or more required payments. The termination payment is a market-based payment approximating the fair value of the swap at the time of termination. The Tollway was not exposed to termination payment credit risk as of December 31, 2014 because the negative fair 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 fair values for the swaps in the future, the Tollway would be exposed to counterparty credit risk in the amount of those positive fair values. The swaps require full collateralization from the counterparty of any positive fair value of the swaps in the event the counterparty's credit rating falls below a Standard & Poor's rating of A- or a Moody's Investors Service rating of A3. The swaps require full collateralization from the counterparty of positive market value of the swaps in the event the counterparty's credit rating falls below a Standard & Poor's rating of AA- or a Moody's Investors Service rating of Aa3 and the amount of the positive market value exceeds certain thresholds as specified in the swap agreements. The swaps require such collateral to be held by a third party custodian in the form of cash, debt obligations issued by the U.S. Treasury or debt issued by federally sponsored agencies. The nine swaps outstanding as of December 31, 2014 are with eight different counterparties from seven different financial firms. The financial firm with the largest notional amount holds 28% of the total notional amount of the outstanding swaps.

(b) Basis Risk

Basis risk is the extent to which the Tollway's variable rate interest payments to bondholders differs from the variable rate payments received from the swap counterparties. The Tollway's variable rate interest payments to bondholders are determined by rates established by remarketing agents on a weekly basis. In the case of the 1998 Series B swaps, the variable rate interest payments received from the swap counterparties are equal to the variable rate interest payments owed to bondholders, which renders this swap to be currently without basis risk. Under certain circumstances as specified in the 1998 Series B swap agreements and upon notice from the swap counterparties, the variable rate payments received from swap counterparties may change from a basis of the actual bond interest rate to the SIFMA 7-day Municipal Swap Index plus eight basis points. During 2014, the average interest rate paid to 1998 Series B bondholders was 0.29%, compared to an average SIFMA 7-day Municipal Swap Index of 0.05%. 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 2014, the average interest rate paid to Series 2007A bondholders was 0.05%, compared to an average SIFMA 7-day Municipal Swap Index of 0.05%. 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 2014, the average interest rate paid to Series 2008A bondholders was 0.07%, compared to an average SIFMA 7-day Municipal Swap Index of 0.05%.

Low interest rates contributed to the negative December 31, 2014 market valuations (fair values) included in the preceding chart for the Tollway's swaps. At the time the swaps were entered into, the synthetic fixed rates achieved by the swaps were less than the fixed rates that could have been achieved by issuing fixed rate bonds.

(c) Termination Risk

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

(d) Rollover Risk

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

Derivative Instrument Payments and Hedged Debt

As of December 31, 2014, aggregate projected debt service requirements of the Tollway's hedged debt and net receipts/payments on associated hedging derivative instruments are presented below. The projected amounts assume that the interest rates on variable-rate debt and reference rates on associated hedging derivative instruments as of December 31, 2014 will remain the same for their terms. As these rates vary, interest payments on variable-rate bonds and net receipts/payments on the associated hedging derivative instruments will vary. The hedging derivative instruments column reflects only the net receipts/payments on derivative instruments that qualify for hedge accounting. All of the Tollway's derivative instruments as of December 31, 2014 qualified for hedge accounting.

Fiscal year ending December 31,	Hedged debt Principal	Hedged debt Interest	Hedging derivative instruments – net payments	Total
2015	$ -	$ 920,460	$ 50,508,310	$ 51,428,770
2016	53,900,000	859,352	49,446,456	104,205,808
2017	69,200,000	717,197	46,841,323	116,758,520
2018	2,375,000	636,021	45,386,258	48,397,279
2019	2,500,000	634,527	45,293,354	48,427,881
2020	2,625,000	633,106	45,238,197	48,496,303
2021	2,750,000	631,168	45,051,140	48,432,308
2022	2,812,500	629,631	44,988,787	48,430,918
2023	2,937,500	627,875	44,879,556	48,444,931
2024	53,062,500	615,738	44,816,332	98,494,570
2025	150,062,500	543,816	40,194,418	190,800,734
2026	140,250,000	466,806	34,811,072	175,527,878
2027	202,312,500	373,054	29,015,699	231,701,253
2028	176,750,000	278,343	22,097,679	199,126,022
2029	182,687,500	181,336	14,998,324	197,867,160
2030	188,500,000	81,087	7,734,454	196,315,541
2031	69,250,000	3,529	219,498	69,473,027
	$ 1,301,975,000	$ 8,833,045	$ 611,520,857	$ 1,922,328,902

(10) Unearned Revenue

The Tollway's communications network includes a fiber optic system. Excess capacity on the fiber optic lines is leased to other organizations in order to offset the cost of the system. Since 2000, when the system was initially upgraded, the Tollway has entered into fiber optic system lease agreements with terms of twenty years. The Tollway has collected a cumulative total of $34,824,936 in upfront payments; the related revenue will be earned over the lease terms.

The total unearned revenue balance for the fiber optic system was $13,704,487 at December 31, 2014, and the amount earned was $21,120,450 through December 31, 2014.

The Tollway also invoices annual fiber optic maintenance fees. At December 31, 2014, some of these fees had been paid in advance. These have also been recorded as unearned revenue.

On October 1, 2013, the Tollway entered into a 3-year agreement with Travelers Marketing, LLC, for sponsorship of the Tollway's Highway Emergency Lane Patrol (H.E.L.P.) trucks. In exchange for a sponsorship fee of $1,803,000, Travelers has the exclusive right to place its branding on Tollway H.E.L.P trucks and H.E.L.P truck operator uniforms. The unearned portion of the sponsorship fee paid by Travelers in 2014 has been recorded as unearned revenue.

A summary of changes in unearned revenue for the year ended December 31, 2014, is as follows:

	Balance at January 1	Current year activity	Balance at December 31	Current
Unearned revenue:				
Fiber optics	$ 33,693,923	$ 1,565,263	$ 35,259,186	$ 2,179,939
Accumulated amortization	(19,385,613)	(1,734,837)	(21,120,450)	(1,745,690)
	14,308,310	(169,574)	14,138,736	434,249
Intergovernmental agreements	37,320	(37,320)	-	-
Accumulated amortization	-	-	-	-
	37,320	(37,320)	-	-
H.E.L.P. Truck advertising revenue	600,000	601,000	1,201,000	601,000
Accumulated amortization	(124,208)	(601,000)	(725,208)	(125,208)
	475,792	-	475,792	475,792
Totals				
Unearned revenue	34,331,243	2,128,943	36,460,186	2,780,939
Accumlated amortization	(19,509,821)	(2,335,837)	(21,845,658)	(1,870,898)
Net deferred revenue	$ 14,821,422	$ (206,894)	$ 14,614,528	$ 910,041

(11) Restricted Net Position

As of December 31, 2014, the Tollway reported the following restricted net assets:

Description	2014
Net assets restricted under Trust Indenture agreement	$ 410,020,656
Net assets restricted for pension benefit obligation	57,996
Total	$ 410,078,652

(12) Contributions to State Employees' Retirement System

***Plan Description*:** Substantially all of the Tollway's full-time employees, as well as the State Police assigned to the Tollway who are not eligible for any other state-sponsored retirement plan, participate in the State Employees' Retirement System (SERS), which is a component unit of the State of Illinois reporting entity. SERS is a single-employer defined benefit public employee retirement system (PERS) in which state employees participate, except those covered by the State Universities, Teachers, General Assembly and Judges' Retirement Systems. SERS is governed by a 13 member Board of Trustees, consisting of the Illinois Comptroller, six trustees appointed by the Governor with the advice and consent of the Illinois Senate, four trustees elected by SERS members, and two trustees appointed by SERS retirees. SERS issues a separate comprehensive annual financial report (CAFR). The financial position and results of operations for SERS for fiscal years 2014 are also included in the state's Comprehensive Annual Financial Report (CAFR) for the years ended June 30, 2014.

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

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. The required contributions are determined by actuaries on an annual basis. The required contributions are computed in accordance with the Pension Code and a statutory funding plan that would increase the funding ratio of SERS to 90% of actuarial accrued liabilities as of June 30, 2045. The funding plan that was scheduled to become effective on June 1, 2014, incorporating the amendments in amendatory Public Act 98-0599, signed by the Governor on December 5, 2013, would have increased the funding ratio of SERS to 100% of actuarial accrued liabilities by June 30, 2044. The Tollway is aware that litigation has been filed raising certain challenges as to the constitutionality or validity of Public Act 98-0599. On May 8, 2015, the Illinois Supreme Court ruled that this Public Act was unconstitutional. See the Subsequent Events footnote (note 21). The currently effective funding plan does not conform with principles of the Governmental Accounting Standards Board (GASB). As of June 30, 2014, SERS funding ratio was 33.7% of actuarial accrued liabilities.

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 year ended June 30, 2014, was determined according to the statutory schedule.

Tollway contribution rates to SERS for the Tollway's SERS covered employees for the State fiscal years ended June 30, 2015, 2014, 2013 and 2012 were 42.339%, 40.312%, 37.987%, 34.190%, respectively. Tollway payments in the calendar years ended December 31, 2014, 2013, 2012 and 2011 were $46,679,828,

$41,924,939, $37,894,514, and $32,790,627, respectively. The Tollway has made all required contributions through December 31, 2014.

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 noncontributory 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, 2014, the net positions available for these benefits were $187,831 (valued at the lesser of market value or actuarial value), and the pension benefit obligation was recorded as $129,835. As of December 31, 2014, 7 beneficiaries remained in the plan.

Other Post-Employment Benefits (OPEB): Under provisions of SERS, the State of Illinois provides certain health, dental, and life insurance benefits to annuitants who are former Tollway employees. Substantially all Tollway employees may become eligible for post-employment benefits if they eventually become annuitants. As of December 31, 2014, 1007 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, 2014, the Tollway contributed $3,915,011 towards the state's current cost of benefits.

The actuarially determined annual OPEB cost for providing these benefits and the related OPEB obligations are recorded in the financial statements of the state agencies responsible for paying these benefits. Since the end of fiscal year 2013, the Department of Central Management Services (CMS) has administrative responsibilities for the program. CMS uses the services of an administrator, which purchase insurance policies to fund these benefits.

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

(13) Risk Management

The Tollway has a self-insured risk program for workers' compensation claims, and is liable to pay all approved claims. Claims liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Claims liabilities include non-incremental claims adjustment expenses. The estimated liabilities for asserted workers' compensation claims of $19,386,483 and both asserted and unasserted employee health claims of $358,309 as of December 31, 2014, are included in the accompanying financial statements.

Workers compensation:

Year	Estimated claims payable January 1	2014 claims	Claims payments	Estimated claims payable December 31	Current Portion
2014	$ 18,082,622	$ 8,698,913	$ 7,395,052	$ 19,386,483	$ 7,400,000
2013	13,310,641	10,535,827	5,763,846	18,082,622	6,000,000

Health Insurance:

Year	Estimated claims payable January 1	2014 claims	Claims payments	Estimated claims payable December 31	Current Portion
2014	$ 294,848	$ 7,046,951	$ 6,983,490	$ 358,309	$ 358,309
2013	291,685	5,754,558	5,751,395	294,848	294,848

Additionally, the Tollway purchases commercial insurance policies for general liability insurance and vehicle liability insurance which have a level of retention of $ 500,000 per occurrence for general liability and $250,000 per occurrence for vehicle insurance. Property insurance coverage for damages to capital assets other than vehicles includes retention of $1,000,000 per occurrence. The Tollway has not had significant reductions in insurance coverage during the current or prior year nor did settlements exceed insurance coverage in any of the last three years.

(14) Compensated Absences

The liability reported in the Statement of Net Position 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, 2014 are as follows:

	Balance at January 1	Accrued	Used	Balance at December 31	Due within one year
2014	$ 9,687,448	$ 6,174,058	$ 5,812,424	$ 10,049,082	$ 5,800,000

(15) Pledges of Future Revenues

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

Bond issue	Purpose	December 31, 2014 Future pledged revenues	December 31, 2014 Term of commitment
1998 Series A Priority Refunding Revenue Bonds (Fixed Rate)	Refund Outstanding Bonds	$ 77,666,714	2016
1998 Series B Priority Refunding Revenue Bonds (Variable Rate)	Refund Outstanding Bonds	134,079,014	2017
2005 Series A Senior Priority Revenue Bonds	Fund Congestion Relief Program	75,507,250	2016
2007 Series A-1 & A-2 Variable Rate Senior Priority Revenue Bonds	Fund Congestion Relief Program	1,078,245,968	2030
2008 Series A-1 & A-2 Variable Rate Senior Refunding Revenue Bonds	Refund Outstanding Bonds	710,028,099	2031
2008 Series B Senior Priority Revenue Bonds	Fund Congestion Relief Program	696,757,675	2033
2009 Series A Senior Priority Revenue Bonds (Build America Bonds – Direct Payment)	Fund Congestion Relief Program	1,005,342,910	2034
2009 Series B Senior Priority Revenue Bonds (Build America Bonds – Direct Payment)	Fund Congestion Relief Program	607,656,000	2034
2010 Series A-1 Senior Priority Refunding Revenue Bonds	Refund Outstanding Bonds	463,679,003	2031
2013 Series A Senior Revenue Bonds	Fund Move Illinios Program	1,020,499,750	2038
2013 Series B-1 Senior Revenue Bonds	Refund Outstanding Bonds	252,902,500	2018
2014 Series A (Refunding) Senior Revenue Bonds	Refund Outstanding Bonds	502,892,700	2022
2014 Series B Senior Revenue Bonds	Fund Move Illinois Program	1,045,500,000	2039
2014 Series C Senior Revenue Bonds	Fund Move Illinois Program	822,900,000	2039
2014 Series D (Refunding) Bonds	Refund Outstanding Bonds	366,056,169	2025
		$ 8,859,713,752	

Proceeds from the bonds identified above provided financing or refinancing 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 29 percent of the currently projected pledged net revenue (incorporating approved, as of December 31, 2014, future toll rate increases for commercial vehicles). The total principal and interest remaining to be paid on the bonds is $ 8.9 billion. Principal and interest paid in the current year and total pledged net revenues were $312.5 million and $738.3 million, respectively. Annual principal and interest payments for synthetic fixed rate bonds (1998 Series B, 2007 Series A and 2008 Series A) are estimated based on rates applicable on December 31, 2014.

(16) Commitments

At December 31, 2014, the remaining obligations against current contracts open for capital programs for CRP and Move Illinois totaled $1.72 billion. The Tollway plans to fund remaining payments under these contracts through revenues, accumulated cash and bond issue proceeds.

(17) Pending Litigation

There are lawsuits pending against the Tollway claiming, among other things, damages for wrongful discharge and personal injury. The Tollway's exposure is generally limited to the self-insured retention of $500,000 per general liability incident. Also pending are various Workers' Compensation claims and numerous Administrative Review actions in which individual parties are challenging the results of toll violation enforcement proceedings against them.

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.

(18) Contingent Liabilities

A contingent liability is defined as a liability that is not sufficiently predictable to permit recording in the accounts but in which there is a reasonable possibility of an outcome which might affect financial position or results of operations. It is the opinion of management that the Tollway has no contingent liabilities as of December 31, 2014.

(19) New Governmental Accounting Standards

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

Statement No. 68 – *Accounting and Financial Reporting for Pensions* **-** The objective of this statement is to improve accounting and financial reporting for pensions. This statement replaces the requirements of Statement No. 27 – Accounting for Pensions by State and Local Governmental Employers. This statement is effective for fiscal years beginning after June 15, 2014. Implementation of this statement may have a material impact on the financial statements of the Tollway.

Statement No. 69 – *Government Combinations and Disposals of Government Operations* **-**This Statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. Management does not anticipate this statement will impact its financial statements.

Statement No. 70 – *Accounting and Financial Reporting for Nonexchange Financial Guarantees* **-**The objective of this Statement is to improve accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees. Management does not anticipate this statement will impact its financial statements.

Statement No. 71 – *Pension Transition for Contributions Made Subsequent to the Measurement Date* **-** The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, Accounting and Financial Reporting for Pensions. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. This statement is effective for fiscal years beginning after June 15, 2014. Management has not yet fully determined the impact this Statement will have on the financial position and results of operations of the Tollway.

Statement No. 72 – *Fair Value Measurement and Application* **-** This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. This statement is effective for fiscal years beginning after June 15, 2015. Management does not anticipate that this statement will impact its financial statements.

(20) Related Parties

The Tollway has entered into various intergovernmental agreements with the State of Illinois, through the Illinois Department of Transportation (IDOT). Intergovernmental receivables of approximately $ 155.1 million are recorded at December 31, 2014, representing construction projects performed by the Tollway that pertain to the infrastructure owned by IDOT. Accrued liabilities totaling approximately $ 79.2 million are recorded for amounts owed to IDOT for construction projects IDOT has performed for infrastructure assets owned by the Tollway.

(21) Subsequent Events

Effective January 1, 2015, a toll rate increase for commercial vehicles took effect. The rate increase was approved by the Tollway Board of Directors in 2008 and affirmed in 2011.

On January 29, 2015, the Tollway's Board of Directors authorized the early redemption, on or after July 1, 2015, of the $36,810,000 of Toll Highway Senior Priority Revenue Bonds, 2005 Series A bonds scheduled to mature on January 1, 2016. The purpose of such early redemption will be to produce debt service savings for the Tollway.

On February 26, 2015, the Tollway's Board of Directors authorized the issuance of up to $375,000,000 of fixed rate revenue bonds for the purpose of advance refunding the $350,000,000 of Toll Highway Senior Priority Revenue Bonds, 2008 Series B to achieve debt service savings.

On May 8, 2015, the Illinois Supreme Court ruled that Public Act 98-0599, relating to changes in the State Employees Retirement System pension benefits, was unconstitutional.

The Tollway has been notified by the U.S. Treasury of a 7.3% reduction in U.S. Treasury subsidies of Build America Bond interest payments. This reduction is expected to reduce the subsidy payments received by the Tollway for the Series 2009B interest payment due June 1, 2015, and the Series 2009A interest payment due July 1, 2015, by a total amount of $592,911.

On June 9, 2015, the Standard and Poor's counterparty credit rating for Deutsche Bank AG was lowered from "A" to "BBB+". Deutsche Bank AG is counterparty to the Tollway on $191,550,000 notional amount variable-to-fixed interest rate exchange agreement associated with the Tollway's Series 2008A-1 Bonds.

SUPPLEMENTARY INFORMATION

Schedule 1

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)
Year ended December 31, 2014

	Revenue fund	Construction fund	Total
Increases:			
Toll revenue	$ 968,971,925	$ —	$ 968,971,925
Toll evasion recovery	53,769,282	—	53,769,282
Concessions	2,096,881	—	2,096,881
Interest	1,041,296	16,641	1,057,937
Miscellaneous	10,276,277	—	10,276,277
Total increases	1,036,155,661	16,641	1,036,172,302
Decreases:			
Engineering and maintenance of roadway and structures	47,614,405	—	47,614,405
Services and toll collection	107,326,071	—	107,326,071
Traffic control, safety patrol, and radio communications	27,606,025	—	27,606,025
Procurement, IT, finance and administration	24,191,911	—	24,191,911
Insurance and employee benefits	91,082,480	—	91,082,480
Construction	1,119,325,729	—	1,119,325,729
Construction expense reimbursed by bond proceeds	(729,238,326)	729,238,326	—
Bond principal payments	92,855,000	—	92,855,000
Net funds applied to refunding	20,623,449	—	20,623,449
Build America bond subsidy	(15,066,431)	—	(15,066,431)
Bond interest and other financing costs	235,078,682	—	235,078,682
Total decreases	1,021,398,995	729,238,326	1,750,637,321
Net increases (decreases)	14,756,666	(729,221,685)	(714,465,019)
Bond proceeds	58,614,967	944,052,311	1,002,667,278
Bond issuance costs	2,201,421	(3,898,101)	(1,696,680)
	60,816,388	940,154,210	1,000,970,598
Change in fund balance	75,573,053	210,932,526	286,505,579
Fund balance, January 1	980,391,169	270,212,800	1,250,603,969
Fund balance, December 31	$ 1,055,964,222	$ 481,145,326	$ 1,537,109,548

Statement of Net Position is presented on the full accrual basis in the basic financial statements

See accompanying independent auditors' report.

Schedule 1

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)

Year ended December 31, 2013

	Revenue fund	Construction fund	Total
Increases:			
Toll revenue	$ 943,152,070	$ —	$ 943,152,070
Toll evasion recovery	54,220,590	—	54,220,590
Concessions	2,305,563	—	2,305,563
Interest	866,081	80,129	946,210
Miscellaneous	9,231,579	—	9,231,579
Total increases	1,009,775,883	80,129	1,009,856,012
Decreases:			
Engineering and maintenance of roadway and structures	43,225,062	—	43,225,062
Services and toll collection	106,320,891	—	106,320,891
Traffic control, safety patrol, and radio communications	22,550,784	—	22,550,784
Procurement, IT, finance and administration	19,137,844	—	19,137,844
Insurance and employee benefits	86,277,850	—	86,277,850
Construction	619,977,348	—	619,977,348
Construction expense reimbursed by bond proceeds	(252,831,294)	252,831,294	—
Bond principal payments	56,365,000	—	56,365,000
Gain/loss on defeased bonds	9,391,433	—	9,391,433
Build America bond subsidy	(14,952,722)	—	(14,952,722)
Bond interest and other financing costs	212,074,181	—	212,074,181
Total decreases	907,536,378	252,831,294	1,160,367,671
Net increases (decreases)	102,239,505	(252,751,165)	(150,511,659)
Bond proceeds	38,371,178	525,165,386	563,536,564
Bond issuance costs	—	(2,201,421)	(2,201,421)
Change in fund balance	140,610,683	270,212,800	410,823,483
Fund balance, January 1	839,780,486	—	839,780,486
Fund balance, December 31	$ 980,391,169	$ 270,212,800	$ 1,250,603,969

Statement of Net Position is presented on the full accrual basis in the basic financial statements

See accompanying independent auditors' report.

Schedule 2

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)

Year ended December 31, 2014

	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	$ 968,971,925	$ —	$ —	$ —	$ —	$ —	$ —	$ 968,971,925
Toll evasion recovery	53,769,282	—	—	—	—	—	—	53,769,282
Concessions	2,096,881	—	—	—	—	—	—	2,096,881
Interest	30,958	—	—	27,128	613,642	208,079	161,489	1,041,296
Miscellaneous	10,276,277	—	—	—	—	—	—	10,276,277
Intrafund transfers	(1,040,170,080)	293,081,349	—	313,319,980	—	200,000,000	233,768,749	—
Total increases	(5,024,757)	293,081,349	—	313,347,108	613,642	200,208,079	233,930,238	1,036,155,661
Decreases:								
Engineering and maintenance of roadway and structures	—	47,614,405	—	—	—	—	—	47,614,405
Services and toll collection	—	107,326,071	—	—	—	—	—	107,326,071
Traffic control, safety patrol, and radio communications	—	27,606,025	—	—	—	—	—	27,606,025
Procurement, IT, finance and administration	—	24,191,911	—	—	—	—	—	24,191,911
Insurance and employee benefits	—	91,082,480	—	—	—	—	—	91,082,480
Construction expenses	—	—	—	—	—	202,719,997	916,605,732	1,119,325,729
Construction expenses reimbursed by bond proceeds	—	—	—	—	—	—	(729,238,326)	(729,238,326)
Bond principal payments	—	—	—	92,855,000	—	—	—	92,855,000
Net funds applied to refunding	—	—	—	20,451,642	171,807	—	—	20,623,449
Build America bond subsidy	—	—	—	(15,066,431)	—	—	—	(15,066,431)
Interest and other financing costs	—	—	—	234,871,785	206,897	—	—	235,078,682
Total decreases	—	297,820,892	—	333,111,996	378,704	202,719,997	187,367,406	1,021,398,996
Net increase (decrease)	(5,024,757)	(4,739,543)	—	(19,764,888)	234,938	(2,511,918)	46,562,832	14,756,665
Bond proceeds	—	—	—	—	58,614,967	—	—	58,614,967
Prior Period Adju-Series 2013 A Issuance Cost	—	—	—	2,201,421	—	—	-	2,201,421
Change in fund balance	(5,024,757)	(4,739,543)	—	(17,563,466)	58,849,904	(2,511,917)	46,562,832	75,573,053
Fund balance, January 1	12,742,639	5,905,559	27,400,000	134,636,266	245,570,375	339,311,478	214,824,852	980,391,169
Fund balance, December 31	$ 7,717,882	$ 1,166,016	$ 27,400,000	$ 117,072,800	$ 304,420,279	$ 336,799,561	$ 261,387,684	$ 1,055,964,222

Note: Total may not foot due to rounding.

See accompanying independent auditors' report.

Schedule 2

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)
Year ended December 31, 2013

	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	$ 943,152,070	$ —	$ —	$ —	$ —	$ —	$ —	$ 943,152,070
Toll evasion recovery	54,220,590	—	—	—	—	—	—	54,220,590
Concessions	2,305,563	—	—	—	—	—	—	2,305,563
Interest	73,052	—	—	27,785	225,845	364,611	174,789	866,082
Miscellaneous	9,231,579	—	—	—	—	—	—	9,231,579
Intrafund transfers	(1,006,078,768)	268,953,581	—	294,680,906	—	200,000,000	242,444,281	—
Total increases	2,904,086	268,953,581	—	294,708,691	225,845	200,364,611	242,619,070	1,009,775,883
Decreases:								
Engineering and maintenance of roadway and structures	—	43,225,062	—	—	—	—	—	43,225,062
Services and toll collection	—	106,320,891	—	—	—	—	—	106,320,891
Traffic control, safety patrol, and radio communications	—	22,550,784	—	—	—	—	—	22,550,784
Procurement, IT, finance and administration	—	19,137,845	—	—	—	—	—	19,137,845
Insurance and employee benefits	—	86,277,850	—	—	—	—	—	86,277,850
Construction expenses	—	—	—	—	—	170,307,017	449,670,329	619,977,346
Construction expenses reimbursed by bond proceeds	—	—	—		—	—	(252,831,294)	(252,831,294)
Bond principal payments	—	—	—	56,365,000	—	—	—	56,365,000
Gain/loss on defeased bonds	—	—	—	9,391,433	—	—	—	9,391,433
Build America bond subsidy	—	—	—	(14,952,722)	—	—	—	(14,952,722)
Interest and other financing costs	—	—	—	211,867,284	206,897	—	—	212,074,181
Total decreases	—	277,512,432	—	262,670,995	206,897	170,307,017	196,839,035	907,536,376
Net increase (decrease)	2,904,085	(8,558,851)	—	32,037,696	18,948	30,057,594	45,780,035	102,239,507
Bond proceeds	—	—	—	—	38,371,177	—	—	38,371,177
Change in fund balance	2,904,085	(8,558,851)	—	32,037,696	38,390,125	30,057,594	45,780,035	140,610,684
Fund balance, January 1	9,838,554	14,464,410	27,400,000	102,598,570	207,180,250	309,253,884	169,044,817	839,780,485
Fund balance, December 31	$ 12,742,639	$ 5,905,559	$ 27,400,000	$ 134,636,266	$ 245,570,375	$ 339,311,478	$ 214,824,852	$ 980,391,169

Note: Total may not foot due to rounding.

See accompanying independent auditors' report.

(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.

(a) Basis of Accounting

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

The major differences are as follows:

1. Capital construction and asset acquisitions are charged against fund balance as incurred. In addition, there is no provision for depreciation.
2. Monies received from sale of assets are recorded as revenue when the cash is received.
3. Monies received for long term fiber optic leases are recorded as revenue when received.
4. Principal retirements on revenue bonds are expensed when paid. The results of defeasement are accounted for as revenue or expense at the time of the transaction.
5. Bond proceeds (including premiums) are recorded as income in the year received. Amounts received from refunding issuances, if any, are recorded net of transfers to the escrow agent.
6. Unrealized gains and losses on Debt Reserve invested funds are netted against interest and other financing costs.
7. Capital lease obligations are not recorded. Payments under capital leases are expensed in the period payments are made.

8. Interest related to construction in progress is not capitalized.

9. Recoveries of expenses are classified as decreases in operating expenses for trust indenture and as miscellaneous operating revenue for GAAP.

10. In trust indenture, transponder purchases and other miscellaneous expenses are reflected in the Renewal and Replacement fund as capital expense. For GAAP the expenses are reflected as an operating expense.

11. Construction expenses incurred under intergovernmental agreements are decreased by payments received under these intergovernmental agreements.

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:

(b) 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.

(c) 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% 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.

(Continued)

(d) Debt Service Account

The Debt Service Account consists of the Interest Sub-Account, the Principal Sub-Account, the Redemption Sub-Account, and the Provider Payment Sub-Account, to be held by the Trustee.

Revenues are required to be deposited to cover the interest and principal amounts due and unpaid for bonds, credit enhancement or qualified hedge agreements. Revenues must also be deposited to the credit of the Debt Reserve Account in an amount sufficient to cause the balance in it to equal the debt reserve requirement.

The Debt Service Reserve Account receives funds to provide an amount sufficient to cause the balance in it to equal the debt reserve requirement and to make any required reimbursement to providers of reserve account credit facilities.

(e) 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.

(f) 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.

(g) 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.

(h) The Construction Fund

The Construction Fund is held as a separate segregated fund. The Construction Fund receives funds from the sale of bonds (other than refunding bonds) and investment of proceeds. The Treasurer establishes and maintains within the Construction Fund a separate, segregated account for each Project, the costs of which are to be paid in whole or in part out of the Construction Fund.

(2) Miscellaneous

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

Components of Interest and Other Financing Costs – 2014

	Debt service account	Debt reserve account	Total
Bond interest expense	$ 224,166,495	$ —	$ 224,166,495
Other financing costs	10,705,290	206,897	10,912,187
	$ 234,871,785	$ 206,897	$ 235,078,682

Other Information:

- Construction and other capital expenses for Renewal and Replacement and Improvement include accrued expenses.
- Bond Interest expense includes accrued interest payable at December 31.
- In November 2008 the Tollway purchased a $100 million surety bond. This policy is being amortized over the life of the bonds (24.1 years). The amortization is shown in the debt reserve column above.
- Cash and investment balances held by the Trustee at December 31, 2014, are $195.8 million in the Debt Service accounts and $300.4 million in the Debt Reserve account.
- During 2010 the Tollway Board of Directors authorized $30 million to be transferred from the Improvement account to the Debt Service account for swap termination payments. $10.6 million of these funds were used to terminate a swap associated with the 2008 A-2 bond series. During 2013 the Tollway Board of Directors authorized that the remaining $19.4 million could also be used to refund or redeem outstanding fixed rate bonds of the Tollway. All of the remaining $19.4 million were used in connection with the advance refunding of a portion of Series 2005A bonds in February, 2014.
- Insurance and Employee Benefits includes expense for retirement, workers compensation, the employer portion of FICA, and medical insurance.

Schedule 3

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)
Years ended December 31, 2014

	2014			**2013**		
	Average daily transactions*		**Revenue****	**Average daily transactions***		**Revenue****
Class of vehicle:						
1. Auto, motorcycle, taxi, station wagon, ambulance, single-unit truck, or tractor: 2 axles, 4 tires	2,019,831	$	630,556,388	1,974,009	$	622,349,358
2. Single-unit truck or tractor, buses: 2 axles, 6 tires	40,536		20,528,117	39,045		19,973,866
3. Trucks and buses with 3 and 4 axles	42,392		33,396,815	39,621		31,526,222
4. Trucks with 5 or more axles, other vehicles and toll adjustments	193,896		284,490,605	183,055		269,302,624
Total	2,296,655	$	968,971,925	2,235,730	$	943,152,070

* The “Average Daily Transactions" represents the average daily number of vehicles passing through the toll plazas.
** Revenue excludes tolls collected throught the Evasion Recovery program of approximately $ 9.5 and $9.6 million, respectively. These are reported as Evasion recovery revenue.

Schedule 4

ILLINOIS STATE TOLL HIGHWAY AUTHORITY

(A Component Unit of the State of Illinois)

Schedule of Capital Assets by Source [1]

December 31, 2014

		2014		2013
Capital assets (at original cost):				
Land and improvements	$	389,297,651	$	337,264,544
Buildings		56,235,616		54,481,558
Infrastructure [2]		7,228,536,379		7,165,000,043
Vehicles		46,418,427		44,324,906
Office equipment		37,291,671		35,882,176
Information systems		170,855,071		150,880,425
Construction in progress		817,322,173		355,523,656
Total capital assets	$	8,745,956,988	$	8,143,357,308
Capital assets provided from:				
Bond proceeds net of related interest income	$	6,534,343,548	$	5,752,941,488
Revenues		2,211,613,440		2,390,415,820
Total sources of capital assets	$	8,745,956,988	$	8,143,357,308

[1] Prepared in accordance with the Trust Indenture (non-GAAP).

[2] Infrastructure assets do not include capitalized interest totaling $171.6 million and $149.1 million at December 31, 2014 and 2013, respectively.

See accompanying independent auditors' report.

Schedule 5

ILLINOIS STATE TOLL HIGHWAY AUTHORITY

(A Component Unit of the State of Illinois)

Schedule of Changes in Capital Assets [1] [3]

Year ended December 31, 2014

	Balance January 1, 2014	Additions	Deletions[2]	Balance December 31, 2014
Land and improvements	$ 337,264,544	$ 52,033,107	$ —	$ 389,297,651
Buildings	54,481,555	1,754,061	—	56,235,616
Infrastructure	7,165,000,043	546,571,778	(483,035,442)	7,228,536,379
Vehicles	44,324,906	7,128,695	(5,035,174)	46,418,427
Office equipment	35,882,176	1,776,462	(366,967)	37,291,671
Information systems	150,880,425	20,744,293	(769,647)	170,855,071
Construction in progress	355,523,656	971,599,999	(509,801,482)	817,322,173
Total capital assets	$ 8,143,357,305	$ 1,601,608,395	$ (999,008,712)	$ 8,745,956,988

	Balance January 1, 2013	Additions	Deletions[2]	Balance December 31, 2013
Land and improvements	$ 327,977,023	$ 9,287,521	$ —	$ 337,264,544
Buildings	54,025,606	455,949	—	54,481,555
Infrastructure	6,917,204,366	321,335,872	(73,540,195)	7,165,000,043
Vehicles	41,818,912	2,966,311	(460,317)	44,324,906
Office equipment	34,869,290	1,781,456	(768,570)	35,882,176
Information systems	140,144,910	10,824,208	(88,693)	150,880,425
Construction in progress	132,755,334	549,972,222	(327,203,900)	355,523,656
Total capital assets	$ 7,648,795,441	$ 896,623,539	$ (402,061,675)	$ 8,143,357,305

[1] Prepared in accordance with the Trust Indenture (non-GAAP), infrastructure assets do not include capitalized interest totaling $171.6 million and $149.1 million as of December 31, 2014 and 2013, respectively.

[2] Infrastructure deletions above represent assets that are fully depreciated on a GAAP basis.

[3] No depreciation is reflected in this schedule.

See accompanying independent auditors’ report.

Schedule 6

ILLINOIS STATE TOLL HIGHWAY AUTHORITY
(A Component Unit of the State of Illinois)
Rehabilitation Repair and Replacement Program (Unaudited)
Years ended December 31, 2000 through 2014

		Total funds credited [1]
Year:		
2000	$	87,517,692
2001		91,073,256
2002		121,375,438
2003		157,366,445
2004		157,375,682
2005		204,609,580
2006		186,545,035
2007		198,331,687
2008		1,907,175
2009		161,463,238
2010		206,096,487
2011		174,192,997
2012		300,660,937
2013		200,364,611
2014		200,208,079
	$	2,449,088,339

[1] Includes earnings on the renewal and replacement account.

Schedule 7

ILLINOIS STATE TOLL HIGHWAY AUTHORITY
(A Component Unit of the State of Illinois)
Summary of Operating Revenues, Maintenance and Operating
Expenses, Net Operating Revenues and Debt Service Coverage
Trust Indenture Basis (Unaudited)
Years ended December 31, 2005 through December 31, 2014
(Amounts in thousands)

	2014[5]	2013[4]	2012	2011	2010	2009[3]	2008	2007	2006	2005
Operating revenue:										
Toll revenue	$ 968,972	$ 943,152	$ 922,390	$ 652,674	$ 628,754	$ 592,063	$ 583,647	$ 572,093	$ 567,500	$ 580,442
Toll evasion recovery	53,769	54,221	32,599	33,268	34,924	54,829	77,654	10,080	195	13,257
Concession and other revenue	12,373	11,537	7,377	10,410	7,332	7,960	6,832	5,775	5,900	8,014
Interest income[1]	1,041	866	1,389	1,064	1,750	3,200	22,980	49,846	33,359	11,321
Total operating revenue	1,036,155	1,009,776	963,755	697,416	672,760	658,052	691,113	637,794	606,954	613,034
Maintenance and operating expenses:										
Engineering and maintenance	47,614	43,225	39,144	43,667	45,627	47,895	43,899	44,834	35,559	31,644
Toll services	107,326	106,321	93,590	88,737	88,580	91,541	100,464	79,538	85,887	86,089
Police, safety and communication	27,606	22,551	22,808	23,061	22,811	22,650	21,895	21,247	19,145	18,034
Procurement, IT, finance and administration	24,192	19,138	19,971	20,522	22,165	20,605	18,382	24,262	23,279	27,698
Insurance and employee benefits	91,082	86,278	77,544	69,988	71,674	72,494	59,635	52,414	49,640	42,110
Total expenses	297,820	277,513	253,057	245,975	250,857	255,185	244,275	222,295	213,510	205,575
Net operating revenues	$ 738,335	$ 732,263	$ 710,698	$ 451,441	$ 421,903	$ 402,867	$ 446,838	$ 415,499	$ 393,444	$ 407,459
Total debt service[2][3]	$ 308,443	$ 297,708	$ 250,253	$ 249,960	$ 248,108	$ 173,319	$ 198,429	$ 172,284	$ 145,633	$ 99,366
Net revenues after debt service[2]	$ 429,892	$ 434,555	$ 460,455	$ 201,481	$ 173,795	$ 229,548	$ 248,409	$ 243,215	$ 247,811	$ 308,093
Debt service coverage[2]	2.39	2.46	2.84	1.81	1.70	2.32	2.25	2.41	2.70	4.10

(1) – Excludes interest income on construction funds.
(2) – Includes synthetic fixed interest rates as determined under swap agreements for 1993 Series B, 1998 Series B, 2007 Series A and 2008 Series A. See note 8 for specifics.
(3) – In January 2009 the Tollway early retired the 1993B bonds ($44.4 million of principal) from existing funds. The amount is not shown as part of the Total Debt Service above.
(4) – In August, 2013 the Tollway advance refunded a portion of the 2005 A bonds
(5) – In February, 2014 the Tollway advance refunded a portion of the 2005 A bonds
In December, 2014 the Tollway advance refunded the remainder of the Tollway's outstanding 2006 A-1 bonds

Schedule 8

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 2014
(Transactions in thousands)

	Passenger	Commercial	Total	Percentage passenger
Year:				
1959	37,884	5,050	42,934	88.23%
1964	72,721	7,005	79,726	91.21%
1969	146,476	14,488	160,964	91.00%
1974	204,360	28,446	232,806	87.78%
1979	268,051	42,606	310,657	86.29%
1984	308,104	42,890	350,994	87.78%
1989	428,745	57,193	485,938	88.23%
1994	565,601	66,693	632,294	89.45%
1999	648,269	71,835	720,104	90.02%
2000	664,002	72,308	736,310	90.18%
2001	687,856	76,429	764,285	90.00%
2002	715,073	77,763	792,836	90.19%
2003	693,507	108,096	801,603	86.52%
2004	714,120	109,025	823,145	86.76%
2005	695,378	85,068	780,446	89.10%
2006	678,535	85,590	764,125	88.80%
2007	696,055	92,237	788,292	88.30%
2008	688,516	89,366	777,882	88.51%
2009	694,837	80,516	775,353	89.62%
2010	730,797	86,286	817,083	89.44%
2011	743,195	89,633	832,828	89.24%
2012	711,680	92,100	803,780	88.54%
2013	720,513	95,529	816,042	88.29%
2014	737,238	101,041	838,279	87.95%

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

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

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

In 2007, the Tollway opened the 355 South extension.

Schedule 9

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 2014
(Dollars in thousands)

	Passenger	Commercial	Total	Percentage passenger
Year:				
1959	$ 11,943	$ 2,593	$ 14,536	82.16%
1964	26,284	4,888	31,172	84.32%
1969	46,872	8,803	55,675	84.19%
1974	55,419	14,891	70,310	78.82%
1979	73,048	24,068	97,116	75.22%
1984	114,233	43,094	157,327	72.61%
1989	155,394	57,387	212,781	73.03%
1994	215,221	66,922	282,143	76.28%
1999	259,448	73,178	332,626	78.00%
2000	268,277	75,668	343,945	78.00%
2001	276,724	78,050	354,774	78.00%
2002	276,763	86,472	363,235	76.19%
2003	275,751	101,703	377,454	73.06%
2004	287,218	104,368	391,586	73.35%
2005	341,352	239,090	580,442	58.81%
2006	324,556	242,943	567,499	57.19%
2007	321,008	251,085	572,093	56.11%
2008	335,653	247,994	583,647	57.51%
2009	334,520	257,543	592,063	56.50%
2010	348,946	279,808	628,754	55.50%
2011	354,186	298,488	652,674	54.27%
2012	615,957	306,433	922,390	66.78%
2013	622,349	320,803	943,152	65.99%
2014	630,556	338,416	968,972	65.07%

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

In 2012, Passenger car tolls were raised. The price of a typical mainline toll was changed from 40 cents to 75 cents for IPASS and from 80 cents to $1.50 for cash payers.

Due to the changed rate structures implemented in 2005 and 2012, the percentage of revenues from passenger vehicles decreased in 2005 and increased in 2012.

Schedule 10

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 selected years from 1964 to 2014

(Dollars in thousands)

	Operating revenue	Maintenance and operating expenses	Net operating revenues
Year:			
1964	$ 32,135	$ 6,832	$ 25,303
1969	57,395	13,015	44,380
1974	72,737	23,715	49,022
1979	100,436	39,733	60,703
1984	162,108	56,639	105,469
1989	254,734	85,065	169,669
1994	309,949	116,996	192,953
1995	341,636	121,103	220,533
1996	343,743	127,704	216,039
1997	352,176	131,437	220,739
1998	362,726	134,334	228,392
1999	366,092	146,881	219,211
2000	398,215	150,372	247,843
2001	389,827	160,565	229,262
2002	381,329	166,009	215,320
2003	430,804	187,300	243,504
2004	423,427	198,302	225,125
2005	613,034	205,575	407,459
2006	606,954	213,510	393,444
2007	637,794	222,295	415,499
2008	691,113	244,275	446,838
2009	658,052	255,185	402,867
2010	672,760	250,857	421,903
2011	697,416	245,975	451,441
2012	963,755	253,058	710,697
2013	1,009,776	277,512	732,264
2014	1,036,156	297,821	738,335

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

ILLINOIS STATE TOLL HIGHWAY AUTHORITY

(A Component Unit of the State of Illinois)

Compliance Report Summary

December 31, 2014

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 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 (Unaudited)
- Average Number of Employees by Function (Unaudited)
- Emergency Purchases (Unaudited)
- Service Efforts and Accomplishments (Unaudited)

The independent auditors' 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 auditors' 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.

Schedule 11

ILLINOIS STATE TOLL HIGHWAY AUTHORITY

(A Component Unit of the State of Illinois)
Schedule of Cash and Cash Equivalents Balances
December 31, 2014
(With summary totals for 2013)

	Carrying amount	Financial institution balances
Cash (unrestricted):		
Currency and coin on hand:		
Change funds at toll plazas and administrative building	$ 473,700	$ 473,700
Petty cash	1,250	1,250
Cash in banks:		
Bank of America – New segments account	23,317,319	24,791,517
Bank of America – Revolving accounts	11,327,034	8,673,293
Bank of America – Treasurer account*	(329,584)	1,021,548
Bank of America – Risk Management Account	19,013,137	18,881,917
Cash equivalents (unrestricted):		
Certificates of deposits – Treasurer accounts*	445,000	445,000
Wells Fargo – Repurchase agreements – Treasurer accounts*	863,010,979	863,010,979
Wells Fargo – Checking	16,472	16,472
Total cash and cash equivalents (unrestricted)	917,275,307	917,315,676
Cash (restricted):		
Bank of America – Restricted for I-PASS accounts	(21,325,537)	285,823
Cash equivalents (restricted):		
Restricted for debt service:		
Money market accounts:		
BNY Mellon		
Debt reserve	105,371,821	105,371,821
Debt service	162,125,476	162,125,476
Provider payment	2,893,203	2,893,203
Total restricted for debt service	270,390,500	270,390,500
Retricted for Construction		
Money Market Account	481,143,362	481,143,362
Northern Trust – Pension benefit asset	187,831	187,831
Illinois Funds – Restricted for I-PASS accounts	188,422,648	188,422,648
Total cash and cash equivalent (restricted)	918,818,804	940,430,164
Total cash and cash equivalents at December 31, 2014	$ 1,836,094,111	$ 1,857,745,840
Total cash and cash equivalents at December 31, 2013	$ 1,721,532,048	$ 1,714,737,693

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

See accompanying independent auditors' report.

Schedule 12

ILLINOIS STATE TOLL HIGHWAY AUTHORITY

(A Component Unit of the State of Illinois)

Schedule of Commodities Inventory

December 31, 2014

		2014
Location:		
Central warehouse	$	824,758
Maintenance buildings		9,702,518
Electrical shops		755,639
Central sign shop		1,342,047
Carpenter shop		179,510
Central garage		348,449
Pool car garage		29,144
Total commodities inventory at December 31, 2014	$	13,182,065

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 Position.

See accompanying independent auditors' report.

Schedule 13

ILLINOIS STATE TOLL HIGHWAY AUTHORITY

(A Component Unit of the State of Illinois)
Schedule of Accounts Receivable
December 31, 2014 and 2013

	Aging					
	0-180 days	**181-365 days**	**Over one year**	**Gross total**	**Allowance for doubtful accounts**	**Net receivables**
Tolls	$ 4,373,990	$ 87,305	$ 207,421	$ 4,668,716	$ (395,170)	$ 4,273,546
Toll evasion recovery – Tolls	3,816,142	1,272,047	25,431,606	30,519,795	(27,493,846)	3,025,949
Oases	99,683	—	—	99,683	—	99,683
Damage claims	30,735	43,992	170,606	245,333	(217,419)	27,914
Insufficient I-Pass	403,186	453,180	439,664	1,296,030	(1,036,824)	259,206
Overdimension vehicle permits	102,710	870	2,160	105,740	(25,755)	79,985
Fiber optic	26,142	(14,212)	28,685	40,615	2,821	43,436
Workers' compensation	11,768	—	—	11,768	—	11,768
Other	1,996,303	75,257	2,042,179	4,113,739	(2,126,586)	1,987,153
Subtotal – accounts receivable	10,860,659	1,918,439	28,322,321	41,101,419	(31,292,779)	9,808,640
E-Z Pass Agency Group	11,066,600	—		11,066,600	—	11,066,600
I-355 Intergovernmental agreement	137,500	—	62,500	200,000	—	200,000
Illinois Department of Transportation	22,834,872	—	132,363,772	155,198,644	—	155,198,644
Other governmentals	4,872,313	—	6,124,816	10,997,129	—	10,997,129
Subtotal – Governmental agency receivables	38,911,285	—	138,551,088	177,462,373	—	177,462,373
Total receivables at December 31, 2014	$ 49,771,944	$ 1,918,439	$ 166,873,409	$ 218,563,792	$ (31,292,779)	$ 187,271,013
Total receivables at December 31, 2013	$ 25,319,669	$ 2,974,801	$ 153,763,047	$ 182,057,517	$ (27,618,204)	$ 154,439,313

* In addition, toll evasion recovery escalated fines are booked as a receivable and are fully reserved as to collectibility. They are not included in the above schedule of accounts receivable.

See accompanying independent auditors' report.

Schedule 14

ILLINOIS STATE TOLL HIGHWAY AUTHORITY

(A Component Unit of the State of Illinois)

Schedule of Changes in Capital Assets

Year ended December 31, 2014

Fixed assets by type	Balance January 1	Additions and transfers in	Deletions and transfer out	Balance December 31
Cafeteria Equipment	$ 12,688	$ —	$ —	$ 12,688
Office furn. and fixtures	10,412,785	274,568	(39,000)	10,648,353
Data proc. equipment	90,150,844	13,572,551	(363,242)	103,360,153
Cash handling	137,214	—	—	137,214
Telecommunication	1,475,812	—	—	1,475,812
Toll collection	10,446,024	2,323,679	(406,405)	12,363,298
Garage and shop	1,700,262	10,610	(8,995)	1,701,877
Bldg. and bldg. maintenance	53,415	—	—	53,415
Bldg. and bldg. maintenance	124,776	—	—	124,776
Police autos	5,933,861	2,544,247	(1,766,916)	6,711,192
Police car equipment	8,484	—	—	8,484
Trucks	35,408,326	4,125,771	(3,268,257)	36,265,840
Roadway equipment	13,677,123	753,783	(318,972)	14,111,934
Total equipment	169,541,614	23,605,209	(6,171,787)	186,975,035
Infrastructure	7,165,000,043	546,571,779	(483,035,442)	7,228,536,379
Buildings	54,481,559	1,754,057	—	56,235,616
Land and land improvements	337,264,544	52,033,107	—	389,297,651
Construction in progress	355,523,656	971,599,999	(509,801,482)	817,322,173
Capitalized interest	149,116,092	22,524,118	—	171,640,209
CCTV Cameras, Digital Carmeras	9,057,367	—	—	9,057,367
CCTV Cameras, Digital Cameras - Infor	3,320,550	273,438	—	3,593,988
Various machinery and equipment - vehicles	2,974,236	458,675	—	3,432,911
Various machinery and equipment	843,761	737,502	—	1,581,263
Toll collection equipment	2,183,673	—	—	2,183,673
Reciprocity server (IAG)	299,590	—	—	299,590
Next generation network	3,203,251	404,059	—	3,607,310
TIMS	3,640,449	682,877	—	4,323,326
Web and e-commerce	3,953,501	—	—	3,953,501
Disaster recovery	3,270,919	21,869	—	3,292,788
Contingency software	15,322	487	—	15,809
RITE system	26,378,450	3,457,411	—	29,835,861
Unisys mainframe	1,303,550	—	—	1,303,550
IWIN computers	200,586	—	—	200,586
Energy attenuators	473,189	—	—	473,189
Field server	31,296	—	—	31,296
RWIS system	111,850	—	—	111,850
Mainframe legacy system	135,485	7,924	—	143,409
Consolidate customer service	148,868	—	—	148,868
Total capital assets	$ 8,292,473,399	$ 1,624,132,511	$ (999,008,711)	$ 8,917,597,197

Schedule 15

ILLINOIS STATE TOLL HIGHWAY AUTHORITY

(A Component Unit of the State of Illinois)

Explanation of Significant Variations in Asset Accounts*

Years ended December 31, 2014 and 2013

Assets	December 31 2014	2013	Increase (decrease)	Percentage change
Cash and cash equivalents - construction	$ 481,143,362	$ 270,215,790	$ 210,927,572	78%
Cash, Cash equivalents and investments - debt reserve	300,371,821	241,571,008	58,800,813	24%

Cash and cash equivalents - construction	The cash balance is higher in 2014 because we closed a new bond issue on 12/4/14, and had not drawn down the proceeds as of 12/31/14.
Cash, cash equivalents and investments - debt reserve	New bond isses in 2014 increased the debt reserve requirement.

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

Schedule 16

ILLINOIS STATE TOLL HIGHWAY AUTHORITY

(A Component Unit of the State of Illinois)

Explanation of Significant Variations in Liability Accounts*

Years ended December 31, 2014 and 2013

Liabilities	December 31 2014	December 31 2013	Increase (decrease)	Percentage change
Deposits and retainage	$ 61,265,134	$ 30,101,093	$ 31,164,041	104%
Revenue bonds payable	5,417,187,765	4,519,586,373	897,601,392	20%
Derivative instrument liability	257,181,557	136,553,050	120,628,507	88%

Deposits and retainage	Construction Spending in 2014 was the highest in Tollway history, resulting in more active contracts upon which retainage is withheld
Revenue bonds payable	Four new bond series were issued in 2014, two of which were partial or full advance refundings of two bond series
Derivative instrument liability	Interest rates declined significantly between 12/31/13 and 12/31/14, increasing the estimated cost to terminate the swap agreements

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

Schedule 17

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, 2014 and 2013

Revenues/expenses	December 31 2014	December 31 2013	Increase (decrease)	Percentage change
Miscellaneous expense	$ 959,699	$ 15,078,644	$ (14,118,945)	-94%

Miscellaneous expense	In 2013, accumulated construction costs on dormant projects were written off as miscellaneous expense. This did not recur in 2014

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

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 1974, the Tollway completed the westward extension of the Ronald Reagan Memorial Tollway (formerly the 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, Refunding revenue bonds to advance refund $204,354,000 of the 1955 series 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 a portion of the costs of the Congestion Relief Program.
- 2006, $1,000,000,000, Priority revenue bonds to pay a portion of the costs of the Congestion Relief Program.
- 2007, $700,000,000, Variable Rate Senior Priority Revenue Bonds to pay a portion of 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 a portion of the costs of the Congestion Relief Program.
- 2009 A, $500,000,000, Priority revenue bonds (Taxable) to pay a portion of the costs of the Congestion Relief Program.

(Continued)

- 2009 B, $280,000,000, Priority revenue bonds (Taxable) to pay the costs of the Congestion Relief Program.
- 2010, $279,300,000, Senior Refunding Revenue Bonds to advance refund $278,300,000 2008 Series A-2 Bonds.
- 2013 A, $500,000,000, Senior Revenue Bonds to pay a portion of costs of the Move Illinois Program.
- 2013 B, $217,390,000, Senior Refunding Bonds to advance refund $228,195,000 2005 Series A Bonds.
- 2014 A, $378,720,000, Senior Refunding Bonds to advance refund $469,935,000 2005 Series A Bonds.
- 2014 B, $500,000,000, Senior Revenue Bonds to pay a portion of costs of the Move Illinois Program.
- 2014 C, $400,000,000, Senior Revenue Bonds to pay a portion of costs of the Move Illinois Program.
- 2014 D, $264,555,000, Senior Refunding Bonds to advance refund $291,660,000 2006 A Series Bonds.

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

The Tollway has the power and responsibility to establish and collect tolls sufficient to pay for maintenance, repairs, regulation, and operation of the toll highway system and to meet the principal and interest bond funding requirements. During 2014, the Tollway did not receive any State government appropriations. In August of 2013, FHWA awarded the Tollway a self-assessment tool INVEST grant for $150,000. This grant will reimburse the Tollway for 50% of the costs incurred and will span 1 ½ years. To date, $151,786 has been expended and $75,893 has been received as reimbursement. No additional grants have been received in 2014.

The Amended and Restated Trust Indenture effective March 31, 1999, amending and restating a Trust Indenture dated as of December 1, 1985, as previously supplemented and amended by the First through Twentieth Supplemental Indentures and the 1996 Amendatory Supplemental Indenture (the "Trust Indenture") securing the 1998, 2005, 2007, 2008, 2009, 2010, 2013 and 2014 bond issues outstanding as of December 31, 2014, prescribe many of the investment and accounting requirements for the Tollway. The accounting records are maintained on an accrual basis.

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

The Trust Indenture also 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)

Years ended December 31, 2014 and 2013

	Full-time scheduled		Part-time scheduled		Total	
	2014	**2013**	**2014**	**2013**	**2014**	**2013**
Tollway employees:						
Executive office	6	5	—	—	6	5
Directors	10	9	—	—	10	9
Inspector general	6	5	—	—	6	5
Internal audit	6	5	—		6	5
Legal	12	10	—	—	12	10
State police-civilian employees	15	15	—	—	15	15
Finance	52	51	—	—	52	51
Administration	30	31	—	—	30	31
Operations:						
Toll collectors	442	439	—	—	442	439
Plaza managers and assistants	39	39	—	—	39	39
Other	138	139	—	—	138	139
Information Technology	49	43	—	—	49	43
Engineering:						
Maintenance:						
Roadway	374	361	—	—	374	361
Transportation	68	68	—	—	68	68
Engineers	48	46	—	—	48	46
Others	62	76	—	—	62	76
Planning	22	21	—	—	22	21
Procurement	49	46	—	—	49	46
Diversity & strategic development	5	4	—	—	5	4
Communications	11	10	—		11	10
Business systems	57	60	—	—	57	60
Total authority employees	1,501	1,483	—	—	1,501	1,483
State troopers	185	167	—	—	185	167
Total personnel	1,686	1,650	—	—	1,686	1,650

Hourly base payroll	$	69,949,992	63.09%
Overtime		7,528,516	6.79%
Salaries		33,402,906	30.12%
2014 Total payroll	$	110,881,414	100.00%
Hourly base payroll	$	65,770,414	63.80%
Overtime		6,005,201	5.83%
Salaries		31,305,865	30.37%
2013 Total payroll	$	103,081,480	100.00%

ILLINOIS STATE TOLL HIGHWAY AUTHORITY
(A Component Unit of the State of Illinois)
Emergency Purchases (Unaudited)
Year ended December 31, 2014

Description		Cost
Roadway abrasives	$	195,224
Repair of traffic mgmt and security infrastructure		525,000
Salt dome repair		72,454
Collection services contract extension		950,000
Rock salt		3,344,442
Bridge repair		142,000
Total	$	5,229,120

ILLINOIS STATE TOLL HIGHWAY AUTHORITY

(A Component Unit of the State of Illinois)

Service Efforts and Accomplishments (Unaudited)

Year ended December 31, 2014

(1) 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.

(2) Strategic Priorities

With the above Mission Statement in mind, the Illinois Tollway is guided by five Strategic Priorities that are consistent with those outlined by the Governor's Office of Management and Budget:

- Promote the regional economy *(Attract, retain and grow business)*
- Foster environmental responsibility and sustainability in roadway and agency operations *(Improve infrastructure safety)*
- Increase collaboration with regional transportation and planning agencies *(Improve infrastructure safety)*
- Further transparency and accountability *(Support basic functions of government)*
- Enhance customer service for its 1.4 million daily drivers *(Improve infrastructure safety)*

(3) Summary of Agency Operations

The Illinois Tollway maintains and operates 286 miles of interstate tollways in 12 counties in Northern Illinois, including the Reagan 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).

The Tollway is a user-fee system. No state or federal tax dollars are used to support the maintenance and operation of the Tollway System. The Tollway depends on toll revenues and proceeds from the issuance of revenue bonds for the expansion, reconstruction and improvement of the Tollway system. The Tollway's budget is a balanced budget in which revenues provide sufficient resources for operating and maintenance expenses, debt service and required deposits to the Renewal and Replacement and Improvement Accounts as required by the Trust Indenture.

(4) Key Performance Measures

The following metrics were reported for the year ending December 31, 2014.

1. The percentage of vehicles using I-PASS during rush hour: 90.4%
2. The percentage of vehicles using I-PASS for all hours: 86.7%
3. Travel Time Index Congestion Measure for the A.M. rush hour: 1.06
4. The average personal injury incident clearance time: 32.17 minutes

The following metrics were reported for the year ending December 31, 2013.

1. The percentage of vehicles using I-PASS during rush hour: 90.5%
2. The percentage of vehicles using I-PASS for all hours: 86.5%
3. Travel Time Index Congestion Measure for the A.M. rush hour: 1.02
4. The average personal injury incidents accident clearance time: 31.10 minutes