



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

Financial Audit and Compliance Examination

Year Ended December 31, 2013

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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December 31, 2013

Agency Officials

Executive Director	Kristi Lafleur
Chief of Staff	Michael Stone
Chief of Finance	Michael Colsch
Controller	Patricia Pearn
Fiscal Operations Manager	Tara Martin
General Counsel	David Goldberg

Central Administrative agency offices are located at:

2700 Ogden Avenue
Downers Grove, Illinois 60515



June 20, 2014

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, 2013. Based on this evaluation, we assert that during the year ended December 31, 2013, 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 STATE TOLL HIGHWAY AUTHORITY
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Compliance Report Summary

December 31, 2013

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

	<u>Current Report</u>	<u>Prior Report</u>
Number of:		
Findings	6	8
Repeated findings	5	7
Prior recommendations implemented or not repeated	3	4

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

Schedule of Findings

Findings (<i>Government Auditing Standards</i>)			
<u>Item No.</u>	<u>Page</u>	<u>Description</u>	<u>Finding Type</u>
2013-001	12	Inadequate Financial Reporting Systems	Significant deficiency
2013-002	13	Inadequate Controls Over Information Systems	Significant deficiency
2013-003	15	Inadequate Year-End Payables Process	Significant deficiency

ILLINOIS STATE TOLL HIGHWAY AUTHORITY
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Compliance Report Summary

December 31, 2013

Findings (*State Compliance*)

Item No.	Page	Description	Finding Type
2013-004	17	Procurement: Lack of Evaluation Comments	Significant deficiency and noncompliance
2013-005	19	Procurement: Scoring Evaluation Certification	Significant deficiency and noncompliance
2013-006	20	Failure to Accurately and Properly Report Accounts Receivables and Locally Held Funds	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
2013-001	12	Inadequate Financial Reporting Systems	Significant deficiency and noncompliance
2013-002	13	Inadequate Controls Over Information Systems	Significant deficiency and noncompliance
2013-003	15	Inadequate Year-End Payables Process	Significant deficiency and noncompliance

ILLINOIS STATE TOLL HIGHWAY AUTHORITY
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Compliance Report Summary

December 31, 2013

Exit Conference

The findings and recommendations appearing in this report were discussed with Tollway personnel at an exit conference on June 20, 2014. Attending were:

Illinois State Toll Highway Authority

Kristi Lafleur	Executive Director
Michael Stone	Chief of Staff
Michael J. Colsch	Chief of Finance
Cassandra Rouse	Internal Auditor
Patricia Pearn	Controller
Brian W. Karstensen	Chief Accountant
James Wagner	Inspector General
David Goldberg	General Counsel
John Donato	Chief of Procurement
Sharon Ferguson	Deputy Chief of Procurement
Tom Morache	Information Technology Manager
Paul Kovacs	Chief Engineer
Po Collins	General Manager of Engineering

KPMG LLP

Catherine Baumann	Partner
Jason Rosheisen	Manager
Calvin Choi	Senior Associate

E.C. Ortiz and Company LLP

Leilani Rodrigo	Partner
Maria Pia Pagtalunan	Manager

Illinois Office of the Auditor General

Thomas L. Kizziah, CPA	Audit Manager
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ILLINOIS STATE TOLL HIGHWAY AUTHORITY

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Compliance Report Summary

December 31, 2013

The responses to the recommendations were provided by Cassandra Rouse, Chief Internal Auditor, in a letter dated June 20, 2014.



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, 2013. 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 Illinois State Toll Highway Authority's compliance with specified requirements.



In our opinion, the Tollway complied, in all material respects, with the requirements listed in the first paragraph of this report during the year ended December 31, 2013. 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 2013-001 through 2013-006.

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

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 an entity's internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with the requirements listed in the first paragraph of this report on a timely basis. A material weakness in an entity's 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 an entity's 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. Given these limitations, we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weakness may exist that have not been identified. We did identify certain deficiencies in internal control over compliance that we considered to be significant deficiencies as described in the accompanying schedule of findings as finding numbers 2013-001 through 2013-006.

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 Illinois Auditor General, the Illinois General Assembly, the Illinois Legislative Audit Commission, the Governor of the State of Illinois, 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 20, 2014



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, 2013, 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 20, 2014. Our report was modified to include an emphasis of matter paragraph stating that the Tollway adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 65, *Items Previously Reported as Assets and Liabilities*, effective January 1, 2012.

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 2013-001 through 2013-003 that we consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Tollway's basic 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 is 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 20, 2014

ILLINOIS STATE TOLL HIGHWAY AUTHORITY

(A Component Unit of the State of Illinois)

Schedule of Findings

Year ended December 31, 2013

Current Findings – *Government Auditing Standards*

Finding 2013-001 – 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.

Tollway management stated that 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. An ERP system with current GL capabilities would greatly improve the efficiency in achieving accurate account activity recording.

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 2013-001, 12-01, 11-01)

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.

ILLINOIS STATE TOLL HIGHWAY AUTHORITY

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Schedule of Findings

Year ended December 31, 2013

Current Findings – *Government Auditing Standards*

Finding 2013-002 – 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, 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 evidence of testing and approval prior to implementation to production was not always available. Specifically, we identified the following:

- There were three users whose access to update or modify configuration changes in the time reporting system were not properly segregated through the shared use of an interactive, default system account.
- The password for a Timekeeping User-ID, shared by a consultant and the Tollway administrator to make configuration changes, had not been changed on a regular basis.
- For a selection of changes for the payroll and general ledger systems, 15 of 25 changes did not have documented evidence of testing and 20 of 25 changes did not have documented evidence of approval prior to implementation to production.
- For a selection of changes for the timekeeping system, 11 out of 15 changes did not have documented evidence of testing and 15 changes did not have documented evidence of approval prior to implementation to production.

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, including unique User-IDs and regularly changed passwords, provide for safeguarding, securing, and controlling access to hardware, software, and information stored in information systems.

Tollway management stated the system account configuration is a limitation of the timekeeping system and that network password controls are enforced which compensates for the unchanged password. Additionally, Tollway management stated the majority of program changes are standard changes which are presented to the change control board.

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 2013-002, 12-02, 11-02)

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Schedule of Findings

Year ended December 31, 2013

Current Findings – *Government Auditing Standards*

Recommendation:

We recommend the Tollway maintain evidence of testing and user department approvals prior to implementation to production. We also recommend the Tollway review its policies for user passwords configurations, ensure user accounts are not shared, and ensure passwords are changed on a regular interval. If a User-ID must be shared, the Authority should consider developing a compensating control, such as an automated log and subsequent supervisory approval, to ensure accountability.

Tollway Response:

The Tollway concurs with the auditors' recommendation and has developed and implemented additional compensating controls to enhance change management procedures. All program changes were subsequently reviewed by Information Technology and Internal Audit and deemed appropriate. The Tollway has developed a compensating control for instances where a shared User-ID is mandated by system requirements.

ILLINOIS STATE TOLL HIGHWAY AUTHORITY

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Schedule of Findings

Year ended December 31, 2013

Current Findings – *Government Auditing Standards*

Finding 2013-003 – 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 122 expense transactions recorded during the fiscal year (totaling \$123,500,301) and 164 cash disbursements subsequent to year end (totaling \$127,929,021). During our review of these transactions we noted the following items were not recorded to the proper accounting period:

- One electronic data processing equipment expenditure (totaling \$1,300,000) which pertained to fiscal year 2012 but was recorded as expense in fiscal year 2013.
- One professional services expenditure (totaling \$90,231) which pertained to fiscal year 2012 but was recorded as expense in fiscal year 2013.
- One gas utility services expenditure (totaling \$480) which pertained to fiscal year 2012 but was recorded as expense in fiscal year 2013.
- One relocation claim expenditure (totaling \$9,300) which pertained to fiscal year 2012 but was recorded as expense in fiscal year 2013.
- One web streaming and recording services expenditure (totaling \$6,726) which pertained to fiscal year 2014 and 2015 but was recorded as expense in fiscal year 2013.
- Two temporary land easement expenditures (totaling \$4,400) which pertained to fiscal year 2013 but were recorded in fiscal year 2014.
- One construction capital expenditure (totaling \$102,274) which pertained to fiscal year 2013 but was recorded in fiscal year 2014.

Payments to vendors by the Tollway amounted to \$703,685,010 during the year ended December 31, 2013.

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.

Tollway management stated that the accrual process is a manual process, dependent upon using 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 in some cases.

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

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 an ERP system to include improved and automated controls concerning accounts payable.

ILLINOIS STATE TOLL HIGHWAY AUTHORITY

(A Component Unit of the State of Illinois)

Schedule of Findings

Year ended December 31, 2013

Current Findings – *State Compliance*

Finding 2013-004 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, 2013. The 40 procurements tested were estimated, with renewals, to be approximately \$410 million. Three of the opportunities (with awards estimated at \$15 million) were procured using a Request for Proposal (RFP) for goods and services and the other 37 opportunities (with awards estimated at \$395 million) were either procured as State-use contracts, RFP-renewals, emergency purchases, sole source purchases, engineering professional services contracts, or awarded to the lowest bidder. We identified the following exceptions regarding inadequate evaluation comments based on review of the evaluation forms of each RFP tested:

- For one contract executed in March 2013, we noted the bid evaluation forms were not signed and dated by the evaluators. Tollway records indicate the RFP was opened on May 25, 2012 and the final purchase recommendation for this procurement was approved by the Tollway board in August 2012; however, we could not determine when the bid evaluation was performed and documented. We also noted the rating points on the bid evaluation forms completed by two out of five evaluators for this procurement were not supported by thorough and appropriate comments.

For contracts conducted prior to November 2012, Tollway officials reported Evaluation Procedures for Bids and/or Proposals provide specific guidance for procurement actions at the Tollway. Under the Assignment of Evaluation Points section, guidance states “*Rating points must be supported by thorough and appropriate comments. The points given must be consistent with the comments. General statements such as ‘good proposal’ without something to qualify the statement (i.e., why it is a good proposal) are not acceptable. Evaluations, which are not accompanied by thorough supporting comments, should be returned to the evaluator for further consideration.*”

- For one contract executed in April 2013, the total scores determined by two out of three evaluators were not supported with appropriate comments in each category. Tollway records indicate the RFP was opened on October 25, 2012 and bid evaluation occurred in November 2012.

In November 2012, the Tollway implemented the modified Evaluation Guidelines for RFP which require an evaluator’s total score be supported by and be 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.

Tollway management stated that these exceptions were for procurements where evaluations occurred prior to November, 2012, when the guidelines were revised due to the prior year audit finding. The audit areas reviewed were prior to implementing the revised guidelines. Procurement evaluation guidelines were enhanced and implemented as a result of the prior year audit. At the time of this evaluation, scoring and comments were processed according to the procedures in place at that time. Tollway practice did not require evaluator comments on each individual scoring items prior to the enhanced guidelines.

ILLINOIS STATE TOLL HIGHWAY AUTHORITY

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Schedule of Findings

Year ended December 31, 2013

Current Findings – *State Compliance*

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 No. 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 on November 16, 2012 as a result of a prior year audit finding.

ILLINOIS STATE TOLL HIGHWAY AUTHORITY

(A Component Unit of the State of Illinois)

Schedule of Findings

Year ended December 31, 2013

Current Findings – *State Compliance*

Finding 2013-005 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.

During our procurement testing, we selected 40 procurements awarded by the Tollway during the year ended December 31, 2013. The 40 procurements tested were estimated, with renewals, to be approximately \$410 million. Three opportunities (with awards estimated at \$15 million) were procured using a Request for Proposal (RFP) and the other 37 opportunities (with awards estimated at \$395 million) were either procured as State-use contracts, RFP-renewals, emergency purchases, sole source purchases, engineering professional services contracts, or awarded to the lowest bidder. During testing we reviewed available documentation to determine whether evaluation documents and review forms contained certifications by the individuals that conducted the review. We noted the RFP Administrative Review form which contains section for signature and date of review was not signed by all officials who completed the review for two RFPs tested.

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 evidence to support that the individual members of the evaluation team signed and dated the evaluations to not only create an audit trail but assure that the scores were actually completed by the members of the evaluation team. Tollway officials reported Evaluation Procedures for Bids and/or Proposals provide specific guidance for procurement actions at the Tollway. The Tollway's Review forms provide sections for the reviewer to print their name, sign their name and provide the review date. The Tollway's Procurement Services Unit Policy and Procedure Manual (Chapter 2 Section G Subsection 4(k)) requires the Information Processing Officer to complete administrative reviews of all bids opened.

Tollway management stated the procurements tested were evaluated prior to November, 2012, when procedures were changed based on a prior audit finding. Prior Tollway policy did not require signatures on Administrative Review forms.

Failure to have evaluations signed and certified by the members of the evaluation team makes it difficult to determine whether the procurement was evaluated in accordance with Tollway procedures. Absent certified signatures, it was not possible to determine if the scores were actually submitted by individuals assigned to the evaluation team. Failure to complete administrative forms for procurements is a violation of Tollway procedure. (Findings Code No. 2013-005, 12-06, 11-06)

Recommendation:

We recommend the Tollway ensure that all evaluation scoring tools are dated and include certifying signatures by the individual evaluator and are also dated to indicate when the scoring actually took place. Additionally, the Tollway should either develop a policy/procedure for completing the signature of the RFP Administrative Review form or update its form.

Tollway Response:

The Tollway concurs with the auditors' recommendation. Evaluation guidelines were enhanced and implemented on November 16, 2012 as a result of a prior year audit finding.

ILLINOIS STATE TOLL HIGHWAY AUTHORITY

(A Component Unit of the State of Illinois)

Schedule of Findings

Year ended December 31, 2013

Current Findings – *State Compliance*

Finding 2013-006 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 receivable activity, aging of receivable 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 June 30, 2013 and December 31, 2013, we noted accounts which have receivables over 180 days past due being collected by private collection firms reported in Form C-99 were understated by \$300,000 for the quarter ended June 30, 2013, and overstated by 12 customer accounts and \$198,888 for the quarter ended December 31, 2013.

The Tollway also submits on a quarterly basis the Report of Receipts and Disbursements of Locally Held Funds (Form C-17) for five funds to report the fiscal year-to-date receipts and disbursements activities of each fund. During our review of the locally held funds reports for the quarter ended June 30, 2013, we noted the receipts and disbursements for the quarter ended June 30, 2013 were not accurately reported for one fund resulting in the understatement of total receipts and disbursements by \$1,250,046 and \$1,252,318, respectively. The net effect is an overstatement in cash balance of \$2,272 in the June 30, 2013 quarterly report.

In addition, during our review of the locally held funds reports for the quarter ended December 31, 2013, we noted the cash receipts and disbursements included in the report for the quarter ended September 30, 2013 did not agree to the locally held funds report submitted for the quarter ended September 30, 2013. Upon further review, we noted the September 30, 2013 report erroneously reported the cash receipts for the quarter ended September 30, 2013, as well as the cash receipts for the quarter ended June 30, 2013. As a result, the receipts and disbursement activities of \$968,940,624 and \$436,584,647, respectively, were reported in the incorrect period. There was no effect on the net cash balance reported in the September 30, 2013 report.

The Comptroller's Statewide Accounting Management System Procedures Manual Section 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.

ILLINOIS STATE TOLL HIGHWAY AUTHORITY

(A Component Unit of the State of Illinois)

Schedule of Findings

Year ended December 31, 2013

Current Findings – *State Compliance*

Tollway management stated the Accounts Receivable reporting errors were due to clerical errors. The Locally Held Fund reporting errors were due to newly hired staff preparing the reports and not fully understanding the mechanics of the reporting requirements. The quarterly reports are prepared on a fiscal year basis which is different than the Tollway's fiscal year. The new employee included prior period information for disbursements and receipts that should not have been included. Tollway management stated ending cash balances for each period were reported correctly.

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. (Finding Code No. 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 have been instituted and the Tollway is pursuing an ERP system, which will assist in automating these reports.

ILLINOIS STATE TOLL HIGHWAY AUTHORITY

(A Component Unit of the State of Illinois)

Prior Findings Not Repeated

Year ended December 31, 2013

A. Inadequate Process to Assess Capital Asset Impairments

The Tollway did not identify and record a capital asset impairment related to an inactive road development project. (Finding Code 12-04)

In the current year, the Tollway reviewed inactive road development projects to determine if they were properly reported as construction in progress. Our testing did not disclose any exceptions in this area.

B. Procurement: Lack of State Purchasing Officer Determination Form

Tollway procurement files lacked written determinations of contract awards for procurements at the Tollway by the State Purchasing Officer (SPO). (Finding Code 12-07)

In the current year, SPO Determination forms were completed for the sample tested.

C. Procurement: Professional Services Vendors

The Tollway utilized a process in selecting engineering professional services consultants that was not detailed in the Tollway's procedure. Additionally, the Tollway did not require evaluators for engineering services to complete a conflict of interest policy and confidentiality agreement. (Finding Code 12-08)

In the current year, the Tollway enhanced procedural guidelines for evaluating professional services vendors effective November 2012. Current year exceptions predating the change are reported in the Immaterial Findings Letter as finding IM2013-007.

ILLINOIS STATE TOLL HIGHWAY AUTHORITY
(A Component Unit of the State of Illinois)
Financial Statement Report Summary
December 31, 2013

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 Auditor General, we have audited the accompanying 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, 2013, 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 opinions 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 basic financial statements referred to above present fairly, in all material respects, the financial position of the Illinois State Toll Highway Authority as of December 31, 2013, and the changes in its financial position and its cash flows for the year then ended in accordance with U.S. generally accepted accounting principles.

Emphasis of Matter

As discussed in note 16 to the financial statements, the Tollway implemented Governmental Accounting Standards Board Statement No. 65, *Items Previously Reported as Assets and Liabilities* (GASB 65), effective January 1, 2012.

Report on Summarized Comparative Information

We have previously audited the Tollway's 2012 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated July 12, 2013. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2012 is consistent, in all material respects, with the audited financial statements from which it has been derived, with the exception of the effects of the implementation of GASB 65 as discussed in the emphasis of matter paragraph immediately preceding this section.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis on pages 27-33 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 20, 2014 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 20, 2014

ILLINOIS STATE TOLL HIGHWAY AUTHORITY
(A Component Unit of the State of Illinois)
Management's Discussion and Analysis (Unaudited)
December 31, 2013
(With Comparative Totals for 2013)

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, 2013. Readers should use this section of this report in conjunction with the Tollway's basic financial statements.

2013 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 2013, construction and professional engineering services contracts with a combined value of \$889 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 \$594 million is approved in the current capital plans to be invested under the CRP for years 2014 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. In 2013, new bonds in the amount of \$500,000,000 were issued to fund the program.
- In 2013, the Tollway also issued bonds in the amount of \$ 217,390,000 to refund a portion of the 2005A series.
- The Tollway's 2013 operating revenue exceeded that of the previous year by \$ 47 million, resulting in net operating income that was \$ 25 million higher than the previous year.
- Amounts on deposit on behalf of I-PASS account holders increased by 5.9% at year-end to \$165 million; the percentage of Tollway users paying by I-PASS was 87% in 2013.

Basic Financial Statements

The Tollway accounts for its operations and financial transactions in a manner similar to that used by private business enterprises: the accrual basis of accounting. In these statements revenue is recognized in the period in which it is earned, and an expense is recognized in the period in which it is incurred, regardless of the timing of its related cash flow.

Overview of the Financial Statements

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

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

ILLINOIS STATE TOLL HIGHWAY AUTHORITY

(A Component Unit of the State of Illinois)
Management's Discussion and Analysis (Unaudited)
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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

2013 Results Compared to 2012

Operating Revenue

The Tollway's total 2013 operating revenues exceeded those of the previous year, up \$47.1 million (4.9%) at \$1,016.9 million, (versus \$969.8 million in 2012). The bulk of this increase came from toll evasion recovery revenue which totaled \$54.2 million in 2013 (up from \$32.6 million in 2012), due to improved image capture and license plate information availability, and a 2012 adjustment that decreased revenue to reflect a change in accounting method for Toll Evasion Recovery revenue. Revenue from tolls was slightly higher (2.2%) than 2012, at \$ 943.1 million in 2013 (versus \$ 922.4 million in 2012).

Miscellaneous revenue increased by \$4.7 million, mainly due to a sale of an easement.

Operating Expenses

Operating expenses, excluding depreciation, increased \$27.7 million (10.3%) in 2013. The increased operating cost was due mainly to increased retirement contributions, equipment maintenance and consulting fees. Depreciation expense was stable year over year, 1.7% lower at \$308.8 million, from \$314.1 million in 2012. The resulting operating income for the year, \$411.3 million, was up by \$24.6 million from the previous year.

Non-operating Revenue and Expense

Net non-operating expense increased this year (by 25.1%) from \$206.1 million in 2012 to \$257.9 million for 2013, primarily the result of a \$27.9 million increase in non-exchange intergovernmental expense, (offset by an increase in non-operating revenue in the same amount). Also contributing to the increased expense was a reclassification \$15 million of dormant project costs to expense that were previously recorded as construction in progress. There was an increase of \$8.9 million (4.5%) in interest and other financing costs which totaled \$207.5 million this year (versus \$ 198.7 million in 2012). Again this year the Tollway received an interest rebate from the federal treasury relating to bonds which were issued as Build America Bonds. The 2013 rebate totaled \$15.0 million, a decrease of \$1.3 million from 2013, due to the U.S. government sequester.

ILLINOIS STATE TOLL HIGHWAY AUTHORITY
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Management's Discussion and Analysis (Unaudited)
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Statement of Changes in Net Position

	2013	2012
Revenues		
Operating revenues:		
Toll revenue	\$ 943,152,070	\$ 922,390,189
Toll evasion recovery	54,220,590	32,598,735
Concessions	2,305,563	2,272,864
Miscellaneous	17,238,843	12,569,929
Nonoperating revenues:		
Investment income	946,210	1,389,324
Revenues under intergovernmental agreements	35,287,508	7,405,421
Net gain on disposal of property	159,590	-
Bond interest subsidy (Build America Bonds)	14,952,722	16,244,130
Total revenues	1,068,263,096	994,870,592
Expenses		
Operating expenses:		
Engineering and maintenance of roadway and structures	47,314,811	40,054,392
Services and toll collection	116,319,349	107,225,405
Traffic control, safety patrol, and radio communications	22,554,755	22,818,258
Procurement, IT, finance and administration	24,325,930	21,452,099
Insurance and employee benefits	86,277,850	77,543,643
Depreciation and amortization	308,869,419	314,107,807
Nonoperating expenses:		
Expenses under intergovernmental agreements	35,287,508	7,405,421
Net loss on disposal of property	-	70,480
Miscellaneous	15,078,644	360
Interest expense and amortization of financing costs	207,566,638	198,659,178
Total expenses	863,594,904	789,337,043
Capital contributed under intergovernmental agreements	103,915	701,954
Increase in net position	204,772,107	206,235,503
Net position, beginning of year	2,041,563,485	1,835,327,982
Net position, end of year	\$ 2,246,335,592	\$ 2,041,563,485

ILLINOIS STATE TOLL HIGHWAY AUTHORITY
(A Component Unit of the State of Illinois)
Management's Discussion and Analysis (Unaudited)
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Changes in Net Position

Net operating income increased in 2013 by \$24.6 million to \$411.3 million. After deducting this year's net non-operating expense of \$ 206.5 million, the Tollway posted an increase in net position for the year of \$204.8 million, (compared to \$190.1 million increase in net position, as restated, for 2012). After this year's result, the Tollway's net position totaled nearly \$2.3 billion.

As required by GASB 65 – *Items Previously Reported as Assets and Liabilities*, the 2012 beginning net position was restated to reflect the write off of unamortized bond issuance costs. Refer to Footnote 16 for further discussion.

STATEMENT OF NET POSITION
December 31, 2013 and 2012

	2013	2012
ASSETS		
Current and other assets	\$ 1,885,634,855	\$ 1,346,900,663
Capital assets - net	5,429,506,171	5,158,406,316
Total Assets	\$ 7,315,141,026	\$ 6,505,306,979
 DEFERRED OUTFLOWS OF RESOURCES		
Accumulated decrease in fair value of hedging derivative:	\$ 136,553,050	\$ 308,754,779
Net gain on bond refundings	53,689,425	49,435,421
	\$ 190,242,475	\$ 358,190,200
 LIABILITIES		
Current debt outstanding	\$ 92,855,000	\$ 179,465,000
Long-term debt outstanding	4,426,731,373	3,831,701,111
Other liabilities	739,461,536	810,767,583
Total liabilities	\$ 5,259,047,909	\$ 4,821,933,694
 NET POSITION		
Invested in capital assets, net of related debt	\$ 1,126,446,163	\$ 1,196,676,074
Restricted under trust indenture agreements	364,205,442	277,001,048
Restricted for supplemental pension benefits obligations	61,950	65,755
Unrestricted	755,622,037	567,820,608
Total Net Position	\$ 2,246,335,592	\$ 2,041,563,485

Capital Assets and Debt Administration

Capital Assets

Capital assets continue to represent the largest category of Tollway assets, totaling \$5.4 billion at year-end (\$5.2 billion a year ago) comprising 74% of total Tollway assets. See the accompanying Notes to the Financial Statements – notes 1 and 6 - for further information about capital assets.

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CAPITAL ASSETS
December 31, 2013

	January 1, 2013	2013	2013	December 31, 2013
	Net Balance	Net Activity	Depreciation	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 \$	<u>5,158,406,314</u>	<u>579,218,356</u>	<u>(308,118,499)</u>	<u>\$ 5,429,506,171</u>

	January 1, 2012	2012	2012	December 31, 2012
	Net Balance	Net Activity	Depreciation	Net Balance
Land	\$ 315,128,948	12,848,075	-	\$ 327,977,023
Construction in progress	75,878,024	56,877,310	-	132,755,334
Buildings	14,757,727	1,959,171	(1,825,533)	14,891,365
Infrastructure	4,623,322,182	277,931,944	(298,753,904)	4,602,500,222
Machinery and equipment	83,161,933	9,694,371	(12,573,932)	80,282,370
Total \$	<u>5,112,248,814</u>	<u>359,310,871</u>	<u>(313,153,369)</u>	<u>\$ 5,158,406,314</u>

Long-Term Debt

At year-end 2013, total revenue bonds payable had increased by \$432.8 million (from \$3.964 billion), the result of a principal payment for 2013 and new bond issuances in 2013. 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, 2013. 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, 2013 and 2012. 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, 2013 and 2012. Three swap agreements are associated with the 2008 Series A-1 and A-2 bonds, in original amounts totaling \$478.875 million, all of which are outstanding as of December 31, 2013 and 2012. The Tollway utilized these nine swap agreements in order to hedge against rising interest rates and to reduce its borrowing rate (as compared to the borrowing rate obtainable by issuing fixed rate bonds). The risks associated with these types of arrangements and the strategies employed by the Tollway to mitigate those risks are discussed in note 9 of the financial statements.

As of December 31, 2013, 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

ILLINOIS STATE TOLL HIGHWAY AUTHORITY

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December 31, 2013

interest, of: a total of \$11.920 million for the two 1998 Series B swap agreements; a total of \$79.453 million for the four 2007 Series A-1 and A-2 swap agreements; and a total of \$45.180 million for the three 2008 Series A-1 and A-2 swap agreements.

As more fully described in Note 8, on February 7, 2011 the \$478,900,000 2008 Series A Bonds were mandatorily tendered and subsequently remarketed as three separate sub series. As of December 31, 2013, 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 PNC Bank, N.A.

As more fully described in Note 8, on March 18, 2011 the \$700,000,000 2007 Series A Bonds were mandatorily tendered and subsequently remarketed as six separate sub series. As of December 31, 2013, 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.; PNC Bank, National Association; The Bank of Tokyo Mitsubishi UFJ, Ltd., acting through its New York Branch; Harris N.A.; Northern Trust Company and Wells Fargo Bank, National Association.

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 2013 was 2.46.

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.

ILLINOIS STATE TOLL HIGHWAY AUTHORITY
(A Component Unit of the State of Illinois)
Management's Discussion and Analysis (Unaudited)
December 31, 2013

LONG TERM DEBT ANALYSIS

December 31, 2013

	2013		
	Noncurrent	Current	Total
Revenue bonds payable:			
Issue of 1998 Series A	\$ 74,935,000	\$ 59,465,000	\$ 134,400,000
Issue of 1998 Series B	123,100,000	-	123,100,000
Issue of 2005 Series A	508,415,000	33,390,000	541,805,000
Issue of 2006 Series A-1	291,660,000	-	291,660,000
Issue of 2007 Series A-1	350,000,000	-	350,000,000
Issue of 2007 Series A-2	350,000,000	-	350,000,000
Issue of 2008 Series A-1	383,100,000	-	383,100,000
Issue of 2008 Series A-2	95,800,000	-	95,800,000
Issue of 2008 Series B	350,000,000	-	350,000,000
Issue of 2009 Series A	500,000,000	-	500,000,000
Issue of 2009 Series B	280,000,000	-	280,000,000
Issue of 2010 Series A-1	279,300,000	-	279,300,000
Issue of 2013 Series A	500,000,000	-	500,000,000
Issue of 2013 Series B-1	217,390,000	-	217,390,000
Total revenue bonds payable	<u>\$ 4,303,700,000</u>	<u>\$ 92,855,000</u>	<u>\$ 4,396,555,000</u>

Factors Impacting Operations

In 2013 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. Two new bond series were issued in 2013, one being a refunding issue and the other to fund capital construction. The Tollway forecasts for the fifteen-year span of the Move Illinois program call for about 60% of the program's costs 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, 2013

(With Comparative Totals for 2012)

	<u>2013</u>	<u>2012</u>
ASSETS		
Current assets:		
Current unrestricted assets:		
Cash and cash equivalents	\$ 812,039,408	\$ 656,519,154
Accounts receivable, less allowance for doubtful accounts of \$ 27,618,205 and \$ 21,972,461, in 2013 and 2012, respectively	8,795,293	6,668,496
Intergovernmental receivables	37,378,453	35,973,926
Accrued interest receivable	212	4,276
Risk management reserved cash and cash equivalents	18,297,141	12,853,085
Prepaid expenses	2,237,667	1,400,778
Total current unrestricted assets	<u>878,748,174</u>	<u>713,419,715</u>
Current restricted assets:		
Cash and cash equivalents - debt service	214,486,678	171,221,885
Cash and cash equivalents - I-PASS accounts	164,702,419	155,398,888
Investments - debt reserve	60,000,000	72,000,000
Accrued interest receivable	1,400	50,533
Supplemental pension benefit assets	27,822	28,638
Total current restricted assets	<u>439,218,319</u>	<u>398,699,944</u>
Total current assets	<u>1,317,966,493</u>	<u>1,112,119,659</u>
Noncurrent assets:		
Capital assets:		
Land, improvements and construction in progress	692,788,200	460,732,357
Other capital assets, net of accumulated depreciation	4,736,717,971	4,697,673,959
Total capital assets	<u>5,429,506,171</u>	<u>5,158,406,316</u>
Other noncurrent assets:		
Accounts receivable less current portion	108,265,566	95,210,088
Prepaid expenses less current portion	7,424,212	8,422,087
Total noncurrent unrestricted assets	<u>115,689,778</u>	<u>103,632,175</u>
Noncurrent restricted assets:		
Cash and cash equivalents - debt service reserve	181,571,008	130,925,234
Supplemental pension benefit assets	191,785	223,595
Cash and cash equivalents - construction	270,215,790	-
Total noncurrent restricted assets	<u>451,978,583</u>	<u>131,148,829</u>
Total assets	<u>7,315,141,026</u>	<u>6,505,306,979</u>
DEFERRED OUTFLOWS OF RESOURCES		
Accumulated decrease in fair value of hedging derivatives	136,553,050	308,754,779
Net loss on bond refundings	53,689,425	49,435,421
	<u>190,242,475</u>	<u>358,190,200</u>

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, 2013

(With Comparative Totals for 2012)

	<u>2013</u>	<u>2012</u>
LIABILITIES		
Current liabilities		
Payable from unrestricted current assets:		
Accounts payable	\$ 37,668,878	\$ 9,876,536
Accrued liabilities	151,387,709	107,816,976
Accrued compensated absences	5,667,157	4,611,853
Intergovernmental agreement payable	84,445,594	82,688,729
Risk management claims payable	6,000,000	6,000,000
Deposits and retainage	30,101,093	15,201,590
Unearned revenue, net of accumulated amortization of \$ 124,208	475,792	-
	<u>315,746,223</u>	<u>226,195,684</u>
Payable from current restricted assets:		
Supplemental pension benefit obligation	157,657	186,478
Current portion of revenue bonds payable	92,855,000	179,465,000
Accrued interest payable	91,853,644	82,527,649
Deposits and unearned revenue- I-PASS accounts	164,702,419	155,529,428
Total current liabilities payable from current restricted assets	<u>349,568,720</u>	<u>417,708,555</u>
Total current liabilities	<u>665,314,943</u>	<u>643,904,239</u>
Noncurrent liabilities:		
Revenue bonds payable, less current portion	4,426,731,373	3,831,701,111
Accrued compensated absences	4,020,291	5,200,600
Risk management claims payable	12,082,622	7,602,326
Derivative instrument liability	136,553,050	308,754,779
Unearned revenue, less accumulated amortization of \$ 19,385,613 and \$ 17,740,210, respectively	14,345,630	24,770,639
Total noncurrent liabilities	<u>4,593,732,966</u>	<u>4,178,029,455</u>
Total liabilities	<u>5,259,047,909</u>	<u>4,821,933,694</u>
NET POSITION		
Invested in capital assets, net of related debt	1,126,446,163	1,196,676,074
Restricted under trust indenture agreements	364,205,442	277,001,048
Restricted for supplemental pension benefit obligations	61,950	65,755
Unrestricted	755,622,037	567,820,608
Total net position	<u>2,246,335,592</u>	<u>2,041,563,485</u>

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, 2013
(With Comparative Totals for the year ended December 31, 2012)

	<u>2013</u>	<u>2012</u>
Operating revenues:		
Toll revenue	\$ 943,152,070	\$ 922,390,189
Toll evasion recovery	54,220,590	32,598,735
Concessions	2,305,563	2,272,864
Miscellaneous	17,238,843	12,569,929
Total operating revenues	<u>1,016,917,066</u>	<u>969,831,717</u>
Operating expenses:		
Engineering and maintenance of roadway and structures	47,314,811	40,054,392
Services and toll collection	116,319,349	107,225,405
Traffic control, safety patrol and radio communications	22,554,755	22,818,258
Procurement, IT, finance, and administration	24,325,930	21,452,099
Insurance and employee benefits	86,277,850	77,543,643
Depreciation and amortization	308,869,419	314,107,807
Total operating expenses	<u>605,662,114</u>	<u>583,201,604</u>
Operating income	411,254,952	386,630,113
Nonoperating revenues (expenses):		
Revenues under intergovernmental agreements	35,287,508	7,405,421
Expenses under intergovernmental agreements	(35,287,508)	(7,405,421)
Net gain (loss) on disposal of property	159,590	(70,480)
Interest expense and amortization of financing costs	(207,566,638)	(198,659,178)
Bond interest subsidy (Build America Bonds)	14,952,722	16,244,130
Miscellaneous revenue/(expense)	(15,078,644)	(360)
Investment income	946,210	1,389,324
Total nonoperating (expenses)	<u>(206,586,760)</u>	<u>(181,096,564)</u>
Capital contributed under intergovernmental agreements	<u>103,915</u>	<u>701,954</u>
Change in net position	<u>204,772,107</u>	<u>206,235,503</u>
Net position at beginning of year	2,041,563,485	1,850,749,932
Cumulative effect of change in accounting principle	-	(15,421,950)
Net position at beginning of year, as adjusted	<u>2,041,563,485</u>	<u>1,835,327,982</u>
Net position at end of year	<u>\$ 2,246,335,592</u>	<u>\$ 2,041,563,485</u>

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, 2013
(With Comparative Totals for the year ended December 31, 2012)

	2013	2012
Cash flows from operating activities:		
Cash received from sales and services	\$ 1,029,028,024	\$ 1,003,554,289
Cash received from other governments for services	-	16,529,606
Cash payment to suppliers	(122,708,942)	(119,782,450)
Cash payments to employees	(151,324,265)	(143,200,049)
Net cash provided by operating activities	754,994,817	757,101,396
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	(550,055,971)	(312,471,396)
Cash received from other governments for capital assets	13,297,333	701,954
Cash paid for intergovernmental services	(8,742,764)	-
Proceeds from sale of property	318,028	379,967
Bond proceeds	565,345,459	-
Principal paid on revenue bonds	(56,365,000)	(53,040,000)
Payment to defease bonds	(1,015,538)	-
Bond subsidy (Build America Bonds)	14,952,722	16,244,130
Interest expense and issuance costs paid on revenue bonds	(211,313,725)	(206,323,155)
Net cash (used in) capital and related financing activities	(233,579,456)	(554,508,500)
Cash flows from investing activities:		
Proceeds from sales and maturities of investments	12,000,000	-
Purchase of investments	-	(72,000,000)
Interest on investments	946,210	1,389,324
Net cash provided by (used in) investing activities	12,946,210	(70,610,676)
Net (decrease) increase in cash and cash equivalents	534,361,571	131,982,220
Cash and cash equivalents at beginning of year	1,127,170,480	995,188,260
Cash and cash equivalents at end of year	\$ 1,661,532,051	\$ 1,127,170,480
Reconciliation of cash and cash equivalents:		
Cash and cash equivalents	\$ 812,039,408	\$ 656,519,154
Risk management reserved cash and cash equivalents	18,297,141	12,853,085
Cash and cash equivalents restricted for debt service	396,057,686	302,147,119
Cash and cash equivalents restricted fro construction	270,215,790	-
Cash and cash equivalents - I-PASS accounts	164,702,419	155,398,889
Supplemental pension benefit assets	219,607	252,233
Total cash and cash equivalents at end of year	\$ 1,661,532,051	\$ 1,127,170,480

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, 2013
(With Comparative Totals for the year ended December 31, 2012)

	2013	2012
Reconciliation of operating income to net cash provided by operating activities:		
Operating Income	\$ 411,254,952	\$ 386,630,113
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	308,869,419	314,107,807
Provision for bad debt	6,185,355	17,012,217
Amortization of unearned revenue	(1,645,404)	(1,628,357)
Miscellaneous revenue (expense)	-	(360)
Effects of changes in operating assets and liabilities:		
(Increase) decrease in accounts receivable	(1,439,083)	9,319,540
(Increase) decrease in intergovernmental receivables	(685,584)	3,602,776
Increase (decrease) in prepaid expenses	160,986	(359,573)
Decrease in net assets available for pension benefits	-	35,537
Increase in accounts payable	660,817	1,416,021
Increase in accrued liabilities	18,272,661	2,922,011
Decrease in accrued compensated absences	(125,005)	(168,096)
Decrease in supplemental pension obligation	(28,821)	(31,819)
Increase in intergovernmental agreement payable	566,562	15,000,005
Increase in deposits - I-PASS	3,845,720	9,018,727
Decrease in unearned revenue	4,621,946	-
Increase in risk management claims payable	4,480,296	224,847
Net cash provided by operating activities	\$ 754,994,817	\$ 757,101,396

The fair value of investments decreased by \$-0- in 2013 and 2012.

See accompanying notes to the financial statements.

ILLINOIS STATE TOLL HIGHWAY AUTHORITY

(A Component Unit of the State of Illinois)

Notes to the Financial Statements

December 31, 2013

(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 of 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.

ILLINOIS STATE TOLL HIGHWAY AUTHORITY

(A Component Unit of the State of Illinois)

Notes to the Financial Statements

December 31, 2013

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 \$42 million in locally held funds and cash on hand at December 31, 2013, 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 nonoperating 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, 2013.

(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.

ILLINOIS STATE TOLL HIGHWAY AUTHORITY

(A Component Unit of the State of Illinois)

Notes to the Financial Statements

December 31, 2013

(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. 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 expenses, 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 Liabilities*, 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

ILLINOIS STATE TOLL HIGHWAY AUTHORITY

(A Component Unit of the State of Illinois)

Notes to the Financial Statements

December 31, 2013

new debt, whichever is shorter. Accordingly, \$49.4 million has been reclassified in the 2012 Statement of Net Position from revenue bonds payable to a deferred outflow of resources.

(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:

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

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

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

At December 31, 2013, 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.

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

(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

ILLINOIS STATE TOLL HIGHWAY AUTHORITY

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Notes to the Financial Statements

December 31, 2013

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, 2012, from which such partial information was derived. Certain 2012 balances have been reclassified as discussed in footnote 22 with the implementation of GASB Statement number 65.

(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

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Notes to the Financial Statements

December 31, 2013

by FDIC insurance or eligible collateral. The Tollway has no policy that would further limit the requirements under state law. As of December 31, 2013, the Tollway's deposits were not exposed to custodial credit risk.

(b) Schedule of Investments

As of December 31, 2013 the Tollway had the following investments and maturities:

Investment Type	Fair Value	Investment Maturities (in years)	
		Less Than 1	1 - 5
Repurchase agreements	\$ 764,720,000	\$ 764,720,000	-
Money market funds*	666,273,474	666,273,474	-
US Treasury Cert. of Indebtedness-SLGS	60,000,000	60,000,000	-
Illinois Funds*	180,397,803	180,397,803	-
	<u>\$ 1,671,391,277</u>	<u>\$ 1,671,391,277</u>	<u>-</u>

* 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 2013.

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December 31, 2013

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, 2013:

Investment Type	2013 (Moody's/S&P)	
	Fair Value	Rating
Repurchase agreements	\$ 764,720,000	AAA/AA+u
Money market funds	666,273,474	Aaa-mf/AAAm
US Treasury Cert. of Indebtedness-SLGS	60,000,000	AAA/AA+u
Illinois Funds	180,397,803	N/R/AAAm

(3) Current Accounts Receivable

The Tollway's accounts receivable consist of various toll charges and other amounts due from individuals and commercial and other entities. A provision for doubtful accounts has been recorded for estimated uncollectible amounts. As of December 31, 2013, the Tollway's accounts receivable balance consists of the following:

	Gross accounts receivables	Allowance for doubtful accounts	Net accounts receivable
Tolls	\$ 4,727,013	\$ (680,105)	\$ 4,046,908
Toll evasion recovery	25,087,564	(22,482,073)	2,605,491
Oases receivables	115,392	-	115,392
Damage claims/emergency services	192,637	(180,693)	11,944
Insufficient I-PASS	2,499,789	(2,004,607)	495,182
Over dimension vehicle permit	65,405	(22,090)	43,315
Fiber optic agreements	289,450	(55,489)	233,962
Workers compensation	74,752	-	74,752
Other	3,361,495	(2,193,148)	1,168,347
Total non-governmental receivables	<u>36,413,497</u>	<u>(27,618,205)</u>	<u>8,795,293</u>
Various local and municipal government	6,990,653	-	6,990,653
IAG Agencies	9,850,064	-	9,850,064
Other agencies of the state of Illinois	128,803,303	-	128,803,303
Total intergovernmental receivables	<u>145,644,020</u>	<u>-</u>	<u>145,644,019</u>
Total receivables	<u>\$ 182,057,517</u>	<u>\$ (27,618,205)</u>	<u>\$ 154,439,312</u>

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(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, 2013, the Tollway has \$9.7 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.

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, 2013 are as follows:

<u>Year Ended December 31</u>	<u>Retail Lease</u>	<u>Fuel Lease</u>	<u>Total Leases</u>
2014	\$ 758,928	\$ 900,250	\$ 1,659,178
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
Thereafter	7,083,332	7,502,086	14,585,418
	<u>\$ 10,756,544</u>	<u>\$ 12,003,336</u>	<u>\$ 22,759,880</u>

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.

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(6) Capital Assets

Changes in capital assets for the year ended December 31, 2013, are as follows:

	Balance January 1	Additions and transfers in	Deletions and transfers out	Balance December 31
Nondepreciable capital assets:				
Land and improvements	\$ 327,977,023	\$ 9,287,521	\$ -	\$ 337,264,544
Construction in progress	132,755,334	549,972,222	(327,203,900)	355,523,656
Total nondepreciable capital assets	<u>460,732,357</u>	<u>559,259,743</u>	<u>(327,203,900)</u>	<u>692,788,200</u>
Depreciable capital assets				
Buildings	54,025,609	455,949	-	54,481,558
Infrastructure	7,056,363,300	331,293,030	(73,540,195)	7,314,116,135
Machinery and equipment	216,833,111	15,571,975	(1,317,580)	231,087,506
Total depreciable capital assets	<u>7,327,222,020</u>	<u>347,320,954</u>	<u>(74,857,775)</u>	<u>7,599,685,199</u>
Less accumulated depreciation				
Buildings	(39,134,241)	(934,328)		(40,068,569)
Infrastructure	(2,453,863,080)	(293,650,798)	73,540,195	(2,673,973,683)
Machinery and equipment	(136,550,741)	(13,533,376)	1,159,141	(148,924,976)
Total accumulated depreciation	<u>(2,629,548,062)</u>	<u>(308,118,502)</u>	<u>74,699,336</u>	<u>(2,862,967,228)</u>
Total depreciable assets, net	<u>4,697,673,958</u>	<u>39,202,452</u>	<u>(158,439)</u>	<u>4,736,717,971</u>
Total capital assets, net	<u>\$ 5,158,406,315</u>	<u>\$ 598,462,195</u>	<u>\$ (327,362,339)</u>	<u>\$ 5,429,506,171</u>

(7) Long-Term Accounts Receivable

As of December 31, 2013, long-term accounts receivable consisted of the following:

Village of Lemont - I-355 South Intergovernmental Agreement	\$ 125,000
Illinois Department of Transportation	108,140,566
	<u>\$ 108,265,566</u>

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(8) Revenue Bonds Payable

Changes in revenue bonds payable for the year ended December 31, 2013, are as follows:

	Year Ended December 31, 2013				
	<u>Balance January 1</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance December 31</u>	<u>Amounts due within one year*</u>
1998 Series A	\$ 190,765,000	\$ -	\$ (56,365,000)	\$ 134,400,000	\$ 59,465,000
1998 Series B	123,100,000	-	-	123,100,000	-
2005 Series A	770,000,000	-	(228,195,000)	541,805,000	33,390,000
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-1	-	500,000,000	-	500,000,000	-
2013 Series B	-	217,390,000	-	217,390,000	-
Totals	<u>3,963,725,000</u>	<u>717,390,000</u>	<u>(284,560,000)</u>	<u>4,396,555,000</u>	<u>92,855,000</u>
Unamortized bond premium	47,441,111	95,728,365	(20,138,103)	123,031,373	
Current portion of revenue bonds payable	<u>(179,465,000)</u>	<u>(92,855,000)</u>	<u>179,465,000</u>	<u>(92,855,000)</u>	
Revenue bonds payable, net of current portion	<u>\$ 3,831,701,111</u>	<u>\$ 720,263,365</u>	<u>\$ (125,233,103)</u>	<u>\$ 4,426,731,373</u>	

* 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.

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(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 \$134,400,000 were outstanding as of December 31, 2013, 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 2013. Interest rates on the Series 1998B Bonds are set pursuant to the terms of a remarketing agreement. While in the weekly mode, the Series 1998B Bonds are subject to demand for purchase from bondholders. Any such Series 1998B Bonds tendered for purchase are remarketed pursuant to the terms of a remarketing agreement. Series 1998B Bonds tendered for purchase that are not remarketed to new bondholder(s) are funded, subject to certain conditions, under a Standby Bond Purchase Agreement among the Tollway, the Trustee, and Landesbank Hessen-Thüringen Girozentrale, New York Branch.

The stated expiration date of the Standby Bond Purchase Agreement matches the final maturity of the Series 1998B Bonds. Any bonds funded pursuant to the Standby Bond Purchase Agreement that remain unremarketed on their originally scheduled payment dates of January 1, 2016 and January 1, 2017 are required to be paid by the Tollway on such originally 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 expiration date of the Standby Bond Purchase Agreement is January 3, 2017. The scheduled Series 1998B principal payments are \$53,900,000 on January 1, 2016 and \$69,200,000 on January 1, 2017. The final maturity of the 1998A and 1998B bonds is January 1, 2016 and January 1, 2017, respectively. The scheduled payments of principal and interest of the Series 1998A Bonds and the Series 1998B Bonds are insured by Assured Guaranty Municipal Corp., pursuant to the acquisition of the original bond insurer, Financial Security Assurance Inc., by Assured Guaranty Ltd. on July 1, 2009. The variable interest rate of the Series 1998B Bonds as of December 31, 2013 was 0.35%.

(b) Series 2005A Bonds

On June 22, 2005, the Tollway issued \$770,000,000 of Senior Priority Revenue Bonds (2005 Series A). This issuance was the first bond sale utilized to 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 scheduled payments of principal and interest of this bond series are insured by Assured Guaranty Municipal Corp., pursuant to the acquisition of the original bond insurer, Financial Security Assurance Inc., by Assured Guaranty Ltd. on July 1, 2009, except for the principal and interest of the \$101,935,000 maturing January 1, 2020, which is not insured. The final maturity of

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the bonds is January 1, 2023. 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 by the Tollway's \$217,390,000 Toll Highway Senior Revenue Bonds 2013 Series B-1 (Refunding).

(c) Series 2006A Bonds

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

(d) Series 2007A Bonds

On November 1, 2007, the Tollway issued \$700,000,000 of Variable Rate Senior Priority Revenue Bonds (2007 Series A-1 and Series A-2). This issuance was the third bond sale utilized to finance capital projects in the Congestion-Relief Program. The bonds also financed a deposit to the Debt Reserve Account and costs of issuance. The bonds were sold at par and initially issued in a weekly mode and remained in a weekly mode through fiscal year end 2013. 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

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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, 2014. The cost of the 2007A-1a Credit Facility is a per annum fee of 75 basis points times the stated amount of \$178,595,891. The variable interest rate of the Series 2007A-1a Bonds as of December 31, 2013 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 PNC Bank, National Association pursuant to the terms of the Reimbursement Agreement dated as of March 1, 2011 between the Tollway and such bank (the "2007A-1b Credit Facility"). 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, 2014. The cost of the 2007A-1b Credit Facility is a per annum fee of 75 basis points times the stated amount of \$178,236,302. The variable interest rate of the Series 2007A-1b Bonds as of December 31, 2013 was 0.04%.

(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, 2014. The cost of the 2007A-2a Credit Facility is a per annum fee of 75 basis points times the stated amount of \$101,849,316. The variable interest rate of the Series 2007A-2a Bonds as of December 31, 2013 was 0.04%.

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(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, 2014. The cost of the 2007A-2b Credit Facility is a per annum fee of 75 basis points times the stated amount of \$109,488,014. The variable interest rate of the Series 2007-2b Bonds as of December 31, 2013 was 0.04%.

(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 18, 2014. The cost of the 2007A-2c Credit Facility is a per annum fee of 70 basis points times the stated amount of \$56,017,123. The variable interest rate of the Series 2007A-2c Bonds as of December 31, 2013 was 0.04%.

(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 Wells Fargo Bank, National Association pursuant to

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the terms of the Reimbursement Agreement dated as of March 1, 2011 between the Tollway and such bank (the “2007A-2d Credit Facility”). 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 18, 2015. The cost of the 2007A-2d Credit Facility is a per annum fee of 70 basis points times the stated amount of \$89,118,151. The variable interest rate of the Series 2007A-2d Bonds as of December 31, 2013 was 0.04%.

(k) Series 2008A Bonds

On February 7, 2008, the Tollway issued \$766,200,000 of Variable Rate Senior Refunding Revenue Bonds (\$383,100,000 2008 Series A-1 and \$383,100,000 2008 Series A-2). The bonds advance refunded \$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 2013. 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 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

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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, 2013 was 0.08%.

(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 February 1, 2011 among the Tollway, the Trustee, and PNC Bank, National Association (the "2008A-1b Liquidity Facility"). 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 7, 2014. The cost of the 2008A-1b Liquidity Facility is a per annum fee of 75 basis points times the commitment amount of \$193,741,721. The variable interest rate of the Series 2008A-1b Bonds as of December 31, 2013 was 0.08%.

(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 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, 2013 was 0.05%.

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(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 and by 7.2% for subsidies received after September 2013. 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

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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. Maturities of the bonds ranging from January 1, 2018 through January 1, 2031 were sold bearing interest rates ranging from 3.50% to 5.25%. The bonds were sold at yields which produced a net Original Issue Premium of \$9,648,275. The bonds are subject to optional redemption on or after January 1, 2020 at a redemption price of 100% of the principal amount plus accrued interest. In connection with the refunding, the Tollway terminated a variable-to-fixed interest rate exchange (swap) agreement with Depfa Bank plc. The swap agreement was in a notional amount of \$287,325,000 and was terminated in its entirety on June 10, 2010. The Tollway made a termination payment of \$10,331,527 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 maturities of the bonds were sold bearing 5.0% interest rates. 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

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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. Maturities of the bonds ranging from December 1, 2016 through December 1, 2018 all were sold bearing an interest rate of 5.0%. 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) Defeased Bonds

On February 7, 2008, the Tollway issued \$766.2 million of Variable Rate Senior Refunding Bonds (2008 Series A-1 and A-2) to advance refund \$708.34 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 debt service payments on the refunded portion of 2006A Senior Priority Revenue Bonds. As a result, the refunded portion of 2006A Senior Priority Revenue Bonds is considered to be defeased and the liability for those bonds was removed from the Statement of Net 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 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 debt service payments on the refunded portion of 2005A Senior Priority Revenue Bonds. As a result, the refunded portion of 2005A 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.

As of December 31, 2013 the principal amount of Tollway defeased bonds outstanding is \$936.535 million.

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(w) All Series

Details of outstanding revenue bonds as of December 31, 2013, are as follows:

Issue of 1998 Series A, 5.50%, due on January 1, 2013-2016	\$ 134,400,000
Issue of 1998 Series B, variable rates, due on January 1, 2016-2017	123,100,000
Issue of 2005 Series A, 4.125% to 5.00%, due January 1, 2014-2023	541,805,000
Issue of 2006 Series A-1, 5.00%, due on January 1, 2018-2025	291,660,000
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-1, 5.00%, due on January 1, 2027-2038	500,000,000
Issue of 2013 Series B, 5.00%, due on December 1, 2016-2018	217,390,000
Totals	<u>\$ 4,396,555,000</u>
Less current maturities*	(92,855,000)
Plus unamortized bond premium	<u>123,031,373</u>
Total long-term portion	<u><u>\$ 4,426,731,373</u></u>

*Principal amounts either due within one year or for which required third party liquidity is expiring within one year and were not renewed prior to report issuance.

Accrued interest payable for the year ended December 31, 2013 was \$ 91,853,644.

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The annual requirements to retire the principal and interest amount for all bonds outstanding at December 31, 2013, are as follows:

Year ended December 31	Principal ⁽¹⁾	Interest ⁽¹⁾	Total debt service ⁽¹⁾
2014	\$ 92,855,000	\$ 215,517,092	\$ 308,372,092
2015	97,795,000	207,320,342	305,115,342
2016	138,135,000	202,339,866	340,474,866
2017	158,060,000	196,575,682	354,635,682
2018	112,160,000	190,193,774	302,353,774
2019	40,700,000	184,053,834	224,753,834
2020	144,640,000	179,895,303	324,535,303
2021	150,695,000	172,869,956	323,564,956
2022	157,980,000	165,198,633	323,178,633
2023	165,615,000	157,113,374	322,728,374
2024	223,660,000	148,686,953	372,346,953
2025	198,605,000	138,522,711	337,127,711
2026	181,350,000	130,822,647	312,172,647
2027	260,170,000	122,509,024	382,679,024
2028	220,330,000	113,039,623	333,369,623
2029	230,850,000	103,564,947	334,414,947
2030	241,295,000	93,646,208	334,941,208
2031	126,830,000	83,272,349	210,102,349
2032	254,905,000	74,413,886	329,318,886
2033	268,020,000	59,652,738	327,672,738
2034	561,805,000	43,487,902	605,292,902
2035	20,100,000	18,002,500	38,102,500
2036	111,025,000	14,724,375	125,749,375
2037	116,575,000	9,034,375	125,609,375
2038	122,400,000	3,060,000	125,460,000
Total	\$ 4,396,555,000	\$ 3,027,518,096	\$ 7,424,073,096

¹ Totals may not foot due to rounding.

All Liquidity/Credit Facility agreements that reached their expiration dates prior to issuance of this report have been renewed (see Note 23 - Subsequent Events).

(x) Capitalized Interest

In 2013, the Tollway's total interest expense for revenue bonds equaled \$207.1 million, of which \$9.95 million was capitalized in respect of construction in progress.

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(y) Trust Indenture Agreement

On March 31, 1999, the Tollway executed an Amended and Restated Trust Indenture with the Trustee acting as fiduciary for bondholders. The Indenture establishes the conditions under which the Tollway may issue bonds and the security to be pledged to bondholders. The Indenture establishes two funds: (i) a Construction Fund to account for the spending of Tollway bond proceeds; and (ii) a Revenue Fund to account for the deposit of Tollway revenues. The Construction Fund is divided into different Project Accounts – one for each bond issue that finances new project(s). The Revenue Fund is divided into six different Accounts (some of which are further divided into Sub-Accounts) which establish an order of funding priority through which Tollway revenues flow. Revenues first fund the Operation and Maintenance Account, which is the only Account in the Revenue Fund in which bondholders do not have a security interest. Remaining revenues fund the other Accounts of the Revenue Fund in the following order of priority: the Debt Service Account, the Debt Reserve Account, the Renewal and Replacement Account, the Improvement Account, and the System Reserve Account. (the Indenture also allows for the creation of Junior Lien Bond Accounts; to date the Tollway has never issued Junior Lien Bonds.) All Accounts of the Construction Fund and the Debt Service Account and Debt Reserve Account of the Revenue Fund are held by the Trustee. The classification of Trustee-held funds in these financial statements is detailed in note 11.

(z) 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, 2013, no arbitrage rebate liability had accrued.

(9) Derivative Instruments

The fair value balances and notional amounts of derivative instruments outstanding as of December 31, 2013, classified by type, and the changes in fair value of such derivatives instruments for the year then ended as reported in the 2013 financial statements are as follows (amounts in thousands; debit (credit))

	Changes in fair value		December 31, 2013		Notional Amount
	Classification	Amount	Classification	Amount	
Cash flow hedges:					
Pay fixed, receive variable, interest rate swaps	Deferred outflow	\$ (172,202)	Derivative instrument liability	\$ (136,553)	\$ 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

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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):

All #s in 000s

Bond Issues	Outstanding notional amount	Effective date	Swap Termination Date	Fixed rate paid	Variable rate received	Fair value as of 12/31/13	Counterparty	Estimated counterparty credit ratings (Moody's/S&P)
1998B	\$ 67,705	12/30/1998	1/1/2017	4.3250%	Bond Rate	\$ -6,556	Goldman Sachs Mitsui Marine Derivative Products, L.P.	Aa2 / AAA
1998B	55,395	12/30/1998	1/1/2017	4.325	Bond Rate	-5,364	JP Morgan Chase Bank, N.A.	Aa3 / A+
2007A-1	175,000	11/1/2007	7/1/2030	3.972	SIFMA Index	-19,658	Citibank N.A., New York	A2 / A
2007A-1	175,000	11/1/2007	7/1/2030	3.972	SIFMA Index	-19,658	Goldman Sachs Bank USA	A2 / A-
2007A-2	262,500	11/1/2007	7/1/2030	3.9925	SIFMA Index	-30,103	Bank of America, N.A.	A2 / A
2007A-2	87,500	11/1/2007	7/1/2030	3.9925	SIFMA Index	-10,034	Wells Fargo Bank, N.A.	Aa3 / AA-
2008A-1	191,550	2/7/2008	1/1/2031	3.774	SIFMA Index	-18,115	The Bank of New York Mellon, N.A.	Aa2 / AA-
2008A-1	191,550	2/7/2008	1/1/2031	3.774	SIFMA Index	-18,115	Deutsche Bank AG, New York Branc	A2 / A
2008A-2	95,775	2/7/2008	1/1/2031	3.764	SIFMA Index	-8,950	Bank of America, N.A.	A3 / A
Totals	\$ <u>1,301,975</u>					\$ <u>-136,553</u>		

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.

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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 value of the swap at the time of termination. The Tollway was not exposed to termination payment credit risk as of December 31, 2013 because the negative market values of each swap would render no payments owing by the counterparties in the event of a termination. If changes in interest rates were to create positive market values for the swaps in the future, the Tollway would be exposed to counterparty credit risk in the amount of those positive 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 Investor Services' rating of A3. The swaps require full collateralization from the counterparty of positive market value of the swaps in the event the counterparty's credit rating falls below a Standard & Poor's rating of AA- or a Moody's Investor Services' rating of Aa3 and the amount of the positive market value exceeds certain thresholds as specified in the swap agreements. The swaps require such collateral to be held by a third party custodian in the form of cash, debt obligations issued by the U.S. Treasury or debt issued by federally sponsored agencies. The nine swaps outstanding as of December 31, 2013 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 2013, the average interest rate paid to 1998 Series B bondholders was 0.45%, compared to a SIFMA 7-day Municipal Swap Index of 0.09%. 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 2013, the average interest rate paid to Series 2007A bondholders was 0.09%, compared to a SIFMA 7-day Municipal Swap Index of 0.09%. 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 2013, the average interest rate paid to

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Series 2008A bondholders was 0.34%, compared to a SIFMA 7-day Municipal Swap Index of 0.09%.

Low interest rates contributed to the negative December 31, 2013 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, 2013, 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, 2013 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, 2013 qualified for hedge accounting.

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Fiscal year ending December 31	Hedged debt		Hedging derivative instruments net payments	Total
	Principal	Interest		
2014	\$ -	1,082,718	50,124,815	51,207,533
2015	-	1,082,718	50,124,815	51,207,533
2016	53,900,000	989,653	49,094,385	103,984,038
2017	69,200,000	773,478	46,564,337	116,537,815
2018	2,375,000	650,259	45,150,918	48,176,177
2019-2023	13,625,000	3,221,945	224,282,265	241,129,210
2024-2028	722,437,500	2,308,663	169,975,542	894,721,705
2029-2031	440,437,500	276,229	22,791,916	463,505,645
	<u>\$ 1,301,975,000</u>	<u>10,385,663</u>	<u>658,108,993</u>	<u>1,970,469,656</u>

(10) Unearned Revenue

In the year 2000, the Tollway upgraded its communications network with the addition of a fiber optic system. Excess capacity on the fiber optic lines was leased to other organizations in order to offset the cost of the system. In 1999 and 2000, the Tollway entered into eight twenty year fiber optic system lease agreements and at those times collected \$26,086,389 in total upfront payments; the related revenue will be earned over the lease terms. From 2002 through 2013 the Tollway entered into additional fiber optic leases in the total amount of \$ 8,047,557. As before monies were collected at the beginning of each lease. These leases are being accounted for in the same manner.

The total unearned revenue balance for the fiber optic system was \$13,832,709 at December 31, 2013, and the amount earned was \$ 19,385,613 through December 31, 2013.

The Tollway also invoices annual fiber optic maintenance fees. At December 31, 2013, some of these fees had been paid in advance. These have also been recorded as unearned revenue.

In 2013, some anticipated costs due the Tollway under intergovernmental agreements were invoiced before they were incurred, resulting in unearned revenue related to intergovernmental agreements.

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 2013 has been recorded as unearned revenue.

A summary of changes in unearned revenue for the year ended December 31, 2013, is as follows:

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	<u>Balance at January 1</u>	<u>Current year activity</u>	<u>Balance at December 31</u>	<u>Current</u>
Unearned revenue				
Fiber optics	\$ 33,190,588	503,335	33,693,923	-
Accumulated amortization	<u>(17,740,209)</u>	<u>(1,645,404)</u>	<u>(19,385,613)</u>	<u>-</u>
	15,450,379	(1,142,069)	14,308,310	-
Intergovernmental agreements	9,320,260	(9,357,580)	37,320	-
Accumulated amortization	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>9,320,260</u>	<u>(9,357,580)</u>	<u>37,320</u>	<u>-</u>
H.E.L.P. Truck advertising revenue	-	600,000	600,000	600,000
Accumulated amortization	<u>-</u>	<u>(124,208)</u>	<u>(124,208)</u>	<u>(124,208)</u>
	<u>-</u>	<u>475,792</u>	<u>475,792</u>	<u>475,792</u>
Totals				
Unearned revenue	42,510,848	(8,254,245)	34,331,243	600,000
Accumulated amortization	<u>(17,740,209)</u>	<u>(1,769,612)</u>	<u>(19,509,821)</u>	<u>(124,208)</u>
Net deferred revenue	<u>\$ 24,770,639</u>	<u>(10,023,857)</u>	<u>14,821,422</u>	<u>475,792</u>

(11) Restricted Net Position

As of December 31, 2013, the Tollway reported the following restricted net position:

<u>Description</u>	<u>December 31, 2013</u>
Net assets restricted under Trust	
Indenture agreement	364,205,442
Restricted for pension benefit obligation	<u>61,950</u>
Total	<u>\$ 364,267,392</u>

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(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 2012 are also included in the state's Comprehensive Annual Financial Report (CAFR) for the years ended June 30, 2013.

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 increase 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. No assurance can be given that this act will be upheld, that its implementation will not be delayed while such litigation is pending or concerning any impact that a delay or successful challenge to all or part of the act would have on the Tollway. Neither the currently effective funding plan nor the funding plan as amended by Public Act 98-0599 conforms with principles of the Governmental Accounting Standards Board (GASB). As of June 30, 2013, SERS funding ratio was 34.2% 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 years ended June 30, 2013 were determined according to the statutory schedule.

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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, 2013, 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, 2014, 2013, 2012 and 2011 were 40.312%, 37.987%, 34.190%, and 27.988%, respectively. Tollway payments in the calendar years ended December 31, 2013, 2012 and 2011 were \$ 41,924,939, \$37,894,514, and \$32,790,627, respectively. The Tollway has made all required contributions through December 31, 2013.

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, 2013, the net positions available for these benefits were \$219,607 (valued at the lesser of market value or actuarial value), and the pension benefit obligation was recorded as \$157,657. As of December 31, 2013, 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, 2013, 995 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, 2013, the Tollway contributed \$5,288,599 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. Prior to State Fiscal Year 2013, the Illinois Department of Healthcare and Family Services (HFS) administered the Health Insurance Reserve Fund (for payment of health benefits), and the Department of Central Management Services (CMS) administered the Group Life Insurance Funds (for payment of life insurance benefits). The administrative responsibilities were fully transitioned to CMS by the end of Fiscal Year 2013.

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

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nonincremental claims adjustment expenses. The estimated liabilities for asserted workers' compensation claims of \$18,082,622 and both asserted and unasserted employee health claims of \$294,848 as of December 31, 2013, are included in the accompanying financial statements.

Workers compensation:

Year	Estimated claims payable January 1	Current claims	Claims payments	Estimated claims payable December 31	Current Portion
2013	\$ 13,310,641	\$ 10,535,827	\$ 5,763,846	\$ 18,082,622	\$ 6,000,000
2012	13,377,479	5,978,245	6,045,083	13,310,641	6,000,000

Health Insurance:

Year	Estimated claims payable January 1	Current claims	Claims payments	Estimated claims payable December 31	Current Portion
2013	\$ 291,685	5,754,558	5,751,395	294,848	294,848
2012	445,790	5,478,387	5,632,492	291,685	291,685

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, 2013 are as follows:

	Balance at January 1	Accrued	Used	Balance at December 31	Due within one year
2013	9,812,453	5,381,337	5,506,342	9,687,448	5,667,157

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(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.

<u>Bond issue</u>	<u>Purpose</u>	December 31, 2013	
		<u>Future pledged revenues</u>	<u>Term of commitment</u>
1998 Series A Priority Refunding Revenue Bonds (Fixed Rate)	Refund Outstanding Bonds	\$ 139,403,088	2016
1998 Series B Priority Refunding Revenue Bonds (Variable Rate)	Refund Outstanding Bonds	\$ 142,888,425	2017
2005 Series A Senior Priority Revenue Bonds	Fund Congestion Relief Program	\$ 719,955,072	2023
2006 Series A-1 Senior Priority Revenue Bonds	Fund Congestion Relief Program	\$ 425,114,500	2025
2007 Series A-1 & A-2 Variable Rate Senior Priority Revenue Bonds	Fund Congestion Relief Program	\$ 1,103,474,218	2030
2008 Series A-1 & A-2 Variable Rate Senior Refunding Revenue Bonds	Refund Outstanding Bonds	\$ 727,793,699	2031
2008 Series B Senior Priority Revenue Bonds	Fund Congestion Relief Program	\$ 716,007,675	2033
2009 Series A Senior Priority Revenue Bonds (Build America Bonds - Direct Payment)	Fund Congestion Relief Program	\$ 1,035,371,910	2034
2009 Series B Senior Priority Revenue Bonds (Build America Bonds - Direct Payment)	Fund Congestion Relief Program	\$ 624,038,800	2034
2010 Series A-1 Senior Priority Refunding Revenue Bonds	Refund Outstanding Bonds	\$ 477,628,959	2031
2013 Series A Senior Revenue Bonds	Fund Move Illinois Program	\$ 1,048,624,750	2038
2013 Series B-1 Senior Revenue Bonds	Refund Outstanding Bonds	\$ 263,772,000	2018
		<u>7,424,073,096</u>	

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 23 percent of the currently projected pledged net revenues (incorporating approved, as of December 31, 2013, future toll rate increases for commercial vehicles). The total principal and interest remaining to be paid on the bonds is \$7.4 billion. Principal and interest paid in the current year and total pledged net revenues were \$252.8 million and \$732.3 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, 2013.

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(16) Change in Accounting Principle

The Tollway adopted the provisions of GASB Statement No, 65, Items Previously Reported as Assets and Liabilities (GASB 65), which was effective for years beginning after December 15, 2012. This statement provides guidance on which balances previously reported as assets and liabilities should now be reported as deferred outflows or inflows. In implementing this pronouncement, the Tollway reported an effect of a change in accounting principle which adjusted the beginning net assets as of January 1, 2012, to eliminate the unamortized bond issuance costs previously capitalized, as follows:

Net position, beginning of year, as previously reported	\$ 1,850,749,932
Cumulative effect of change in accounting principle	<u>(15,421,950)</u>
Net position, beginning of year, as adjusted	<u>\$ 1,835,327,982</u>

This also resulted in a reduction of the 2012 amortization expense in the amount of \$883,535.

Additionally, an adjustment was made to the 2012 statement of net position in the amount of \$ 49,435,421 to reclassify the net accounting loss on debt refunding from revenue bonds payable to deferred outflow of resources.

(17) Commitments

At December 31, 2013, the remaining obligations against current contracts open for capital programs for CRP and Move Illinois totaled \$1.35 billion. The Tollway plans to fund remaining payments under these contracts through revenues, accumulated cash and bond issue proceeds.

(18) 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.

(19) 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, 2013.

(20) New Governmental Accounting Standards

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

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Statement No. 61 – *The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34.* This Statement modifies certain requirements for inclusion of component units in the financial reporting entity. This Statement also amends the criteria for reporting component units as if they were part of the primary government (that is, blending) in certain circumstances. This Statement also clarifies the reporting of equity interests in legally separate organizations. No changes were required as a result of implementing this statement as the Tollway does not have component units.

Statement No. 65- *Items Previously Reported as Assets and Liabilities* – The objective of this statement was to issue guidance on which balances previously reported as assets and liabilities should now be reported as deferred outflows or inflows of resources. As discussed in Note 16, the Tollway implemented the provisions of this Statement for the year ending December 31, 2013.

Statement No. 66 – *Technical Corrections – 2012*, an amendment of GASB Statements No. 10 and 62 – The objective of this statement is to resolve conflicting guidance that resulted from the issuance of GASB Statement No. 54 and 62. No changes were required as a result of implementing this statement.

Statement No. 67 –*Financial Reporting for Pension Plans*- The objective of this statement is to amend GASB statement number 25 to improve financial reporting by state and local governmental pension plans. This statement does not impact the Tollway.

Statement No. 68 – *Accounting and Financial Reporting for Pensions* - The objective of this statement is to replace Statement No. 27 to improve accounting and financial reporting for pensions. 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. 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. The Tollway 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. The Tollway 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.

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(21) 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 \$ 128.7 million are recorded at December 31, 2013, representing construction projects performed by the Tollway that pertain to the infrastructure owned by IDOT. Accrued liabilities totaling approximately \$ 69.2 million are recorded for amounts owed to IDOT for construction projects IDOT has performed for infrastructure assets owned by the Tollway.

(22) Prior Period Restatement

As discussed in notes (1) *k* & *l*, certain restatements were made to 2012 amounts, due to the implementation of GASB 65. Specifically, the 1/1/2012 net position was restated to reflect the impact of writing off bond issuance costs that were previously capitalized and amortized.

Also, the 2012 Statement of Net Position was changed to reflect deferred amounts on bond refundings as a deferred outflow of resources, as required by GASB 65.

(23) Subsequent Events

On January 9, 2014, Citibank, N.A., at the request of the Tollway, extended the 2007A-1a Credit Facility supporting the \$175,000,000 Series 2007A-1a Bonds from January 31, 2014 to January 31, 2017.

On February 7, 2014, Bank of America, N.A. replaced PNC Bank, N.A. as provider of a Liquidity Facility supporting the \$191,600,000 Series 2008A-1b Bonds. The stated expiration date of the replacement Liquidity Facility is February 5, 2016.

On February 18, 2014, The Northern Trust Company, at the request of the Tollway, extended the 2007A-2c Credit Facility supporting the \$55,000,000 Series 2007A-2c Bonds from March 18, 2014 to March 17, 2017.

On February 19, 2014, BMO Harris Bank, N.A., at the request of the Tollway, extended the 2007A-2b Credit Facility supporting the \$107,500,000 Series 2007A-2b Bonds from March 18, 2014 to March 18, 2017.

On February 19, 2014, The Bank of Tokyo-Mitsubishi UFJ, Ltd., at the request of the Tollway, extended the 2007A-2a Credit Facility supporting the \$100,000,000 Series 2007A-2a Bonds from March 17, 2014 to March 17, 2017.

On March 18, 2014, Mizuho Bank, Ltd. replaced PNC Bank, N.A. as provider of a Credit Facility supporting the \$175,000,000 Series 2007A-1b Bonds. The stated expiration date of the replacement Credit Facility is March 18, 2016.

On March 18, 2014, Royal Bank of Canada replaced Wells Fargo Bank, N.A. as provider of a Credit Facility supporting the \$87,500,000 Series 2007A-2d Bonds. The stated expiration date of the replacement Credit Facility is March 17, 2017.

On February 26, 2014 the Tollway issued \$378,720,000 of Toll Highway Senior Revenue Bonds, 2014 Series A (the 2014A Bonds). The 2014B Bonds were issued to provide funds that were used, together with other available funds, to advance refund \$436,545,000 of the

Toll Highway Senior Priority Revenue Bonds, 2005 Series A. The purpose of the refunding was to produce debt service savings for the Tollway.

On June 4, 2014 the Tollway sold \$500,000,000 of Toll Highway Senior Revenue Bonds, 2014 Series B (the 2014B Bonds). The 2014B Bonds were sold to finance costs of the Move Illinois Program, a deposit to the Debt Reserve Account and costs of issuance.

The Tollway has been notified by the U.S. Treasury of a 7.2% 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, 2014 and the Series 2009A interest payment due July 1, 2014 by a total amount of \$584,789.

In order to rebuild and widen the Jane Addams Tollway, it is 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.

SUPPLEMENTARY INFORMATION

ILLINOIS STATE TOLL HIGHWAY AUTHORITY
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Schedule 1

Schedule of Changes in Fund Balance - by Fund
Trust Indenture Basis of Accounting (Non GAAP)
Year ended December 31, 2013

	<u>Revenue</u> <u>Fund</u>	<u>Construction</u> <u>Fund</u>	<u>Total</u>
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	<u>1,009,775,883</u>	<u>80,129</u>	<u>1,009,856,012</u>
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	<u>907,536,378</u>	<u>252,831,294</u>	<u>1,160,367,672</u>
Net increases (decreases)	102,239,505	(252,751,165)	(150,511,660)
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	<u>839,780,486</u>	<u>-</u>	<u>839,780,486</u>
Fund balance, December 31	<u>\$ 980,391,169</u>	<u>\$ 270,212,800</u>	<u>\$ 1,250,603,969</u>

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

See accompanying independent auditors' report.

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Schedule 1

Schedule of Changes in Fund Balance - by Fund
Trust Indenture Basis of Accounting (Non GAAP)
Year ended December 31, 2012

	Revenue Fund	Construction Fund	Total
Increases:			
Toll revenue	\$ 922,390,189	\$ -	\$ 922,390,189
Toll evasion recovery	32,598,735	-	32,598,735
Concessions	2,272,864	-	2,272,864
Interest	1,389,324	-	1,389,324
Miscellaneous	5,103,865	-	5,103,865
Total Increases	963,754,977	-	963,754,977
Decreases:			
Engineering and maintenance of roadway and structures	39,144,462	-	39,144,462
Services and toll collection	93,590,423	-	93,590,423
Traffic control, safety patrol, and radio communications	22,808,159	-	22,808,159
Procurement, IT, finance and administration	19,971,408	-	19,971,408
Insurance and employee benefits	77,543,642	-	77,543,642
Construction	351,491,108	-	351,491,108
Bond principal payments	53,040,000	-	53,040,000
Build America bond subsidy	(16,244,130)	-	(16,244,130)
Bond interest and other financing costs	199,165,007	-	199,165,007
Total decreases	840,510,079	-	840,510,079
Net increases	123,244,898	-	123,244,898
Change in fund balance	123,244,898	-	123,244,898
Fund balance, January 1	716,535,588	-	716,535,588
Fund balance, December 31	\$ 839,780,486	\$ -	\$ 839,780,486

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

See accompanying independent auditors' report.

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Schedule 2

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							Total
	Revenue account	Operating sub account	Operating reserve sub account	Debt service	Debt service reserve	Renewal and replacement	Improvement	
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	866,081
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	2,904,085	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 proce	-	-	-	-	-	-	(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.

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

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 12/31/2012

		Revenue fund and accounts						
		Maintenance and operations						
	Revenue	Operating	Operating	Debt	Debt	Renewal	Improvement	Total
	account	sub	reserve sub	service	service	and		
		account	account		reserve	replacement		
Increases:								
Toll revenue	\$ 922,390,189	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 922,390,189
Toll evasion recovery	32,598,735	-	-	-	-	-	-	32,598,735
Concessions	2,272,864	-	-	-	-	-	-	2,272,864
Interest	215,252	-	-	42,984	101,759	660,937	368,391	1,389,324
Miscellaneous	5,103,865	-	-	-	-	-	-	5,103,865
Intrafund transfers	(974,131,882)	258,502,976	10,400,000	242,294,539	-	300,000,000	162,934,367	-
Total increases	<u>(11,550,977)</u>	<u>258,502,976</u>	<u>10,400,000</u>	<u>242,337,523</u>	<u>101,759</u>	<u>300,660,937</u>	<u>163,302,758</u>	<u>963,754,977</u>
Decreases:								
Engineering and maintenance of roadway and structures	-	39,144,462	-	-	-	-	-	39,144,462
Services and toll collection	-	93,590,423	-	-	-	-	-	93,590,423
Traffic control, safety patrol, and radio communications	-	22,808,159	-	-	-	-	-	22,808,159
Procurement, IT, finance and administration	-	19,971,408	-	-	-	-	-	19,971,408
Insurance and employee benefits	-	77,543,643	-	-	-	-	-	77,543,643
Construction expenses	-	-	-	-	-	219,967,216	131,523,891	351,491,108
Bond principal payments	-	-	-	53,040,000	-	-	-	53,040,000
Build America bond subsidy	-	-	-	(16,244,130)	-	-	-	(16,244,130)
Interest and other financing costs	-	-	-	198,958,110	206,897	-	-	199,165,007
Total decreases	<u>-</u>	<u>253,058,094</u>	<u>-</u>	<u>235,753,980</u>	<u>206,897</u>	<u>219,967,216</u>	<u>131,523,891</u>	<u>840,510,079</u>
Net increase (decrease)	(11,550,977)	5,444,882	10,400,000	6,583,543	(105,138)	80,693,721	31,778,867	123,244,898
Unrealized gain/loss on investments	-	-	-	-	-	-	-	-
Transfer of funds for swap termination	-	-	-	-	-	-	-	-
Change in fund balance	<u>(11,550,977)</u>	<u>5,444,882</u>	<u>10,400,000</u>	<u>6,583,543</u>	<u>(105,138)</u>	<u>80,693,721</u>	<u>31,778,867</u>	<u>123,244,898</u>
Fund balance, January 1	21,389,531	9,019,528	17,000,000	96,015,027	207,285,388	228,560,164	137,265,951	716,535,588
Fund balance, December 31	<u>\$ 9,838,554</u>	<u>\$ 14,464,410</u>	<u>\$ 27,400,000</u>	<u>\$ 102,598,570</u>	<u>\$ 207,180,250</u>	<u>\$ 309,253,884</u>	<u>\$ 169,044,817</u>	<u>\$ 839,780,486</u>

See accompanying independent auditors' report.

ILLINOIS STATE TOLL HIGHWAY AUTHORITY

(A Component Unit of the State of Illinois)
Notes to the Trust Indenture Basis Schedules
December 31, 2013

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.

ILLINOIS STATE TOLL HIGHWAY AUTHORITY

(A Component Unit of the State of Illinois)

Notes to the Trust Indenture Basis Schedules

December 31, 2013

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 construction 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.

ILLINOIS STATE TOLL HIGHWAY AUTHORITY

(A Component Unit of the State of Illinois)
Notes to the Trust Indenture Basis Schedules
December 31, 2013

- 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.

ILLINOIS STATE TOLL HIGHWAY AUTHORITY
(A Component Unit of the State of Illinois)
Notes to the Trust Indenture Basis Schedules
December 31, 2013

(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 Bond Interest and Other Financing Costs - 2013

	<u>Debt Service</u>	<u>Debt Reserve</u>	<u>Total</u>
Bond interest expense	\$ 207,089,431		207,089,431
Other financing costs	4,777,853	206,897	4,984,750
	<u>\$ 211,867,284</u>	<u>206,897</u>	<u>212,074,181</u>

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 balances held by the Trustee at December 31, 2013, are \$215 million in the Debt Service accounts and \$ 182 million in the Debt Reserve account.
- During 2010 the Tollway Board of Directors authorized \$30 million to be transferred from the Improvement fund to the Debt Service fund for swap termination payments only. \$10.3 million of these funds were used to terminate swaps associated with the 2008 A-2 bond series. The remaining balance cannot be used to meet debt service obligations. This amount is included in the Debt Service amount above.
- Insurance and Employee Benefits includes expense for retirement, workers compensation, the employer portion of FICA, and medical insurance.

ILLINOIS STATE TOLL HIGHWAY AUTHORITY
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Schedule 3

Schedule of Toll Revenue by Class of
Vehicles (Unaudited)
Year ended December 31, 2013

Class of vehicle	<u>2013</u>		<u>2012</u>	
	<u>Average Daily Transactions*</u>	<u>Revenue</u>	<u>Average Daily Transactions*</u>	<u>Revenue</u>
1. Auto, motorcycle, taxi, station wagon, ambulance, single-unit truck or tractor: 2 axles, 4 tires	1,974,009	\$ 622,349,358	1,944,482	\$ 615,957,458
2. Single-unit truck or tractor, buses: 2 axles, 6 tires	39,045	19,973,866	37,849	19,432,704
3. Trucks and buses with 3 & 4 axles	39,621	31,526,222	38,122	30,469,546
4. Trucks with 5 or more axles, other vehicles	<u>183,055</u>	<u>269,302,624</u>	<u>175,668</u>	<u>256,530,481</u>
Total	<u>2,235,730</u>	<u>\$ 943,152,070</u>	<u>2,196,121</u>	<u>\$ 922,390,189</u>

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

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

Schedule 4

Schedule of Capital Assets by Source ⁽¹⁾
Year Ended 12/31/2013

	2013	2012
Capital assets (at original cost):		
Land and improvements	\$ 337,264,544	\$ 327,977,023
Buildings	54,481,558	54,025,606
Infrastructure ⁽²⁾	7,165,000,043	6,917,204,365
Vehicles	44,324,906	41,818,915
Office equipment	35,882,176	34,869,290
Information systems	150,880,425	140,144,911
Construction in progress	<u>355,523,656</u>	<u>132,755,334</u>
Total Capital Assets	<u>\$ 8,143,357,308</u>	<u>\$ 7,648,795,444</u>
Capital assets provided from:		
Bond proceeds net of related interest income	5,752,941,488	\$ 5,552,273,927
Revenues	<u>2,390,415,820</u>	<u>2,096,521,517</u>
Total sources of Capital assets	<u>\$ 8,143,357,308</u>	<u>\$ 7,648,795,444</u>

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

⁽²⁾ Infrastructure assets do not include capitalized interest totaling \$149.1 million and \$139.1 million at December 31, 2013 and 2012, respectively.

See accompanying independent auditors' report.

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

Schedule 5

Schedule of Changes in Capital Assets ⁽¹⁾⁽³⁾
Year ended December 31, 2013

	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	140,144,911	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	<u>7,648,795,442</u>	<u>896,623,539</u>	<u>(402,061,675)</u>	<u>8,143,357,305</u>

	Balance January 1, 2012	Additions	Deletions (2)	Balance December 31, 2012
Land and improvements	\$ 315,128,948	\$ 12,848,075	\$	\$ 327,977,023
Buildings	52,066,435	1,959,171		54,025,606
Infrastructure	6,743,340,271	273,574,752	(99,710,657)	6,917,204,366
Vehicles	42,150,441	436,280	(767,809)	41,818,912
Office equipment	31,775,059	3,993,978	(899,747)	34,869,290
Information systems	135,092,169	5,714,560	(661,818)	140,144,911
Construction in progress	75,878,024	313,330,000	(256,452,690)	132,755,334
Total capital assets	<u>7,395,431,347</u>	<u>611,856,816</u>	<u>(358,492,721)</u>	<u>7,648,795,442</u>

(1) Prepared in accordance with state compliance requirements, infrastructure assets do not include capitalized interest totaling \$149.1 million and \$139.1 million as of December 31, 2013 and 012, 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.

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

Schedule 6

Renewal and Replacement Account (Unaudited) ⁽¹⁾
Years ended December 31, 1999 through 2013

Year:	Total funds Credited ⁽¹⁾
1999	\$ 59,505,292
2000	87,517,692
2001	91,073,256
2002	121,375,438
2003	157,366,445
2004	157,375,682
2005	204,609,580
2006	186,545,035
2007	198,331,687
2008	1,907,175
2009	161,463,238
2010	206,096,487
2011	174,192,997
2012	300,660,937
2013	200,364,611
	\$ 2,308,385,552

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

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

Schedule 7

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, 2013
(Amounts in thousands)

	2013 ⁽⁴⁾	2012	2011	2010	2009 ⁽³⁾	2008	2007	2006	2005
Operating revenue:									
Toll revenue	\$ 943,152	922,390	652,674	628,754	592,063	583,647	572,093	567,500	580,422
Toll evasion recovery	54,221	32,599	33,268	34,924	54,829	77,654	10,080	195	13,257
Concession & miscellaneous revenue	11,537	7,377	10,410	7,332	7,960	6,832	5,775	5,900	8,014
Investment income ⁽¹⁾	866	1,389	1,064	1,750	3,200	22,980	49,846	33,359	11,321
Total operating revenue	<u>1,009,776</u>	<u>963,755</u>	<u>697,416</u>	<u>672,760</u>	<u>658,052</u>	<u>691,113</u>	<u>637,794</u>	<u>606,954</u>	<u>613,034</u>
Maintenance and operating expenses:									
Engineering and maintenance	43,225	39,144	43,667	45,627	47,895	43,899	44,834	35,559	31,644
Toll Services	106,321	93,590	88,737	88,580	91,541	100,464	79,538	85,887	86,089
Police, safety and communication	22,551	22,808	23,061	22,811	22,650	21,895	21,247	19,145	18,034
Procurement, IT, finance and adminis	19,138	19,971	20,522	22,165	20,605	18,382	24,262	23,279	27,698
Insurance and employee benefits	86,278	77,544	69,988	71,674	72,494	59,635	52,414	49,640	42,110
Total expenses	<u>277,513</u>	<u>253,057</u>	<u>245,975</u>	<u>250,857</u>	<u>255,185</u>	<u>244,275</u>	<u>222,295</u>	<u>213,510</u>	<u>205,575</u>
Net operating revenues	<u>732,263</u>	<u>710,698</u>	<u>451,441</u>	<u>421,903</u>	<u>402,867</u>	<u>446,838</u>	<u>415,499</u>	<u>393,444</u>	<u>407,459</u>
Total debt service ⁽²⁾⁽³⁾	297,708	250,253	249,960	248,108	173,319	198,429	172,284	145,633	99,366
Net revenues after debt service ⁽²⁾	434,555	460,455	201,481	173,795	229,548	248,409	243,215	247,811	308,093
Debt service coverage ⁽²⁾	2.46	2.84	1.81	1.7	2.32	2.25	2.41	2.7	4.1

(1) - Excludes investment income on construction funds.

(2) - Includes synthetic fixed interest rates as determined under swap agreements for 1993 Servies 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 early retired a portion of the 2005 A bonds

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

Schedule 8

Annual Toll Transactions
Passenger and Commercial Vehicles (Unaudited)
For selected years from 1959 to 2013
(Transactions in thousands)

Year:	<u>Passenger</u>	<u>Commercial</u>	<u>Total</u>	<u>Percentage passenger</u>
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%

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

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

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

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

Schedule 9

Annual Toll Revenues
Passenger and Commercial Vehicles (Unaudited)
For selected years from 1959 to 2013
(Transactions in thousands)

Year:	<u>Passenger</u>	<u>Commercial</u>	<u>Total</u>	<u>Percentage passenger</u>
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%

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.

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

Schedule 10

Operating Revenues, Maintenance and Operating
Expenses and Net Operating Revenues ¹ (Unaudited)
Trust Indenture Basis of Accounting (Non-GAAP)
For selected years from 1964 to 2013
(Dollars in thousands)

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

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

ILLINOIS STATE TOLL HIGHWAY AUTHORITY
(A Component Unit of the State of Illinois)
Supplementary Information for State Compliance Purposes
December 31, 2013

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.

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

Schedule 11

Schedule of Cash and Cash Equivalents Balances
December 31, 2013 (with summary totals for 2012)

	Carrying Amount	Financial Institution Balances
Cash (Unrestricted):		
Currency and Coin on Hand		
Change funds at toll plazas and Administrative Building	\$ 446,900	\$ 446,900
Petty Cash	1,150	1,150
Cash in Banks		
Bank of America - New Segments Account	11,378,958	11,417,984
Bank of America - Revolving Accounts	11,945,125	11,354,559
Bank of America - Treasurer Accounts *	23,087,028	954,717
Bank of America - Risk Management Account	18,297,141	18,262,952
Cash Equivalents (Unrestricted):		
Certificates of Deposits - Treasurer Accounts *	445,000	445,000
Swap Termination Account - Bank of New York	20,203,011	20,203,011
Wells Fargo - Repurchase Agreements - Treasurer Accounts *	764,720,000	764,720,000
Wells Fargo - Checking	15,246	15,246
Total cash and cash equivalents (Unrestricted)	\$ 850,539,560	\$ 827,821,518
Cash (Restricted):		
Bank of America - Restricted for I-PASS Accounts	(15,695,384)	228,302
Cash Equivalents (Restricted):		
Restricted for Debt Service		
Money Market Accounts:		
BNY Mellon		
Debt Reserve	241,571,009	241,571,009
Priority Debt Service	190,419,591	190,419,591
Provider Payment	3,864,073	3,864,073
Total Restricted for Debt Service	\$ 435,854,673	\$ 435,854,673
Restricted for Construction		
Money Market Account	\$ 270,215,790	\$ 270,215,790
Northern Trust - Pension Benefit Asset	219,607	219,607
Illinois Funds - Restricted for IPASS Accounts	180,397,803	180,397,803
Total cash and cash equivalents (Restricted)	\$ 870,992,489	\$ 886,916,175
Total Cash and Cash Equivalents at December 31, 2013	\$ 1,721,532,048	\$ 1,714,737,693.31
Total Cash and Cash Equivalents at December 31, 2012	\$ 1,127,170,479	\$ 1,135,818,716.00

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

Schedule 12

Schedule of Commodities Inventories
Year ended December 31, 2013

<u>Location</u>	<u>2013</u>
Central warehouse	\$ 1,270,217
Maintenance buildings	8,108,522
Electrical shops	771,485
Central sign shop	935,877
Carpenter shop	172,341
Central garage	248,849
Pool car garage	<u>29,534</u>
Total commodities inventory at December 31, 2013	<u>\$ 11,536,825</u>

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 in the Statement of Net Position.

See accompanying independent auditors' report.

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

Schedule 13

Schedule of Accounts Receivable
December 31, 2013 and 2012

	AGING			Gross Total	Allowance for Doubtful Accounts	Net Receivables
	0-180 Days	180-365 Days	Over One Year			
Tolls	\$ 4,292,886	\$ 153,203	\$ 280,924	\$ 4,727,013	\$ 680,105	\$ 4,046,908
Toll Evasion Recovery - Tolls	3,222,823	2,293,812	19,570,930	25,087,565	22,482,073	2,605,492
Oases	115,392	-	-	115,392	-	115,392
Damage Claims	17,266	19,110	156,261	192,637	180,693	11,944
Insufficient I-Pass	324,973	374,968	1,799,848	2,499,789	2,004,607	495,182
Overdimension Vehicle Permits	46,225	625	18,555	65,405	22,090	43,315
Fiber Optic	244,170	21,434	23,847	289,450	55,489	233,962
Workers compensation	74,752	-	-	74,752	-	74,752
Other	1,422,249	111,650	1,827,596	3,361,495	2,193,148	1,168,347
Subtotal - Accounts Receivable	\$ 9,760,736	\$ 2,974,801	\$ 23,677,961	\$ 36,413,498	\$ 27,618,204	\$ 8,795,293
E-Z Pass Agency Group	9,850,064	-	-	9,850,064	-	9,850,064
I-355 Intergovernmental Agreement	1,196,429	-	1,367,857	2,564,286	-	2,564,286
Illinois Department of Transportation	87,500	-	128,715,803	128,803,303	-	128,803,303
Other Governmentals	4,424,941	-	1,426	4,426,367	-	4,426,367
Subtotal - Governmental Agency Receivables	\$ 15,558,934	\$ -	130,085,086	145,644,020	\$ -	\$ 145,644,020
Total Receivables at December 31, 2013	\$ 25,319,669	\$ 2,974,801	\$ 153,763,047	\$ 182,057,517	\$ 27,618,204	\$ 154,439,313
Total Receivables at December 31, 2012	\$ 53,562,644	\$ 1,150,061	\$ 9,902,178	\$ 159,824,970	\$ (21,972,461)	\$ 137,852,509

See accompanying independent auditors' report.

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

Schedule 14

Schedule of Changes in Capital Assets
Year ended December 31, 2013

Fixed Assets by Type	Balance January 1	Additions and Transfers In	Deletions and Transfers Out	Balance December 31
Cafeteria Equipment	12,688	-	-	12,688
Office Furn. and Fixtures	10,412,785	-	-	10,412,785
Data Proc. Equipment	84,506,537	5,733,000	(88,693)	90,150,844
Cash Handling	137,214	-	-	137,214
Telecommunication	1,475,812	-	-	1,475,812
Toll Collection	10,446,024	-	-	10,446,024
Garage and Shop	1,551,525	148,737	-	1,700,262
Bldg. and Bldg. Maintenance	53,415	-	-	53,415
Bldg. and Bldg. Maintenance	124,776	-	-	124,776
Police Autos	5,650,451	432,907	(149,497)	5,933,861
Police Car Equipment	33,656	-	(25,173)	8,484
Trucks	33,371,322	2,322,651	(285,647)	35,408,326
Roadway Equipment	13,074,420	1,371,273	(768,570)	13,677,123
Total Equipment	160,850,625	10,008,567	(1,317,580)	169,541,612
Infrastructure	6,917,204,367	321,335,872	(73,540,195)	7,165,000,044
Buildings	54,025,609	455,949	-	54,481,558
Land and Land Improvements	327,977,023	9,287,521	-	337,264,544
Construction in Progress	132,755,334	549,972,222	(327,203,900)	355,523,656
Capitalized Interest	139,158,936	9,957,156	-	149,116,092
				-
CCTV Cameras, Digital Cameras	9,057,367	-	-	9,057,367
CCTV Cameras, Digital Cameras -Infor	3,011,954	308,599	-	3,320,553
Various Machinery & Equipment-Vehic	2,763,483	210,753	-	2,974,236
Various Machinery & Equipment	582,314	261,447	-	843,761
Toll Collection Equipment	2,138,706	44,967	-	2,183,673
Reciprocity Service (IAG)	299,590	-	-	299,590
Next Generation Network	3,110,107	93,144	-	3,203,251
TIMS	3,150,844	489,605	-	3,640,449
Web and E-Commerce	3,823,409	130,092	-	3,953,501
Disaster Recovery	3,155,667	115,252	-	3,270,919
Contingency Software	15,322	-	-	15,322
RITE System	22,563,709	3,814,741	-	26,378,450
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	40,676	94,809	-	135,485
Consolidate Customer Service	148,868	-	-	148,868
Total Capital Assets	7,787,954,381	906,580,695	(402,061,675)	8,292,473,399

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

Schedule 15

Explanation of Significant Variations in Asset Accounts*

Year ended December 31, 2013

Assets	December 31,		Increase	Percentage
	2013	2012	(decrease)	change
Cash and cash equivalents - current	\$ 812,039,408	\$ 656,519,154	\$ 155,520,254	24%
Risk management reserved cash and cash equivalents	18,297,141	12,853,085	5,444,056	42%
Cash and cash equivalents - construction	270,215,790	-	270,215,790	100%

Cash and cash equivalents - current In 2013, bond proceeds were used to reimburse the Tollway for construction paid out of Tollway funds.

Risk management reserved cash and cash equivalents In November, 2012, the Tollway began transferring funds to the workers compensation bank account in an amount equal to the monthly accrual for workers compensation expense.

Cash and cash equivalents - construction Two bond issues that financed the "Move Illinois" capital program were issued and a construction fund was established.

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

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

Schedule 16

Explanation of Significant Variations in Liability Accounts*

Year ended December 31, 2013 and 2012

Liabilities	December 31,		Increase (decrease)	Percentage change
	2013	2012		
Accounts Payable	\$ 37,668,878	\$ 9,878,536	\$ 27,790,342	281%
Accrued Liabilities	151,387,709	107,816,976	43,570,733	40%
Deposits and retainage	30,101,093	15,201,590	14,899,503	98%
Current portion of revenue bonds payable	92,855,000	179,465,000	(86,610,000)	-48%
Derivative instrument liability	136,553,050	308,754,779	-172,201,729	-56%

Accounts payable	Significant contracts have been awarded under the "Move Illinois" capital program, resulting in higher amounts due at year end.
Accrued liabilities	Higher accrued construction expenses associated with the "Move Illinois" capital program.
Deposits and retainage	A significant increase in construction contract awards results in increased retainage being held on construction contracts.
Current portion of revenue bonds payable	At 12/31/12, a credit facility instrument that was not renewed by the financial statement issuance date was required to be shown as current. All credit facility agreements have renewals in place by the issue date of the 2013 financial report.
Derivative instrument liability	Interest rates increased in 2013.

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

Schedule 17

Explanation of Significant Variations in Revenue and Expenses*
Year ended December 31, 2013

Revenues	December 31,		Increase (decrease)	Percentage change
	2013	2012		
Toll evasion recovery revenue	54,220,590	32,598,735	21,621,855	66%
Intergovernmental agreement revenue	35,287,508	7,405,421	27,882,087	377%
Expenses				
Intergovernmental agreement expense	35,287,508	7,405,421	27,882,087	377%
Miscellaneous expense	15,078,644	360	15,078,284	4188412%

Toll evasion recovery revenue	License plate image capture improvements were made, resulting in the ability to pursue more violators. Also, several more states began providing registered owner information permitting pursuit of violations from those states.
Intergovernmental agreement revenue	Increased construction activity resulted in increase in intergovernmental projects.
Intergovernmental agreement expense	Increased construction activity resulted in increase in intergovernmental projects.
Miscellaneous expense	In 2013, accumulated construction costs on dormant projects were written off as miscellaneous expense.

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

ILLINOIS STATE TOLL HIGHWAY AUTHORITY

(A Component Unit of the State of Illinois)

Analysis Of Operations (Unaudited)

Tollway Functions and Planning Program

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

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

- 1985, \$167,200,000, Advance refunding bonds to retire the original outstanding bonds;
- 1986, \$400,825,000, Priority revenue bonds to pay the cost of construction of the North-South Tollway, an expansion of the State toll highway system;
- 1987, \$139,145,000, Refunding revenue bonds to advance refund \$117,115,000 of the 1985 refunding bonds;
- 1992, \$459,650,000, Priority revenue bonds to pay the cost of construction of the Tri-State Tollway Widening Project;
- 1993, \$387,345,000, Refunding revenue bonds to advance refund \$342,290,000 of 1985, 1986, and 1992 series bonds;
- 1996, \$148,285,000, Refunding revenue bonds to advance refund \$144,300,000 of 1986 and 1987 series bonds;
- 1998, \$325,135,000, Refunding revenue bonds to advance refund \$313,105,000 of 1992 series bonds;
- 2005, \$770,000,000, Priority revenue bonds to pay the costs of the Congestion Relief Program.
- 2006, \$1,000,000,000, Priority revenue bonds to pay the costs of the Congestion Relief Program.
- 2007, \$700,000,000, Variable Rate Senior Priority Revenue Bonds to pay the costs of the Congestion Relief Program.
- 2008 A, \$766,200,000, Variable Rate Senior Priority Revenue Bonds to advance refund all of the \$500,000,000 2006 Series A-2 Bonds and \$208,340,000 of the 2006 Series A-1 Bonds.
- 2008 B, \$350,000,000, Priority revenue bonds to pay the costs of the Congestion Relief Program.
- 2009 A, \$500,000,000, Priority revenue bonds (Taxable) to pay the costs of the Congestion Relief Program.
- 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.

ILLINOIS STATE TOLL HIGHWAY AUTHORITY

(A Component Unit of the State of Illinois)

Analysis Of Operations (Unaudited)

- 2013 B, \$217,390,000, Senior Revenue Bonds (Refunding) to advance refund \$228,195,000 of the 2005 Series A 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 2012, the Tollway did not receive any State government appropriations. In March of 2007, FHWA awarded the Tollway a second Value Pricing grant for \$750,000. Similar to a grant made in 2003, this grant will reimburse the Tollway for 80% of the costs incurred and will span three years. To date, \$930,900 has been expended and \$750,000 has been received as reimbursement. No additional grants have been received in 2012.

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

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

The Trust Indenture dated December 1, 1985 requires the Tollway to prepare a tentative budget of the operating expenditures for the ensuing 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 (Unaudited)

Average Number of Employees by Function (Unaudited)
For the Year Ended December 31, 2013 and 2012

	Full-time Scheduled		Part-time Scheduled		Total	
	2013	2012	2013	2012	2013	2012
Tollway Employees						
Executive Office	5	5	-	-	5	5
Directors	9	10	-	-	9	10
Inspector General	5	6	-	-	5	6
Internal Audit	5	9	-	-	5	9
Legal	10	11	-	-	10	11
State Police-Civilian employees	15	13	-	-	15	13
Finance	51	44	-	-	51	44
Administration	31	29	-	-	31	29
Operations:						
Toll Collectors	439	473	-	-	439	473
Plaza Managers and assistants	39	38	-	-	39	38
Other	139	141	-	-	139	141
Information Technology	43	43	-	-	43	43
Engineering:						
Maintenance:						
Roadway	361	363	-	-	361	363
Transportation	68	71	-	-	68	71
Engineers	46	31	-	-	46	31
Others	76	74	-	-	76	74
Planning	21	18	-	-	21	18
Procurement	46	47	-	-	46	47
Diversity & Strategic Development	4	4	-	-	4	4
Communications	10	10	-	-	10	10
Business Systems	60	60	-	-	60	60
Total Authority Employees	1483	1,500	-	-	1483	1,500
State Troopers	167	174	-	-	167	174
Total Personnel	1650	1,674	-	-	1650	1,674
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%				
Hourly base payroll	\$ 64,771,850	63.72%				
Overtime	5,244,176	5.16%				
Salaries	31,628,858	31.12%				
2012 Total Payroll	\$ 101,644,883	100.00%				

ILLINOIS STATE TOLL HIGHWAY AUTHORITY
(A Component Unit of the State of Illinois)
Analysis Of Operations (Unaudited)

Emergency Purchases (Unaudited)
Year Ended December 31, 2013

<u>Description</u>	<u>Cost</u>
Engine oil, transmission fluid and chassis grease	\$ <u>81,687</u>

ILLINOIS STATE TOLL HIGHWAY AUTHORITY
(A Component Unit of the State of Illinois)
Service Efforts and Accomplishments (Unaudited)
Year ended December 31, 2013

(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 Reagen 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, 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 incident clearance time: | 31.10 minutes |

The following metrics were reported for the year ending December 31, 2012.

- | | |
|---|---------------|
| 1. The percentage of vehicles using I-PASS during rush hour: | 90.6% |
| 2. The percentage of vehicles using I-PASS for all hours: | 86.3% |
| 3. Travel Time Index Congestion Measure for the A.M. rush hour: | .98 |
| 4. The average personal injury incidents accident clearance time: | 30.32 minutes |