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

Financial Audit and Compliance Examination

Year ended December 31, 2016

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

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

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

December 31, 2016

Agency Officials

Executive Director	Greg Bedalov
Chief of Staff	Michael Stone (1/1/2016 – 9/30/2016) Kevin Artl (effective12/16/2016)
Chief of Finance	Michael Colsch
Controller	Patricia Pearn
General Counsel	David Goldberg (until April 4, 2017) Elizabeth Oplawski – Acting General Counsel (effective April 5, 2017)

Central Administrative agency offices are located at:

2700 Ogden Avenue
Downers Grove, Illinois 60515

Illinois Tollway

June 21, 2017

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 Illinois State Toll Highway Authority (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, 2016. Based on this evaluation, we assert that during the year ended December 31, 2016, 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

SIGNED ORIGINAL ON FILE
Gregory Bedalov, Executive Director

SIGNED ORIGINAL ON FILE
Michael Colsch, Chief of Finance

SIGNED ORIGINAL ON FILE
Elizabeth Oplawski, Acting General Counsel

ILLINOIS TOLLWAY
2700 Ogden Avenue | Downers Grove, IL 60515 | p. 630.241.6800 | T. T. Y. 630-241-6898
www.illinoistollway.com

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

December 31, 2016

Compliance Summary

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

Accountants' Reports

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

Summary of Findings

Number of:	Current Report	Prior Report
Findings	8	6
Repeated findings	5	6
Prior recommendations implemented or not repeated	1	1

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

Schedule of Findings

Findings (*Government Auditing Standards*)

Finding No.	Page No.	Description	Finding Type
2016-001	11	Inadequate Financial Reporting Systems	Significant deficiency
2016-002	12	Inadequate Controls Over Information Systems	Significant deficiency
2016-003	14	Inadequate Year End Payables Process	Significant deficiency

Findings (*State Compliance*)

Item No.	Page	Description	Finding Type
2016-004	16	Failure to Timely File and Execute Contracts in Accordance with State Statute	Significant deficiency and noncompliance
2016-005	18	Failure to Accurately and Properly Report Locally Held Funds	Significant deficiency and noncompliance
2016-006	19	Inadequate Procedures to Approve Timecards	Significant deficiency and noncompliance
2016-007	21	Failure to Fully Comply with the Toll Highway Act	Significant deficiency and noncompliance
2016-008	22	Inadequate Procedures for Reporting Accounts Receivable to the Illinois Office of the Comptroller	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.

Item No.	Page	Description	Finding Type
2016-001	11	Inadequate Financial Reporting Systems	Significant deficiency and noncompliance
2016-002	12	Inadequate Controls Over Information Systems	Significant deficiency and noncompliance
2016-003	14	Inadequate Year-End Payables Process	Significant deficiency and noncompliance

Prior Year Findings Not Repeated (*State Compliance*)

Item No.	Page	Description	Finding Type
A	24	Procurement: Lack of Evaluation Comments	Significant deficiency and noncompliance

Exit Conference

The findings and recommendations appearing in this report were discussed with Tollway personnel at an exit conference on June 16, 2017. Attending were:

Illinois State Toll Highway Authority

Gregory Bedalov	Executive Director
Cassaundra Rouse	Chief Internal Auditor
Patricia Pearn	Controller
Theodore Hengesbach	Inspector General

KPMG LLP

Catherine Baumann	Partner
Jason Rosheisen	Senior Manager
Jane Kim	Manager
Kelsey Hoey	Senior Associate

Illinois Office of the Auditor General

Thomas L. Kizziah, CPA	Senior Manager

The responses to the recommendations were provided by Cassaundra Rouse, Chief Internal Auditor, via e-mail on June 16, 2017.

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 Frank J. Mautino
Auditor General State of Illinois

and

The Board of Directors
Illinois State Toll Highway Authority:

Compliance

As Special Assistant Auditors for the Illinois 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 Illinois Auditor General, during the year ended December 31, 2016. 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 (the Audit Guide). Those standards, the Act, and the Audit Guide require that we plan and perform the examination to obtain reasonable assurance about whether the Tollway complied, in all material respects, with the specified requirements listed above. An examination involves performing procedures to obtain evidence about whether the Tollway complied with the specified requirements listed above. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material noncompliance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion. Our examination does not provide a legal determination on the Tollway's compliance with specified requirements.

The Tollway's responses to the noncompliance findings identified in our examination are described in the accompanying schedule of findings. The Tollway's responses were not subjected to the procedures applied in the compliance examination and, accordingly, we express no opinion on the responses.

In our opinion, the Tollway complied, in all material respects, with the compliance requirements listed in the first paragraph of this report during the year ended December 31, 2016. 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 2016-001 through 2016-008.

The purpose of this report on compliance is solely to describe the scope of our testing and the results of that testing in accordance with the requirements of the Audit Guide issued by the Illinois Office of the Auditor General. Accordingly, this report is not suitable for any other purpose.

Internal Control

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with the requirements listed in the first paragraph of this report on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a requirement listed in the first paragraph of this report will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings as items 2016-001 through 2016-008 that we considered to be significant deficiencies.

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

The Tollway's responses to the internal control findings identified in our examination are described in the accompanying schedule of findings. The Tollway's responses were not subjected to the procedures applied in the compliance examination and, accordingly, we express no opinion on the responses.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Audit Guide, issued by the Illinois Office of the Auditor General. Accordingly, this report is not suitable for any other purpose.

/s/KPMG LLP

Chicago, Illinois
June 21, 2017

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 Frank J. Mautino
Auditor General State of Illinois

and

The Board of Directors
Illinois State Toll Highway Authority:

As Special Assistant Auditors for the Illinois 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, 2016, 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 21, 2017.

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 2016-001 through 2016-003 that we consider to be significant deficiencies.

KPMG

Compliance and Other Matters

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

Management's Response to Findings

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

Purpose of this Report

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

/s/KPMG LLP

Chicago, Illinois
June 21, 2017

Finding 2016-001 – 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 to provide assurance revenues, expenditures, and transfers of assets, resources, or funds applicable to operations are properly recorded and accounted for to permit the preparation of accounts and reliable financial and statistical reports and to maintain accountability over the State's resources.

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

The manual nature of the Tollway's financial reporting systems and related processes may result in financial reporting errors and untimely preparation of the annual financial statements. (Finding Code No. 2016-001, 2015-001, 2014-001, 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 which will consolidate and integrate information across our agency and bring our financial systems up to date.

(Continued)

Finding 2016-002 – Inadequate Controls Over Information Systems

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

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

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

- For a selection of changes for the payroll and general ledger systems, 2 of 25 changes did not have documented evidence of approval prior to implementation to production.
- Three users with super user access for the timekeeping system maintain the ability to develop and migrate changes to production.

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

- For a selection of 25 terminated users, 1 user's access to the payroll, general ledger and timekeeping systems was not disabled/removed in a timely manner after their suspension date.
- One user with access to the time keeping system (within a population of 9 administrators) retained administrative access after their termination date.

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

In discussing these conditions with Tollway management, they stated the exceptions related to change management occurred prior to the implementation of a revision to the Change Control process implemented as a result of the prior year audit.

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 No. 2016-002, 2015-002, 2014-002, 2013-002, 12-02, 11-02)

Recommendation:

We recommend the Tollway ensure all changes to information systems are properly initiated, planned, developed, tested, and implemented. Specifically, procedures to retain evidence of change requests, evidence of testing, and evidence of approvals prior to implementation to production should be developed and implemented. The Tollway should also ensure all the key steps and evidences are documented before new upgrades and developments are implemented. Lastly, we recommend removing system access for terminated employees in a timely manner.

Tollway Response:

The Tollway concurs with the auditors' recommendation. With respect to the selection of two changes reviewed, they were completed prior to the implementation of a revision to the Change Control process implemented as a result of the prior year audit. The revised process, effective May 27, 2016 requires program management approval prior to deployment. The Tollway will reiterate the process with staff to ensure understanding of all requirements.

Finding 2016-003 – 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 126 cash disbursements subsequent to year end (totaling $104,300,378) and 120 cash disbursements during fiscal year 2016 (totaling $101,457,317). During our review of these transactions we noted the following items were not recorded to the proper accounting period:

- Five highway construction and improvements expenditures (totaling $6,302,798) that pertained to fiscal year 2016 were recorded as expenses in fiscal year 2017.
- One land and relocation expenditure (totaling $110,741) that pertained to fiscal year 2016 was recorded as an expense in fiscal year 2017.
- One highway architectural and engineering expenditure (totaling $28,720) that pertained to fiscal year 2016 was recorded as an expense in fiscal year 2017.
- One telecommunications expenditure (totaling $61,326) that pertained to fiscal year 2016 was recorded as an expense in fiscal year 2017.
- One printing expenditure (totaling $9,048) that pertained to fiscal year 2016 was recorded as an expense in fiscal year 2017.
- Two auditing and management services expenditures (totaling $27,681) that pertained to fiscal year 2015 were recorded as expenses in fiscal year 2016.
- One computer software expenditure (totaling $25,922) that pertained to fiscal year 2015 was recorded as an expense during fiscal year 2016.
- One professional and artistic services expenditure (totaling $63,296) that pertained to fiscal year 2015 was recorded as an expense during fiscal year 2016.
- Two highway construction and improvements expenditures (totaling $412,571) that pertained to fiscal year 2015 were recorded as expenses in fiscal year 2016.

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 to provide assurance that: (1) resources are utilized efficiently, effectively and in compliance with applicable law; (2) obligations and costs are in compliance with applicable law; (3) funds, property and other assets and resources are safeguarded against waste, loss, unauthorized use, and misappropriation; (4) revenues, expenditures, and transfers of assets resources, or funds applicable to operations are properly recorded and accounted for to permit the preparation of accounts and reliable financial and statistical reports and to maintain accountability over the State's resources; and (5) funds held outside the State Treasury are managed, used, and obtained in strict accordance with the terms of their enabling authorities and that no unauthorized funds exist. Effective internal controls should include procedures to accurately assess whether expenditures are reported in the appropriate period.

In discussing these conditions with Tollway management, they stated the accrual process is manual and dependent upon user departments forwarding unpaid and properly accruable invoices to General Accounting. Additionally, they stated utility relocation costs, which account for the bulk of these exceptions, are difficult to obtain or estimate before an invoice is issued by the utility company performing the work. According to Tollway officials, most of these exceptions represent invoices received after the end of January of the subsequent year. Tollway officials also stated the exception noted in bullet point 6 represents a subcontractor invoice submitted to the Tollway's prime contractor in July of 2016, which was long after the 2015 books were closed and audited.

Failure to accurately identify and record period end accounts payable transactions may result in the misstatement of the Tollway's financial statements. (Finding Code No. 2016-003, 2015-003, 2014-003, 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. Almost 90% of these exceptions relate to utility relocation accruals, and the Tollway has already implemented enhanced procedures to properly record these accruals.

Finding 2016-004 – Failure to Timely File and Execute Contracts in Accordance with State Statute

The Tollway did not ensure contracts were executed in accordance with State statutes and related guidelines.

During our review of 50 contracts (totaling $837,816,005) executed during the year ended December 31, 2016, we noted the following:

- The Tollway did not complete disclosure of financial interest statements for subcontractors on 8 contracts (totaling $165,208,042) in a timely manner. Specifically, we noted the disclosure of financial interest statements were submitted three to 155 days late for 25 subcontractors that were included in the original proposals submitted by the prime contractors. Additionally, three contracts (totaling $158,570,438) did not contain continuing ethical and financial disclosures.
- One contract (totaling $158,125) was executed subsequent to the start date of services provided. The contract execution date was 85 days after the commencement of service.
- The Contract Obligation Document for one contract (totaling $4,558,668) was not accurately filed with the Office of the Comptroller. Specifically, the contract end date was reported erroneously on the Contract Obligation Document.
- A Confidentiality and Conflict of Interest Agreement was not signed in a timely manner by one of 11 evaluators for one contract for engineering services (totaling $2,500,000). Specifically, we noted the agreement was signed 309 days late.

The Illinois Procurement Code (30 ILCS 500 et seq.) and the Comptroller's Statewide Accounting Management System (SAMS) (Procedure 15.20 et. seq.) requires contracts to contain certain clauses and disclosures and also requires that all subcontracts with annual value of more than $50,000 be accompanied by disclosure of financial interests of each subcontractor. Section 50-2 of the Illinois Procurement Code requires every person that has entered into a multi-year contract and every subcontractor with a multi-year subcontract shall certify, by July 1 of each fiscal year covered by the contract after the initial fiscal year, to the responsible chief procurement officer whether it continues to satisfy the requirements of this Article pertaining to eligibility for a contract award. Additionally, the Tollway's Capital Program – Notice and Selection of Professional Service Procedure requires scorers to sign the confidentiality and no conflict statements prior to receiving working documents.

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 to provide assurance that (1) resources are utilized effectively, and in compliance with applicable law; (2) obligations and cost 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 exists. Effective internal controls should include procedures to ensure required disclosures are completed on a timely basis, contracts are properly submitted to the Office of the Comptroller, and contracts are fully executed prior to the performance.

In discussing these conditions with Tollway management, they stated the exceptions resulted from the Tollway's process for identifying and completing contract disclosure requirements. Engineering began requiring the submittal of all required financial disclosures from the known subcontractors at the time of bid starting in

September 2016. According to Tollway officials the remaining exceptions were due to administrative oversight and or unusual circumstances that are not expected to be repeated.

Failure to fully execute a contract prior to the commencement of services, file accurate contracts with the Office of the Comptroller, and obtain the necessary disclosures in a timely manner results in noncompliance with State statutes and regulations. (Finding Code No. 2016-004)

Recommendation:

We recommend the Tollway establish appropriate procedures to ensure that all contracts are completed, approved, and properly executed prior to the start of the service. Further, the Tollway should review procedures to ensure all contracts are accurate before being filed with the Office of the Comptroller, and all required disclosures are obtained in a timely manner.

Tollway Response:

The Tollway concurs with the auditors' recommendation and we have modified contract requirements and enhanced procedures to ensure that all required disclosures are obtained timely.

Finding 2016-005 – Failure to Accurately and Properly Report Locally Held Funds

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

On a quarterly basis, the Tollway submits the Report of Receipts and Disbursements for Locally Held Funds (Form C-17) for five funds to report on the fiscal year-to-date receipts and disbursements activities of each fund. During our review of the locally held funds reports for the quarters ended March 31, 2016 and December 31, 2016, we noted the receipts and disbursements for the quarter ended December 31, 2016 were not accurately reported for one fund resulting in an overstatement of both the total receipts and the total disbursements by $31,000 each. There was no effect on the net cash balance reported in the December 31, 2016 quarterly report.

The Statewide Accounting Management System (Procedures 33.13.20) requires that the Report of Receipts and Disbursement for Locally Held Funds (Form C-17) reflect 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 to 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 locally held funds activities.

In discussing these conditions with Tollway management, they stated the error was identified in the subsequent month during the reconciliation of the bank account. However, when the locally held funds report was prepared, the original debit was shown as a cash receipt and the correcting credit entry as a cash disbursement, rather than a reduction to the cash receipt as it should have been.

Failure to accurately report information about locally held funds balances inhibits the ability of the Office of the State Comptroller to properly monitor and evaluate the Tollway's receipts and disbursements activities. (Finding Code No. 2016-005, 2015-005, 2014-005, 2013-006)

Recommendation:

We recommend the Tollway review its current procedures for preparing quarterly 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. Procedures for the preparation and review of this report have been enhanced and reiterated to staff.

(Continued)

Finding 2016-006 – Inadequate Procedures to Approve Timecards

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

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

- Six timecards were not approved by the employee.
- One timecard was not approved by the employee's supervisor/manager.
- Four timecards were not approved by the employee prior to the end of the next pay-period, as required. The timecards were approved 3 to 82 days late.
- One timecard was approved by the employee and supervisor/manager 13 days after the end of the next pay-period.

The Tollway's Employee Policies and Procedures Manual (Chapter 5, Section C) states employees are responsible for approving their timecards to certify the accuracy of all time recorded within 48 hours of the close of the time period or as soon as practical. Their supervisor must also review and approve the time record timely. Additionally, a memorandum issued by the Chief of Staff on August 16, 2016 clarified that in the case where an employee is on leave or otherwise absent when timecard approvals are due, but has worked hours during the pay period, the immediate supervisor's approval is sufficient to approve that timecard for payroll processing. The employee will be required to approve the timecard by the end of the next pay period, if the employee returns to work by that date. If the employee does not return to work by that date, no employee approval shall be required.

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 to provide assurance that: (1) resources are utilized efficiently, effectively, and in accordance with applicable law; (2) obligations and costs are in compliance with applicable law; (3) funds, property, and other assets and resources are safeguarded against waste, loss, unauthorized use and misappropriation; (4) revenues, expenditures, and transfers of assets, resources, or funds applicable to operations are properly recorded and accounted for to permit the preparation of reliable financial and statistical reports and to maintain accountability over State's resources; and (5) funds held outside of the State Treasury are managed, used and obtained in strict accordance with the terms of their enabling authorities and that no unauthorized funds exist. Effective internal controls should include procedures to ensure timecards are approved in accordance with its policies and procedures.

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

(Continued)

Failure to review and approve timecards results in noncompliance with the Tollway's established internal control procedures. (Finding Code No. 2016-006, 2015-006, 2014-006)

Recommendation:

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

Tollway Response:

The Tollway concurs with the auditors' recommendation and enhanced the timecard approval process as a result of the prior year audit. The Tollway will continue to reinforce procedures and enhance reporting to ensure timely approval of all timecards.

(Continued)

Finding 2016-007 – Failure to Fully Comply with the Toll Highway Act

The Tollway did not comply with the electronic vehicle charging station requirements of the Toll Highway Act (Act).

The Tollway is required to construct and maintain at least one electric vehicle charging station at each location in which the Tollway has contracted with third parties to provide auto and truck fueling stations, garages, stores, or restaurants, as required. During our testing we noted three of six Tollway oasis locations did not have electric vehicle charging stations as of the date of our testwork (May 15, 2017).

The Toll Highway Act (605 ILCS 10/11(e)) requires the Tollway to construct and maintain at least one electric vehicle charging station at any location where the Tollway has entered into an agreement with any entity pursuant to subsection (e) for the purposes of providing motor fuel service stations and facilities, garages, stores, or restaurants by January 1, 2016.

In addition, the Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the Tollway to maintain a system of fiscal and administrative controls. Effective internal controls should include procedures to ensure the Tollway is in compliance with state mandates.

In discussing these conditions with Tollway management, they stated the Tollway does not have operational control of oases to require the installation of the charging stations.

Failure to construct and maintain electric vehicle charging stations at locations required by the Act results in noncompliance with the Act. (Finding Code No. 2016-007)

Recommendation:

We recommend the Tollway fully comply with the requirements of the Act or seek legislative remedy.

Tollway Response:

The Tollway concurs with the auditors' recommendation and will assemble the supporting documentation and prepare and submit a request for an exemption or variance from the state statute.

(Continued)

Finding 2016-008 – Inadequate Procedures for Reporting Accounts Receivable to the Illinois Office of the Comptroller

The Tollway did not have adequate procedures to generate an aging report to support the accounts receivable balances reported to the Illinois Office of the Comptroller for the quarter ended December 31, 2016.

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 March 31, 2016 and December 31, 2016, we noted the aging of accounts receivable balances from sales and services reported for the quarter ended December 31, 2016 were manually compiled by Tollway accounting staff by rolling forward the previous quarter's aging report. Specifically, we noted the balances reported by the Tollway for current, 31-90 days past due, 91-180 days past due, 181-1 year past due, and over 1 year past due were manually calculated as $610,526, $699,069, $202,606, $107,974, and $141,252, respectively.

Upon further review and discussion with Tollway personnel, we noted the Tollway is unable to produce aging detail from its recently implemented Tolling System. As a result, we were unable to verify the accuracy of the aging of accounts receivable reported in Forms C-98, C-99, and C-99A as of December 31, 2016. There was no effect on the net accounts receivable reported in the December 31, 2016 quarterly reports.

The Statewide Accounting Management System (Procedures 26.30.20 through 26.30.50) requires providing a summary of the status of the State's receivables and related collections activity. These reports consist of agency reports to the Comptroller summarizing receivables activity, aging of receivables and estimates of uncollectibles and collections activity on a quarterly basis.

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 to 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 ensuring all necessary supporting reports are able to be generated by the applicable information system to meet the Tollway's reporting requirements.

In discussing these conditions with Tollway management, they stated the Tollway converted to a new tolling system in 2016. The reporting capabilities of this system were still under development and the system could not produce an accurate aging for Post–pay IPASS receivables.

Failure to adequately support the aging of accounts receivable balances inhibits the ability of the Illinois Office of the Comptroller to properly monitor and evaluate the Tollway's receivables and collection activities. (Finding Code No. 2016-008)

Recommendation:

We recommend the Tollway review its current Tolling System and develop the ability to produce an aging detail report in order to prepare quarterly accounts receivable reports based on actual amounts 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 any inaccuracies in reports previously submitted.

Tollway Response:

The Tollway concurs with the auditors' recommendation. The aging detail reports are in final development and testing. In the interim, the Tollway has worked with it system provider to produce quarterly manual queries to support reporting requirements. The Tollway will work with the Comptroller's office to identify and amend any errors related to previous filings.

Prior Findings Not Repeated

Year ended December 31, 2016

A. Procurement: Lack of Evaluation Comments

The Tollway did not adequately document the rationale to support scores awarded to vendor proposals. (Finding Code No. 2015-004, 2014-004, 2013-004, 12-05, 11-05)

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

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

Financial Statement Report Summary
December 31, 2016

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 Frank J. Mautino
Auditor General State of Illinois

and

The Board of Directors
Illinois State Toll Highway Authority

Report on the Financial Statements

As Special Assistant Auditors for the Illinois Auditor General, we have audited the accompanying basic financial statements of the Illinois State Toll Highway Authority (the Tollway), a component unit of the State of Illinois, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the Tollway's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Illinois State Toll Highway Authority as of December 31, 2016, and the changes in financial position, and cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Report on Summarized Comparative Information

We have previously audited the Tollway's 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 30, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2015 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis on pages 29–36 and required supplementary information on Schedules 1 and 2 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 3 through 18 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 3, 4, 6 and 12 through 18 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 3, 4, 6 and 12 through 18 is fairly stated in all material respects in relation to the basic financial statements as a whole.

The supplementary information included in Schedules 5 and 7 through 11 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 21, 2017 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.

/s/KPMG LLP

Chicago, Illinois
June 21, 2017

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, 2016. Readers should use this section of this report in conjunction with the Tollway's basic financial statements.

2016 Financial Highlights

- In July, 2016, the Tollway opened the new Illinois Route 390 Tollway. This tollway represents a 6-mile-segment of the Elgin O'Hare Western Access Project. This is the first cashless roadway operated by the Tollway. This roadway accounted for approximately $11.3 million in toll revenue in 2016.
- In 2016, the Tollway completed the reconstruction and widening of 62 miles of the Jane Addams Memorial Tollway (I-90).
- In August 2011, the Tollway's Board of Directors approved a $12 billion capital program, called "*Move Illinois: the Illinois Tollway Driving the Future*", which defined the infrastructure investments to be made by the Tollway beginning in 2012 through 2026. During 2016, construction and professional engineering services contracts with a combined value of $290.5 million were awarded under this program, bringing the total awards to date to $3.7 billion.
- In addition to the "*Move Illinois"* Program, the previously approved Congestion Relief Program (CRP) provides for programmed capital investments. The CRP Program was approved in 2004, initiated in 2005, and currently includes $5.7 billion in capital outlays. The bulk of this program has been expended, with about $52.0 million approved in the current capital plans to be invested for years 2017 through 2018.
- To help fund the capital outlays approved for "*Move Illinois*", the Tollway Board set new toll rates for passenger vehicles using the system and these higher rates were effective January 1, 2012. The Tollway also affirmed a previously approved increase in commercial vehicle toll rates, which are being phased in over 2015 – 2017, with an annual Consumer Price Index adjustment applied beginning January 1, 2018.
- Including $300 million of revenue bonds issued in June, 2016, a total of $2.5 billion of revenue bonds have been issued in 2013-2016 to fund the capital program.
- In January, 2016, the Tollway issued bonds in the amount of $333.1 million to advance refund its 2008B series, in order to reduce debt service.
- The Tollway's 2016 operating revenue totaled $1,303.3 million, an increase of $74.7 million from the previous year. Operating expenses increased $84.5 million (to $763.9 million) due to depreciation expense and the pension expense required to be computed under GASB 68. Net operating income for 2016 was $539.4 million, a decrease of $9.8 million from 2015.
- Amounts on deposit on behalf of I-PASS account holders increased by 1.7% at year-end to $177.9 million; the percentage of Tollway users paying by I-PASS was 87.6% in 2016.

Basic Financial Statements

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

Overview of the Financial Statements

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

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

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

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

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

The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements. They are an integral part of the basic financial statements.

Financial Analysis

2016 Results Compared to 2015

Operating Revenue

The Tollway's total 2016 operating revenues exceeded those of the previous year, up $74.7 million (6.1%) to $1,303.3 million (compared to $1,228.6 million in 2015). This increase came from toll revenue which totaled $1,216.3 million in 2016 (up from $1,146.6 million in 2015), due to an increase in both commercial and passenger vehicle traffic, an increase in the commercial vehicle toll rates, and the commencement of tolling on the first phase of the IL-390 Tollway. Revenue from toll evasion recovery was also slightly higher (0.3%) than 2015, at $64.5 million in 2016 (versus $64.3 million in 2015). Miscellaneous income in 2016 was $4.8 million higher than 2015, due mainly to a legal settlement and increased IPASS transponder replacement revenue due to forfeited deposits on transponders not returned.

Concessions revenue remained fairly consistent year over year.

Operating Expenses

Operating expenses, excluding depreciation, increased $42.8 million (12.2%) in 2016. The increased operating costs were due to an increased pension expense per GASB Statement No. 68 of $33.0 million and increased credit card fees, equipment rental and consulting expenses.

Depreciation expense increased by 12.7% to $370.3 million, from $328.7 million, in 2015. The resulting net operating income for the year, $539.4 million, decreased by $9.8 million from the previous year.

Non-operating Revenue and Expense

Net non-operating expense increased this year (by 8.9%) from $202.2 million in 2015 to $220.1 million for 2016, primarily the result of increased interest and amortization of financing costs due to additional bond issues. Again, this year the Tollway received an interest rebate from the federal treasury relating to bonds which were issued as Build America Bonds. The 2016 rebate totaled $15.1 million, substantially the same as 2015.

Statement of Changes in Net Position

	2016	2015
Revenues:		
Operating revenues:		
Toll revenue	$ 1,216,298,044	$ 1,146,629,436
Toll evasion recovery	64,490,869	64,323,149
Concessions	2,253,646	2,117,517
Miscellaneous	20,240,108	15,493,528
Nonoperating revenues:		
Investment income	6,763,207	1,859,314
Revenues under intergovernmental agreements	22,293,657	79,451,042
Bond interest subsidy (Build America Bonds)	15,131,407	15,098,919
Miscellaneous	33,340	-
Total revenues	1,347,504,278	1,324,972,905
Expenses		
Operating expenses:		
Engineering and maintenance of roadway and structures	106,920,897	98,064,006
Services and toll collection	179,818,194	160,233,841
Traffic control, safety patrol, and radio communications	58,315,004	50,307,156
Procurement, IT, finance and administration	48,533,427	42,135,110
Depreciation & Amortization	370,336,593	328,650,467
Nonoperating expenses:		
Expenses under intergovernmental agreements	22,293,657	79,451,042
Net loss on disposal of property	828,136	261,018
Miscellaneous	-	3,937,904
Interest expense and amortization of financing costs	241,220,736	214,946,627
Total expenses	1,028,266,644	977,987,171
Capital contributed under intergovernmental agreements	-	481,600
Increase in net position	319,237,634	347,467,334
Net position, beginning of year	2,192,922,497	1,845,455,163
Net position, end of year	$ 2,512,160,131	$ 2,192,922,497

(Continued)

Changes in Net Position

Net operating income decreased in 2016 by $9.8 million to $539.4 million. After deducting this year's net non-operating expense of $220.1 million, the Tollway posted an increase in net position for the year of $319.2 million compared to $347.5 million increase in net position for 2015, which represented a decrease of $28.3 million. After this year's result, the Tollway's net position totaled $2.5 billion.

Statements of Net Position

	2016	2015
ASSETS		
Current and other assets	$ 1,997,361,478	$ 2,363,616,681
Capital assets - net	8,203,957,718	7,379,283,872
Total Assets	10,201,319,196	9,742,900,553
DEFERRED OUTFLOWS OF RESOURCES		
Accumulated decrease in fair value of hedging derivatives	214,573,706	273,981,681
Net loss on bond refundings	90,067,310	62,856,712
Pension related	198,416,401	101,517,012
	503,057,417	438,355,405
LIABILITIES		
Current debt outstanding	88,860,000	101,325,000
Long-term debt outstanding	6,264,818,438	6,048,812,340
Other liabilities	1,808,382,807	1,806,241,988
Total liabilities	8,162,061,245	7,956,379,328
DEFERRED INFLOWS OF RESOURCES		
Pension related	30,155,237	31,954,133
NET POSITION		
Net investment in capital assets	1,947,927,058	1,714,006,541
Restricted under trust indenture agreements	389,470,553	427,583,679
Restricted for supplemental pension benefits obligations	50,575	54,049
Unrestricted	174,711,945	51,278,228
Total Net Position	$ 2,512,160,131	$ 2,192,922,497

(Continued)

Capital Assets and Debt Administration

Capital Assets

Capital assets continue to represent the largest category of Tollway assets, totaling $8.2 billion at year-end ($7.4 billion a year ago) comprising 76.7% of total Tollway assets and deferred outflow of resources. See the accompanying Notes to the Financial Statements - Notes 1 and 6 - for further information about capital assets.

CAPITAL ASSETS
December 31, 2016 and 2015

	January 1, 2016 Net Balance	2016 Net Activity	2016 Depreciation	December 31, 2016 Net Balance
Land	$ 454,898,994	$ 28,077,350	$ -	$ 482,976,344
Construction in progress	1,254,798,075	(419,307,236)	-	835,490,839
Buildings	14,684,302	1,605,633	(1,058,644)	15,231,291
Infrastructure	5,549,781,371	1,482,283,056	(305,216,650)	6,726,847,777
Machinery and equipment	105,121,130	54,368,109	(16,077,772)	143,411,467
Total	$ 7,379,283,872	$ 1,147,026,912	$ (322,353,066)	$ 8,203,957,718

	January 1, 2015 Net Balance	2015 Net Activity	2015 Depreciation	December 31, 2015 Net Balance
Land	$ 389,297,651	$ 65,601,343	$ -	$ 454,898,994
Construction in progress	817,322,173	437,475,902	-	1,254,798,075
Buildings	15,216,135	474,800	(1,006,633)	14,684,302
Infrastructure	4,918,650,178	939,572,256	(308,441,063)	5,549,781,371
Machinery and equipment	94,828,678	29,049,125	(18,756,673)	105,121,130
Total	$ 6,235,314,815	$ 1,472,173,426	$ (328,204,369)	$ 7,379,283,872

Long-Term Debt

At year-end 2016, total revenue bonds payable had increased by $203.5 million (from $6.2 billion), primarily the result of three principal payments (1998A, 1998B, and 2013B-1), one refunding (2016A refunding of 2008B) and one new money bond issuance (2016B) in 2016. All debt issues and related transactions are described more fully in Note 8.

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 2016 was 2.55.

The following table lists, as of December 31, 2016, the Tollway's bond series and the Current and Noncurrent amounts outstanding. 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.

	2016		
	Noncurrent	**Current**	**Total**
Revenue bonds payable:			
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 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	93,305,000	88,860,000	182,165,000
Issue of 2014 Series A	378,720,000	-	378,720,000
Issue of 2014 Series B	500,000,000	-	500,000,000
Issue of 2014 Series C	400,000,000	-	400,000,000
Issue of 2014 Series D	264,555,000	-	264,555,000
Issue of 2015 Series A	400,000,000	-	400,000,000
Issue of 2015 Series B	400,000,000	-	400,000,000
Issue of 2016 Series A	333,060,000	-	333,060,000
Issue of 2016 Series B	300,000,000	-	300,000,000
Total revenue bonds payable	$ 5,807,840,000	$ 88,860,000	$ 5,896,700,000

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. One of the swap agreements was terminated in connection with a refunding of a portion of the 2008 Series A-2 Bonds on July 1, 2010, and two of the swap agreements were terminated in connection with an early redemption of the 1998 Series B Bonds on April 28, 2016. Seven swap agreements are outstanding as of December 31, 2016. Four swap agreements are associated with the 2007 Series A-1 and A-2 bonds, in original notional

amounts totaling $700 million, all of which are outstanding as of December 31, 2016. Three swap agreements are associated with the 2008 Series A-1 and A-2 bonds, in original notional amounts totaling $478.9 million, all of which are outstanding as of December 31, 2016. The Tollway utilized these swap agreements in order to hedge against rising interest rates and to reduce its borrowing rate (as compared to the borrowing rate obtainable through fixed rate bonds). The risks associated with these types of arrangements and the strategies employed by the Tollway to mitigate those risks are discussed in note 9 of the financial statements. As of December 31, 2016, respectively, fair market value analyses of the swap agreements estimate that if the Tollway had terminated the swap contracts on that date, the Tollway would have been required to make payments, net of accrued interest, of: a total of $134 million for the four 2007 Series A-1 and A-2 swap agreements; and a total of $81 million for the three 2008 Series A-1 and A-2 swap agreements.
As more fully described in Note 8, as of December 31, 2016, each of the Tollway's three sub-series of 2008 Series A variable rate bonds was liquidity supported by a standby bond purchase agreement that qualified as a Liquidity Facility under the Supplemental Indenture for the Series 2008A Bonds. As more fully described in Note 8, as of December 31, 2016, each of the Tollway's six sub-series of 2007 Series A variable rate bonds was liquidity and credit supported by a letter of credit that qualified as a Credit Facility under the Supplemental Indenture for the Series 2007A Bonds. No Tollway bonds were held by providers of Liquidity or Credit Facilities in 2016.

Factors Impacting Future Operations

In 2016, the Tollway continued the work of its $12 billion "*Move Illinois*" capital program. The widening and rebuilding of the Jane Addams Memorial Tollway (I-90) was completed. Land acquisition, design and construction work continued for the Elgin-O'Hare Western Access Project. One new bond series was issued in 2016 to fund capital construction. The Tollway forecasts that for the 15-year span of the "*Move Illinois*" Program, about 60% of the program's costs are expected to be funded by toll revenues.

Contacting the Tollway's Financial Management

This financial report is designed to provide our customers, bondholders, employees and other stakeholders with an overview of the Tollway's finances and to demonstrate the Tollway's accountability for the funds it receives and deploys. Questions concerning this report or requests for additional financial information should be directed to the Controller, Illinois State Toll Highway Authority, 2700 Ogden Avenue, Downers Grove, Illinois 60515.

ILLINOIS STATE TOLL HIGHWAY AUTHORITY
(A Component Unit of the State of Illinois)
Statement of Net Position
December 31, 2016
(With Comparative Totals for 2015)

Assets	**2016**	**2015**
Current assets:		
Current unrestricted assets:		
Cash and cash equivalents	$ 156,759,167	$ 238,606,262
Accounts receivable, less allowance for doubtful accounts of $47,195,416	17,574,197	14,181,437
Intergovernmental receivables	30,805,629	33,282,390
Accrued interest receivable	2,422	1,674
Risk management reserved cash and cash equivalents	16,925,345	18,192,303
Investments	874,107,250	699,601,768
Prepaid expenses	1,719,350	1,579,926
Total current unrestricted assets	1,097,893,360	1,005,445,760
Current restricted assets:		
Cash and cash equivalents - debt service	129,389,157	183,467,919
Cash and cash equivalents – I-PASS accounts	177,917,639	174,903,373
Prepaid expenses restricted for debt service	141,818	177,032
Accrued interest receivable	714,884	321,906
Supplemental pension benefits assets	32,128	32,122
Total current restricted assets	308,195,626	358,902,352
Total current assets	1,406,088,986	1,364,348,112
Noncurrent unrestricted assets:		
Capital assets:		
Land, improvements and construction in progress	1,318,467,182	1,709,697,069
Other capital assets, net of accumulated depreciation	6,885,490,536	5,669,586,803
Total capital assets	8,203,957,718	7,379,283,872
Other noncurrent unrestricted assets:		
Intergovernmental receivable less current portion	217,997,002	222,856,244
Prepaid expenses less current portion	1,569,540	94,920
Total noncurrent unrestricted assets	219,566,542	222,951,164
Noncurrent restricted assets:		
Cash and cash equivalents - debt reserve	46,459,331	178,687,472
Investments - debt reserve	320,000,000	170,000,000
Prepaid expenses - debt reserve	3,310,345	3,517,242
Prepaid expenses - debt service - less current portion	1,843,635	1,985,452
Supplemental pension benefits assets	92,639	123,941
Cash and cash equivalents - construction	—	422,003,298
Total noncurrent restricted assets	371,705,950	776,317,405
Total assets	10,201,319,196	9,742,900,553
Deferred Outflows of Resources		
Accumulated decrease in fair value of hedging derivatives	214,573,706	273,981,681
Net loss on bond refundings	90,067,310	62,856,712
Deferred outflows of resources - pension related	198,416,401	101,517,012
Total deferred outflows of resources	$ 503,057,417	$ 438,355,405

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, 2016
(With Comparative Totals for 2015)

Liabilities and Net Position	2016	2015
Liabilities:		
Current liabilities		
Payable from unrestricted current assets:		
Accounts payable	$ 18,948,176	$ 53,898,570
Accrued liabilities	170,843,516	221,769,427
Accrued compensated absences	6,500,000	6,100,000
Intergovernmental agreement payable	105,269,961	104,457,859
Risk management claims payable	6,737,844	7,770,609
Deposits and retainage	68,182,628	95,193,672
Unearned revenue, net of accumulated amortization of $1,914,046	1,481,171	1,018,222
Total current liabilities payable from unrestricted current assets	377,963,296	490,208,359
Payable from current restricted assets:		
Supplemental pension benefit obligation	27,821	27,822
Current portion of revenue bonds payable	88,860,000	101,325,000
Accrued interest payable	112,388,616	104,893,618
Deposits and unearned revenue – I-PASS accounts	177,917,639	174,903,373
Total current liabilities payable from current restricted assets	379,194,076	381,149,813
Total current liabilities	757,157,372	871,358,172
Noncurrent liabilities:		
Revenue bonds payable, less current portion	6,264,818,438	6,048,812,340
Accrued compensated absences	3,295,969	3,459,353
Risk management claims payable	10,572,063	10,889,098
Supplemental penion benefit obligation, less current portion	46,371	74,192
Net pension liability	900,824,457	735,523,053
Derivative instrument liability	214,573,706	273,981,681
Unearned revenue, less accumulated amortization of $24,685,320	10,772,869	12,281,439
Total noncurrent liabilities	7,404,903,873	7,085,021,156
Total liabilities	8,162,061,245	7,956,379,328
Deferred Inflows of Resources		
Deferred inflows of resources - pension related	30,155,237	31,954,133
Net Position		
Net position:		
Net investment in capital assets	1,947,927,058	1,714,006,541
Restricted under trust indenture agreements	389,470,553	427,583,679
Restricted for supplemental pension benefits obligations	50,575	54,049
Unrestricted	174,711,945	51,278,228
Total net position	$ 2,512,160,131	$ 2,192,922,497

See accompanying notes to the financial statements.

(Continued)

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, 2016
(With Comparative Totals for the year ended December 31, 2015)

	2016	2015
Operating revenues:		
Toll revenue	$ 1,216,298,044	$ 1,146,629,436
Toll evasion recovery	64,490,869	64,323,149
Concessions	2,253,646	2,117,517
Miscellaneous	20,240,108	15,493,528
Total operating revenues	1,303,282,667	1,228,563,630
Operating expenses:		
Engineering and maintenance of roadway and structures	106,920,897	98,064,006
Services and toll collection	179,818,194	160,233,841
Traffic control, safety patrol and radio communications	58,315,004	50,307,156
Procurement, IT, finance, and administration	48,533,427	42,135,110
Depreciation and amortization	370,336,593	328,650,467
Total operating expenses	763,924,115	679,390,580
Operating income	539,358,552	549,173,050
Nonoperating revenues (expenses):		
Revenues under intergovernmental agreements	22,293,657	79,451,042
Expenses under intergovernmental agreements	(22,293,657)	(79,451,042)
Net loss on disposal of property	(828,136)	(261,018)
Interest expense and amortization of financing costs	(241,220,736)	(214,946,627)
Bond interest subsidy (Build America Bonds)	15,131,407	15,098,919
Miscellaneous revenue	33,340	(3,937,904)
Investment income	6,763,207	1,859,314
Total nonoperating revenues (expenses), net	(220,120,918)	(202,187,316)
Income before other revenues, expenses, gains, losses, and transfers	319,237,634	346,985,734
Capital contribution under intergovernmental agreements	—	481,600
Change in net position	319,237,634	347,467,334
Net position, beginning of year	2,192,922,497	1,845,455,163
Net position, end of year	$ 2,512,160,131	$ 2,192,922,497

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, 2016
(With Comparative Totals for the year ended December 31, 2015)

		2016		2015
Cash flows from operating activities:				
Cash received from sales and services	$	1,294,488,210	$	1,227,720,342
Cash payments to suppliers		(160,417,369)		(133,097,689)
Cash payments to employees		(168,499,744)		(169,215,755)
Net cash provided by operating activities		965,571,097		925,406,898
Cash flows from capital and related financing activities:				
Acquisition and construction of capital assets		(1,286,312,235)		(1,467,516,490)
Cash received from other governments for capital assets		34,212,267		8,925,049
Cash paid for intergovernmental services		(2,700,027)		(2,648,386)
Proceeds from sale of property		699,276		238,151
Bond proceeds		711,717,366		886,864,261
Principal paid on revenue bonds		(170,525,000)		(97,795,000)
Defeased bonds		(350,000,000)		—
Bond subsidy (Build America Bonds)		15,131,407		15,098,919
Interest expense and issuance costs paid on revenue bonds		(286,436,614)		(246,651,010)
Net cash used in capital and related financing activities		(1,334,213,560)		(903,484,506)
Cash flows from investing activities:				
Proceeds from sales and maturities of investments		262,511,400		55,800,000
Purchase of investments		(1,286,618,653)		—
Interest on investments		4,706,661		1,801,955
Net cash provided by/(used in) investing activities		(1,019,400,592)		57,601,955
Net increase/(decrease) in cash and cash equivalents		(1,388,043,055)		79,524,347
Cash and cash equivalents at beginning of year		1,915,618,458		1,836,094,111
Cash and cash equivalents at end of year	$	527,575,403	$	1,915,618,458
Reconciliation of cash and cash equivalents:				
Cash and cash equivalents	$	156,759,164	$	938,208,030
Risk management reserved cash and cash equivalents		16,925,345		18,192,303
Cash and cash equivalents restricted for debt service and debt reserve		175,848,488		362,155,391
Cash and cash equivalents restricted for construction		—		422,003,298
Cash and cash equivalents – I-PASS accounts		177,917,639		174,903,373
Supplemental pension benefit assets		124,767		156,063
Total cash and cash equivalents at end of year	$	527,575,403	$	1,915,618,458
Non-cash investing and financing activities:	$	—	$	481,600
Land contribution				

See accompanying notes to the financial statements.

(Continued)

ILLINOIS STATE TOLL HIGHWAY AUTHORITY
(A Component Unit of the State of Illinois)
Statement of Cash Flows
Year ended December 31, 2016
(With Comparative Totals for the year ended December 31, 2015)

	2016	2015
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	$ 539,358,552	$ 549,173,050
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	370,336,593	328,650,467
Provision for bad debt	8,676,014	8,567,107
Amortization of unearned revenue	(1,782,921)	(1,767,787)
Miscellaneous revenue	—	344,740
Pension changes	66,603,118	32,710,851
Effects of changes in operating assets and liabilities:		
(Increase) in accounts receivable	(15,773,052)	(9,128,944)
(Increase) in intergovernmental receivables	(1,814,118)	(5,144,212)
(Increase) in prepaid expenses	(1,942,821)	153,079
(Decrease) in accounts payable	(2,044,996)	1,290,369
Increase in accrued liabilities	958,367	13,102,599
Increase in accrued compensated absences	236,616	(489,729)
Decrease in supplemental pension obligation	(27,822)	(27,822)
Increase in intergovernmental agreement payable	721,531	2,288,857
Increase in deposits - I-PASS	3,014,266	6,585,356
Increase in unearned revenue	333,643	184,001
Decrease in risk management claims payable	(1,281,873)	(1,085,084)
Net cash provided by operating activities	$ 965,571,097	$ 925,406,898

See accompanying notes to the financial statements.

(Continued)

(1) Summary of Significant Accounting Policies

The accounting policies and financial reporting practices of the Illinois State Toll Highway Authority (the Tollway), a component unit of the State of Illinois, conform to U.S. generally accepted accounting principles (GAAP), as promulgated by the Governmental Accounting Standards Board (GASB).

(a) Financial Reporting Entity

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

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

Component units are separate legal entities for which the primary government is legally accountable. The Tollway is a component unit of the State of Illinois for financial reporting purposes because exclusion would cause the State's financial statements to be incomplete. The governing body of the Tollway is an 11 member Board of Directors of which nine members are appointed by the Governor of Illinois with the advice and consent of the Illinois Senate. The Governor and the Secretary of the Illinois Department of Transportation are also members of the Tollway's Board of Directors. These financial statements are included in the State's comprehensive annual financial report and the State's separately issued basic financial statements. The Tollway itself does not have any component units.

(b) Basis of Accounting

The Tollway accounts for its operations and financings in a manner similar to private business enterprises; the intent is that costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

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

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

(c) Cash Equivalents

With the exception of $52 million in locally held funds and cash on hand at December 31, 2016, 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 or amortized cost in its Statement of Net Position with the corresponding changes in fair value being recognized as an increase or decrease to non-operating revenue in the Statement of Revenues, Expenses and Changes in Net Position. All investments are held for the Tollway either by the Treasurer as custodian or by the bond trustee under the Tollway's Trust Indenture.

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

All investments in U.S. Treasury and agency issues owned by the Tollway are reported at amortized cost. Amortized cost 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, 2016.

(e) Accounts Receivable

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

(f) Prepaid Expenses and Inventory

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

(g) Noncurrent Cash and Investments

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

(h) Capital Assets

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

Building	20 Years
Infrastructure	5 to 40 Years
Machinery, equipment and software	3 to 20 Years

(i) Accounting for Leases

The Tollway makes a distinction between 1) capital leases that effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to ownership of the leased assets and 2) operating leases under which the lessor effectively retains all such risks and benefits. The Tollway currently is not a party to any capital leases.

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

(j) Long-Term Accounts Receivable

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

(k) Debt Refunding

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

(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) Retirement Costs

Substantially all of the Tollway's employees participate in the State Employee Retirement System (SERS), a single-employer, public employee defined benefit pension plan of the State of Illinois, as more fully described in Note 12.

In accordance with GASB Statement No. 68, *Accounting and Financial Reporting for Pension - an amendment of GASB Statement No. 27,* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68,* the net pension liability, deferred outflows of resources, deferred inflows of resources and pension expense have been recognized in the Tollway's financial statements.

The net pension liability is calculated as the difference between the actuarially calculated value of the projected benefit payments attributed to past periods of service and the plan's fiduciary net position. The total pension expense is comprised of the service cost or actuarial present value of projected benefit payments attributed to the valuation year, interest on the total pension liability, plan administrative expenses, current year benefit changes, and other changes in plan fiduciary net position less employee contributions and projected earnings on plan investments.

Additionally, the total pension expense includes the annual recognition of outflows and inflows of resources due to pension assets and liabilities.

For purposes of measuring the net pension liability, deferred outflows of resources, deferred inflows of resources, expense and expenditures associated with the Tollway's contribution requirements, information about the fiduciary net position of the plan and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported within the separately issued plan financial statements. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the terms of the plan. Investments are reported at fair value.

(n) Adoption of New Accounting Pronouncements

Effective for the year ended December 31, 2016, the Tollway implemented GASB Statement No. 72, *Fair Value Measurement and Application.* This statement establishes principles for measuring and reporting assets and liabilities measured at fair value and requires certain additional disclosures, which are reported in Note 2. There was no impact on the Tollway's net position as a result of implementing GASB Statement No. 72.

(o) 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.

(p) Net Position

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

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

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

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

At December 31, 2016, 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 reflects restrictions imposed by the Tollway's Master Trust Indenture Agreements.

(q) Toll Revenue

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

(r) 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, including the Tollway's allocated share of SERS' net pension expense pursuant to GASB 68. 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 intergovernmental agreements and capital financing costs.

Employee benefits and retirement costs have been allocated to functional expense categories within these statements on the basis of gross payroll for each category of functional expense.

(s) 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.

(t) 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.

(u) Reclassifications

Certain amounts presented in the 2015 financial statements have been reclassified to conform to the 2016 presentation.

(2) Cash and Investments

(a) Custodial Credit Risk -Deposits

Custodial credit risk is the risk that an institution holding Tollway deposits may fail and expose the Tollway to a loss if the Tollway's deposits were not returned upon maturity or demand. State law (30 ILCS 230/2C) requires that all deposits of public funds be covered by FDIC insurance or eligible collateral. The Tollway has no policy that would further limit the requirements under state law. As of December 31, 2016, the Tollway's deposits were not exposed to custodial credit risk.

(b) Schedule of Investments

As of December 31, 2016, the Tollway had the following investments and maturities:

Investment Type	Fair Value or Amortized Cost	Investment Maturities (in years) Less Than 1	1 - 5
Repurchase agreements	$ 119,000,000	$ 119,000,000	$ -
Money market funds*	175,848,487	175,848,487	-
U.S. Treasury - SLGS	320,000,000	175,000,000	145,000,000
Federal Home Loan Bank	224,820,750	224,820,750	-
Federal Home Loan Mortgage Corp	599,387,500	599,387,500	-
Federal National Mortgage Association	49,899,000	49,899,000	-
Illinois Funds Money Market *	192,469,772	192,469,772	-
	$ 1,681,425,509	$ 1,536,425,509	$ 145,000,000

* Weighted average maturity is less than one year.

For purposes of the Statement of Net Position, the repurchase agreements, money market funds and Illinois Funds are classified as cash equivalents.

The Tollway categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The Tollway has the following recurring fair value measurements as of December 31, 2016:

- Federal Home Loan Bank, Federal Home Loan Mortgage Corp, and Federal National Mortgage Association investments of $874,107,250 are valued using quoted market prices (Level 1 inputs).

Repurchase agreements, money market funds, U.S. Treasury – SLGS, and Illinois funds are measured at amortized cost.

(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, as necessary to reduce the risk of loss 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 2016.

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, 2016:

	2016 (Moody's/S&P)		
Investment Type		**Fair Value or Amortized Cost**	**Rating**
Repurchase agreements	$	119,000,000	Aaa/AA+u
Money market funds		175,848,487	Aaa-mf/AAAm
US Treasury-SLGS		320,000,000	Aaa/AA+u
Federal Home Loan Bank		224,820,750	Aaa/AA+
Federal Home Loan Mortgage Corp		599,387,500	Aaa/AA+
Federal National Mortgage Association		49,899,000	Aaa/AA+
Illinois Funds Money Market		192,469,772	N/R/AAAm

(3) Accounts Receivable

The Tollway's accounts receivable consist of various toll charges and other amounts due from individuals and commercial and other entities. A provision for doubtful accounts has been recorded for estimated uncollectible amounts. As of December 31, 2016, the Tollway's accounts receivable balance consists of the following:

	Gross accounts receivables	Allowance for doubtful accounts	Net accounts receivable
Tolls	$ 14,755,592	$ (2,974,582)	$ 11,781,010
Toll evasion recovery	45,595,346	(40,764,545)	4,830,801
Oases receivables	124,501	-	124,501
Damage claims/emergency services	296,191	(275,157)	21,034
Over dimension vehicle permit	124,931	(38,291)	86,640
Fiber optic agreements	1,479,729	(1,010,599)	469,130
Other	2,393,323	(2,132,242)	261,081
Total non-governmental receivables	64,769,613	(47,195,416)	17,574,197
Various local and municipal government	81,838,548	-	81,838,548
E-Z Pass Agency Group	18,044,581	-	18,044,581
Other agencies of the state of Illinois	148,919,502	-	148,919,502
Total intergovernmental receivables	248,802,631	-	248,802,631
Total receivables	$ 313,572,244	$ (47,195,416)	$ 266,376,828

(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, 2016, the Tollway has $8.6 million in prepaid expenses. These are categorized as both current and noncurrent.

(Continued)

(5) Leases Receivable

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

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

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

The future minimum lease payments receivable under these agreements as of December 31, 2016 are as follows:

Year Ended December 31	Retail Lease	Fuel Lease	Total Leases
2017	$ 728,571	$ 900,250	$ 1,628,821
2018	728,571	900,250	1,628,821
2019	728,571	900,250	1,628,821
2020	728,571	900,250	1,628,821
2021	728,571	900,250	1,628,821
Thereafter	3,885,712	4,801,333	8,687,045
	$ 7,528,567	$ 9,302,583	$ 16,831,150

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.

(Continued)

(6) Capital Assets

Changes in capital assets for the year ended December 31, 2016 are as follows:

	Balance January 1	Additions and transfers in	Deletions and transfers out	Balance December 31
Nondepreciable capital assets:				
Land and improvements	$ 454,898,994	$ 28,805,522	$ (728,173)	$ 482,976,343
Construction in progress	1,254,798,075	1,015,058,446	(1,434,365,682)	835,490,839
Total nondepreciable capital assets	1,709,697,069	1,043,863,968	(1,435,093,855)	1,318,467,182
Depreciable capital assets				
Buildings	56,710,416	1,605,633	-	58,316,049
Infrastructure	8,199,767,035	1,520,614,248	(38,331,192)	9,682,050,091
Machinery and equipment	281,200,272	65,038,682	(10,670,573)	335,568,381
Total depreciable capital assets	8,537,677,723	1,587,258,563	(49,001,765)	10,075,934,521
Less accumulated depreciation				
Buildings	(42,026,114)	(1,058,644)	-	(43,084,758)
Infrastructure	(2,649,985,664)	(343,547,841)	38,331,192	(2,955,202,313)
Machinery and equipment	(176,079,142)	(25,083,333)	9,005,561	(192,156,914)
Total accumulated depreciation	(2,868,090,920)	(369,689,818)	47,336,753	(3,190,443,985)
Total depreciable assets, net	5,669,586,803	1,217,568,745	(1,665,012)	6,885,490,536
Total capital assets, net	$ 7,379,283,872	$ 2,261,432,713	$ (1,436,758,867)	$ 8,203,957,718

(7) Long-Term Accounts Receivable

As of December 31, 2016, long-term accounts receivable consisted of the following:

Northwest Suburban Municipal Joint Action Water Agency (NSMJAWA)	69,115,000
Illinois Department of Transportation	148,882,002
	$ 217,997,002

(8) Revenue Bonds Payable

Changes in revenue bonds payable for the year ended December 31, 2016 are as follows:

	Balance January 1*	Additions	Deletions	Balance December 31	Amounts due within one year**
1998 Series A	$ 12,200,000	$ -	$ (12,200,000)	$ -	$ -
1998 Series B	123,100,000	-	(123,100,000)	-	-
2007 Series A-1 & A-2	700,000,000	-	-	700,000,000	-
2008 Series A-1 & A-2	478,900,000	-	-	478,900,000	-
2008 Series B	350,000,000	-	(350,000,000)	-	-
2009 Series A	500,000,000	-	-	500,000,000	-
2009 Series B	280,000,000	-	-	280,000,000	-
2010 Series A-1	279,300,000	-	-	279,300,000	-
2013 Series A	500,000,000	-	-	500,000,000	-
2013 Series B-1	217,390,000	-	(35,225,000)	182,165,000	88,860,000
2014 Series A	378,720,000	-	-	378,720,000	-
2014 Series B	500,000,000	-	-	500,000,000	-
2014 Series C	400,000,000	-	-	400,000,000	-
2014 Series D	264,555,000	-	-	264,555,000	-
2015 Series A	400,000,000	-	-	400,000,000	-
2015 Series B	400,000,000	-	-	400,000,000	-
2016 Series A	-	333,060,000	-	333,060,000	-
2016 Series B	-	300,000,000	-	300,000,000	-
Totals	$ 5,784,165,000	$ 633,060,000	$ (520,525,000)	$ 5,896,700,000	$ 88,860,000
Unamortized bond premium	365,972,340	116,799,763	(25,793,665)	456,978,438	
Current portion of revenue bonds payable	(101,325,000)	(88,860,000)	101,325,000	(88,860,000)	
Revenue bonds payable, net of current portion	$ 6,048,812,340	$ 660,999,763	$ (444,993,665)	$ 6,264,818,438	

* The January 1, 2016 balances are before any payments of principal due on January 1, 2016.

** Principal amounts either due within one year or for which required third-party liquidity is expiring within one year and was not renewed prior to report issuance date. As of December 31, 2016, there was no principal outstanding for which required third-party liquidity was expiring within one year and was not renewed prior to report issuance.

(a) Series 1998B Bonds

On December 30, 1998, the Tollway issued $123,100,000 of Toll Highway Refunding Revenue Bonds, 1998 Series B (Variable Rate). The bonds refunded a portion of the Tollway's 1992 Series A Bonds and funded costs of issuance. The bonds were initially issued as weekly mode variable rate bonds and were in a weekly mode during the entire portion of 2016 in which the bonds were outstanding. While in the weekly mode the bonds were subject to optional redemption by the Tollway. On April 28, 2016, the Tollway redeemed in full the $69,200,000 principal amount of the bonds then outstanding, in advance of their January 1, 2017 scheduled maturity, at a price equal to such principal amount plus accrued interest. The purpose of the redemption was to produce savings and to reduce risks associated with third-party agreements related to the bonds. In connection with the redemption, the Tollway terminated the two variable-to-fixed interest rate exchange (swap) agreements associated with the 1998 Series B bonds. The Tollway made termination payments totaling $1,918,425 from funds on hand in connection with the swap terminations.

(b) Series 2007A Bonds

On November 1, 2007, the Tollway issued $700,000,000 of Toll Highway Variable Rate Senior Priority Revenue Bonds (2007 Series A-1 and Series A-2). This issuance was the third bond sale utilized to finance capital projects in the Congestion-Relief Program. The bonds also financed a deposit to the Debt Reserve Account and costs of issuance. The bonds were sold at par and initially issued in a weekly mode and remained in a weekly mode through fiscal year end 2016. 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 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 final maturity of each of the sub-series of bonds is July 1, 2030. The following provides additional information regarding each of those sub-series, and their respective letters of credit as of December 31, 2016.

(c) Series 2007A-1a Bonds

On March 18, 2011 the Tollway remarketed $175,000,000 of the 2007 Series A-1 Bonds as 2007 Series A-1a (the "Series 2007A-1a Bonds"). While in the weekly mode, the Series 2007A-1a Bonds are secured by a direct-pay letter of credit from Citibank, N.A. pursuant to the terms of the Letter of Credit Reimbursement Agreement dated as of March 1, 2011 between the Tollway and such bank (the "2007A-1a Credit Facility"). The 2007A-1a Credit Facility provides up to $175,000,000 for payment of principal and up to $3,595,891 for payment of interest (equivalent to 50 days' accrued interest at 15%), including for the purpose of paying the principal and interest portions of the purchase price of any bonds tendered and not remarketed. To the extent the 2007A-1a Credit Facility is utilized to purchase bonds tendered and not remarketed, and such bonds continue to fail to be remarketed, then such bonds are required to be repaid by the Authority thirteen months after the termination date of the 2007A-1a Credit Facility. The cost of the 2007A-1a Credit Facility is a per annum fee of 45 basis points times the stated amount of $178,595,891. The variable interest rate of the Series 2007A-1a Bonds as of December 31, 2016 was 0.73%. The 2007A-1a Credit Facility, which was scheduled to expire on January 31, 2017, was replaced on January 31, 2017 by a substitute credit facility with a term scheduled to expire on January 30, 2022 (see Note 21 – Subsequent Events).

(d) Series 2007A-1b Bonds

On March 18, 2011 the Tollway remarketed $175,000,000 of the 2007 Series A-1 Bonds as 2007 Series A-1b (the "Series 2007A-1b Bonds"). While in the weekly mode, the Series 2007A-1b Bonds are secured by a direct-pay letter of credit from Mizuho Bank Ltd. pursuant to the terms of the Reimbursement Agreement dated as of March 1, 2014 between the Tollway and such bank (the "2007A-1b Credit Facility"). 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 cost of the 2007A-1b Credit Facility is a per annum fee of 40 basis points times the stated amount of $178,236,302. The variable interest rate of the Series 2007A-1b Bonds as of December 31, 2016 was 0.72%. The 2007A-1b Credit Facility, which was scheduled to expire on March 16, 2017, was replaced on March 9, 2017 by a substitute credit facility with a term scheduled to expire on March 7, 2019 (see Note 21 – Subsequent Events).

(e) 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 cost of the 2007A-2a Credit Facility is a per annum fee of 42.5 basis points times the stated amount of $101,849,316. The variable interest rate of the Series 2007A-2a Bonds as of December 31, 2016 was 0.73%. The scheduled expiration of the 2007A-2a Credit Facility was extended on February 22, 2017 from March 17, 2017 to March 16, 2020 (see Note 21 – Subsequent Events).

(f) 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 BMO Harris Bank, N.A. pursuant to the terms of the Reimbursement Agreement dated as of March 1, 2011 between the Tollway and Harris N.A. (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 cost of the 2007A-2b Credit Facility is a per annum fee of 45 basis points times the stated amount of $109,488,014. The variable interest rate of the Series 2007A-2b Bonds as of December 31, 2016 was 0.72%. The 2007A-2b Credit Facility, which was scheduled to expire on March 18, 2017, was replaced on March 9, 2017 by a substitute credit facility with a term scheduled to expire on March 5, 2020 (see Note 21 – Subsequent Events).

(Continued)

(g) 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 cost of the 2007A-2c Credit Facility is a per annum fee of 37.5 basis points times the stated amount of $56,017,123. The variable interest rate of the Series 2007A-2c Bonds as of December 31, 2016 was 0.72%. The 2007A-2c Credit Facility, which was scheduled to expire on March 17, 2017, was replaced on January 31, 2017 by a substitute credit facility with a term scheduled to expire on January 30, 2022 (see Note 21 – Subsequent Events).

(h) Series 2007A-2d Bonds

On March 18, 2011 the Tollway remarketed $87,500,000 of the 2007 Series A-2 Bonds as 2007 Series A-2d (the "Series 2007A-2d Bonds"). While in the weekly mode, the Series 2007A-2d Bonds are secured by a direct-pay letter of credit from Royal Bank of Canada pursuant to the terms of the Reimbursement Agreement dated as of March 18, 2014 between the Tollway and such bank (the "2007A-2d Credit Facility"). 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 cost of the 2007A-2d Credit Facility is a per annum fee of 40 basis points times the stated amount of $89,118,151. The variable interest rate of the Series 2007A-2d Bonds as of December 31, 2016 was 0.72%. The 2007A-2d Credit Facility, which was scheduled to expire on March 17, 2017, was replaced on March 9, 2017 by a substitute credit facility with a term scheduled to expire on March 7, 2019 (see Note 21 – Subsequent Events).

(i) Series 2008A Bonds

On February 7, 2008, the Tollway issued $766,200,000 of Toll Highway Variable Rate Senior Refunding Revenue Bonds ($383,100,000 2008 Series A-1 and $383,100,000 2008 Series A-2). The bonds advance refunded $708,340,000 of the Tollway's Toll Highway Senior Priority Revenue Bonds, 2006 Series A 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 2016. 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 final maturity of each of the sub-series of bonds is January 1, 2031. The following provides additional information regarding each of those sub-series, and their respective liquidity agreements as of December 31, 2016.

(j) Series 2008A-1a Bonds

On February 7, 2011 the Tollway remarketed $191,500,000 of the 2008 Series A-1 Bonds as 2008 Series A-1a (the "Series 2008A-1a Bonds"). While in the weekly mode, liquidity support is provided for the Series 2008A-1a Bonds by a Standby Bond Purchase Agreement dated as of February 1, 2011 among the Tollway, the Trustee, and JPMorgan Chase Bank, National Association (the "2008A-1a Liquidity Facility"). The 2008A-1a Liquidity Facility provides up to $191,500,000 for payment of principal and up to $2,203,562 for payment of interest (equivalent to 35 days' accrued interest at 12%) for the purpose of paying the principal and interest portions of the purchase price of any bonds tendered and not remarketed. To the extent the 2008A-1a Liquidity Facility is utilized to purchase bonds tendered and not remarketed, and to the extent such bonds continue to remain unremarketed for 91 days, then such funded bonds are required to be repaid by the Authority in ten equal semi-annual principal installments commencing on the first business day of the sixth full month following the date 91 days after the date the bonds were purchased. The cost of the 2008A-1a Liquidity Facility is a per annum fee of 48 basis points times the commitment amount of $193,703,562. The variable interest rate of the Series 2008A-1a Bonds as of December 31, 2016 was 0.73%. The scheduled expiration of the 2008A-1a Liquidity Facility was extended on January 12, 2017 from February 3, 2017 to February 2, 2018 (see Note 21 – Subsequent Events).

(k) Series 2008A-1b Bonds

On February 7, 2011 the Tollway remarketed $191,600,000 of the 2008 Series A-1 Bonds as 2008 Series A-1b (the "Series 2008A-1b Bonds"). While in the weekly mode, liquidity support is provided for the Series 2008A-1b Bonds by a Standby Bond Purchase Agreement dated as of February 7, 2014 among the Tollway, the Trustee, and Bank of America, N.A. (the "2008A-1b Liquidity Facility"). 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 cost of the 2008A-1b Liquidity Facility is a per annum fee of 35 basis points times the commitment amount of $193,741,721. The variable interest rate of the Series 2008A-1b Bonds as of December 31, 2016 was 0.72%. The 2008A-1b Liquidity Facility, which was scheduled to expire on February 3, 2017, was replaced on February 3, 2017 by a direct purchase of the Series 2008A-1b Bonds with a term scheduled to expire on February 3, 2020 (see Note 21 – Subsequent Events).

(l) Series 2008A-2 Bonds

On February 7, 2011 the Tollway remarketed $95,800,000 of the 2008 Series A-2 Bonds (the "Series 2008A-2 Bonds"). While in the weekly mode, liquidity support is provided for the Series 2008A-2 Bonds by a Standby Bond Purchase Agreement dated as of February 1, 2011 among the Tollway, the Trustee, and JPMorgan Chase Bank, National Association (the "2008A-2 Liquidity Facility"). The 2008A-2 Liquidity Facility provides up to $95,800,000 for payment of principal and up to $1,102,357 for payment of interest (equivalent to 35 days' accrued interest at 12%) for the purpose of paying the principal and interest portions of the purchase price of any bonds tendered and not remarketed. To the extent the 2008A-2 Liquidity Facility is utilized to purchase bonds tendered and not remarketed, and to the extent such bonds continue to remain unremarketed for 91 days, then such funded bonds are required to be repaid by the Authority in ten equal semi-annual principal installments commencing on the first business day of the sixth full month following the date 91 days after the date the bonds were purchased. The cost of the 2008A-2 Liquidity Facility is a per annum fee of 48 basis points times the commitment amount of $96,902,357. The variable interest rate of the Series 2008A-2 Bonds as of December 31, 2016 was 0.75%. The scheduled expiration of the 2008A-2 Liquidity Facility was extended on January 12, 2017 from February 3, 2017 to February 2, 2018 (see Note 21 – Subsequent Events).

(m) 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. In connection with the issuance of the bonds, a Debt Reserve Account Financial Guaranty Insurance Policy in the face amount of $100,000,000 was purchased from Berkshire Hathaway Assurance Corporation for deposit in the Debt Reserve Account, which such policy expires on January 1, 2033. The bonds were sold as a term bond maturing on January 1, 2033 bearing a 5.50% interest rate and priced to yield 5.70%, which produced an Original Issue Discount of $9,142,000. The bonds are subject to optional redemption on or after January 1, 2018 at a redemption price of 100% of the principal amount plus accrued interest. The bonds are not insured. On January 14, 2016, all $350,000,000 of the 2008 Series B bonds were advance refunded in connection with the issuance of the $333,060,000 of Toll Highway Senior Revenue Bonds, 2016 Series A (Refunding).

(n) Build America Bonds

The American Recovery and Reinvestment Act of 2009 authorized the Tollway to issue taxable bonds known as “Build America Bonds” to finance capital expenditures for which it could issue tax-exempt bonds and to elect to receive a subsidy payment from the federal government equal to 35% of the amount of each interest payment on such taxable bonds. The receipt of such subsidy payments by the Tollway is subject to certain requirements, including the filing of a form with the Internal Revenue Service prior to each interest payment date. The subsidy payments are not full faith and credit obligations of the United States of America. As a result of the impact of sequestration, the federal government reduced the amount of the subsidy payments by: 8.7% for subsidies received between March 2013 and September 2013; 7.2% for subsidies received between October 2013 and September 2014; 7.3% for subsidies received between October 2014 and September 2015; 6.8% for subsidies received between October 2015 and September 2016; and 6.9% for subsidies received between October 2016 and September 2017. The Series 2009A Bonds and Series 2009B Bonds are taxable Build America Bonds. All other Tollway bonds are tax-exempt bonds.

(o) 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 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 to be redeemed, plus 30 basis points, plus, in each case, accrued interest. The bonds are subject to sinking fund redemption prior to maturity. The bonds are not insured.

(p) 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 to be redeemed, plus 25 basis points, plus, in each case, accrued interest. The bonds are not insured.

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(q) Series 2010A-1 Bonds

On July 1, 2010, the Tollway issued $279,300,000 of Toll Highway Senior Refunding Revenue Bonds, 2010 Series A-1. The bonds refunded $287,300,000 of the Tollway's $383,100,000 then-outstanding 2008 Series A-2 Bonds. The bonds also financed costs of issuance. The bonds were sold as serial bonds maturing on January 1 of each of the years 2018 through 2031 and were sold bearing interest rates ranging from 3.50% to 5.25%. The bonds were sold at yields which produced a net Original Issue Premium of $9,648,275. The bonds are subject to optional redemption on or after January 1, 2020 at a redemption price of 100% of the principal amount plus accrued interest. In connection with the refunding, the Tollway terminated a variable-to-fixed interest rate exchange (swap) agreement associated with the refunded bonds. The Tollway made a termination payment of $10,331,527 from Tollway funds on hand in connection with the swap termination.

(r) Series 2013A Bonds

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

(s) 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 Toll Highway Senior Priority Revenue Bonds, 2005 Series A. The bonds also financed costs of issuance. The bonds were sold as serial bonds maturing on December 1 of each of the years 2016 through 2018. All bonds were sold bearing a 5.0% interest rate. The bonds were sold at yields which produced an Original Issue Premium of $32,127,075. The bonds are not subject to optional redemption. The bonds were not insured. The outstanding amount of the bonds is $182,165,000.

The purpose of the refunding was to reduce debt service. The aggregate difference in debt service between the refunding debt, if outstanding through final maturity, and the refunded debt, had it remained outstanding through final maturity, net of Tollway funds on hand that were applied to the refunding transaction, was $14.4 million. The present value of such savings was estimated at $13.2 million at the time of the transaction's closing.

(Continued)

(t) Series 2014A Bonds

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

The purpose of the refunding was to reduce debt service. The aggregate difference in debt service between the refunding debt, if outstanding through final maturity, and the refunded debt, had it remained outstanding through final maturity, net of Tollway funds on hand that were applied to the refunding transaction, was $55.7 million. The present value of such savings was estimated at $44.1 million at the time of the transaction's closing.

(u) Series 2014B Bonds

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

(v) Series 2014C Bonds

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

(w) Series 2014D Bonds

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

The purpose of the refunding was to reduce debt service. The aggregate difference in debt service between the refunding debt, if outstanding through final maturity, and the refunded debt, had it remained outstanding through final maturity, net of Tollway funds on hand that were applied to the refunding transaction, was $38.4 million. The present value of such savings was estimated at $33.0 million at the time of the transaction's closing.

(x) Series 2015A Bonds

On July 30, 2015, the Tollway issued $400,000,000 of Toll Highway Senior Revenue Bonds, 2015 Series A. This issuance was the fourth 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 2037 and a term bond maturing January 1, 2040. All bonds were sold bearing a 5.0% interest rate. The bonds were sold at yields which produced an Original Issue Premium of $39,445,649. The bonds are subject to optional redemption on or after July 1, 2025 at a redemption price of 100% of the principal amount plus accrued interest. The term bond maturing January 1, 2040 is subject to sinking fund redemption prior to maturity. The bonds were not insured.

(y) Series 2015B Bonds

On December 17, 2015, the Tollway issued $400,000,000 of Toll Highway Senior Revenue Bonds, 2015 Series B. This issuance was the fifth 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 2037 and a term bond maturing January 1, 2040. All bonds were sold bearing a 5.0% interest rate. The bonds were sold at yields which produced an Original Issue Premium of $47,418,612. The bonds are subject to optional redemption on or after January 1, 2026 at a redemption price of 100% of the principal amount plus accrued interest. The term bond maturing January 1, 2040 is subject to sinking fund redemption prior to maturity. The bonds were not insured.

(z) Series 2016A Bonds

On January 14, 2016, the Tollway issued $333,060,000 of Toll Highway Senior Revenue Bonds, 2016 Series A (Refunding). The bonds advance refunded $350,000,000 of the Tollway's Toll Highway Senior Priority Revenue Bonds, 2008 Series B. The bonds also financed costs of issuance. The bonds were sold as serial bonds maturing on December 1, 2031 bearing interest rates of 4.00% and 5.00% and December 1, 2032 bearing an interest rate of 5.00%. The bonds were sold at yields which produced an Original Issue Premium of $49,635,106. The bonds are subject to optional redemption on or after January 1, 2026 at a redemption price of 100% of the principal amount plus accrued interest. The bonds were not insured.

The purpose of the refunding was to reduce debt service. The aggregate difference in debt service between the refunding debt, if outstanding through final maturity, and the refunded debt, had it remained outstanding through final maturity, net of Tollway funds on hand that were applied to the refunding transaction, was $70.0 million. The present value of such savings was estimated at $50.9 million at the time of the transaction's closing.

(aa) Series 2016B Bonds

On June 16, 2016, the Tollway issued $300,000,000 of Toll Highway Senior Revenue Bonds, 2016 Series B. This issuance was the sixth 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 2038 and a term bond maturing January 1, 2041. All bonds were sold bearing a 5.0% interest rate. The bonds were sold at yields which produced an Original Issue Premium of $59,573,902. The bonds are subject to optional redemption on or after July 1, 2026 at a redemption price of 100% of the principal amount plus accrued interest. The term bond maturing January 1, 2041 is subject to sinking fund redemption prior to maturity. The bonds were not insured.

(bb) Defeased Bonds

On January 14, 2016, the Tollway issued $333,060,000 of Toll Highway Senior Revenue Bonds, 2016 Series A (Refunding) (the "refunding bonds") in connection with the advance refunding of $350,000,000 of Toll Highway Senior Priority Revenue Bonds, 2008 Series B (the "refunded bonds"). Net proceeds from the refunding bonds were used to purchase U.S. government securities that were deposited into an irrevocable trust with an escrow agent to provide for the future interest payments on the refunded bonds through January 1, 2018 and the redemption of such refunded bonds on January 1, 2018. The refunded bonds were deemed defeased and the liability for those bonds was removed from the Statement of Net Position in 2016.

As of December 31, 2016 the principal amount of Tollway defeased bonds outstanding is $350,000,000.

(cc) All Series

Details of outstanding revenue bonds as of December 31, 2016, are as follows:

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 2009 Series A, 5.293% to 6.184%, due on January 1, 2019-2024 and 2032-2034		500,000,000
Issue of 2009 Series B, 5.851%, due on December 1, 2034		280,000,000
Issue of 2010 Series A-1, 3.50% to 5.25%, due on January 1, 2018-2031		279,300,000
Issue of 2013 Series A, 5.00%, due on January 1, 2027-2038		500,000,000
Issue of 2013 Series B-1, 5.00%, due on December 1, 2016-2018		182,165,000
Issue of 2014 Series A, 4.50% - 5.00%, due on December 1, 2019-2022		378,720,000
Issue of 2014 Series B, 5.00%, due on January 1, 2026 - 2039		500,000,000
Issue of 2014 Series C, 5.00%, due on January 1, 2027 - 2039		400,000,000
Issue of 2014 Series D, 5.00%, due on January 1, 2018 - 2025		264,555,000
Issue of 2015 Series A, 5.00%, due on January 1, 2027 - 2040		400,000,000
Issue of 2015 Series B, 5.00%, due on January 1, 2027 - 2040		400,000,000
Issue of 2016 Series A, 4.00 - 5.00%, due on December 1, 2031-2032		333,060,000
Issue of 2016 Series B, 5.00%, due on January 1, 2027-2041		300,000,000
Total	$	5,896,700,000
Unamortized bond premium		456,978,438
Current portion of revenue bonds payable *		(88,860,000)
Total long-term portion	$	6,264,818,438

*Principal amounts either due within one year or for which required third-party liquidity is expiring within one year and was not renewed prior to report issuance. As of December 31, 2016, there was no principal outstanding for which required third-party liquidity was expiring within one year and was not renewed prior to report issuance.

Accrued interest payable for the year ended December 31, 2016, was $112,388,616.

The annual requirements to retire the principal and interest amounts for all bonds outstanding at December 31, 2016, are as follows:

Year ended December 31	Principal	Interest	Total debt service
2017	$ 88,860,000	$ 289,351,587	$ 378,211,587
2018	113,160,000	283,816,252	396,976,252
2019	118,780,000	277,896,162	396,676,162
2020	134,840,000	271,694,675	406,534,675
2021	142,230,000	264,805,961	407,035,961
2022	149,090,000	257,689,766	406,779,766
2023	49,485,000	250,187,233	299,672,233
2024	208,595,000	245,036,343	453,631,343
2025	192,945,000	235,379,936	428,324,936
2026	188,650,000	227,625,470	416,275,470
2027	291,070,000	218,339,319	509,409,319
2028	252,330,000	207,272,837	459,602,837
2029	263,050,000	196,168,593	459,218,593
2030	274,295,000	184,595,565	458,890,565
2031	323,750,000	172,528,867	496,278,867
2032	303,330,000	158,674,548	462,004,548
2033	140,435,000	142,508,900	282,943,900
2034	607,205,000	128,847,902	736,052,902
2035	66,700,000	101,062,500	167,762,500
2036	357,625,000	90,454,375	448,079,375
2037	375,475,000	72,126,875	447,601,875
2038	393,900,000	52,892,500	446,792,500
2039	383,000,000	33,470,000	416,470,000
2040	337,800,000	15,450,000	353,250,000
2041	140,100,000	3,502,500	143,602,500
Total	$ 5,896,700,000	$ 4,381,378,668	$ 10,278,078,668

(dd) Capitalized Interest

In 2016, the Tollway’s total interest expense for revenue bonds equaled $284.6 million, of which $39.7 million was capitalized in respect of construction in progress.

(ee) 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 Accounts for each Project under the Indenture. 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 Maintenance and Operation Account, which is the only Account in the Revenue Fund in which bondholders do not have a security interest. Remaining revenues fund the other Accounts of the Revenue Fund in the following order of priority: the Debt Service Account, the Debt Reserve Account, the Renewal and Replacement Account, the Improvement Account, and the System Reserve Account. (The Indenture also allows for the creation of Junior Lien Bond Accounts; to date the Tollway has never issued Junior Lien Bonds.) All Accounts of the Construction Fund and the Debt Service Account and Debt Reserve Account of the Revenue Fund are held by the Trustee. The Trustee-held funds classified as net position restricted under the Trust Indenture is included in Note 11.

(ff) 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, 2016, no arbitrage rebate liability had accrued.

(9) Derivative Instruments

The fair value balances and notional amounts of derivative instruments outstanding as of December 31, 2016, classified by type, and the changes in fair value of such derivatives instruments for the year then ended as reported in the 2016 financial statements are as follows (amounts in thousands; debit (credit))

	Changes in fair value		December 31, 2016		Notional
Cash flow hedges:	Classification	Amount	Classification	Amount	Amount
Pay fixed, receive variable, interest rate swaps	Deferred outflow	$ 59,408	Derivative instrument liability	$ (214,574)	$ 1,178,875

In connection with the issuances of Tollway variable rate bonds that were outstanding for part or all of 2016, as a means of lowering its borrowing costs, the Tollway entered into nine separate variable-to-fixed interest rate exchange agreements (swaps). Per the terms of each of the swaps, the Tollway pays a fixed rate of interest to the swap provider in exchange for a variable rate of interest expected to match or closely approximate the variable rate of interest owed by the Tollway to bondholders. At the time each of the swaps was entered into by the Tollway, the Tollway's fixed rate obligation in the swap was less than the fixed rate of interest obtainable by the Tollway from issuing fixed rate bonds.

Three of the swaps became effective February 7, 2008, two of which are associated with the 2008 Series A-1 bonds and one of which is associated with the 2008 Series A-2 bonds. Four of the swaps became effective November 1, 2007, two of which are associated with the 2007 Series A-1 bonds and two of which are associated with the 2007 Series A-2 bonds. Two of the swaps became effective December 30, 1998 and were associated with the 1998 Series B bonds.

On April 28, 2016, the Tollway redeemed all $69,200,000 principal amount of 1998 Series B bonds outstanding, in advance of their January 1, 2017 scheduled maturity. In connection with the redemption, the Tollway terminated the two swaps associated with the 1998 Series B bonds. The Tollway made termination payments totaling $1,918,425 from funds on hand in connection with the swap terminations.

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

Bond Issues	Outstanding notional amount	Effective date	Swap Termination Date	Fixed rate paid	Variable rate received	Fair value as of 12/31/16	Counterparty	Estimated counterparty credit ratings (Moody's/S&P)
2007A-1	175,000	11/1/2007	7/1/2030	3.9720%	SIFMA	$ (33,231)	Citibank N.A.	A1 / A
2007A-1	175,000	11/1/2007	7/1/2030	3.9720%	SIFMA	(33,231)	Goldman Sachs Bank USA	A1 / A-
2007A-2	262,500	11/1/2007	7/1/2030	3.9900%	SIFMA	(50,350)	Bank of America, N.A.	A1 / A
2007A-2	87,500	11/1/2007	7/1/2030	3.9900%	SIFMA	(16,784)	Wells Fargo Bank, N.A.	Aa2 / AA-
2008A-1	191,550	2/7/2008	1/1/2031	3.7740%	SIFMA	(32,426)	The Bank of New York Mellon, N.A.	Aa2 / AA-
2008A-1	191,550	2/7/2008	1/1/2031	3.7740%	SIFMA	(32,426)	Deutsche Bank AG, New York Branch	A3 / BBB+
2008A-2	95,775	2/7/2008	1/1/2031	3.7640%	SIFMA	(16,126)	Bank of America, N.A.	A1 / A
Totals	$ 1,178,875					$ (214,574)		

The swap counterparty ratings included in the above chart are from Moody's Investors Service ("Moody's") and S&P Global Ratings ("S&P"), respectively.

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

The interest rate swaps do not trade on an exchange-type market with observed quotes. The mark-to-market values and expected swap cash flows were calculated using the zero coupon method as described in GASB 53. The income approach as described in GASB 72 is used to obtain the fair value of the swaps, where future amounts (the expected swap cash flows) are converted to a single current (discounted) amount, using a rate of return that takes into account the relative risk of nonperformance associated with the cash flows and time value of money. Given the observability of inputs that are significant to the entire measurements, the fair values of the transactions are categorized as Level 2.

Risks

(a) Credit Risk

Counterparty credit risk is the risk that a swap is terminated and the counterparty fails to make one or more required payments. The termination payment is a market-based payment approximating the fair value of the swap at the time of termination. The Tollway was not exposed to termination payment credit risk as of December 31, 2016 because the negative fair values of each swap would render no payments owing by the counterparties in the event of a termination. If changes in interest rates were to create positive fair values for the swaps in the future, the Tollway would be exposed to counterparty credit risk in the amount of those positive fair values. The swaps require full collateralization from the counterparty of any fair value in favor of the Tollway if: (a) the counterparty's credit rating were to fall below AA- or Aa3 by S&P or Moody's, respectively; and (b) the fair value were to exceed certain thresholds as specified in the swap agreements. If the counterparty's credit rating were to fall below A- or A3 by S&P or Moody's, respectively, then the threshold is zero, requiring full collateralization regardless of the amount of fair value. 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 seven swaps outstanding as of December 31, 2016 are with six different counterparties. The highest percentage of the total notional amount of swaps with a single counterparty is 30%.

(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 swaps associated with the Series 2007A bonds, 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 Series 2007A bonds exceed the SIFMA 7-day Municipal Swap Index. During 2016, the average interest rate paid to Series 2007A bondholders was 0.42%, compared to an average SIFMA 7-day Municipal Swap Index of 0.41%. In the case of the swaps associated with the Series 2008A bonds, 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 Series 2008A bonds exceed the SIFMA 7-day Municipal Swap Index. During 2016, the average interest rate paid to Series 2008A bondholders was 0.43%, compared to an average SIFMA 7-day Municipal Swap Index of 0.41%.

Low interest rates contributed to the negative December 31, 2016 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, 2016, 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, 2016 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, 2016 qualified for hedge accounting.

Fiscal year ending December 31,	Hedged debt Principal	Hedged debt Interest	Hedging derivative instruments - net payments	Total
2017	$ -	$ 8,561,295	$ 37,410,398	$ 45,971,694
2018	2,375,000	8,547,422	37,384,686	48,307,108
2019	2,500,000	8,529,250	37,308,710	48,337,960
2020	2,625,000	8,512,139	37,269,483	48,406,622
2021	2,750,000	8,488,193	37,104,750	48,342,943
2022	2,812,500	8,469,675	37,059,638	48,341,813
2023	2,937,500	8,448,309	36,970,309	48,356,118
2024	53,062,500	8,276,672	37,068,139	98,407,311
2025	150,062,500	7,331,286	33,330,299	190,724,085
2026	140,250,000	6,307,801	28,904,569	175,462,370
2027	202,312,500	5,056,224	24,280,475	231,649,199
2028	176,750,000	3,759,679	18,577,252	199,086,931
2029	182,687,500	2,434,600	12,719,304	197,841,404
2030	188,500,000	1,070,487	6,733,182	196,303,668
2031	69,250,000	42,935	179,504	69,472,439
	$ 1,178,875,000	$ 93,835,967	$ 422,300,698	$ 1,695,011,666

(10) Unearned Revenue

The Tollway's communications network includes a fiber optic system. Excess capacity on the fiber optic lines is leased to other organizations in order to offset the cost of the system. Since 2000, when the system was initially upgraded, the Tollway has entered into fiber optic system lease agreements with terms of twenty years. The Tollway has collected a cumulative total of $35,444,027 in upfront payments; the related revenue will be earned over the lease terms.

The total unearned revenue balance for the fiber optic system was $11,308,170 at December 31, 2016, and the amount earned was $24,671,158 through December 31, 2016.

The Tollway also invoices annual fiber optic maintenance fees. At December 31, 2016, some of these fees had been paid in advance. These have also been recorded as unearned revenue.

On October 1, 2016, 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 $1,802,000, 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 2016 has been recorded as unearned revenue.

A summary of changes in unearned revenue for the year ended December 31, 2016, is as follows:

	Balance at January 1	Current year activity	Balance at December 31	Current
Unearned revenue				
Fiber optics and co-location	$ 35,658,802	$ 320,526	$ 35,979,328	$ 2,324,139
Accumulated amortization	(22,888,237)	(1,782,921)	(24,671,158)	(1,788,838)
	12,770,565	(1,462,395)	11,308,170	535,301
Intergovernmental agreements	53,304	416,774	470,078	470,078
Accumulated amortization	-	-	-	-
	53,304	416,774	470,078	470,078
H.E.L.P. Truck advertising revenue	1,802,000	602,000	2,404,000	601,000
Accumulated amortization	(1,326,208)	(602,000)	(1,928,208)	(125,208)
	475,792	-	475,792	475,792
Totals				
Unearned revenue	37,514,106	1,339,300	38,853,406	3,395,217
Accumulated amortization	(24,214,445)	(2,384,921)	(26,599,366)	(1,914,046)
Net deferred revenue	$ 13,299,661	$ (1,045,621)	$ 12,254,040	$ 1,481,171

(11) Restricted Net Position

As of December 31, 2016, the Tollway reported the following restricted net position:

Description	December 31, 2016
Net assets restricted under Trust Indenture agreement	$ 389,470,553
Restricted for pension benefit obligation	50,575
Total	$ 389,521,128

(Continued)

(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 or System), which is a component unit of the State of Illinois reporting entity. SERS is a single-employer defined benefit public employee retirement system 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 year 2015 are also included in the state's Comprehensive Annual Financial Report (CAFR) for the year ended June 30, 2016.

As of June 30, 2016, the breakdown of employees participating or benefitting from the System, as a whole, is as follows:

Active employees	61,317
Retirees and beneficiaries currently receiving benefits	70,031
Inactive employees entitled to but not yet receiving benefits	4107

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

Benefit Provisions

SERS provides retirement benefits based on the member's final average compensation and the number of years of credited service that have been established. The retirement benefit formula available to general State employees is 1.67% for each year of covered service and 2.2% for each year of noncovered service. Alternative formula employees have a formula of 2.5% for covered service and 3.0% for noncovered service. The maximum retirement annuity payable is 75% of final average compensation as calculated under the regular formula. The maximum retirement annuity payable is 80% of final average compensation as calculated under the alternative formula.

The minimum monthly retirement annuity payable is $15 for each year of covered employment and $25 for each year of noncovered employment.

Participants in SERS under the regular formula Tier 1 and Tier 2 receive the following levels of benefits based on their respective age and years of service credits.

Regular Formula Tier 1	Regular Formula Tier 2
A member must have a minimum of eight years of service credit and may retire at: • Age 60, with 8 years of service credit. • Any age, when the member's age (years & whole months) plus years of service credit (years & whole months) equal 85 years (1,020 months) (Rule of 85) with eight years of credited service. • Between ages 55-60 with 25-30 years of service credit (reduced 1/2 of 1% for each month under age 60). The retirement benefit is based on final average compensation and credited service. Final average compensation is the 48 highest consecutive months of service within the last 120 months of service. Under the Rule of 85, a member is eligible for the first 3% increase on January 1 following the first full year of retirement, even if the member is not age 60. If the member retires at age 60 or older, he/she will receive a 3% pension increase every year on January 1, following the first full year of retirement. If the member retires before age 60 with a reduced retirement benefit, he/she will receive a 3% pension increase every January 1 after the member turns age 60 and has been retired at least one full year. These pension increases are not limited by the 75% maximum.	A member must have a minimum of 10 years of credited service and may retire at: • Age 67, with 10 years of credited service. • Between ages 62-67 with 10 years of credited service (reduced 1/2 of 1% for each month under age 67). The retirement benefit is based on final average compensation and credited service. For regular formula employees, final average compensation is the average of the 96 highest consecutive months of service within the last 120 months of service. The retirement benefit is calculated on a maximum salary of $106,800. This amount increases annually by 3% or one-half of the Consumer Price Index, whichever is less. If the member retires at age 67 or older, he/she will receive a pension increase of 3% or one-half of the Consumer Price Index for the preceding calendar year, whichever is less, every year on January 1, following the first full year of retirement. The salary limits for calendar year 2016 is $111,572. If the member retires before age 67 with a reduced retirement benefit, he/she will receive a pension increase of 3% or 1/2 of the Consumer Price Index for the preceding calendar year, whichever is less, every January 1 after the member turns age 67 and has been retired at least one full year. These pension increases are not limited by the 75% maximum.

Additionally, the Plan provides an alternative retirement formula for State employees in high-risk jobs, such as State policemen, fire fighters, and security employees. Employees qualifying for benefits under the alternative formula may retire at an earlier age depending on membership in Tier 1 or Tier 2. The retirement formula is 2.5% for each year of covered service and 3.0% for each year of non-covered service.

SERS also provides occupational and nonoccupational (including temporary) disability benefits. To be eligible for nonoccupational (including temporary) disability benefits, an employee must have at least eighteen months of credited service to the System. The nonoccupational (including temporary) disability benefit is equal to 50% of the average rate of compensation of the employee on the date of removal from the payroll. Occupational disability benefits are provided when the member becomes disabled as a direct result of injuries or diseases arising out of and in the course of State employment. The monthly benefit is equal to 75% of the average rate of compensation on the date of removal from the payroll. This benefit amount is reduced by Workers' Compensation or payments under the Occupational Diseases Act.

Occupational and nonoccupational death benefits are also available through the System. Certain nonoccupational death benefits vest after eighteen months of credited service. Occupational death benefits are provided from the date of employment.

Contributions

Contribution requirements of active employees and the State are established in accordance with Chapter 40, section 5/14-133 of the Illinois Compiled Statutes. Member contributions are based on fixed percentages of covered payroll ranging between 4% and 12.50%. Employee contributions are fully refundable, without interest, upon withdrawal from State employment. Tier 1 members contribute based on total annual compensation. Tier 2 members contribute based on an annual compensation rate not to exceed $111,572 for 2016 with limitations for future years increased by the lessor of 3% or one-half of the annual percentage increase in the Consumer Price Index.

The State is required to make payment for the required departmental employer contributions, all allowances, annuities, any benefits granted under Chapter 40, Article 5/14 of the ILCS and all administrative expenses of the System to the extent specified in the ILCS. State law provides that the employer contribution rate be determined based upon the results of each annual actuarial valuation.

For fiscal year 2016, the required employer contributions were computed in accordance with the State's funding plan. This funding legislation provides for a systematic 50-year funding plan with an ultimate goal to achieve 90% funding of the plan's liabilities. In addition, the funding plan provided for a 15-year phase-in period to allow the State to adapt to the increased financial commitment. Since the 15-year phase-in period ended June 30, 2010, the State's contribution will remain at a level percentage of payroll, recomputed annually, for the next 35 years until the 90% funded level is achieved. For state fiscal year 2016, the employer contribution rate was 45.598%. For state fiscal year 2017, the employer contribution rate was 44.568%. The Tollway's contribution amount for calendar year 2016 was $50,197,749.

The Tollway has made all required contributions through December 31, 2016.

Pension Liability, Deferred Outflows of Resources, Deferred Inflows of Resources, and Expense Related to Pensions

GASB Statement No. 68, as amended by GASB Statement No. 71, requires that SERS produce an allocation of net pension liability and pension expense and to recognize proportionate shares for the primary government and component units, including the Tollway.

At December 31, 2016, the Tollway reported a liability of $900,824,457 for its allocated share of the State's net pension liability for SERS on the statement of net position. The net pension liability was measured as of June 30, 2016 (current year measurement date), and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Tollway's portion of the net pension liability was based on the Tollway's proportion of employer contributions relative to all employer contributions made to the plan during the year ended June 30, 2016. As of the current year measurement date of June 30, 2016, the Tollway's proportion was 2.6382%, which was an increase of .0121% from its proportion of 2.6261% measured as of the prior year measurement date of June 30, 2015.

Change in the net pension liability allocated to the Tollway for the year ended December 31, 2016 is as follows:

	Balance January 1	Additions	Deletions	Balance December 31	Amounts due within one year
Net Pension Liability	$ 735,523,053	$ 214,084,123	$ (48,782,719)	$ 900,824,457	$ -

For the year ended December 31, 2016, the Tollway recognized pension expense of $115.4 million. This expense is higher than the statutory actual contributions made by the Tollway, due to the implementation of GASB Statement No. 68. At December 31, 2016, the Tollway reported deferred outflows and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 1,379,147	22,029,310
Changes in assumptions	138,466,893	-
Net difference between projected and actual investment earnings on pension plan investments	19,124,356	-
Changes in proportion and differences between Tollway contributions and proportionate share of contributions	14,481,517	8,125,927
Tollway contributions subsequent to the measurment date	24,964,488	-
	$ 198,416,401	30,155,237

(Continued)

The $ 24.9 million reported as deferred outflow of resources related to pensions resulting from Tollway contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2017.

Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ending		
12/31/2017	$	50,125,278
12/31/2018		39,239,626
12/31/2019		31,576,425
12/31/2020		22,355,347
Total	$	143,296,676

Actuarial Methods and Assumptions

The total pension liability was determined by an actuarial valuation as of June 30, 2016, using the following actuarial assumptions, applied to all periods included in the measurement:

Mortality: 105 percent of the RP2014 Healthy Annuitant mortality table, sex distinct, with generational mortality improvements using the MP-2014 two-dimensional mortality improvement scales recently released by the Society of Actuaries.

Inflation: 2.75%

Investment Rate of Return: 7.00%, net of pension plan investment expense, including inflation.

Salary increases: Salary increase rates based on age related productivity and merit rates plus inflation.

Post-retirement benefit increases of 3.00%, compounded, for Tier 1 and the lessor of 3.00% or one-half of the annual increase in the Consumer Price Index for Tier 2.

Retirement Age: Experience-based table of rates specific to the type of eligibility condition. Table was last updated for the June 30, 2014, valuation pursuant to an experience study of the period July 1, 2009 to June 30, 2013.

The long-term expected real rate of return on pension plan investments was determined based on the simulated average 20-year annualized geometric return for each major asset class. These returns are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage. For each major asset class that is included in the pension plan's target asset allocation, calculated as of the measurement date of June 30, 2016, the 20 year simulated real rates of return are summarized in the following table:

	Asset Allocation	
	Target Allocation	**20 Year Simulated Rate of Return**
U.S. Equity	23.0%	5.8%
Developed Foreign Equity	13.0%	6.1%
Emerging Market Equity	7.0%	8.5%
Private Equity	9.0%	7.4%
Hedge Funds	3.0%	3.6%
Intermediate Investment Grade Bonds	11.0%	1.6%
Long-Term Government Bonds	3.0%	1.6%
TIPS	5.0%	1.3%
High Yield and Bank Loans	5.0%	4.8%
Opportunistic Debt	4.0%	4.8%
Emerging Market Debt	2.0%	4.1%
Real Estate	10.0%	4.5%
Infrastructure	5.0%	5.9%
Total	100.0%	5.0%

Discount Rate

A discount rate of 6.64% was used to measure the total pension liability as of June 30, 2016. This single blended discount rate was based on the expected rate of return on pension plan investments of 7.00% and a municipal bond rate of 2.85%, based on an index of 20 year general obligation bonds with an average AA credit rating as published by the Federal Reserve. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that contributions will be made at rates equal to the difference between the statutory contributions and the member rate. Based on these assumptions, the pension plan's fiduciary net position and future contributions were sufficient to finance the benefit payments through the year 2072 at June 30, 2016. As a result, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the year 2072, and the municipal bond rate was applied to all benefit payments after that date.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The net pension liability for the plan was calculated using a single discount rate of 6.64%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate as shown below as of June 30, 2016:

	June 30, 2016		
	1% decrease 5.64%	**Current Discount Rate**	**1% increase 7.64%**
Tollway's net pension liability	$1,087,210,175	$900,824,457	$748,728,274

Payables to the Pension Plan

At December 31, 2016, the Tollway had no payable to SERS for outstanding contributions to the pension plans.

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, 2016, 1057 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, 2016, the Tollway contributed $4,192,543 towards the state's current cost of benefits.

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

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

(13) Risk Management

The Tollway has a self-insured risk program for workers' compensation claims, and is liable to pay all approved claims. Claims liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Claims liabilities include non-incremental claims adjustment expenses. The estimated liabilities for workers' compensation claims of $16,881,063 and incurred but not reported employee health claims of $428,844 as of December 31, 2016, 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
2016	$	18,289,098	$	4,900,821	$	6,308,856	$	16,881,063	$	6,309,000
2015	$	19,386,483	$	6,271,420	$	7,368,805	$	18,289,098	$	7,400,000

Health insurance:

Year		Estimated claims payable January 1		Current claims		Claims payments		Estimated claims payable December 31		Current Portion
2016	$	370,609	$	9,214,154	$	9,155,919	$	428,844	$	428,844
2015	$	358,309	$	9,547,026	$	9,534,726	$	370,609	$	370,609

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, 2016 are as follows:

	Balance at January 1	Accrued	Used	Balance at December 31	Due within one year
2016	$ 9,559,353	$ 6,666,809	$ 6,430,193	$ 9,795,969	$ 6,500,000

(15) Pledges of Future Revenues

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

		December 31, 2016		
Bond issue	**Purpose**		**Future pledged revenues**	**Term of commitment**
2007 Series A-1 & A-2 Variable Rate Senior Priority Revenue Bonds	Fund Congestion Relief Program	$	1,021,843,589	2030
2008 Series A-1 & A-2 Variable Rate Senior Refunding Revenue Bonds	Refund 2006A Bonds		673,195,004	2031
2009 Series A Senior Priority Revenue Bonds (Build America Bonds - Direct Payment)	Fund Congestion Relief Program		945,284,910	2034
2009 Series B Senior Priority Revenue Bonds (Build America Bonds - Direct Payment)	Fund Congestion Relief Program		574,890,400	2034
2010 Series A-1 Senior Priority Refunding Revenue Bonds	Refund 2008A Bonds		435,779,090	2031
2013 Series A Senior Revenue Bonds	Fund Move Illinois Program		970,499,750	2038
2013 Series B-1 (Refunding) Senior Revenue Bonds	Refund 2005A Bonds		195,938,500	2018
2014 Series A (Refunding) Senior Revenue Bonds	Refund 2005A Bonds		465,042,300	2022
2014 Series B Senior Revenue Bonds	Fund Move Illinois Program		993,625,000	2039
2014 Series C Senior Revenue Bonds	Fund Move Illinois Program		791,400,000	2039
2014 Series D (Refunding) Senior Revenue Bonds	Refund 2006A Bonds		345,736,875	2025
2015 Series A Senior Revenue Bonds	Fund Move Illinois Program		827,482,500	2040
2015 Series B Senior Revenue Bonds	Fund Move Illinois Program		827,482,500	2040
2016 Series A (Refunding) Senior Revenue Bonds	Refund 2008B Bonds		583,553,250	2032
2016 Series B Senior Revenue Bonds	Fund Move Illinois Program		626,325,000	2041
		$	10,278,078,668	

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 32 percent of the currently projected pledged net revenue (incorporating approved, as of December 31, 2016, future toll rate increases for commercial vehicles). The total principal and interest remaining to be paid on the bonds is $10.3 billion. Principal and interest paid in the current year and total pledged net revenues were $390 million and $990 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, 2016.

(16) Commitments

At December 31, 2016, the remaining obligations against current contracts open for capital programs for CRP and Move Illinois totaled $712.4 million. The Tollway plans to fund remaining payments under these contracts through revenues, accumulated cash and bond issue proceeds.

(17) Pending Litigation

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

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

(18) Contingent Liabilities

A contingent liability is defined as a liability that is not sufficiently predictable to permit recording in the accounts but in which there is a reasonable possibility of an outcome which might affect financial position or results of operations. It is the opinion of management that the Tollway has no contingent liabilities as of December 31, 2016.

(19) New Governmental Accounting Standards

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

Statement No. 73 – *Pensions Not Administered through Trusts* - This Statement establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, *Accounting and Financial Reporting for Pensions*. This statement is effective for fiscal years beginning after June 15, 2015. This statement had no impact on the Tollway’s financial statements.

Statement No. 74 – *Financial Reporting for Postemployment Benefit Plans other than Pension Plans* – This statement establishes standards for the financial reports of defined benefit OPEB plans administered through trusts that meet specific criteria. The standard requires plans to present a statement of fiduciary net position, as well as a statement of changes in net position. The standard also requires more extensive note disclosures and required supplementary information related to significant assumptions and other inputs used in the measurements of OPEB liabilities. This statement is effective for fiscal years beginning after June 15, 2016. Management has not yet determined the impact of this statement on its financial statements.

Statement No. 75 – *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension Plans*- This statement requires the Tollway to report a liability on the face of the financial statements for the OPEB it provides and identifies the methods and assumptions that are required to be used to project benefit payments, discounted benefit payments to their actuarial present value and attribute that present value to periods of employee service. This statement established standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, expenses, and expenditures and identifies the note disclosure and RSI reporting requirements. This statement is effective for fiscal years beginning after June 15, 2017. Management has not yet determined the impact of this statement on its financial statements.

Statement No. 76 – *The Hierarchy of GAAP for State and Local Governments* - The “GAAP hierarchy” consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and non-authoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. This statement is effective for the Tollway’s year ended December 31, 2016. The adoption of this standard did not have a material impact on the Tollway’s financial statements.

Statement No. 77 – *Tax Abatement Disclosures* – This statement requires governments that enter into tax abatement agreements to disclose specific information about the nature and magnitude of tax abatements to make these transactions more transparent to financial statement users. The Tollway does not enter into tax abatement agreements; thus, this statement has no impact on the Tollway’s financial statements.

Statement No. 78 – *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*-This statement amends Statement No. 68 to establish requirements for recognition and measurement of pension expense for pensions provided through certain cost-sharing multiple-employer defined benefit plans. This statement does not apply to the Tollway.

Statement No. 79 – *Certain Investment Pools and Pool Participants* – This statement establishes criteria for external investment pools to qualify to elect to measure its investments at amortized cost. This statement does not have a material impact on the Tollway’s financial statements.

Statement No. 80 – *Blending Requirements for Certain Component Units* – This statement amends the blending requirements of Statement No. 14 for component units that are incorporated as not-for-profit corporations. This statement does not apply to the Tollway.

Statement No. 81 – *Irrevocable Split-Interest Agreements* –This statement establishes the required accounting for resources received pursuant to a split-interest agreement. This statement does not apply to the Tollway.

(Continued)

Statement No. 82 –*Pension Issues – an Amendment of GASB Statements No. 67, 68 and 73* – This statement amends the definition of covered payroll on which contributions to a pension plan are based, clarifies that a deviation from the guidance in an Actuarial Standard of Practice is not considered to be in conformity with Statements No. 67, 68 or 73, and clarifies that employer contributions on behalf of members should be classified as plan member contributions. This statement is effective for fiscal years beginning after June 15, 2017. Management has not yet determined the impact of this statement on its financial statements.

Statement No. 83 – *Certain Asset Retirement Obligations* – This statement addresses accounting and financial reporting for certain asset retirement obligations. It is not anticipated that this statement will apply to the Tollway.

Statement no. 84 – *Fiduciary Activities* – This statement establishes criteria for identifying fiduciary activities that should be reported in a fiduciary fund. This statement is effective for fiscal years beginning after December 15, 2018. Management has not yet determined the impact of this statement on its financial statements.

Statement No 85 – *Omnibus 2017* – This statement addresses a variety of practice issues that have been identified during implementation of certain GASB Statements. This statement is effective for fiscal years beginning after June 15, 2017. Management has not yet determined the impact of this statement on its financial statements.

Statement No. 86 – *Certain Debt Extinguishment issues* – This statement provides guidance for in-substance defeasance of debt in which cash and other monetary assets acquired with existing resources are placed in an irrevocable trust for the sole purpose of extinguishing debt. This statement is effective for fiscal years beginning after June 15, 2017. Management has not yet determined the impact of this statement on its financial statements.

(20) Related Parties

The Tollway has entered into various intergovernmental agreements with the State of Illinois, through the Illinois Department of Transportation (IDOT). Intergovernmental receivables of approximately $148.9 million are recorded at December 31, 2016, representing construction projects performed by the Tollway that pertain to the infrastructure owned by IDOT. Accrued liabilities totaling approximately $84.2 million are recorded for amounts owed to IDOT for construction projects IDOT has performed for infrastructure assets owned by the Tollway.

(21) Subsequent Events

Effective January 1, 2017, a toll rate increase for commercial vehicles took effect. The rate increase was approved by the Tollway Board of Directors in 2008 and affirmed in 2011.

On January 12, 2017, the Tollway, the Trustee, and JPMorgan Chase Bank, N.A. executed an amendment extending the 2008A-1a Liquidity Facility supporting the $191,500,000 Series 2008A-1a Bonds from February 3, 2017 to February 2, 2018.

On January 12, 2017, the Tollway, the Trustee, and JPMorgan Chase Bank, N.A. executed an amendment extending the 2008A-2 Liquidity Facility supporting the $95,800,000 Series 2008A-2 Bonds from February 3, 2017 to February 2, 2018.

On January 31, 2017, Landesbank Hessen-Thüringen Girozentrale, acting through its New York Branch, replaced Citibank, N.A. as provider of a Credit Facility supporting the $175,000,000 Series 2007A-1a Bonds. The stated expiration date of the replacement Credit Facility is January 30, 2022.

On January 31, 2017, Landesbank Hessen-Thüringen Girozentrale, acting through its New York Branch, replaced The Northern Trust Company as provider of a Credit Facility supporting the $55,000,000 Series 2007A-2c Bonds. The stated expiration date of the replacement Credit Facility is January 30, 2022.

On February 3, 2017, the Tollway entered into a Remarketing Agreement with RBC Capital Markets, LLC and a Bondholder Agreement with RBC Municipal Products, LLC, whereby RBC Capital Markets, LLC purchased the $191,600,000 Series 2008A-1b Bonds for placement with RBC Municipal Products, LLC until February 3, 2020.

On February 22, 2017, The Bank of Tokyo-Mitsubishi UFJ, Ltd. extended the 2007A-2a Credit Facility supporting the $100,000,000 Series 2007A-2a Bonds from March 17, 2017 to March 16, 2020.

On March 9, 2017, Bank of America, N.A. replaced Mizuho Bank, Ltd. 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 7, 2019.

On March 9, 2017, PNC Bank, N.A. replaced BMO Harris Bank, N.A. as provider of a Credit Facility supporting the $107,500,000 Series 2007A-2b Bonds. The stated expiration date of the replacement Credit Facility is March 5, 2020.

On March 9, 2017, Bank of America, N.A. replaced Royal Bank of Canada 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 7, 2019.

On April 27, 2017 the Tollway Board of Directors approved a modification to its 2012-2026 capital program known as the Move Illinois Program. The modification is primarily related to the Central Tri-State portion of the Program, and is estimated to increase the approximate total cost of the Program from $12 billion to $14 billion.

The Tollway has been notified by the U.S. Treasury of a 6.9% reduction in U.S. Treasury subsidies of Build America Bond interest payments for the federal fiscal year ending September 30, 2017. This reduction is expected to reduce the subsidy payments received by the Tollway for the Series 2009B interest payment due June 1, 2017 and the Series 2009A interest payment due July 1, 2017 by a total amount of $560,422.

REQUIRED SUPPLEMENTARY INFORMATION

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

Schedule of Illinois Tollway's Proportionate Share
of the Net Pension Liability of SERS (Unaudited)
Year ended December 31, 2016

Last 10 Fiscal Years**

	SERS Fiscal Year Ended June 30,		
	2016	**2015**	**2014**
Tollway's proportion of the net pension liability*	2.6382%	2.6261%	2.6826%
Tollway's proportionate share of the net pension liability, pursuant to GASB 68 reporting requirments	$ 900,824,457	$ 733,523,053	$ 727,079,026
Tollway's covered employee payroll	111,478,841	112,947,877	110,979,470
Tollway's proportionate share of the net pension liability as a percentage of its covered-employee payroll	808.07%	649.44%	655.15%
Plan fiduciary net position as a percentage of the total pension liability	30.58%	35.27%	34.98%

* The Tollway's portion of the net pension liability was based on the Tollway's proportion of employer contributions relative to all employer contributions made to the plan during the year ended June 30, 2016.

**GASB 68 requires disclosure of this information over a 10 year period. However, since GASB 68 was just implemented in 2015, applicable information is only available for the three years presented.

See accompanying independent auditors’ report.

ILLINOIS STATE TOLL HIGHWAY AUTHORITY

(A Component Unit of the State of Illinois)

Schedule of Contributions to SERS Pension Plan (Unaudited)

Year ended December 31, 2016

Year Ended		Actuarially Determined Contribution		Actual Contribution*		Contribution Deficiency (Excess)		Covered Payroll	Actual Contribution as a % of Covered Payroll
6/30/16	$	53,283,494	$	50,197,749	$	3,085,745	$	111,478,841	45.03%
6/30/15		53,713,047		48,299,509		5,413,538		112,947,877	42.76%
6/30/14		52,494,228		44,751,713		7,742,515		110,979,470	40.32%

Note: The amounts presented represent amounts reported in SERS financial statements for fiscal years 2016, 2015 and 2014. GASB 68 requires disclosure of this information over a 10 year period. However, since GASB 68 was just implemented in 2015, applicable information is only available for the three years presented.

Actuarially determined contributions are calculated as of June 30th, which is 6 months prior to the beginning of the fiscal year in which the contributions will be made.

*Actual contributions were equal to the statutorily required contribution.

See accompanying independent auditors' report.

Schedule 3

ILLINOIS STATE TOLL HIGHWAY AUTHORITY
(A Component Unit of the State of Illinois)
Schedule of Changes in Fund Balance – by Fund
Trust Indenture Basis of Accounting (Non GAAP)
Year ended December 31, 2016

	Revenue fund	Construction fund	Total
Increases:			
Toll revenue	$ 1,216,298,044	$ —	$ 1,216,298,044
Toll evasion recovery	64,490,869	—	64,490,869
Concessions	2,253,646	—	2,253,646
Interest	6,529,527	233,681	6,763,208
Miscellaneous	9,227,672	—	9,227,672
Total increases	1,298,799,758	233,681	1,299,033,439
Decreases:			
Engineering and maintenance of roadway and structures	53,649,567	—	53,649,567
Services and toll collection	109,853,849	—	109,853,849
Traffic control, safety patrol, and radio communications	27,256,135	—	27,256,135
Procurement, IT, finance and administration	25,731,583	—	25,731,583
Insurance and employee benefits	92,747,724	—	92,747,724
Construction	1,158,760,566	—	1,158,760,566
Construction expense reimbursed by bond proceeds	(763,758,045)	763,758,045	—
Bond principal payments	170,525,000	—	170,525,000
Net funds applied to refunding	(555,999)	—	(555,999)
Build America bond subsidy	(15,131,407)	—	(15,131,407)
Bond interest and other financing costs	292,854,283	—	292,854,283
Total decreases	1,151,933,256	763,758,045	1,915,691,301
Net increases (decreases)	146,866,502	(763,524,364)	(616,657,862)
Bond proceeds	16,640,010	342,933,892	359,573,902
Bond issuance costs	—	(1,411,717)	(1,411,717)
	16,640,010	341,522,175	358,162,185
Change in fund balance	163,506,512	(422,002,189)	(258,495,677)
Fund balance, January 1	1,025,434,662	422,002,189	1,447,436,851
Fund balance, December 31	$ 1,188,941,174	$ —	$ 1,188,941,174

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

See accompanying independent auditors' report.

Schedule 3

ILLINOIS STATE TOLL HIGHWAY AUTHORITY

(A Component Unit of the State of Illinois)

Schedule of Changes in Fund Balance – by Fund

Trust Indenture Basis of Accounting (Non GAAP)

Year ended December 31, 2015

	Revenue fund	Construction fund	Total
Increases:			
Toll revenue	$ 1,146,629,436	$ —	$ 1,146,629,436
Toll evasion recovery	64,323,149	—	64,323,149
Concessions	2,117,517	—	2,117,517
Interest	1,846,445	12,869	1,859,314
Miscellaneous	5,546,834	—	5,546,834
Total increases	1,220,463,381	12,869	1,220,476,250
Decreases:			
Engineering and maintenance of roadway and structures	55,476,770	—	55,476,770
Services and toll collection	101,415,350	—	101,415,350
Traffic control, safety patrol, and radio communications	24,958,011	—	24,958,011
Procurement, IT, finance and administration	23,850,677	—	23,850,677
Insurance and employee benefits	92,778,364	—	92,778,364
Construction	1,513,515,226	—	1,513,515,226
Construction expense reimbursed by bond proceeds	(895,315,685)	895,315,685	—
Bond principal payments	134,605,000	—	134,605,000
Net funds applied to refunding	—	—	—
Build America bond subsidy	(15,098,919)	—	(15,098,919)
Bond interest and other financing costs	261,914,644	—	261,914,644
Total decreases	1,298,099,438	895,315,685	2,193,415,123
Net increases (decreases)	(77,636,057)	(895,302,816)	(972,938,873)
Bond proceeds	47,106,497	839,757,763	886,864,260
Bond issuance costs	—	(3,598,084)	(3,598,084)
	47,106,497	836,159,679	883,266,176
Change in fund balance	(30,529,560)	(59,143,137)	(89,672,697)
Fund balance, January 1	1,055,964,222	481,145,326	1,537,109,548
Fund balance, December 31	$ 1,025,434,662	$ 422,002,189	$ 1,447,436,851

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

See accompanying independent auditors' report.

ILLINOIS STATE TOLL HIGHWAY AUTHORITY
(A Component Unit of the State of Illinois)
Schedule of Changes in Fund Balance – Revenue Fund – by Account
Trust Indenture Basis of Accounting (Non GAAP)
Year ended December 31, 2016

	Revenue fund and accounts							
		Maintenance and operations						
	Revenue account	Operating sub account	Operating reserve sub account	Debt service	Debt service reserve	Renewal and replacement	Improvement	Total
Increases:								
Toll revenue	$ 1,216,298,044	$ —	$ —	$ —	$ —	$ —	$ —	$ 1,216,298,044
Toll evasion recovery	64,490,869	—	—	—	—	—	—	64,490,869
Concessions	2,253,646	—	—	—	—	—	—	2,253,646
Interest	2,422,803	—	—	241,466	1,643,214	845,345	1,376,699	6,529,527
Miscellaneous	9,227,672	—	—	—	—	—	—	9,227,672
Intrafund transfers	(1,299,910,327)	309,706,768	—	383,055,769	—	300,000,000	307,147,790	—
Total increases	(5,217,293)	309,706,768	—	383,297,235	1,643,214	300,845,345	308,524,489	1,298,799,758
Decreases:								
Engineering and maintenance of roadway and structures	—	53,649,567	—	—	—	—	—	53,649,567
Services and toll collection	—	109,853,848	—	—	—	—	—	109,853,848
Traffic control, safety patrol, and radio communications	—	27,256,135	—	—	—	—	—	27,256,135
Procurement, IT, finance and administration	—	25,731,583	—	—	—	—	—	25,731,583
Insurance and employee benefits	—	92,747,724	—	—	—	—	—	92,747,724
Construction expenses	—	—	—	—	—	298,786,776	859,973,790	1,158,760,566
Construction expenses reimbursed by bond proceeds	—	—	—	—	—	—	(763,758,045)	(763,758,045)
Bond principal payments	—	—	—	170,525,000	—	—	—	170,525,000
Gain/loss on defeased bonds	—	—	—	—	—	—	—	—
Build America bond subsidy	—	—	—	(15,131,407)	—	—	—	(15,131,407)
Interest and other financing costs	—	—	—	292,647,386	206,897	—	—	292,854,283
Total decreases	—	309,238,857	—	448,040,979	206,897	298,786,776	96,215,745	1,152,489,254
Net increase (decrease)	(5,217,293)	467,911	—	(64,743,744)	1,436,317	2,058,569	212,308,744	146,310,503
Bond proceeds	—	—	—	—	16,640,010	—	—	16,640,010
Net funds applied to refunding	—	—	—	695,139	(139,140)	—	—	555,999
Change in fund balance	(5,217,293)	467,911	—	(64,048,605)	17,937,187	2,058,569	212,308,744	163,506,512
Fund balance, January 1	18,140,002	12,131,044	27,400,000	88,764,904	352,586,131	279,767,721	246,644,860	1,025,434,662
Fund balance, December 31	$ 12,922,709	$ 12,598,955	$ 27,400,000	$ 24,716,299	$ 370,523,318	$ 281,826,290	$ 458,953,604	$ 1,188,941,174

See accompanying independent auditors' report.

Schedule 4

ILLINOIS STATE TOLL HIGHWAY AUTHORITY

(A Component Unit of the State of Illinois)

Schedule of Changes in Fund Balance – Revenue Fund – by Account

Trust Indenture Basis of Accounting (Non GAAP)

Year ended December 31, 2015

	Revenue fund and accounts							
		Maintenance and operations						
	Revenue account	Operating sub account	Operating reserve sub account	Debt service	Debt service reserve	Renewal and replacement	Improvement	Total
Increases:								
Toll revenue	$ 1,146,629,436	$ —	$ —	$ —	$ —	$ —	$ —	$ 1,146,629,436
Toll evasion recovery	64,323,149	—	—	—	—	—	—	64,323,149
Concessions	2,117,517	—	—	—	—	—	—	2,117,517
Interest	109,603	—	—	13,072	1,137,424	311,545	274,801	1,846,445
Miscellaneous	5,546,834	—	—	—	—	—	—	5,546,834
Intrafund transfers	(1,208,304,419)	309,444,200	—	353,021,688	—	240,000,000	305,838,531	—
Total increases	10,422,120	309,444,200	—	353,034,760	1,137,424	240,311,545	306,113,332	1,220,463,381
Decreases:								
Engineering and maintenance of roadway and structures	—	55,476,770	—	—	—	—	—	55,476,770
Services and toll collection	—	101,415,350	—	—	—	—	—	101,415,350
Traffic control, safety patrol, and radio communications	—	24,958,011	—	—	—	—	—	24,958,011
Procurement, IT, finance and administration	—	23,850,677	—	—	—	—	—	23,850,677
Insurance and employee benefits	—	92,778,364	—	—	—	—	—	92,778,364
Construction expenses	—	—	—	—	—	297,343,385	1,216,171,841	1,513,515,226
Construction expenses reimbursed by bond proceeds	—	—	—	—	—	—	(895,315,685)	(895,315,685)
Bond principal payments	—	—	—	134,605,000	—	—	—	134,605,000
Gain/loss on defeased bonds	—	—	—	—	—	—	—	—
Build America bond subsidy	—	—	—	(15,098,919)	—	—	—	(15,098,919)
Interest and other financing costs	—	—	—	261,707,747	206,897	—	—	261,914,644
Total decreases	—	298,479,172	—	381,213,828	206,897	297,343,385	320,856,156	1,298,099,438
Net increase (decrease)	10,422,120	10,965,028	—	(28,179,068)	930,527	(57,031,840)	(14,742,824)	(77,636,057)
Bond proceeds	—	—	—	—	47,106,497	—	—	47,106,497
Interfund transfer -to meet DSR Requirements	—	—	—	(128,828)	128,828	—	—	—
Change in fund balance	10,422,120	10,965,028	—	(28,307,896)	48,165,852	(57,031,840)	(14,742,824)	(30,529,560)
Fund balance, January 1	7,717,882	1,166,016	27,400,000	117,072,800	304,420,279	336,799,561	261,387,684	1,055,964,222
Fund balance, December 31	$ 18,140,002	$ 12,131,044	$ 27,400,000	$ 88,764,904	$ 352,586,131	$ 279,767,721	$ 246,644,860	$ 1,025,434,662

See accompanying independent auditors' report.

(1) Summary of Significant Accounting Policies

The 1999 Amended and Restated Trust Indenture (the Trust Indenture) requires the Tollway to provide separate funds for construction (Construction Fund) and for operations (Revenue Fund), which funds are not annually appropriated by the Illinois General Assembly. The Trust Indenture permits the Tollway to create additional accounts for the purpose of more precise accounting. The Illinois State Treasurer holds monies for the Tollway as ex-officio custodian and has recorded these monies in a custodian account. This account is part of the Maintenance and Operation Account within the Revenue Fund.

Prior to fiscal year 2005, the Tollway issued separate financial statements, prepared on the basis of accounting described below, in order to demonstrate compliance with the requirements of the Trust Indenture (Trust Indenture Statements). Beginning in 2005, the Tollway has included schedules, prepared on the basis of accounting described below, in the supplementary information section of this report. The Tollway believes that these schedules, along with the GAAP basis financial statements contained in this report, are sufficient to demonstrate compliance with the requirements of the Trust Indenture. As a result, separate Trust Indenture Statements are no longer prepared. Certain items in the presentation of the Trust Indenture information contained herein vary from the presentation previously used in the Trust Indenture Statements. In addition, the schedules contained in this section of the report present only the Revenue Fund and the Construction Fund. Previously, the Trust Indenture Statements included “Infrastructure and Long-term Debt of Accounts,” which was optional reporting allowed under the Trust Indenture.

(a) Basis of Accounting

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

The major differences are as follows:

1. Capital construction and asset acquisitions are charged against fund balance as incurred. In addition, there is no provision for depreciation.
2. Monies received from sale of assets are recorded as revenue when the cash is received.
3. Monies received for long term fiber optic leases are recorded as revenue when received.
4. Principal retirements on revenue bonds are expensed when paid. The results of defeasement are accounted for as revenue or expense at the time of the transaction.
5. Bond proceeds (including premiums) are recorded as income in the year received. Amounts received from refunding issuances, if any, are recorded net of transfers to the escrow agent.
6. Unrealized gains and losses on Debt Reserve invested funds are netted against interest and other financing costs.

7. Capital lease obligations are not recorded. Payments under capital leases are expensed in the period payments are made.

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

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

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

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

12. Prepaid expenses are recorded only if refundable for trust indenture.

13. The provisions of GASB 68 regarding net pension liability and deferred outflows and inflows of resources are not reflected in the trust indenture statements. Pension expense reflects the statutory contributions required under Chapter 40, section 5/14 of the Illinois Compiled Statutes.

Therefore, the accompanying Schedules of Changes in Fund Balance by Fund, which are prepared in accordance with the aforementioned accounting principles, are not intended to, and do not, present the financial position or the results of operations in accordance with accounting principles generally accepted in the United States of America.

A description of the individual accounts within the Revenue Fund and Construction Fund, as well as the required distribution of revenues collected, is as follows:

(b) The Revenue Fund

All revenues received by the Tollway other than investment income shall be delivered by the Tollway to the Treasurer, for deposit in the Revenue Fund. On or before the 20th day of each month the Treasurer shall, at the direction of the Tollway, transfer or apply the balance as of such date of transfer in the Revenue Fund not previously transferred or applied in the following order of priority:

A. To the Operating Sub-Account, operating expenses set forth in the annual budget for the fiscal year in an amount equal to one-twelfth of the total approved budget, less all other amounts previously transferred by the Treasurer for deposit to the credit of the Operating Sub-Account during that fiscal year, less the balance, if any, which was on deposit to the credit of the Operating Sub-Account on December 31 of the preceding fiscal year.

B. To the Operating Reserve Sub-Account, the amount specified by the Tollway, but not to exceed thirty percent of the amount annually budgeted for operating expenses.

C. To the Interest Sub-Account, an amount equal to interest due on unpaid bonds, plus one-sixth of the difference between the interest payable on bond and interest due within the next six months.

D. To the Principal Sub-Account, an amount equal to any principal due plus one-twelfth of any principal of such outstanding senior bonds payable on the next principal payment date.

E. To the Redemption Sub-Account, an amount for each bond equal to one-twelfth of any sinking fund installment of outstanding bonds payable within the next twelve months.

F. To the Provider Payment Sub-Account, amounts as provided in any supplemental indenture for paying costs of credit enhancement or qualified hedge agreements for bonds or for making reimbursements to providers of credit enhancement or qualified hedge agreements for bonds.

G. To the Debt Service Reserve Account, an amount sufficient to cause the balance in it to equal the debt reserve requirement and to make reimbursement to providers of reserve account credit facilities.

H. To the Junior Bond Debt Service or Junior Bond Debt Reserve Account, any amounts required by supplemental indentures.

I. To the Renewal and Replacement Account, one-twelfth the portion of the renewal and replacement amount set forth in the annual budget for the fiscal year.

J. The balance of such amounts in the Revenue Funds are to be applied as follows:

   1) To the credit of the Improvement Account for allocation to a project as determined by the Tollway in its sole discretion, until the balance in the Account is equal to the improvement requirement or a lesser amount as the Tollway may from time to time determine.

   2) To the credit of the System Reserve Account, the entire amount remaining in the Revenue Fund after depositing or allocating all amounts required to be deposited to the credit of the above Accounts and Sub-Accounts.

(c) Maintenance and Operation Account

The Maintenance and Operation Account consists of the Operating Sub-Account and the Operating Reserve Sub-Account. Moneys in the Operating Sub-Account are applied to operating expenses at the direction of the Tollway.

Revenues are transferred to the Operating Sub-Account to cover the expenses set forth in the annual budget for the current fiscal year. One-twelfth of the operating expenses outlined in the annual budget are transferred to this account once a month. Revenue is recorded on an accrual basis and as such may not be available for allocation until the cash is collected.

The Operating Reserve Sub-Account receives or retains an amount not to exceed 30% of the amount budgeted for operating expenses in the annual budget for the current fiscal year. Monies in the Operating Reserve Sub-Account are held as a reserve for the payment of operating expenses and are to be withdrawn if moneys are not available to the credit of the Operating Sub-Account to pay operating expenses.

If the Tollway determines that the amount in the Operating Reserve Sub-Account exceeds that amount necessary, the excess will be withdrawn from such Sub-Account and applied as revenues. By resolution, the Board voted to maintain a $27.4 million fund balance in this account.

(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. There were no balances or activity in the System Reserve Accounts during 2016.

(Continued)

(h) The Construction Fund

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

(2) Miscellaneous

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

Components of Interest and Other Financing Costs – 2016

	Debt Service	Debt Reserve	Total
Bond interest expense	$ 284,562,246	-	284,562,246
Other financing costs	8,085,140	206,897	8,292,037
	$ 292,647,386	206,897	292,854,283

Other Information:

- Construction and other capital expenses for Renewal and Replacement and Improvement include accrued expenses.
- Bond Interest expense includes accrued interest payable at December 31.
- In November 2008 the Tollway purchased a $100 million surety bond. This policy is being amortized over the life of the bonds (24.1 years). The amortization is shown in the debt reserve column above.
- Cash and investment balances held by the Trustee at December 31, 2016, are $129.4 million in the Debt Service accounts and $366.5 million in the Debt Reserve account.
- Insurance and Employee Benefits includes expense for retirement, workers compensation, the employer portion of FICA, and medical insurance.

Schedule 5

ILLINOIS STATE TOLL HIGHWAY AUTHORITY

(A Component Unit of the State of Illinois)
Schedule of Toll Revenue by Class of
Vehicles (Unaudited)
Years ended December 31, 2016

	2016			2015		
	Average daily transactions*		**Revenue****	**Average daily transactions***		**Revenue****
Class of vehicle:						
1. Auto, motorcycle, taxi, station wagon, ambulance, single-unit truck, or tractor: 2 axles, 4 tires	2,250,390	$	686,846,389	2,130,737	$	662,719,826
2. Single-unit truck or tractor, buses: 2 axles, 6 tires	43,607		31,634,523	40,884		28,778,088
3. Trucks and buses with 3 and 4 axles	46,575		53,863,847	44,466		48,994,725
4. Trucks with 5 or more axles, other vehicles and toll adjustments	205,577		443,953,285	199,298		406,136,797
Total	2,546,149	$	1,216,298,044	2,415,385	$	1,146,629,436

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

See accompanying independent auditors' report.

Schedule 6

ILLINOIS STATE TOLL HIGHWAY AUTHORITY

(A Component Unit of the State of Illinois)

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

Trust Indenture Basis (Non-GAAP)

Year ended December 31, 2016

	Balance January 1, 2016	Additions	Deletions[2]	Balance December 31, 2016
Land and improvements	$ 454,898,994	$ 28,805,523	$ (728,173)	$ 482,976,344
Buildings	56,710,416	1,605,633	—	58,316,049
Infrastructure	7,987,902,358	1,480,843,385	(38,331,192)	9,430,414,551
Vehicles	48,773,583	10,771,347	(4,409,219)	55,135,711
Office equipment	39,661,258	5,642,004	(1,742,275)	43,560,987
Information systems	192,765,431	48,625,332	(4,519,080)	236,871,683
Construction in progress	1,254,798,075	1,015,058,446	(1,434,365,682)	835,490,839
Total capital assets	$ 10,035,510,115	$ 2,591,351,670	$ (1,484,095,621)	$ 11,142,766,164

	Balance January 1, 2015	Additions	Deletions[2]	Balance December 31, 2015
Land and improvements	$ 389,297,651	$ 65,601,343	$ —	$ 454,898,994
Buildings	56,235,616	474,800	—	56,710,416
Infrastructure	7,228,536,379	899,347,788	(139,981,809)	7,987,902,358
Vehicles	46,418,427	3,376,525	(1,021,369)	48,773,583
Office equipment	37,291,671	2,803,435	(433,848)	39,661,258
Information systems	170,855,071	23,368,335	(1,457,975)	192,765,431
Construction in progress	817,322,173	1,297,798,897	(860,322,995)	1,254,798,075
Total capital assets	$ 8,745,956,988	$ 2,292,771,123	$ (1,003,217,996)	$ 10,035,510,115

(1) Prepared in accordance with the Trust Indenture (non-GAAP), infrastructure assets do not include capitalized interest totaling $251.6 million and $211.9 million as of December 31, 2016 and 2015, respectively.

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

(3) No depreciation is reflected in this schedule.

See accompanying independent auditors' report.

Schedule 7

ILLINOIS STATE TOLL HIGHWAY AUTHORITY
(A Component Unit of the State of Illinois)
Rehabilitation Repair and Replacement Program (Unaudited)
Trust Indenture Basis (Non-GAAP)
Years ended December 31, 2000 through 2016

		Total funds credited [1]
Year:		
2000	$	87,517,692
2001		91,073,256
2002		121,375,438
2003		157,366,445
2004		157,375,682
2005		204,609,580
2006		186,545,035
2007		198,331,687
2008		1,907,175
2009		161,463,238
2010		206,096,487
2011		174,192,997
2012		300,660,937
2013		200,364,611
2014		200,208,079
2015		240,311,545
2016		300,845,345
	$	2,990,245,229

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

See accompanying independent auditors' report.

Schedule 8

ILLINOIS STATE TOLL HIGHWAY AUTHORITY

(A Component Unit of the State of Illinois)
Summary of Operating Revenues, Maintenance and Operating
Expenses, Net Operating Revenues and Debt Service Coverage
Trust Indenture Basis (Unaudited)
Years ended December 31, 2007 through December 31, 2016
(Amounts in thousands)

	2016[7]	2015[6]	2014[5]	2013[4]	2012	2011	2010	2009[3]	2008	2007
Operating revenue:										
Toll revenue	$ 1,216,298	$ 1,146,629	968,972	$ 943,152	$ 922,390	$ 652,674	$ 628,754	$ 592,063	$ 583,647	$ 572,093
Toll evasion recovery	64,491	64,323	53,769	54,221	32,599	33,268	34,924	54,829	77,654	10,080
Concession and other revenue	11,481	7,664	12,373	11,537	7,377	10,410	7,332	7,960	6,832	5,775
Interest income[1]	6,529	1,846	1,041	866	1,389	1,064	1,750	3,200	22,980	49,846
Total operating revenue	1,298,799	1,220,462	1,036,155	1,009,776	963,755	697,416	672,760	658,052	691,113	637,794
Maintenance and operating expenses:										
Engineering and maintenance	53,650	55,477	47,614	43,225	39,144	43,667	45,627	47,895	43,899	44,834
Toll services	109,854	101,415	107,326	106,321	93,590	88,737	88,580	91,541	100,464	79,538
Police, safety and communication	27,256	24,958	27,606	22,551	22,808	23,061	22,811	22,650	21,895	21,247
Procurement, IT, finance and administration	25,731	23,851	24,192	19,138	19,971	20,522	22,165	20,605	18,382	24,262
Insurance and employee benefits	92,748	92,778	91,082	86,278	77,544	69,988	71,674	72,494	59,635	52,414
Total expenses	309,239	298,479	297,820	277,513	253,057	245,975	250,857	255,185	244,275	222,295
Net operating revenues	$ 989,560	$ 921,983	738,335	$ 732,263	$ 710,698	$ 451,441	$ 421,903	$ 402,867	$ 446,838	$ 415,499
Total debt service[2][3]	$ 387,933	$ 358,846	308,443	$ 297,708	$ 250,253	$ 249,960	$ 248,108	$ 173,319	$ 198,429	$ 172,284
Net revenues after debt service[2]	$ 601,627	$ 563,137	429,892	$ 434,555	$ 460,455	$ 201,481	$ 173,795	$ 229,548	$ 248,409	$ 243,215
Debt service coverage[2]	2.55	2.56	2.39	2.46	2.84	1.81	1.70	2.32	2.25	2.41

(1) – Excludes interest income on construction funds.

(2) – Includes synthetic fixed interest rates as determined under swap agreements for 1993 Series B, 1998 Series B, 2007 Series A and 2008 Series A. See note 8 for specifics.

(3) – In January 2009 the Tollway early retired the 1993B bonds ($44.4 million of principal) from existing funds. The amount is not shown as part of the Total Debt Service above.

(4) – In August, 2013 the Tollway advance refunded a portion of the 2005 A bonds

(5) – In February, 2014 the Tollway advance refunded a portion of the 2005 A bonds
In December, 2014 the Tollway advance refunded the remainder of the Tollway's outstanding 2006 A-1 bonds

(6) – On July 1, 2015, the Tollway redeemed $ 36.81 million principal amount of 2005 A bonds, in advance of their January 1, 2016, scheduled maturity.

(7) – In January, 2016, the Tollway advance refunded all of the 2008B bonds.

(7) – In April, 2016, the Tollway redeemed $69.2 million principal amount of 1998B in advance of their January 1, 2017, scheduled maturity.

See accompanying independent auditors’ report.

Schedule 9

ILLINOIS STATE TOLL HIGHWAY AUTHORITY

(A Component Unit of the State of Illinois)

Annual Toll Transactions

Passenger and Commercial Vehicles (Unaudited)

For selected years from 1959 to 2016

(Transactions in thousands)

	Passenger	Commercial	Total	Percentage passenger
Year:				
1959	37,884	5,050	42,934	88.24%
1969	146,476	14,488	160,964	91.00%
1979	268,051	42,606	310,657	86.29%
1989	428,745	57,193	485,938	88.23%
1999	648,269	71,835	720,104	90.02%
2000	664,002	72,308	736,310	90.18%
2001	687,856	76,429	764,285	90.00%
2002	715,073	77,763	792,836	90.19%
2003	693,507	108,096	801,603	86.52%
2004	714,120	109,025	823,145	86.76%
2005	695,378	85,068	780,446	89.10%
2006	678,535	85,590	764,125	88.80%
2007	696,055	92,237	788,292	88.30%
2008	688,516	89,366	777,882	88.51%
2009	694,837	80,516	775,353	89.62%
2010	730,797	86,286	817,083	89.44%
2011	743,195	89,633	832,828	89.24%
2012	711,680	92,100	803,780	88.54%
2013	720,513	95,529	816,042	88.29%
2014	737,238	101,041	838,279	87.95%
2015	777,719	103,896	881,615	88.22%
2016	823,643	108,248	931,891	88.38%

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

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

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

In 2007, the Tollway opened the 355 South extension.

In 2016, the Tollway opened the Illinois Route 390 tollway.

See accompanying independent auditors' report.

Schedule 10

ILLINOIS STATE TOLL HIGHWAY AUTHORITY

(A Component Unit of the State of Illinois)
Annual Toll Revenues
Passenger and Commercial Vehicles (Unaudited)
For selected years from 1959 to 2016
(Dollars in thousands)

	Passenger	Commercial	Total	Percentage passenger
Year:				
1959	$ 11,943	$ 2,593	$ 14,536	82.16%
1969	46,872	8,803	55,675	84.19%
1979	73,048	24,068	97,116	75.22%
1989	155,394	57,387	212,781	73.03%
1999	259,448	73,178	332,626	78.00%
2000	268,277	75,668	343,945	78.00%
2001	276,724	78,050	354,774	78.00%
2002	276,763	86,472	363,235	76.19%
2003	275,751	101,703	377,454	73.06%
2004	287,218	104,368	391,586	73.35%
2005	341,352	239,090	580,442	58.81%
2006	324,556	242,943	567,499	57.19%
2007	321,008	251,085	572,093	56.11%
2008	335,653	247,994	583,647	57.51%
2009	334,520	257,543	592,063	56.50%
2010	348,946	279,808	628,754	55.50%
2011	354,186	298,488	652,674	54.27%
2012	615,957	306,433	922,390	66.78%
2013	622,349	320,803	943,152	65.99%
2014	630,556	338,416	968,972	65.07%
2015	662,720	483,909	1,146,629	57.80%
2016	686,846	529,452	1,216,298	56.47%

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

Due to the changed rate structures implemented in 2005, 2012, 2015 and 2016, the percentage of revenues from passenger vehicles decreased in 2005, 2015 and 2016, and increased in 2012.

See accompanying independent auditors' report.

Schedule 11

ILLINOIS STATE TOLL HIGHWAY AUTHORITY

(A Component Unit of the State of Illinois)

Operating Revenues, Maintenance and Operating

Expenses and Net Operating Revenues[1] (Unaudited)

For selected years from 1964 to 2016

(Dollars in thousands)

	Operating revenue	Maintenance and operating expenses	Net operating revenues
Year:			
1959	$ 14,974	$ 4,709	$ 10,265
1969	57,395	13,015	44,380
1979	100,436	39,733	60,703
1989	254,734	85,065	169,669
1999	366,092	146,881	219,211
2000	398,215	150,372	247,843
2001	389,827	160,565	229,262
2002	381,329	166,009	215,320
2003	430,804	187,300	243,504
2004	423,427	198,302	225,125
2005	613,034	205,575	407,459
2006	606,954	213,510	393,444
2007	637,794	222,295	415,499
2008	691,113	244,275	446,838
2009	658,052	255,185	402,867
2010	672,760	250,857	421,903
2011	697,416	245,975	451,441
2012	963,755	253,058	710,697
2013	1,009,776	277,512	732,264
2014	1,036,156	297,821	738,335
2015	1,220,463	298,479	921,984
2016	1,298,810	309,239	989,571

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

See accompanying independent auditors' report.

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

Supplemental Information for State Compliance Purposes Summary

December 31, 2016

Summary

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

Fiscal Schedules and Analysis:

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

Analysis of Operations

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

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

Schedule 12

ILLINOIS STATE TOLL HIGHWAY AUTHORITY

(A Component Unit of the State of Illinois)

Schedule of Cash and Cash Equivalents Balances

December 31, 2016

(With summary totals for 2015)

	Carrying amount	Financial institution balances
Cash (unrestricted):		
Currency and coin on hand:		
Change funds at toll plazas and administrative building	$ 580,400	$ 580,400
Petty cash	1,500	1,500
Cash in banks:		
Bank of America – New segments account	25,670,864	25,247,562
Bank of America – Revolving accounts	8,655,244	8,079,740
Bank of America – Treasurer account*	2,729,920	967,236
Bank of America – Risk Management Account	16,925,345	16,925,345
Illinois Funds - EPAY	4,567	81,836
Cash equivalents (unrestricted):		
Certificates of deposits – Treasurer accounts*	95,000	95,000
Wells Fargo – Investments – Treasurer accounts*	119,000,000	119,000,000
Wells Fargo – Checking	21,672	21,672
Total cash and cash equivalents (unrestricted)	173,684,512	171,000,291
Cash (restricted):		
Bank of America – Restricted for I-PASS accounts	(14,552,133)	171,242
Illinois Funds - Restricted for I-PASS Accounts	192,469,772	192,469,772
Total restricted for I-PASS Accounts	177,917,639	192,641,014
Cash equivalents (restricted):		
Restricted for debt service:		
Money market accounts:		
BNY Mellon		
Debt reserve	46,459,331	366,459,331
Debt service	127,546,501	127,546,501
Provider payment	1,842,656	1,842,656
Total restricted for debt service	175,848,488	495,848,488
Northern Trust – Pension benefit asset	124,767	124,767
Total cash and cash equivalent (restricted)	353,890,894	688,614,269
Total cash and cash equivalents at December 31, 2016	$ 527,575,406	$ 859,614,560
Total cash and cash equivalents at December 31, 2015**	$ 1,216,016,690	$ 1,211,850,309

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

**The December 31, 2015 cash and cash equivalents have been reclassified to remove investments from cash and cash equivalents to conform with the 2016 presentation.

See accompanying independent auditors' report.

Schedule 13

ILLINOIS STATE TOLL HIGHWAY AUTHORITY
(A Component Unit of the State of Illinois)
Schedule of Commodities Inventory
December 31, 2016

		2016
Location:		
Central warehouse	$	913,289
Maintenance buildings		8,951,181
Electrical shops		885,277
Central sign shop		1,403,813
Carpenter shop		220,896
Central garage		491,771
Pool car garage		29,462
Total commodities inventory at December 31, 2016	$	12,895,689

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

See accompanying independent auditors' report.

Schedule 14

ILLINOIS STATE TOLL HIGHWAY AUTHORITY
(A Component Unit of the State of Illinois)
Schedule of Accounts Receivable
December 31, 2016 and 2015

	Aging				Allowance for	
	0-180 days	**181-365 days**	**Over one year**	**Gross total**	**doubtful accounts**	**Net receivables**
Tolls	$ 12,314,035	1,159,304	1,282,253	14,755,592	(2,974,582)	11,781,010
Toll evasion recovery – Tolls	5,419,953	4,303,158	35,872,235	45,595,346	(40,764,545)	4,830,801
Oases	124,501	-	-	124,501	-	124,501
Damage claims	21,654	32,077	242,460	296,191	(275,157)	21,034
Overdimension vehicle permits	90,535	3,020	31,376	124,931	(38,291)	86,640
Fiber optic	483,835	271,197	724,697	1,479,729	(1,010,599)	469,130
Other	266,725	88,103	2,038,495	2,393,323	(2,132,242)	261,081
Subtotal – accounts receivable	18,721,238	5,856,859	40,191,516	64,769,613	(47,195,416)	17,574,197
E-Z Pass Agency Group	18,044,581	-	-	18,044,581	-	18,044,581
Illinois Department of Transportation	37,500	-	148,882,002	148,919,502	-	148,919,502
Other governments	12,710,324	13,224	69,115,000	81,838,548	-	81,838,548
Subtotal – Governmental agency receivables	30,792,405	13,224	217,997,002	248,802,631	-	248,802,631
Total receivables at December 31, 2016	$ 49,513,643	5,870,083	258,188,518	313,572,244	(47,195,416)	266,376,828
Total receivables at December 31, 2015	$ 51,279,446	4,260,025	254,034,876	309,574,347	(39,254,276)	270,320,071

See accompanying independent auditors' report.

Schedule 15

ILLINOIS STATE TOLL HIGHWAY AUTHORITY

(A Component Unit of the State of Illinois)

Schedule of Changes in Capital Assets

Year ended December 31, 2016

Fixed assets by type	Balance January 1	Additions and transfers in	Deletions and transfer out	Balance December 31
Cafeteria Equipment	$ 12,688	$ —	$ —	$ 12,688
Office furn. and fixtures	10,648,353	9,685	(24,971)	10,633,067
Data proc. equipment	114,995,926	33,047,729	(3,413,611)	144,630,044
Cash handling	137,214	92,680	(67,605)	162,289
Telecommunication	1,442,012	—	(5,310)	1,436,702
Toll collection	13,616,634	182,301	(1,032,554)	12,766,381
Garage and shop	1,960,807	94,251	(50,628)	2,004,430
Bldg. and bldg. maintenance	53,415	—	—	53,415
Bldg. and bldg. maintenance	124,776	—	—	124,776
Police autos	6,509,458	2,766,383	(1,725,585)	7,550,256
Police car equipment	8,483	—	—	8,483
Trucks	38,298,287	7,465,853	(2,683,634)	43,080,506
Roadway equipment	14,489,348	3,514,871	(1,666,676)	16,337,543
Total equipment	202,297,401	47,173,753	(10,670,574)	238,800,580
Infrastructure	7,987,902,358	1,480,843,385	(38,331,192)	9,430,414,551
Buildings	56,710,416	1,605,633	—	58,316,049
Land and land improvements	454,898,994	28,805,523	(728,173)	482,976,344
Construction in progress	1,254,798,075	1,015,058,446	(1,434,365,682)	835,490,839
Capitalized interest	211,864,677	39,770,863	—	251,635,540
CCTV Cameras, Digital Carmeras	9,057,367	—	—	9,057,367
CCTV Cameras, Digital Cameras - Infor	3,714,511	32,287	—	3,746,798
Various machinery and equipment - vehicles	3,957,354	539,111	—	4,496,465
Various machinery and equipment	3,314,505	2,023,197	—	5,337,702
Toll collection equipment	2,183,673	4,048	—	2,187,721
Reciprocity server (IAG)	299,590	—	—	299,590
Next generation network	6,126,300	1,487,879	—	7,614,179
TIMS	4,323,326	—	—	4,323,326
Web and e-commerce	3,953,501	—	—	3,953,501
Disaster recovery	3,292,788	—	—	3,292,788
Contingency software	78,727	—	—	78,727
RITE system/ATS	36,188,481	14,752	—	36,203,233
Unisys mainframe	1,303,550	13,763,656	—	15,067,206
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	143,409	—	—	143,409
Consolidate customer service	148,868	—	—	148,868
Total capital assets	$ 10,247,374,792	$ 2,631,122,533	$ (1,484,095,621)	$ 11,394,401,704

See accompanying independent auditors' report.

Schedule 16

ILLINOIS STATE TOLL HIGHWAY AUTHORITY

(A Component Unit of the State of Illinois)

Explanation of Significant Variations in Asset Accounts*

Years ended December 31, 2016 and 2015

Assets	December 31 2016	December 31 2015	Increase (decrease)	Percentage change
Cash and cash equivalents - unrestricted, current	$ 156,759,167	$ 238,606,262	$ (81,847,095)	-34%
Cash and cash equivalents - debt service, restricted,current	129,389,157	183,467,919	(54,078,762)	-29%
Investments - unrestricted, current	874,107,250	699,601,768	174,505,482	25%
Cash and cash equivalents - debt reserve, restricted, non-current	46,459,331	178,687,472	(132,228,141)	-74%
Investments - restricted, non-current	320,000,000	170,000,000	150,000,000	88%
Cash and cash equivalents - construction	-	422,003,298	(422,003,298)	-100%
Net loss on bond refundings	90,067,310	62,856,712	27,210,598	43%
Deferred outflows related to pensions	198,416,401	101,517,012	96,899,389	95%

Cash and cash equivalents - unrestricted	The Tollway moved investments from overnight repurchase agreements, which were classified as cash equivalents, to U.S. Government agency investments.
Cash and cash equivalents - debt service	Three bond issues were redeemd in 2016.
Investments- unrestircted,current	The Tollway moved investments from overnight repurchase agreements, which were classified as cash equivalents, to U.S. Government agency investments.
Cash and cash equivalents - debt reserve, restricted, non-current	Funds invested in US Treasury SLG's increased at 12/31/16.
Investments - restricted, non-current	Funds invested in US Treasury SLG's increased at 12/31/16.
Investments - unrestricted, non-current	The Tollway began investing in longer term investments, resulting in a portion of unrestricted cash and cash equivalents being classified as non-current as of 12/31/16.
Cash and cash equivalents - construction	The proceeds of bonds issued to fund the capital program have been expended.
Net loss on bond refundings	The 2008 B bonds were refunded in 2016, resulting in a loss on refunding.
Deferred outflows related to pensions	The Tollway's allocation of the State of Illinois' deferred outflows related to pension liability under GASB 68 increased in 2016.

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

See accompanying independent auditors' report.

Schedule 17

ILLINOIS STATE TOLL HIGHWAY AUTHORITY
(A Component Unit of the State of Illinois)
Explanation of Significant Variations in Liability Accounts*
Years ended December 31, 2016 and 2015

Liabilities and Deferred Inflows	December 31 2016	December 31 2015	Increase (decrease)	Percentage change
Accounts payable	$ 18,948,176	$ 53,898,570	$ (34,950,394)	-65%
Accrued liabilities	170,843,516	221,769,427	(50,925,911)	-23%
Deposits and retainage	68,182,628	95,193,672	(27,011,044)	-28%
Net pension liability	900,824,457	735,523,053	165,301,404	22%

Accounts Payable	Timing of purchases and invoice payments resulted in lower accounts payable at year end.
Accrued liabilities	Timing of purchases and invoice payments resulted in lower accrued liabilities at year end.
Deposits and retainage	Due to the timing of contract closeouts, the amount of retainage decreased at year end.
Net pension liability	The Tollway's allocation of the State of Illinois' net pension liability under GASB 68 increased.

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

See accompanying independent auditors' report.

Schedule 18

ILLINOIS STATE TOLL HIGHWAY AUTHORITY
(A Component Unit of the State of Illinois)
Explanation of Significant Variations in Revenues and Expenses*
Years ended December 31, 2016 and 2015

Revenues/expenses	December 31 2016	December 31 2015	Increase (decrease)	Percentage change
Intergovernmental agreement revenue and expense	$ 22,293,657	$ 79,451,042	$ (57,157,385)	-72%

Intergovernmental agreement revenue and expense — The timing of completion of construction contracts under the "Move Illinois" program impacts the recognition of revenue and expense.

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

See accompanying independent auditors’ report.

Tollway Functions and Planning Program

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

The Tollway's predecessor, the Illinois State Toll Highway Commission, issued revenue bonds totaling $493,250,000 to finance the original three toll highways. During 1974, the Tollway completed the westward extension of the Ronald Reagan Memorial Tollway (formerly the East-West Extension) of the toll highway system. In 1992 the Tollway completed the Veterans Memorial Tollway (formerly the North-South). In 2007, the Tollway completed the South extension of the Veterans Memorial Tollway. Since 1985 the following bonds have been issued:

- 1985, $167,200,000, Refunding revenue bonds to advance refund $204,354,000 of the 1955 series bonds.
- 1986, $400,825,000, Priority revenue bonds to pay the cost of construction of the North-South Tollway, an expansion of the State toll highway system;
- 1987, $139,145,000, Refunding revenue bonds to advance refund $117,115,000 of the 1985 refunding bonds;
- 1992, $459,650,000, Priority revenue bonds to pay the cost of construction of the Tri-State Tollway Widening Project;
- 1993, $387,345,000, Refunding revenue bonds to advance refund $342,290,000 of 1985, 1986, and 1992 series bonds;
- 1996, $148,285,000, Refunding revenue bonds to advance refund $144,300,000 of 1986 and 1987 series bonds;
- 1998, $325,135,000, Refunding revenue bonds to advance refund $313,105,000 of 1992 series bonds;
- 2005, $770,000,000, Priority revenue bonds to pay a portion of the costs of the Congestion Relief Program.
- 2006, $1,000,000,000, Priority revenue bonds to pay a portion of the costs of the Congestion Relief Program.
- 2007, $700,000,000, Variable Rate Senior Priority Revenue Bonds to pay a portion of the costs of the Congestion Relief Program.
- 2008 A, $766,200,000, Variable Rate Senior Priority Revenue Bonds to advance refund all of the $500,000,000 2006 Series A-2 Bonds and $208,340,000 of the 2006 Series A-1 Bonds.
- 2008 B, $350,000,000, Priority revenue bonds to pay a portion of the costs of the Congestion Relief Program.
- 2009 A, $500,000,000, Priority revenue bonds (Taxable) to pay a portion of the costs of the Congestion Relief Program.

(Continued)

- 2009 B, $280,000,000, Priority revenue bonds (Taxable) to pay the costs of the Congestion Relief Program.
- 2010, $279,300,000, Senior Refunding Revenue Bonds to advance refund $287,300,000 2008 Series A-2 Bonds.
- 2013 A, $500,000,000, Senior Revenue Bonds to pay a portion of costs of the Move Illinois Program.
- 2013 B, $217,390,000, Senior Refunding Bonds to advance refund $228,195,000 2005 Series A Bonds.
- 2014 A, $378,720,000, Senior Refunding Bonds to advance refund $436,545,000 2005 Series A Bonds.
- 2014 B, $500,000,000, Senior Revenue Bonds to pay a portion of costs of the Move Illinois Program.
- 2014 C, $400,000,000, Senior Revenue Bonds to pay a portion of costs of the Move Illinois Program.
- 2014 D, $264,555,000, Senior Refunding Bonds to advance refund $291,660,000 2006 A-1 Series Bonds.
- 2015 A, $400,000,000, Senior Revenue Bonds to pay a portion of costs of the Move Illinois Program.
- 2015 B, $400,000,000, Senior Revenue Bonds to pay a portion of costs of the Move Illinois Program.
- 2016 A, $333,060,000, Senior Refunding Bonds to advance refund $350,000,000 2008 B Series Bonds.
- 2016 B, $300,000,000, Senior Revenue Bonds to pay a portion of costs of the Move Illinois Program.

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 2016, the Tollway did not receive any State government appropriations. No federal grants have been received in 2016.

The Amended and Restated Trust Indenture effective March 31, 1999, amending and restating a Trust Indenture dated as of December 1, 1985, as previously supplemented and amended by the First through Twenty Second Supplemental Indentures and the 1996 Amendatory Supplemental Indenture (the “Trust Indenture”) securing the 1998, 2007, 2008, 2009, 2010, 2013, 2014 and 2015 bond issues outstanding as of December 31, 2016, prescribe many of the investment and accounting requirements for the Tollway. The accounting records are maintained on an accrual basis.

(Continued)

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

Analysis of Operations (Unaudited)
December 31, 2016

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

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

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

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

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

ILLINOIS STATE TOLL HIGHWAY AUTHORITY
(A Component Unit of the State of Illinois)
Analysis of Operations
Average Number of Employees by Function (Unaudited)
Years ended December 31, 2016 and 2015

	Full-time scheduled		Part-time scheduled		Total	
	2016	2015	2016	2015	2016	2015
Tollway employees:						
Executive office	4	5	—	—	4	5
Directors	10	10	—	—	10	10
Inspector General	6	6	—	—	6	6
Internal audit	5	6	—		5	6
Legal	9	9	—	—	9	9
State police-civilian employees	12	14	—	—	12	14
Finance	52	53	—	—	52	53
Administration	31	28	—	—	31	28
Operations:						
Toll collectors	418	436	—	—	418	436
Plaza managers and assistants	32	34	—	—	32	34
Other	130	128	—	—	130	128
Information Technology	40	42	—	—	40	42
Engineering:						
Maintenance:						
Roadway	390	373	—	—	390	373
Transportation	66	65	—	—	66	65
Engineers	45	44	—	—	45	44
Others	57	55	—	—	57	55
Planning	22	20	—	—	22	20
Procurement	48	45	—	—	48	45
Diversity & strategic development	6	6	—	—	6	6
Communications	13	11	—		13	11
Business systems	59	60	—	—	59	60
Total authority employees	1,455	1,450	—	—	1,455	1,450
State troopers	170	173	—	—	170	173
Total personnel	1,625	1,623	—	—	1,625	1,623

Hourly base payroll	$ 66,124,354	62.09%
Overtime	7,157,685	6.72%
Salaries	33,221,441	31.19%
2016 Total payroll	$ 106,503,480	100.00%

Hourly base payroll	$ 67,242,731	62.85%
Overtime	6,332,942	5.92%
Salaries	33,411,282	31.23%
2015 Total payroll	$ 106,986,955	100.00%

See accompanying independent auditors' report.

ILLINOIS STATE TOLL HIGHWAY AUTHORITY
(A Component Unit of the State of Illinois)
Emergency Purchases (Unaudited)
Year ended December 31, 2016

Description		Cost
Software licenses	$	294,346

This emergency purchase was for continued maintenance and support of the Tollway's existing Oracle licenses. This service was scheduled to expire on 12/20/16, but the Department of Central Management Services had not yet executed a new master contract for this service.

The amount listed above is the actual cost of the purchase.

See accompanying independent auditors' report.

ILLINOIS STATE TOLL HIGHWAY AUTHORITY

(A Component Unit of the State of Illinois)

Service Efforts and Accomplishments (Unaudited)

Year ended December 31, 2016

(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 1.6 million daily drivers *(Improve infrastructure safety)*

(3) Summary of Agency Operations

The Illinois Tollway maintains and operates 292 miles of interstate tollways in 12 counties in Northern Illinois, including the Reagan Memorial Tollway (I-88), the Veterans Memorial Tollway (I-355), the Jane Addams Memorial Tollway (I-90) and the Tri-State Tollway (I-94/I-294/I-80).

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

(4) Key Performance Measures

The following metrics were reported for the year ending December 31, 2016.

1. The percentage of vehicles using I-PASS during rush hour: 90.5%
2. The percentage of vehicles using I-PASS for all hours: 87.6%
3. Travel Time Index Congestion Measure for the A.M. rush hour: 1.03
4. The average personal injury accident clearance time: 30.00 minutes

The following metrics were reported for the year ending December 31, 2015.

1. The percentage of vehicles using I-PASS during rush hour: 90.4%
2. The percentage of vehicles using I-PASS for all hours: 86.6%
3. Travel Time Index Congestion Measure for the A.M. rush hour: 1.05
4. The average personal injury accident clearance time: 31.08 minutes