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

Financial Audit and Compliance Examination

Year ended December 31, 2017

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

CliftonLarsonAllen LLP

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

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December 31, 2017

Tollway Officials

Executive Director	Elizabeth Gorman (from 3/1/2018)
	Vacant (2/17/2018 through 2/28/2018)
	Greg Bedalov (through 2/16/2018)
Chief Operating Officer	Kevin Artl
Chief Financial Officer	Michael Colsch
Controller	Patricia Pearn
General Counsel	David Goldberg (through 4/4/2017)
	Elizabeth Oplawski – Acting General Counsel (from 4/5/2017)

Tollway's Central Administrative offices are located at:

2700 Ogden Avenue
Downers Grove, Illinois 60515

Illinois Tollway

June 19, 2018

CliftonLarsonAllen LLP
1301 West 22nd Street, Suite 1100,
Oak Brook, IL 60523

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, 2017. Based on this evaluation, we assert that during the year ended December 31, 2017, the Tollway has materially complied with the assertions below.

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

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

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

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

E. 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 truly,

Illinois State Toll Highway Authority

SIGNED ORIGINAL ON FILE

Elizabeth 'Liz' Gorman, 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 | TTY 630.241.6988
www.illinoistollway.com

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

December 31, 2017

Compliance Report 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 Accountant's Report on State Compliance, on Internal Control Over Compliance and on Supplementary Information for State Compliance Purposes does not contain scope limitations, disclaimers, but does contain a qualified opinion on compliance and material weaknesses over internal control.

Summary of Findings

Number of:	Current Report	Prior Report
Findings	7	8
Repeated findings	5	5
Prior recommendations implemented or not repeated	3	1

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

Schedule of Findings

Findings (*Government Auditing Standards*)

Finding	Page	Description	Finding Type
2017-001	12	Errors and Deficiencies Related to Classification and Presentation	Material weakness
2017-002	14	Inadequate Financial Reporting Systems	Significant deficiency
2017-003	16	Inadequate Year End Payables Process	Significant deficiency

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

December 31, 2017

Findings (*State Compliance*)

Finding	Page	Description	Finding Type
2017-004	18	Inadequate Procedures to Approve Timecards	Significant deficiency and noncompliance
2017-005	20	Failure to Fully Comply with the Toll Highway Act	Significant deficiency and noncompliance
2017-006	21	Noncompliance with Toll Highway Act Reporting Requirements	Significant deficiency and noncompliance
2017-007	23	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.

Finding	Page	Description	Finding Type
2017-001	12	Errors and Deficiencies Related to Classification and Presentation	Material weakness and material noncompliance
2017-002	14	Inadequate Financial Reporting Systems	Significant deficiency and noncompliance
2017-003	16	Inadequate Year End Payables Process	Significant deficiency and noncompliance

Prior Year Findings Not Repeated (*State Compliance*)

Finding	Page	Description	Finding Type
A	25	Inadequate Controls Over Information Systems	Significant deficiency and noncompliance
B	25	Failure to Timely File and Execute Contracts in Accordance with State Statute	Significant deficiency and noncompliance
C	25	Failure to Accurately and Properly Report Locally Held Funds	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 13, 2018. Attending were:

Illinois State Toll Highway Authority

Elizabeth "Liz" Gorman	Executive Director
Michael Colsch	Chief Financial Officer
Cassaundra Rouse	Chief Internal Auditor
Joe Kambich	Chief of Information Technology
Patricia Pearn	Controller
Tony Asta	EIS Manager

CliftonLarsonAllen LLP

Chuck Kozlik	Principal
Kent Sorenson	Manager
Jordan Evanko	IS Senior

Illinois Office of the Auditor General

Thomas L. Kizziah	Senior Audit Manager
Kathleen Devitt	IS Audit Manager

The responses to the recommendations were provided by Cassaundra Rouse, Chief Internal Auditor, via communication on June 18, 2018.

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INDEPENDENT ACCOUNTANTS' REPORT ON STATE COMPLIANCE AND ON INTERNAL CONTROL OVER COMPLIANCE

Honorable Frank J. Mautino
Auditor General, State of Illinois

and

Board of Directors
Illinois State Toll Highway Authority

Compliance

As Special Assistant Auditors for the Auditor General, we have examined the Illinois State Toll Highway Authority's (the Tollway) compliance with the requirements listed below, as more fully described in the Audit Guide for Financial Audits and Compliance Attestation Engagements of Illinois State Agencies (Audit Guide) as adopted by the Auditor General, during the year ended December 31, 2017. 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 appropriated or otherwise authorized by law.

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

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

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

E. Money or negotiable securities or similar assets handled by the Tollway on behalf of 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.

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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 judgement, 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.

As described in item 2017-001 in the accompanying schedule of findings, the Tollway did not comply with requirements regarding all applicable laws and regulations. Compliance with such requirements is necessary, in our opinion, for the Tollway to comply with the requirements listed in the first paragraph of this report.

In our opinion, except for the noncompliance described in the preceding paragraph, 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, 2017. 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 items 2017-002 through 2017-007.

The Tollway's responses to the 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 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.

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

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 a 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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings as item 2017-001 to be a material weakness.

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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings as items 2017-002 through 2017-007 to be significant deficiencies.

As required by the Audit Guide, immaterial 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.

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CliftonLarsonAllen LLP

Oak Brook, Illinois
June 19, 2018

INDEPENDENT AUDITOR'S 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

Board of Directors
Illinois State Toll Highway Authority

As Special Assistant Auditors for the Auditor General, we have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities 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, 2017, and the related notes to the financial statements, which collectively comprise the Tollway's basic financial statements, and have issued our report thereon dated June 19, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the 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 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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. However, as described in the accompanying schedule of findings, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings as item 2017-001 to be a material weakness.

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. We consider the deficiencies described in the accompanying schedule of findings as items 2017-002 and 2017-003 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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*.

Tollway's Response to Findings

The Tollway's responses to the findings identified in our audit are described in the accompanying schedule of findings. The Tollway'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.

SIGNED ORIGINAL ON FILE

CliftonLarsonAllen LLP

Oak Brook, Illinois
June 19, 2018

Finding 2017-001 – Errors and Deficiencies Related to Classification and Presentation

The Tollway's internal controls over financial reporting were not sufficiently precise to detect misclassifications of amounts reported within the Tollway's financial statements.

The Tollway's financial reporting process included a manual calculation to determine the amounts reported within the components of net position. During our review of this manual calculation, we noted a clerical error which resulted in a $70.6 million misclassification between the net investment in capital assets and unrestricted components of net position. The noted error overstated net investment in capital assets and understated unrestricted net position within the Tollway's financial statements. The auditors proposed and the Tollway recorded an audit adjustment to correct this error in the financial statements as of December 31, 2017. This misclassification did not impact reported total net position.

Additionally, the Tollway separately presents accounts payable, accrued expenses, and intergovernmental agreements payable with current liabilities on the statement of net position, where intergovernmental agreements payable specifically represent amounts payable to other governmental units. However, payables related to various intergovernmental agreements (totaling $5.3 million) were not classified and reported along with other intergovernmental agreements payable. The noted error understated intergovernmental agreements payable and overstated accrued liabilities within the Tollway's financial statements. The auditors proposed and the Tollway recorded an adjustment to correct the matter in the financial statements as of December 31, 2017. This misclassification did not impact reported total liabilities.

The Governmental Accounting Standards Board (GASB) Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, Paragraph 9, states the net investment in capital assets component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

The GASB Comprehensive Implementation Guide (7.23.13) states retainage payable represents a liability attributable to the acquisition, construction, or improvement of capital assets (in this case, construction in progress) and as such retainage liabilities should be included in the calculation of the net investment in capital assets component of the net position calculation.

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 Tollway's resources. Effective internal controls should include procedures to ensure appropriate classification and presentation of amounts reported within the Tollway's financial statements.

In discussing these conditions with Tollway management, they stated the preparation of the Tollway's financial statements is a manual process, reliant on manual calculations to allocate amounts between financial statement captions. The noted errors were not identified through the Tollway's established procedures to review these manual calculations.

Insufficient and/or ineffective controls over financial reporting lead to a misclassification within the Tollway's financial statements. (Finding Code No. 2017-001)

Recommendation:

We recommend the Tollway review its current process to review manual calculations and consider changes necessary to ensure all amounts are accurately classified within the Tollway's financial statements.

Tollway Response:

The Tollway concurs with the auditors' recommendation. The Tollway currently has two General Accounting staff members review the draft financial statements. We have developed additional review checklists and procedures to enhance the review process.

Finding 2017-002 – Inadequate Financial Reporting Systems

The Illinois State Toll Highway Authority (Tollway) does not have adequate financial systems to prepare its annual financial statements, resulting in significant manual effort 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 the provisions of the Tollway's trust indenture. 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 supporting financial applications.

Once this information has been reconciled, a data file is generated from the general ledger applications and is imported into a separate application which is used to create a trial balance. Since the information in the financial applications is recorded based upon the provisions of the Tollway's trust indenture, several top-side entries are required to convert the trial balance to GAAP basis financial statements. As a result, the preparation of the annual financial statements is overly 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 in place to: restrict access for posting transactions, track specific user activity, or provide evidence of supervisory reviews of transaction activity. Therefore, the Tollway's process for approving journal entries is also a manual process and overly 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 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. 2017-002, 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. The Tollway is implementing an ERP system which will consolidate and integrate information across our agency and bring financial systems up to date. The ERP is scheduled to go live on July 1, 2018

Finding 2017-003 – 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 reviewing cash disbursements made subsequent to year end through the end of February to determine to which accounting period the related expense transactions pertained. 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 over expense transactions, we reviewed 24 cash disbursements subsequent to year end (totaling $136,801,386) and 120 cash disbursements during fiscal year 2017 (totaling $153,824,384). During our review of these transactions we noted the following items were not recorded to the proper accounting period:

- One professional and artistic services expenditure (totaling $300,000) that pertained to fiscal year 2017 was erroneously recorded as an expense in fiscal year 2018.
- Two highway construction and improvements expenditures (totaling $1,633,753) that pertained to fiscal year 2016 were erroneously recorded as expenses in fiscal year 2017.
- One highway construction and improvements expenditure (totaling $1,287,680) that pertained to fiscal years 2014, 2015, and 2016 was erroneously recorded as expenses in fiscal year 2017.
- Two auditing and management services expenditures (totaling $212,496) that pertained to fiscal year 2016 were erroneously recorded as expenses in fiscal year 2017.
- One land and relocation expenditure (totaling $542,060) that pertained to fiscal years 2014 and 2015 was erroneously recorded as an expense in fiscal year 2017.
- Three computer software expenditures (totaling $1,118,781) that pertained to fiscal year 2018 were erroneously recorded as expenses in fiscal year 2017.

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: (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. Some of these exceptions represent invoices received after the end of February of the subsequent year, after the year end accruals were recorded. The computer software payments that had terms extending into 2018 were not identified as prepaid because this is a manual process that requires review of general ledger accounts that likely will contain prepaid items.

Failure to accurately identify and record period end accounts payable transactions in the appropriate accounting period may result in the misstatement of the Tollway's financial statements. (Finding Code No. 2017-003, 2016-003, 2015-003, 2014-003, 2013-003, 12-03, 11-04)

Recommendation:

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

Tollway Response:

The Tollway concurs with the auditors' recommendation. The Tollway has implemented enhanced procedures to identify and properly accrue these expenditures.

Finding 2017-004 – Inadequate Procedures to Approve Timecards

The Tollway did not ensure all timecards were properly approved in accordance with their formal timekeeping 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 employee's 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:

- Five timecards were not approved by the respective employee.
- Two timecards were not approved by the respective employee's supervisor/manager.
- Four timecards were not approved by the respective employee prior to the end of the next pay-period, as required. The timecards were approved 3 to 186 days late.

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 in a timely manner. Additionally, a memorandum issued by the Chief of Staff on August 16, 2016, clarified circumstances where an employee is on leave or otherwise absent when timecard approvals are due, but has worked hours during the pay period. In these instances, 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.

In addition, 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: (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 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 ensure timecards are approved in accordance with its policies and procedures.

In discussing these conditions with Tollway management, they stated the approval exceptions were due to employee scheduling conflicts and human error.

Failure to review and approve timecards results in noncompliance with the Tollway's established internal control procedures. (Finding Code No. 2017-004, 2016-006, 2015-006, 2014-006).

Recommendation:

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

Tollway Response:

The Tollway concurs with the auditors' recommendation. The Tollway will continue to reinforce procedures to ensure timely approval of timecards.

Finding 2017-005 – Failure to Fully Comply with the Toll Highway Act

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

The Tollway did not construct and maintain at least one electric vehicle charging station at each location in which 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 December 31, 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 purpose 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 this condition with Tollway management, they stated compliance with the statute has proven difficult because the Tollway has leased its oasis facilities to private third-parties. The terms of these leases grant the lessees control over the business operations, including whether or not they install electric charging stations. The original legislation requiring electric vehicle charging stations was passed subsequent to the execution of the lease agreements.

Failure to construct and maintain electric vehicle charging stations results in noncompliance with the Toll Highway Act. (Finding Code No. 2017-005, 2016-007)

Recommendation:

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

Tollway Response:

The Tollway concurs with the auditors' recommendation. The electric vehicle (EV) charging stations are located at three oases along the Tollway. The Tollway continues to pursue a legislative remedy to address this issue. Legislation was introduced in the spring 2018 legislative session (HB5554). The proposed legislation will amend the Toll Highway Act and remove the requirement that the Tollway construct a vehicle charging station at each of our oases.

Finding 2017-006 – Noncompliance with Toll Highway Act Reporting Requirements

The Tollway did not comply with the reporting requirements of the Toll Highway Act.

In accordance with the provisions of the Toll Highway Act, the Tollway's Office of Inspector General (OIG) conducts investigations of alleged violations of law, rules or regulations, mismanagement, abuse of authority, or substantial and specific danger to the public health and safety. When an OIG investigation establishes reasonable cause exists that fraud, waste, abuse, corruption, misconduct, or mismanagement has occurred, the OIG will submit a summary report to the Tollway Executive Director and the Board of Directors that outlines the investigation, describes its findings, and sets forth any recommendations for corrective or disciplinary action.

Additionally, the Tollway's OIG provides a Summary Activity Report (SAR) by March 31 and September 30 of each year which summarizes reports and investigations.

During our testwork over five (5) out of 40 cases investigated by the OIG in 2017, we noted the following:

- Responses for two (2) cases submitted by the OIG were not provided by the Tollway Executive Director and the Board of Directors within the required time frame of 20 days. Specifically, the responses were received 4 and 143 days late.
- Written statements for two (2) cases closed by the OIG were not submitted to the Tollway Executive Director and the Board of Directors, as required. Subsequent to the discussion with the auditors, the OIG submitted a written statement for 17 closed cases in 2017 to the Tollway Executive Director and the Board of Directors dated March 30, 2018.

The Toll Highway Act (605 ILCS 10/8.5(d) thru 10/8.5(e)) requires the Tollway's OIG to issue a summary report of the investigation to be delivered to the appropriate authority, which shall have 20 days to respond to the report. Also, when the Tollway's OIG concludes there is insufficient evidence a violation has occurred, the Toll Highway Act requires the Tollway OIG to provide the appropriate authority with a written statement of the Tollway OIG's decision to close the investigation.

In addition, 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: (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 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 ensure timely compliance with the reporting requirements of the Toll Highway Act.

In discussing these conditions with Tollway management, they stated the untimely responses for the two (2) cases submitted by the Tollway OIG to the Tollway Executive Director and the Board of Directors were due to the necessity for additional time to appropriately respond to the cases based on the subject matter of the investigation. Additionally, the Tollway's OIG stated they were not aware the detail in the SAR was not sufficient to meet the requirements under the Toll Highway Act.

Failure of the appropriate authority to provide responses within 20 days from the date the summary report of the investigation was issued by the Tollway OIG and failure by the Tollway OIG to provide written statement for closed investigations results in noncompliance with the Toll Highway Act. (Finding Code No. 2017-006)

Recommendation:

We recommend the Tollway review its processes and make the necessary changes to comply with the reporting requirements of the Toll Highway Act.

Tollway Response:

The Tollway concurs with the auditors' recommendation. The Tollway enhanced the process to communicate status of responses to OIG cases in accordance with the required timeframe.

The Tollway OIG reported the number of cases opened and closed, and provided summaries of sustained investigations in the Summary Activity Reports issued in 2017.

The Tollway OIG implemented a new policy to provide additional details regarding closed matters, and will continue to provide a list of cases closed due to insufficient evidence.

Finding 2017-007 – Inadequate Procedures for Reporting Accounts Receivable to the Illinois Office of the Comptroller

The Tollway has not implemented procedures to verify the accuracy of the post-pay IPASS accounts receivable aging analysis reported to the Illinois Office of the State Comptroller (Comptroller).

On a quarterly basis, the Tollway submits four financial reports to the Comptroller to report accounts receivable activity, aging of receivable balances, estimates of uncollectible receivables, and collection activity. These reports include the Summary of Accounts Receivable Activity (Form C-97), Aging of Total Gross Receivables (Form C-98), Collections Activity for Accounts over 180 Days Past Due (Form C-99), and Collection of Accounts 180 Days Past Due and Over $15 Thousand (Form C-99A). During our review of accounts receivable reports for the quarters ended June 30, 2017, and December 31, 2017, we noted the aging of post-pay IPASS accounts receivable balances from sales and services were manually compiled by the Tollway's accounting staff by rolling forward the aging of accounts receivable generated from the previous tolling system for the quarter ended June 30, 2017, and using the aging of accounts receivable generated from the recently implemented tolling system and deducting any differences noted under the current balances reported for the quarter ended December 31, 2017. Post-pay IPASS accounts represent commercial IPASS accounts for which customers are invoiced on a quarterly basis for toll activity occurring in the previous quarter.

Specifically, we noted the post-pay IPASS accounts receivable balances reported by the Tollway were as follows:

Aging	June 30, 2017	December 31, 2017
Current	$ 332,347	$ 558,855
31 to 90 days past due	777,314	793,269
91 to 180 days past due	560,931	484,359
181 days to 1 year past due	325,520	562,873
Over 1 year past due	249,226	233,737
Gross Total	$ 2,245,338	$ 2,633,093

Upon further review and discussion with management, we noted the Tollway is unable to produce aging detail for the post-pay IPASS accounts receivable balance from its recently implemented tolling system. As a result, we were unable to determine the actual accounts receivable aging information related to the post-pay IPASS accounts receivable balance reported in Forms C-98, C-99, and C-99A as of June 30, 2017, and December 31, 2017. There was no effect on the net accounts receivable reported in the June 30, 2017, and December 31, 2017 quarterly reports.

Total gross accounts receivables reported by the Tollway to the Comptroller amounted to $189,062,695 for the quarter ended June 30, 2017, and $216,471,522 for the quarter ended December 31, 2017.

The Statewide Accounting Management System (Procedures 26.30.20 through 26.30.50) requires the Tollway to provide 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 collections activity on a quarterly basis.

In addition, 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 revenues, expenditures, and transfers of assets, resources or funds applicable to operations are properly recorded and accounted for to permit 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 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 report to identify the post-pay IPASS receivable aging is still under development.

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. 2017-007, 2016-008)

Recommendation:

We recommend the Tollway review its current Tolling System and develop the ability to produce an aging report for post-pay IPASS accounts in order to prepare quarterly accounts receivable reports based on actual amounts and to ensure information submitted to the Comptroller is accurate. Additionally, we recommend the Tollway work with the Comptroller in addressing any inaccuracies in reports previously submitted for post-pay IPASS receivables.

Tollway Response:

The Tollway concurs with the auditors' recommendation. The aging detail reports remain under development. Therefore, the Tollway used estimates to arrive at the aging of the post-pay IPASS receivable. Once the report is finalized, the Tollway will be able to provide a precise aging for quarterly reporting.

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

Prior Findings Not Repeated

Year ended December 31, 2017

A. Inadequate Controls Over Information Systems

The Tollway had not established adequate internal controls over information systems used in its financial reporting process. (Finding Code No. 2016-002, 2015-002, 2014-002, 2013-002, 12-02, 11-02)

In the current year, the number of exceptions was significantly less than in the prior year. This finding has been reported in the immaterial findings letter as finding number IM2017-010.

B. 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. (Finding Code No. 2016-004)

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

C. Failure to Accurately and Properly Report Locally held Funds

The Tollway did not accurately report locally held finds balances to the Office of the State Comptroller in accordance with reporting requirements. (Finding Code No. 2016-005, 2015-005, 2014-005, 2013-006)

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

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

Financial Statement Report Summary

Year ended December 31, 2017

Financial Statement Report

Summary

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

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

CliftonLarsonAllen LLP
CLAconnect.com

INDEPENDENT AUDITORS' REPORT

Honorable Frank J. Mautino
Auditor General, State of Illinois

and

Board of Directors
Illinois State Toll Highway Authority

Report on the Financial Statements

As Special Assistant Auditors for the Auditor General, we have audited the accompanying financial statements of the business-type activities 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, 2017, 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 accounting principles generally accepted in the United States of America; 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.

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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 business-type activities of the Illinois State Toll Highway Authority as of December 31, 2017, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

The financial statements of the Tollway as of and for the year ended December 31, 2016 were audited by other auditors whose report dated June 21, 2017, expressed an unmodified opinion on those statements, prior to the identification of an error described in Note 1(u), *Reclassifications*. Because the Tollway reclassified amounts representing retainage payable from the unrestricted component of net position to the net investment in capital assets component of net position as of December 31, 2016, we express no opinion on the Tollway's summarized comparative information presented herein.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 30-38 and the required supplementary information in 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 financial statements that collectively comprise the Tollway's basic financial statements. The accompanying supplementary information in Schedules 3, 4, 11, and 12 and the notes to the trust indenture basis schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying supplementary information in Schedules 3, 4, 11, and 12 and the notes to the trust indenture basis schedules 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 accompanying supplementary information in Schedules 3, 4, 11, and 12 and the notes to the trust indenture basis schedules is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The financial statements of the Tollway as of and for the year ended December 31, 2016 were audited by other auditors whose report dated June 21, 2017, expressed an unmodified opinion on those statements. The accompanying supplementary information for the year ended December 31, 2016 in Schedules 3, 4, 11, and 12 is the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the December 31, 2016 financial statements

The accompanying supplementary information in Schedules 5 through 10 and in the Analysis of Operations Section has 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 it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 19, 2018 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Tollway's 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.

SIGNED ORIGINAL ON FILE

CliftonLarsonAllen LLP

Oak Brook, Illinois
June 19, 2018

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, 2017. Readers should use this section of this report in conjunction with the Tollway's basic financial statements.

Financial Highlights

- In August 2011, the Tollway's Board of Directors approved a $12.2 billion capital program, called "*Move Illinois: the Illinois Tollway Driving the Future*", which defined a program of infrastructure investments to be made by the Tollway in 2012 through 2026.
- In April 2017, the Tollway's Board of Directors approved a modification of the *"Move Illinois"* capital program, increasing the funding by $2.1 billion, to $14.3 billion, to provide for enhancements to the central portion of the Tri-State Tollway (Central Tri-State).
- To help fund the capital outlays approved for "*Move Illinois*", the Tollway Board set new toll rates for passenger vehicles using the Tollway system and these higher rates were effective January 1, 2012. The Tollway also affirmed a previously approved increase in commercial vehicle toll rates, which were phased in over 2015 – 2017, with an annual Consumer Price Index adjustment applied beginning January 1, 2018.
- During 2017, construction and professional engineering services contracts with a combined value of $829.3 million were awarded under this program, bringing the total awards to date to $4.6 billion.
- Including $300 million of revenue bonds issued in December 2017, a total of $2.8 billion of revenue bonds have been issued in 2013-2017 to fund the capital program.
- 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 included $5.7 billion in capital outlays. Awards under this program ended in 2016. Projects awarded by the end of 2016 are expected to be complete by 2018, with approximately $2.0 million approved in the current capital plans to be invested in 2018.
- In July 2016, the Tollway opened the new Illinois Route 390 Tollway. As of December 31, 2017, this tollway represents a 10-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 $24.7 million in toll revenue in 2017.
- The Tollway's 2017 operating revenue totaled $1.4 billion, an increase of $95.2 million from the previous year. Operating expenses increased $57.1 million (to $821.0 million) due to depreciation expense and increased contractual services due to implementation of a new IPASS and violation back office system. Net operating income for 2017 was $577.5 million, an increase of $38.1 million from 2016.
- Amounts on deposit on behalf of I-PASS account holders increased by 1.4% at year-end to $180.4 million; the percentage of Tollway users paying by I-PASS was approximately 88.0% in 2017.

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 of resources, liabilities, and deferred inflows of resources, 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 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

2017 Results Compared to 2016

Operating Revenue

The Tollway's total 2017 operating revenues exceeded those of the previous year, up $95.2 million (7.3%) to $1.4 billion (compared to $1.3 billion in 2016). This increase came from toll revenue which totaled $1.3 billion in 2017 (up from $1.2 billion in 2016), due to an increase in both commercial and passenger vehicle traffic, an increase in the commercial vehicle toll rates, and a full year of tolling on the first phase of the IL-390 Tollway. Revenue from toll evasion recovery was also slightly higher (1.8%) than 2016, at $65.6 million in 2017 (versus $64.5 million in 2016). Miscellaneous income in 2017 was $1.1 million higher than 2016, due mainly to 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 $9.1 million (2.3%) in 2017. The increased operating costs were due mainly to increased credit card fees and consulting expenses due to implementation of a new IPASS and violation back office system.

Depreciation and amortization expense increased by 13.0% to $418.3 million, from $370.3 million, in 2016. The resulting net operating income for the year, $577.5 million, increased by $38.1 million from the previous year.

Nonoperating Revenues (Expenses)

Nonoperating revenue increased by $5.4 million, due almost entirely to increased investment returns. Again, this year the Tollway received an interest rebate from the federal treasury relating to bonds which were issued as Build America Bonds. The 2017 rebate totaled $15.1 million, substantially the same as 2016.

Nonoperating expenses increased by $6.7 million, due mainly to increased interest and amortization of financing costs due to additional bond issues.

The net nonoperating revenues (expense) increased this year by 0.6% from ($220.1) million in 2016 to ($221.5) million for 2017, due to the variances noted above.

(Continued)

Summary of Changes in Net Position

		2017		2016
Revenues:				
Operating revenues:				
Toll revenue	$	1,309,189,509	$	1,216,298,044
Toll evasion recovery		65,639,705		64,490,869
Concessions		2,298,943		2,253,646
Miscellaneous		21,369,597		20,240,108
Nonoperating revenues:				
Investment income		14,054,336		6,763,207
Revenues under intergovernmental agreements		20,380,791		22,293,657
Bond interest subsidy (Build America Bonds)		15,147,651		15,131,407
Miscellaneous		-		33,340
Total revenues		1,448,080,532		1,347,504,278
Expenses:				
Operating expenses:				
Engineering and maintenance of roadway and structures		109,202,332		106,920,897
Services and toll collection		186,569,358		179,818,194
Traffic control, safety patrol, and radio communications		57,721,525		58,315,004
Procurement, IT, finance and administration		49,197,494		48,533,427
Depreciation and amortization		418,311,759		370,336,593
Nonoperating expenses:				
Expenses under intergovernmental agreements		20,380,791		22,293,657
Net loss on disposal of property		1,497,506		828,136
Miscellaneous		360		-
Interest expense and amortization of financing costs		249,172,855		241,220,736
Total expenses		1,092,053,980		1,028,266,644
Increase in net position		356,026,552		319,237,634
Net position, beginning of year		2,512,160,131		2,192,922,497
Net position, end of year	$	2,868,186,683	$	2,512,160,131

Changes in Net Position

Net operating income increased in 2017 by $38.1 million to $577.5 million. After deducting this year's net nonoperating expense of $221.5 million, the Tollway posted an increase in net position for the year of $356.0 million compared to $319.2 million increase in net position for 2016, which represented an increase of $36.8 million. After this year's result, the Tollway's net position totaled $2.9 billion.

Summary of Net Position

		2017		2016
ASSETS				
Current and other assets	$	2,263,251,093	$	1,997,361,478
Capital assets - net		8,598,693,141		8,203,957,718
Total Assets		10,861,944,234		10,201,319,196
DEFERRED OUTFLOWS OF RESOURCES				
Accumulated decrease in fair value of hedging derivatives		208,387,270		214,573,706
Net loss on bond refundings		80,795,401		90,067,310
Pension related		144,018,700		198,416,401
		433,201,371		503,057,417
LIABILITIES				
Current debt outstanding		113,160,000		88,860,000
Long-term debt outstanding		6,473,874,955		6,264,818,438
Other liabilities		1,788,273,392		1,808,382,807
Total liabilities		8,375,308,347		8,162,061,245
DEFERRED INFLOWS OF RESOURCES				
Pension related		51,650,575		30,155,237
NET POSITION				
Net investment in capital assets		2,057,158,939		1,879,744,430
Restricted under trust indenture agreements		427,284,480		389,470,553
Restricted for supplemental pension benefits obligations		48,162		50,575
Unrestricted		383,695,102		242,894,573
Total Net Position	$	2,868,186,683	$	2,512,160,131

Statement of Net Position

The Tollway's capital assets ($8.6 billion) consisting of land, buildings, infrastructure, and equipment, constitutes 76.1% of total assets plus deferred outflows of resources. The largest liabilities are its revenue bonds totaling $6.6 billion, (inclusive of unamortized premiums/discounts) and its net pension liability of $888.5 million, which together constitute 88.7% of total liabilities plus deferred inflows of resources. The restricted net position balance consists of resources subject to external restrictions or legislation as to their use. The remaining portion, unrestricted net position, represents the resources available to be used at the Tollway's discretion.

The Tollway's assets increased by 6.5% to $10.9 billion, from $10.2 billion at December 31, 2016. This increase was mainly due to an increase in unrestricted and restricted cash and investments and an increase in capital assets.

Total liabilities increased by 2.6% to $8.4 billion, from $8.2 billion at December 31, 2016. This increase was mainly due to a new bond issuance of $300 million in 2017.

The Tollway's net position increased by $356.0 million at December 31, 2017, due to the favorable 2017 operating result.

Capital Assets and Debt Administration

Capital Assets

Capital assets continue to represent the largest category of Tollway assets, totaling $8.6 billion at year-end ($8.2 billion a year ago) comprising 76.1% of total Tollway assets and deferred outflow of resources. As the Tollway continues with its *"Move Illinois"* capital program to expand and rebuild the Tollway system, land and infrastructure assets continue to increase. See the accompanying Notes to the Financial Statements - Notes 1 and 6 - for further information about capital assets.

CAPITAL ASSETS
2017 and 2016

	January 1, 2017 Net Balance	2017 Net Activity	2017 Depreciation	December 31, 2017 Net Balance
Land	$ 482,976,344	$ 83,658,673	$ -	$ 566,635,017
Construction in progress	835,490,839	(140,360,060)	-	695,130,779
Buildings	15,231,291	372,576	(1,123,635)	14,480,232
Infrastructure	6,726,847,777	767,660,493	(312,059,144)	7,182,449,126
Machinery and equipment	143,411,467	20,901,744	(24,315,224)	139,997,987
Total	$ 8,203,957,718	$ 732,233,426	$ (337,498,003)	$ 8,598,693,141

	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

Long-Term Debt

At year-end 2017, total revenue bonds payable had increased by $233.4 million (to $6.6 billion), primarily the result of a bond principal payment (Series 2013B-1) and one new money bond issuance (Series 2017A) in 2017. All debt issues and related transactions are described more fully in Note 8.

All Tollway bonds outstanding as of December 31, 2017 were issued under the Amended and Restated Trust Indenture effective as of March 31, 1999, amending and restating a Trust Indenture dated as of December 1, 1985 (as amended, restated, and supplemented, Trust Indenture) from the Tollway to the Bank of New York Mellon Trust Company, N.A., as successor Trustee (Trustee). The Trustee serves as a fiduciary for bondholders. The amount of additional senior bonds that the Tollway may issue at any time is limited by the Trust Indenture requirement that the projected Net Revenues are sufficient to meet the estimated Net Revenue Requirement for each full fiscal year through five years after the date the project being financed is estimated to be placed in service, after giving effect to the debt service attributable to such additional senior bonds. The Net Revenue Requirement is the amount necessary to cure deficiencies, if any, in the debt service 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 2017 was 2.72.

The following table lists, as of December 31, 2017, the Tollway's bond series, and the current and noncurrent amounts outstanding. Amounts presented in this table exclude unamortized bond premiums. Additional information concerning long-term debt can be found in Note 8.

	2017		
	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	381,200,000	1,900,000	383,100,000
Issue of 2008 Series A-2	95,325,000	475,000	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	277,820,000	1,480,000	279,300,000
Issue of 2013 Series A	500,000,000	-	500,000,000
Issue of 2013 Series B-1	-	93,305,000	93,305,000
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	248,555,000	16,000,000	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
Issue of 2017 Series A	300,000,000		300,000,000
Total revenue bonds payable	$ 5,994,680,000	$ 113,160,000	$ 6,107,840,000

Other Debt−Related Information

The 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 eight separate floating-to-fixed interest rate exchange (swap) agreements in total notional amounts and amortizations matching the total principal amounts and amortizations of the Tollway's two 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. Seven swap agreements are outstanding as of December 31, 2017. Four swap agreements in original notional amounts totaling $700 million, all of which are outstanding as of December 31, 2017, are associated with the 2007 Series A-1 and A-2 bonds. Three swap agreements in original notional amounts totaling $478.9 million, all of which are outstanding as of December 31, 2017, are associated with the 2008 Series A-1 and A-2 bonds. 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, 2017, 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 $130 million for the four 2007 Series A-1 and A-2 swap agreements; and a total of $78 million for the three 2008 Series A-1 and A-2 swap agreements.

As more fully described in Note 8, as of December 31, 2017, each of the Tollway's six sub-series of 2007 Series A variable rate bonds was liquidity supported by a letter of credit that qualified as a Credit Facility under the Supplemental Indenture for the Series 2007A Bonds. As more fully described in Note 8, as of December 31, 2017, each of two 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 2008 Series A Bonds, and the other sub-series of 2008 Series A variable rate bonds was purchased for a three year period scheduled to end on February 3, 2020, pursuant to the terms of a Bondholder Agreement. No Tollway bonds were held by providers of Liquidity or Credit Facilities in 2017.

Factors Impacting Future Operations

In 2017, the Tollway continued the work of its $14.3 billion "*Move Illinois*" capital program. Land acquisition, design and construction work continued for the Elgin-O'Hare Western Access Project and design began for the widening of the Central Tri-State Tollway. One new bond series was issued in 2017 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, The Illinois State Toll Highway Authority, 2700 Ogden Avenue, Downers Grove, Illinois 60515.

THE ILLINOIS STATE TOLL HIGHWAY AUTHORITY

(A Component Unit of the State of Illinois)

Statement of Net Position

December 31, 2017

(With Summarized Comparative Totals for 2016)

Assets		**2017**		**2016**
Current assets:				
Current unrestricted assets:				
Cash and cash equivalents	$	345,301,555	$	156,759,167
Accounts receivable, less allowance for doubtful accounts of $58,045,264		20,802,601		17,574,197
Intergovernmental receivables		47,841,477		30,805,629
Accrued interest receivable		31,706		2,422
Risk management cash and cash equivalents		15,836,030		16,925,345
Investments		895,672,500		874,107,250
Prepaid expenses		8,245,730		1,719,350
Total current unrestricted assets		1,333,731,599		1,097,893,360
Current restricted assets:				
Cash and cash equivalents - debt service		147,203,233		129,389,157
Cash and cash equivalents – I-PASS accounts		180,421,616		177,917,639
Prepaid expenses restricted for debt service		141,818		141,818
Accrued interest receivable		768,074		714,884
Supplemental pension benefits assets		31,322		32,128
Total current restricted assets		328,566,063		308,195,626
Total current assets		1,662,297,662		1,406,088,986
Noncurrent unrestricted assets:				
Capital assets:				
Land, improvements and construction in progress		1,261,765,796		1,318,467,182
Other capital assets, net of accumulated depreciation		7,336,927,345		6,885,490,536
Total capital assets		8,598,693,141		8,203,957,718
Other noncurrent unrestricted assets:				
Intergovernmental receivable less current portion		208,684,544		217,997,002
Prepaid expenses less current portion		444,378		1,569,540
Total noncurrent unrestricted assets		209,128,922		219,566,542
Noncurrent restricted assets:				
Cash and cash equivalents - debt reserve		16,956,035		46,459,331
Investments - debt reserve		370,000,000		320,000,000
Prepaid expenses - debt reserve		3,103,448		3,310,345
Prepaid expenses - debt service - less current portion		1,701,816		1,843,635
Supplemental pension benefits assets		63,210		92,639
Total noncurrent restricted assets		391,824,509		371,705,950
Total assets		10,861,944,234		10,201,319,196
Deferred Outflows of Resources				
Accumulated decrease in fair value of hedging derivatives		208,387,270		214,573,706
Net loss on bond refundings		80,795,401		90,067,310
Deferred outflows of resources - pension related		144,018,700		198,416,401
Total deferred outflows of resources	$	433,201,371	$	503,057,417

See accompanying notes to the financial statements.

THE ILLINOIS STATE TOLL HIGHWAY AUTHORITY
(A Component Unit of the State of Illinois)
Statement of Net Position
December 31, 2017
(With Summarized Comparative Totals for 2016)

Liabilities		**2017**		**2016**
Liabilities:				
Current liabilities:				
Payable from unrestricted current assets:				
Accounts payable	$	25,711,743	$	18,948,176
Accrued liabilities		179,753,319		166,889,686
Accrued compensated absences		7,900,000		6,500,000
Intergovernmental agreement payable		122,176,780		109,223,791
Risk management claims payable		7,015,014		6,737,844
Deposits and retainage		35,294,648		68,182,628
Unearned revenue, net of accumulated amortization of $1,937,400		1,336,087		1,481,171
Total current liabilities payable from unrestricted current assets		379,187,591		377,963,296
Payable from current restricted assets:				
Supplemental pension benefit obligation		31,322		27,821
Current portion of revenue bonds payable		113,160,000		88,860,000
Accrued interest payable		112,589,945		112,388,616
Deposits and unearned revenue – I-PASS accounts		180,421,616		177,917,639
Total current liabilities payable from current restricted assets		406,202,883		379,194,076
Total current liabilities		785,390,474		757,157,372
Noncurrent liabilities:				
Revenue bonds payable, less current portion		6,473,874,955		6,264,818,438
Accrued compensated absences		1,560,421		3,295,969
Risk management claims payable		8,575,863		10,572,063
Supplemental penion benefit obligation, less current portion		15,048		46,371
Net pension liability		888,456,774		900,824,457
Derivative instrument liability		208,387,270		214,573,706
Unearned revenue, less accumulated amortization of $27,070,385		9,047,542		10,772,869
Total noncurrent liabilities		7,589,917,873		7,404,903,873
Total liabilities		8,375,308,347		8,162,061,245
Deferred Inflows of Resources				
Deferred inflows of resources - pension related		51,650,575		30,155,237
Net Position				
Net position:				
Net investment in capital assets		2,057,158,939		1,879,744,430
Restricted under the Trust Indenture		427,284,480		389,470,553
Restricted for supplemental pension benefits obligations		48,162		50,575
Unrestricted		383,695,102		242,894,573
Total net position	$	2,868,186,683	$	2,512,160,131

See accompanying notes to the financial statements.

THE 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, 2017

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

	2017	2016
Operating revenues:		
Toll revenue	$ 1,309,189,509	$ 1,216,298,044
Toll evasion recovery	65,639,705	64,490,869
Concessions	2,298,943	2,253,646
Miscellaneous	21,369,597	20,240,108
Total operating revenues	1,398,497,754	1,303,282,667
Operating expenses:		
Engineering and maintenance of roadway and structures	109,202,332	106,920,897
Services and toll collection	186,569,358	179,818,194
Traffic control, safety patrol and radio communications	57,721,525	58,315,004
Procurement, IT, finance, and administration	49,197,494	48,533,427
Depreciation and amortization	418,311,759	370,336,593
Total operating expenses	821,002,468	763,924,115
Operating income	577,495,286	539,358,552
Nonoperating revenues (expenses):		
Revenues under intergovernmental agreements	20,380,791	22,293,657
Expenses under intergovernmental agreements	(20,380,791)	(22,293,657)
Net loss on disposal of property	(1,497,506)	(828,136)
Interest expense and amortization of financing costs	(249,172,855)	(241,220,736)
Bond interest subsidy (Build America Bonds)	15,147,651	15,131,407
Miscellaneous revenue/(expense)	(360)	33,340
Investment income	14,054,336	6,763,207
Total nonoperating revenues (expenses), net	(221,468,734)	(220,120,918)
Change in net position	356,026,552	319,237,634
Net position, beginning of year	2,512,160,131	2,192,922,497
Net position, end of year	$ 2,868,186,683	$ 2,512,160,131

See accompanying notes to the financial statements.

THE ILLINOIS STATE TOLL HIGHWAY AUTHORITY
(A Component Unit of the State of Illinois)
Statement of Cash Flows
Year ended December 31, 2017
(With Summarized Comparative Totals for the year ended December 31, 2016)

	2017	2016
Cash flows from operating activities:		
Cash received from sales and services	$ 1,395,801,787	$ 1,294,488,210
Cash payments to suppliers	(169,736,468)	(160,417,369)
Cash payments to employees	(168,371,323)	(168,499,744)
Net cash provided by operating activities	1,057,693,996	965,571,097
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	(812,522,255)	(1,286,312,235)
Cash received from other governments for capital assets	10,015,873	34,212,267
Cash paid for intergovernmental services	—	(2,700,027)
Proceeds from sale of property	1,289,103	699,276
Bond proceeds	350,071,706	711,717,366
Principal paid on revenue bonds	(88,860,000)	(170,525,000)
Defeased bonds	—	(350,000,000)
Bond subsidy (Build America Bonds)	15,147,651	15,131,407
Interest expense and issuance costs paid on revenue bonds	(297,005,088)	(286,436,614)
Net cash used in capital and related financing activities	(821,863,010)	(1,334,213,560)
Cash flows from investing activities:		
Proceeds from sales and maturities of investments	699,839,000	262,511,400
Purchase of investments	(770,873,059)	(1,286,618,653)
Interest on investments	13,440,672	4,706,664
Net cash provided by/(used in) investing activities	(57,593,387)	(1,019,400,589)
Net increase/(decrease) in cash and cash equivalents	178,237,599	(1,388,043,052)
Cash and cash equivalents at beginning of year	527,575,403	1,915,618,458
Cash and cash equivalents at end of year	$ 705,813,002	$ 527,575,406

Reconciliation of cash and cash equivalents:		
Cash and cash equivalents	$ 345,301,555	$ 156,759,167
Risk management reserved cash and cash equivalents	15,836,030	16,925,345
Cash and cash equivalents restricted for debt service and debt reserve	164,159,269	175,848,488
Cash and cash equivalents restricted for construction	—	—
Cash and cash equivalents – I-PASS accounts	180,421,616	177,917,639
Supplemental pension benefit assets	94,532	124,767
Total cash and cash equivalents at end of year	$ 705,813,002	$ 527,575,406

See accompanying notes to the financial statements.

THE ILLINOIS STATE TOLL HIGHWAY AUTHORITY

(A Component Unit of the State of Illinois)

Statement of Cash Flows

Year ended December 31, 2017

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

	2017	2016
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	$ 577,495,286	$ 539,358,552
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	418,311,759	370,336,593
Provision for bad debt	11,078,889	8,676,014
Amortization of unearned revenue	(1,791,337)	(1,782,921)
Pension changes	63,425,357	66,603,118
Effects of changes in operating assets and liabilities:		
(Increase) in accounts receivable	(13,567,481)	(15,773,052)
(Increase) in intergovernmental receivables	(6,650,163)	(1,814,118)
Decrease in prepaid expenses	480,708	(1,942,821)
(Decrease) in accounts payable	(696,441)	(2,044,996)
Increase in accrued liabilities	5,048,312	958,367
(Decrease) in accrued compensated absences	(335,548)	236,616
(Decrease) in supplemental pension obligation	(27,822)	(27,822)
Increase in intergovernmental agreement payable	3,991,709	721,531
Increase in deposits - I-PASS	2,503,977	3,014,266
Increase in unearned revenue	62,840	333,643
(Decrease) in risk management claims payable	(1,636,048)	(1,281,873)
Net cash provided by operating activities	$ 1,057,693,996	$ 965,571,097
Noncash capital financing activities:		
Increase (decrease) in capital asset obligations in accounts payable	$ 10,393,562	$ (46,957,728)

See accompanying notes to the financial statements.

(1) Summary of Significant Accounting Policies

The accounting policies and financial reporting practices of The Illinois State Toll Highway Authority (the Tollway), a component unit of the State of Illinois, conform to accounting principles generally accepted in the United States of America (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, 605 ILCS 10/1 *et seq*., as amended (the 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.

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 Tollway 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 ex-officio members of the Tollway's Board of Directors. Information from these financial statements is included in the State's comprehensive annual financial report. 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 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.

Nonexchange 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, 2017, all cash and cash equivalents are held for the Tollway either by the Illinois State Treasurer (the Treasurer) as custodian or by the Trustee under the Tollway's Trust Indenture.

For purposes of the statement of net position and the statement of cash flows, the Tollway considers repurchase agreements, money market funds, and the Illinois Funds local government investment pool (LGIP), as cash equivalents.

(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 nonoperating revenue in the statement of revenues, expenses, and changes in net position. All investments are held for the Tollway either by the Treasurer as custodian or by the Trustee under the Tollway's Trust Indenture.

The primary objective in the investment of Tollway funds is preservation of principal. Additional objectives are managing liquidity to meet the financial obligations of the Tollway and investment return.

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 LGIP 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 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 Trustee were held in compliance with these restrictions for the year ended December 31, 2017.

(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 reserve funds or 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:

Buildings	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 for a description of these receivables.

(k) Debt Refunding

In accordance with GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, the difference between the reacquisition price and the net carrying amount of the old debt is reported as a deferred outflow or inflow of resources and recognized as a component of interest expense systematically over the remaining life of the old debt or the life of the 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. See Note 10.

(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 Pensions - 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 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 pension expense includes the annual recognition of deferred 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

(Continued)

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

The Tollway was not required and did not adopt any new accounting pronouncements in 2017.

(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. See Note 9.

(p) Net Position

The statement of net position presents the Tollway's assets, liabilities, and deferred outflows/inflows, 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, 2017, 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 the Trust Indenture reflects restrictions imposed by the Tollway's Trust Indenture.

(q) Toll Revenue

Toll revenue is recognized when 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' pension expense pursuant to GASB Statement No. 68. All other revenues and expenses are reported as nonoperating revenues and expenses or as special items.

Toll evasion recovery revenue is shown net of bad debt expense; concession revenue only includes 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. See Note 13.

(t) Use of Estimates in Preparing Financial Statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and deferred outflows/inflows of resources 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 items in the December 31, 2016, financial statements have been reclassified to correspond to the December 31, 2017 presentation.

The Tollway has chosen to reclassify prior year intergovernmental agreements payable from accrued liabilities to intergovernmental agreements payable to conform to current year presentation.

The Tollway has chosen to reclassify prior year amounts related to retainage payable from unrestricted net position to net investment in capital assets to conform to current year presentations.

(2) Cash and Investments

(a) Custodial Credit Risk -Deposits

Custodial credit risk is the risk that an institution holding the Tollway's 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 the Federal Deposit Insurance Corporation (FDIC) insurance or eligible collateral. The Tollway has no policy that would further limit the requirements under state law. As of December 31, 2017, the Tollway's deposits were covered by FDIC insurance or eligible collateral.

(b) Schedule of Investments

As of December 31, 2017, the Tollway had the following investments (with associated maturities):

		Investment Maturities (in years)	
Investment Type	**Fair Value or Amortized Cost**	**Less Than 1**	**1 - 5**
Repurchase agreements	$ 292,675,000	$ 292,675,000	$ -
Money market funds*	164,253,801	164,253,801	-
U.S. Treasury bills	447,276,000	447,276,000	-
U.S. Treasury - SLGS	370,000,000	150,000,000	220,000,000
Federal Home Loan Bank	348,949,000	348,949,000	-
Federal Home Loan Mortgage Corp	99,447,500	99,447,500	-
Illinois Funds LGIP*	194,765,898	194,765,898	-
	$ 1,917,367,199	$ 1,697,367,199	$ 220,000,000

* 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 LGIP are classified as cash equivalents.

The Tollway categorizes its fair value measurements within the fair value hierarchy established by accounting principles generally accepted in the United States of America. 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, 2017:

Investment Type	Total	Level 1	Level 2
U.S. Treasury bills	$ 447,276,000	$ 447,276,000	$ -
Federal Home Loan Bank	348,949,000	348,949,000	-
Federal Home Loan Mortgage Corp	49,608,500	49,608,500	-
Federal Home Loan Mortgage Corp Zero Coupon	49,839,000	-	49,839,000
	$ 895,672,500	$ 845,833,500	$ 49,839,000

Repurchase agreements, money market funds, and Illinois Funds LGIP 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, excluding bond proceeds, 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 LGIP; and repurchase agreements of government securities as defined in the Government Securities Act of 1986. The Tollway's 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 the Tollway's funds, excluding bond proceeds, are to be invested in maturities of less than one year. The Tollway was in compliance with these policies during 2017.

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, 2017:

	2017 (Moody's/S&P)		
Investment Type		**Fair Value or Amortized Cost**	**Rating**
Repurchase agreements	$	292,675,000	Aaa/AA+u
Money market funds		164,253,801	Aaa-mf/AAAm
U.S. Treasury bills		447,276,000	Aaa/AA+u
U.S. Treasury-SLGS		370,000,000	Aaa/AA+u
Federal Home Loan Bank		348,949,000	Aaa/AA+
Federal Home Loan Mortgage Corp		99,447,500	Aaa/AA+
Illinois Funds LGIP		194,765,898	N/R/AAAm

(3) Accounts Receivable

The Tollway's accounts receivable consist of various toll charges and other amounts due from individuals, commercial, governmental, and other entities. A provision for doubtful accounts has been recorded for estimated uncollectible amounts. As of December 31, 2017, the Tollway's accounts receivable balance consists of the following:

	Gross accounts receivable	Allowance for doubtful accounts	Net accounts receivable
Tolls	$ 12,352,399	$ (4,524,780)	$ 7,827,619
Toll evasion recovery	60,906,205	(49,564,345)	11,341,860
Oases receivables	119,631	-	119,631
Damage claims/emergency services	337,711	(320,685)	17,026
Over dimension vehicle permit	146,741	(35,201)	111,540
Fiber optic agreements	2,336,526	(1,494,927)	841,599
Other	2,648,652	(2,105,326)	543,326
Total non-governmental receivables	78,847,865	(58,045,264)	20,802,601
Various local and municipal government	94,989,358	-	94,989,358
E-Z Pass Agency Group	20,904,276	-	20,904,276
Other agencies of the state of Illinois	140,632,387	-	140,632,387
Total intergovernmental receivables	256,526,021	-	256,526,021
Total receivables	$ 335,373,886	$ (58,045,264)	$ 277,328,622

(4) Prepaid Expenses

In the normal course of business the Tollway pays for goods and services that will be consumed beyond the current year. These are established as prepaid expenses. As of December 31, 2017, the Tollway has $13.6 million in prepaid expenses. These are categorized as both current and noncurrent.

(5) Leases Receivable

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

The fuel lease agreement set up a three step environmental program for the oases: (1) was remediation by the Tollway of the pre-existing contamination and establishing a base line for contamination; (2) was remediation of contamination caused by the lessee(s) during the lease period; and (3) was a post-lease testing regimen and remediation to the base line by the lessee(s). This agreement ensured that the oasis system was in compliance with environmental laws when the property was leased, and that lessee(s) would be in compliance during the term of the lease. The Tollway was solely financially responsible for the remediation program for all environmental releases prior to the lease commencement date. Additionally, the Tollway conducted post-remediation testing to establish the base line. The Tollway completed the remediation program, but is awaiting approval of one remaining “No Further Remediation (NFR)” letter from the Illinois Environmental Protection Agency (IEPA) for the Lincoln Oasis South location. NFR letters have been received by the Tollway for all pre-lease remediation sites that are the responsibility of the Tollway, except for the Lincoln Oasis South location. The Tollway believes that the remaining NFR letters for the pre-lease remediation will be issued without further material remediation costs being incurred. Any environmental releases during the lease are solely the responsibility of the lessee(s). Furthermore, any remediation necessary after the lease to bring the site back to pre-lease conditions are the responsibility of the lessee(s). Finally the lease requires that the fuel tanks and related equipment be removed at the end of the lease and all costs associated with the removal will be the responsibility of the lessee(s).

The current future minimum lease payments receivable under these agreements as of December 31, 2017 are as follows:

Year Ending December 31	Retail Lease	Fuel Lease	Total Leases
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
2022	728,571	900,250	1,628,821
Thereafter	3,157,141	3,901,083	7,058,224
	$ 6,799,996	$ 8,402,333	$ 15,202,329

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.

In connection with the Central Tri-State widening and reconstruction, several of the oasis sites are scheduled to be demolished in the next several years. The minimum lease commitments scheduled above do not reflect these anticipated plans.

(6) Capital Assets

Changes in capital assets for the year ended December 31, 2017 are as follows:

	Balance January 1	Additions and transfers in	Deletions and transfers out	Balance December 31
Nondepreciable capital assets:				
Land and improvements	$ 482,976,343	$ 84,505,084	$ (846,410)	$ 566,635,017
Construction in progress	835,490,839	538,867,014	(679,227,074)	695,130,779
Total nondepreciable capital assets	1,318,467,182	623,372,098	(680,073,484)	1,261,765,796
Depreciable capital assets:				
Buildings	58,316,049	372,576	-	58,688,625
Infrastructure	9,682,050,091	841,608,946	(73,948,453)	10,449,710,584
Machinery and equipment	335,568,381	29,707,246	(8,805,502)	356,470,125
Total depreciable capital assets	10,075,934,521	871,688,768	(82,753,955)	10,864,869,334
Less accumulated depreciation:				
Buildings	(43,084,758)	(1,123,635)	-	(44,208,393)
Infrastructure	(2,955,202,313)	(386,007,598)	73,948,453	(3,267,261,458)
Machinery and equipment	(192,156,914)	(30,349,652)	6,034,428	(216,472,138)
Total accumulated depreciation	(3,190,443,985)	(417,480,885)	79,982,881	(3,527,941,989)
Total depreciable assets, net	6,885,490,536	454,207,883	(2,771,074)	7,336,927,345
Total capital assets, net	$ 8,203,957,718	$ 1,077,579,981	$ (682,844,558)	$ 8,598,693,141

(7) Long-Term Accounts Receivable

As of December 31, 2017, long-term accounts receivable consisted of the following:

Northwest Suburban Municipal Joint Action Water Agency	$ 68,115,000
Illinois Department of Transportation	140,569,544
	$ 208,684,544

Long-term accounts receivable represent the noncurrent amount due under intergovernmental agreements for cost - sharing construction projects.

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(8) Revenue Bonds Payable

Changes in revenue bonds payable for the year ended December 31, 2017 are as follows:

	Balance January 1*	Additions	Deletions	Balance December 31	Due within one year**
2007 Series A-1 & A-2	$ 700,000,000	$ -	$ -	$ 700,000,000	$ -
2008 Series A-1 & A-2	478,900,000	-	-	478,900,000	2,375,000
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	1,480,000
2013 Series A	500,000,000	-	-	500,000,000	-
2013 Series B-1	182,165,000	-	(88,860,000)	93,305,000	93,305,000
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	16,000,000
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	-
2017 Series A	-	300,000,000	-	300,000,000	-
Totals	$ 5,896,700,000	$ 300,000,000	$ (88,860,000)	$6,107,840,000	$ 113,160,000
Current portion of revenue bonds payable	(88,860,000)	(113,160,000)	88,860,000	(113,160,000)	
Unamortized bond net premium	456,978,438	50,071,706	(27,855,189)	479,194,955	
Revenue bonds payable net of current portion, plus unamortimzed bond net premium	$ 6,264,818,438	$ 236,911,706	$ (27,855,189)	$6,473,874,955	

* The January 1, 2017 balances are before any payments of principal due on January 1, 2017.

** 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, 2017, there was no principal outstanding for which required third-party liquidity was scheduled to expire within one year and had not been renewed prior to report issuance.

(a) 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 2007 Series A-2) (collectively, the "Series 2007A Bonds"). 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 mature on July 1, 2030, subject to mandatory sinking fund redemption on July 1 of each of the years 2024 – 2029. The bonds were initially issued in a weekly interest rate mode and remained in a weekly mode through fiscal year end 2017. Interest rates 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 and tender for purchase by bondholders. Any bonds tendered for purchase are remarketed pursuant to the terms of a remarketing agreement. On March 18, 2011, the Series 2007A Bonds were mandatorily tendered and remarketed as six separate sub-series. Each sub-series is secured by a direct-pay letter of credit that qualifies as a credit facility under the supplemental indenture for the Series 2007A Bonds. The following provides, as of December 31, 2017, additional information regarding each sub-series and its respective letter of credit.

(a)(i) 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"). As of December 31, 2017, the Series 2007A-1a Bonds are secured by a direct-pay letter of credit from Landesbank Hessen-Thüringen Girozentrale, acting through its New York Branch, pursuant to the terms of the Reimbursement Agreement dated as of January 1, 2017 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 $3,236,302 for payment of interest (equivalent to 45 days' accrued interest at 15%), including for the purpose of paying principal and interest on 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 to the extent such bonds continue to remain unremarketed for 180 days, then such funded bonds are required to be repaid by the Tollway in equal semi-annual principal installments commencing on the date 180 days following the date the bonds were purchased and ending on the date five years following the date the bonds were purchased. The cost of the 2007A-1a Credit Facility is a per annum fee of 30 basis points times the total stated amount of $178,236,302. The variable interest rate of the Series 2007A-1a Bonds as of December 31, 2017, was 1.73%. The 2007A-1a Credit Facility is scheduled to expire on January 30, 2022.

(a)(ii) 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"). As of December 31, 2017, the Series 2007A-1b Bonds are secured by a direct-pay letter of credit from Bank of America, N.A., pursuant to the terms of the Reimbursement Agreement dated as of

March 1, 2017 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 principal and interest on 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 remain unremarketed for 91 days, then such funded bonds are required to be repaid by the Tollway in equal principal installments on the dates nine months after the date the bonds were purchased and each sixth months occurring thereafter, until the final payment on the date three years after the date the bonds were purchased. The cost of the 2007A-1b Credit Facility is a per annum fee of 44 basis points times the stated amount of $178,236,302. The variable interest rate of the Series 2007A-1b Bonds as of December 31, 2017 was 1.73%. The 2007A-1b Credit Facility is scheduled to expire on March 7, 2019.

(a)(iii) 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"). As of December 31, 2017, 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, as amended, 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 principal and interest on 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 Tollway in equal quarterly principal installments commencing on the first business day of the fourth calendar month immediately succeeding the date the bonds were purchased, and ending on the date four years after the date the bonds were purchased. The cost of the 2007A-2a Credit Facility is a per annum fee of 45 basis points times the stated amount of $101,849,316. The variable interest rate of the Series 2007A-2a Bonds as of December 31, 2017 was 1.73%. The 2007A-2a Credit Facility is scheduled to expire on March 16, 2020.

(a)(iv) 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"). As of December 31, 2017, the Series 2007A-2b Bonds are secured by a direct-pay letter of credit from PNC Bank, N.A., pursuant to the terms of the Reimbursement Agreement dated as of March 1, 2017, between the Tollway and such bank (the "2007A-2b Credit Facility"). The 2007A-2b Credit Facility provides up to $107,500,000 for payment of principal and up to $1,988,014 for payment of interest (equivalent to 45 days' accrued interest at 15%), including for the purpose of paying principal and interest on 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 remain unremarketed on the first business day of the sixth calendar month immediately succeeding the date the bonds were purchased, then such funded bonds are required to be repaid by the Tollway in equal semi-annual principal installments commencing on the first business day of the sixth calendar month immediately succeeding the date the bonds were purchased, and ending on the date three years after the date the bonds were purchased. The cost of the 2007A-2b Credit Facility is a per annum fee of 35 basis points times the stated amount of $109,488,014. The variable interest rate of the Series 2007A-2b Bonds as of December 31, 2017, was 1.73%. The 2007A-2b Credit Facility is scheduled to expire on March 5, 2020.

(a)(v) 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”). As of December 31, 2017, the Series 2007A-2c Bonds are secured by a direct-pay letter of credit from Landesbank Hessen-Thüringen Girozentrale, acting through its New York Branch, pursuant to the terms of the Reimbursement Agreement dated as of January 1, 2017 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 $1,017,124 for payment of interest (equivalent to 45 days’ accrued interest at 15%), including for the purpose of paying principal and interest on 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 remain unremarketed for 180 days, then such funded bonds are required to be repaid by the Tollway in equal semi-annual principal installments commencing on the date 180 days following the date the bonds were purchased and ending on the date five years following the date the bonds were purchased. The cost of the 2007A-2c Credit Facility is a per annum fee of 30 basis points times the total stated amount of $56,017,124. The variable interest rate of the Series 2007A-2c Bonds as of December 31, 2017, was 1.73%. The 2007A-2c Credit Facility is scheduled to expire on January 30, 2022.

(a)(vi) 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"). As of December 31, 2017, the Series 2007A-2d Bonds are secured by a direct-pay letter of credit from Bank of America, N.A., pursuant to the terms of the Reimbursement Agreement dated as of March 1, 2017 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 principal and interest on 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 remain unremarketed for 91 days, then such funded bonds are required to be repaid by the Tollway in equal principal installments on the dates nine months after the date the bonds were purchased and each sixth months occurring thereafter, until the final payment on the date three years after the date the bonds were purchased. The cost of the 2007A-2d Credit Facility is a per annum fee of 44 basis points times the stated amount of $89,118,151. The variable interest rate of the Series 2007A-2d Bonds as of December 31, 2017, was 1.73%. The 2007A-2d Credit Facility is scheduled to expire on March 7, 2019.

(b) Series 2008A Bonds

On February 7, 2008, the Tollway issued $766,200,000 of Toll Highway Variable Rate Senior Refunding Revenue Bonds (2008 Series A-1 and 2008 Series A-2) (collectively, the "Series 2008A Bonds"). This issuance advance refunded a portion of the Tollway's Toll Highway Senior Priority Revenue Bonds, 2006 Series A, and financed costs of issuance. 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, after which the outstanding amount of Series 2008A Bonds was $383,100,000 of the 2008 Series A-1 Bonds and $95,800,000 of the 2008 Series A-2 Bonds. 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 mature on January 1, 2031, subject to mandatory sinking fund redemption on January 1 of each of the years 2018 – 2030. On February 7, 2011, the 2008 Series A Bonds were mandatorily tendered and remarketed as three separate sub-series. The following provides, as of December 31, 2017, additional information regarding each sub-series.

(b)(i) 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"). The bonds were initially issued in a weekly interest rate mode and remained in a weekly mode through fiscal year end 2017. Interest rates 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 and tender for purchase by bondholders. Any bonds tendered for purchase are remarketed pursuant to the terms of a remarketing agreement. As of December 31, 2017, the Series 2008A-1a Bonds are liquidity supported by a standby bond purchase agreement dated as of February 1, 2011, among the Tollway, the Trustee, and JPMorgan Chase Bank, N.A. (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 principal and interest on 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 Tollway 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 59 basis points times the commitment amount of $193,703,562. The variable interest rate of the Series 2008A-1a Bonds as of December 31, 2017, was 1.80%. The expiration of the 2008A-1a Liquidity Facility was extended on January 10, 2018 from February 2, 2018, to February 1, 2019 (see Note 21 – Subsequent Events).

(b)(ii) 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"). The bonds were initially issued in a weekly interest rate mode and remained in a weekly mode until February 3, 2017, when the Series 2008A-1b Bonds were mandatorily tendered, converted to an index mode and remarketed to RBC Municipal Products, LLC, to be held for a period of three years ending February 3, 2020, pursuant to the terms of a Bondholder Agreement dated as of February 3, 2017. While in the index mode, the interest rate on the bonds equals the sum of the Securities Industry and Financial Markets Association (aka SIFMA) 7-day Municipal Swap Index plus 45 basis points. The spread is subject to increase under certain conditions specified in the Bondholder Agreement. The variable interest rate of the Series 2008A-1b Bonds as of December 31, 2017, was 2.16%. On February 3, 2020, if the index mode is not extended and the bonds are not otherwise remarketed or redeemed, then the bonds are required to be repaid by the Tollway in equal quarterly principal installments commencing May 1, 2020 and ending on February 3, 2023, at interest rates specified in the Bondholder Agreement.

(b)(iii) 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"). The bonds were initially issued in a weekly interest rate mode and remained in a weekly mode through fiscal year end 2017. Interest rates 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 and tender for purchase by bondholders. Any bonds tendered for purchase are remarketed pursuant to the terms of a remarketing agreement. As of December 31, 2017, the Series 2008A-2 Bonds are liquidity supported by a standby bond purchase agreement dated as of February 1, 2011 among the Tollway, the Trustee, and JPMorgan Chase Bank, N.A. (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 principal and interest on 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 59 basis points times the commitment amount of $96,902,357. The variable interest rate of the Series 2008A-2 Bonds as of December 31, 2017 was 1.76%. The expiration of the 2008A-2 Liquidity Facility was extended on January 10, 2018 from February 2, 2018 to February 1, 2019 (see Note 21 – Subsequent Events).

(c) 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; 6.9% for subsidies received between October 2016 and September 2017; and 6.6% for subsidies received between October 2017 and September 2018. The Series 2009A Bonds and Series 2009B Bonds are taxable Build America Bonds. All other Tollway bonds are tax-exempt bonds. See Note 21-Subsequent Events.

(d) 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 U.S. 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.

(e) 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 U.S. 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.

(f) 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.

(g) 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.

(h) 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 $93,305,000.

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.

(i) 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.

(j) 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.

(k) 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.

(l) 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.

(m) 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.

(n) 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.

(o) 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.

(p) 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.

(q) Series 2017A Bonds

On December 6, 2017, the Tollway issued $300,000,000 of Toll Highway Senior Revenue Bonds, 2017 Series A. This issuance was the seventh 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 2028 through 2039 and a term bond maturing January 1, 2042. All bonds were sold bearing a 5.0% interest rate. The bonds were sold at yields which produced an original issue premium of $50,071,706. The bonds are subject to optional redemption on or after January 1, 2028, at a redemption price of 100% of the principal amount plus accrued interest. The term bond maturing January 1, 2042, is subject to sinking fund redemption prior to maturity. The bonds were not insured.

(r) 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, 2017, the $350,000,000 of refunded bonds described in this paragraph are the only defeased Tollway bonds outstanding.

(s) All Series

Details of outstanding revenue bonds as of December 31, 2017 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 January 1, 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, 2018		93,305,000
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
Issue of 2017 Series A, 5.00%, due on January 1, 2028-2042		300,000,000
Total revenue bonds payable	$	6,107,840,000
Less current portion*		(113,160,000)
Plus unamortized bond net premium		479,194,955
Long-term portion of revenue bonds payable net of unamortized bond premium	$	6,473,874,955

* Principal amounts either due within one year or for which required third-party liquidity is scheduled to expire within one year and has not been renewed prior to the issuance date of this report. As of December 31, 2017, there was no principal for which required liquidity was expiring that had not been so renewed.

Accrued interest payable for the year ended December 31, 2017 was $112,589,945.

The annual requirements to retire the principal and interest amounts for all bonds outstanding at December 31, 2017 are as follows:

Year ending December 31	Principal	Interest*	Total debt service
2018	$ 113,160,000	$ 293,500,363	$ 406,660,363
2019	118,780,000	294,033,213	412,813,213
2020	134,840,000	287,826,342	422,666,342
2021	142,230,000	280,931,185	423,161,185
2022	149,090,000	273,809,167	422,899,167
2023	49,485,000	266,300,286	315,785,286
2024	208,595,000	261,139,677	469,734,677
2025	192,945,000	251,324,079	444,269,079
2026	188,650,000	243,415,072	432,065,072
2027	291,070,000	233,948,695	525,018,695
2028	257,830,000	222,608,284	480,438,284
2029	268,850,000	211,077,673	479,927,673
2030	280,295,000	199,053,518	479,348,518
2031	330,150,000	186,516,575	516,666,575
2032	310,030,000	172,322,048	482,352,048
2033	147,435,000	155,813,900	303,248,900
2034	614,505,000	141,795,402	756,300,402
2035	74,300,000	113,637,500	187,937,500
2036	365,925,000	102,631,875	468,556,875
2037	384,175,000	83,879,375	468,054,375
2038	403,400,000	64,190,000	467,590,000
2039	399,200,000	44,125,000	443,325,000
2040	397,800,000	24,200,000	422,000,000
2041	235,100,000	8,377,500	243,477,500
2042	50,000,000	1,250,000	51,250,000
Total	$ 6,107,840,000	$ 4,417,706,728	$ 10,525,546,728

* Interest consists of interest payments on all bonds outstanding at December 31, 2017 plus net payments on all qualified hedge agreements (aka derivative instruments or swaps) associated with such bonds. The interest rates assumed for variable rate bonds and the floating rate portions of qualified hedge agreements are such interest rates in effect on December 31, 2017.

(t) Capitalized Interest

In 2017, the Tollway's total interest expense for revenue bonds equaled $290.4 million, of which $29.5 million was capitalized in respect of construction in progress.

(u) Trust Indenture Agreement

All Tollway bonds outstanding as of December 31, 2017, were issued under the Amended and Restated Trust Indenture effective as of March 31, 1999, amending and restating a Trust Indenture dated as of December 1, 1985 (as amended, restated, and supplemented, the "Trust Indenture") from the Tollway to The Bank Of New York Mellon Trust Company, N.A., as successor Trustee (the "Trustee"). The Trustee serves as fiduciary for bondholders. The Trust Indenture establishes the conditions under which the Tollway may issue bonds and the security to be pledged to bondholders. The Trust 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 Trust 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 Trust 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.

(v) Arbitrage Rebate

In the 1980s, 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, 2017, no arbitrage rebate liability had accrued.

(9) Derivative Instruments

The fair value balances and notional amounts of derivative instruments outstanding as of December 31, 2017, classified by type, and the changes in fair value of such derivatives instruments for the year then ended as reported in the 2017 financial statements are as follows (amounts in thousands; debit (credit)):

	Changes in fair value		December 31, 2017		Notional
Cash flow hedges:	Classification	Amount	Classification	Amount	Amount
Pay fixed, receive variable, interest rate swaps	Deferred outflow	$ 6,186	Derivative instrument liability	$ (208,387)	$ 1,178,875

In connection with the issuances of Tollway variable rate bonds that were outstanding for part or all of 2017, as a means of lowering its borrowing costs, the Tollway entered into seven 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.

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 12/31/17	Counterparty	Estimated counterparty credit ratings (Moody's/S&P)
2007A-1	175,000	11/1/2007	7/1/2030	3.9720%	SIFMA	$ (32,353)	Citibank N.A.	A1 / A+
2007A-1	175,000	11/1/2007	7/1/2030	3.9720%	SIFMA	(32,353)	Goldman Sachs Bank USA	A1 / A+
2007A-2	262,500	11/1/2007	7/1/2030	3.9925%	SIFMA	(49,003)	Bank of America, N.A.	Aa3 / A+
2007A-2	87,500	11/1/2007	7/1/2030	3.9925%	SIFMA	(16,335)	Wells Fargo Bank, N.A.	Aa2 / AA-
2008A-1	191,550	2/7/2008	1/1/2031	3.7740%	SIFMA	(31,370)	The Bank of New York Mellon, N.A.	Aa2 / AA-
2008A-1	191,550	2/7/2008	1/1/2031	3.7740%	SIFMA	(31,370)	Deutsche Bank AG, New York Branch	Baa2/A-
2008A-2	95,775	2/7/2008	1/1/2031	3.7640%	SIFMA	(15,603)	Bank of America, N.A.	Aa3 / A+
Totals	$ 1,178,875					$ (208,387)		

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 Statement No. 53. The income approach as described in GASB Statement No. 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) Counterparty 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, 2017, 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, 2017, 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 differ 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 seven-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 2017, the average interest rate paid to Series 2007A bondholders was 0.86%, compared to an average SIFMA seven-day Municipal Swap Index of 0.84%. 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 seven-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 seven-day Municipal Swap Index. During 2017, the average interest rate paid to Series 2008A bondholders was 1.01%, compared to an average SIFMA seven-day Municipal Swap Index of 0.84%.

Low interest rates contributed to the negative December 31, 2017 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

Termination risk is the risk that a swap's unscheduled end presents the Tollway with a potentially significant unscheduled termination payment owing to the counterparty and/or increased interest cost due to the end of the hedge provided by the terminated swap. 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

Rollover risk is the risk that a swap which is scheduled to end prior to the maturity of the bond issue with which it is associated either: cannot be extended or replaced; or can be extended or replaced only at significant cost. There is no rollover risk in the Tollway's swap portfolio, 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, 2017, 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, 2017, 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, 2017, qualified for hedge accounting.

Fiscal year ending December 31,	Hedged debt Principal	Interest	Hedging derivative instruments - net payments	Total
2018	$ 2,375,000	$ 21,338,960	$ 25,735,339	$ 49,449,299
2019	2,500,000	21,290,751	25,684,008	49,474,759
2020	2,625,000	21,245,064	25,667,972	49,538,036
2021	2,750,000	21,182,174	25,535,741	49,467,915
2022	2,812,500	21,132,755	25,515,729	49,460,984
2023	2,937,500	21,076,090	25,455,377	49,468,967
2024	53,062,500	20,660,283	25,787,682	99,510,465
2025	150,062,500	18,268,625	23,336,949	191,668,074
2026	140,250,000	15,696,425	20,305,395	176,251,820
2027	202,312,500	12,559,400	17,386,546	232,258,446
2028	176,750,000	9,357,826	13,451,925	199,559,751
2029	182,687,500	6,081,562	9,401,319	198,170,381
2030	188,500,000	2,701,119	5,275,447	196,476,566
2031	69,250,000	113,866	121,277	69,485,143
	$ 1,178,875,000	$ 212,704,900	$ 268,660,706	$ 1,660,240,606

(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 $35,510,037 in upfront payments; the related revenue will be earned over the lease terms.

The total unearned revenue balance for the fiber optic system was $36,066,741 at December 31, 2017, and the amount earned was $26,462,495 through December 31, 2017.

The Tollway also invoices annual fiber optic maintenance fees. At December 31, 2017, some of these fees had been paid in advance. These have also been recorded as unearned revenue.

On October 1, 2013, the Tollway entered into a 3-year agreement with Travelers Marketing, LLC, for sponsorship of the Tollway's Highway Emergency Lane Patrol (H.E.L.P.) trucks by its advertising sponsor/partner, State Farm Insurance. In exchange for a sponsorship fee of $1,802,000, Travelers has the exclusive right to place State Farm Insurance branding on Tollway H.E.L.P. trucks and H.E.L.P. truck operator uniforms. On October 1, 2016, this contract was extended for an additional 3 years. The unearned portion of the sponsorship fee paid by Travelers in 2017 has been recorded as unearned revenue.

A summary of changes in unearned revenue for the year ended December 31, 2017, is as follows:

	Balance at January 1	Current year activity	Balance at December 31	Current Portion
Unearned revenue				
Fiber optics and co-location	$ 35,979,328	$ 87,413	$ 36,066,741	$ 2,352,814
Accumulated amortization	(24,671,158)	(1,791,337)	(26,462,495)	(1,796,110)
	11,308,170	(1,703,924)	9,604,246	556,704
Intergovernmental agreements	470,078	(179,301)	290,777	290,777
Accumulated amortization	-	-	-	-
	470,078	(179,301)	290,777	290,777
H.E.L.P. Truck advertising revenue	2,404,000	601,000	3,005,000	601,000
Accumulated amortization	(1,928,208)	(601,000)	(2,529,208)	(125,208)
	475,792	-	475,792	475,792
Lease revenue	-	28,896	28,896	28,896
Accumulated amortization	-	(16,082)	(16,082)	(16,082)
	-	12,814	12,814	12,814
Totals				
Unearned revenue	38,853,406	538,008	39,391,414	3,273,487
Accumulated amortization	(26,599,366)	(2,408,419)	(29,007,785)	(1,937,400)
Net deferred revenue	$ 12,254,040	$ (1,870,411)	$ 10,383,629	$ 1,336,087

(11) Restricted Net Position

As of December 31, 2017, the Tollway reported the following restricted net position:

Description	December 31, 2017
Net assets restricted under Trust Indenture agreement	$ 427,284,480
Restricted for pension benefit obligation	48,162
Total	$ 427,332,642

(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 Illinois State Employees' Retirement System (SERS), which is a component unit of the State of Illinois reporting entity. SERS is a single-employer defined benefit public employee retirement system 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 2017 are also included in the state's CAFR for the year ended June 30, 2017.

As of June 30, 2017, the breakdown of employees participating or benefitting from SERS, as a whole, is as follows:

Active employees	60,612
Retirees and beneficiaries currently receiving benefits	71,805
Inactive employees entitled to but not yet receiving benefits	4,022

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. (Covered service is defined as service time where the employee contributed to Social Security as well as SERS). 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:

<table>
<tr><th>Regular Formula Tier 1</th><th>Regular Formula Tier 2</th></tr>
<tr><td>A member must have a minimum of eight years of service credit and may retire at:
Age 60, with eight years of service credit.
Any age, when the member’s age (years and whole months) plus years of service credit (years and 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.</td><td>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 2017 is $112,408.

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.</td></tr>
</table>

Additionally, SERS 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 noncovered 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. 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 SERS. 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 (ILCS). 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 $112,408 for 2017 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 SERS 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 2017, 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 2017, the employer contribution rate was 44.568%. For state fiscal year 2018, the employer contribution rate was 47.342%. The Tollway's contribution amount for calendar year 2017 was $55,576,566.

The Tollway has made all required contributions through December 31, 2017.

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 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, 2017, the Tollway reported a liability of $888,456,774 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, 2017 (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, 2017. As of the current year measurement date of June 30, 2017, the Tollway's proportion was 2.6999%, which was an increase of 0.0617% from its proportion of 2.6382% measured as of the prior year measurement date of June 30, 2016.

Change in the net pension liability allocated to the Tollway for the year ended December 31, 2017, is as follows:

	Balance January 1	Additions	Deletions	Balance December 31	Amounts due within one year
Net Pension Liability	$ 900,824,457	$ 111,082,133	$ 123,449,816	$ 888,456,774	$ -

For the year ended December 31, 2017, the Tollway recognized pension expense of $118.1 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, 2017, 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	$	522,945	$	28,140,228
Changes in assumptions		91,637,325		18,523,540
Net difference between projected and actual investment earnings on pension plan investments		774,703		-
Changes in proportion and differences between Tollway contributions and proportionate share of contributions		20,114,315		4,986,807
Tollway contributions subsequent to the measurement date		30,969,412		-
	$	144,018,700	$	51,650,575

The $31.0 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 ending December 31, 2018.

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

Year Ending		
12/31/2018	$	30,948,418
12/31/2019		23,179,371
12/31/2020		13,705,504
12/31/2021		(6,434,576)
Total	$	61,398,717

Actuarial Methods and Assumptions

The total pension liability was determined by an actuarial valuation as of June 30, 2017, using the following actuarial assumptions, applied to all periods included in the measurement:

Mortality: 105% 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, 2017, 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%	5.5%
Developed Foreign Equity	13.0%	5.3%
Emerging Market Equity	8.0%	7.8%
Private Equity	7.0%	7.6%
Intermediate Investment Grade Bonds	14.0%	1.5%
Long-Term Government Bonds	4.0%	1.8%
TIPS	4.0%	1.5%
High Yield and Bank Loans	5.0%	3.8%
Opportunistic Debt	8.0%	5.0%
Emerging Market Debt	2.0%	3.7%
Core Real Estate	5.5%	3.7%
Non Core Real Estate	4.5%	5.9%
Infrastructure	2.0%	5.8%
Total	100.0%	

Discount Rate

A discount rate of 6.78% was used to measure the total pension liability as of June 30, 2017. 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 3.56%, 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 2073 at June 30, 2017. As a result, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the year 2073, 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 6.78%, 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, 2017:

	June 30, 2017		
	1% decrease (5.78%)	Current Discount Rate (6.78%)	1% increase (7.78%)
Tollway's net pension liability	$1,075,051,642	$888,456,774	$735,746,598

Payables to the Pension Plan

At December 31, 2017, 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, 2017, a total of 1,077 Tollway 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, 2017, the Tollway contributed $4,330,184 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 nonincremental claims adjustment expenses. The estimated liabilities for workers' compensation claims of $15,175,863 and incurred but not reported employee health claims of $415,014 as of December 31, 2017, are included in the accompanying financial statements.

Balance at January 1	Additions	Deletions	Balance at December 31	Current Portion
$ 16,881,063	$ 4,906,007	$ 6,611,207	$ 15,175,863	$ 6,600,000

Changes in health insurance claims payable for the year ended December 31, 2017 are as follows:

Balance at January 1	Additions	Deletions	Balance at December 31	Current Portion
$ 428,844	$ 8,971,777	$ 8,985,607	$ 415,014	$ 415,014

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 accrued compensated absences liability reported in the statement of net position represents the vacation for all years, 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.

Changes in accrued compensated absences for the year ended December 31, 2017, are as follows:

Balance at January 1	Accrued	Used	Balance at December 31	Due within one year
$ 9,795,969	$ 8,218,331	$ (7,882,783)	$ 9,460,421	$ 7,900,000

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(15) Pledges of Future Revenues

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

		December 31, 2017	
Revenue Bond issue	**Purpose**	**Pledged future revenues**	**Term of commitment**
2007 Series A-1 & A-2 Variable Rate Senior Priority Revenue	Fund Congestion-Relief Program	$ 995,116,899	2030
2008 Series A-1 & A-2 Variable Rate Senior Refunding Revenue	Refund 2006A Bonds	665,152,793	2031
2009 Series A Senior Priority Revenue (Build America Bonds - Direct Payment)	Fund Congestion-Relief Program	915,255,910	2034
2009 Series B Senior Priority Revenue (Build America Bonds - Direct Payment)	Fund Congestion-Relief Program	558,507,600	2034
2010 Series A-1 Senior Refunding Revenue	Refund 2008A Bonds	421,829,134	2031
2013 Series A Senior Revenue	Fund *Move Illinois* Program	945,499,750	2038
2013 Series B-1 (Refunding) Senior Revenue	Refund 2005A Bonds	97,970,250	2018
2014 Series A (Refunding) Senior Revenue	Refund 2005A Bonds	446,117,100	2022
2014 Series B Senior Revenue	Fund *Move Illinois* Program	968,625,000	2039
2014 Series C Senior Revenue	Fund *Move Illinois* Program	771,400,000	2039
2014 Series D (Refunding) Senior Revenue	Refund 2006A Bonds	332,509,125	2025
2015 Series A Senior Revenue	Fund *Move Illinois* Program	807,482,500	2040
2015 Series B Senior Revenue	Fund *Move Illinois* Program	807,482,500	2040
2016 Series A (Refunding) Senior Revenue	Refund 2008B Bonds	567,421,500	2032
2016 Series B Senior Revenue	Fund *Move Illinois* Program	610,700,000	2041
2017 Series A Senior Revenue	Fund *Move Illinois* Program	614,476,667	2042
Total		$ 10,525,546,728	

Proceeds from the bonds identified above provided financing or refinancing for the construction and/or improvement of the various toll highway systems in Illinois. Future principal and interest payments on the bonds and net payments on derivative instruments associated with the variable rate bonds (2007 Series A and 2008 Series A) are expected to require approximately 31% of future pledged net revenue (incorporating approved, as of December 31, 2017, future toll rate increases for commercial vehicles). The total principal and interest remaining to be paid on the bonds and net payments remaining to be paid on the derivative instruments associated with the variable rate bonds (2007 Series A and 2008 Series A) is $10.5 billion. Future interest payments on the variable rate bonds (2007 Series A and 2008 Series A) and payments on the derivative instruments associated with the such variable rate bonds are estimated based on rates applicable on December 31, 2017. Principal and interest paid in the current year was $379 million and total pledged net revenue in the current year was $1.082 billion.

(16) Commitments

At December 31, 2017, the remaining obligations against current contracts open for capital programs for CRP and “Move Illinois” totaled $1.4 billion. The Tollway plans to fund remaining payments under these contracts through revenues, accumulated cash, and bond issue proceeds.

(17) Pending Litigation

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

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

(18) Contingent Liabilities

A contingent liability is defined as a liability that is not sufficiently predictable to permit recording in the accounts but in which there is a reasonable possibility of an outcome which might affect financial position or results of operations. It is the opinion of management that the Tollway has no contingent liabilities as of December 31, 2017.

(19) New Governmental Accounting Standards

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

Statement No. 75 – *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension Plans* - This statement requires the Tollway to report a proportionate share of the State of Illinois' Other Post Retirement Benefits as a liability in its financial statements, 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 required supplementary information (RSI) reporting requirements. This statement is effective for fiscal years beginning after June 15, 2017. The Tollway will implement this statement in 2018. The impact on the Tollway's financial statements has not yet been finally determined, but is expected to be material.

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. 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 does not expect this statement to have a material impact on the Tollway's financial statements.

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 the Tollway's 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 the Tollway's 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 the Tollway's financial statements.

Statement No. 87 – *Leases* – This statement changes the accounting treatment for operating leases. This statement is effective for fiscal years beginning after December 15, 2019. Management has not yet determined the impact of this statement on the Tollway's financial statements.

Statement No. 88 - Certain *Disclosures Related to Debt, including Direct Borrowings and Direct Placements* – This statement requires that additional information about debt be disclosed in the notes to the financial statements. This statement is effective for fiscal years beginning after June 15, 2018. Management does not expect this statement to have a material impact on the Tollway's 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 $140.5 million are recorded at December 31, 2017, representing construction projects performed by the Tollway that pertain to the infrastructure owned by IDOT. Accrued liabilities totaling approximately $91.7 million are recorded for amounts owed to IDOT for construction projects IDOT has performed for infrastructure assets owned by the Tollway.

(21) Subsequent Events

On January 1, 2018, a toll rate increase took effect for commercial vehicles reflecting an increase in the Consumer Price Index (CPI) for All Urban Consumers. This increase was implemented pursuant to the Tollway Board of Directors' approval in 2008 and confirmation in 2011 of annual CPI – based commercial vehicle toll rate increases beginning January 1, 2018 and each year thereafter.

On January 10, 2018, 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 2, 2018, to February 1, 2019.

On January 10, 2018, 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 2, 2018, to February 1, 2019.

On February 22, 2018, the Tollway Board of Directors authorized the issuance of up to $700,000,000 of senior-lien fixed rate revenue bonds for the purpose of paying costs of the "Move Illinois" Program.

The Tollway has been notified by the U.S. Treasury of a 6.6% reduction in U.S. Treasury subsidies of Build America Bond interest payments for the federal fiscal year ending September 30, 2018. This reduction is expected to reduce the subsidy payments received by the Tollway for the Series 2009B interest payment due June 1, 2018, and the Series 2009A interest payment due July 1, 2018, by a total amount of $536,056.

REQUIRED SUPPLEMENTARY INFORMATION

Schedule 1

THE ILLINOIS STATE TOLL HIGHWAY AUTHORITY

(A Component Unit of the State of Illinois)

Schedule of Tollway's Proportionate Share
of the Net Pension Liability of the
State Employees' Retirement System (SERS)
Year ended December 31, 2017

Last 10 Fiscal Years**

	SERS Fiscal Year Ended June 30,			
	2017	**2016**	**2015**	**2014**
Tollway's proportion of the net pension liability*	2.6999%	2.6382%	2.6261%	2.6826%
Tollway's proportionate share of the net pension liability, pursuant to GASB Statement No. 68 reporting requirements	$ 888,456,774	900,824,457	$ 733,523,053	$ 727,079,026
Tollway's covered payroll	$ 111,226,982	111,478,841	$ 112,947,877	$ 110,979,470
Tollway's proportionate share of the net pension liability as a percentage of its covered payroll	798.78%	808.07%	649.44%	655.15%
Plan fiduciary net position as a percentage of the total pension liability	33.44%	30.58%	35.27%	34.98%

* Tollway's proportion of net pension liability is estimated as the percentage of Tollway annual contributuions to SERS to total annual contributions to SERS.

**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 four years presented.

THE ILLINOIS STATE TOLL HIGHWAY AUTHORITY **Schedule 2**

(A Component Unit of the State of Illinois)

Schedule of Contributions to SERS Pension Plan

Year ended December 31, 2017

Year Ended	Actuarially Determined Contribution	Actual Contribution*	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a % of Covered Payroll
6/30/17	$ 57,493,911	$ 55,576,566	$ 1,917,345	$ 111,226,982	49.97%
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 2017, 2016, 2015 and 2014. GASB Statement No. 68 requires disclosure of this information over a 10 year period. However, since GASB Statement No. 68 was implemented in 2015, applicable information is only available for the four years presented.

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

*Actual contributions are based on the Tollway's calendar year and are equal to the statutorily required contribution.

See accompanying independent auditors' report.

SUPPLEMENTARY INFORMATION – TRUST INDENTURE AGREEMENT SCHEDULES (NON-GAAP)

Schedule 3

THE 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, 2017

	Revenue fund	Construction fund	Total
Increases:			
Toll revenue	$ 1,309,189,509	$ —	$ 1,309,189,509
Toll evasion recovery	65,639,705	—	65,639,705
Concessions	2,298,943	—	2,298,943
Interest	13,947,161	107,175	14,054,336
Miscellaneous	10,742,309	—	10,742,309
Total increases	1,401,817,627	107,175	1,401,924,802
Decreases:			
Engineering and maintenance of roadway and structures	74,054,546	—	74,054,546
Services and toll collection	140,216,808	—	140,216,808
Traffic control, safety patrol, and radio communications	37,908,301	—	37,908,301
Procurement, IT, finance and administration	32,076,751	—	32,076,751
Insurance and employee benefits	35,281,760	—	35,281,760
Construction	791,437,194	—	791,437,194
Construction expense reimbursed by bond proceeds	(332,134,852)	332,134,852	—
Bond principal payments	88,860,000	—	88,860,000
Net funds applied to refunding	—	—	—
Build America bond subsidy	(15,147,651)	—	(15,147,651)
Bond interest and other financing costs	295,926,195	—	295,926,195
Total decreases	1,148,479,052	332,134,852	1,480,613,904
Net increases (decreases)	253,338,575	(332,027,677)	(78,689,102)
Bond proceeds	16,628,548	332,715,302	349,343,850
Bond issuance costs	—	(580,450)	(580,450)
	16,628,548	332,134,852	348,763,400
Change in fund balance	269,967,123	107,175	270,074,298
Fund balance, January 1	1,188,941,174	—	1,188,941,174
Fund balance, December 31	$ 1,458,908,297	$ 107,175	$ 1,459,015,472

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

See accompanying independent auditors' report.

(Continued)

Schedule 3

THE 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	6,529,526	233,681	6,763,207
Miscellaneous	9,227,672	—	9,227,672
Total increases	1,298,799,757	233,681	1,299,033,438
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	1,151,933,255	763,758,045	1,915,691,300
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 4

THE 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, 2017

	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	$ 1,309,189,509	$ —	$ —	$ —	$ —	$ —	$ —	$ 1,309,189,509
Toll evasion recovery	65,639,705	—	—	—	—	—	—	65,639,705
Concessions	2,298,943	—	—	—	—	—	—	2,298,943
Interest	2,194,811	—	—	1,017,539	3,727,854	3,015,674	3,991,283	13,947,161
Miscellaneous	10,742,309	—	—	—	—	—	—	10,742,309
Intrafund transfers	(1,389,006,697)	323,693,305	—	388,969,138	—	420,000,000	256,344,254	—
Total increases	1,058,580	323,693,305	—	389,986,677	3,727,854	423,015,674	260,335,537	1,401,817,627
Decreases:								
Engineering and maintenance of roadway and structures	—	74,054,546	—	—	—	—	—	74,054,546
Services and toll collection	—	140,216,809	—	—	—	—	—	140,216,809
Traffic control, safety patrol, and radio communications	—	37,908,301	—	—	—	—	—	37,908,301
Procurement, IT, finance and administration	—	32,076,751	—	—	—	—	—	32,076,751
Insurance and employee benefits	—	35,281,760	—	—	—	—	—	35,281,760
Construction expenses	—	—	—	—	—	289,596,111	501,841,083	791,437,194
Construction expenses reimbursed by bond proceeds	—	—	—	—	—	—	(332,134,852)	(332,134,852)
Bond principal payments	—	—	—	88,860,000	—	—	—	88,860,000
Gain/loss on defeased bonds	—	—	—	—	—	—	—	—
Build America bond subsidy	—	—	—	(15,147,651)	—	—	—	(15,147,651)
Interest and other financing costs	—	—	—	295,719,298	206,897	—	—	295,926,195
Total decreases	—	319,538,167	—	369,431,647	206,897	289,596,111	169,706,231	1,148,479,053
Net increase (decrease)	1,058,580	4,155,138	—	20,555,030	3,520,957	133,419,563	90,629,306	253,338,574
Bond proceeds	—	—	—	—	16,628,548	—	—	16,628,548
Net funds applied to refunding	—	—	—	—	—	—	—	—
Change in fund balance	1,058,580	4,155,138	—	20,555,030	20,149,505	133,419,563	90,629,306	269,967,122
Fund balance, January 1	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
Fund balance, December 31	$ 13,981,289	$ 16,754,093	$ 27,400,000	$ 45,271,329	$ 390,672,823	$ 415,245,853	$ 549,582,910	$ 1,458,908,297

See accompanying independent auditors' report.

(Continued)

Schedule 4

THE 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.

(1) Summary of Significant Accounting Policies

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 custodial account. Part of this account is part of the Maintenance and Operation Account within the Revenue Fund.

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

Basis of Accounting

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

The major differences are as follows:

1. Capital construction and asset acquisitions are charged against fund balance as incurred. In addition, there is no provision for depreciation.

2. Monies received from sale of assets are recorded as revenue when the cash is received.

3. Monies received for long-term fiber optic leases are recorded as revenue when received.

4. Principal retirements on revenue bonds are expensed when paid. 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 reporting and as miscellaneous operating revenue for GAAP.

10. In Trust Indenture reporting, 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 reporting.

13. The provisions of GASB Statement No. 68 regarding net pension liability and deferred outflows and inflows of resources are not reflected in the Trust Indenture reporting. 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:

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 30% 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 applicable 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.

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.

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

Renewal and Replacement Account

Revenues must be credited to the Renewal and Replacement Account in an amount set forth in the annual budget for the renewal and replacement deposit. An amount set forth in the budget shall be determined based on recommendations of the Consulting Engineer. Additional funds can be transferred to this account by the Tollway, based on the capital plan expenditures.

Improvement Account

At the direction of the Tollway, the balance of amounts in the Revenue Fund are applied to the Improvement Account, for allocations to projects, determined by the Tollway, until the balance in the Account is equal to the improvement requirement.

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 Account during 2017.

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 – 2017

	Debt Service	Debt Reserve	Total
Bond interest expense	$ 290,367,414	$ -	$ 290,367,414
Other financing costs	5,351,884	206,897	5,558,781
	$ 295,719,298	$ 206,897	$ 295,926,195

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, 2017, are $147.2 million in the Debt Service accounts and $387.0 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

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

Schedule of Toll Revenue by Class of Vehicles (Unaudited)

For the Years Ended December 31, 2017 and 2016

		2017		2016	
Class of Vehicle		**Average Daily Transactions***	**Revenue****	**Average Daily Transactions***	**Revenue****
1.	Auto, motorcycle, taxi, station wagon, ambulance, single-unit truck or tractor: 2 axles, 4 tires	2,420,461	$ 724,904,825	2,250,390	$ 686,846,389
2.	Single-unit truck or tractor, buses: 2 axles, 6 tires	46,935	35,013,245	43,607	31,634,523
3.	Trucks and buses with 3 & 4 axles	49,794	60,891,559	46,575	53,863,847
4.	Trucks with 5 or more axles, other vehicles and toll adjustments	215,231	488,379,880	205,577	443,953,285
TOTAL		2,732,421	$ 1,309,189,509	2,546,150	$ 1,216,298,044

* The "Average Daily Transactions" represents the average daily number of vehicles passing through the toll plazas.
** Toll revenue does not include tolls collected through the Evasion Recovery Program of approximately $12.5 million and $14.5 million, respectively.

Schedule 6

THE ILLINOIS STATE TOLL HIGHWAY AUTHORITY

(A Component Unit of the State of Illinois)

Renewal and Replacement Account (Unaudited)

Trust Indenture Basis (Non-GAAP)

Years ended December 31, 2003 through 2017

Year	Total funds credited [1]
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
2017	423,015,675

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

See accompanying independent auditors' report.

Schedule 7

THE 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, 2008 through December 31, 2017
(Amounts in thousands)

	2017	2016[7]	2015[6]	2014[5]	2013[4]	2012	2011	2010	2009[3]	2008
Operating revenue:										
Toll revenue	$ 1,309,189	1,216,298	$ 1,146,629	968,972	$ 943,152	$ 922,390	$ 652,674	$ 628,754	$ 592,063	$ 583,647
Toll evasion recovery	65,640	64,491	64,323	53,769	54,221	32,599	33,268	34,924	54,829	77,654
Concession and other revenue	13,041	11,481	7,664	12,373	11,537	7,377	10,410	7,332	7,960	6,832
Interest income[1]	13,947	6,529	1,846	1,041	866	1,389	1,064	1,750	3,200	22,980
Total operating revenue	1,401,817	1,298,799	1,220,462	1,036,155	1,009,776	963,755	697,416	672,760	658,052	691,113
Maintenance and operating expenses:										
Engineering and maintenance	74,054	53,650	55,477	47,614	43,225	39,144	43,667	45,627	47,895	43,899
Toll services	140,217	109,854	101,415	107,326	106,321	93,590	88,737	88,580	91,541	100,464
Police, safety and communication	37,908	27,256	24,958	27,606	22,551	22,808	23,061	22,811	22,650	21,895
Procurement, IT, finance and administration	32,077	25,731	23,851	24,192	19,138	19,971	20,522	22,165	20,605	18,382
Insurance and employee benefits	35,282	92,748	92,778	91,082	86,278	77,544	69,988	71,674	72,494	59,635
Total expenses	319,538	309,239	298,479	297,820	277,513	253,057	245,975	250,857	255,185	244,275
Net operating revenues	$ 1,082,279	$ 989,560	$ 921,983	$ 738,335	$ 732,263	$ 710,698	$ 451,441	$ 421,903	$ 402,867	$ 446,838
Total debt service[2][3]	$ 398,411	$ 387,933	$ 358,846	$ 308,443	$ 297,708	$ 250,253	$ 249,960	$ 248,108	$ 173,319	$ 198,429
Net revenues after debt service[2]	$ 683,868	$ 601,627	$ 563,137	$ 429,892	$ 434,555	$ 460,455	$ 201,481	$ 173,795	$ 229,548	$ 248,409
Debt service coverage[2]	2.72	2.55	2.56	2.39	2.46	2.84	1.81	1.70	2.32	2.25

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

Schedule 8

THE ILLINOIS STATE TOLL HIGHWAY AUTHORITY

(A Component Unit of the State of Illinois)

Annual Toll Transactions

Passenger and Commercial Vehicles (Unaudited)

For years 2008 to 2017

(Transactions in thousands)

Year	Passenger	Commercial	Total	Percentage passenger
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%
2017	883,468	113,866	997,334	88.58%

The Tollway began tolling the Illinois Route 390 tollway on an approximately 6.5 mile segment in July 2016 and an approximately 3.5 mile segment in November 2017.

Schedule 9

THE ILLINOIS STATE TOLL HIGHWAY AUTHORITY

(A Component Unit of the State of Illinois)

Annual Toll Revenues

Passenger and Commercial Vehicles (Unaudited)

For years 2008 to 2017

(Dollars in thousands)

Year	Passenger	Commercial	Total	Percentage passenger
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%
2017	724,905	584,285	1,309,190	55.37%

The changed rate structures implemented in 2012 and 2015-2017 contributed to the increase and decrease, respectively, in the percentage of revenues from passenger vehicles.

Schedule 10

THE 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 1959 to 2017

(Dollars in thousands)

Year	Operating revenue	Maintenance and operating expenses	Net operating revenues
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
1994	309,949	116,996	192,953
1999	366,092	146,881	219,211
2004	423,427	198,302	225,125
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	1,220,462	298,479	921,983
2016	1,298,799	309,239	989,560
2017	1,401,817	319,538	1,082,279

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

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

Supplementary Information for the State Compliance Purposes Summary
December 31, 2017

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 Accounts Receivable

Analysis of Operations

- Tollway Functions and Planning Program (Unaudited)
- Explanation of Significant Variations in Asset Accounts (Unaudited)
- Explanation of Significant Variations in Liability Accounts (Unaudited)
- Explanation of Significant Variations in Revenues and Expenses (Unaudited)
- Average Number of Employees by Function (Unaudited)
- Emergency Purchases (Unaudited)
- Schedule of Commodities Inventory (Unaudited)
- Service Efforts and Accomplishments (Unaudited)

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

Schedule 11

THE ILLINOIS STATE TOLL HIGHWAY AUTHORITY

(A Component Unit of the State of Illinois)

Schedule of Cash and Cash Equivalents Balances

December 31, 2017

(With summary totals for 2016)

	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	25,670,863	21,972,164
Bank of America – Revolving accounts	9,330,836	9,313,114
Bank of America – Treasurer account*	17,020,928	698,752
Bank of America – Risk Management Account	15,836,030	15,933,623
Illinois Funds - EPAY	46	7,950
Cash equivalents (unrestricted):		
Wells Fargo – Investments – Treasurer accounts*	292,675,000	292,674,960
Wells Fargo – Checking	21,982	21,982
Total cash and cash equivalents (unrestricted)	361,137,585	341,204,445
Cash (restricted):		
Bank of America – Restricted for I-PASS accounts	(14,344,282)	179,026
Illinois Funds - Restricted for I-PASS Accounts	194,765,898	194,765,898
Total restricted for I-PASS Accounts	180,421,616	194,944,924
Cash equivalents (restricted):		
Restricted for debt service:		
Money market accounts:		
BNY Mellon		
Debt reserve	16,956,035	16,956,035
Debt service	145,315,811	145,315,811
Provider payment	1,887,423	1,887,423
Total restricted for debt service	164,159,269	164,159,269
Northern Trust – Pension benefit asset	94,532	94,532
Total cash and cash equivalent (restricted)	344,675,417	359,198,725
Total cash and cash equivalents at December 31, 2017	$ 705,813,002	$ 700,403,170
Total cash and cash equivalents at December 31, 2016	$ 527,575,406	$ 859,614,560

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

See accompanying independent auditors' report.

Schedule 12

THE ILLINOIS STATE TOLL HIGHWAY AUTHORITY

(A Component Unit of the State of Illinois)

Schedule of Accounts Receivable

December 31, 2017 and 2016

	Aging				Allowance for	
	0-180 days	181-365 days	Over one year	Gross total	doubtful accounts	Net receivables
Tolls	$ 8,741,543	$ 1,929,672	$ 1,681,184	$ 12,352,399	$ (4,524,780)	$ 7,827,619
Toll evasion recovery – Tolls	7,858,228	4,529,411	48,518,566	60,906,205	(49,564,345)	11,341,860
Oases	119,631	-	-	119,631	-	119,631
Damage claims	38,612	32,485	266,614	337,711	(320,685)	17,026
Overdimension vehicle permits	115,185	1,425	30,131	146,741	(35,201)	111,540
Fiber optic	998,198	134,802	1,203,526	2,336,526	(1,494,927)	841,599
Other	550,306	22,605	2,075,741	2,648,652	(2,105,326)	543,326
Subtotal – accounts receivable	18,421,703	6,650,400	53,775,762	78,847,865	(58,045,264)	20,802,601
E-Z Pass Agency Group	20,904,276	-	-	20,904,276	-	20,904,276
Illinois Department of Transportation	62,843	-	140,569,544	140,632,387	-	140,632,387
Other governments	26,874,358	-	68,115,000	94,989,358	-	94,989,358
Subtotal – Governmental agency receivables	47,841,477	-	208,684,544	256,526,021	-	256,526,021
Total receivables at December 31, 2017	$ 66,263,180	$ 6,650,400	$ 262,460,306	$ 335,373,886	$ (58,045,264)	$ 277,328,622
Total receivables at December 31, 2016	$ 49,513,643	$ 5,870,083	$ 258,188,518	$ 313,572,244	$ (47,195,416)	$ 266,376,828

See accompanying independent auditors' report.

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

Analysis of Operations
Tollway Functions and Planning Program (Unaudited)
December 31, 2017

Tollway Functions and Planning Program

The 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 established in 1953, 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. In 2017, the Tollway completed the Illinois Route 390 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 A, $770,000,000, Senior Priority Revenue Bonds to pay a portion of the costs of the Congestion Relief Program.
- 2006 A, $1,000,000,000, Senior Priority Revenue Bonds to pay a portion of the costs of the Congestion Relief Program.
- 2007 A, $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 Refunding Revenue Bonds to advance refunds 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, Senior Priority Revenue Bonds to pay a portion of the costs of the Congestion Relief Program.

- 2009 A, $500,000,000, Senior Priority Revenue Bonds (Taxable) to pay a portion of the costs of the Congestion Relief Program.
- 2009 B, $280,000,000, Senior Priority Revenue Bonds (Taxable) to pay the costs of the Congestion Relief Program.
- 2010 A-1, $279,300,000, Senior Revenue Bonds (Refunding) 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-1, $217,390,000, Senior Revenue Bonds (Refunding) to advance refund $228,195,000 2005 Series A Bonds.
- 2014 A, $378,720,000, Senior Revenue Bonds (Refunding) 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 Revenue Bonds (Refunding) 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 Revenue Bonds (Refunding) 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.
- 2017 A, $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 as Ex-Officio members.

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 its debt service funding requirements. The Tollway does not receive any State government appropriations. No federal grants were received in 2017.

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

Analysis of Operations
Tollway Functions and Planning Program (Unaudited)
December 31, 2017

The Tollway's accounting records are maintained in accordance with the Tollway's Trust Indenture. The Tollway's Trust Indenture prescribes investment and accounting requirements, which differ in some instances from GAAP. The Tollway prepares quarterly and annual Trust Indenture financial reporting. At fiscal year-end, management makes accounting entries to convert the Tollway's accounting records to GAAP for annual financial reporting purposes. The Trust Indenture also requires the Tollway to prepare a tentative budget of the operating expenditures for the ensuing calendar year on or before October 31. The budget is required to include the recommendation 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 Chief Financial Officer, Controller, Budget Manager, 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 goals related to its operating expenditures and improvement programs.

The office of the Tollway's Executive Director is located at the Tollway's Central Administration Building, 2700 Ogden Avenue, Downers Grove, Illinois, 60515.

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

Analysis of Operations
Explanation of Significant Variations in Asset Accounts* (Unaudited)
Years ended December 31, 2017 and 2016

Assets	December 31 2017	December 31 2016	Increase (decrease)	Percentage change
Cash and cash equivalents - unrestricted, current	$ 345,301,555	$ 156,759,167	$ 188,542,388	120%
Intergovernmental agreements receivable - unrestricted, current	47,841,477	30,805,629	17,035,848	55%
Prepaid expenses - unrestricted, current	8,245,730	1,719,350	6,526,380	380%
Cash and cash equivalents - debt reserve, restricted, non-current	16,956,035	46,459,331	(29,503,296)	-64%
Deferred outflows related to pensions	144,018,700	198,416,401	(54,397,701)	-27%

Cash and cash equivalents - unrestricted, current	The Tollway moved more funds into overnight repurchase agreements, which are classified as cash equivalents.
Intergovernmental agreements - unrestricted, current	Increased cooperative construction activity with various municipalities impacted by the Elgin O'HareWestern Access project.
Prepaid expenses - unrestricted, current	There was a $5.9 million prepayment under an intergovernmental agreement in 2017 that did not occur in the prior year.
Cash and cash equivalents - debt reserve, restricted, non-current	The Tollway moved funds into U.S. Treasury-SLGP investments, which are not classified as cash equivalents.
Deferred outflows related to pensions	The Tollway's allocation of the State of Illinois' deferred outflows related to pension liability under GASB Statement No. 68 decreased in 2017.

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

See accompanying independent auditors' report.

THE ILLINOIS STATE TOLL HIGHWAY AUTHORITY

(A Component Unit of the State of Illinois)

Analysis of Operations

Explanation of Significant Variations in Liability Accounts* (Unaudited)

Years ended December 31, 2017 and 2016

Liabilities and Deferred Inflows	December 31 2017	December 31 2016	Increase / (decrease)	Percentage change
Accounts payable	$ 25,711,743	$ 18,948,176	$ 6,763,567	36%
Deposits and retainage	35,294,648	68,182,628	(32,887,980)	-48%
Current portion of revenue bonds payable	113,160,000	88,860,000	24,300,000	27%
Deferred inflows of resources - pension related	51,650,575	30,155,237	21,495,338	71%

Accounts Payable	Timing of purchases and invoice payments resulted in higher accounts payable at year end.
Deposits and retainage	Due to the timing of contract closeouts, the amount of retainage decreased at year end.
Current portion of revenue bonds payable	The scheduled principal payments as of December 31, 2017, that will be due in 2018, are higher than the scheduled principal payments as of December 31, 2016, that were due in 2017.
Deferred inflows of resources - pension related	The Tollway's allocation of deferred inflows of resources under GASB Statement No. 68 increased in 2017.

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

See accompanying independent auditors' report.

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

Analysis of Operations
Explanation of Significant Variations in Revenues and Expenses* (Unaudited)
Years ended December 31, 2017 and 2016

Revenues/expenses	**December 31** **2017**	**2016**	**Increase (decrease)**	**Percentage change**
Investment income	$ 14,054,336	$ 6,763,207	$ 7,291,129	108%

Investment income — Higher interest rates, along with an increase in invested funds during 2017, resulted in higher investment income in 2017.

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

See accompanying independent auditors’ report.

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

Analysis of Operations
Average Number of Employees by Function (Unaudited)
Year Ended December 31, 2017 and 2016

	Full-time scheduled		Part-time scheduled		Total	
	2017	2016	2017	2016	2017	2016
Tollway Employees:						
Executive office	7	4	-	-	7	4
Directors	9	10	-	-	9	10
Inspector General	6	6	-	-	6	6
Internal audit	5	5	-	-	5	5
Legal	8	9	-	-	8	9
State police-civilian employees	10	12	-	-	10	12
Finance	53	52	-	-	53	52
Administration	28	31	-	-	28	31
Operations:						
Toll collectors	371	418	-	-	371	418
Plaza managers and assistants	29	32	-	-	29	32
Other	136	130	-	-	136	130
Information Technology	40	40	-	-	40	40
Engineering:						
Maintenance:						
Roadway	391	390	-	-	391	390
Transportation	67	66	-	-	67	66
Engineers	41	45	-	-	41	45
Others	67	57	-	-	67	57
Planning	22	22	-	-	22	22
Procurement	45	48	-	-	45	48
Diversity & strategic development	6	6	-	-	6	6
Communications	11	13	-	-	11	13
Business Systems	57	59	-	-	57	59
	1409	1455	-	-	1409	1455
State Troopers	175	170	-	-	175	170
Total Personnel	1584	1625	-	-	1584	1625

Hourly base payroll		64,661,602	62.24%
Overtime		5,960,349	5.74%
Salaries		33,266,832	32.02%
2017 Total payroll	$	103,888,783	100.00%
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%

See accompanying independent auditors' report

THE ILLINOIS STATE TOLL HIGHWAY AUTHORITY

(A Component Unit of the State of Illinois)

Analysis of Operations

Emergency Purchases (Unaudited)

Year ended December 31, 2017

Description		Cost
Out of state registration retrieval services	$	300,000

This emergency purchase was for the continuation of automobile registration retrieval services for the continuation of violation revenue collection efforts. The emergency purchase was filed on December 22, 2017 for an estimated amount necessary for services to be procured from Law Enforcement Systems.

See accompanying independent auditors’ report.

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

Analysis of Operations
Schedule of Commodities Inventory (Unaudited)
December 31, 2017

		2017
Location:		
Central warehouse	$	1,046,614
Maintenance buildings		8,695,148
Electrical shops		1,739,323
Central sign shop		1,569,163
Carpenter shop		237,750
Central garage		497,979
Pool car garage		18,294
Total commodities inventory at December 31, 2017	$	13,804,271

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.

(1) Tollway 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 Tollway is guided by the following 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 Tollway Operations

The Tollway maintains and operates 294 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) and Illinois Route 390.

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 Measure

The following metrics were reported for the year ending December 31, 2017.

1.	The percentage of vehicles using I-PASS during rush hour:	90.9%
2.	The percentage of vehicles using I-PASS for all hours:	87.8%
3.	Travel Time Index Congestion Measure for the A.M. rush hour:	.99
4.	The average personal injury accident clearance time:	36 minutes

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

Service Efforts and Accomplishments (Unaudited)
December 31, 2017

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 minutes

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