McGladrey & Pullen
Certified Public Accountants

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

Financial Statements
For the Year Ended December 31, 2005
Performed as Special Assistant Auditors
for the Auditor General, State of Illinois

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

Financial Statements
For the Year Ended December 31, 2005

Table of Contents

Summary

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

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

McGladrey & Pullen
Certified Public Accountants

Independent Auditors' Report

Honorable William G. Holland
Auditor General
State of Illinois

As Special Assistant Auditors for the Auditor General, we have audited the accompanying basic financial statements of the Illinois State Toll Highway Authority, a component unit of the State of Illinois, as of and for the year ended December 31, 2005, as listed in the table of contents. These basic financial statements are the responsibility of the Illinois State Toll Highway Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Illinois State Toll Highway Authority, as of December 31, 2005, and the changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 16 to the financial statements, the December 31, 2004 net assets have been restated for an error in the application of accounting principles.

In accordance with *Government Auditing Standards*, our report dated August 4, 2006 on our consideration of the Illinois State Toll Highway Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements and other matters will be issued under a separate cover. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report, upon issuance, is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 4-9 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and do not express an opinion on it.

Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information as listed in the Table of Contents is presented for purposes of additional analysis and is not a required part of the basic financial statements of the Illinois State Toll Highway Authority. Such information, except for that portion marked "unaudited" on which we express no opinion, has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is presented fairly, in all material respects, in relation to the basic financial statements taken as a whole.

McGladrey & Pullen, LLP

Schaumburg, Illinois
August 4, 2006

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 years ended December 31, 2005 and 2004. Readers should use this section of this report in conjunction with the Tollway's basic financial statements.

2005 FINANCIAL HIGHLIGHTS

- Implementation of the Tollway's Congestion-Relief Plan began in 2005 with an adjustment to the previously existing toll schedule that was adopted in 1983. The new rate structure has two distinct characteristics: 1) Passenger Vehicles making payment with cash are now charged double that of tolls paid by patrons using I-PASS and 2) all Commercial Vehicle rates were increased. Rates were developed on the principles of "Congestion Pricing" which adjusts the toll schedule based on peak/off-peak periods and payment choice. As a result, operating revenues for 2005 increased significantly, by 46%, to just over $612 million from about $419 million in 2004.

- In 2005 the first series of toll revenue bonds (2005 Series A) were issued to support the Congestion-Relief Plan totaling $770 million at a true interest cost of 4.2%; principal retirements for this series are scheduled to begin in 2014 through 2023. The proceeds of this borrowing—along with revenues generated via the toll increase and other scheduled borrowings--have been and will be used to fund the capital projects described in the Tollway's Congestion-Relief Plan which include the following initiatives: system-wide Open Road Tolling; improvements to the Reagan Memorial Tollway (I-88); the extension of I-355 south to I-80; the restoration or rebuilding of 90% of the system; and 117 miles of lanes added to existing roads.

- Concomitant with the issuance of the 2005 Series A bonds, the Tollway's senior lien underlying credit rating was reported as follows: by Fitch Ratings – AA-; by Moody's Investor Services - Aa3; and by Standard & Poor's - AA-. Prior to issuance of these bonds, the Tollway received a rating upgrade from Moody's Investor Services from A1 to Aa3 and Fitch Ratings revised its outlook to stable from negative.

- Amounts on deposit on behalf of I-PASS account holders increased by 38% in 2005 to $96 million; the percentage of Tollway users paying by I-PASS was 74% at the end of 2005 (versus 47% at the end of 2004).

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.

NOTES TO THE FINANCIAL STATEMENTS

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

2005 RESULTS COMPARED TO 2004

Revenues

In 2005 the Tollway's operating revenues increased 46% to just over $612 million (up from almost $419 million in 2004). Most of this increase, $189 million, was due to changes in certain rates based on the principles of "Congestion Pricing," which charges higher rates for Commercial Vehicles using the Tollway system during peak time periods of daily travel in order to reduce congestion and expedite travel times. The daytime rates for the three Commercial Vehicle classes of large, medium, and small are $4.00, $2.25, and $1.50, respectively, at typical mainline plazas. The daytime Commercial Vehicle rates apply from 6:00 a.m. to 10:00 p.m. on weekdays and weekends. The corresponding overnight (10:00 p.m. to 6:00 a.m.) rates are discounted to $3.00, $1.75, and $1.00. Also Commercial Vehicles using I-PASS receive the discounted overnight toll rate during the off-peak hours of 9:00 a.m. to 3:30 p.m. and 6:30 p.m. to 10:00 p.m. on weekdays and 6:00 a.m. to 10:00 p.m. on weekends. This off-peak discount expires at the end of 2008. The new toll rate structure allows Passenger Vehicle I-PASS users to continue to pay at previously existing rates ($0.40 at most toll plazas), while Passenger Vehicle users paying with cash pay double the I-PASS rate.

Of other classes of operating revenues collected, recoveries from toll evaders were up 27% at almost $27 million (from $21 million in 2004), the result of consistent collection efforts. Lease payments received from oasis concessions were on a par, year to year, at $2.8 million in 2005 versus $2.7 million in 2004. Other miscellaneous revenues decreased by $1.2 million for a total of $2.3 million in 2005, versus $3.5 million the previous year.

Operating expenses in total increased 7% year to year. This $25 million increase was mostly the result of: a $1.7 million increased outlay for rock salt; a $2 million increase in the costs of administering the violation enforcement effort; an $8.5 million increase in the allowance for doubtful accounts, mainly in respect of violation receivables that may not be collected; a $1.2 million increase in outlays for State Police services due to the addition of state troopers to District 15; a $.5 million for phone system upgrades, and a $9.4 million increase in depreciation expense created by approximately $200 million in depreciable capital assets placed into service during the year.

Non-operating Revenues and Expenses

As would be expected as the result of the June bond issuance—the proceeds of which were earmarked for capital expenditures and are invested until the completion of the related construction--investment income more than quadrupled to $32.3 million, versus $7.0 million in 2004. Similarly, with a large cash portfolio on hand during a time of generally increasing short-term rates, the fair value of investments decreased $2 million as of the 2005 balance sheet date.

Interest expense and other financing cost amortization were up 58% at $62.8 million, versus $39.8 million in 2004. All of this increase resulted from the additional $770 million of bonds issued mid-year. Overall, however, total non-operating expenses showed virtually no change at $32.4 million net expenses in 2005 and $31.1 million in 2004 as increased interest expense was offset by increased interest income..

All of these operating and non-operating activities resulted in a 2005 increase in the Tollway's net assets of $211.8 million, a substantially higher increase than that posted in 2004 of $44.2 million. The improved 2005 increase results from the combination of the 46% increase in total revenues offset by the 7% increase in total expenses.

ILLINOIS STATE TOLL HIGHWAY AUTHORITY

CHANGES IN NET ASSETS

For the Years Ended December 31, 2005 and 2004

	2005	2004, as Restated
Revenues		
Operating Revenues:		
Toll Revenue	$ 580,441,697	$ 391,586,232
Toll Evasion Recovery	26,737,437	21,034,678
Concessions	2,790,847	2,654,668
Miscellaneous	2,266,957	3,445,212
Nonoperating Revenues:		
Investment income	32,298,872	6,966,085
Net decrease in fair value of investments	(2,092,025)	(72,859)
Net gain on disposal of property	175,863	1,776,272
Total Revenues	642,619,648	427,390,288
Expenses		
Operating Expenses:		
Engineering and Maintenance of Roadway Structures	34,886,799	32,579,707
Services and Toll Collection	96,196,860	83,913,805
Traffic Control, Safety Patrol, and Radio Communications	18,034,485	15,340,985
Procurement, IT, Finance, and Administration	22,018,346	20,933,265
Insurance and Employee Benefits	44,659,657	47,756,919
Depreciation and Amortization	152,195,010	142,835,466
Nonoperating Expenses:		
Interest expense and amortization of financing costs	62,796,040	39,768,842
Total Expenses	430,787,197	383,128,989
Income before special item	211,832,451	44,261,299
Special Item	-	(7,381,371)
Increase in Net Assets	211,832,451	36,879,928
Net Assets, beginning of year, as restated	1,560,118,118	1,523,238,190
Net Assets, end of year	$ 1,771,950,569	$ 1,560,118,118

NET ASSETS: The Tollway's total assets increased almost $1.2 billion during the year 2005 primarily due to: 1) a $58 million dollar increase in unrestricted cash and a $713 million increase in restricted cash and investments—each a result of the June bond issue and each primarily held in respect of accrued liabilities or future capital outlays; and 2) growth in capital assets of $411 million, consisting largely of $358 million in construction in progress and $182 million of capitalized infrastructure, mostly relating to the Congestion-Relief Plan. This increase was offset by $152 million in depreciation and amortization for 2005.

Tollway liabilities increased $982 million as a result of the year's operating and financial activities. Current liabilities in total grew by $200 million, largely from: 1) a $94 million increase in accruals relating to increased construction activity and 2) a $23 million increase in amounts due to transponder holders, caused by incentives to use I-PASS for toll payment rather than cash. Long-term debt outstanding grew by approximately $782 million due to the Series 2005 bonds issued in June.

ILLINOIS STATE TOLL HIGHWAY AUTHORITY
STATEMENT OF NET ASSETS
December 31, 2005 and 2004

	2005	2004, as Restated
Current and other assets	$ 1,385,030,217	$ 602,402,207
Capital assets - net	2,262,248,823	1,851,284,953
Total assets	3,647,279,040	2,453,687,160
Current debt outstanding	47,308,867	17,894,080
Long-term debt outstanding	1,432,095,268	649,808,755
Other liabilities	395,924,336	225,866,207
Total Liabilities	1,875,328,471	893,569,042
Net Assets:		
Invested in capital assets, net of related debt	782,844,688	1,183,582,118
Restricted	740,290,448	74,848,940
Unrestricted	248,815,433	301,687,060
Total Net Assets	$ 1,771,950,569	$ 1,560,118,118

CAPITAL ASSETS AND DEBT ADMINISTRATION

CAPITAL ASSETS: As of December 31, 2005, the Tollway owned $2.262 billion in capital assets, net of accumulated depreciation, of which 65% was infrastructure. The remainder consists of land, construction in progress, machinery and equipment, and buildings. See Note 5 for additional information.

IILLINOIS STATE TOLL HIGHWAY AUTHORITY
CAPITAL ASSETS
For the Year Ended Decemeber 31, 2005

	January 1, 2005 Net Balance (Restated)	2005 Net Activity	2005 Depreciation	December 31, 2005 Net Balance
Land	$ 194,814,195	$ 2,619,447	$ -	$ 197,433,642
Construction in Progress	182,362,914	358,257,785	-	540,620,699
Buildings	13,466,585	-	(1,795,545)	11,671,040
Infrastructure	1,412,964,424	181,628,653	(132,228,915)	1,462,364,162
Machinery and Equipment	47,676,835	20,652,995	(18,170,550)	50,159,280
Total	$ 1,851,284,953	$ 563,158,880	$ (152,195,010)	$ 2,262,248,823

LONG -TERM DEBT:

The Tollway has issued several series of revenue bonds backed by pledged revenue and restricted funds as specified in its Trust Indenture. In June 2005, the Tollway issued the 2005 Series A bonds totaling $770 million par value of fixed-rate Senior Priority Revenue Bonds. These bonds were issued in order to finance a portion of the $5.3 billion Congestion-Relief Plan. The Tollway senior lien bonds are rated AA- by Standard & Poor's, AA- by Fitch Ratings, and Aa3 by Moody's Investor Service as of December 31, 2005. The total revenue bonds payable as of December 31, 2005 was approximately $1.4 billion. See Notes 7 & 9 for more information. The total amounts of capital leases payable as of December 31, 2005, was approximately $6 million. The only changes to the capital lease payable during the year were scheduled payments. See Note 6 for more information.

The 1993 Series B and 1998 Series B bonds were issued as variable rate bonds. In conjunction with the issuance of these variable rate series, the Tollway entered into synthetic fixed rate interest rate exchange (swap) agreements totaling $ 301.3 million. In September 2005, the Tollway entered into four forward starting swap agreements totaling $700 million in order to support the Tollway's Congestion-Relief Plan. The Tollway utilized these strategies in order to hedge against rising interest rates and to reduce borrowing costs. The risks associated with these types of arrangements and the strategies employed by the Tollway to mitigate those risks are discussed in Note 7 of the financial statements.

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

The Tollway's financial advisor has performed this calculation based upon forward rates and discounted cash flows. The December 31, 2005, fair market value analysis of the swap agreements determined that if the Tollway had terminated the swap contracts on that date, the Tollway would have been required to make a payment of $7.4 million for the 1993 Series B and $6.9 million for the 1998 Series B agreements. If terminated on December 31, 2005, the fair market value of the four forward starting swap agreements would result in an aggregate payment of $7.9 million to be made by the respective counterparties to the Tollway.

The amount of additional bonds that the Tollway may issue at any time is limited by the requirement that the projected net revenues are sufficient to meet the "net revenue requirement", after giving effect to the debt service attributable to such additional bonds. The net revenue requirement is comprised of the amount necessary to cure deficiencies, if any, in all debt service accounts and debt reserve accounts established under the Trust Indenture, plus the greater of (i) the sum of Aggregate Debt Service on Senior Bonds, the Junior Bond Revenue Requirement, and the Renewal and Replacement Deposit for such period, or (ii) 1.3 times the Aggregate Debt Service on Senior Bonds for such period. The revenue bond coverage ratio for 2005 was 4.2x.

IILLINOIS STATE TOLL HIGHWAY AUTHORITY
LONG TERM DEBT ANALYSIS
Decemeber 31, 2005

	Noncurrent	Current	Total
Revenue Bonds Payable			
Issue of 1992 Series A	$ 100,665,000	$ -	$ 100,665,000
Issue of 1993 Series B	147,300,000	30,900,000	178,200,000
Issue of 1996 Series A	44,275,000	13,225,000	57,500,000
Issue of 1998 Series A	197,070,000	910,000	197,980,000
Issue of 1998 Series B	123,100,000	-	123,100,000
Issue of 2005 Series A	770,000,000	-	770,000,000
Total Rev. Bonds Payable	1,382,410,000	45,035,000	1,427,445,000
Capital Lease Obligations			
Integrated Toll Collection System	4,015,550	2,273,867	6,289,417
Total Long-Term Debt	$ 1,386,425,550	$ 47,308,867	$ 1,433,734,417

Amounts presented in this table exclude unamortized bond premiums and deferred amounts on refunding.

CONTACTING THE TOLLWAY'S FINANCIAL MANAGEMENT

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

ILLINOIS STATE TOLL HIGHWAY AUTHORITY
STATEMENT OF NET ASSETS
December 31, 2005

ASSETS

CURRENT ASSETS		
CURRENT UNRESTRICTED ASSETS		
Cash and Cash Equivalents	$	425,153,914
Accounts Receivable, less allowance for doubtful accounts of $16,291,778		38,444,129
Intergovernmental Receivables		4,524,225
Accrued Interest Receivable		2,101,772
Current Portion of Leases Receivable		1,643,250
Risk Management Reserved Cash		19,226
Other Prepaid Expenses		4,969,494
Total Current Unrestricted Assets		476,856,010
CURRENT RESTRICTED ASSETS		
Cash and Cash Equivalents Restricted for Debt Service		114,014,999
Cash and Cash Equivalents - I-PASS Accounts		96,320,201
Investments Restricted for Debt Service, at fair value		88,496,433
Accrued Interest Receivable		1,458,296
Cash and Cash Equivalents - Construction		573,019,093
Pension Benefit Assets		462,557
Total Current Restricted Assets		873,771,579
Total Current Assets		1,350,627,589
NONCURRENT ASSETS		
CAPITAL ASSETS		
Land, Improvements and Construction in Progress		738,054,341
Other Capital Assets, net of Accumulated Depreciation		1,524,194,482
Total Capital Assets, net		2,262,248,823
OTHER NONCURRENT ASSETS		
Leases Receivable, less current portion		28,820,149
Deferred Bond Issuance Costs, net of accumulated amortization of $15,607,068		5,582,479
Total Other Noncurrent Assets		34,402,628
Total Noncurrent Assets		2,296,651,451
TOTAL ASSETS	$	3,647,279,040

See accompanying notes to the financial statements.

IILLINOIS STATE TOLL HIGHWAY AUTHORITY

STATEMENT OF NET ASSETS

December 31, 2005

LIABILITIES AND NET ASSETS

LIABILITIES		
CURRENT LIABILTIES		
Payable from Unrestricted Current Assets:		
Accounts Payable	$	17,596,147
Accrued Liabilties		150,690,822
Accrued Compensated Absences		2,916,626
Current Portion of Capital Lease Obligations		2,273,867
Risk Management Claims Payable		6,328,224
Deposits and Retainage		33,613,448
Total Current Liabilties Payable from Unrestricted Current Assets		213,419,134
Payable from Current Restricted Assets:		
Pension Benefit Obligation		114,015
Current Portion of Revenue Bonds Payable		45,035,000
Accrued Interest Payable		37,046,915
Deposits and Deferred Revenue - I-PASS		96,320,201
Total Current Liabilities Payable from Current Restricted Assets		178,516,131
Total Current Liabilities		391,935,265
NONCURRENT LIABILITIES		
Revenue Bonds Payable, less current portion		1,428,079,718
Accrued Compensated Absences		2,130,015
Capital Lease Obligations, less current portion		4,015,550
Deferred Revenue, less accumulated amortization of $11,733,615		49,167,923
Total Noncurrent Liabilities		1,483,393,206
Total Liabilities		1,875,328,471
NET ASSETS		
Invested in Capital Assets, net of Related Debt		782,844,688
Restricted		740,290,448
Unrestricted		248,815,433
Total Net Assets		1,771,950,569
TOTAL LIABILITIES AND NET ASSETS	$	3,647,279,040

See accompanying notes to the financial statements.

IILLINOIS STATE TOLL HIGHWAY AUTHORITY

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

FOR THE YEAR ENDED DECEMBER 31, 2005

OPERATING REVENUES	
Toll Revenue	$ 580,441,697
Toll Evasion Recovery	26,737,437
Concessions	2,790,847
Miscellaneous	2,266,957
Total Operating Revenues	612,236,938
OPERATING EXPENSES	
Engineering and Maintenance of Roadway and Structures	34,886,799
Services and Toll Collection	96,196,860
Traffic Control, Safety Patrol and Radio Communications	18,034,485
Procurement, IT, Finance, and Administration	22,018,346
Insurance and Employee Benefits	44,659,657
Depreciation and Amortization	152,195,010
Total Operating Expenses	367,991,157
Operating Income	244,245,781
NONOPERATING REVENUES (EXPENSES)	
Investment Income	32,298,872
Net (decrease) in Fair Value of Investments	(2,092,025)
Net Gain on Disposal of Property	175,863
Interest Expense and Amortization of Financing Costs	(62,796,040)
Total Nonoperating Revenues (Expenses)	(32,413,330)
INCREASE IN NET ASSETS	211,832,451
NET ASSETS AT BEGINNING OF YEAR, AS RESTATED	1,560,118,118
NET ASSETS AT END OF YEAR	$ 1,771,950,569

See accompanying notes to the financial statements.

IILLINOIS STATE TOLL HIGHWAY AUTHORITY

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2005

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received from Sales and Services	$ 634,406,161
Cash Payments to Suppliers	(3,534,045)
Cash Payments to Employees	(98,566,235)
Net Cash Provided by Operating Activities	532,305,881
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquistion and Construction of Capital Assets	(563,538,767)
Proceeds from Sale of Property	555,750
Proceeds from Sale of Bonds	770,000,000
Premium for Sale of Bonds	60,682,677
Principal paid on Capital Leases	(4,439,080)
Principal paid on Revenue Bonds	(13,455,000)
Interest Expense and Financing Costs paid on Revenue Bonds	(45,096,109)
Net Cash Provided by Capital and Related Financing Activities	204,709,471
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchases of Investment Securities	(61,542,635)
Proceeds from Sales and Maturities of Investments	525,439
Interest on Investments	29,335,975
Net Cash Used by Investing Activities	(31,681,221)
NET INCREASE IN CASH AND CASH EQUIVALENTS	705,334,131
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	503,193,302
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 1,208,527,433
RECONCILIATION OF CASH AND CASH EQUIVALENTS	
Cash and Cash Equivalents	$ 425,153,914
Cash and Cash Equivalents Restricted for Debt Service	114,014,999
Cash and Cash Equivalents Restricted for Construction	573,019,093
Cash and Cash Equivalents - IPASS Accounts	96,320,201
Risk Management Reserved Cash	19,226
TOTAL CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 1,208,527,433

See accompanying notes to the financial statements.

IILLINOIS STATE TOLL HIGHWAY AUTHORITY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2005

Reconciliation of Operating Income to Net Cash		
Provided by Operating Activities		
Operating Income	$	244,245,781
Adjustments to Reconcile Operating Income to Net		
Cash Provided by Operating Activities:		
Depreciation		152,195,010
Provision for Bad Debt		13,480,578
Amortization of Deferred Revenue		(2,798,569)
Effects of Changes in Operating Assets and Liabilities:		
(Increase) in Accounts Receivable		(20,186,493)
(Increase) in Intergovernmental Receivables		(4,522,469)
Decrease in Lease Receivable		1,494,250
(Increase) in Prepaid Expenses		(1,958,802)
Decrease in Net Assets Available for Pension Benefits		30,443
Increase in Accounts Payable		6,329,549
Increase in Accrued Liabilities		94,185,813
(Decrease) in Accrued Compensated Absences		(812,053)
(Decrease) in Pension Obligation		(5,103)
Increase in Deposits and Retainage		22,973,179
Increase in Deposits and Deferred Revenue - I-PASS		25,209,325
Increase in Risk Management		
Claims Payable		2,445,442
Net Cash Provided by Operating Activities	$	532,305,881

The fair value of investments decreased by $2,092,025 in 2005.
The interest paid on revenue bonds was $31,810,416 in 2005.

See accompanying notes to the financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and financial reporting practices of the Illinois State Toll Highway Authority (the Tollway), a component unit of the State of Illinois, conform to generally accepted accounting principles (GAAP), as promulgated in pronouncements of the Governmental Accounting Standards Board (GASB) and the pronouncements of the Financial Accounting Standards Board (FASB) issued before December 1, 1989, which are not in conflict with GASB pronouncements. As permitted by GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the Tollway has elected to not apply FASB pronouncements issued after November 30, 1989.

Financial Reporting Entity

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

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

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 9 members are appointed by the Governor with the advice and consent of the Illinois Senate. The Governor and the Secretary of the Illinois Department of Transportation are also members of the Tollway's Board of Directors. These financial statements are included in the State's comprehensive annual financial report and the State's separately issued basic financial statements.

The Tollway's financial statements include all activities that are part of the Tollway's reporting entity because of the significance of the operational and financial relationship in conformity with Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity.*

Basis of Accounting

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Tollway accounts for its operations and financings in a manner similar to private business enterprises, where 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.

Cash Equivalents

For purposes of the Statement of Cash Flows, the Tollway considers all highly liquid investments including restricted assets with a maturity of three months or less when purchased and all investments held by the Illinois State Treasurer's office (the Treasurer) to be cash equivalents, as these investments are available upon demand.

Investments

The Tollway reports investments at fair value in its Statement of Net Assets with the corresponding changes in fair value being recognized as an increase or decrease to non-operating revenue in the Statement of Revenues, Expenses and Changes in Net Assets.

During 2004, the Tollway adopted the provisions of GASB Statement No. 40, *Deposit and Investment Risk Disclosures, an amendment of GASB Statement No. 3,* which requires disclosure of investment policies, as well as information with regard to credit risk, interest rate risk, and foreign currency risk when applicable.

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

All investments in U.S. Treasury and agency issues held by the Tollway are reported at fair value. Fair value is the amount at which an investment could be exchanged in a current transaction between willing parties, rather than in a forced or liquidation sale. Fair value for the investment in Illinois Funds is equal to the value of the pool shares. State statute requires Illinois Funds comply with the Illinois Public Funds Investment Act. The Illinois Funds is a state-operated money market fund that is rated AAA by Standard & Poor's rating agency and consists of government securities that are invested for 60 days or less. The Illinois Funds is sponsored by the Illinois State Treasurer in accordance with state law. All other Tollway investments which consist of repurchase agreements are recorded at face value which approximates fair value.

The Trust Indenture, as amended, under which the Tollway's revenue bonds were issued, authorizes the Tollway to invest in U.S. Treasury and agency issues, money market funds comprised of U.S. Treasury and agency issues, repurchase agreements thereon, time deposits, and certificates of deposit. The Tollway was in compliance with this restriction for the year ended December 31, 2005.

Accounts Receivable

The Tollway's accounts receivable consists of various toll charges, fees and local governmental entities' shares of construction costs associated with interchanges and other highway improvements. A provision for doubtful accounts has been recorded for the estimated uncollectible amounts.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Capital Assets

Capital assets include the historical cost of land and improvements, roadway and structures (infrastructure), buildings and related improvements and equipment. Expenses for the maintenance and repairs of the roadway and structures, buildings and related improvements are charged to operations when incurred. All expenses for land, buildings, infrastructure and construction in progress that increase the value or productive capacities of assets are capitalized. Effective July 1, 2004, machinery and equipment expenses of $5,000 or more are capitalized. Previous to July 1, 2004, machinery and equipment expenses of $200 or more were capitalized. Depreciation and amortization are computed using the straight-line method based on estimated useful lives, as follows:

Building and infrastructure	20 to 40 Years
Machinery and equipment	3 to 10 Years

Accounting for Leases

A distinction is made between 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 operating leases under which the lessor effectively retains all such risks and benefits.

Tollway as lessee – assets acquired under capital leases are included as capital assets in the Statement of Net Assets. Capital leases are recorded at the lesser of the present value of the future minimum lease payments, or the fair value of the asset, at the beginning of the lease term and amortized on a straight line basis to the Statement of Revenues, Expenses and Changes in Net Assets, over the useful life of the asset. A corresponding liability is established and minimum lease payments are allocated between the liability and interest expense. Capital lease liabilities are classified as current and noncurrent, depending on when the principal component of the lease payment is due.

Tollway as lessor – a lease receivable (current and noncurrent) is established on the Statement of Net Assets, which represents the future minimum rental payments guaranteed under the terms of the capital lease. Lease receipts are credited to the Statement of Revenues, Expenses and Changes in Net Assets, in the periods in which they are earned over the term of the lease, as this represents the pattern of benefits derived from the leased assets.

Deferred Bond Issuance Costs

Costs incurred in connection with the issuance of the 1992 Series A, 1993 Series A and B, 1998 Series A and B, and the 2005 Series A bonds are amortized over the lives of the bonds, using the effective interest method. Portions of the bond issuance cost amortization incurred during the construction period are capitalized and amortized over the life of the related capitalized asset using the straight-line method.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Debt Refunding

In accordance with GASB Statement No. 23, *Accounting and Financial Reporting for Refundings of Debt Reported by Proprietary Activities,* the difference between the carrying amount and the reacquisition price of the old bonds is deferred and amortized over the lesser of the life of the old debt or the life of the new debt.

Deferred Revenue

The Tollway recognizes revenue when earned. Amounts received in advance of the period in which related services are rendered are recorded as a liability under "Deferred Revenue."

Net Assets

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

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

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

Unrestricted net assets consist of net assets that do not meet the criteria of the two preceding categories.

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

Operating Revenues and Expenses

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

Risk Management

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates in Preparing Financial Statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 – CASH AND INVESTMENTS

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that an institution holding Tollway deposits may fail and expose the Tollway to a loss if the Tollway's deposits were not be returned to it. State law (30 ILCS 230/2C) requires that all deposits of public funds be covered by FDIC insurance or eligible collateral. The Tollway has no policy that would further limit the requirements under state law. As of December 31, 2005, the Tollway's deposits were not exposed to custodial credit risk.

Schedule of Investments

As of December 31, 2005, the Tollway had the following investments and maturities:

		Investment Maturities (in Years)		
Investment Type	Fair Value	Less Than 1	1 - 5	6 - 10
Repurchase agreements	$ 361,783,326	$ 361,783,326	$ -	$ -
Money market funds*	126,534,386	126,534,386	-	-
Illinois Funds*	96,898,592	96,898,592	-	-
US Agency:				
Resolution Funding Corporation	14,535,102	-	14,535,102	-
Federal National Mortgage Association	6,827,174	-	6,827,174	-
Federal Home Loan Bank	6,881,325	-	6,881,325	-
Federal Farm Credit Bank	802,222	-	802,222	-
US Treasury Note	59,450,610	-	-	59,450,610
	$ 673,712,737	$ 585,216,304	$ 29,045,823	$ 59,450,610

* Weighted average maturity is less than one year.

NOTE 2 – CASH AND INVESTMENTS (CONTINUED)

Interest Rate Risk

As a means of limiting its exposure to fair value losses from rising interest rates, and as a means of managing liquidity, the Tollway's investment policy requires that the majority of Tollway funds be invested in instruments with maturities of less than one year. No investment is to exceed a ten-year maturity. Investment maturities as of December 31, 2005 are as follows:

December 31, 2005 Maturity	Percentage
Less than one year	93%
One to five years	2%
Six to ten years	5%

Credit and Concentration Risks

The Tollway's investment policy limits investment of Tollway funds to securities guaranteed by the United States; obligations of agencies and instrumentalities of the United States; municipal bonds with credit ratings not lower than the credit rating of the Tollway's senior bonds outstanding; interest-bearing savings accounts, certificates of deposit, or bank time deposits with institutions which meet specified capitalization requirements; money market mutual funds registered under the Investment Company Act of 1940; the Illinois Funds; and repurchase agreements of government securities as defined in the Government Securities Act of 1986. Investment policy further requires that the investment portfolio be diversified in terms of specific maturity, specific issuer or specific class of securities. Final maturities are limited to ten years; the majority of Tollway funds should be invested in maturities of less than one year. The Tollway was in compliance with these policies during 2005.

The Tollway's investments were rated as follows for the year ended December 31, 2005:

Investment Type	Fair Value	Rating
Money market funds	$ 126,534,386	AAA
Repurchase agreements	361,783,326	A1/P1
Illinois Funds	96,898,592	AAA
US Agency:		
Resolution Funding Corporation	14,535,102	NR
Federal National Mortgage Association	6,827,174	AAA
Federal Home Loan Bank	6,881,325	NR
Federal Farm Credit Bank	802,222	AAA

NR = Not Rated

NOTE 3 – ACCOUNTS RECEIVABLE

The Tollway's accounts receivable consist of various toll charges, fees and local governmental entities' shares of construction costs associated with interchanges and other highway improvements. A provision for doubtful accounts has been recorded for the estimated uncollectible amounts. In 2005 the Tollway began to bill I-PASS patrons for negative I-PASS balances. These receivable amounts consist of the unpaid tolls and an administrative charge. If a patron does not pay the balance due, his/her transponder is deactivated and the patron becomes a violator.

In 2004, the Tollway joined the E-Z Pass Interagency Group (IAG), a collaborative group of 21 member agencies operating toll roads, bridges and tunnels in 11 states. Membership in the IAG allows interstate travelers to use I-PASS transponders on all Tollways that use transponders, and in turn E-Z PASS is accepted on the Illinois Tollway. In 2005, the balance receivable from the use of tollways in Illinois by E-Z PASS users has been accrued. Due to the credit strength of the IAG members, it is estimated there will be no credit losses and thus no allowance has been recorded for these amounts.

Net accounts receivable balances as of December 31, 2005 were $38,444,129.

NOTE 4 – LEASE RECEIVABLE

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

The fuel lease agreement requires the parties to complete a remediation program to ensure that the oasis system is in compliance with current environmental laws and that compliance continues for the term of the lease. The Tollway is solely responsible for the remediation program until it has received "No Further Remediation" (NFR) letters from the Illinois Environmental Protection Agency (IEPA); receipt of these letters leads to the reimbursement of costs from an IEPA fund. Remediation work has been completed at 12 of 13 oasis sites through the end of 2005. Currently it is estimated that the work at the final site will be completed in 2006 and that the net cost to the Tollway for remediation will approximate $750,000 with most of this amount already expended as of the year ended December 31, 2005.

The future minimum lease payments receivable under these agreements as of December 31, 2005, are as follows:

Year Ended December 31,	Retail Lease	Fuel Lease	Total Leases
2006	$ 743,000	$ 900,250	$ 1,643,250
2007	743,000	900,250	1,643,250
2008	703,895	900,250	1,604,145
2009	703,895	900,250	1,604,145
2010	703,895	900,250	1,604,145
Thereafter	11,509,983	10,854,481	22,364,464
	$ 15,107,668	$ 15,355,731	$ 30,463,399

NOTE 4 – LEASE RECEIVABLE (Continued)

The future minimum lease receivable does not include contingent rentals that may be received under these leases because of the lessee generating revenues over specific amounts. Contingent rentals were not significant in 2005.

NOTE 5 – CAPITAL ASSETS

Capital Assets as of December 31, 2005 are as follows:

	Balance January 1 as Restated	Additions	Deletions	Balance December 31
Nondepreciable Capital Assets:				
Land and Improvements	$ 194,814,195	$ 2,620,451	$ (1,004)	$ 197,433,642
Construction in Progress	182,362,914	358,257,785	-	540,620,699
Total Nondepreciable Capital Assets	377,177,109	360,878,236	(1,004)	738,054,341
Depreciable Capital Assets				
Buildings	35,910,896	-	-	35,910,896
Less: Accumulated Depreciation	(22,444,311)	(1,795,545)	-	(24,239,856)
Net Buildings	13,466,585	(1,795,545)	-	11,671,040
Infrastructure	3,567,868,664	181,628,653	-	3,749,497,317
Less: Accumulated Depreciation	(2,154,904,240)	(132,228,915)	-	(2,287,133,155)
Net Infrastructure	1,412,964,424	49,399,738	-	1,462,364,162
Machinery and Equipment	172,311,307	21,031,878	(1,116,534)	192,226,651
Less: Accumulated Depreciation	(124,634,472)	(18,170,550)	737,651	(142,067,371)
Net Machinery and Equipment	47,676,835	2,861,328	(378,883)	50,159,280
Total Capital Assets	4,153,267,976	563,538,767	(1,117,538)	4,715,689,205
Less: Accumulated Depreciation	(2,301,983,023)	(152,195,010)	737,651	(2,453,440,382)
Total Capital Assets, Net	$ 1,851,284,953	$ 411,343,757	$ (379,887)	$ 2,262,248,823

NOTE 6 – CAPITAL LEASE OBLIGATIONS

During 2002, the Tollway recorded equipment acquired under agreements that are classified as capital leases. The Integrated Toll Collection System (ITCS) was fully installed and operating as of July 1, 2002 and will be amortized through June 30, 2008. The lease for the Violation Enforcement System (VES) commenced on July 1, 2002 and expired as of June 30, 2005. The cost of the equipment under capital leases is included in the Statement of Net Assets as machinery and equipment. Amortization of assets under capital leases is included in depreciation expense.

Assets recorded under capital leases consist of the following at December 31, 2005:

	Balance January 1	2005 Amortization	Balance December 31
Violation Enforcement System (VES)	$ 14,053,729	$ -	$ 14,053,729
Less: Accumulated Amortization	(5,855,720)	(2,342,288)	(8,198,008)
Net VES	8,198,009	(2,342,288)	5,855,721
Integrated Toll Collection System (ITCS)	12,416,781	-	12,416,781
Less: Accumulated Amortization	(5,173,660)	(2,069,464)	(7,243,124)
Net ITCS	7,243,121	(2,069,464)	5,173,657
Total Leased Capital Assets	26,470,510	-	26,470,510
Total Accumulated Amortization	(11,029,380)	(4,411,752)	(15,441,132)
Net Leased Capital Assets	$ 15,441,130	$ (4,411,752)	$ 11,029,378

The future minimum lease payments required under the capital leases and the present value of the net minimum lease payments as of December 31, 2005 are as follows:

	Year ending December 31,	Amount
	2006	$ 3,084,126
	2007	3,084,126
	2008	1,542,063
Net minimum lease payments		7,710,315
Less: Amount representing interest		(1,420,898)
Present value of minimum lease payments		6,289,417
Less: Current maturities of capital lease obligations		(2,273,867)
Long-term capital lease obligations		$ 4,015,550

NOTE 6 – CAPITAL LEASE OBLIGATIONS (Continued)

The changes in the capital lease obligations for the year ended December 31, 2005 are as follow:

	Balance January 1	Additions	Deletions	Balance December 31	Amounts Due Within One Year
Capital Lease Obligations	$ 10,728,497	$ -	$ 4,439,080	$ 6,289,417	$ 2,273,867

NOTE 7 – REVENUE BONDS PAYABLE

Series 2005A Bonds

On June 10, 2005, the Tollway issued $770,000,000 of Senior Priority Revenue Bonds (2005 Series A) with interest rates ranging from 4.125% to 5.0%. The bonds were sold at a premium of $60,682,677. The bonds can be called on or after July 1, 2015, at a redemption price of 100% of the principal amount plus accrued interest. The Tollway has used and expects to use these bond proceeds to fund capital projects in the Congestion-Relief Plan. Scheduled payment of principal and interest of this bond series is insured by Financial Security Assurance, Inc.

Series 1998A and B Bonds

On December 1, 1998, the Tollway issued revenue bonds (1998A Priority Refunding Bonds and 1998B Refunding Bonds) aggregating $325,135,000 with interest ranging from 4.0% to 5.5% for the 1998A and variable interest for the 1998B. The 1998 Bonds were issued to provide funds to advance refund the $313,105,000 principal amount of the Tollway's outstanding 1992 Series A Bonds and the related costs of issuance. Treasury obligations in the amount of $338,231,025 were purchased and deposited in an irrevocable trust, the principal and interest on which provided for the payment of the refunded 1992 Series A Bonds. The balance of the funds was used to pay for the costs, fees, and premiums related to the issuance of the 1998 Bonds. The 1998 bond issue is insured by Financial Security Assurance Inc. using its Municipal Bond Insurance Policy.

The 1998 Series A bonds are not subject to redemption prior to their respective maturity dates. During any auction rate period, the 1998 Series B bonds are subject to redemption by the Tollway in whole or in part, on the first business day of each rate period, at a redemption price equal to 100 percent of the principal amount thereof, plus accrued interest to the redemption date. Concurrently with the issuance of the 1998 bonds, Financial Security Assurance Inc. issued its municipal bond insurance policy for the bonds. Additionally, the Tollway arranged for a letter of credit ($129,339,315 at December 31, 2005) in support of the 1998B bonds. The insurance policy guarantees the scheduled payment of principal and interest on the 1998 bonds.

NOTE 7 – REVENUE BONDS PAYABLE (Continued)

Series 1996 Bonds

The 1996 Series A bonds were issued in an aggregate amount of $145,285,000 with various maturities in the years 1997 to 2009, bearing interest rates from 4.7% to 6.0%. The 1996 Series Bonds are not subject to redemption prior to maturity. This bond issue is insured by Financial Guaranty Insurance Company using its Municipal Bond New Issue Insurance Policy.

Series 1993 Bonds

The 1993 Refunding Bonds were issued in two series, $209,145,000 of Toll Highway Refunding Revenue Bonds, 1993 Series A, and $178,200,000 of Toll Highway Refunding Revenue Bonds, 1993 Series B. The 1993 Series B is the only issue which remains outstanding of this series. The 1993 Series B bonds were issued with various maturities in the years 2006 to 2010, bearing interest rates to be marketed under the terms of a remarketing agreement, and are payable each January 1 and July 1. The 1993 Series B bonds can be converted to a term or fixed rate and are subject to optional and mandatory tender and redemption. The Tollway has arranged for a letter of credit, under the terms of a reimbursement agreement ($197,963,112 at December 31, 2005). The letter of credit has been placed with the tender agent to be used for the repurchase of tendered 1993 Series B bonds.

The 1993 Series B Bonds are insured by Municipal Bond Investors Assurance Corporation. In addition to a pledge of revenues, the Tollway acquired a $22.9 million surety bond in 1993 to be used in conjunction with available revenues for the funding of the Debt Reserve Requirements.

Series 1992 Bonds

The Toll Highway Priority Revenue Bonds, 1992 Series A, maturing on January 1, 2011 and January 1, 2012 ($100,665,000), are not callable for redemption prior to maturity. Other Toll Highway Priority Revenue Bonds, 1992 Series S ($313,105,000) (the callable bonds) were defeased in conjunction with the issuance of the 1998A and 1998B Revenue Bonds.

NOTE 7 – REVENUE BONDS PAYABLE (CONTINUED)

All Series

Details of outstanding revenue bonds as of December 31, 2005 are as follows:

Issue of 1992 Series A, 6.30 percent , due on various dates through January 1, 2012	$ 100,665,000
Issue of 1993 Series B, 2.5 to 5.75 percent, due on various dates through January 1, 2010	178,200,000
Issue of 1996 Series A, 4.70 to 6.00 percent, due on various dates through January 1, 2009	57,500,000
Issue of 1998 Series A, 4.0 to 5.50 percent, due on various dates through January 1, 2016	197,980,000
Issue of 1998 Series B, variable rates, due on various dates through January 1, 2017	123,100,000
Issue of 2005 Series A, 4.125% to 5.00%, due on various dates through January 1, 2023	770,000,000
Totals	1,427,445,000
Less current maturities	(45,035,000)
Less deferred amount on refunding	(23,263,736)
Plus bond premium	68,933,454
Total long-term portion	$ 1,428,079,718

The carrying amount of the Tollway's long term debt approximates its fair value at December 31, 2005, based on discounted cash flow analyses, using the Tollway's estimated current incremental borrowing rate. Accrued interest payable for the year ended December 31, 2005 was $37,046,915.

NOTE 7 – REVENUE BONDS PAYABLE (CONTINUED)

A summary of changes in revenue bonds payable is as follows for December 31, 2005:

	Balance January 1	Additions	Deletions	Balance December 31	Amounts Due Within One Year
1992 Series A	$ 100,665,000	$ -	$ -	$ 100,665,000	$ -
1993 Series B	178,200,000	-	-	178,200,000	30,900,000
1996 Series A	70,080,000	-	(12,580,000)	57,500,000	13,225,000
1998 Series A	198,855,000	-	(875,000)	197,980,000	910,000
1998 Series B	123,100,000	-	-	123,100,000	-
2005 Series A	-	770,000,000	-	770,000,000	-
Totals	670,900,000	770,000,000	(13,455,000)	1,427,445,000	$ 45,035,000
Less:					
Unamortized deferred amount on refunding	(25,216,003)	-	1,952,267	(23,263,736)	
Unamortized bond premium	11,290,341	60,682,677	(3,039,564)	68,933,454	
Current portion of Revenue bonds payable	(13,455,000)	(45,035,000)	13,455,000	(45,035,000)	
Revenue bonds payable, Net of current portion	$ 643,519,338	$ 785,647,677	$ (1,087,297)	$ 1,428,079,718	

NOTE 7 – REVENUE BONDS PAYABLE (CONTINUED)

The annual requirements to retire the principal and interest amount for all bonds outstanding at December 31, 2005 are as follows:

Year Ended December 31,	Principal	Interest	Total Debt Service
2006	$ 45,035,000	$ 72,012,461	$ 117,047,461
2007	47,350,000	68,714,519	116,064,519
2008	50,030,000	66,173,139	116,203,139
2009	52,750,000	63,488,974	116,238,974
2010	45,465,000	60,995,502	106,460,502
2011	49,910,000	58,315,447	108,225,447
2012	53,040,000	55,087,374	108,127,374
2013	56,365,000	51,874,181	108,239,181
2014	92,855,000	47,854,107	140,709,107
2015	97,795,000	42,782,356	140,577,356
2016	102,910,000	37,759,307	140,669,307
2017	107,850,000	32,875,269	140,725,269
2018	92,460,000	28,101,069	120,561,069
2019	97,085,000	23,362,444	120,447,444
2020	101,935,000	18,832,909	120,767,909
2021	106,140,000	14,077,000	120,217,000
2022	111,450,000	5,711,750	117,161,750
2023	117,020,000	5,851,000	122,871,000
Total	$ 1,427,445,000	$ 753,868,808	$ 2,181,313,808

Defeased Debt Outstanding

In prior years, the Tollway defeased certain bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on old bonds. Accordingly, the trust assets and the liability for the defeased bonds are not included in the accompanying financial statements. At December 31, 2005, $2,940,000 of defeased bonds were outstanding.

NOTE 7 – REVENUE BONDS PAYABLE (CONTINUED)

Trust Indenture Agreement

On March 31, 1999, the Tollway executed a trust indenture agreement which constitutes a contract among the Tollway, the bond trustee and the bondholders. The Trust indenture requires the establishment of certain funds and accounts. Revenues held or collected from operation of the Tollway system are required to be transferred and recorded to the extent available within the stated accounts.

Refer to Note 9 for details of restricted net assets under the Trust Indenture Agreement.

Interest Rate Exchange Agreements

As a means of lowering its borrowing costs, the Tollway entered into three separate variable-to-fixed interest rate exchange agreements (swaps) at a cost less than what the Tollway would have paid to issue fixed rate debt. Two of the agreements are associated with the 1998 Series B bonds effective July, 1999, while the third swap is associated with the 1993 Series B bonds effective June, 1993. The agreements effectively changed the variable interest rates on the 1993 Series B bonds and the 1998 Series B bonds to synthetic fixed rates of 4.920% and 4.325%, respectively.

Significant terms of the agreements are as follows:

	Notional Value	Fixed Rate	Fixed Leg Payer	Effective Date	Termination Date	Settlement	Mark to Market
Series 1993B	$ 178,200,000	4.920%	Authority	06/30/93	12/31/09	Semiannual	$ (7,400,000)
Series 1998B	67,705,000	4.325%	Authority	07/01/99	01/01/17	Semiannual	(3,800,000)
Series 1998B	55,395,000	4.325%	Authority	07/01/99	01/01/17	Semiannual	(3,100,000)

The notional amounts of the agreements match the principal amounts of the associated debt. The Tollway's swap agreements contain scheduled reductions to outstanding notional amounts that are expected to approximate scheduled or anticipated reductions in the associated "revenue bonds payable" category. For the 1993 Series B bonds, the Tollway pays the counterparty a fixed rate of 4.920% and receives a variable payment based on the actual amount of interest paid to bondholders (cost of funds). For the 1998 Series B bonds, the Tollway pays the counterparty a fixed rate of 4.325% and receives a variable payment based on the actual amount of interest paid to bondholders (cost of funds). Conversely, the bonds' variable rate coupon payments are determined by rates established by the remarketing agents on a weekly basis.

NOTE 7 – REVENUE BONDS PAYABLE (CONTINUED)

Interest Rate Exchange Agreements (Continued)

Variable-to-Fixed Interest Rate Swaps

Prior to the issuance of the 1998 Series B bonds, the Tollway entered into an Interest Rate Exchange Agreement (swap agreement) for the entire principal of the 1998 Series B bonds ($123,100,000). Under the terms of this agreement, each July 1 and January 1, beginning July 1, 1999 and ending January 1, 2017, the Tollway: (1) pays a synthetic interest rate of 4.325% (fixed leg) on the outstanding 1998 Series B bonds until maturity and (2) is paid a variable interest rate (variable leg) by the counterparty equal to the interest payments due on the attached bonds (cost of funds). The difference between the synthetic fixed rate and the variable interest rate is recognized as an adjustment to interest expense.

On March 24, 1993, the Tollway entered into an Interest Rate Exchange Agreement (swap agreement) with the 1993 swap provider for the entire amount of the 1993 Series B bonds ($178,200,000). Under the terms of this agreement, each June 30 and December 31, beginning June, 1993, and ending December, 2009, the Tollway: (1) pays a synthetic interest rate of 4.92% on the outstanding 1993 Series B bonds until maturity and (2) is paid a variable interest rate (variable leg) by the counterparty equal to the interest payments due on the attached bonds (cost of funds). The difference between the synthetic fixed rate paid and the variable interest rate received is recognized as an adjustment to interest expense.

Fair Market Value

A decrease in duration and change in interest rates contributed to negative fair market values at December 31, 2005 for the 1993 Series B and 1998 Series B swap agreements. The agreements' negative fair market values may be countered by a reduction in total interest payments required under the variable rate bonds, creating lower synthetic interest rates. Since the coupons on the Tollway's variable rate bonds adjust to changing interest rates, the bonds do not have corresponding changes in their fair market value. At the time of the agreements, synthetic fixed rates achieved by the agreements were less then the fixed rates that could have been achieved by issuing fixed rate municipal bonds. The agreements' fair market values were estimated using a bond-pricing model similar to the zero-coupon model, which calculates the future net settlement payments required by the swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement on the agreements. These valuations may vary from those reported by the respective counterparties due to a fundamental difference between the basis of the valuation and the varying size of the bid-ask spread.

The fair market valuations provided above were developed by using the estimated bid price levels as the basis of valuation, whereas the valuations provided by the counterparties were estimated by using mid-point market levels and other contractual factors that would be taken into account if the transactions was terminated at that time.

NOTE 7 – REVENUE BONDS PAYABLE (CONTINUED)

Interest Rate Exchange Agreements (Continued)

Credit Risk

Interest Rate Exchange Agreements - The Tollway was not exposed to counterparty credit risk at December 31, 2005 due to the negative fair market values of each agreement. If changes in interest rates create positive fair market values for the agreements in the future, the Tollway would be exposed to credit risk in the amount of the derivatives' fair market values. The 1993 Series B swap agreement contain collateral agreements with the counterparties. The agreements require full collateralization of the fair market value of the swaps should the counterparties' credit ratings fall below Standard & Poor's rating of BBB+, or Moody's Investor Services' rating of Baa1. Collateral on all swaps is 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 1998 Series B swap agreement does not contain any provisions relating to collateralization.

The Tollway has executed the three agreements with various counterparties. One counterparty holds 55% of the notional amount of the outstanding agreements and has credit ratings of AA- and Aa2 with Standard & Poor's and Moody's, respectively. A second counterparty holds 25% of the notional amount of the outstanding swaps and has credit ratings of A and A1 with Standard & Poor's and Moody's, respectively. A third counterparty holds 20% of the notional amount of the outstanding swaps and has credit ratings of A+ and Aa3 with Standard & Poor's and Moody's, respectively.

Basis risk

The Tollway's variable rate bond coupon payments are determined by rates established by remarketing agents on a weekly basis. If the remarketing agents fail to determine the rates, then the weekly rates shall be the equivalent of the Bond Marketing Association (BMA) Municipal Swap Index. For the 1998 Series B bonds, if the floating rate were to be converted to the 65% of the LIBOR rate due to a conversion event, the Tollway receives a variable rate payment other than the BMA (i.e., 65 % of the LIBOR rate); the Tollway is exposed to basis risk should the relationship between the LIBOR and BMA converge. The BMA rate and 65% of the LIBOR rate at December 31, 2005 were 3.41% and 3.15%, respectively.

Termination risk

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

NOTE 7 – REVENUE BONDS PAYABLE (CONTINUED)

Forward Starting Interest Rate Exchange Agreements

On September 8, 2005, the Tollway entered into four Forward Starting Interest Rate Exchange Agreements for an aggregate notional principal amount of $700,000,000. Two of the agreements are associated with an authorized issuance of $350,000,000 of junior lien debt effective August 2006, while the other two agreements are associated with an authorized issuance of $350,000,000 of junior lien debt effective August 2007. The agreements in effect lock in synthetic fixed rates for the 2006 and 2007 issuances of 3.626% and 3.674%, respectively.

Credit Risk

Due to the current positive fair market values of these agreements, the Tollway is exposed to some level of credit risk. If changes in interest rates create negative fair market values for the agreements in the future, the Tollway would no longer be exposed to credit risk in the amount of the derivatives' fair market values. Credit risk is mitigated through collateral agreements if the counterparties' credit ratings fall below Standard & Poor's rating of BBB+, or Moody's Investor Services' rating of Baa1. Collateral on all swaps is 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 four forward starting agreements were entered into with various counterparties. One counterparty holds 37% of the notional amount of the outstanding swaps and has credit ratings of AA- and Aa2 with Standard & Poor's and Moody's, respectively. A second counterparty holds 25% of the notional amount of the outstanding swaps and has credit ratings of AA+ and Aa1 with Standard & Poor's and Moody's, respectively. A third counterparty holds 25% of the notional amount of the outstanding swaps and has credit ratings of A+ and As3 with Standard & Poor's and Moody's, respectively. A fourth counterparty holds 13% of the notional amount of the outstanding swaps and has credit ratings of A+ and Aa3 with Standard & Poor's and Moody's, respectively.

Significant terms of the agreements are as follows:

Forward Swap	Notional Value	Fixed Rate	Fixed Leg Payer	Effective Date	Termination Date	Settlement	Marked to Market 12/31/2005
2006	$ 175,000,000	3.626%	Tollway	11/01/06	07/01/30	Semiannual	$ 2,400,000
2006	175,000,000	3.626%	Tollway	11/01/06	07/01/30	Semiannual	2,400,000
2007	262,500,000	3.674%	Tollway	11/01/06	07/01/30	Semiannual	2,300,000
2007	87,500,000	3.674%	Tollway	11/01/06	07/01/30	Semiannual	800,000

The notional amounts of the agreements match the principal amounts of the debt that is to be issued. The Tollway's agreements contain scheduled reductions to outstanding notional amounts that are expected to approximate scheduled or anticipated reductions in the associated "revenue bonds payable" category. For the 2006 issuance, the Tollway will pay the counterparty a fixed rate of 3.626% and will receive a variable payment calculated at 75% of the London Inter-Bank Offered Rate (LIBOR). For the bonds to be issued in 2007, the Tollway will pay the counterparty a fixed rate of 3.674% and will receive a variable payment calculated at 75% of the LIBOR rate. The agreements are subject to mandatory termination in 2007 if the bonds associated with the agreements are not issued by the Tollway.

NOTE 8 – DEFERRED REVENUE

During 2002, the Tollway entered into two 25-year lease agreements for the refurbishing and operation of the oasis system. Rental payments received in 2005 have been recorded as concession revenue. The future minimum rental payments for the remainder of the terms of the leases, as of December 31, 2005, of $30,463,399 have been recorded as a lease receivable and deferred revenue which will be amortized over the lease terms.

In the year 2000, the Tollway upgraded its communications network due to the addition of a fiber optic system. Excess space on the fiber optic lines has been leased to other organizations in order to offset the cost of the system. The eight lease agreements, with start dates of 1999 and 2000, included a twenty-year term and provided for the Tollway to collect $26,086,389. In 2001, the Tollway received a payment of $915,624 due to an amendment to one of the fiber optic lease agreements. The total amount was collected and revenue deferred. At December 31, 2005, the deferred revenue balance for the oasis system and fiber optic system were $60,901,538 with accumulated amortization of deferred revenue of $11,733,615.

The Tollway has capitalized construction and marketing costs of $32,534,151 for the fiber optic system, which is included as a component of Infrastructure and is being depreciated over a twenty-year period. At December 31, 2005, $1,626,708 of depreciation expense was recorded, with accumulated depreciation of $9,760,248. The Oasis system is also a component of Infrastructure and is fully depreciated.

A summary of changes in deferred revenue for the year ended December 31, 2005 is as follows:

	Balance at January 1	Current Year Activity	Balance at December 31
Deferred Revenue			
Fiber Optics	$ 26,086,389	$ -	$ 26,086,389
Accumulated Amortization	(6,077,546)	(1,304,319)	(7,381,865)
	20,008,843	(1,304,319)	18,704,524
Lease Receivable	34,815,149	-	34,815,149
Accumulated Amortization	(2,857,500)	(1,494,250)	(4,351,750)
	31,957,649	(1,494,250)	30,463,399
Totals			
Deferred Revenue	60,901,538	-	60,901,538
Accumulated Amortization	(8,935,046)	(2,798,569)	(11,733,615)
Net Deferred Revenue	$ 51,966,492	$ (2,798,569)	$ 49,167,923

NOTE 9 – RESTRICTED NET ASSETS

As of December 31, 2005, the Tollway reported the following restricted net assets:

Description	Amount
Revenue bond trust indenture agreement restrictions	$ 694,906,906
Portion classified as Invested in Capital Assets net of Related Debt	45,035,000
Net assets restricted under Trust Indenture agreement restrictions	739,941,906
Assets restricted to paying pension benefit obligations	348,542
Total	$ 740,290,448

NOTE 10 – CONTRIBUTIONS TO STATE EMPLOYEE'S RETIREMENT SYSTEM

Substantially all of the Tollway's full-time employees, as well as the State Police assigned to the Tollway who are not eligible for any other state-sponsored retirement plan, participate in the State Employees' Retirement System (SERS), which is a component unit of the State of Illinois reporting entity. SERS is a single-employer defined benefit public employee retirement system (PERS) in which state employees participate, except those covered by the State Universities, Teachers, General Assembly and Judges' Retirement Systems. SERS issues a separate comprehensive annual financial report (CAFR). The financial position and results of operations for SERS for fiscal year 2005 are also included in the state's Comprehensive Annual Financial Report (CAFR) for the year ended June 30, 2005.

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 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 or call:

State Employees Retirement System
2101 S. Veterans Parkway
Springfield, IL. 62794-9255
(217) 785-2340

NOTE 10 – CONTRIBUTIONS TO STATE EMPLOYEE'S RETIREMENT SYSTEM (CONTINUED)

The Tollway makes employer retirement contributions based upon an actuarially determined percentage of its payroll. The Tollway's covered payrolls, which include all employees, for the years ended December 31, 2005, 2004, and 2003 were $90,940,663, $87,742,570 and $88,062,969, respectively.

Contributions to SERS are based upon compensation. Effective January 2004 those employees not covered by a collective bargaining unit agreement were required to contribute their percentage (4%) to SERS. The Tollway continued to pay for the contributions of most employees covered by SERS in accordance with the collective bargaining unit agreements. The contributions and percent of covered payroll for each of the years ended December 31, 2005, 2004, and 2003 were as follows:

	Contributions			Percent of Covered Payroll		
	2005	2004	2003	2005	2004	2003
Tollway Contribution	$ 10,880,875	$ 13,363,872	$ 10,524,438	12.0%	15.2%	12.0%
Employee's Contribution paid by the Tollway	2,667,899	2,920,679	3,708,965	2.9%	3.3%	4.2%
Employee's Contribution	1,154,285	1,295,754	305,619	1.3%	1.5%	0.3%
Totals	$ 14,703,059	$ 17,580,305	$ 14,539,022	16.2%	20.0%	16.5%

In addition to participation in the above retirement plan, effective July 1, 1990, the Tollway adopted, under the provisions of the Tollway Act (605 ILCS 10/1 et. seq.), a non-contributory defined-benefit pension plan covering employees who are members of SERS and who are not members of any collective bargaining unit. The plan was intended to meet the requirements of a tax-qualified plan under Section 401(a) of the Internal Revenue Code. The plan provided benefits based upon years of service and employee compensation levels. The Tollway's policy was to make contributions consistent with sound actuarial practice. Annual cost was determined using the projected unit credit actuarial method. The Tollway suspended the plan's benefits as of September 15, 1994 and terminated the plan effective December 31, 1994. As of December 31, 2005, the net assets available for the benefits were $462,557 (valued at the lesser of market value or actuarial value) and the pension benefit obligation was $114,015.

Under provisions of SERS, the Tollway provides certain health, dental, and life insurance benefits to annuitants who are former Tollway employees. Substantially all Tollway employees may become eligible for post-employment benefits if they eventually become annuitants. Currently, 777 employees meet the eligibility requirements. Health and dental benefits include basic benefits for annuitants under the Tollway's self-insurance plan and insurance contracts currently in force. Life insurance benefits are limited to $5,000 per annuitant age 60 or older. The cost of post-employment benefits is recognized on a pay-as-you-go basis, and for the year ended December 31, 2005, approximately $3,918,898 of expense was recognized for post employment benefits.

NOTE 11 – RISK MANAGEMENT

The Tollway has self-insured risk retention programs for workers' compensation claims. The Tollway's exposure under this program is limited to self-insured retentions per workers' compensation incident. In accordance with GASB Statement No. 10, claims liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. The Tollway has a "claims paid" policy for various portions of the employee's health plan with stop loss coverage exceeding $350,000 per policy year, with the remainder if the plan covered by the purchase of commercial insurance policies. The estimated liabilities for asserted workers' claims of $5,371,042 and both asserted and unasserted employee health claims of $757,182 are included in the accompanying financial statements.

Year	Estimated Claims Payable January 1	Current Claims	Claims Payments	Estimated Claims Payable December 31
2004	$ 2,982,645	$ 12,011,856	$ 10,554,537	$ 4,439,964
2005	4,439,964	11,138,737	9,250,477	6,328,224

Additionally, the Tollway purchases commercial insurance policies for general liability insurance, vehicle liability damage to capital assets other than vehicles, which have a level of retention of $250,000 per occurrence and the property coverage includes a self-funded retention of $500,000 per occurrence. The accompanying financial statements reflect a $200,000 reserve for retention under this policy. The Tollway has not had significant reductions in insurance coverage during the current or prior year nor did settlements exceed insurance coverage in any of the last three years.

NOTE 12 – COMPENSATED ABSENCES

Non-union Tollway employees earn annual leave based upon length of employment and can accumulate leave up to a maximum of 5 days credit to be carried over to the following fiscal year. Subject to certain exceptions, any days in excess of the maximum will be forfeited. The liability reported in the Statement of Net Assets represents the vacation and 50% of unused sick time for the period beginning January 1, 1984 and ending December 31,1997, accrued by the employees, and is payable upon termination or death of the employee. Payments will not be made in lieu of vacation, except upon death or termination of employment. 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. In February 1997, the Tollway adopted a new policy providing certain employees with a monthly accrual for their annual leave. The Tollway's liability for unused annual vacation leave and sick leave as discussed above is recorded in the accompanying financial statements at the employee's current salary level.

The summary of changes in accrued compensated absences payable at December 31, 2005 is as follows:

Balance at January 1	Accrued	Used	Balance at December 31	Due Within One Year
$ 5,858,694	$ 4,141,154	$ 4,953,207	$ 5,046,641	$ 2,916,626

NOTE 13 – COMMITMENTS

In addition to amounts already recorded, contracts of approximately $1,500,000,000 have been let and are outstanding as of December 31, 2005, for projects to be included under the Tollway's construction accounts. Prior to December 31, 2005, approximately $193,000,000 in invoices were paid on $1,693,000,000 of total contracts. The Tollway plans to fund these contracts through revenues and future revenue bond issues.

NOTE 14 – PENDING LITIGATION

Contractors and other parties have filed lawsuits against the Tollway claiming damages for breach of contract in connection with the construction and design contracts on the Tollway, permit related matters and for wrongful discharge of employees. Other suits for personal injuries have been filed; however, the Tollway's exposure is limited to the self-insured retention of $250,000 per general liability incident and $350,000 per workers' compensation incident. Management, after taking into consideration legal counsel's evaluation of such actions, is of the opinion that the outcome of these matters will have no material adverse effect on the financial position of the Tollway.

NOTE 15 – NEW GOVERNMENTAL ACCOUNTING STANDARDS

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

Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions,* establishes standards for the measurement, recognition, and display of OPEB expense/expenditures and related liabilities (assets), note disclosures, and if applicable, required supplementary information. The Tollway is required to implement this Statement for the year ending December 31, 2007.

Statement No. 46, *Net Assets Restricted by Legislation, an Amendment of GASB Statement No. 34*, clarifies the definition of "legally enforceable enabling legislation" as established in GASB Statement No. 34, and requires the government to separately disclose the portion of net assets that is restricted by enabling legislation. This Statement will become effective for the year ended December 31, 2006.

Statement No. 47, *Accounting for Termination Benefits*, establishes accounting standards for voluntary and involuntary termination benefits, including termination benefits provided through a defined benefit other post employment benefit (OPEB) plan. For those termination benefits provided through a defined benefit OPEB plan, this Statement must be implemented concurrently with Statement No. 45. For all other termination benefits, this Statement will become effective for the year ended December 31, 2006.

Management has not yet determined the impact these Statements will have on the financial position and results of operations of the Tollway.

NOTE 16 – RESTATEMENT OF NET ASSETS

The December 31, 2004 net assets have been restated to correct errors in accounting for accumulated depreciation and accrued interest receivable. The effect of the restatements is as follows:

	Net Assets	Change in Net Assets	Accrued Interest Receivable	Capital Assets, Net of Accumulated Depreciation
December 31, 2004 balance, as previously reported	$ 1,522,561,994	$ 15,491,883	$ 8,288,610	$ 1,805,709,188
Restatement to accrued interest receivable	(8,019,641)	(1,399,838)	(8,019,641)	-
Restatement to accumulated depreciation	45,575,765	22,787,883	-	45,575,765
December 31, 2004 balance, as restated	$ 1,560,118,118	$ 36,879,928	$ 268,969	$ 1,851,284,953

NOTE 17 – SUBSEQUENT EVENT

The Tollway issued $1 billion of bonds on May 25, 2006 (bond close date on June 7, 2006), generating an aggregate amount of proceeds of $1,040,019,000. This amount includes an original issue discount of $3,588,397 and bond premium of $40,019,000 to partially finance the Tollway's Congestion-Relief Plan. These bonds will mature between 2018 and 2026 and carry an interest rate of 5.0%.

SUPPLEMENTARY INFORMATION

THE ILLINOIS STATE TOLL HIGHWAY AUTHORITY
SCHEDULE OF CHANGES IN NET ASSETS - BY FUND
TRUST INDENTURE BASIS OF ACCOUNTING (NON GAAP)
FOR THE YEAR ENDED DECEMBER 31, 2005

	Revenue Fund	Construction Fund	Total
INCREASES			
Toll Revenue	$ 580,441,697	$ -	$ 580,441,697
Toll Evasion Recovery	13,256,860	-	13,256,860
Concessions	2,787,104	-	2,787,104
Interest	19,340,884	13,716,595	33,057,479
Accrued Interest Restatement	(8,019,641)	-	(8,019,641)
Miscellaneous	7,778,204	-	7,778,204
Recovery of Expense	1,761,170	-	1,761,170
Decrease in Accounts Receivable	172,846	-	172,846
Total Increases	617,519,124	13,716,595	631,235,719
DECREASES			
Engineering and Maintenance of Roadway and Structures	31,644,077	-	31,644,077
Services and Toll Collection	86,088,758	-	86,088,758
Traffic Control, Safety Patrol, and Radio Communications	18,034,485	-	18,034,485
Procurement, IT, Finance and Administration	27,697,688	-	27,697,688
Insurance and Employee Benefits	42,110,028	-	42,110,028
Construction Expenses	291,754,700	278,315,783	570,070,483
Bond Principal Payments	13,455,000	-	13,455,000
Bond Interest and Other Financing Costs	53,439,497	-	53,439,497
Total Decreases	564,224,233	278,315,783	842,540,016
NET INCREASES (DECREASES)	53,294,891	(264,599,188)	(211,304,297)

(Continued)

THE ILLINOIS STATE TOLL HIGHWAY AUTHORITY
SCHEDULE OF CHANGES IN NET ASSETS - BY FUND (CONTINUED)
TRUST INDENTURE BASIS OF ACCOUNTING (NON GAAP)
FOR THE YEAR ENDED DECEMBER 31, 2005

	Revenue Fund	Construction Fund	Total
OTHER CHANGES IN NET ASSETS			
Proceeds from Bond Sale	$ -	$ 770,000,000	$ 770,000,000
Premium Received from Bond Sale	-	60,682,677	60,682,677
Bond Issuance Costs	-	(4,100,864)	(4,100,864)
Account Transfers In (Out)	58,964,171	(58,964,171)	-
	58,964,171	767,617,642	826,581,813
CHANGE IN NET ASSETS	112,259,062	503,018,454	615,277,516
NET ASSETS, JANUARY 1	400,399,007	1,155,260,317	1,555,659,324
NET ASSETS, DECEMBER 31	$ 512,658,069	$ 1,658,278,771	$ 2,170,936,840

THE ILLINOIS STATE TOLL HIGHWAY AUTHORITY
SCHEDULE OF CHANGES IN NET ASSETS - REVENUE FUND - BY ACCOUNT
TRUST INDENTURE BASIS OF ACCOUNTING (NON GAAP)
FOR THE YEAR ENDED DECEMBER 31, 2005

	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	$ 580,441,697	$ -	$ -	$ -	$ -	$ -	$ -	$ 580,441,697
Toll Evasion Recovery	13,256,860	-	-	-	-	-	-	13,256,860
Concessions	2,787,104	-	-	-	-	-	-	2,787,104
Interest	2,417,922	1,924,547	-	1,060,311	3,591,519	5,039,760	5,306,825	19,340,884
Accrued Interest Restatement	-	-	-	-	(8,019,641)	-	-	(8,019,641)
Miscellaneous	5,663,513	-	-	-	-	-	2,114,691	7,778,204
Recovery of Expense	-	-	-	-	-	720,696	1,040,474	1,761,170
Decrease in Accounts Receivable	-	-	-	-	-	172,846	-	172,846
Intrafund Transfers	(604,706,919)	207,474,207	-	97,451,167	-	199,569,820	100,211,725	-
Total Increases	(139,823)	209,398,754	-	98,511,478	(4,428,122)	205,503,122	108,673,715	617,519,124
DECREASES								
Engineering and Maintenance of Roadway and Structures	-	31,644,077	-	-	-	-	-	31,644,077
Services and Toll Collection	-	86,088,758	-	-	-	-	-	86,088,758
Traffic Control, Safety Patrol, and Radio Communications	-	18,034,485	-	-	-	-	-	18,034,485
Procurement, IT, Finance and Administration	-	27,697,688	-	-	-	-	-	27,697,688
Insurance and Employee Benefits	-	42,110,028	-	-	-	-	-	42,110,028
Construction Expenses	-	-	-	-	-	203,709,060	88,045,640	291,754,700
Bond Principal Payments	-	-	-	13,455,000	-	-	-	13,455,000
Interest and Other Financing Costs	-	-	-	53,409,556	29,941	-	-	53,439,497
Total Decreases	-	205,575,036	-	66,864,556	29,941	203,709,060	88,045,640	564,224,233

(Continued)

THE ILLINOIS STATE TOLL HIGHWAY AUTHORITY
SCHEDULE OF CHANGES IN NET ASSETS - REVENUE FUND - BY ACCOUNT (CONTINUED)
TRUST INDENTURE BASIS OF ACCOUNTING (NON GAAP)
FOR THE YEAR ENDED DECEMBER 31, 2005

	Revenue Fund and Accounts							
		Maintenance and Operations						
	Revenue Account	Operating Sub Account	Operating Reserve Sub Account	Debt Service	Debt Service Reserve	Renewal and Replacement	Improvement	Total
NET INCREASE (DECREASE)	(139,823)	3,823,718	-	31,646,922	(4,458,063)	1,794,062	20,628,075	53,294,891
Account Transfers In (Out)	-	-	-	-	58,964,171	-	-	58,964,171
CHANGE IN NET ASSETS	(139,823)	3,823,718	-	31,646,922	54,506,108	1,794,062	20,628,075	112,259,062
NET ASSETS, JANUARY 1	60,661,767	3,435,693	17,000,000	14,405,172	67,531,274	101,943,701	135,421,400	400,399,007
NET ASSETS, DECEMBER 31	$ 60,521,944	$ 7,259,411	$ 17,000,000	$ 46,052,094	$ 122,037,382	$ 103,737,763	$ 156,049,475	$ 512,658,069

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The 1985 Trust Indenture, as amended and supplemented, requires the Tollway to provide separate funds for construction (Construction Fund) and for operations (Revenue Fund) which are not appropriated by the General Assembly. The Trust Indenture permits the Tollway to create additional accounts for the purpose of more precise accounting. The Treasurer of the State of Illinois holds monies for the Tollway as ex-officio custodian and has recorded these monies in a custodian account. This account is part of the Maintenance and Operation Account within the Revenue Fund.

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

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 Net Assets by Account, 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 acquisitions are charged against fund balance as incurred. In addition, there is no provision for depreciation.
2. Bond issuance costs are expensed as incurred.
3. Capital lease obligations are not recorded. Payments under capital leases are expensed in the period payments are made.

Therefore, the accompanying Schedules of Changes in Net Assets by Account and 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 are as follows:

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Revenue Fund

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

A. To the Operating Sub-Account, operating expenses set forth in the annual budget for the fiscal year in an amount equal to one-twelfth of the total approved budget, less all other amounts previously transferred by the Treasurer for deposit to the credit of the Operating Sub-Account during that fiscal year, less the balance, if any, which was on deposit to the credit of the Operating Sub-Account on December 31 of the preceding fiscal year.
B. To the Operating Reserve Sub-Account, the amount specified by the Tollway, but not to exceed thirty percent of the amount annually budgeted for operating expenses.
C. To the Interest Sub-Account, an amount equal to interest due on unpaid bonds, plus one-sixth of the difference between the interest payable on bond and interest due within the next six months.
D. To the Principal Sub-Account, an amount equal to any principal due plus one-twelfth of any principal of such outstanding senior bonds payable on the next principal payment date.
E. To the Redemption Sub-Account, an amount for each bond equal to one-twelfth of any sinking fund installment of outstanding bonds payable within the next twelve months.
F. To the Provider Payment Sub-Account, amounts as provided in any supplemental indenture for paying costs of credit enhancement or qualified hedge agreements for bonds or for making reimbursements to providers of credit enhancement or qualified hedge agreements for bonds.
G. To the Debt Reserve Account, an amount sufficient to cause the balance in it to equal the debt reserve requirement and to make reimbursement to providers of reserve account credit facilities.
H. To the Junior Bond Debt Service or Junior Bond Debt Reserve Account, any amounts required by supplemental indentures.
I. To the Renewal and Replacement Account, one-twelfth the portion of the renewal and replacement amount set forth in the annual budget for the fiscal year.
J. The balance of such amounts in the Revenue Funds are to be applied as follows:
    1) To the credit of the Improvement Account for allocation to a project as determined by the Tollway in its sole discretion, until the balance in the Account is equal to the improvement requirement or a lesser amount as the Tollway may from time to time determine.
    2) To the credit of the System Reserve Account, the entire amount remaining in the Revenue Fund after depositing or allocating all amounts required to be deposited to the credit of the above Accounts and Sub-Accounts.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Maintenance and Operation Account

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

Revenues are transferred to the Operating Sub-Account to cover the expenses set forth in the annual budget for the current fiscal year. One-twelfth of the operating expenses outlined in the annual budget are transferred to this account once a month.

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

If the Tollway determines that the amount in the Operating Reserve Sub-Account exceeds that amount necessary, the excess will be withdrawn from such Sub-Account and applied as revenues. By resolution, the Board voted to maintain a $25 million fund balance in this account and has subsequently authorized a fund balance of $17 million.

Debt Service Account

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

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

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

Renewal and Replacement Account

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

Improvement Account

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

System Reserve Account

At the direction of the Tollway, the balance in the Revenue Fund is deposited to the credit of the System Reserve Account to provide for deficiencies in any other account or sub-account. If all accounts have sufficient funds, System Reserve Account funds can be used to pay off debt, fund construction projects, make improvements or pay for any other lawful Tollway purpose.

The Construction Fund

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

ILLINOIS STATE TOLL HIGHWAY AUTHORITY
SCHEDULE OF TOLL REVENUE BY CLASS OF
VEHICLES AND OTHER REVENUE SOURCES (UNAUDITED)
FOR THE YEAR ENDED DECEMBER 31, 2005

	Average Daily Transactions*	Revenue
Class of Vehicle		
1. Auto, motorcycle, taxi, station wagon, ambulance, single-unit truck or tractor: 2 axles, 4 tires	1,875,171	$ 345,532,057
2. Single-unit truck or tractor, buses: 2 axles, 6 tires	39,573	16,357,485
3. Trucks and buses with 3 & 4 axles	34,330	23,994,173
4. Trucks with 5 or more axles, other vehicles and toll adjustments	155,855	194,557,982
TOTAL	2,104,929	580,441,697
Other Revenues		
Concessions		2,790,847
Toll Evasion Recovery		26,737,437
Interest - Revenue Fund		19,340,885
Miscellaneous		2,266,957
TOTAL		$ 631,577,823

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

ILLINOIS STATE TOLL HIGHWAY AUTHORITY
SCHEDULE OF CAPITAL ASSETS BY SOURCE
December 31, 2005

Capital Assets:		
Land and Improvements	$	197,433,642
Buildings		35,910,896
Infrastructure		3,749,497,317
Vehicles		28,080,873
Office Equipment		4,259,274
Information Systems		99,133,937
Department and Other Equipment		20,091,902
Capital Lease-Violation Enforcement System		14,053,729
Capital Lease-Integrated Toll Collection System		12,416,781
Toll Collection Equipment		14,190,155
Construction in Progress		540,620,699
Total Capital Assets	$	4,715,689,205
Capital Assets Provided From:		
Bond Proceeds net of related Interest Income	$	1,718,363,147
Revenues		2,997,326,058
Total Sources of Capital Assets	$	4,715,689,205

ILLINOIS TOLL HIGHWAY AUTHORITY
SCHEDULE OF CHANGES IN CAPITAL ASSETS
For the Year Ended December 31, 2005

	Balance December 31, 2004	Additions	Deletions	Balance December 31, 2005
Land and Improvements	$ 194,814,195	$ 2,620,451	$ (1,004)	$ 197,433,642
Buildings	35,910,896	-	-	35,910,896
Infrastructure	3,567,868,664	181,628,653	-	3,749,497,317
Vehicles	26,407,214	2,103,584	(429,925)	28,080,873
Office Equipment	4,334,648	-	(75,374)	4,259,274
Information Systems	86,332,877	13,326,106	(525,046)	99,133,937
Department and Other Equipment	14,575,903	5,602,188	(86,189)	20,091,902
Capital Lease: VES	14,053,729	-	-	14,053,729
Capital Lease: ITCS	12,416,781	-	-	12,416,781
Toll Collection Equipment	14,190,155	-	-	14,190,155
Construction in Progress	182,362,914	358,257,785	-	540,620,699
TOTAL CAPITAL ASSETS	$ 4,153,267,976	$ 563,538,767	$ (1,117,538)	$ 4,715,689,205