

Kansas Turnpike Authority

***Financial Statements
with Supplementary Information***

Years ended December 31, 2009 and 2008
with
Independent Auditors' Report



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Independent Auditors' Report

Board of Directors
Kansas Turnpike Authority



We have audited the accompanying basic financial statements of the Kansas Turnpike Authority as of and for the years ended December 31, 2009 and 2008, as listed in the table of contents. These financial statements are the responsibility of the Turnpike's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As explained in Note 1, the Turnpike does not provide for recognition of depreciation on turnpike facilities; does not capitalize interest costs; capitalizes only the costs of improvements and replacements financed or expected to be financed in part by bond proceeds; and capitalizes bond issuance costs and related premiums and discounts as part of turnpike facilities without amortizing such costs (collectively, the "Exceptions"). These practices are not, in our opinion, in accordance with accounting principles generally accepted in the United States of America. The effects of these practices on the financial statements have not been determined.

In our opinion, except for the effects of the Exceptions as discussed in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the Kansas Turnpike Authority as of December 31, 2009 and 2008, and its changes in financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The accompanying management's discussion and analysis and required supplementary information as listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audits were conducted for the purpose of forming an opinion on the Turnpike's basic financial statements. The accompanying 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. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, except for the effects of the accounting methods discussed in the third paragraph of our report on the basic financial statements, such information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The statistical data has not been subjected to the auditing procedures applied in the audits of the basic financial statements and, accordingly, we express no opinion thereon.

Allen, Gibbs & Houlik, L.C.

CERTIFIED PUBLIC ACCOUNTANTS

March 1, 2010
Wichita, Kansas

Management's Discussion and Analysis

Our discussion and analysis of The Kansas Turnpike Authority's (KTA or Turnpike) financial performance provides an overview of the Turnpike's financial activities for the fiscal year ended December 31, 2009. Please read it in conjunction with the Turnpike's financial statements and associated footnotes.

Financial Highlights

- The Turnpike's net assets increased in 2009 by approximately \$30.8 million or 8.3% in 2009 compared to 2008.
- Operating revenues increased by approximately \$1.7 million or 2% in 2009 compared to 2008.
- Operating expenses decreased by approximately \$16.5 million or 24.4% in 2009 compared to 2008.
- Long-term debt increased by approximately \$67 million or 31.3% in 2009 compared to 2008.

Using this Annual Report

This discussion and analysis is intended to serve as an introduction to the KTA's financial statements, which are comprised of the basic financial statements and the notes to the financial statements and supplementary information presented. Since the KTA operates like a single enterprise fund, fund level financial statements are not shown. In addition to the basic financial statements, this report also contains other supplementary information.

The basic financial statements are designed to provide readers with a broad overview of the KTA's finances, in a manner similar to a private-sector business. The Turnpike's financial statements consist of three statements – balance sheet; statement of revenues, expenses and changes in net assets; and statement of cash flows. These statements provide information about the activities of the Turnpike, including resources held by the Turnpike but restricted for specific purposes by bond trust indentures. In addition to the basic financial statements, this report also contains other supplementary information concerning the Turnpike's traffic and revenues by vehicle class, as required by bond trust indentures. Supplementary information also includes a Combining Balance Sheet, which reports the assets and liabilities of the Turnpike's various funds.

The Balance Sheet and Statement of Revenues, Expenses, and Change in Net Assets

One of the most important questions asked about the Turnpike's finances is, "Is the Turnpike as a whole better or worse off as a result of the year's activities?" The Balance Sheets and the Statements of Revenues, Expenses, and Changes in Net Assets report information about the Turnpike's resources and its activities in a way that helps answer this question. These statements include all restricted and unrestricted assets and all liabilities using the accrual basis of accounting. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Turnpike's net assets and changes in them. You can think of the Turnpike's net assets – the difference between assets and liabilities – as one way to measure the Turnpike's financial health, or financial position. Over time, increases or decreases in the Turnpike's net assets are one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the Turnpike's customer base and measures of the quality of service it provides, as well as local, regional and national economic factors to assess the overall health of the Turnpike.

The Statement of Cash Flows

The final required statement is the Statement of Cash Flows. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and financing activities. It provides answers to such questions as "Where did cash come from?", and "What was the change in cash balance during the reporting period?"

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.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain supplementary information concerning Turnpike traffic and revenues by vehicle class, as required by bond trust indentures.

The Turnpike's Balance Sheet

The Turnpike's net assets are the difference between its assets and liabilities reported in the Balance Sheet. The Turnpike's net assets increased in 2009 by approximately \$30.8 million (8.3%).

	<u>ASSETS</u>		
	<u>2009</u>	2008	2007
Cash and cash equivalents	\$ 92,666,182	\$ 19,380,776	\$ 35,821,792
Short-term investments	49,566,366	52,695,866	92,868,768
Accounts receivable	689,801	652,439	800,145
Other current assets	3,391,659	2,988,741	2,929,075
Capital assets	532,434,006	492,098,524	448,823,108
Other noncurrent assets	30,075,086	42,906,452	35,903,854
Total Assets	<u>708,823,100</u>	<u>610,722,798</u>	<u>617,146,742</u>
	<u>LIABILITIES</u>		
Long-term debt outstanding	281,310,000	214,220,000	236,860,000
Current liabilities	25,082,503	25,010,250	20,051,632
Other long-term liabilities	2,141,631	2,011,059	1,777,688
Total liabilities	<u>308,534,134</u>	<u>241,241,309</u>	<u>258,689,320</u>
	<u>NET ASSETS</u>		
Invested in capital assets, net of related debt	306,400,797	267,928,524	202,443,108
Restricted - expendable for debt service	15,867,154	9,114,438	10,226,648
Unrestricted	78,021,015	92,438,527	145,787,666
Total net assets	<u>\$ 400,288,966</u>	<u>\$ 369,481,489</u>	<u>\$ 358,457,422</u>

Net assets may serve, over time, as a useful indicator of an organization's financial position. In the case of the KTA, assets exceeded liabilities by \$400,288,966 at the close of the most recent year.

Unrestricted net assets decreased from \$92,438,527 at December 31, 2008 to \$78,021,015 at December 31, 2009, a decrease of \$14,417,512 (16%) in unrestricted net assets.

By far, the largest portion of the KTA's net assets reflects its investment in capital assets, such as right-of-way, roads, bridges, and buildings less any related debt used to acquire those assets that are still outstanding. The KTA uses these capital assets to provide services to customers and consequently, these assets are not available to liquidate liabilities or other future spending. Although the Turnpike's investment in capital assets is reported after subtracting related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The KTA's assets are only capitalized if a portion of the current source or anticipated source of funding to purchase or construct the asset is bond proceeds. Further, no depreciation is deducted from the KTA's capital assets. Independent consultants inspect the KTA's major capital assets, primarily bridges, annually. If repairs or replacements of capital assets are warranted, these repairs or replacements may be completed either with or without the use of bond proceeds.

The most noteworthy changes in the Turnpike's assets and liabilities are an increase in the cash equivalents and short-term investments and a corresponding increase in the long-term debt outstanding. In November 2009, the KTA issued \$77,425,000 in bonds and a Construction Fund of \$70,000,000 was created

with the proceeds. The relatively low interest rate environment had not changed as of the end of 2009. The KTA, in conjunction with their Investment Advisor, determined that it was preferable to invest the bond proceeds in short-term investments at least through the end of 2009.

Changes in the Turnpike's Net Assets

In 2009, the Turnpike's net assets increased by approximately \$30.8 million or 8.3% of total net assets, as shown in the table below, matching the increase in net assets over 2009 reported on the Balance Sheet.

As mentioned in our Independent Auditor's Report, the Turnpike also does not recognize depreciation for any Turnpike facilities. The practice of immediately expensing the costs of long-term assets rather than spreading those expenses over several years through depreciation, in the Turnpike Authority's opinion, is a more conservative method of reporting our expenses.

	<u>CHANGES IN NET ASSETS</u>		
	<u>2009</u>	<u>2008</u>	<u>2007</u>
Operating revenues			
Tolls	\$ 79,474,841	\$ 78,433,188	\$ 78,195,540
Concessionaire rentals	3,338,751	3,098,946	3,103,710
Miscellaneous	1,434,369	1,105,070	1,610,823
Total operating revenues	84,247,961	82,637,204	82,910,073
Operating expenses			
Administration	6,389,384	6,843,795	6,548,399
Insurance	6,543,458	6,921,590	7,677,844
Toll collection	11,374,749	11,659,275	11,557,942
Patrol	5,205,361	5,457,658	5,442,957
Maintenance	7,779,901	8,606,260	8,986,183
Cost of improvements, major repairs and replacements	13,838,763	28,198,332	34,482,921
Total operating expenses	51,131,616	67,686,910	74,696,246
Operating income	33,116,345	14,950,294	8,213,827
Nonoperating revenues (expenses)			
Investment revenue	350,235	6,715,396	8,681,873
Interest on long-term debt	(10,869,471)	(10,641,623)	(11,411,830)
Contributed capital	8,210,368	--	--
Net nonoperating revenues (expenses)	(2,308,868)	(3,926,227)	(2,729,957)
Increase in net assets	\$ 30,807,477	\$ 11,024,067	\$ 5,483,870

Operating Income

The first component of the overall change in the Turnpike's net assets is its operating income – primarily, the difference between net toll revenue and the expenses incurred to maintain and patrol the road and collect that revenue. In fiscal year 2009, the Turnpike reported operating income, which is consistent with the Turnpike's operating history.

Net toll revenues grew from approximately \$78.4 million in fiscal year 2008 to approximately \$79.5 million in 2009, an increase of 1%. The Turnpike's utilization statistics indicate that passenger car traffic increased 3.1% in 2009 compared to 2008, but the Turnpike's commercial traffic decreased by 7.6%. 2009 toll revenue was enhanced by a toll rate increase on October 1. A major characteristic of the toll increase was the differentiation between K-TAG customers and customers who stop to pay at the toll booths. The toll for K-TAG customers did not change in October. In contrast, commercial non-K-TAG customers (class 5-9) experienced an approximate 5% increase in fares, and tolls were increased approximately 15% for non K-TAG customers driving 2, 3, and 4-axle vehicles. Over 43% of all vehicles used the K-TAG electronic system in 2009.

Budgeted operating expenses (see Note 2) decreased by almost \$2.2 million (5.5%) from 2008 to 2009. Budgeted expenses include the costs of collecting tolls, administering, insuring, maintaining and patrolling the Turnpike. Budgeted expenses exclude the costs of improvements, major repairs, and replacements. While always striving to improve efficiency, the KTA's management team has worked especially hard for the last four years to reduce the KTA's operating costs, and these efforts had a large impact on 2009 budgeted expenses.

Nonoperating Revenues and Expenses

Nonoperating revenues and expenses consist primarily of investment earnings and interest paid on long-term debt. One factor contributing to the decrease in nonoperating revenues is the comparatively lower rate of interest in the current economic environment combined with the decline in the amount of investments held during most of 2009. Prior to the bond issue in November, the assets available to be invested decreased steadily as payments were made to contractors for bridge and interchange construction projects. An additional reason for the decline in investment revenue involved the timing of the revenue reporting. \$1.8 million of the KTA's investment revenue was not realized until 2009, but was reported as part of the 2008 unrealized investment revenue. Further, a spike in government bond prices prior to the December 31, 2008 valuation date led to an unusually large gain being reported in 2008. Finally, as the KTA's investments are recorded upon acquisition at cost, the maturity of any premium bond at par value, or any valuation of a bond at an amount lower than its purchase price, results in a loss being reported without regard to the economic benefit of any higher interest earned on the investment.

One new nonoperating category is Contributed Capital. This represents the KTA's \$8 million loan to Leavenworth County. This loan enabled the county to substantially improve the road carrying traffic to and from the new interchange. For details on the loan, please see Note 4.

The Turnpike's Cash Flows

Changes in the Turnpike's operating cash flows are consistent with changes in operating income and non-operating revenues and expenses, discussed earlier.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2009, the Turnpike had approximately \$532 million invested in capital assets. In 2009, the Turnpike capitalized approximately \$44.4 million in construction projects. The cost of these projects is expected to be reimbursed at least in part by bond proceeds. The major construction projects involved the reconstruction of the Kansas River Bridges in Douglas County and a new interchange in Leavenworth County.

Debt

At the end of 2009, the Turnpike had \$291,645,000 of bonds outstanding, including \$77,425,000 of bonds issued in November 2009. The 2009 bonds were issued as taxable Build America Bonds pursuant to the American Recovery and Reinvestment Act of 2009, which provides that 35% of the interest payments on those bonds will be paid to the Turnpike by the U.S. Treasury. Standard & Poor's rated the 2009 bonds "A+", which represents an upgrade from their previous underlying rate of "A". All other outstanding bonds of the Turnpike were issued with bond insurance, which was available but not advantageous for the 2009 bonds. Moody's Investor Service rated the Turnpike's prior bonds "Aaa" Insured/ "A1" underlying at the time of issuance and Standard & Poor's rated the Turnpike's prior bonds "AAA" Insured/ "A" underlying at the time of issuance. Those insured ratings have been reduced markedly since the time of issuance due to downgrades in the ratings of those bond insurers.

Contacting the Turnpike's Financial Management

This financial report is designed to provide our customers, suppliers, investors, and creditors with a general overview of the Turnpike's finances and of the Turnpike's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Turnpike's Headquarters at 9401 E. Kellogg, Wichita, KS 67207.

Balance Sheets

December 31, 2009 and 2008

ASSETS

	<u>2009</u>	<u>2008</u>
Current Assets		
Cash and cash equivalents	\$ 26,141,065	\$ 19,377,148
Short-term investments	30,162,009	39,890,053
Accounts receivable	689,801	652,439
Accrued interest receivable	679,175	1,334,655
Material and supply inventory	365,717	433,152
Prepaid expense and other assets	1,317,912	1,220,934
Current portion of note receivable	1,024,486	--
	<u>60,380,165</u>	<u>62,908,381</u>
Restricted Assets		
Cash and cash equivalents	66,525,117	3,628
Investments	19,404,357	12,805,813
Accrued interest receivable	4,369	--
	<u>85,933,843</u>	<u>12,809,441</u>
Note receivable long-term	<u>7,185,882</u>	--
Other long-term investments	<u>22,889,204</u>	<u>42,906,452</u>
Capital assets		
Cost of initial turnpike and improvements	532,434,006	492,098,524
	<u>\$ 708,823,100</u>	<u>\$ 610,722,798</u>

LIABILITIES AND NET ASSETS

	<u>2009</u>	<u>2008</u>
Current Liabilities		
Current maturities of long-term debt	\$ 10,335,000	\$ 9,950,000
Prepaid tolls	2,588,902	2,492,663
Accounts payable	537,414	641,035
Accrued expenses	7,649,871	8,550,684
Accrued interest	3,971,316	3,375,868
	<u>25,082,503</u>	<u>25,010,250</u>
Long-Term Debt		
Turnpike revenue bonds	281,310,000	214,220,000
Other long-term liabilities	2,141,631	2,011,059
	<u>308,534,134</u>	<u>241,241,309</u>
Net Assets		
Invested in capital assets, net of related debt	306,400,797	267,928,524
Restricted - expendable for		
Debt service	15,867,154	9,114,438
Unrestricted	78,021,015	92,438,527
	<u>400,288,966</u>	<u>369,481,489</u>
	<u>\$ 708,823,100</u>	<u>\$ 610,722,798</u>

The accompanying notes are an integral part of these financial statements.

Statements of Revenues, Expenses and Changes in Net Assets

Years Ended December 31, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Operating Revenues		
Tolls	\$ 79,474,841	\$ 78,433,188
Concessionaire rentals	3,338,751	3,098,946
Miscellaneous	1,434,369	1,105,070
	<u>84,247,961</u>	<u>82,637,204</u>
Operating Expenses		
Administration	6,389,384	6,843,795
Insurance	6,543,458	6,921,590
Toll collection	11,374,749	11,659,275
Patrol	5,205,361	5,457,658
Maintenance	7,779,901	8,606,260
Cost of improvements, major repairs and replacements	13,838,763	28,198,332
	<u>51,131,616</u>	<u>67,686,910</u>
Operating Income	<u>33,116,345</u>	<u>14,950,294</u>
Nonoperating Revenues (Expenses)		
Investment revenue	350,235	6,715,396
Interest on long-term debt	(10,869,471)	(10,641,623)
Contributed capital	8,210,368	--
	<u>(2,308,868)</u>	<u>(3,926,227)</u>
Change in Net Assets	<u>30,807,477</u>	<u>11,024,067</u>
Net Assets, Beginning of Year	<u>369,481,489</u>	<u>358,457,422</u>
Net Assets, End of Year	<u>\$ 400,288,966</u>	<u>\$ 369,481,489</u>

The accompanying notes are an integral part of these financial statements.

Statements of Cash Flows

Years Ended December 31, 2009 and 2008

	2009	2008
Operating Activities		
Cash received from toll collections	\$ 79,588,728	\$ 78,514,970
Cash received from concessionaire rentals and miscellaneous	4,769,991	4,345,179
Cash paid to suppliers and employees	<u>(52,420,809)</u>	<u>(63,254,178)</u>
Net cash flows from operating activities	<u>31,937,910</u>	<u>19,605,971</u>
Capital and Related Financing Activities		
Proceeds from issuance of long-term debt	77,425,000	--
Interest paid	(10,274,023)	(10,834,729)
Retirement of long-term debt	(9,950,000)	(22,210,000)
Payments for capitalized costs	<u>(40,001,575)</u>	<u>(43,275,416)</u>
Net cash flows from capital and related financing activities	<u>17,199,402</u>	<u>(76,320,145)</u>
Investing Activities		
Investment revenue	(265,642)	4,896,124
Proceeds from sale and maturities of investments	99,017,605	194,226,458
Purchase of investments	<u>(74,603,869)</u>	<u>(158,849,424)</u>
Net cash flows from investing activities	<u>24,148,094</u>	<u>40,273,158</u>
Change in Cash and Cash Equivalents	73,285,406	(16,441,016)
Cash and Cash Equivalents, Beginning of Year	19,380,776	35,821,792
Cash and Cash Equivalents, End of Year	\$ 92,666,182	\$ 19,380,776
Reconciliation of Net Operating Activities to Net Cash Flows from Operating Activities		
Operating income	\$ 33,116,345	\$ 14,950,294
Changes in operating assets and liabilities		
Accounts receivable and prepaid tolls	58,877	222,945
Material and supply inventory	67,435	8,623
Accounts payable and accrued expenses	(1,207,769)	4,879,856
Prepaid expenses and other assets	<u>(96,978)</u>	<u>(455,747)</u>
Net cash flows from operating activities	<u>\$ 31,937,910</u>	<u>\$ 19,605,971</u>
Noncash investing capital and financing activities:		
Note receivable in exchange for contributed capital assets	<u>\$ 8,210,368</u>	<u>\$ --</u>

The accompanying notes are an integral part of these financial statements.

Notes to Financial Statements

1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Turnpike – The Kansas Turnpike Authority (Turnpike) was created as a public corporation in 1953 by the Kansas Legislature with power to construct, operate and maintain turnpike projects and to issue revenue bonds for any of its corporate purposes, payable solely from the tolls and revenue pledged for their payment.

The Kansas Turnpike Authority consists of five members, two appointed by the Governor, the Secretary of Transportation, the Chairperson of the Senate Committee on Transportation and Utilities and a member of the House of Representatives Committee on Transportation.

The Turnpike extends unsecured credit to certain K-TAG customers.

Basis of Accounting, Capitalized Costs and Depreciation – The Turnpike maintains its accounts in accordance with its interpretation of the Kansas statutes and the 1985 Trust Agreement, as amended. Capitalized costs include the cost of the initial turnpike and subsequent improvements financed with bond proceeds or expected to be financed in part by bond proceeds. Capitalized costs include the cost of acquisition and construction, allocable expense in connection with bond offerings, premium or discount on sale of bonds and certain legal and administrative expenses incurred during the construction period. However, other practices do not conform with generally accepted accounting principles, including: 1) cost of major repairs, replacements and improvements not financed by or expected to be financed in part by bond proceeds are paid by the replacement reserve fund and are not capitalized, 2) interest costs are not capitalized, 3) depreciation is not provided on capital assets, and 4) amortization is not applied to the other costs capitalized. Otherwise, the financial statements of the Turnpike have been prepared on the accrual basis of accounting using the economic resources measurement focus.

Operating Revenues and Expenses – The principal revenues of the Turnpike are toll revenues received from customers. The Turnpike also recognizes as operating revenue rental fees received from concessionaires from operating leases on concession property, rental fees received from right-of-way operating leases and other revenues earned related to the operation of the Turnpike, administrative expenses and Turnpike improvements not funded from bonds. All other revenues and expenses are reported as non-operating revenues and expenses. The Turnpike first applies restricted net assets when an expense or outlay is incurred for purposes for which both restricted and unrestricted net assets are available.

Use of Estimates – 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.

Investments and Investment Income – Investments are recorded at fair value. Fair value is determined using quoted market prices. Investment income includes dividend and interest income and the net change for the year in the fair value. In accordance with the 1985 Trust Agreement, as amended, interest earned and profits realized from investments in all funds and accounts, except the construction fund, are deposited in the revenue fund. Losses are charged to the fund or account owning the investment.

Inventories – Material and supply inventory is valued at cost determined using the FIFO (first-in, first-out) method.

Prepaid Tolls – The Turnpike collects tolls in advance of actual usage for certain members using the K-TAG program. Customers are allowed a discount from normal toll rates if certain prepaid balances are maintained. Prepaid amounts are recorded as a liability until such amounts are realized through the usage of the Turnpike by its customers.

Cash Equivalents – The Turnpike considers all liquid investments with original maturities of three months or less from the date of purchase to be cash equivalents. At December 31, 2009 and 2008, cash equivalents consisted primarily of commercial paper, money market accounts with brokers and certain U.S. agency obligations.

Proprietary Activity Accounting – As permitted by Governmental Accounting Standards Board Statement No. 20, the Turnpike has elected to apply only those applicable Financial Accounting Standards Board Statements and Interpretations issued prior to December 1, 1989.

Compensated Absences – The Turnpike policies allow full-time employees to earn vacation as follows:

Length of Service	Earnings Rate	Allowed Vacation Earnings
Less than 5 years	4 hours for each two-week period	13 days per year
5 to 15 years	5 hours for each two-week period	16.25 days per year
15 to 25 years	6 hours for each two-week period	19.5 days per year
Greater than 25 years	7 hours for each two-week period	22.75 days per year

The maximum number of vacation days, which may be accumulated as of the first day period ending January, is 30 days. This maximum is increased by five days for each five years of service for employees with lengths of service over 25 years.

Beginning December 20, 1996, the Turnpike discontinued the sick leave policy and created paid time off (PTO). Paid time off can be used at the employee's discretion and is earned at the rate of 2.5 hours (3.5 hours over 25 years) each two-week period. Once each calendar year, the employee can choose to be paid for PTO over 40 hours. The accumulated sick leave balance prior to December 20, 1996, may still be taken after all PTO is used. Employees who have completed eight years of continuous full-time service will be paid 30% of the value of any unused sick leave upon termination.

The Turnpike has recorded these liabilities using the pay rates in effect at the balance sheet date plus an additional amount for compensation-related payments such as social security and Medicare taxes computed using rates in effect at that date. The estimated compensated absences liability expected to be paid more than one year after the balance sheet date is included in other long-term liabilities.

Net Assets – Net assets of the Turnpike are classified in three components. Net assets invested in capital assets, net of related debt, consist of capital assets reduced by the outstanding balances of borrowings that are attributable to the acquisition, construction or improvement of those assets. Restricted expendable net assets are non-capital assets, the use of which is limited by external constraints imposed by creditors (such as through debt covenants), grantor or donors, including amounts deposited with trustees as required by bond indentures, reduced by the outstanding balances of any related borrowings. Unrestricted net assets are remaining assets less remaining liabilities that do not meet the definition of invested in capital assets, net of related debt or restricted expendable net assets.

2. BUDGET PROCESS

Each year the Turnpike prepares a preliminary annual budget of operating expenses. Copies are filed with the Trustee, Consulting Engineers and Principal Underwriters on or before November 1. Holders of 25% in the aggregate principal amount of bonds outstanding or a majority of the Principal Underwriters may request a public hearing. On or before December 1, the Consulting Engineers recommend the amount to be transferred to the replacement reserve fund for major repairs and replacements. The budget is adopted on or before January 1. The Turnpike may amend the budget at any time with the approval of the Consulting Engineers.

A comparison of actual expenses in the revenue fund and operations account with the budget for the year ended December 31, 2009, is as follows:

	<u>Budget</u>	<u>Actual</u>	<u>Over (Under)</u>
Administration	\$ 6,520,805	\$ 6,389,384	\$ (131,421)
Insurance	7,551,600	6,543,458	(1,008,142)
Toll Collection	12,339,100	11,374,749	(964,351)
Patrol	5,410,824	5,205,361	(205,463)
Maintenance	9,349,100	7,779,901	(1,569,199)
	<u>\$ 41,171,429</u>	<u>\$ 37,292,853</u>	<u>\$ (3,878,576)</u>

3. DEPOSITS, INVESTMENTS AND INVESTMENT INCOME

Deposits – Custodial credit risk is the risk that in the event of a bank failure, an entity's deposits may not be returned to it. The Turnpike's deposit policy for custodial credit risk requires compliance with the provisions of state law.

State law requires collateralization of all deposits with federal depository insurance; bonds and other obligations of the U.S. Treasury, U.S. agencies or instrumentalities or the state of Kansas; bonds of any city, county, school district or special road district of the state of Kansas; bonds of any state; or a surety bond having an aggregate value at least equal to the amount of the deposits.

At December 31, 2009 and 2008 none of the Turnpike's bank balances of \$9,552,725 and \$8,077,042, respectively, were exposed to custodial credit risk.

Investments – The Turnpike may legally invest in direct obligations of and other obligations guaranteed as to principal by the U.S. Treasury and U.S. agencies and instrumentalities, bank repurchase agreements, money market funds, commercial paper and municipal obligations.

At December 31, 2009, the Turnpike had the following investments and maturities:

Type	Fair Value	Maturities in Years			
		Less than 1	1 – 5	6 – 10	More than 10
US Treasury obligations	\$ 3,893,663	\$ --	\$ --	\$ --	\$ 3,893,663
US agency obligations	61,761,907	41,737,616	20,024,291	--	--
Money Market mutual funds	84,445,816	84,445,816	--	--	--
Certificates of deposit	6,800,000	6,800,000	--	--	--
	156,901,386	\$ 132,983,432	\$ 20,024,291	\$ --	\$ 3,893,663
Less cash equivalents	84,445,816				
Investments per the balance sheet	\$ 72,455,570				

At December 31, 2008 the Turnpike had the following investments and maturities:

Type	Fair Value	Maturities in Years			
		Less than 1	1 – 5	6 – 10	More than 10
U.S. Treasury obligations	\$ 11,657,884	\$ 5,923,592	\$ --	\$ --	\$ 5,734,292
U.S. agency obligations	83,952,249	45,492,131	38,460,118	--	--
Money market mutual funds	11,359,724	11,359,724	--	--	--
	106,969,857	\$ 62,775,447	\$ 38,460,118	\$ --	\$ 5,734,292
Less cash equivalents	11,367,539				
Investments per the balance sheet	\$ 95,602,318				

Interest Rate Risk – As a means of limiting its exposure to fair value losses arising from rising interest rates, the Turnpike’s investment policy limits investments in mortgage backed security issuers with remaining maturities not exceeding three years, commercial paper which matures no more than 270 days after the date of purchase and U.S. dollar denominated deposit accounts maturing no more than 360 days after purchase.

Credit Risk – Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. It is the Turnpike’s policy to limit its investments in securities to the top two ratings issued by nationally recognized statistical rating organizations (NRSROs). At December 31, 2009 and 2008, the Turnpike’s investments in U.S. agency obligations not directly guaranteed by the U.S. government were rated AAA by Standard & Poor’s and AAA by Moody’s Investors Services.

Concentration of Credit Risk – The Turnpike places no limit on the amount that may be invested in any one issuer. At December 31, 2009 and 2008, the Turnpike’s investment in Federal Home Loan Mortgage Corporation constituted 9.66% and 31.2% of total investments and investments in Federal National Mortgage Association constituted 17.25% and 40.5%, respectively of its total investments.

Summary of Carrying Values – The carrying values of deposits and investments shown above are included in the balance sheet as follows:

	<u>2009</u>	<u>2008</u>
Carrying Value:		
Deposits	\$ 8,220,366	\$ 8,013,237
Investments	156,901,386	106,969,857
	<u>\$ 165,121,752</u>	<u>\$ 114,983,094</u>

Included in the following balance sheet captions:

Cash and cash equivalents	\$ 26,141,065	\$ 19,377,148
Short-term investments	30,162,009	39,890,053
Restricted cash and cash equivalents	66,525,117	3,628
Restricted investments	19,404,357	12,805,813
Other long-term investments	22,889,204	42,906,452
	<u>\$ 165,121,752</u>	<u>\$ 114,983,094</u>

Investment Income – Investment income for the year ended December 31, consisted of:

	<u>2009</u>	<u>2008</u>
Interest and dividend income	\$ 2,500,790	\$ 5,557,073
Net change in fair value of investments	(2,150,555)	1,158,323
	<u>\$ 350,235</u>	<u>\$ 6,715,396</u>

4. **NOTES RECEIVABLE**

In October 2008, the Turnpike entered into an agreement with Leavenworth County, Kansas (County) whereby the County will reimburse the Turnpike for costs incurred to reconstruct a section of County Road 1 in connection with a new interchange being constructed along the Turnpike. The amount to be reimbursed by the County is \$8,210,368 and is recorded as contributed capital for the year ended December 31, 2009. The County is required to pay interest at a rate of 4.39% with principal payments commencing on January 1, 2010. The total monthly payment is \$113,706. Final principal payments are due December 1, 2016. Interest payments commenced on February 1, 2009 and total interest received as of December 31, 2009 was \$151,816.

5. **CAPITAL ASSETS**

Capital assets activity for the years ended December 31, 2009 and 2008 was:

	<u>December 31, 2008</u>	<u>Additions</u>	<u>Disposals</u>	<u>Transfers</u>	<u>December 31, 2009</u>
Cost of initial Turnpike and improvements	\$ 492,098,524	\$ 44,426,495	\$ 401,013	\$ --	\$ 536,124,006
	<u>December 31, 2007</u>	<u>Additions</u>	<u>Disposals</u>	<u>Transfers</u>	<u>December 31, 2008</u>
Cost of initial Turnpike and improvements	\$ 448,823,108	\$ 43,275,416	\$ --	\$ --	\$ 492,098,524

Prior Period Adjustment – The Turnpike’s capital assets and net assets were restated as of December 31, 2008 by \$3,690,000 to increase the value of capital assets. This was to correct an error in recording construction in progress for Cost of Turnpike improvements which should have been recorded as of December 31, 2008.

6. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses in current liabilities at December 31, consisted of:

	2009	2008
Payable to suppliers	\$ 537,414	\$ 641,035
Contracts payable and retained amounts	3,905,899	5,295,728
Payable to employees (including payroll taxes and benefits)	2,697,377	2,459,956
Concessionaires deposits	251,595	--
Estimated self-insurance costs	795,000	795,000
	<u>\$ 8,187,285</u>	<u>\$ 9,191,719</u>

7. LONG-TERM OBLIGATIONS

The following is a summary of long-term obligation transactions for the Turnpike for the years ended December 31, 2009 and 2008:

	<u>December 31, 2008</u>	<u>Additions</u>	<u>Deductions</u>	<u>December 31, 2009</u>	<u>Current Portion</u>
Long-term debt revenue bonds	\$ 224,170,000	\$77,425,000	\$ 9,950,000	\$ 291,645,000	\$ 10,335,000
Other long-term liabilities					
Accrued compensated absences	3,359,147	1,822,148	1,644,024	3,537,271	1,715,000
Total long-term obligations	<u>\$ 227,529,147</u>	<u>\$79,247,148</u>	<u>\$ 11,594,024</u>	<u>\$ 295,182,271</u>	<u>\$ 12,050,000</u>

	<u>December 31, 2007</u>	<u>Additions</u>	<u>Deductions</u>	<u>December 31, 2008</u>	<u>Current Portion</u>
Long-term debt revenue bonds	\$ 246,380,000	\$ --	\$ 22,210,000	\$ 224,170,000	\$ 9,950,000
Other long-term liabilities					
Accrued compensated absences	3,439,688	1,802,498	1,883,039	3,359,147	1,556,000
Total long-term obligations	<u>\$ 249,819,688</u>	<u>\$ 1,802,498</u>	<u>\$ 24,093,039</u>	<u>\$ 227,529,147</u>	<u>\$ 11,506,000</u>

8. REVENUE BONDS PAYABLE

At December 31, 2009 and 2008, Turnpike revenue bonds payable were as follows:

	<u>2009</u>	<u>2008</u>
Series 1993	\$ 5,180,000	\$ 5,180,000
Series 2002	75,645,000	77,865,000
Series 2003A	82,060,000	89,790,000
Series 2004	51,335,000	51,335,000
Series 2009A	77,425,000	--
	<u>\$ 291,645,000</u>	<u>\$ 224,170,000</u>

Interest rates on the bonds vary between 2.0% and 6.74%. The debt service requirements as of December 31, 2009, are as follows:

<u>Year Ending December 31,</u>	<u>Total to be Paid</u>	<u>Principal</u>	<u>Interest</u>
2010	\$ 24,270,225	\$ 10,335,000	\$ 13,935,225
2011	25,391,328	10,805,000	14,586,328
2012	25,386,079	11,340,000	14,046,079
2013	25,389,828	11,885,000	13,504,828
2014	25,391,729	12,455,000	12,936,729
2015 – 2019	119,276,133	62,885,000	56,391,133
2020 – 2024	83,847,533	39,070,000	44,777,533
2025 – 2029	76,629,624	42,245,000	34,384,624
2030 – 2034	64,318,029	40,455,000	23,863,029
2035 – 2039	60,603,521	50,170,000	10,433,521
	<u>\$ 530,504,029</u>	<u>\$ 291,645,000</u>	<u>\$ 238,859,029</u>

Bonds subject to redemption prior to maturity at the Turnpike's option are as follows:

	<u>Callable on or After</u>	<u>Call Price</u>
Series 2002	September 1, 2012	At 101% of par
	September 1, 2013	At par
Series 2003A	September 1, 2013	At par
Series 2004A-1	September 1, 2014	At par
Series 2004A-2	September 1, 2014	At 101% of par
	September 1, 2015	At 100.50% of par
Series 2009A	September 1, 2016	At par
	September 1, 2019	At par

In November 2009, the Turnpike issued \$77,425,000 in Series 2009A Taxable Turnpike Revenue Bonds with an average interest cost of 6.6% to provide funds, together with certain other funds that are and will become available, to pay the costs of certain repairs and improvements to the Turnpike, make a deposit to the Series 2009A Reserve Account, and pay certain costs incurred in connection with the issuance of the Series 2009A Bonds. Approximately \$26,500,000 will be transferred to the Replacement Reserve Fund to pay for costs of improvements incurred in prior years. The 2009 bonds were issued as taxable Build America Bonds pursuant to the American Recovery and Reinvestment Act of 2009, which provides that 35% of the interest payments on those bonds will be paid to the Turnpike by the U.S. Treasury.

9. DEFINED BENEFIT PENSION PLAN

The Turnpike participates in the Kansas Public Employees Retirement System (KPERs) which is a cost-sharing multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, et seq. and administered by the KPERs Board of Trustees. The plan provides retirement, life insurance, disability income and death benefits. Kansas law establishes and amends benefit provisions. KPERs issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to KPERs at 611 South Kansas Avenue, Suite 100, Topeka, Kansas 66603-3803, or by calling KPERs at 1-888-275-5737.

Funding Policy. K.S.A. 74-4919 establishes the KPERs member-employee contribution rate at 4% of covered salary. The employer collects and remits member-employee contributions according to the provisions of section 414(h) of the Internal Revenue Code. State law provides that the employer contribution rate be determined annually based on the results of an annual actuarial valuation. KPERs is funded on an actuarial reserve bases. State law sets a limitation on annual increases in the contribution rates for KPERs employers. The employer contribution rates for KPERs for 2009, 2008 and 2007 were 5.54%, 4.93%, and 4.31%, respectively. The Turnpike's contributions to KPERs for 2009, 2008 and 2007 were \$1,045,950, \$955,324, and \$827,425, respectively, and were equal to the required contributions for each year.

10. OTHER POST EMPLOYMENT HEALTHCARE BENEFITS DESCRIPTION

The Turnpike offers medical and dental insurance to qualifying retirees and their dependents through a single-employer defined benefit healthcare plan. Qualifying retirees are those employees who retire with at least 10 years of full-time employment with the Turnpike, and are eligible to receive pension benefits under the Kansas Public Employees' Retirement System (KPERs). Retirees must pay Cobra rates to continue coverage, which extends until the individuals become eligible for Medicare at age 65. Retirees that meet additional age and service criteria receive free coverage to Medicare eligibility age. In October 2008, the Turnpike started offering free insurance benefits to age 65 to those who retire prior to July 1, 2009 with at least 85 points under KPERs. The medical and dental benefits are provided through a selfinsured arrangement, with the subsidy provided from general operating funds.

Funding Policy - The contribution requirements of employees and the Turnpike are established and may be amended by the Turnpike and its board of directors. The Turnpike's funding policy is to pay premiums, claims and administrative costs as they come due. Turnpike retirees not meeting specified age and service criteria contribute 100% of the Cobra premium rate; otherwise, retirees pay \$130 (for single coverage) or \$260 (for family coverage) annually, and the Turnpike pays the remaining cost of coverage. For fiscal 2009, the Turnpike paid \$44,532 through their required Cobra contributions.

Annual OPEB and Cost and Net OPEB Obligation – The Turnpike’s annual OPEB (other post employment benefit) cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period of not to exceed thirty years. The following table presents the components of the Turnpike’s annual OPEB cost for the year, the amount contributed to the plan, and changes in the Turnpike’s OPEB obligation. The net OPEB obligation is recorded with other long term liabilities on the balance sheet.

Annual required contribution	\$	395,912
Interest on net OPEB obligation		10,396
Annual OPEB cost (expense)		<u>406,308</u>
Contributions made		<u>(294,859)</u>
Increase in net OPEB obligation		111,449
Net OPEB obligation January 1, 2009		<u>207,912</u>
Net OPEB obligation December 31, 2009	\$	<u><u>319,361</u></u>

The Turnpike’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for 2009 and 2008, respectively, are as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2009	\$ 406,308	72.57%	\$ 319,361
2008	395,912	47.5%	207,912

Funded Status and Funding Progress – As of January 1, 2008 the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$4,546,135. The Turnpike’s policy is to fund the benefits on a pay as you go basis, resulting in an unfunded actuarial accrued liability (UAAL) of \$4,546,135. The covered payroll for 2009 (annual payroll of active employees covered by the plan) was \$19.6 million, and the ratio of the UAAL to the covered payroll was 23 percent.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. The valuation includes, for example, assumptions about future employment, mortality and the healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with the past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statement, will present in time, multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions – Projections of benefits for financial reporting purposes are based on the substantive plan and include the types of benefits provided at the time of valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point.

In the January 1, 2008 actuarial valuation, the entry age normal (level % of pay) method was applied. The actuarial assumptions included a 5 percent investment rate of return. The valuation assumed annual healthcare cost trend rates of five to eight percent in the first four years and ultimate rate of five percent after four years. The valuation followed generally accepted actuarial methods and included tests as considered necessary to assure the accuracy of the results. The UAAL is being amortized on a level dollar basis and on a closed group basis over a period of 30 years, with the remaining amortization period of 29 years.

11. RISK MANAGEMENT

The Turnpike is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; and employee health, dental and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters other than those related to worker's compensation and employee health benefits. Settled claims have not exceeded such commercial coverage during the past three years.

Liabilities include an accrual for claims that have been incurred but not reported. Claims liabilities are reevaluated periodically to take into consideration recently settled claims, frequency of claims and other economic and social factors.

Changes in the balance of claims liabilities during 2009 and 2008 are summarized as follows:

	2009	2008
Balance, beginning of year	\$ 795,000	\$ 825,000
Current year claims and changes in estimates	4,904,202	5,058,200
Claim payments	(4,904,202)	(5,088,200)
Balance, end of year	\$ 795,000	\$ 795,000

12. OPERATING LEASES

The Turnpike has entered into several leasing agreements with service stations, restaurants and communications companies along the Turnpike. The future minimum rental income on these leases are as follows:

2010	\$ 3,319,746
2011	3,253,711
2012	3,240,526
2013	1,007,548
Total	\$ 10,821,531

The leases generally have terms of five years, 10.5 years or 12 years. The five-year service station leases have one five-year renewal option. The five-year restaurant leases have up to three five-year renewal options. Both restaurant and service station leases with 10.5 years have no renewal options, and the 12-year leases have two five-year renewal options if mutually agreed upon by the Turnpike and lessee. All leases are anticipated to renew at a time of expiration or be leased to other parties. The Turnpike is reimbursed for all utility payments and the lessee is responsible for insurance expenses associated with the properties. In certain instances, the Turnpike has agreed to have the lessee construct new buildings. If, at the conclusion of the lease, the lessee is not successful in the bidding for a new lease, the Turnpike is committed to reimburse the lessee for certain costs of construction, net of depreciation, of approximately \$4,117,000. The service station and restaurant leases have base rents and contingent rental payments based on the gallons of gasoline sold or gross sales for the restaurant.

The lease agreements with communications companies are to operate communication systems within the Turnpike right-of-way. The leases generally have terms of five years or ten years. The five-year leases have anywhere from four to nine five-year renewal options. The Turnpike does not incur any significant costs associated with the maintenance of the communications systems and upon termination of the leases, the communication systems become the property of the Turnpike.

13. COMMITMENTS

The Turnpike has committed to construction contracts for turnpike repair and improvements valued at approximately \$46 million at December 31, 2009.

The Turnpike has an agreement with the Kansas Highway Patrol (Patrol), whereby the Patrol agrees to provide adequate policing and patrolling of the Kansas Turnpike and its facilities. The total cost of policing the Kansas Turnpike and its facilities is paid by the Turnpike, including salaries and benefits, and the cost of uniforms, equipment and other expenses. The Turnpike also reimburses the Patrol for certain training costs related to increases in the number of troops provided by the Patrol to the Turnpike.

14. PENDING GOVERNMENTAL ACCOUNTING STANDARDS

The effect on the Turnpike's financial statements of the following statement issued, but not yet adopted, has not yet been determined.

GASB Statement No. 51, Accounting and Financial Reporting for Intangible Assets was issued June 2007. This statement provides guidance on identifying, accounting for, and reporting intangible assets. The new standard characterizes an intangible asset as an asset that lacks physical substance, is non-financial in nature, and has an initial useful life extending beyond a single reporting period. It further states that these assets should be classified as capital assets. The provisions of this statement are effective for the Turnpike's fiscal year ending December 31, 2010.

Required Supplementary Information

December 31, 2009

Schedule of Funding Progress for Other Post-Employment Benefits

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percent of Covered Payroll ((b-a)/c)</u>
01/01/08	\$ --	\$ 4,546,135	\$ 4,546,135	0%	\$ 19,377,763	23.46%

Supplementary Information

COMBINING BALANCE SHEET

December 31, 2009

	ASSETS		
	Total	Interfund Eliminations Reclassifications	Construction Fund
Current assets			
Cash and cash equivalents	\$ 26,141,065	\$ --	\$ --
Short-term investments	30,162,009	--	--
Interfund receivable	--	(1,412,572)	--
Accounts receivable	689,801	--	--
Accrued interest receivable	679,175	--	--
Material and supply inventory	365,717	--	--
Prepaid expense and other assets	1,317,912	--	--
Current portion of note receivable	1,024,486	--	--
Total current assets	<u>60,380,165</u>	<u>(1,412,572)</u>	<u>--</u>
Restricted assets			
Cash and cash equivalents	66,525,117	--	65,945,698
Investments	19,404,357	--	--
Accrued interest receivable	4,369	--	--
Total restricted assets	<u>85,933,843</u>	<u>--</u>	<u>65,945,698</u>
Long-term note receivable	<u>7,185,882</u>	<u>--</u>	<u>--</u>
Other long-term investments	<u>22,889,204</u>	<u>--</u>	<u>--</u>
Capital assets			
Cost of initial turnpike and improvements	532,434,006	--	453,749,670
	<u>\$ 708,823,100</u>	<u>\$ (1,412,572)</u>	<u>\$ 519,695,368</u>
LIABILITIES AND NET ASSETS			
Current liabilities			
Current maturities of long-term debt	\$ 10,335,000	\$ --	\$ 10,335,000
Prepaid tolls	2,588,902	--	--
Accounts payable	537,414	--	--
Interfund payable	--	(1,412,572)	--
Accrued expenses	7,649,871	--	333,907
Accrued interest	3,971,316	--	--
Total current liabilities	<u>25,082,503</u>	<u>(1,412,572)</u>	<u>10,668,907</u>
Long-term debt			
Turnpike revenue bonds	<u>281,310,000</u>	<u>--</u>	<u>281,310,000</u>
Other long-term liabilities			
Total liabilities	<u>308,534,134</u>	<u>(1,412,572)</u>	<u>291,978,907</u>
Net assets			
Invested in capital assets, net of related debt	306,400,797	--	227,716,461
Restricted - expendable for			
Debt service	15,867,154	--	--
Unrestricted	78,021,015	--	--
Total net assets	<u>400,288,966</u>	<u>--</u>	<u>227,716,461</u>
Total liabilities and net assets	<u>\$ 708,823,100</u>	<u>\$ (1,412,572)</u>	<u>\$ 519,695,368</u>

Revenue Fund And Operations Fund	Debt Service Fund	Debt Service Reserve Fund	Replacement Reserve Fund	General Fund
\$ 14,173,265	\$ --	\$ --	\$ 8,404,386	\$ 3,563,414
6,041,563	--	--	5,577,656	18,542,790
1,412,572	--	--	--	--
689,801	--	--	--	--
675,067	--	--	--	4,108
365,717	--	--	--	--
1,317,912	--	--	--	--
--	--	--	1,024,486	--
<u>24,675,897</u>	<u>--</u>	<u>--</u>	<u>15,006,528</u>	<u>22,110,312</u>
--	491,299	88,120	--	--
--	6,802,113	12,602,244	--	--
--	4,369	--	--	--
<u>--</u>	<u>7,297,781</u>	<u>12,690,364</u>	<u>--</u>	<u>--</u>
--	--	--	7,185,882	--
<u>5,614,265</u>	<u>--</u>	<u>--</u>	<u>1,505,145</u>	<u>15,769,794</u>
--	--	--	78,470,980	213,356
<u>\$ 30,290,162</u>	<u>\$ 7,297,781</u>	<u>\$ 12,690,364</u>	<u>\$ 102,168,535</u>	<u>\$ 38,093,462</u>
\$ --	\$ --	\$ --	\$ --	\$ --
2,588,902	--	--	--	--
537,414	--	--	--	--
--	75,148	74,527	1,032,004	230,893
3,743,972	--	--	3,571,992	--
--	3,971,316	--	--	--
<u>6,870,288</u>	<u>4,046,464</u>	<u>74,527</u>	<u>4,603,996</u>	<u>230,893</u>
--	--	--	--	--
<u>2,141,631</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
<u>9,011,919</u>	<u>4,046,464</u>	<u>74,527</u>	<u>4,603,996</u>	<u>230,893</u>
--	--	--	78,470,980	--
--	3,251,317	12,615,837	--	--
21,278,243	--	--	19,093,559	37,862,569
<u>21,278,243</u>	<u>3,251,317</u>	<u>12,615,837</u>	<u>97,564,539</u>	<u>37,862,569</u>
<u>\$ 30,290,162</u>	<u>\$ 7,297,781</u>	<u>\$ 12,690,364</u>	<u>\$ 102,168,535</u>	<u>\$ 38,093,462</u>

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

Year Ended December 31, 2009

	Total	Construction Fund	Revenue Fund And Operations Fund
Operating Revenues			
Tolls	\$ 79,474,841	\$ --	\$ 79,474,841
Concessionaire rentals	3,338,751	--	3,338,751
Miscellaneous	1,434,369	--	1,282,553
	84,247,961	--	84,096,145
 Operating Expenses			
Administration	6,389,384	--	6,389,384
Insurance	6,543,458	--	6,543,458
Toll collection	11,374,749	--	11,374,749
Patrol	5,205,361	--	5,205,361
Maintenance	7,779,901	--	7,779,901
Cost of improvements, major repairs and replacements	13,838,763	--	--
	51,131,616	--	37,292,853
 Operating Income (Loss)	33,116,345	--	46,803,292
 Nonoperating Revenues (Expenses)			
Transfers between funds	--	3,063,353	(46,642,113)
Investment revenue	350,235	--	936,987
Interest on long-term debt	(10,869,471)	--	--
Contributed capital	8,210,368	--	--
	(2,308,868)	3,063,353	(45,705,126)
 Change in net assets	30,807,477	3,063,353	1,098,166
 Net assets, beginning of year	369,481,489	224,653,108	20,180,077
 Net assets, end of year	\$ 400,288,966	\$ 227,716,461	\$ 21,278,243

Debt Service Fund	Debt Service Reserve Fund	Replacement Reserve Fund	General Fund
\$ --	\$ --	\$ --	\$ --
--	--	--	--
--	--	151,816	--
--	--	151,816	--
--	--	--	--
--	--	--	--
--	--	--	--
--	--	13,838,763	--
--	--	13,838,763	--
--	--	(13,686,947)	--
10,776,483	6,872,804	22,532,266	3,397,207
(7,340)	(19,760)	(182,528)	(377,124)
(10,869,471)	--	--	--
--	--	8,210,368	--
(100,328)	6,853,044	30,560,106	3,020,083
(100,328)	6,853,044	16,873,159	3,020,083
3,351,645	5,762,793	80,691,380	34,842,486
\$ 3,251,317	\$ 12,615,837	\$ 97,564,539	\$ 37,862,569

Summary of Toll Revenue

Year Ended December 31, 2009

<u>Class</u>	<u>Toll Revenue</u>	<u>Vehicles</u>
2-axle vehicles	\$ 50,222,244	29,037,552
3-axle vehicles	1,277,884	446,597
4-axle vehicles	2,558,912	541,205
5-axle vehicles	22,662,056	2,795,594
6-axle vehicles	1,138,869	100,553
7-axle vehicles	1,044,170	36,410
8-axle vehicles	845,465	26,444
9-axle vehicles	561,246	14,820
Discounts and Adjustments	(836,005)	353,223
	<u>\$ 79,474,841</u>	<u>33,352,398</u>

Statistical Data

Operating Summaries - Vehicles, Mileage and Revenue

Years Ended December 31, 2009 and 2008

(Unaudited)

	2009	2008	2009 Increase (Decrease) as a Percent of 2008
Number of Vehicles:			
Passenger cars	29,037,552	28,173,512	3.07%
Commercial vehicles	3,961,623	4,287,495	-7.60%
Discounts and adjustments	353,223	348,949	1.22%
Total	<u>33,352,398</u>	<u>32,809,956</u>	1.65%
Percentage of Vehicles:			
Passenger cars	87.06%	85.87%	1.39%
Commercial vehicles	11.88%	13.07%	-9.10%
Number of Miles:			
Passenger cars	1,171,552,369	1,121,500,985	4.46%
Commercial vehicles	248,365,031	270,710,506	-8.25%
Total	<u>1,419,917,400</u>	<u>1,392,211,491</u>	1.99%
Percentage of Miles:			
Passenger cars	82.51%	80.56%	2.42%
Commercial vehicles	17.49%	19.44%	-10.04%
Toll Revenue (Gross):			
Passenger cars	\$ 50,222,244	\$ 46,890,724	7.10%
Commercial vehicles	30,088,605	32,619,993	-7.76%
Discounts and adjustments	(836,005)	(1,073,938)	-22.16%
Total	<u>\$ 79,474,844</u>	<u>\$ 78,436,779</u>	1.32%
Percentage of Toll Revenue:			
Passenger cars	63.19%	59.78%	5.71%
Commercial vehicles	37.86%	41.59%	-8.97%
Miles Per Trip:			
Passenger cars	40.35	39.81	1.35%
Commercial vehicles	62.69	63.14	-0.71%
Revenue Per Trip:			
Passenger cars	\$ 1.73	\$ 1.66	3.92%
Commercial vehicles	\$ 7.60	\$ 7.61	-0.17%
Revenue Per Mile:			
Passenger cars	\$ 0.04287	\$ 0.04181	2.53%
Commercial vehicles	\$ 0.12115	\$ 0.12050	0.54%
Discounts and adjustments	\$ (0.00059)	\$ (0.00077)	-23.67%

Schedule of Activity by Interchange

Years Ended December 31, 2009 and 2008

(Unaudited)

No.	Interchange Location	2009			2008			Percent Increase (Decrease)
		Entering Vehicles	Exiting Vehicles	Total Vehicles	Entering Vehicles	Exiting Vehicles	Total Vehicles	
004	Southern Terminal	2,762,161	2,863,066	5,625,227	2,675,161	2,782,332	5,457,493	3.07%
019	Wellington: US 160	767,227	726,366	1,493,593	789,785	749,347	1,539,132	-2.96%
033	Mulvane: K-53	561,714	515,273	1,076,987	573,559	527,355	1,100,914	-2.17%
039	Haysville-Derby: 71st St.	815,655	797,225	1,612,880	792,776	792,566	1,585,342	1.74%
042	Wichita: I-135, I-235, 47th St.	3,317,179	3,414,095	6,731,274	3,354,600	3,408,456	6,763,056	-0.47%
045	Wichita: K-15	779,166	855,404	1,634,570	784,027	853,585	1,637,612	-0.19%
050	Wichita: US 54/400, Kellogg Ave.	1,528,995	1,513,636	3,042,631	1,489,195	1,522,640	3,011,835	1.02%
053	Wichita: K-96	921,539	904,953	1,826,492	899,894	874,092	1,773,986	2.96%
057	Andover: 21st St.	466,278	445,958	912,236	455,678	429,872	885,550	3.01%
071	El Dorado: US 254	1,039,294	1,012,757	2,052,051	1,024,511	994,132	2,018,643	1.65%
076	El Dorado: US 77	233,757	226,433	460,190	219,132	207,213	426,345	7.94%
092	Cassoday: K-177	93,392	101,466	194,858	94,166	97,715	191,881	1.55%
127	Emporia: I-35N	1,931,204	1,840,356	3,771,560	1,908,973	1,832,776	3,741,749	0.80%
147	Council Grove, Osage City: US 56	129,313	129,273	258,586	126,398	125,539	251,937	2.64%
177	Topeka: I-470W, US 75, Topeka Blvd.	2,336,988	2,376,581	4,713,569	2,338,031	2,370,626	4,708,657	0.10%
182	Topeka: Valley Falls: K-4/I-70W	480,869	415,060	895,929	496,978	429,472	926,450	-3.29%
183	Topeka: I-70	4,601,175	4,632,816	9,233,991	4,436,865	4,470,726	8,907,591	3.66%
197	Lecompton, Lawrence: K-10	1,794,669	1,764,783	3,559,452	1,896,756	1,798,405	3,695,161	-3.67%
202	Lawrence: US 59, S. Iowa St.	1,844,440	1,712,554	3,556,994	1,363,166	1,196,279	2,559,445	38.98%
204	Lawrence: US 59, US40	1,116,972	1,244,621	2,361,593	1,296,039	1,525,638	2,821,677	-16.31%
212	Tonganoxie/Eudora: 222nd St	1,006	1,718	2,724	--	--	--	0.00%
224	Bonner Springs	220,280	171,105	391,385	210,309	191,783	402,092	-2.66%
236	Eastern Terminal	5,116,903	5,194,677	10,311,580	5,087,847	5,133,297	10,221,144	0.88%

Schedule of Monthly Vehicles, Mileage and Toll Revenue

Year Ended December 31, 2009

(Unaudited)

Month	Vehicles	Mileage	Gross Revenue		Average Miles Per Vehicle	Average Revenue Per Vehicle
			Passenger	Commercial		
January	2,451,555	103,150,890	\$ 3,501,612	\$ 2,389,399	42.08	\$ 2.40
February	2,325,243	96,402,504	3,268,808	2,260,190	41.46	2.38
March	2,679,793	116,976,202	4,003,534	2,539,635	43.65	2.44
April	2,683,040	113,934,365	3,895,391	2,500,802	42.46	2.38
May	2,948,552	129,059,790	4,495,261	2,527,270	43.77	2.38
June	2,862,586	124,854,435	4,297,938	2,571,916	43.62	2.40
July	3,028,363	134,676,566	4,693,786	2,569,961	44.47	2.40
August	2,929,465	126,269,865	4,361,047	2,575,826	43.10	2.37
September	2,803,025	117,655,507	4,033,326	2,527,753	41.97	2.34
October	2,896,816	123,093,326	4,669,760	2,729,943	42.49	2.55
November	2,785,807	120,957,133	4,682,606	2,441,931	43.42	2.56
December	2,604,930	112,886,817	4,319,175	2,453,976	43.34	2.60
	<u>32,999,175</u>	<u>1,419,917,400</u>	<u>\$ 50,222,244</u>	<u>\$ 30,088,602</u>	42.89	\$ 2.43
				\$ 80,310,846		
				(836,005)		
				<u>\$ 79,474,841</u>		

Summary of Turnpike Traffic

Year Ended December 31, 2009

(Unaudited)

	Turnpike		K-TAG	
	2009	2008	2009	2008
Vehicles	32,999,175	32,461,007	14,275,774	13,783,529
Passenger	29,037,552	28,173,512	12,438,282	11,816,900
Commercial	3,961,623	4,287,495	1,837,492	1,966,629
Miles Traveled	1,419,917,400	1,392,211,491	513,630,830	495,299,873
Passenger	1,171,552,369	1,121,500,985	404,491,981	377,195,679
Commercial	248,365,031	270,710,506	109,138,849	118,104,194
Toll Revenue	\$ 80,310,847	\$ 79,510,717	\$ 31,613,473	\$ 31,477,092
Passenger	\$ 50,222,244	\$ 46,890,724	\$ 17,300,443	\$ 16,072,405
Commercial	\$ 30,088,602	\$ 32,619,993	\$ 14,313,030	\$ 15,404,687
Average Toll	\$2.43	\$2.45	\$2.21	\$2.28
Passenger	\$1.73	\$1.66	\$1.39	\$1.36
Commercial	\$7.60	\$7.61	\$7.79	\$7.83
Average Trip Miles	43	43	36	36
Passenger	40	40	33	32
Commercial	63	63	59	60

Summary of Average Daily Traffic Between Interchanges

Year Ended December 31, 2009

(Unaudited)

	Southbound	Northbound		Southbound	Northbound
236	14,622	14,701	76	6,628	6,383
212	14,623	14,703	71	6,653	6,335
204	14,634	15,064	57	6,889	6,516
202	14,230	14,299	53	7,454	7,035
197	17,815	17,802	50	7,560	7,099
183	5,146	5,219	45	6,207	5,954
182	6,462	6,355	42	11,811	11,824
177	3,456	3,457	39	10,296	10,259
147	3,272	3,274	33	9,502	9,338
127	6,446	6,198	19	7,844	7,568
92	6,493	6,267	4		
76					

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Mission

To provide safe, high-quality transportation services to our customers for the lowest reasonable cost.