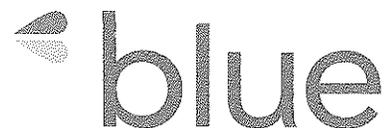


**RESOURCE RECOVERY ROAD
PROJECTS OF THE
TURNPIKE AUTHORITY OF KENTUCKY**

SPECIAL-PURPOSE FINANCIAL STATEMENTS

June 30, 2010

CPAs / ADVISORS



RESOURCE RECOVERY ROAD PROJECTS
OF THE TURNPIKE AUTHORITY OF KENTUCKY

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REPORT OF INDEPENDENT AUDITORS

To the Board of Directors
Turnpike Authority of Kentucky
Frankfort, Kentucky

We have audited the accompanying special-purpose financial statements of the Resource Recovery Road Projects of the Turnpike Authority of Kentucky, as of and for the year ended June 30, 2010, as listed in the table of contents. These special-purpose financial statements are the responsibility of the 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 the 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.

The accompanying special-purpose financial statements were prepared for the purpose of complying with, and in conformity with the accounting principles specified in, Section 709 of the Trust Indenture dated September 1, 1981, as amended, between the Turnpike Authority of Kentucky and Citizens Fidelity Bank and Trust Company, as discussed in Note 1, and are not intended to be a presentation in conformity with generally accepted accounting principles.

As discussed in Note 1, the financial statements present only the Resource Recovery Road Projects and do not purport to, and do not, present fairly the financial position of the Turnpike Authority of Kentucky, as of June 30, 2010, and the changes in its financial position, or, where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the special-purpose financial statements referred to above present fairly, in all material respects, the assets, liabilities, and net assets – trust indenture basis of the Resource Recovery Road Projects of the Turnpike Authority of Kentucky, as of June 30, 2010, and the revenues, expenses, and changes in net assets – trust indenture basis, for the year then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated as of the date of this letter, on our consideration of the Resource Recovery Road Projects of the Turnpike Authority of Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming opinions on the special-purpose financial statements of the Resource Recovery Road Projects of the Turnpike Authority of Kentucky. The accompanying supplemental information on pages 17 and 18 is presented for purposes of additional analysis, and is not a required part of the special-purpose financial statements. The information has been subjected to the auditing procedures applied in the audit of the special-purpose financial statements, and in our opinion, the information is fairly stated in all material respects in relation to the special-purpose financial statements taken as a whole.

This report is intended solely for the information and use of management, the Board of Directors, and the Commonwealth of Kentucky's Auditor of Public Accounts, and is not intended to be and should not be used by anyone other than these specified parties.

Blue & Co., LLC

October 4, 2010

RESOURCE RECOVERY ROAD PROJECTS OF THE
 TURNPIKE AUTHORITY OF KENTUCKY
 STATEMENT OF ASSETS, LIABILITIES AND NET ASSETS - ALL FUNDS
 -- TRUST INDENTURE BASIS

June 30, 2010

ASSETS

Construction Fund	\$	-	
Total assets - Construction Fund		\$	-
Revenue Fund		-	
Total assets - Revenue Fund			-
Repair and Replacement Fund		-	
Total assets - Repair and Replacement Fund			-
Bond Fund			
Capitalized Interest Account		-	
Bond Service Account		-	
Redemption Account		-	
Rebate Account		-	
Total assets - Bond Fund			-
Escrow Deposit Trust Fund		-	
Total assets - Escrow Deposit Trust Fund			-
Debt Service Reserve Fund		-	
Total assets - Debt Service Reserve Fund			-
Total assets - All Funds		\$	-

LIABILITIES AND NET ASSETS

Construction Fund		
Net assets	\$	-
Total liabilities and net assets - Construction Fund		\$ -
Revenue Fund		
Net assets	-	
Total liabilities and net assets - Revenue Fund		-
Repair and Replacement Fund		
Net assets	-	
Total liabilities and net assets - Repair and Replacement Fund		-
Bond Fund		
Capitalized Interest Account	-	
Bond Service Account:	-	
Redemption Account	-	
Rebate Account	-	
Total liabilities and net assets - Bond Fund		-
Escrow Deposit Trust Fund		
Net assets	-	
Total liabilities and net assets - Escrow Deposit Trust Fund		-
Debt Service Reserve Fund		
Net assets	-	
Total liabilities and net assets - Debt Service Reserve Fund		-
Total liabilities and net assets - All Funds		\$ -

RESOURCE RECOVERY ROAD PROJECTS OF THE
TURNPIKE AUTHORITY OF KENTUCKY

CONSTRUCTION FUND

STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN NET ASSETS -- TRUST INDENTURE BASIS

for the year ended June 30, 2010

Revenues	\$ <u> -</u>
Expenses:	
Contribution to Commonwealth Road Fund	<u> (821,857,569)</u>
Deficiency of revenues over expenses	<u> (821,857,569)</u>
Other financing sources (uses):	
Bonds redeemed in Bond Service Account	56,485,000
Operating transfers in	-
Operating transfers out	<u> -</u>
Total other financing sources (uses)	<u> 56,485,000</u>
Deficiency of revenues and other financing sources over expenses	<u> (765,372,569)</u>
Net assets, beginning of year	<u> 765,372,569</u>
Net assets, end of year	<u><u> \$ -</u></u>

RESOURCE RECOVERY ROAD PROJECTS OF THE
TURNPIKE AUTHORITY OF KENTUCKY

REVENUE FUND

STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN NET ASSETS -- TRUST INDENTURE BASIS

for the year ended June 30, 2010

Revenues:		
Supplemental lease income	\$	9,000
		<u>9,000</u>
Total revenues		<u>9,000</u>
Expenses:		
Administrative expenses		<u>10,190</u>
		<u>(1,190)</u>
Deficiency of revenues over expenses		
Other financing sources (uses):		
Operating transfers in		-
Operating transfers out		<u>-</u>
		<u>-</u>
Total other financing sources (uses)		<u>-</u>
Deficiency of revenues and other financing sources over expenses and other financing uses		(1,190)
Net assets, beginning of year		<u>1,190</u>
Net assets, end of year	\$	<u><u>-</u></u>

See Accompanying Notes to Special-Purpose Financial Statements

RESOURCE RECOVERY ROAD PROJECTS OF THE
 TURNPIKE AUTHORITY OF KENTUCKY

 REPAIR AND REPLACEMENT FUND

 STATEMENT OF REVENUES, EXPENSES, AND
 CHANGES IN NET ASSETS -- TRUST INDENTURE BASIS

 for the year ended June 30, 2010

Revenues:	
Investment income	\$ <u>108</u>
Total revenues	<u>108</u>
Expenses	
Contribution to Commonwealth Road Fund	<u>359,488</u>
Deficiency of revenues over expenses	<u>(359,380)</u>
Other financing sources (uses):	
Operating transfers in	-
Operating transfers out	<u>-</u>
Total other financing sources (uses)	<u>-</u>
Deficiency of revenues and other financing sources over expenses and other financing uses	(359,380)
Net assets, beginning of year	<u>359,380</u>
Net assets, end of year	<u><u>\$ -</u></u>

See Accompanying Notes to Special-Purpose Financial Statements

RESOURCE RECOVERY ROAD PROJECTS OF THE
TURNPIKE AUTHORITY OF KENTUCKY

BOND FUND

STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN NET ASSETS -- TRUST INDENTURE BASIS

for the year ended June 30, 2010

Revenues:		
Investment income		\$ 119
		<u>119</u>
Total revenues		<u>119</u>
Expenses:		
Contribution to Commonwealth Road Fund	408,844	
Bonds retired	56,485,000	
		<u>56,893,844</u>
Total expenses		<u>56,893,844</u>
Deficiency of revenues over expenses		<u>(56,893,725)</u>
Other financing sources (uses):		
Operating transfers in	-	
Operating transfers out	-	
		<u>-</u>
Total other financing sources (uses)		<u>-</u>
Deficiency of revenues and other financing sources over expenses and other financing uses		<u>(56,893,725)</u>
Net assets, beginning of year		<u>56,893,725</u>
Net assets, end of year		<u>\$ -</u>

See Accompanying Notes to Special-Purpose Financial Statements

RESOURCE RECOVERY ROAD PROJECTS OF THE
TURNPIKE AUTHORITY OF KENTUCKY

ESCROW DEPOSIT TRUST FUND

STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN NET ASSETS -- TRUST INDENTURE BASIS

for the year ended June 30, 2010

Revenues	\$	-
Expenses		-
Excess of revenues over expenses		-
Other financing sources (uses):		
Operating transfers in		-
Operating transfers out		-
Total other financing sources (uses)		-
Excess of revenues and other financing sources over expenses and other financing uses		-
Net assets, beginning of year		-
Net assets, end of year	\$	-

See Accompanying Notes to Special-Purpose Financial Statements

RESOURCE RECOVERY ROAD PROJECTS OF THE
TURNPIKE AUTHORITY OF KENTUCKY

DEBT SERVICE RESERVE FUND

STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN NET ASSETS -- TRUST INDENTURE BASIS

for the year ended June 30, 2010

Revenues:		
Investment income	\$	85
		<hr/>
Total revenues		85
		<hr/>
Expenses:		
Contribution to Commonwealth Road Fund		283,867
		<hr/>
Deficiency of revenues over expenses		(283,782)
		<hr/>
Other financing sources (uses):		
Operating transfers in		-
Operating transfers out		-
		<hr/>
Total other financing sources (uses)		-
		<hr/>
Deficiency of revenues and other financing sources over expenses and other financing uses		(283,782)
		<hr/>
Net assets, beginning of year		283,782
		<hr/>
Net assets, end of year	\$	-
		<hr/> <hr/>

See Accompanying Notes to Special-Purpose Financial Statements

RESOURCE RECOVERY ROAD PROJECTS OF THE
TURNPIKE AUTHORITY OF KENTUCKY

NOTES TO SPECIAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2010

1. **Summary of Significant Accounting Policies**

A. Basis of Presentation

As provided by authorizing legislation, the Authority has issued bonds to construct various resource recovery roads to facilitate the transportation of coal severed and produced from mines located in various parts of Kentucky and for general public use. To set forth obligations and agreements of the Authority with regard to these bonds, the Authority adopted the 1981 Trust Indenture Agreement, as amended by the First Supplemental Trust Indenture dated June 1, 1985, the Second Supplemental Trust Indenture dated May 1, 1987, the Third Supplemental Trust Indenture dated June 1, 1988 and the Fourth Supplemental Trust Indenture dated May 1, 1995 which was amended December 1, 1995.

Among other requirements, the Trust Indenture sets forth various accounting principles which are to be followed by the Authority and which differ in certain respects from generally accepted accounting principles, principally in that the Authority does not capitalize purchases of furniture, fixtures and office equipment in its financial statements and that interest income during construction is treated as a reduction in construction costs. The Authority's financial statements are reported in a format which differs from accounting principles generally accepted in the United States of America. Therefore, the accompanying financial statements, which are prepared in accordance with the aforementioned accounting principles are not intended to, and do not present financial position or results of operations in conformity with accounting principles generally accepted in the United States of America.

B. Deposits and Investments

The Authority's cash and cash equivalents include all demand deposits and all highly liquid investments with a maturity of three months or less from the date of acquisition.

All investments of the Authority are accounted for by fair value based on quoted market price.

C. Debt Issuance Costs

Debt issuance costs are being amortized over the life of the issue using the bonds-outstanding method. Discounts on debt are amortized by the interest method using the effective interest rate.

Continued

RESOURCE RECOVERY ROAD PROJECTS OF THE
TURNPIKE AUTHORITY OF KENTUCKY

NOTES TO SPECIAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2010

1. **Summary of Significant Accounting Policies, Continued**

D. Supplemental Lease Income

The Trust Indenture Agreement provides for the Authority, at six month intervals, to request sufficient additional funds from the Transportation Cabinet to pay administrative expenses for the succeeding six months. This supplemental lease income is recorded as income in the period for which it is to be expended.

E. Other Revenue Sources

The Authority occasionally receives income from the sale of excess or surplus property acquired for construction of roads. Also, the Authority receives excess earnings from funds previously escrowed for bond defeasance. These revenues from other sources are recognized when received.

F. Cash and Short-Term Investments

The carrying amount approximates fair value because of the short maturity of those items.

G. Long-Term Investments

The fair value of the Authority's long-term investments is based on the quoted market prices as of June 30, 2010.

2. **General Information**

Purpose

Resource Recovery Road Revenue Bonds (the "Bonds") were issued by The Turnpike Authority of Kentucky (the "Authority") to refund and defease previously issued and outstanding Resource Recovery Road Revenue Bonds. These original Bonds were issued upon direction of the Transportation Cabinet of the Commonwealth of Kentucky (the "Cabinet") to finance the cost of design, engineering and construction of various resource recovery roads throughout the Commonwealth, which are intended to facilitate the transportation of coal severed and produced from mines located in various parts of Kentucky and for general public use.

Continued

RESOURCE RECOVERY ROAD PROJECTS OF THE
TURNPIKE AUTHORITY OF KENTUCKY

NOTES TO SPECIAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2010

2. General Information, Continued

The Authority

The Authority constitutes a de jure municipal corporation and political subdivision of the Commonwealth of Kentucky. The Authority is a blended component unit of the Commonwealth of Kentucky. It is authorized and empowered, under the terms of written agreements with the Cabinet, to initiate, plan, implement, acquire, construct and finance Toll Road Projects, Resource Recovery Road Projects and Economic Development Road Projects, to lease such projects to the Cabinet, to issue revenue bonds to finance such projects and to refund such revenue bonds.

These financial statements include only the activities of the Resource Recovery Road Projects bond issues and are not intended to present the activities of the Turnpike Authority of the Commonwealth of Kentucky, as a whole.

Security

The Bonds are special obligations of the Authority secured by and payable solely from monies pledged for the payment thereof under the 1981 Trust Indenture, (the "Indenture"), as amended by The First Supplemental Trust Indenture on June 1, 1985, the Second Supplemental Trust Indenture dated as of May 1, 1987, the Third Supplemental Trust Indenture dated as of June 1, 1988 and the Fourth Supplemental Trust Indenture dated May 1, 1995 which was amended December 1, 1995. Subject only to the provisions of the Indenture permitting the application of such monies for or to the purposes and on the terms and conditions set forth therein, they are pledged for the payment of principal and premium, if any, and interest on the Bonds of all the funds (and all accounts thereof) established pursuant to the Indenture and monies and securities therein. There are to be deposited in such funds and accounts (i) proceeds derived from the sale of the Bonds, (ii) monies received by the Authority as rental payments from the Cabinet under the lease, the First Supplemental Lease dated as of June 1, 1985, the Second Supplemental Lease dated as of May 1, 1987, the Third Supplemental Lease dated as of June 1, 1988, and the Fourth Supplemental Lease dated as of May 1, 1995 and (iii) during such times as the lease shall not be in effect, tolls which may be collected from the system, and motor fuel taxes derived from consumption of motor fuels on the system not required by law or by previous binding contract to be - otherwise applied, as collected by the Commonwealth and paid to the Authority.

The Authority does not have any taxing power. The Bonds do not constitute a debt of the Commonwealth, and neither the faith and credit nor the taxing authority of the Commonwealth is pledged to the payment of the principal of or interest on the Bonds.

Continued

RESOURCE RECOVERY ROAD PROJECTS OF THE
TURNPIKE AUTHORITY OF KENTUCKY

NOTES TO SPECIAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2010

2. General Information, Continued

Trust Indenture

In connection with the issuance of the Bonds, the Authority entered into the Indenture with Citizens Fidelity Bank and Trust Company, Louisville, Kentucky (the "Trustee"). The Indenture (dated as of September 1, 1981 and amended by The First, Second, Third and Fourth Supplemental Trust Indenture on June 1, 1985, May 1, 1987, June 1, 1988 and May 1, 1995, which was amended December 1, 1995, respectively) contains provisions establishing funds and accounts for segregation of assets and restricting the use of the proceeds of Bonds as well as other funds received. Cash and marketable securities of the various funds and accounts are restricted for the following purposes:

Construction Fund - Construction costs include preliminary studies, land acquisition, construction costs, engineering, legal, administrative expenses, paying agent and trustee fees and interest expense (less interest earned on unexpended construction funds) during construction and other financing costs. Construction costs are not being amortized;

Bond Fund:

Capitalized Interest Account - payment of Bond interest as may be provided in a Series Resolution;

Bond Service Account - payment of Bond principal and interest;

Redemption Account - retirement of Term Bonds;

Rebate Account - established January 2, 1996 to hold and remit arbitrage payments to the Internal Revenue Service on 1987 Series A Revenue Refunding Bonds;

Revenue Fund - a depository for collections of monies received under lease agreements with the Cabinet. Transfers are made from this account according to funding requirements of the Indenture. The Revenue Fund also has an operating account for payment of administration costs;

Repair and Replacement Fund - this fund was established May 21, 1985 from excess monies from reinvestment of previously escrowed funds for refunded Bonds. Monies in this fund may be used for (i) repair of any resource recovery road, (ii) fees and expenses of the escrow trustee and (iii) other fees in connection with the purchase, carrying, sale or redemption of any obligation held under the Escrow Agreement;

Continued

RESOURCE RECOVERY ROAD PROJECTS OF THE
TURNPIKE AUTHORITY OF KENTUCKY

NOTES TO SPECIAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2010

2. **General Information, Continued**

Trust Indenture, Continued

Escrow Deposit Trust Fund - established May 1, 1995 to manage monies transferred for the purchase of securities under a Forward Delivery Agreement for defeasance of Bonds;

Debt Service Reserve Fund - assets held as a reserve for payment of Bond principal and interest if monies in the Bond Service Account are insufficient to make required payments.

3. **Cash, Cash Equivalents, and Investments**

Upon retirement of the 1985 Series A bonds during the year ended June 30, 2010 (See Note 4), the Turnpike Authority distributed all cash, cash equivalents, and investments the Resource Recovery Projects funds, per the Trust Indenture, to the Transportation Cabinet's Road Fund. Accordingly, there are no balances in cash, cash equivalents, and investments at June 30, 2010.

Interest Rate Risk

As a means of limiting its exposure to fair value losses arising from rising interest rates, the Authority's investment policy requires, at a minimum, an annual review of the investment maturities. The Authority had no investments during the year ended June 30, 2010 that were subject to interest rate risk.

Credit Risk

State law and the Trust Indenture limits investments to U. S. Government backed securities, any corporation of the U. S. Government, Certificates of Deposit and Bankers Acceptances issued by highly rated banks commercial paper in the highest rating category, and securities issued by a state or local government rated in one of the three categories. As of June 30, 2010 there were no investments subject to credit risk.

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investments, or collateral securities that are in the possession of an outside party. As of June 30, 2010, there were no investments subject to custodial credit risk.

Continued

**RESOURCE RECOVERY ROAD PROJECTS OF THE
TURNPIKE AUTHORITY OF KENTUCKY**

**NOTES TO SPECIAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2010**

4. Resource Recovery Road Revenue Refunding Bonds

A summary of changes in bonds payable during the year ending June 30, 2010 is as follows:

	Balance June 30, 2009	Increases	Decreases	Balance June 30, 2010
1985 Series A	\$ 56,485,000	\$ -	\$ 56,485,000	\$ -

Upon the final payment of the 1985 Series A bonds on July 1, 2009, the bonds were retired and all of the net assets of the Resource Recovery Road Projects were transferred to the Transportation Cabinet's Road Fund under the terms of the Trust Indenture and the Trust Indenture is no longer in effect.

5. Prior-year Defeasance of Debt

In prior years, the Authority defeased certain bonds by placing monies in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the Authority's special-purpose financial statements. As of June 30, 2010 all defeased bonds had been retired.

Continued

SUPPLEMENTAL INFORMATION

SUPPLEMENTAL INFORMATION
 RESOURCE RECOVERY ROAD PROJECTS OF THE
 TURNPIKE AUTHORITY OF KENTUCKY
 BOND FUND-COMBINING SCHEDULE OF ACCOUNTS
 STATEMENT OF REVENUES, EXPENSES, AND
 CHANGES IN NET ASSETS -- TRUST INDENTURE BASIS

for the year ended June 30, 2010

	Bond Service Account	Capitalized Interest Account	Redemption Account	Rebate Account	Total Bond Fund
Revenues:					
Investment income	\$ -	\$ -	\$ -	\$ 119	\$ 119
Total revenues	-	-	-	119	119
Expenses:					
Contribution to Commonwealth Road Fund	76	-	-	408,768	408,844
Bonds retired	56,485,000	-	-	-	56,485,000
Total expenses	56,485,076	-	-	408,768	56,893,844
Deficiency of revenues over expenses	(56,485,076)	-	-	(408,649)	(56,893,725)
Other financing sources:					
Operating transfers in	-	-	-	-	-
Operating transfers out	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-
Deficiency of revenues over expenses	(56,485,076)	-	-	(408,649)	(56,893,725)
Net assets, beginning of year	56,485,076	-	-	408,649	56,893,725
Net assets, end of year	\$ -	\$ -	\$ -	\$ -	\$ -

SUPPLEMENTAL INFORMATION
 RESOURCE RECOVERY ROAD PROJECTS
 OF THE TURNPIKE AUTHORITY OF KENTUCKY

CONSTRUCTION FUND -
 SCHEDULE OF PROJECT COSTS

January 24, 1985 to June 30, 2010

	Balance <u>June 30, 2010</u>
Construction	
Grade and drain	\$ 451,001,844
Structures	84,647,376
Surfacing	107,089,100
Lighting and signing	1,198,030
Appurtenances	7,778,996
Right-of-way acquisition	72,449,314
Utility adjustments	22,710,981
Engineering	79,338,847
Administrative and legal	3,498,918
Access road	17,782
Cost billable to State of Ohio	(3,661,591)
TII Systems, Inc. participation	(268,668)
Mt. Sterling Water and Sewer participation	(335,256)
L&N Railroad participation	(125,800)
Corp of Engineers participation	(115,190)
Dixie Fuel participation	<u>(16,456)</u>
	825,208,227
Capitalized interest expense during construction	23,809,278
Interest income on Construction Fund investments during construction	(27,534,960)
Capitalized debt issuance costs during construction	<u>375,024</u>
Total all projects	821,857,569
Less: Transfer to Commonwealth Road Fund	<u>(821,857,569)</u>
Projects at end of year	<u><u>\$ -</u></u>



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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT
AUDITING STANDARDS**

To the Board of Directors
Turnpike Authority of Kentucky
Frankfort, Kentucky

We have audited the special-purpose financial statements of the Resource Recovery Road Projects of the Turnpike Authority of Kentucky, as of and for the year ended June 30, 2010, and have issued our reports thereon dated as of the date of this letter. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Turnpike Authority of Kentucky's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the special-purpose financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Turnpike Authority of Kentucky's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Turnpike Authority of Kentucky's internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

This report is intended solely for the information and use of management, the Board of Directors, and the Commonwealth of Kentucky's Auditor of Public Accounts, and is not intended to be and should not be used by anyone other than these specified parties.

Blue & Co., LLC

October 4, 2010