

TURNPIKE AUTHORITY OF KENTUCKY

Audit Report & Disclosure Letter
Required by Government Auditing Standards

For the fiscal year ended June 30, 2009

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McELROY, MITCHELL & ASSOCIATES, LLP

CERTIFIED PUBLIC ACCOUNTANTS
BUSINESS CONSULTANTS

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

PARTNERS

S. MARTIN McELROY, JR., CPA
ROBERT E. MITCHELL, CPA

ASSOCIATES

TODD BOWLEY
ERIC SUDDOTH

To the Turnpike Authority of Kentucky
Frankfort, Kentucky

We have audited the special-purpose financial statements of the Turnpike Authority of Kentucky as of and for the year ended June 30, 2009 which collectively comprise the Turnpike Authority of Kentucky's special-purpose financial statements for the Resource Recovery Road Projects, the Toll Road Projects, and the Economic Development Revitalization Projects and have issued our reports thereon dated October 5, 2009. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting:

In planning and performing our audits, 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 control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Turnpike Authority of Kentucky's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Turnpike Authority of Kentucky's financial statements that is more than inconsequential will not be prevented or detected by the Turnpike Authority of Kentucky's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Turnpike Authority of Kentucky's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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 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 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 that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Authority's governing body, management, bondholders, and the Auditor of Public Accounts of the Commonwealth of Kentucky and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

M = Elroy, Mitchell & Associates, LLP

Morganfield, Kentucky
October 5, 2009

McELROY, MITCHELL & ASSOCIATES, LLP

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TODD BOWLEY
ERIC SUDDOTH

October 5, 2009

To the Turnpike Authority of Kentucky
Frankfort, Kentucky

We have audited the special purpose-financial statements of the Turnpike Authority of Kentucky for the year ended June 30, 2009. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, *Government Auditing Standards* and OMB Circular A-133), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated October 5, 2009. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Turnpike Authority of Kentucky are described in Note 1 to the special-purpose financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the fiscal year ending June 30, 2009. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the special-purpose financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the special-purpose financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the special-purpose financial statements and because of the possibility that future events affecting them may differ significantly from those expected. There are no significant estimates in the Turnpike Authority of Kentucky's special-purpose financial statements.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit. We commend the staff of the Turnpike Authority of Kentucky for the effort put forth to allow us to complete fieldwork this year. We are grateful for the assistance given to us by Marci Collins and Doris Howe.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 5, 2009.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's special-purpose financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Union County Planning Commission's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Authority and management of the Turnpike Authority of Kentucky and is not intended to be and should not be used by anyone other than these specified parties.

McElroy, Mitchell & Associates, LLP

McElroy, Mitchell & Associates, LLP
Morganfield, KY