

**Kansas Turnpike Authority**  
**Financial Statements**  
**with Supplementary Information**

Years ended December 31, 2007 and 2006

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, 2007 and 2006, 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 either interest costs or the costs of improvements and replacements financed by other than 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, 2007 and 2006, 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 as listed in the table of contents is not a required part of the basic financial statements but is 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

February 27, 2008  
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, 2007. Please read it in conjunction with the Turnpike's financial statements and associated footnotes.

### **Financial Highlights**

- The Turnpike's net assets increased in 2007 by approximately \$5.5 million or 1.6% compared to 2006.
- Operating revenues increased by approximately \$2.9 million or 3.6% in 2007 compared to 2006.
- Operating expenses increased by approximately \$27.9 million or 59.6% in 2007 compared to 2006.
- Long-term debt decreased by approximately \$9.5 million or 3.9% in 2007 compared to 2006.

### **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.

### **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 Change 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 Net Assets**

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 2007 by approximately \$5.5 million (1.6%).

	<b><u>ASSETS</u></b>		
	<b><u>2007</u></b>	<b><u>2006</u></b>	<b><u>2005</u></b>
Cash and cash equivalents	\$ 35,781,134	\$ 27,328,335	\$ 30,661,789
Short-term investments	78,806,313	98,814,123	65,760,276
Accounts receivable	800,145	773,419	561,564
Other current assets	2,929,075	3,273,011	2,437,226
Capital assets	448,823,108	447,974,637	411,268,520
Other noncurrent assets	50,006,967	43,510,333	90,520,412
Total assets	<b><u>617,146,742</u></b>	<b><u>621,673,858</u></b>	<b><u>601,209,787</u></b>
	<b><u>LIABILITIES</u></b>		
Long-term debt outstanding	236,860,000	246,380,000	254,130,000
Other current liabilities	20,051,632	20,697,460	22,028,978
Other long-term liabilities	1,777,688	1,622,846	1,525,685
Total liabilities	<b><u>258,689,320</u></b>	<b><u>268,700,306</u></b>	<b><u>277,684,663</u></b>
	<b><u>NET ASSETS</u></b>		
Invested in capital assets, net of related debt	202,443,108	191,503,760	145,502,123
Restricted expendable net assets	10,226,648	12,932,142	48,607,892
Unrestricted	145,787,666	148,537,650	129,415,109
Total net assets	<b><u>\$ 358,457,422</u></b>	<b><u>\$ 352,973,552</u></b>	<b><u>\$ 323,525,124</u></b>

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 \$358,457,422 at the close of the most recent year. This represents an increase of \$5,483,870 (1.6%) over the previous year.

Unrestricted net assets decreased from \$148,537,650 at December 31, 2006 to \$145,787,666 at December 31, 2007, a decrease of \$2,749,984 (1.8%) 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 net of 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 most noteworthy change in the Turnpike's assets and liabilities is an increase in Capital Assets, attributed to the completion of the widening of I-70 between Topeka and Lecompton.

### **Changes in the Turnpike's Net Assets**

In 2007, the Turnpike's net assets increased by approximately \$5.5 million or 1.6% of total net assets, as shown in the table below.

	<b><u>CHANGES IN NET ASSETS</u></b>		
	<u>2007</u>	<u>2006</u>	<u>2005</u>
<b>Operating revenues</b>			
Tolls	\$ 78,195,540	\$ 75,745,880	\$ 73,622,065
Other operating revenues	<u>4,714,533</u>	<u>4,250,517</u>	<u>3,714,207</u>
Total operating revenues	<u>82,910,073</u>	<u>79,996,397</u>	<u>77,336,272</u>
<b>Operating expenses</b>			
Administration	6,548,399	6,281,659	5,766,982
Insurance	7,677,844	6,422,266	6,326,547
Toll collection	11,557,942	11,062,548	11,000,904
Patrol	5,442,957	5,241,421	4,894,323
Maintenance	8,986,183	7,814,559	8,829,274
Cost of improvements, major repairs and replacements	<u>34,482,921</u>	<u>9,971,643</u>	<u>5,757,349</u>
Total operating expenses	<u>74,696,246</u>	<u>46,794,096</u>	<u>42,575,379</u>
<b>Operating income</b>	<b>8,213,827</b>	33,202,301	34,760,893
<b>Nonoperating revenues (expenses)</b>			
Investment revenue	8,681,873	8,124,447	5,991,874
Interest on long-term debt	<u>(11,411,830)</u>	<u>(11,878,320)</u>	<u>(12,364,019)</u>
Net nonoperating revenues (expenses)	<u>(2,729,957)</u>	<u>(3,753,873)</u>	<u>(6,372,145)</u>
<b>Increase in Net Assets</b>	<b>\$ 5,483,870</b>	<b>\$ 29,448,428</b>	<b>\$ 28,388,748</b>

## **Operating Income**

The first component of the overall change in the Turnpike's net assets is its operating income – generally, the difference between net toll revenue and the expenses incurred to maintain and patrol the road and collect that revenue. In fiscal year 2007, the Turnpike reported operating income, which is consistent with the Turnpike's operating history. The Turnpike's management and staff have worked together to ensure quality customer service and maintain a strong financial position.

Net toll revenues grew from approximately \$75.7 million in fiscal year 2006 to approximately \$78.2 million, an increase of 3.2%. The Turnpike's concessionaire rental revenue increased 3.9% in 2007 compared to 2006. Another significant area of increase was in K-TAG transactions, which increased 5% in 2007 compared to 2006. Over 40% of all vehicles used the K TAG electronic system.

Operating expenses increased approximately \$27.9 million or 59.6% from fiscal year 2006 to fiscal year 2007. The increase was primarily attributable to the cost of improvements, major repairs, and replacements, which increased from \$9.9 million in 2006 to \$34.5 million in 2007.

## **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 increase in nonoperating revenues is the comparatively higher rate of interest in the current economic environment and improvement in the fair value of the investments. Revenues from investments for fiscal year 2007 were approximately \$0.6 million more than fiscal year 2006.

## **The Turnpike's Cash Flows**

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

## **CAPITAL ASSET AND DEBT ADMINISTRATION**

### **Capital Assets**

At the end of 2007, the Turnpike had approximately \$449 million invested in capital assets. In 2007, the Turnpike capitalized approximately \$1 million in construction projects, turnpike improvements and other monies spent from bond proceeds. The major construction projects involved widening the portion of I-70 between East Topeka and Lecompton to six lanes.

### **Debt**

At the end of fiscal year 2007, the Turnpike had \$246,380,000 of tax-exempt bonds outstanding. Moody's Investor Service has rated KTA bonds "Aaa" Insured/"A1" Underlying, and Standard & Poor's has rated the bonds "AAA" Insured/"A" Underlying.

### **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, 2007 and 2006

## ASSETS

	<u>2007</u>	<u>2006</u>
<b>Current Assets</b>		
Cash and cash equivalents	\$ 35,781,134	\$ 27,328,335
Short-term investments	78,806,313	98,814,123
Accounts receivable	800,145	773,419
Accrued interest receivable	1,722,113	1,578,919
Material and supply inventory	441,775	433,702
Prepaid expense and other assets	765,187	1,260,390
	<u>118,316,667</u>	<u>130,188,888</u>
<b>Restricted Assets</b>		
Cash and cash equivalents	40,658	2,591,484
Investments	14,062,455	14,158,868
Accrued interest receivable	--	5,489
	<u>14,103,113</u>	<u>16,755,841</u>
<b>Other Long-Term Investments</b>	<u>35,903,854</u>	<u>26,754,492</u>
<b>Capital Assets</b>		
Cost of initial turnpike and improvements financed with bond proceeds	<u>448,823,108</u>	<u>447,974,637</u>
<b>Total assets</b>	<u>\$ 617,146,742</u>	<u>\$ 621,673,858</u>

## LIABILITIES AND NET ASSETS

	2007	2006
<b>Current Liabilities</b>		
Current maturities of long-term debt	\$ 9,520,000	\$ 9,125,000
Prepaid tolls	2,417,424	2,278,610
Accounts payable	633,075	858,702
Accrued expenses	3,912,159	4,735,757
Accrued interest	3,568,974	3,699,391
Total current liabilities	20,051,632	20,697,460
<b>Long-Term Debt</b>		
Turnpike revenue bonds	236,860,000	246,380,000
<b>Other Long-Term Liabilities</b>	1,777,688	1,622,846
Total liabilities	258,689,320	268,700,306
<b>Net Assets</b>		
Invested in capital assets, net of related debt	202,443,108	191,503,760
Restricted – expendable for		
Debt service	10,226,648	11,601,326
Turnpike improvements	--	1,330,816
Unrestricted	145,787,666	148,537,650
Total net assets	358,457,422	352,973,552
Total liabilities and net assets	\$ 617,146,742	\$ 621,673,858

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

## Statements of Revenues, Expenses and Changes in Net Assets

Years Ended December 31, 2007 and 2006

	2007	2006
<b>Operating Revenues</b>		
Tolls	\$ 78,195,540	\$ 75,745,880
Concessionaire rentals	3,103,710	2,987,601
Miscellaneous	1,610,823	1,262,916
	<u>82,910,073</u>	<u>79,996,397</u>
<b>Operating Expenses</b>		
Administration	6,548,399	6,281,659
Insurance	7,677,844	6,422,266
Toll collection	11,557,942	11,062,548
Patrol	5,442,957	5,241,421
Maintenance	8,986,183	7,814,559
Cost of improvements, major repairs and replacements	34,482,921	9,971,643
	<u>74,696,246</u>	<u>46,794,096</u>
<b>Operating Income</b>	<u>8,213,827</u>	<u>33,202,301</u>
<b>Nonoperating Revenues (Expenses)</b>		
Investment revenue	8,681,873	8,124,447
Interest on long-term debt	(11,411,830)	(11,878,320)
	<u>(2,729,957)</u>	<u>(3,753,873)</u>
<b>Change in Net Assets</b>	<u>5,483,870</u>	<u>29,448,428</u>
<b>Net Assets, Beginning of Year</b>	<u>352,973,552</u>	<u>323,525,124</u>
<b>Net Assets, End of Year</b>	<u>\$ 358,457,422</u>	<u>\$ 352,973,552</u>

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

# Statements of Cash Flows

Years Ended December 31, 2007 and 2006

	<u>2007</u>	<u>2006</u>
<b>Operating Activities</b>		
Cash received from toll collections	\$ 78,274,806	\$ 75,850,060
Cash received from concessionaire rentals and miscellaneous	4,747,355	4,013,632
Cash paid to suppliers and employees	<u>(74,137,622)</u>	<u>(46,457,807)</u>
Net cash flows from operating activities	<u>8,884,539</u>	<u>33,405,885</u>
<b>Capital and Related Financing Activities</b>		
Proceeds from issuance of long-term debt	--	12,690,000
Interest paid	(11,542,247)	(12,192,916)
Retirement of long-term debt	(9,125,000)	(20,830,000)
Payments for capitalized costs	<u>(1,814,348)</u>	<u>(37,861,637)</u>
Net cash flows from capital and related financing activities	<u>(22,481,595)</u>	<u>(58,194,553)</u>
<b>Investing Activities</b>		
Investment revenue realized	6,770,952	5,869,842
Proceeds from sale and maturities of investments	162,376,886	166,247,634
Purchase of investments	<u>(149,648,809)</u>	<u>(160,464,165)</u>
Net cash flows from investing activities	<u>19,499,029</u>	<u>11,653,311</u>
<b>Change in Cash and Cash Equivalents</b>	<u>5,901,973</u>	<u>(13,135,357)</u>
<b>Cash and Cash Equivalents, Beginning of Year</b>	<u>29,919,819</u>	<u>43,055,176</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u>\$ 35,821,792</u>	<u>\$ 29,919,819</u>
<b>Reconciliation of Net Operating Activities to Net Cash Flows from Operating Activities</b>		
Operating income	\$ 8,213,827	\$ 33,202,301
Changes in operating assets and liabilities		
Accounts receivable and prepaid tolls	112,088	(132,705)
Material and supply inventory	(8,073)	(41,827)
Accounts payable and accrued expenses	71,494	546,609
Prepaid expenses and other assets	<u>495,203</u>	<u>(168,493)</u>
Net cash flows from operating activities	<u>\$ 8,884,539</u>	<u>\$ 33,405,885</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. 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 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 pre-paid 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, 2007 and 2006, 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:

<b>Length of Service</b>	<b>Earnings Rate</b>	<b>Allowed Vacation Earnings</b>
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, 2007, is as follows:

	<u>Budget</u>	<u>Actual</u>	<u>Over (Under)</u>
Administration	\$ 6,680,200	\$ 6,548,399	\$ (131,801)
Insurance	7,030,000	7,677,844	647,844
Toll Collection	11,049,700	11,557,942	508,242
Patrol	5,175,900	5,442,957	267,057
Maintenance	<u>9,153,500</u>	<u>8,986,183</u>	<u>(167,317)</u>
	<u>\$ 39,089,300</u>	<u>\$ 40,213,325</u>	<u>\$ 1,124,025</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, 2007 and 2006, \$0 and \$26,529 of the Turnpike's bank balances of \$7,112,490 and \$7,218,763, respectively, were exposed to custodial credit risk since they were uninsured and uncollateralized.

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, 2007, 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	\$ 11,142,454	\$ --	\$ 7,239,354	\$ --	\$ 3,903,100
U.S. agency obligations	117,630,168	85,629,414	32,000,754	--	--
Money market mutual funds	27,152,600	27,152,600	--	--	--
Commercial paper obligations	1,056,740	1,056,740	--	--	--
	156,981,962	<u>\$ 113,838,754</u>	<u>\$ 39,240,108</u>	<u>\$ --</u>	<u>\$ 3,903,100</u>
Less cash equivalents	<u>(28,209,340)</u>				
Investments per the balance sheet	<u>\$ 128,772,622</u>				

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, 2007 and 2006, 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 and its investments in commercial paper obligations were rated A-1+ by Standard & Poor’s.

Concentration of Credit Risk – The Turnpike places no limit on the amount that may be invested in any one issuer. At December 31, 2007 and 2006, the Turnpike’s investment in Federal Home Loan Mortgage Corporation constituted 24.8% and 28.8% of total investments and, investments in Federal National Mortgage Association constituted 49.6% and 47.6%, 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>2007</u>	<u>2006</u>
Carrying Value:		
Deposits	\$ 7,612,452	\$ 7,950,980
Investments	<u>156,981,962</u>	<u>161,696,322</u>
	<u>\$ 164,594,414</u>	<u>\$ 169,647,302</u>
Included in the following balance sheet captions:		
Cash and cash equivalents	\$ 35,781,134	\$ 27,328,335
Short-term investments	78,806,313	98,814,123
Restricted cash and cash equivalents	40,658	2,591,484
Restricted investments	14,062,455	14,158,868
Other long-term investments	<u>35,903,854</u>	<u>26,754,492</u>
	<u>\$ 164,594,414</u>	<u>\$ 169,647,302</u>

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

	<u>2007</u>	<u>2006</u>
Interest and dividend income	\$ 8,416,702	\$ 7,544,851
Net change in fair value of investments	<u>265,171</u>	<u>579,596</u>
	<u>\$ 8,681,873</u>	<u>\$ 8,124,447</u>

#### 4. CAPITAL ASSETS

Capital assets activity for the years ended December 31, 2007 and 2006, was:

	<u>December 31, 2006</u>	<u>Additions</u>	<u>Disposals</u>	<u>Transfers</u>	<u>December 31, 2007</u>
Cost of initial Turnpike and improvements financed with bond proceeds	\$ 447,974,637	\$ 848,471	\$ --	\$ --	\$ 448,823,108
	<u>\$ 447,974,637</u>	<u>\$ 848,471</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 448,823,108</u>
	<u>December 31, 2005</u>	<u>Additions</u>	<u>Disposals</u>	<u>Transfers</u>	<u>December 31, 2006</u>
Cost of initial Turnpike and improvements financed with bond proceeds	\$ 411,268,520	\$ 36,706,117	\$ --	\$ --	\$ 447,974,637
	<u>\$ 411,268,520</u>	<u>\$ 36,706,117</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 447,974,637</u>

## 5. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

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

	<u>2007</u>	<u>2006</u>
Payable to suppliers	\$ 633,075	\$ 858,702
Contracts payable and retained amounts	591,995	1,511,293
Payable to employees (including payroll taxes and benefits)	2,495,164	2,474,464
Estimated self-insurance costs	<u>825,000</u>	<u>750,000</u>
	<u>\$ 4,545,234</u>	<u>\$ 5,594,459</u>

## 6. LONG-TERM OBLIGATIONS

The following is a summary of long-term obligation transactions for the Turnpike for the years ended December 31, 2007 and 2006:

	<u>December 31, 2006</u>	<u>Additions</u>	<u>Deductions</u>	<u>December 31, 2007</u>	<u>Current Portion</u>
Long-term debt					
Revenue bonds	\$ 255,505,000	\$ --	\$ 9,125,000	\$ 246,380,000	\$ 9,520,000
Other long-term liabilities					
Accrued compensated absences	<u>3,322,846</u>	<u>1,777,388</u>	<u>1,660,546</u>	<u>3,439,688</u>	<u>1,662,000</u>
Total long-term obligations	<u>\$ 258,827,846</u>	<u>\$ 1,777,388</u>	<u>\$ 10,785,546</u>	<u>\$ 249,819,688</u>	<u>\$ 11,182,000</u>
	<u>December 31, 2005</u>	<u>Additions</u>	<u>Deductions</u>	<u>December 31, 2006</u>	<u>Current Portion</u>
Long-term debt					
Revenue bonds	\$ 263,645,000	\$ 12,690,000	\$ 20,830,000	\$ 255,505,000	\$ 9,125,000
Other long-term liabilities					
Accrued compensated absences	<u>3,225,685</u>	<u>1,734,769</u>	<u>1,637,608</u>	<u>3,322,846</u>	<u>1,700,000</u>
Total long-term obligations	<u>\$ 266,870,685</u>	<u>\$ 14,424,769</u>	<u>\$ 22,467,608</u>	<u>\$ 258,827,846</u>	<u>\$ 10,825,000</u>

## 7. REVENUE BONDS PAYABLE

At December 31, 2007 and 2006, Turnpike revenue bonds payable were as follows:

	<u>2007</u>	<u>2006</u>
Series 1993	\$ 5,180,000	\$ 5,180,000
Series 1998	--	3,675,000
Series 2002	80,020,000	82,120,000
Series 2003A	97,155,000	100,505,000
Series 2004	51,335,000	51,335,000
Series 2006A	12,690,000	12,690,000
	<u>\$ 246,380,000</u>	<u>\$ 255,505,000</u>

Interest rates on the bonds vary between 2.00% and 5.55%. The debt service requirements as of December 31, 2007, are as follows:

<u>Year Ending December 31,</u>	<u>Total to be Paid</u>	<u>Principal</u>	<u>Interest</u>
2008	\$ 21,039,206	\$ 9,520,000	\$ 11,519,206
2009	21,034,192	9,950,000	11,084,192
2010	21,037,841	10,335,000	10,702,841
2011	21,040,791	10,805,000	10,235,791
2012	21,037,657	11,340,000	9,697,657
2013 – 2017	105,195,412	64,865,000	40,330,412
2018 – 2022	82,185,460	57,360,000	24,825,460
2023 – 2027	58,041,960	45,100,000	12,941,960
2028 – 2032	23,046,190	18,480,000	4,566,190
2033 – 2036	9,219,140	8,625,000	594,140
	<u>\$ 382,877,849</u>	<u>\$ 246,380,000</u>	<u>\$ 136,497,849</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 September 1, 2013	At 101% of par At par
Series 2003A	September 1, 2013	At par
Series 2004A-1	September 1, 2014	At par
Series 2004A-2	September 1, 2014 September 1, 2015 September 1, 2016	At 101% of par At 100.50% of par At par

In October 2006, the Turnpike issued \$12,690,000 in Series 2006A Turnpike Refunding Revenues Bonds with a net interest cost of 3.45% to currently refund Series 1999 Revenue Bonds which had interest rates ranging from 4.10% to 4.75%. The refunding increased the total debt

service payments over the next 14 years by \$3,779,885, and resulted in an economic loss of \$746,500. As a result of the refunding, the refunded bonds are considered to be defeased and have been removed from long-term debt. The bonds are considered auction rate securities, with variable interest rates established at each “auction period”, which is weekly for these bonds. The maximum interest rate allowed under current Kansas law is the daily yield for 10-year treasury bonds published on the Monday preceding each auction date, plus 3%.

On February 15, 2008, the Turnpike experienced a failed auction. This resulted in the Series 2006A bonds being subject to the maximum interest rate, which was 6.616% at that time. Due to this increase in interest rate, on February 21, 2008 the Turnpike issued a Material Event Notice indicating its intent to purchase the bonds in the secondary market from any bond owner. On February 22, 2008, the Turnpike gave notice of the exercise of its option to call all \$12,690,000 of the Series 2006A bonds, for redemption and payment on March 24, 2008, at a redemption price of 100% of the principal amount thereof, plus accrued interest.

## **8. 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 administered by the KPERS Board of Trustees. The plan provides retirement, life insurance, disability income and death benefits which are established and may be changed by the Kansas Legislature with the concurrence of the Governor. 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.

Contribution requirements are established and may be changed by the Kansas Legislature with the concurrence of the Governor. Plan members of KPERS are required to contribute 4% of their annual covered salary and the Turnpike is required to contribute at an actuarially determined rate. The employer contribution rates for KPERS for 2007, 2006 and 2005 were 4.31%, 3.81%, 3.41%, respectively. The Turnpike’s contributions to KPERS for 2007, 2006 and 2005 were \$827,425, \$706,333, and \$624,319, respectively, and were equal to the required contributions for each year.

## **9. CONTINGENCIES**

The Turnpike records liabilities resulting from claim and legal action only when it is probable that a liability has been incurred and the amount can be reasonably estimated. Various legal actions, primarily due to automobile accidents, are pending against the Turnpike. These claims are generally covered by insurance. No amount has been recorded as a liability for contingencies at December 31, 2007 and 2006.

## **10. 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 2007 and 2006 are summarized as follows:

	<u>2007</u>	<u>2006</u>
Balance, beginning of year	\$ 750,000	\$ 750,000
Current year claims and changes in estimates	5,730,980	4,683,327
Claim payments	<u>(5,655,980)</u>	<u>(4,683,327)</u>
Balance, end of year	<u>\$ 825,000</u>	<u>\$ 750,000</u>

Employees who have reached age 59 and choose to retire early will continue to receive the same Kansas Turnpike Authority standard insurance plan paid by the Turnpike to age 65, providing they meet certain longevity requirements. The Turnpike is liable for the health insurance claims of 10 early retirees at December 31, 2007. Medical claims attributable to the retirees are funded on a pay-as-you-go basis.

## **11. 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:

2008	\$ 3,156,954
2009	2,999,278
2010	3,015,326
2011	2,929,141
2012	2,920,643
2013 – 2015	<u>758,153</u>
Total	<u>\$ 15,779,495</u>

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 one instance, the Turnpike has agreed to have the lessee construct new buildings. If, at the conclusion of the lease, the les-

see 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 \$285,000. 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.

## **12. COMMITMENTS**

The Turnpike has committed to construction contracts for turnpike repair and improvements valued at approximately \$25 million at December 31, 2007.

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.

## **13. PENDING GOVERNMENTAL ACCOUNTING STANDARDS**

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

GASB Statement No. 45, Accounting and Financial Reporting by Employers for Post-employment Benefits Other than Pensions, was issued in June 2004. This statement provides guidance on the accounting and reporting by employers for the costs and obligations of post-employment healthcare and other non-pension benefits provided to employees as part of their compensation of services. The provisions of this statement are effective for the Turnpike's fiscal year ending December 31, 2008.

# SUPPLEMENTARY INFORMATION

## COMBINING BALANCE SHEET

December 31, 2007

	ASSETS		
	Total	Interfund Eliminations Reclassifications	Construction Fund
<b>Current assets</b>			
Cash and cash equivalents	\$ 35,781,134	\$ -	\$ -
Short-term investments	78,806,313	-	-
Interfund receivable	-	(1,661,924)	-
Accounts receivable	800,145	-	-
Accrued interest receivable	1,722,113	-	-
Material and supply inventory	441,775	-	-
Prepaid expense and other assets	765,187	-	-
Total current assets	<u>118,316,667</u>	<u>(1,661,924)</u>	<u>-</u>
<b>Restricted assets</b>			
Cash and cash equivalents	40,658	-	-
Investments	14,062,455	-	-
Accrued interest receivable	-	-	-
Total restricted assets	<u>14,103,113</u>	<u>-</u>	<u>-</u>
<b>Other long-term investments</b>	<u>35,903,854</u>	<u>-</u>	<u>-</u>
<b>Capital assets</b>			
Cost of initial turnpike and improvements financed with bond proceeds	448,823,108	-	448,823,108
	<u>\$ 617,146,742</u>	<u>\$ (1,661,924)</u>	<u>\$ 448,823,108</u>
<b>LIABILITIES AND NET ASSETS</b>			
<b>Current liabilities</b>			
Current maturities of long-term debt	\$ 9,520,000	\$ -	\$ 9,520,000
Prepaid tolls	2,417,424	-	-
Accounts payable	633,075	-	-
Interfund payable	-	(1,661,924)	-
Accrued expenses	3,912,159	-	-
Accrued interest	3,568,974	-	-
Total current liabilities	<u>20,051,632</u>	<u>(1,661,924)</u>	<u>9,520,000</u>
<b>Long-term debt</b>			
Turnpike revenue bonds	236,860,000	-	236,860,000
<b>Other long-term liabilities</b>	<u>1,777,688</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>258,689,320</u>	<u>(1,661,924)</u>	<u>246,380,000</u>
<b>Net assets</b>			
Invested in capital assets, net of related debt	202,443,108	-	202,443,108
Restricted - expendable for			
Debt service	10,226,648	-	-
Turnpike improvements	-	-	-
Unrestricted	145,787,666	-	-
Total net assets	<u>358,457,422</u>	<u>-</u>	<u>202,443,108</u>
Total liabilities and net assets	<u>\$ 617,146,742</u>	<u>\$ (1,661,924)</u>	<u>\$ 448,823,108</u>

<b>Revenue Fund And Operations Fund</b>	<b>Debt Service Fund</b>	<b>Debt Service Reserve Fund</b>	<b>Replacement Reserve Fund</b>	<b>General Fund</b>
\$ 12,775,109	\$ -	\$ -	\$ 11,087,175	\$ 11,918,850
6,474,409	-	-	60,029,437	12,302,467
1,661,924	-	-	-	-
800,145	-	-	-	-
1,460,357	-	-	214,944	46,812
441,775	-	-	-	-
765,187	-	-	-	-
<u>24,378,906</u>	<u>-</u>	<u>-</u>	<u>71,331,556</u>	<u>24,268,129</u>
-	37,030	3,628	-	-
-	6,823,101	7,239,354	-	-
-	-	-	-	-
<u>-</u>	<u>6,860,131</u>	<u>7,242,982</u>	<u>-</u>	<u>-</u>
2,009,036	-	-	19,952,648	13,942,170
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 26,387,942</u>	<u>\$ 6,860,131</u>	<u>\$ 7,242,982</u>	<u>\$ 91,284,204</u>	<u>\$ 38,210,299</u>
\$ -	\$ -	\$ -	\$ -	\$ -
2,417,424	-	-	-	-
633,075	-	-	-	-
-	95,715	211,776	1,122,813	231,620
3,320,164	-	-	591,995	-
-	3,568,974	-	-	-
<u>6,370,663</u>	<u>3,664,689</u>	<u>211,776</u>	<u>1,714,808</u>	<u>231,620</u>
-	-	-	-	-
1,777,688	-	-	-	-
<u>8,148,351</u>	<u>3,664,689</u>	<u>211,776</u>	<u>1,714,808</u>	<u>231,620</u>
-	-	-	-	-
-	3,195,442	7,031,206	-	-
-	-	-	-	-
18,239,591	-	-	89,569,396	37,978,679
<u>18,239,591</u>	<u>3,195,442</u>	<u>7,031,206</u>	<u>89,569,396</u>	<u>7,978,679</u>
<u>\$ 26,387,942</u>	<u>\$ 6,860,131</u>	<u>\$ 7,242,982</u>	<u>\$ 91,284,204</u>	<u>\$ 38,210,299</u>

**COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**  
**Year Ended December 31, 2007**

	<u>Total</u>	<u>Construction Fund</u>	<u>Revenue Fund And Operations Fund</u>
<b>Operating Revenues</b>			
Tolls	\$ 78,195,540	\$ -	\$ 78,195,540
Concessionaire rentals	3,103,710	-	3,103,710
Miscellaneous	1,610,823	-	1,610,823
	<u>82,910,073</u>	<u>-</u>	<u>82,910,073</u>
<b>Operating Expenses</b>			
Administration	6,548,399	-	6,548,399
Insurance	7,677,844	-	7,677,844
Toll collection	11,557,942	-	11,557,942
Patrol	5,442,957	-	5,442,957
Maintenance	8,986,183	-	8,986,183
Cost of improvements, major repairs and replacements	34,482,921	-	-
	<u>74,696,246</u>	<u>-</u>	<u>40,213,325</u>
<b>Operating Income (Loss)</b>	<u>8,213,827</u>	<u>-</u>	<u>42,696,748</u>
<b>Nonoperating revenues (expenses)</b>			
Transfers between funds	-	9,601,872	(52,342,471)
Investment revenue	8,681,873	6,660	8,714,766
Interest on long-term debt	(11,411,830)	-	-
	<u>(2,729,957)</u>	<u>9,608,532</u>	<u>(43,627,705)</u>
<b>Change in net assets</b>	5,483,870	9,608,532	(930,957)
<b>Net assets, beginning of year</b>	<u>352,973,552</u>	<u>192,834,576</u>	<u>19,170,548</u>
<b>Net assets, end of year</b>	<u>\$ 358,457,422</u>	<u>\$ 202,443,108</u>	<u>\$ 18,239,591</u>

<u>Debt Service Fund</u>	<u>Debt Service Reserve Fund</u>	<u>Replacement Reserve Fund</u>	<u>General Fund</u>
\$ -	\$ -	\$ -	\$ -
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	34,482,921	-
-	-	34,482,921	-
-	-	(34,482,921)	-
11,424,423	(1,387,271)	19,519,913	13,183,534
-	-	(37,835)	(1,718)
(11,411,830)	-	-	-
<u>12,593</u>	<u>(1,387,271)</u>	<u>19,482,078</u>	<u>13,181,816</u>
12,593	(1,387,271)	(15,000,843)	13,181,816
<u>3,182,849</u>	<u>8,418,477</u>	<u>104,570,239</u>	<u>24,796,863</u>
<u>\$ 3,195,442</u>	<u>\$ 7,031,206</u>	<u>\$ 89,569,396</u>	<u>\$ 37,978,679</u>

**SUMMARY OF TOLL REVENUES**  
**Year Ended December 31, 2007**

<u>Class</u>	<u>Toll Revenue</u>	<u>Vehicles</u>
2-axle vehicles	\$ 46,564,740	28,689,220
3-axle vehicles	1,356,232	511,733
4-axle vehicles	2,666,620	583,719
5-axle vehicles	25,057,691	3,184,508
6-axle vehicles	1,266,728	109,914
7-axle vehicles	911,809	37,354
8-axle vehicles	826,108	27,178
9-axle vehicles	487,452	13,883
Discounts and Adjustments	(941,840)	338,376
	<u>\$ 78,195,540</u>	<u>33,495,885</u>

## STATISTICAL DATA

### OPERATING SUMMARIES - VEHICLES, MILEAGE AND REVENUE

Years Ended December 31, 2007 and 2006 (Unaudited)

	2007	2006	2007 Increase (Decrease) as a Percent of 2006
<b>Number of Vehicles:</b>			
Passenger Cars	28,689,220	28,297,667	1.38%
Commercial vehicles	4,468,289	4,458,265	0.22%
Discounts and adjustments	338,376	366,477	-7.67%
Total	<u>33,495,885</u>	<u>33,122,409</u>	1.13%
<b>Percentage of Vehicles:</b>			
Passenger cars	85.65%	85.43%	0.25%
Commercial vehicles	13.34%	13.46%	-0.89%
<b>Number of Miles:</b>			
Passenger cars	1,138,780,003	1,138,192,093	0.05%
Commercial vehicles	281,288,801	277,008,048	1.55%
Total	<u>1,420,068,804</u>	<u>1,415,200,141</u>	0.34%
<b>Percentage of Miles:</b>			
Passenger cars	80.19%	80.43%	-0.29%
Commercial vehicles	19.81%	19.57%	1.20%
<b>Toll Revenue (Gross):</b>			
Passenger cars	\$ 46,564,740	\$ 45,388,097	2.59%
Commercial vehicles	32,572,640	31,236,478	4.28%
Discounts and adjustments	(941,840)	(878,695)	7.19%
Total	<u>\$ 78,195,540</u>	<u>\$ 75,745,880</u>	3.23%
<b>Percentage of Toll Revenue:</b>			
Passenger cars	59.55%	59.92%	-0.62%
Commercial vehicles	41.66%	41.24%	1.01%
<b>Miles Per Trip:</b>			
Passenger cars	39.69	40.22	-1.31%
Commercial vehicles	62.95	62.13	1.32%
<b>Revenue Per Trip:</b>			
Passenger cars	\$ 1.62	\$ 1.60	1.19%
Commercial Vehicles	\$ 7.29	\$ 7.01	4.04%
<b>Revenue Per Mile:</b>			
Passenger Cars	\$ 0.04089	\$ 0.03988	2.54%
Commercial vehicles	\$ 0.11580	\$ 0.11276	2.69%
Discounts and adjustments	\$ (0.00066)	\$ (0.00062)	6.82%

**SCHEDULE OF SERVICE AREA TRAFFIC AND SALES**  
**Years Ended December 31, 2007 and 2006**  
**(Unaudited)**

Service Area	2007			Per Vehicle Passing Area	
	Vehicles Passing Area	Gallons Motor Fuel Sold	Restaurant Gross Sales	Gallons Motor Fuel	Restaurant Sales
Belle Plaine	6,802,645	6,135,395	\$ 2,838,337	0.90	\$ 0.42
Towanda	4,682,327	4,346,122	1,505,244	0.93	\$ 0.32
Matfield Green	4,607,792	5,239,285	2,114,103	1.14	\$ 0.46
Emporia	2,358,439	3,323,744	1,336,989	1.41	\$ 0.57
Topeka	12,874,147	6,886,880	2,676,708	0.53	\$ 0.21
Lawrence	10,859,996	4,856,629	3,499,269	0.45	\$ 0.32
	<u>42,185,346</u>	<u>30,788,055</u>	<u>\$ 13,970,650</u>		
	<b>2006</b>				
Belle Plaine	6,785,831	5,679,719	\$ 2,726,070	0.84	\$ 0.40
Towanda	4,701,604	4,081,967	1,489,934	0.87	\$ 0.32
Matfield Green	4,690,745	4,606,464	2,034,667	0.98	\$ 0.43
Emporia	2,379,386	3,018,160	1,318,265	1.27	\$ 0.55
Topeka	12,677,102	5,999,416	2,531,110	0.47	\$ 0.20
Lawrence	10,658,512	4,845,874	3,412,054	0.45	\$ 0.32
	<u>41,893,180</u>	<u>28,231,600</u>	<u>\$ 13,512,100</u>		

**SCHEDULE OF ACTIVITY BY INTERCHANGE**  
**Years Ended December 31, 2007 and 2006**  
**(Unaudited)**

Interchange		2007			2006			Percent Increase (Decrease)
		Entering Vehicles	Exiting Vehicles	Total Vehicles	Entering Vehicles	Exiting Vehicles	Total Vehicles	
No.	Location							
004	Southern Terminal	2,688,675	2,811,835	5,500,510	2,689,377	2,829,959	5,519,336	-0.34%
019	Wellington: US 160	776,337	747,750	1,524,087	761,505	723,736	1,485,241	2.62%
033	Mulvane: K-53	590,766	538,122	1,128,888	570,260	524,448	1,094,708	3.12%
039	Haysville-Derby: 71st St.	809,589	801,674	1,611,263	803,994	810,283	1,614,277	-0.19%
042	Wichita: I-135, I-235, 47th St.	3,397,582	3,426,777	6,824,359	3,382,778	3,383,389	6,766,167	0.86%
045	Wichita: K-15	823,173	894,316	1,717,489	811,839	879,946	1,691,785	1.52%
050	Wichita: US 54/400, Kellogg Ave.	1,502,200	1,546,362	3,048,562	1,533,239	1,569,378	3,102,617	-1.74%
053	Wichita: K-96	910,602	878,956	1,789,558	845,365	823,711	1,669,076	7.22%
057	Andover: 21st St.	459,861	439,616	899,477	449,472	426,865	876,337	2.64%
071	El Dorado: US 254	1,032,361	1,007,315	2,039,676	1,024,755	999,460	2,024,215	0.76%
076	El Dorado: US 77	208,185	195,470	403,655	178,409	174,635	353,044	14.34%
092	Cassoday: K-177	100,997	104,377	205,374	111,329	114,547	225,876	-9.08%
127	Emporia: I-35N	1,979,198	1,883,505	3,862,703	2,035,790	1,921,199	3,956,989	-2.38%
147	Council Grove, Osage City: US 56	126,920	127,291	254,211	128,256	128,241	256,497	-0.89%
177	Topeka: I-470W, US 75, Top. Blvd.	2,371,536	2,402,809	4,774,345	2,410,221	2,414,793	4,825,014	-1.05%
182	Topeka: Valley Falls: K-4/I-70W	514,223	451,352	965,575	504,211	447,453	951,664	1.46%
183	Topeka: I-70	4,530,665	4,582,278	9,112,943	4,421,833	4,491,812	8,913,645	2.24%
197	Lecompton, Lawrence: K-10	1,611,494	1,606,320	3,217,814	1,519,929	1,510,042	3,029,971	6.20%
202	Lawrence: US 59, S. Iowa St.	1,909,981	1,817,656	3,727,637	1,907,059	1,830,690	3,737,749	-0.27%
204	Lawrence: US 59, US40	1,255,698	1,306,874	2,562,572	1,201,932	1,240,422	2,442,354	4.92%
224	Bonner Springs	207,772	173,245	381,017	200,802	178,720	379,522	0.39%
236	Eastern Terminal	5,207,782	5,271,697	10,479,479	5,105,505	5,174,131	10,279,636	1.94%

**SCHEDULE OF MONTHLY VEHICLES, MILEAGE AND TOLL REVENUE**  
**Year Ended December 31, 2007**  
**(Unaudited)**

<u>Month</u>	<u>Vehicles</u>	<u>Mileage</u>	<u>Gross Revenue</u>		<u>Average Miles Per Vehicle</u>	<u>Average Revenue Per Vehicle</u>
			<u>Passenger</u>	<u>Commercial</u>		
January	2,369,773	98,923,528	\$ 3,076,042	\$ 2,531,158	41.74	\$ 2.37
February	2,302,989	95,748,632	3,021,568	2,328,566	41.58	2.32
March	2,861,796	123,846,824	3,968,718	2,744,533	43.28	2.35
April	2,732,425	115,185,936	3,678,039	2,606,365	42.16	2.30
May	2,926,997	124,940,403	4,013,311	2,717,922	42.69	2.30
June	2,917,401	126,247,442	4,046,563	2,728,707	43.27	2.32
July	2,990,234	130,835,571	4,440,535	2,845,859	43.75	2.44
August	3,010,125	128,587,968	4,297,593	3,037,783	42.72	2.44
September	2,808,902	119,189,281	4,000,992	2,766,173	42.43	2.41
October	2,915,082	122,897,756	4,082,999	3,020,310	42.16	2.44
November	2,849,900	124,894,802	4,262,439	2,728,969	43.82	2.45
December	2,471,885	108,770,661	3,675,941	2,516,295	44.00	2.51
	<u>33,157,509</u>	<u>1,420,068,804</u>	<u>\$ 46,564,740</u>	<u>\$ 32,572,640</u>	42.83	\$ 2.39
			Total Gross Toll Revenue	\$ 79,137,380		
			Discounts and Adjustments	<u>(941,840)</u>		
			Total Adjusted Revenue	<u>\$ 78,195,540</u>		

**SUMMARY OF TURNPIKE TRAFFIC**  
**Year Ended December 31, 2007**  
**(Unaudited)**

	Turnpike		K-TAG	
	2007	2006	2007	2006
<b>Vehicles</b>	33,157,509	32,755,932	13,506,274	12,851,109
Passenger	28,689,220	28,297,667	11,531,120	10,879,007
Commercial	4,468,289	4,458,265	1,975,154	1,972,102
<b>Miles Traveled</b>	1,420,068,804	1,415,200,141	478,661,008	452,695,681
Passenger	1,138,780,003	1,138,192,093	361,355,901	338,966,436
Commercial	281,288,801	277,008,048	117,305,107	113,729,245
<b>Toll Revenue</b>	79,137,380	76,624,575	29,804,598	27,877,277
Passenger	46,564,740	45,388,097	15,089,293	13,835,034
Commercial	32,572,640	31,236,478	14,715,305	14,042,243
<b>Average Toll</b>	\$ 2.39	\$ 2.34	\$ 2.21	\$ 2.17
Passenger	\$ 1.62	\$ 1.60	\$ 1.31	\$ 1.27
Commercial	\$ 7.29	\$ 7.01	\$ 7.45	\$ 7.12
<b>Average Trip Miles</b>	43	43	35	35
Passenger	40	40	31	31
Commercial	63	62	59	58

**SUMMARY OF AVERAGE DAILY TRAFFIC BETWEEN INTERCHANGES**  
**Year Ended December 31, 2007 (Unaudited)**

	Southbound	Northbound		Southbound	Northbound
236			76		
204	14,836	14,917	71	6,574	6,296
202	15,002	15,222	57	6,588	6,241
197	14,531	14,498	53	6,786	6,384
183	17,659	17,613	50	7,446	6,957
182	5,133	5,228	45	7,833	7,464
177	6,540	6,463	42	6,412	6,239
147	3,404	3,412	39	11,873	11,780
127	3,226	3,235	33	10,359	10,244
92	6,438	6,186	19	9,448	9,189
76	6,514	6,271	4	7,704	7,366