E-470 PUBLIC HIGHWAY AUTHORITY

Basic Financial Statements

December 31, 2010 and 2009

(With Independent Auditors' Report Thereon)

E-470 PUBLIC HIGHWAY AUTHORITY

Table of Contents

This management's discussion and analysis is designed to assist the reader in focusing on the significant financial issues and activities and to identify any significant changes in financial position related to E-470 Public Highway Authority (the Authority). Please read it in conjunction with the basic financial statements, which immediately follow this section. The basic financial statements include the Statements of Net Deficit, Statements of Revenues, Expenses and Changes in Net Deficit, and the Statements of Cash Flows.

Complete data for a three-year period have been provided in management's discussion and analysis.

Financial Highlights

- Toll operations revenues increased 3.5% from 2009 to 2010 increasing from $95.6 million to $99.0 million. Toll operations revenues increased 6.2% from 2008 to 2009 increasing from $90.0 million to $95.6 million.
- Operating expenses, before depreciation, increased from $32.6 million in 2009 to $33.8 million in 2010. Operating expenses, before depreciation, increased from $27.1 million in 2008 to $32.6 million in 2009.
- Debt service coverage for fiscal 2010 was 1.39 versus a budgeted 1.34. Debt service coverage for fiscal 2009 was 1.39 versus a budgeted 1.37. Debt service coverage for fiscal 2008 was 1.42 versus a budgeted 1.39.
- In October 2010, the Authority purchased, through a tender invitation, a portion of the Series 1997B capital appreciation bonds and a portion of the Subseries 2007A-2 to D-2 term rate bonds totaling approximately $90.2 million. Approximately $103.5 million of Series 2010 bonds were issued to make the purchase of the tendered bonds. The additional bond proceeds were used to pay the costs of issuance and fund a partial interest rate swap termination of $13.6 million on the 2007 bond-related interest rate swaps. The Authority also contributed an additional $10 million from the unrestricted general surplus account for the termination. The purpose of the transaction was to restructure debt service over the next several years.
- Along the toll road from Interstate 76 to Interstate 25, median cable barrier was installed. The cost of this final segment of a four year project was approximately $1.1 million. This completes an initiative to have median cable barrier along the entire 47-mile length of E-470.
- Throughout 2010, many changes were implemented to improve toll collections and offer additional services to License Plate Toll (LPT) customers. This included the Authority's board of directors adopting a change in fines and fees associated with civil penalties. Fines were permanently reduced from $70 to $25 and administrative fees, which were $7 per transaction on civil penalty notices, were reduced to a single $5 late fee per customer account if tolls went unpaid for more that 30 days. Additionally, E-470 provided more time and more methods for customers to pay billed tolls before referring the account to collections or, if necessary, issuing a civil penalty notice.
- In November 2010, the Authority's board of directors approved two changes to the toll increase policy. The first was a change from the previous policy to implement a $0.25 increase every three years to annual increases in smaller increments that would add up to the $0.25 increase every third year. The second change was an increase in the differential between EXpressToll and LPT. Since the inception in July 2009, LPT customers paid a 10% premium over EXpressToll customers. The Board of Directors chose to increase that differential to 25%. Both of these policies were effective on January 1, 2011.

Summary of Operations

E-470 toll operations revenues for 2010 were $99.0 million, a 3.5% increase over 2009’s $95.6 million. This increase is mainly due to increased overall toll transactions and improved collection rates on LPT from the prior year. Toll operations revenues (which includes violations) for fiscal year 2010 was $6.1 million below the $105.1 million 2010 budget. Traffic on E-470 during 2010 combined for 51.3 million transactions, with approximately 72.5% of them paid using EXpressToll transponders. E-470 toll operations revenues for 2009 were $95.6 million, a 6.2% increase over 2008’s $90.0 million. This increase was mainly due to the two-tiered toll increase effective on January 1, 2009. Toll operations revenue for fiscal year 2009 was $4.3 million below the $99.9 million budget. Traffic on E-470 during 2009 combined for 48.0 million transactions, with nearly 72.0% of them paid using EXpressToll transponders.

Total operating expenses, before depreciation expense, for 2010 were $33.8 million, representing a 3.7% increase over 2009 operating expenses. Approximately $0.8 million of the increase was due to increased costs in out-of-state Department of Motor Vehicle (DMV) retrievals and printing and postage costs associated with LPT. Total operating expenses, before depreciation expense, for 2009 were $32.6 million, representing a 20.1% increase over 2008 operating expenses, before depreciation expense. Approximately $2.8 million of the increase was due to increased costs associated with the newly implemented LPT toll collection process in 2009.

Senior Revenue Bond principal and interest payments from the senior debt service fund during 2010 and 2009 were $63.7 million and $58.5 million, respectively, on the Series 1997, 2006, and 2007 bonds, and $0.3 million and $3.4 million, respectively, for the Vehicle Registration Fee (VRF) bonds (Series 2001 and 2009 bonds were due in 2009, and only the 2009 bonds were due in 2010). Debt service coverage on the Senior Revenue Bonds for 2010 was 1.39 compared to 1.39 and 1.42 coverage in 2009 and 2008, respectively. The Senior Bond Trust Agreement requires a minimum coverage of 1.30.

In addition, a smooth transition in management took place following the sudden and unexpected death of the Authority’s executive director, Ed DeLozier, in early 2010. The Authority’s board of directors appointed John McCuskey, the long-time deputy executive director and director of finance, as the new executive director in October 2010. David Kristick was promoted to deputy executive director in addition to his current position as the director of operations, and Joe Donahue was promoted from controller to director of finance. All three had the benefit of at least of decade of experience with E-470 prior to the management changes.

Financial Results and Analysis

Summary of Net Deficit

	2010	2009	2008
Current assets	$ 113,369,783	129,207,243	101,325,233
Noncurrent assets:			
Capital assets	722,770,401	753,981,982	776,673,071
Other noncurrent assets	207,837,381	191,549,832	249,720,217
Total noncurrent assets	930,607,782	945,531,814	1,026,393,288
Total assets	$ 1,043,977,565	1,074,739,057	1,127,718,521
Current liabilities	$ 60,264,543	63,331,764	58,023,409
Noncurrent liabilities	1,421,849,261	1,389,474,715	1,373,321,011
Total liabilities	1,482,113,804	1,452,806,479	1,431,344,420
Net deficit:			
Invested in capital assets, net of related debt	(134,983,088)	(112,764,816)	(125,199,063)
Restricted for debt reserves	32,281,071	34,595,502	39,409,442
Unrestricted	(335,434,222)	(299,898,108)	(217,836,278)
Total net deficit	(438,136,239)	(378,067,422)	(303,625,899)
Total liabilities and net deficit	$ 1,043,977,565	1,074,739,057	1,127,718,521

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The largest portions of the Authority's assets are noncurrent. Sixty-nine percent of the assets are capital assets (e.g., infrastructure, buildings, equipment, and other), net of accumulated depreciation. The Authority uses these capital assets to provide services and, consequently, these assets are not available to liquidate liabilities or other future spending. The acquisition of capital assets was primarily financed from revenue bond proceeds. Revenue bonds payable, net of current portion, are 98% of noncurrent liabilities. Total current liabilities were $60.3 million and $63.3 million at the end of 2010 and 2009, respectively. Of the total current liabilities, $48.1 million (79.9%) and $51.4 million (81.2%) for 2010 and 2009, respectively, are current bonds payable, current notes payable, and related accrued interest payable. These liabilities are to be paid from current assets and the subsequent year's operating and nonoperating revenue.

Summary of Revenue, Expenses, and Changes in Net Deficit

	2010	**2009**	**2008**
Operating revenue – toll operations	$ 99,001,315	95,625,715	90,017,985
Operating expenses before depreciation expense	(33,781,694)	(32,561,726)	(27,113,952)
Depreciation expense	(33,853,332)	(34,331,727)	(35,091,434)
Operating income	31,366,289	28,732,262	27,812,599
Nonoperating expenses, net	(91,435,106)	(103,173,785)	(79,184,543)
Capital contributions	—	—	15,653
Change in net deficit	(60,068,817)	(74,441,523)	(51,356,291)
Net deficit, beginning of year	(378,067,422)	(303,625,899)	(252,269,608)
Net deficit, end of year	$ (438,136,239)	(378,067,422)	(303,625,899)

Toll operations revenues in 2010 and 2009 were $99.0 million and $95.6 million, respectively, for an increase of 3.5% over 2009. Toll operations revenues in 2009 and 2008 were $95.6 million and $90.0 million, respectively, for an increase of 6.2% over 2008. Toll operations revenues accounted for 82.4% and 93.7% of total revenue of 2010 and 2009, respectively. Toll operations revenues accounted for 93.7% and 69.2% of total revenue of 2009 and 2008, respectively. Nonoperating revenues (expenses), net decreased from 2009 to 2010 by $11.7 due to a net decrease in interest expense of approximately $6.7 million, net increase in investment income of approximately $14.0 million from improved fair market values at fiscal year-end, both of which were offset by the increase in derivative instruments loss of $9.6 million resulting primarily from the partial interest rate swap termination payments in October 2010.

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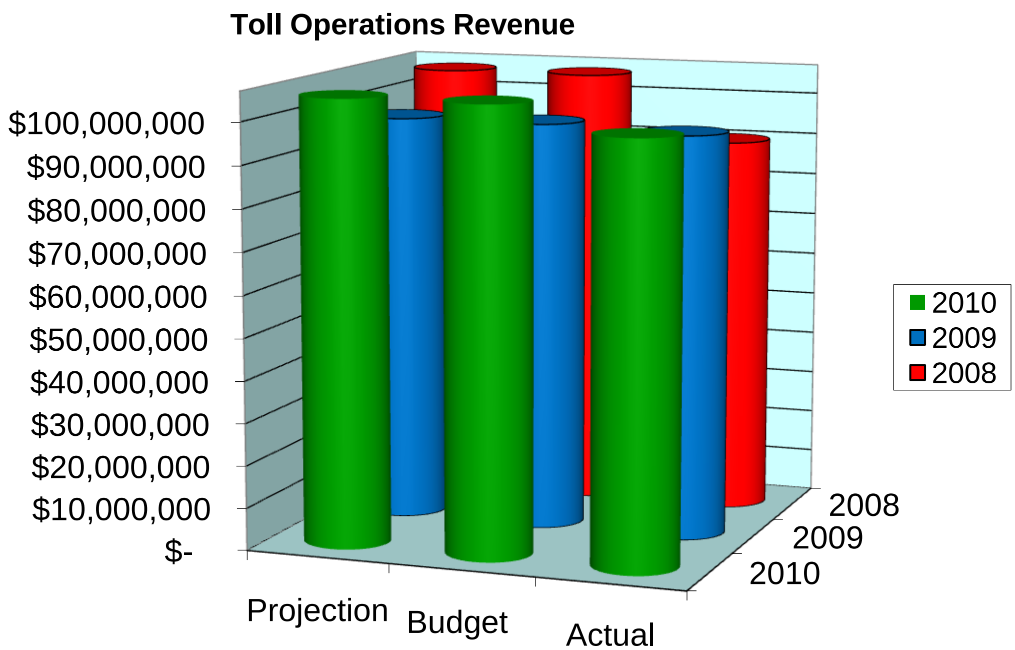
Toll Operations Revenue
$100,000,000
$90,000,000
$80,000,000
$70,000,000
$60,000,000
$50,000,000
$40,000,000
$30,000,000
$20,000,000
$10,000,000
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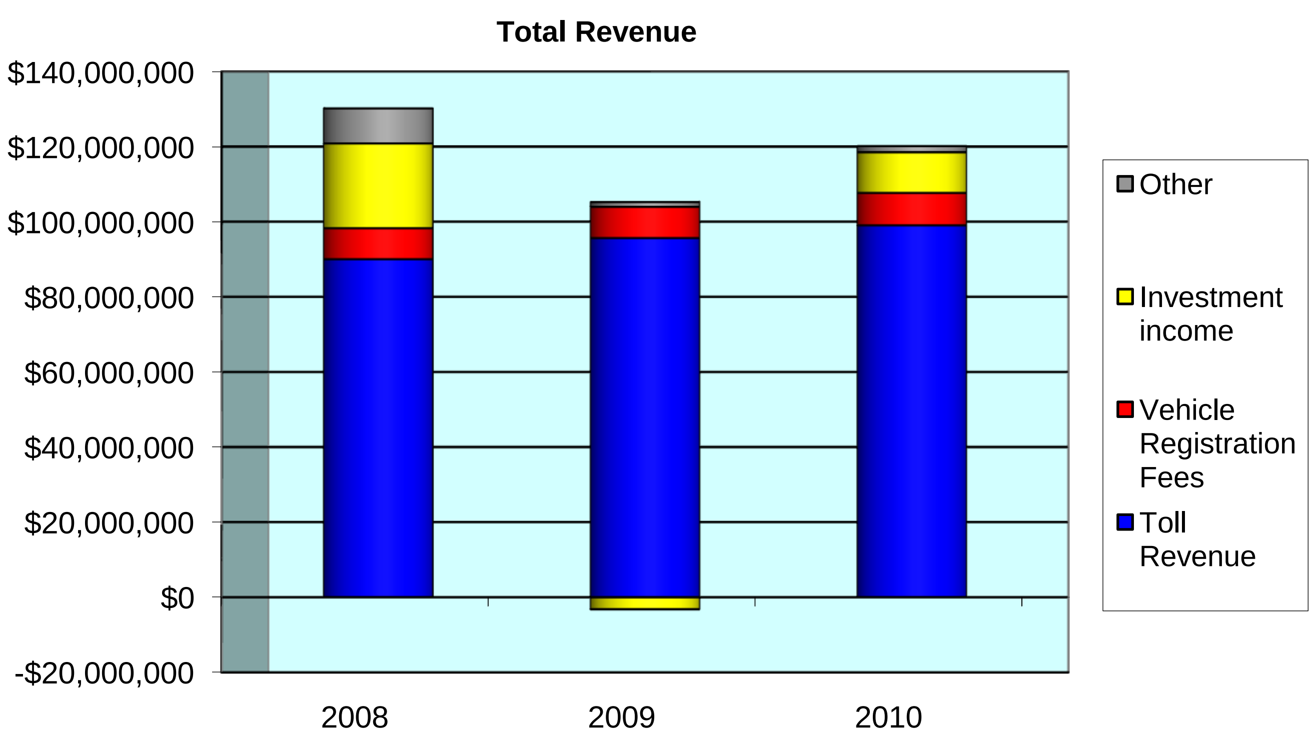
Projection
Budget
Actual
2008
2009
2010
2010
2009
2008


Total Revenue
$140,000,000
$120,000,000
$100,000,000
$80,000,000
$60,000,000
$40,000,000
$20,000,000
$0
-$20,000,000
2008
2009
2010
Other
Investment income
Vehicle Registration Fees
Toll Revenue

Total revenues for 2010 and 2009 were $120.1 million and $102.1 million, respectively. The increase is primarily due to increased toll operations revenues and improved investment income due to fair market valuations at December 31, 2010 versus 2009. Total revenues for 2009 and 2008 were $102.1 million and $130.2 million, respectively. The decrease is primarily due to less investment income due to fair market valuations at December 31, 2009 versus 2008 and less other income received in fiscal year 2009 when compared to 2008.

Capital Assets and Long-Term Debt

Total capital assets (gross) increased from $1,067 million in 2009 to $1,070 million in 2010. Accumulated depreciation reduced the year-end capital asset balances to $722.8 million in 2010 and $754.0 million in 2009.

In 2010, principal and interest paid on bond debt from restricted debt service and unrestricted surplus funds consisted of $39.1 million in Series 1997 bonds, $1.2 million in Series 2006 bonds, $25.5 million in Series 2007 bonds, and $2.5 million in 2009 VRF bonds.

In 2009, principal and interest paid on bond debt from restricted debt service and unrestricted surplus funds consisted of $32.9 million in Series 1997 bonds, $1.2 million in Series 2006 bonds, $24.4 million in Series 2007 bonds, and $3.4 million in 2001 and 2009 VRF bonds.

In 2008, principal and interest paid on bond debt from restricted debt service and unrestricted surplus funds consisted of $31.2 million in Series 1997 bonds, $5.9 million in Series 2006 bonds, $27.7 million in Series 2007 bonds, and $6.3 million in 2001 VRF bonds.

During 2008, the Authority carried out multiple bond transactions to manage the decline in operational revenue as well as the collapse of the auction-rate market:

- The Authority issued $423.3 million Senior Revenue Bonds in the auction rate mode in June 2007 to current refund a portion of the Series 1997A bonds and to pay costs of issuance, and entered into three pay-fixed interest rate swaps. In May 2008, all of the outstanding Series 2007 A through D auction-rate bonds were remarketed as fixed rate or term rate bonds with no changes to the original maturity dates and final maturity date of September 1, 2039. The bonds were remarketed into eight Sub-series: 2007A-1, 2007A-2, 2007B-1, 2007B-2, 2007C-1, 2007C-2, 2007D-1, and 2007D-2 with the 2007A-1, B-1, C-1, and D-1 as fixed rate bonds and the 2007A-2, B-2, C-2, and D-2 as term rate bonds. The annual principal maturities and bond life were unchanged from the Series 2007 bonds with only the interest mode changing. A pay-fixed interest rate swap agreement entered into with George K. Baum & Company (GK Baum) in 2007 was terminated as a result of this remarketing transaction with the Authority paying approximately $6 million. Two new receive-fixed interest rate swaps with Morgan Stanley Capital Services, Inc. (Morgan Stanley) were entered into to offset the effect of the remaining 2007 pay-fixed interest rate swap agreements with JP Morgan Chase Bank, NA (JP Morgan) (formerly known as Bear Stearns) and Morgan Stanley.
- In July 2008, the remaining outstanding principal of $27.0 million of the 1997C current interest bonds was redeemed with cash from the Authority's unrestricted General Surplus account.
- In November 2008, $22.6 million of outstanding principal of the Series 2006A current interest bonds was cash defeased. This portion of the 2006A outstanding principal was maturing between 2009 and 2014. The funds used to set up the escrow were withdrawn from cash in the Senior Bonds Debt Service Reserve

account. A $25.0 million surety policy was purchased from MBIA to replace the cash draw and still meet the account requirements as specified in the bond document.

In May 2009, the Authority redeemed a portion of the outstanding 2001 VRF bonds totaling $17.7 million and reissued the remaining balance of $19.4 million as the 2009 VRF current interest bonds. Additionally, the Authority had a pay-fixed interest rate swap agreement with JP Morgan (formerly known as Bear Stearns) as a hedge against the variable rate interest on the 2001 VRF bonds. The Authority chose to terminate that swap agreement by paying $2.5 million from the unrestricted General Surplus account and recorded as part of interest expense in fiscal year 2009.

In October 2010, the Authority purchased, through a tender invitation, a portion of the Series 1997B capital appreciation bonds and a portion of the Subseries 2007A-2 to D-2 term rate bonds totaling approximately $90.2 million plus a 1% premium. At the same time, the Authority issued the Series 2010 bonds totaling approximately $103.5 million to purchase the 1997B and 2007A-2 to D-2 bonds, as well as pay the cost of issuance (approximately $1.8 million) and partial swap termination settlements on the 2007 bond-related interest rate swaps netting to $13.6 million. The Authority contributed $10 million from the unrestricted general surplus account plus $3.6 million in bond proceeds to pay for the swap termination settlements. The purpose of the tender was to restructure debt service.

During 2010, the Authority implemented Governmental Accounting Standards Board (GASB) Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, which was effective for financial statements for periods beginning after June 15, 2009. The standard includes new requirements related to the determination of hedging derivative instruments and the application of accounting and recordation of derivative instruments within the financial statements at fiscal year-end. This standard is applicable to the Authority due to the two 2007 pay-fixed interest rate swaps and the two 2008 offsetting receive-fixed interest rate swaps, all of which are related to the 2007 Series bonds. All four swaps were determined to be investment derivatives as of December 31, 2010 and 2009 with a net liability fair value of $31.0 million and $27.5 million, respectively, and derivative instruments (investment) loss of $17.1 million (which includes the net $13.6 million of swap termination payments) and $7.5 million, respectively. The standard also impacted the Authority's treatment and accounting of the fair market values of the two 2007 pay-fixed interest rate swaps on the date of remarketing the 2007 bonds. From June 2007 to May 2008, the two 2007 swaps were effectively hedging interest rate risk on the 2007 bonds. At the date of remarketing the 2007 bonds from auction-rate bonds to fixed and term rate bonds (May 2008), the fair value of the two 2007 swaps was deferred as a component of revenue bonds payable (2008 deferred refunding) and amortized through interest expense in 2010 and 2009. The 2008 deferred refunding balance was $17.5 million and $18.5 million as of December 31, 2010 and 2009, respectively.

As of December 31, 2010, the underlying senior bond ratings of the Authority remained consistent with prior year by all three major rating agencies: Moody's, Standard & Poor's, and Fitch. These ratings were all reaffirmed by the rating agencies prior to tender offering of the Series 2010 bonds in October 2010. Moody's and Fitch changed their outlook from stable in prior year to negative in 2010 based on the current economic environment.

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Ratings and Outlook as of December 31, 2010:

Rating agency	Rating	Outlook
Moody's	Baa2	Negative
Standard & Poor's	BBB-	Stable
Fitch	BBB-	Negative

Debt Administration

E-470 Revenue Bonds Outstanding Principal

	2010	2009	2008
Series 1997 A	$ 32,520,000	32,520,000	32,520,000
Series 1997 B	448,016,510	479,898,074	486,929,428
Series 2000 B	297,410,950	279,581,014	262,820,584
Vehicle registration fee 2001	—	—	37,065,000
Series 2004 A	105,443,761	99,972,917	94,785,971
Series 2004 B	99,112,404	93,711,226	88,604,420
Series 2004 C	21,459,597	20,580,988	19,738,377
Series 2006 A	24,105,000	24,105,000	24,105,000
Series 2006 B	70,543,728	67,097,078	63,818,827
Series 2007 A-1	50,975,000	51,975,000	52,675,000
Series 2007 A-2	47,500,000	52,200,000	52,200,000
Series 2007 B-1	50,975,000	51,975,000	52,675,000
Series 2007 B-2	25,065,000	52,200,000	52,200,000
Series 2007 C-1	50,975,000	51,975,000	52,675,000
Series 2007 C-2	28,925,000	52,200,000	52,200,000
Series 2007 D-1	51,010,000	52,035,000	52,685,000
Series 2007 D-2	37,150,000	52,165,000	52,165,000
Vehicle registration fee 2009	16,035,000	17,865,000	—
Series 2010 A	22,113,902	—	—
Series 2010 C	81,655,000	—	—
Discounts, premiums, and deferred refunding adjustments, net	(132,764,246)	(130,085,437)	(140,620,317)
Total	$ 1,428,226,606	1,401,970,860	1,389,242,290

Loans

	2010	2009	2008
Local member jurisdictions (Douglas County)	$ 2,407,693	2,407,693	2,407,693
Total	$ 2,407,693	2,407,693	2,407,693

(Continued)

The outstanding balance of $2.4 million will be repaid to Douglas County in 10 equal payments (noninterest-bearing) starting in 2011.

Economic Factors

Estimates by the Authority's traffic and revenue consultant are shown against actual toll revenue for 2010, 2009, and 2008 in the following tables. The Authority has hired Wilbur Smith Associates to conduct numerous investment grade traffic and revenue studies and updated reviews over the years based on economic conditions and bond refunding transactions. The last traffic and revenue study was completed by Wilbur Smith Associates in 2008 in conjunction with the remarketing of the Series 2007 Bonds, with downward adjustments being made to the 2008 forecast. The 2008 study future forecasts were updated and revised in 2009 by Wilbur Smith with the reissuance of the Series 2009 bonds, and again in 2010 with the reissuance of the Series 2010 bonds. The toll forecasts may differ from the Authority's budget. Those updated toll revenue forecasts are summarized below.

Transactions (Annual Total)

Year	Forecast	Actual	Variance	Percentage variance
2008 (Revised May 2008)	$ 55,009,000	52,080,461	(2,928,539)	(5.32)%
2009 (Revised April 2009)	48,942,000	47,972,713	(969,287)	(1.98)
2010 (Revised September 2010)	50,635,000	51,297,941	662,941	1.31

Toll Operations Revenues (Annual Total)

Year	Forecast	Actual	Variance	Percentage variance
2008 (Revised May 2008)	$ 92,618,000	90,017,985	(2,600,015)	(2.81)%
2009 (Revised April 2009)	96,920,300	95,625,715	(1,294,585)	(1.34)
2010 (Revised September 2010)	95,720,000	99,001,315	3,281,315	3.43

Reserves Management

The Authority maintains a Senior Bonds Debt Service Reserve Fund, an Operating Reserve Fund, and a General Surplus account. The General Surplus account has been divided into four subaccount funds. These are a Senior Bonds Defeasance Fund, a VRF bond Defeasance Fund, a Capital Improvements Fund, and a Rainy Day Fund. At December 31, 2010, all required funds were fully funded as specified in the bond document.

Intergovernmental Tolling Services

The Authority has entered into a series of Intergovernmental Agreements with the Northwest Parkway LLC and High Performance Transportation Enterprise (Colorado Department of Transportation) to provide certain electronic toll collection services. These agreements provide economies of scale for toll collection costs and seamless interoperability for customers using EXpressToll on Colorado toll facilities. As part of the agreements, the Authority collects electronic tolls for the other two facilities and transfers the funds daily to the Northwest Parkway LLC and the High Performance Transportation Enterprise for transactions that occurred on their highways for the previous day. These electronic tolls collected and transferred on behalf of other entities are not included in the basic financial statements.

Future Management Plans

During 2011, the Authority will continue focusing its efforts on improving the LPT process and related collection rates by enhancing its ability to timely identify and bill customers using the toll road. In addition to the LPT process, another stretch of the toll road between the South Platte River and Toll Plaza E near 144th Avenue will undergo a routine pavement overlay. Planning will also begin on a project to update a section of the oldest segment of the toll road in Douglas County between Toll Plaza A and Parker Road. In the area of debt management, the Authority has approximately $72 million put bonds (Series 2007 A-2 and B-2) that are due on September 1, 2011. Plans are underway to restructure those bonds, which may also impact the associated interest rate swaps.

Contacting E-470's Financial Management

This financial report is designed to provide overview information to the Authority's bondholders, customers, and other interested parties. Should you have any questions about this report, contact the E-470 Public Highway Authority's Director of Finance, 22470 E. 6th Parkway, Aurora, Colorado 80018.

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707 Seventeenth Street
Denver, CO 80202-3499

Independent Auditors' Report

The Board of Directors
E-470 Public Highway Authority:

We have audited the accompanying basic financial statements of the E-470 Public Highway Authority (the Authority) as of and for the years ended December 31, 2010 and 2009, as listed in the table of contents. These basic financial statements are the responsibility of the Authority'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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the E-470 Public Highway Authority as of December 31, 2010 and 2009, and the changes in its financial position and its cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles.

As discussed in note 2(k) to the basic financial statements, in 2010, the Authority adopted Governmental Accounting Standards Board (GASB) Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*.

The Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by U.S. generally accepted accounting principles. 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 audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The accompanying supplementary information – revenue covenant is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on it.

KPMG LLP

May 5, 2011

E-470 PUBLIC HIGHWAY AUTHORITY

Statements of Net Deficit

December 31, 2010 and 2009

Assets	2010	2009
Current assets:		
Unrestricted cash and cash equivalents	$ 16,653,405	12,351,265
Unrestricted investments	45,057,999	60,157,355
Restricted cash and cash equivalents for debt service	22,303,264	26,447,246
Restricted investments for debt service	20,220,405	20,517,365
Accrued interest receivable	1,891,564	2,435,565
Accounts receivable, net	6,920,509	7,005,868
Prepaid expenses	322,637	292,579
Total current assets	113,369,783	129,207,243
Noncurrent assets:		
Unrestricted investments	68,524,874	56,790,480
Restricted for debt reserves:		
Cash and cash equivalents	21,992,911	20,571,798
Investments	76,920,981	71,659,234
Total noncurrent unrestricted and restricted assets	167,438,766	149,021,512
Capital assets (net of accumulated depreciation of $346,823,149 in 2010 and $312,994,954 in 2009)	722,770,401	753,981,982
Bond issuance costs (net of accumulated amortization of $28,695,489 in 2010 and $26,819,196 in 2009)	40,398,615	42,528,320
Total noncurrent assets	930,607,782	945,531,814
Total assets	$ 1,043,977,565	1,074,739,057
Liabilities and Net Deficit		
Current liabilities:		
Accounts payable	$ 4,567,715	3,984,566
Unearned toll revenue	6,951,081	7,231,338
Accrued expenses	437,455	437,005
Current portion of revenue bonds payable	39,885,000	43,040,000
Current portion of notes payable	240,769	—
Accrued interest payable	8,005,775	8,392,369
Derivative instruments	176,748	246,486
Total current liabilities	60,264,543	63,331,764
Noncurrent liabilities:		
Revenue bonds payable, net of current portion	1,388,341,606	1,358,930,860
Notes payable	2,166,924	2,407,693
Derivative instruments	30,834,826	27,206,608
Deferred revenue and other long-term liabilities	505,905	929,554
Total noncurrent liabilities	1,421,849,261	1,389,474,715
Total liabilities	1,482,113,804	1,452,806,479
Net deficit:		
Invested in capital assets, net of related debt	(134,983,088)	(112,764,816)
Restricted for debt reserves	32,281,071	34,595,502
Unrestricted	(335,434,222)	(299,898,108)
Total net deficit	(438,136,239)	(378,067,422)
Commitments and contingencies (notes 6, 7, 10, 11 and 12)		
Total liabilities and net deficit	$ 1,043,977,565	1,074,739,057

See accompanying notes to basic financial statements.

E-470 PUBLIC HIGHWAY AUTHORITY

Statements of Revenue, Expenses, and Changes in Net Deficit

Years ended December 31, 2010 and 2009

	2010	2009
Operating revenue – toll operations	$ 99,001,315	95,625,715
Operating expenses:		
Toll road operations	26,747,549	25,690,659
Salaries and benefits	4,958,936	5,035,238
General and administrative	2,075,209	1,835,829
Total operating expenses before depreciation expense	33,781,694	32,561,726
Depreciation expense	33,853,332	34,331,727
Total operating expenses	67,635,026	66,893,453
Operating income	31,366,289	28,732,262
Nonoperating revenue (expenses):		
Vehicle registration fees	8,646,549	8,337,124
Interest expense	(95,419,612)	(102,169,565)
Investment revenues (loss):		
Investment income (loss)	10,840,867	(3,164,004)
Loss on derivative instruments	(17,118,480)	(7,454,682)
Other income	1,615,570	1,277,342
Total nonoperating expenses	(91,435,106)	(103,173,785)
Change in net deficit	(60,068,817)	(74,441,523)
Net deficit, beginning of year	(378,067,422)	(303,625,899)
Net deficit, end of year	$ (438,136,239)	(378,067,422)

See accompanying notes to basic financial statements.

E-470 PUBLIC HIGHWAY AUTHORITY

Statements of Cash Flows

Years ended December 31, 2010 and 2009

		2010	2009
Cash flows from operating activities:			
Receipts of vehicle tolls and toll violations	$	98,583,891	90,485,557
Payments to employees		(4,958,486)	(5,013,439)
Payments to suppliers		(28,269,667)	(25,937,249)
Net cash provided by operating activities		65,355,738	59,534,869
Cash flows from capital and related financing activities:			
Payment of deferred revenue termination and other noncurrent liabilities		(386,292)	285,281
Purchase and construction of capital assets		(3,018,384)	(13,411,676)
Proceeds from sale of capital assets		419,674	69,575
Interest paid		(28,561,301)	(32,075,347)
Principal payments on bonds		(43,040,000)	(37,195,000)
Payment to cash defease principal portion of series 2001 bonds		—	(17,700,000)
Payment of cash to refund/tender related bond series		(97,190,464)	(19,365,000)
Proceeds from refunded/tendered bond series including premium/discount		103,159,318	20,003,649
Payment of bond issuance costs for related bond series		(1,788,308)	(463,564)
Payment to terminate portion of interest rate swap agreements		(13,560,000)	—
Net cash used in capital and related financing activities		(83,965,757)	(99,852,082)
Cash flows from noncapital financing activities:			
Receipts of vehicle registration fees		8,652,163	8,337,124
Other receipts and contributions		1,789,441	3,935,014
Net cash provided by noncapital financing activities		10,441,604	12,272,138
Cash flows from investing activities:			
Proceeds from sales of investments		125,093,272	101,024,241
Purchase of investments		(123,212,906)	(96,576,671)
Interest received		7,867,320	9,462,905
Net cash provided by investing activities		9,747,686	13,910,475
Net increase (decrease) in cash and cash equivalents		1,579,271	(14,134,600)
Cash and cash equivalents, beginning of year		59,370,309	73,504,909
Cash and cash equivalents, end of year	$	60,949,580	59,370,309
Reconciliation of cash and cash equivalents to the statements of net deficit:			
Cash and cash equivalents – current – unrestricted	$	16,653,405	12,351,265
Cash and cash equivalents – current – restricted for debt service		22,303,264	26,447,246
Cash and cash equivalents – noncurrent – restricted for debt reserves		21,992,911	20,571,798
Cash and cash equivalents, end of year	$	60,949,580	59,370,309

(Continued)

E-470 PUBLIC HIGHWAY AUTHORITY

Statements of Cash Flows

Years ended December 31, 2010 and 2009

		2010		2009
Reconciliation of operating income to net cash provided by operating activities:				
Operating income	$	31,366,289		28,732,262
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation		33,853,332		34,331,727
Loss on replacement of capital asset		—		1,760,255
Changes in assets and liabilities:				
Accounts receivable, net (tolls and late fees)		(137,167)		(5,905,689)
Prepaid expenses		(30,058)		(232,579)
Accounts payable		583,149		61,563
Unearned toll revenue		(280,257)		765,531
Accrued expenses		450		21,799
Net cash provided by operating activities	$	65,355,738		59,534,869
Noncash transactions:				
Net gain on disposal of capital assets	$	43,041		58,792
Increase (decrease) in fair value of investments		4,469,883		(10,405,197)
Investment income recorded due to amortization of investment premiums		834,316		915,917
Investment income recorded due to amortization of deferred revenue		37,357		38,344
Interest expense recorded due to bond accretion		58,688,261		57,088,689
Interest expense recorded due to amortization of net bond premiums		938,527		930,199
Interest expense recorded due to amortization of bond issuance costs		1,876,293		2,787,158
Interest expense recorded due to amortization of deferred refunding		7,618,878		9,370,579
Net loss due to deferred refunding on series 2010 bonds tender transaction		(2,041,720)		—
Decrease in fair value of derivative instruments		(3,558,480)		(7,454,682)

See accompanying notes to basic financial statements.

(1) Financial Reporting Entity

The E-470 Authority (the First Authority) is a separate legal entity, created in February 1985, by an intergovernmental agreement among Adams County, Arapahoe County, Douglas County, and the City of Aurora. The purpose of the agreement was to plan, design, and construct the E-470 Highway (the Project). The First Authority did not have the power to incur debt; therefore, Arapahoe County (the County) issued bonds to finance the Project.

In January 1988, the E-470 Public Highway Authority (the Authority) was created by the original members of the First Authority pursuant to Colorado Revised Statutes Title 43, Article 4, Part 5. The Town of Parker, City of Thornton, City of Brighton, and City of Commerce City became participants in the Authority in 1989, 1990, 1991, and 1995, respectively. In February 1989, all rights, privileges, obligations, and liabilities of the First Authority were assigned to the Authority. In the event the Authority is ever dissolved, all rights, privileges, obligations, and liabilities will transfer back to the First Authority. As required by accounting principles generally accepted in the United States of America, the accompanying basic financial statements present the Authority and its component unit, an entity for which the Authority is considered to be financially accountable, as discussed below. The blended component unit, although a legally separate entity, is, in substance, part of the Authority's operations, and therefore, data from this component unit are combined with data of the primary government.

The First Authority is a blended component unit of the Authority; however, it currently has no assets, liabilities, or operations.

In an opinion dated May 15, 1995, the Colorado Supreme Court held that the County had relinquished any control it had over the 1986 Bonds and the alignment of the Project in February 1989 when it executed the Delegation and Substitution Agreement and amendments to the Establishing Contract to that effect. Therefore, the Authority is not a component unit of the County.

Intergovernmental Agreements with Arapahoe County, Colorado

Since its creation, the First Authority was not legally empowered to issue debt; therefore, the County authorized issuance of $722,010,000 of Capital Improvement Trust Fund Highway Revenue Bonds Series 1986A-M. The ultimate objective of this issuance was to remit the proceeds to the Authority for the construction of the Project. In the contract establishing the Authority, the County assigned to the Authority all of the County's rights and privileges with respect to the bonds, and the Authority assumed all of the County's obligations with respect to the bonds. The proceeds of the bond issue were invested and held in trust for the benefit of the owners of the bonds (until the releases as described below). The bonds were generally remarketed every six months.

In February 1989, the Authority released from escrow the Series D bonds in the amount of $63,260,000 to complete construction on the first phase of the highway (Segment I). In consideration of the obligations assumed by the Authority and to assist the Project, the County granted to the Authority all of the County's rights to the excess investment earnings for all bond series. In addition, the Authority agreed to pay all bond administration costs with no financial obligation to the County.

At the August 31, 1995 remarketing of the bonds, the funds remaining were released from escrow to finance the costs associated with the design, acquisition of property, and construction of Segments II and III of the Project. Any bonds that were not remarketed were redeemed on August 31, 1995.

Due to the interrelationship between the County and the Authority in this financing arrangement, all the transactions incurred by the County relating to this financing are included in the accompanying basic financial statements as if they were incurred by the Authority.

(2) Summary of Significant Accounting Policies

(a) Basis of Accounting

The operations of the Authority are accounted for as an enterprise fund. Enterprise funds are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenue is recorded when earned, and expenses are recorded at the time liabilities are incurred. Enterprise funds are used to account for those operations for which the pricing policies of the entity establish fees and charges designed to recover its costs, including capital costs such as depreciation and debt service. The Authority applies all applicable pronouncements, as well as Financial Accounting Standards Board (FASB) pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict Governmental Accounting Standards Board (GASB) pronouncements. The Authority has elected not to apply FASB pronouncements issued after November 30, 1989.

(b) Statements of Cash Flows

The basic financial statements include statements of cash flows showing cash and cash equivalents provided by and used in operating, noncapital and capital financing, and investing activities. The Authority considers all highly liquid instruments purchased with an original maturity of three months or less to be cash equivalents. Cash and cash equivalents may be restricted by the trustee under the master bond agreement.

(c) Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America involves the use of management’s estimates. These estimates are based upon management’s best judgments, after considering past and current events and assumptions about future events. Actual results could differ from those estimates.

(d) Accounts Receivable

The accounts receivable, net balance represents amounts due for customer tolls and any assessed late fees, vehicle registration fees collected by counties and not yet remitted to the Authority, and other miscellaneous receivables from third parties.

With the inception of License Plate Tolling (LPT) in 2009, the Authority began to accrue toll revenue and related receivables within the basic financial statements at the time the customer uses the toll road. In previous periods, revenue was recorded when the cash was collected at the time of service. Within tolls receivables, there are three stages accrued within the basic financial statements: accrued toll revenue (transactions in-process for billing); unbilled toll revenue (transactions assigned to a customer account and are either waiting to be billed or are being collected through a collection law firm); and tolls receivable (transactions that have been billed to a customer and are awaiting payment). Customers are generally billed each month for all toll activity for the previous month and have 30 days to pay, with notices and violations being assessed for delinquent payments. During 2010, new billing processes and charges (late fees and citations) were implemented to improve collection rates for LPT unpaid balances. Starting in June 2010, the Authority began sending second bills with a $5 late fee charged and 30 additional days to pay. Beginning in December 2010, all unpaid toll accounts were sent to a collection law firm where additional fees including civil penalties may be assessed if still unpaid. Also, tolls charged to customers for LPT versus charging an EXpressToll transponder account do vary based on the approved two-tiered toll rates effective January 1, 2009 and continuing in 2010.

Toll receivables are reported net of allowances for uncollectible amounts. An allowance for estimated uncollectible toll receivables is recognized to reduce the gross amount of receivables to its realizable value. The allowance is estimated based on experience of collections in relation to revenues. The allowance is calculated as the historical collection percentage multiplied by the year-end accounts receivable balance.

Vehicle registration fees are collected by Adams, Arapahoe, and Douglas Counties on behalf of the Authority. Each county collects $10 when each car is reregistered annually. They withhold 5% ($0.50) per transaction as a collection fee and the remaining amount is sent to the Authority. The amount accrued as accounts receivable and included within the basic financial statements equals what has been collected by the counties for the previous month but not yet remitted to the Authority. No allowance is recorded for these receivables as the amounts are fully collectible and timely remitted.

(e) Investments

In accordance with authorized investment laws, the Authority’s investments consist primarily of U.S. government agency securities, corporate coupon securities, guaranteed investment contracts, commercial paper, and U.S. Treasury securities. The Authority accounts for the U.S. government agency securities, corporate coupon securities, commercial paper and U.S. Treasury securities at fair value. Fair value is determined from quotable market prices available at year-end. The guaranteed investment contracts cannot be traded and, therefore, are reported using a cost-based measurement. Investments may be restricted by the trustee under the master bond agreement.

(f) Capital Assets

Capital assets have an estimated useful life in excess of one year and an initial cost greater than $5,000 for software, fixtures, and equipment; $50,000 for land improvements; $100,000 for buildings; and $500,000 for infrastructure (roadway, bridges, and ramps).

Capital assets are recorded at historical cost. Costs include not only purchase price or construction cost, but also ancillary charges necessary to place the asset in its intended location and condition for use. Ancillary charges include, but are not limited to, costs such as freight and transportation charges, site preparation expenditures, professional fees, and legal expenses directly attributable to asset acquisition. Donations of capital assets represent facilities, or cash payments for facilities,

(Continued)

received from property owners, governmental agencies, and customers. Donated capital assets are recorded at estimated fair value at the date of transfer.

Capital assets are depreciated using the straight-line method over their estimated useful lives. Those capital assets subject to depreciation have the following useful lives:

Assets	Years
Software	3
Fixtures and equipment	5 – 10
Land improvements	20
Buildings	40
Infrastructure	30

Ongoing construction costs associated with the Authority's highway are capitalized as construction in progress (CIP). As construction is not yet complete, depreciation has not been recorded on these CIP costs. The Authority capitalizes interest on these assets under construction for interest costs on the tax-exempt debt used to finance the assets, reduced by interest earned from investments acquired with the tax-exempt debt proceeds.

(g) Bond Issuance Costs and Premiums and Discounts

Bond issuance costs and bond premiums and discounts are deferred and amortized to interest expense using the effective-interest method over the life of the bonds.

(h) Revenue and Expenses

The Authority's statements of revenue, expenses, and changes in net deficit distinguish between operating and nonoperating revenue and expenses. Operating revenue consists of vehicle tolls and any related violations assessed (late fees, civil penalties or citations) associated with the operation of the Authority's highway, net of related bad debt expense. The Authority recognizes toll operations revenue when earned. Advanced payments received for toll operations revenue are deferred as unearned toll revenue on the statements of net deficit and are recognized as revenue as the customers use the toll road. Operating expenses include costs incurred to provide for maintenance and administration of the highway.

Nonoperating revenue and expenses consist of vehicle registration fees, investment income (loss), derivative instruments gain (loss), interest expense on debt, and other miscellaneous income. Vehicle registration fees are assessed by local counties and remitted to the Authority on a monthly basis net of related administrative costs.

(i) Income Taxes

The income derived by the Authority is exempt from federal income tax under the provisions of Internal Revenue Code Section 115. Accordingly, no provision for the payment or refund of income taxes has been made in the accompanying basic financial statements.

(j) Net Deficit Amounts

Net deficit amounts reported in the Authority's statements of net deficit consist of three categories: net deficit invested in capital assets, net of related debt; restricted net assets; and unrestricted net deficit. Net deficit invested in capital assets, net of related debt, consists of all capital assets, net of accumulated depreciation, reduced by outstanding borrowings and the costs associated with those borrowings, to acquire or construct the capital assets. Restricted net assets consist of net asset amounts that contain externally imposed restrictions on their use and are not available to fund all obligations of the Authority. Unrestricted net deficit is an amount that does not meet the definition of invested in capital assets, net of related debt or restricted net assets (deficit) and includes any accreted portions of bonds payable. These net assets are available to fund any obligation of the Authority.

As of December 31, 2010 and 2009, the Authority had a total net deficit of approximately $438.1 million and $378.1 million, respectively. The Authority primarily plans to fund this net deficit with increased annual growth in toll operations revenues and other nonoperating revenues.

(k) Implementation of Accounting Standards

During 2010, the Authority implemented GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, which was effective for financial statements for periods beginning after June 15, 2009. The standard includes new requirements related to the determination of hedging derivative instruments and the application of accounting and recordation of derivative instruments within the financial statements at fiscal year-end. This standard is applicable to the Authority due to the two 2007 pay-fixed interest rate swaps and the two 2008 offsetting receive-fixed interest rate swaps all related to the 2007 Series bonds. The accounting changes adopted to conform to the provisions of this standard were applied retroactively by restating the prior year basic financial statements, which changed the prior year net deficit by $8,910,534 and other financial line items to be comparative with the current year basic financial statements. See note 7 for further discussion of derivative instruments with the implementation of GASB Statement No. 53.

During 2010, the Authority implemented GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*. The Statement requires all intangible assets not specifically excluded by its scope provisions to be classified as capital assets. Accordingly, existing authoritative guidance related to the accounting and financial reporting for capital assets should be applied to these intangible assets, as applicable. The requirements of GASB No. 51 were effective for financial statements for periods beginning after June 15, 2009. There was no impact on the Authority's basic financial statements as a result of the implementation of GASB Statement No. 51.

(l) Reclassifications

Certain prior year balances have been reclassified to conform to the current year presentation.

(3) Deposits and Investments

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is specified by the PDPA. The PDPA allows the institution to create a single collateral pool for all public funds. The pool is to be maintained by another institution or held in trust for all the uninsured public deposits as a group. The State Regulatory Commission for banks and savings and loan associations is required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools. At December 31, 2010 and 2009, the Authority's cash deposits had a book balance of $60,949,580 and $59,370,309, respectively, and a corresponding bank balance of $61,719,028 and $59,363,410, respectively. The difference between the book and bank balances is due to outstanding checks and deposits not yet processed by the banks. As of December 31, 2010 and 2009, the Authority's book balances are classified as follows:

	2010		
	Deposits	**Investments**	**Total**
Restricted cash and cash equivalents by trustee under bond agreement	$ 44,296,175	—	44,296,175
Unrestricted cash and cash equivalents – undesignated	16,653,405	—	16,653,405
Restricted investments by trustee under bond agreement	—	97,141,386	97,141,386
Unrestricted investments – undesignated	—	113,582,873	113,582,873
	$ 60,949,580	210,724,259	271,673,839

	2009		
	Deposits	**Investments**	**Total**
Restricted cash and cash equivalents by trustee under bond agreement	$ 47,019,044	—	47,019,044
Unrestricted cash and cash equivalents – undesignated	12,351,265	—	12,351,265
Restricted investments by trustee under bond agreement	—	92,176,599	92,176,599
Unrestricted investments – undesignated	—	116,947,835	116,947,835
	$ 59,370,309	209,124,434	268,494,743

The following is a summary of the Authority's investments by type at December 31, 2010 and 2009, at fair value:

		2010	2009
U.S. government agency	$	181,473,388	182,260,487
Guaranteed investment contract		8,471,273	8,471,273
Corporate coupon securities		4,604,919	9,194,481
U.S. Treasury securities		14,502,938	9,198,193
Commercial paper		1,671,741	—
	$	210,724,259	209,124,434

(a) Credit Risk

Although the Authority has separate policy regarding credit risk, it follows Colorado statutes and bond covenants. Colorado statutes specify the following investment instruments that meet defined rating and risk criteria in which local government entities may invest:

- Obligations of the United States and certain U.S. government agency securities
- Certain international investments
- Bonds of certain Colorado government entities
- Bankers' acceptances of certain banks
- Commercial paper with a certain rating
- Written repurchase agreements collateralized by certain authorized securities
- Certain money market mutual funds
- Guaranteed investment contracts
- Local government investment pools

The Authority may invest or deposit any funds in the manner provided by law for political subdivisions of the state. In addition, the Authority may direct a corporate trustee, which holds funds of the Authority to invest or deposit such funds in investments or deposits other than those specified by law for political subdivisions of the state if the board of directors determines, by resolution, that (1) such investment or deposit meets the standard established in the Colorado Revised Statutes, (2) the income is at least comparable to income available on investments or deposits specified by law for political subdivisions of the state, and (3) such investments will assist the Authority in the financing, construction, maintenance, or operation of public highways. The bond documents impose additional restrictions on investments.

(Continued)

The following is a summary of the Authority's investments at December 31, 2010 and 2009 with credit ratings based on the Standard & Poor's and Moody's ratings scale:

	2010	
	Fair value	**Rating**
U.S. government agency:		
Federal Farm Credit Banks (FFCB)	$ 7,948,942	AAA/Aaa
Federal Home Loan Banks (FHLB)	31,079,121	AAA/Aaa
Federal Home Loan Mortgage Corporation (FHLMC)	38,751,097	AAA/Aaa
Federal National Mortgage Association (FNMA)	45,389,698	AAA/Aaa
International Bank for Reconstruction and Development	53,217,000	AAA/Aaa
Student Loan Marketing Association Discount Note	5,087,530	AAA/Aaa
Total U.S. government agency	181,473,388	
U.S. Treasury securities:		
U.S. Treasury notes	4,823,517	AAA/Aaa
U.S. Treasury bills	9,679,421	Not rated
Total U.S. Treasury securities	14,502,938	
Guaranteed investment contract:		
Societe Generale	8,471,273	A+/AA2
Corporate coupon securities:		
Morgan Stanley (FDIC guaranteed)	2,041,356	AAA/Aaa
American Express Bank (FDIC guaranteed)	2,563,563	AAA/Aaa
Total corporate coupon securities	4,604,919	
Commercial paper:		
Societe Generale N America	999,424	A-1/P-1
UBS Finance	672,317	A-1/P-1
Total commercial paper	1,671,741	
Total investments	$ 210,724,259	

	2009	
	Fair value	**Rating**
U.S. government agency:		
Federal Farm Credit Banks (FFCB)	$ 25,116,430	AAA/Aaa
Federal Farm Credit Banks (FFCB) (Floating Rate)	1,499,508	AAA/Aaa
Federal Home Loan Banks (FHLB)	35,896,213	AAA/Aaa
Federal Home Loan Mortgage Corporation (FHLMC)	22,363,608	AAA/Aaa
Federal National Mortgage Association (FNMA)	28,137,931	AAA/Aaa
Federal National Mortgage Association Medium Term Note (FNMAMTN)	15,288,900	AAA/Aaa
International Bank for Reconstruction and Development	49,584,053	AAA/Aaa
Student Loan Marketing Association Discount Note	4,373,844	AAA/Aaa
Total U.S. government agency	182,260,487	
U.S. Treasury security:		
U.S. Treasury note	9,198,193	Not rated
Guaranteed investment contract:		
Societe Generale	8,471,273	A+/AA2
Corporate coupon securities:		
JP Morgan Chase (FDIC guaranteed)	2,549,145	AAA/Aaa
Morgan Stanley (FDIC guaranteed)	2,018,512	AAA/Aaa
Regions Bank (FDIC guaranteed)	2,043,154	AAA/Aaa
American Express Bank (FDIC guaranteed)	2,583,670	AAA/Aaa
Total corporate coupon securities	9,194,481	
Total investments	$ 209,124,434	

U.S. Treasury bills/notes/bonds are guaranteed by the federal government and are, therefore, not subject to credit risk.

(b) Interest Rate Risk

The Authority employs two professional money management firms to manage its investments. The funds are all "laddered" so that investments do not mature all at once. Additionally, 62% and 74% of the investments have maturities of three years or less at December 31, 2010 and 2009, respectively.

(c) Custodial Credit Risk

The Authority has no custodial credit risk as all securities are registered in the name of the Authority and held by a third-party safekeeping agent. All deposits are covered by depository insurance. Investments in money market mutual funds are not exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book entry form.

(d) Concentration of Credit Risk

The Authority places no limit on the amount the Authority may invest in any one issuer. As of December 31, 2010 and 2009, more than 86.1% and 87.2%, respectively, of the Authority's investments are in U.S. government agency investments that are not fully backed by the full faith and credit of the federal government. The investments include Federal Farm Credit Banks (FFCB), Federal Home Loan Banks (FHLB), Federal Home Loan Mortgage Corporation (FHLMC), Federal National Mortgage Association (FNMA), International Bank for Reconstruction and Development, and Student Loan Marketing Association investments.

As of December 31, 2010, the Authority held the following investments:

	Fair value	Less than one year	Between one and two years	Between two and three years	Greater than three years
U.S. government agency	$ 181,473,388	39,125,001	27,936,356	34,667,582	79,744,449
U.S. Treasury note	14,502,938	13,446,827	1,056,111	—	—
Guaranteed investment contract:					
Societe Generale	8,471,273	8,471,273	—	—	—
Corporate coupon securities:					
Morgan Stanley	2,041,356	—	2,041,356	—	—
American Express Bank	2,563,563	2,563,563	—	—	—
Total corporate coupon securities	4,604,919	2,563,563	2,041,356	—	—
Commercial paper:					
Societe Generale N America	999,424	999,424	—	—	—
UBS Finance	672,317	672,317	—	—	—
Total commercial paper	1,671,741	1,671,741	—	—	—
Total investments	$ 210,724,259	65,278,405	31,033,823	34,667,582	79,744,449

As of December 31, 2009, the Authority held the following investments:

	Fair value	Less than one year	Between one and two years	Between two and three years	Greater than three years
U.S. government agency	$ 182,260,487	74,250,572	38,173,738	15,878,280	53,957,897
U.S. Treasury note	9,198,193	9,198,193	—	—	—
Guaranteed investment contract:					
Societe Generale	8,471,273	8,471,273	—	—	—
Corporate coupon securities:					
JP Morgan Chase	2,549,145	2,549,145	—	—	—
Morgan Stanley	2,018,512	—	—	2,018,512	—
Regions Bank	2,043,154	2,043,154	—	—	—
American Express Bank	2,583,670	—	2,583,670	—	—
Total corporate coupon securities	9,194,481	4,592,299	2,583,670	2,018,512	—
Total investments	$ 209,124,434	96,512,337	40,757,408	17,896,792	53,957,897

(4) Accounts Receivable

The following is a summary of accounts receivable balances and related allowance as of December 31, 2010 and 2009:

	2010	2009
Accounts receivable	$ 156,079	372,989
Vehicle registration fees receivable	636,357	641,972
Accrued toll revenue – transactions still processing	1,028,309	3,397,204
Unbilled toll revenue	2,367,251	915,076
Tolls receivable (billed)	4,482,549	2,573,820
Late fee receivable	1,022,140	—
Allowance for uncollectible tolls receivable	(2,049,760)	(895,193)
Allowance for late fee receivable	(722,416)	—
	$ 6,920,509	7,005,868

Due to the LPT process and related late fees in fiscal year 2010, the Authority has approximately $2.77 million in outstanding tolls and late fee receivables at December 31, 2010 that are not expected to be collected within the next fiscal year.

(5) Capital Assets

A summary of changes in capital assets for the years ended December 31, 2010 and 2009 is as follows:

	Balance at January 1, 2010	Increases	Decreases	Transfers	Balance at December 31, 2010
Capital assets not being depreciated:					
Land	$ 111,327,451	—	(376,634)	—	110,950,817
Construction in progress	924,350	3,013,610	—	(3,524,741)	413,219
Total capital assets not being depreciated	112,251,801	3,013,610	(376,634)	(3,524,741)	111,364,036
Depreciable capital assets:					
Infrastructure	899,703,738	3,264	—	—	899,707,002
Buildings	17,890,696	—	—	—	17,890,696
Equipment	22,817,697	2,880,172	(25,144)	—	25,672,725
Software, fixtures, improvements, and other assets	14,313,004	646,087	—	—	14,959,091
Total depreciable capital assets	954,725,135	3,529,523	(25,144)	—	958,229,514
Less accumulated depreciation for:					
Infrastructure	(282,632,208)	(30,137,403)	—	—	(312,769,611)
Buildings	(5,602,738)	(493,566)	—	—	(6,096,304)
Equipment	(13,729,257)	(1,822,938)	25,144	—	(15,527,051)
Software, fixtures, improvements, and other assets	(11,030,751)	(1,399,432)	—	—	(12,430,183)
Total accumulated depreciation	(312,994,954)	(33,853,339)	25,144	—	(346,823,149)
Depreciable capital assets, net	641,730,181	(30,323,816)	—	—	611,406,365
Total capital assets, net	$ 753,981,982	(27,310,206)	(376,634)	(3,524,741)	722,770,401

	Balance at January 1, 2009	Increases	Decreases	Transfers	Balance at December 31, 2009
Capital assets not being depreciated:					
Land	$ 111,327,451	—	—	—	111,327,451
Construction in progress	2,113,278	13,263,424	—	(14,452,352)	924,350
Total capital assets not being depreciated	113,440,729	13,263,424	—	(14,452,352)	112,251,801
Depreciable capital assets:					
Infrastructure	895,378,141	8,896,134	(4,570,537)	—	899,703,738
Buildings	17,890,696	—	—	—	17,890,696
Equipment	19,558,200	3,809,165	(549,668)	—	22,817,697
Software, fixtures, improvements, and other assets	12,417,699	1,895,305	—	—	14,313,004
Total depreciable capital assets	945,244,736	14,600,604	(5,120,205)	—	954,725,135
Less accumulated depreciation for:					
Infrastructure	(255,408,601)	(30,042,982)	2,819,375	—	(282,632,208)
Buildings	(5,109,171)	(493,567)	—	—	(5,602,738)
Equipment	(12,336,618)	(1,928,566)	535,927	—	(13,729,257)
Software, fixtures, improvements, and other assets	(9,158,004)	(1,872,747)	—	—	(11,030,751)
Total accumulated depreciation	(282,012,394)	(34,337,862)	3,355,302	—	(312,994,954)
Depreciable capital assets, net	663,232,342	(19,737,258)	(1,764,903)	—	641,730,181
Total capital assets, net	$ 776,673,071	(6,473,834)	(1,764,903)	(14,452,352)	753,981,982

(6) Revenue Bonds Payable

Revenue bonds payable includes Vehicle Registration Fee (VRF) bonds, current interest bonds (CIB), and capital appreciation bonds (CAB), consisting of new issue and refunding bonds of the Authority. The Authority is committed to repay the bonds and related interest from its revenues and restricted investments. Interest rates for the revenue bonds outstanding at December 31, 2010 and 2009 ranged from 3.00% to 5.75%. The average outstanding interest rate on all outstanding bonds was 4.48% and 4.82% for the years ended December 31, 2010 and 2009, respectively. All bond series' interest due is paid semiannually on March 1st and September 1st, with outstanding revenue bonds payable principal due on September 1st for applicable bond series. The Master Bond Resolution requires that the Authority maintain a Revenue Covenant of at least 1.30 times the aggregate debt service due for the year. For the years ended

December 31, 2010 and 2009, the Authority exceeded the required debt service coverage ratio reporting actual ratios of 1.39 and 1.39, respectively.

The following is a summary of the revenue bonds payable by bond series and type as of December 31, 2010:

Bonds outstanding	Original principal amount	Refunded series (if applicable)	Current maturity dates	Current interest rate/yield ranges	Annual principal/ maturity due ranges
Series 1997 A CIB	$ 441,600,000	1986 Bonds	2012 – 2014	5.75%	$ 6,455,000 – 14,700,000
Series 1997 B CAB	342,217,730	1986 Bonds	2010 – 2026	5.10% – 5.52%	32,180,000 – 44,800,000
Series 2000 B CAB	252,848,750	—	2018 – 2033	6.14% – 6.35%	31,100,000 – 104,200,000
Series 2004 A CAB	76,484,624	2000 B CAB (partial)	2027 – 2036	5.33% – 5.46%	78,425,000 – 78,500,000
Series 2004 B CAB	70,705,810	2000 B CAB (partial)	2027 – 2036	5.60% – 5.72%	23,300,000 – 49,075,000
Series 2004 C CAB	16,680,798	2000 B CAB (partial)	2016 – 2017	5.00%	7,065,000 – 15,000,000
Series 2006 A CIB	53,755,000	2000 A CIB	2014 – 2018	5.00%	2,660,000 – 5,760,000
Series 2006 B CAB	56,932,723	2000 A CIB	2035 – 2039	5.06% – 5.08%	60,000,000 – 70,720,000
Series 2007 A-1 CIB	53,325,000	1997 A CIB (partial)	2010 – 2024	4.00% – 5.50%	75,000 – 5,575,000
Series 2007 A-2 CIB	52,200,000	1997 A CIB (partial)	2026 – 2039	5.00%	10,250,000 – 15,450,000
Series 2007 B-1 CIB	53,325,000	1997 A CIB (partial)	2010 – 2024	4.00% – 5.50%	75,000 – 5,575,000
Series 2007 B-2 CIB	52,200,000	1997 A CIB (partial)	2037 – 2039	5.00%	3,265,000 – 11,125,000
Series 2007 C-1 CIB	53,325,000	1997 A CIB (partial)	2010 – 2024	4.00% – 5.50%	75,000 – 5,575,000
Series 2007 C-2 CIB	52,200,000	1997 A CIB (partial)	2037 – 2039	5.00%	7,125,000 – 11,125,000
Series 2007 D-1 CIB	53,370,000	1997 A CIB (partial)	2010 – 2024	4.00% – 5.50%	75,000 – 5,580,000
Series 2007 D-2 CIB	52,165,000	1997 A CIB (partial)	2026 – 2039	5.00%	5,115,000 – 11,085,000
VRF 2009 CIB	19,365,000	2001 VRF Bonds	2010 – 2018	3.00% – 5.00%	1,395,000 – 2,300,000
Series 2010 A CAB	21,834,746	1997B CAB (partial)	2035 – 2041	7.08% – 7.13%	7,860,000 – 52,385,000
Series 2010 C CIB	81,655,000	2007A-2-D-2 (partial)	2025 – 2026	5.25% – 5.375%	24,180,000 – 57,475,000

The following is an analysis of changes in revenue bonds payable and associated premiums, discounts, and refunding amounts for the years ended December 31, 2010 and 2009:

	Balance at January 1, 2010	Additions	Reductions	Balance at December 31, 2010	Due within one year
Series 1997A CIB	$ 32,520,000	—	—	32,520,000	—
Premium 1997A CIB	607,076	—	147,038	460,038	—
Series 1997B CAB (Principal)	248,952,430	—	29,403,380	219,549,050	15,674,878
Series 1997B CAB (Accretion)	230,945,644	25,381,888	27,860,072	228,467,460	16,505,122
Deferred refunding 1997	(34,726,288)	3,404,425	—	(31,321,863)	—
Series 2000B CAB (Principal)	154,024,296	—	—	154,024,296	—
Series 2000B CAB (Accretion)	125,556,718	17,829,936	—	143,386,654	—
Series 2004A CAB (Principal)	76,484,624	—	—	76,484,624	—
Series 2004A CAB (Accretion)	23,488,293	5,470,844	—	28,959,137	—
Series 2004B CAB (Principal)	70,705,810	—	—	70,705,810	—
Series 2004B CAB (Accretion)	23,005,416	5,401,178	—	28,406,594	—
Senior CAB 2004C (Principal)	16,680,798	—	—	16,680,798	—
Senior CAB 2004C (Accretion)	3,900,190	878,609	—	4,778,799	—
Deferred refunding 2004	(28,547,480)	1,090,986	—	(27,456,494)	—
Premium Series 2004	574,228	—	16,402	557,826	—
Series 2006A CIB	24,105,000	—	—	24,105,000	—
Premium 2006A CIB	1,145,085	—	182,385	962,700	—
Series 2006B CAB (Principal)	56,932,723	—	—	56,932,723	—
Series 2006B CAB (Accretion)	10,164,355	3,446,650	—	13,611,005	—
Deferred refunding 2006	(8,265,373)	322,027	—	(7,943,346)	—
Series 2007 A-1 CIB	51,975,000	—	1,000,000	50,975,000	1,450,000
Series 2007 A-2 CIB	52,200,000	—	4,700,000	47,500,000	—
Series 2007 B-1 CIB	51,975,000	—	1,000,000	50,975,000	1,450,000
Series 2007 B-2 CIB	52,200,000	—	27,135,000	25,065,000	—
Series 2007 C-1 CIB	51,975,000	—	1,000,000	50,975,000	1,450,000
Series 2007 C-2 CIB	52,200,000	—	23,275,000	28,925,000	—
Series 2007 D-1 CIB	52,035,000	—	1,025,000	51,010,000	1,475,000
Series 2007 D-2 CIB	52,165,000	—	15,015,000	37,150,000	—
Premium 2007 A1-D1 CIB	3,609,666	—	392,257	3,217,409	—
Discount 2007 A1-D1 CIB	(102,167)	11,103	—	(91,064)	—
Premium 2007 A2-D2 CIB	2,588,874	—	927,991	1,660,883	—
Deferred refunding 2007	(49,019,529)	10,771,070	—	(38,248,459)	—
Deferred refunding 2008	(18,542,560)	1,087,258	—	(17,455,302)	—
Series VRF 2009 CIB	17,865,000	—	1,830,000	16,035,000	1,880,000
Premium VRF 2009 CIB	593,031	—	132,681	460,350	—
Series 2010A CAB (Principal)	—	21,834,746	—	21,834,746	—
Series 2010A CAB (Accretion)	—	279,156	—	279,156	—
Series 2010C CIB	—	81,655,000	—	81,655,000	—
Discount 2010C CIB	—	3,759	330,428	(326,669)	—
Deferred refunding 2010	—	198,368	17,438,623	(17,240,255)	—
Total	$ 1,401,970,860	179,067,003	152,811,257	1,428,226,606	39,885,000

	Balance at January 1, 2009	Additions	Reductions	Balance at December 31, 2009	Due within one year
Series 1997A CIB	$ 32,520,000	—	—	32,520,000	—
Premium 1997A CIB	793,936	—	186,860	607,076	—
Series 1997B CAB (Principal)	267,156,849	—	18,204,419	248,952,430	19,310,542
Series 1997B CAB (Accretion)	219,772,578	25,913,647	14,740,581	230,945,644	17,874,458
Deferred refunding 1997	(36,809,867)	2,083,579	—	(34,726,288)	—
Series 2000B CAB (Principal)	154,024,296	—	—	154,024,296	—
Series 2000B CAB (Accretion)	108,796,288	16,760,430	—	125,556,718	—
Series VRF 2001 Bonds	37,065,000	—	37,065,000	—	—
Deferred refunding 2001	(2,932,813)	2,932,813	—	—	—
Series 2004A CAB (Principal)	76,484,624	—	—	76,484,624	—
Series 2004A CAB (Accretion)	18,301,348	5,186,945	—	23,488,293	—
Series 2004B CAB (Principal)	70,705,810	—	—	70,705,810	—
Series 2004B CAB (Accretion)	17,898,610	5,106,806	—	23,005,416	—
Senior CAB 2004C (Principal)	16,680,798	—	—	16,680,798	—
Senior CAB 2004C (Accretion)	3,057,579	842,611	—	3,900,190	—
Deferred refunding 2004	(29,638,466)	1,090,986	—	(28,547,480)	—
Premium Series 2004	589,778	—	15,550	574,228	—
Series 2006A CIB	24,105,000	—	—	24,105,000	—
Premium 2006A CIB	1,327,469	—	182,384	1,145,085	—
Series 2006B CAB (Principal)	56,932,723	—	—	56,932,723	—
Series 2006B CAB (Accretion)	6,886,104	3,278,251	—	10,164,355	—
Deferred refunding 2006	(8,587,400)	322,027	—	(8,265,373)	—
Series 2007 A-1 CIB	52,675,000	—	700,000	51,975,000	1,000,000
Series 2007 A-2 CIB	52,200,000	—	—	52,200,000	—
Series 2007 B-1 CIB	52,675,000	—	700,000	51,975,000	1,000,000
Series 2007 B-2 CIB	52,200,000	—	—	52,200,000	—
Series 2007 C-1 CIB	52,675,000	—	700,000	51,975,000	1,000,000
Series 2007 C-2 CIB	52,200,000	—	—	52,200,000	—
Series 2007 D-1 CIB	52,685,000	—	650,000	52,035,000	1,025,000
Series 2007 D-2 CIB	52,165,000	—	—	52,165,000	—
Premium 2007 A1-D1 CIB	4,009,665	—	399,999	3,609,666	—
Discount 2007 A1-D1 CIB	(113,488)	11,321	—	(102,167)	—
Premium 2007 A2-D2 CIB	2,699,981	—	111,107	2,588,874	—
Deferred refunding 2007	(51,960,701)	2,941,172	—	(49,019,529)	—
Deferred refunding 2008	(19,998,411)	1,455,851	—	(18,542,560)	—
Series VRF 2009 CIB	—	19,365,000	1,500,000	17,865,000	1,830,000
Premium VRF 2009 CIB	—	638,649	45,618	593,031	—
Total	$ 1,389,242,290	87,930,088	75,201,518	1,401,970,860	43,040,000

At December 31, 2010, scheduled payments for revenue bonds payable over the next five years and thereafter are as follows:

		Principal	Interest	Total
Year(s) ending December 31:				
2011	$	39,885,000	25,979,975	65,864,975
2012		48,510,000	25,212,771	73,722,771
2013		55,540,000	25,525,490	81,065,490
2014		59,880,000	23,760,659	83,640,659
2015		69,235,000	22,683,034	91,918,034
2016 – 2020		463,265,000	93,433,678	556,698,678
2021 – 2025		533,815,000	64,401,247	598,216,247
2026 – 2030		632,840,000	30,956,671	663,796,671
2031 – 2035		596,190,000	27,157,248	623,347,248
2036 – 2040		542,290,000	15,563,512	557,853,512
2041 – 2045		52,385,000	—	52,385,000
		3,093,835,000	354,674,285	3,448,509,285
Add premiums, net of discounts		6,901,473	—	6,901,473
Less unamortized deferred refunding		(139,665,717)	—	(139,665,717)
Total scheduled payments		2,961,070,756	354,674,285	3,315,745,041
Less future years' accretion		(1,532,844,150)	—	(1,532,844,150)
Total bonds payable	$	1,428,226,606	354,674,285	1,782,900,891

Included in the above principal payment schedule is $1,532,844,150 of expected future year interest accretion on the Senior CAB 1997B bond series, Senior CAB 2000B bond series, Senior CAB 2004A, 2004B, and 2004C bonds series, Senior 2006B bond series, and the Senior 2010A bond series.

The detail of the Authority's revenue bonds payable is as follows:

(a) 1997 Series Bonds

The 1997 Series bonds were issued to refund the Authority's 1986 Series bonds, which were originally issued to finance the construction of the Authority's first three segments of the road.

Senior Current Interest Bonds Series 1997A – These bonds originally consisted of serial bonds ($113,250,000) and term bonds ($328,350,000) totaling $441,600,000. This bond series was partially refunded in 2007 with the original 2007 auction-rate Series Bonds (as described in note 6(f)).

Senior Capital Appreciation Bonds Series 1997B –This bond series was partially refunded in 2010 for a portion of the maturity values totaling $20,078,452 between 2011 and 2015 with the Series 2010A capital appreciation bonds and 2010C current interest bonds (as described in note 6(i)).

Senior Current Interest Bonds Series 1997C – These bonds were originally issued at a par value of $38,470,000. On July 3, 2008, the Authority called (redeemed) the outstanding balance of the 1997C senior current interest bonds of $27,005,000, using funds from the unrestricted Renewal and Replacement and the Senior Bonds Defeasance Fund of the General Surplus account along with a 1% call premium and accrued interest as of the date of redemption. There was no associated gain or loss from the transaction as these bonds were callable.

(b) 2000 Series Bonds

Senior Current Interest Bonds Series 2000A – These bonds were originally issued at a par value of $105,200,000. This bond series was fully refunded in 2006 with the Series 2006A current interest bonds and the 2006B capital appreciation bonds (as described in note 6(e)).

Senior Capital Appreciation Bonds Series 2000B –These bonds were originally issued at a par value of $252,848,750 to finance construction of Segment IV of the toll road. This bond series was partially refunded in 2004 with the 2004 Series Bonds (as described in note 6(d)).

(c) 2001 Series Bonds

The 2001 Vehicle Registration Fee Bonds (2001 VRF bonds) were issued ($46,190,000) to advance refund approximately $45 million of 1995 pledged VRF bonds. The 1995 pledged VRF bonds that were refunded are considered to be defeased and the liability for those bonds has been removed from the Authority's statements of net deficit. The 2001 VRF bonds were issued as variable rate bonds with final maturity in September 2018. On May 1, 2009, the Authority redeemed a portion of the outstanding VRF variable rate bonds ($37,065,000) totaling $17,700,000 and reissued the remaining balance as fixed rate bonds. The $17,700,000 of cash used for the partial redemption of these bonds came from the unrestricted VRF Defeasance Fund of the General Surplus account. The remaining $19,365,000 was reissued as fixed-rate current interest bonds (2009 Series Bonds) with a final maturity on September 1, 2018 (as described in note 6(h)).

As a means to lower its borrowing costs, when compared against fixed rate bonds at the time of issuance of the 2001 VRF bonds, the Authority entered into an interest rate swap with Bear Stearns Financial Products Inc. (counterparty), now known as JP Morgan, with an original notional amount of $37,065,000. Under the swap, the Authority paid the counterparty a fixed payment of 4.11% and received a variable payment computed as the lesser of (a) 67% of the London Interbank Offered Rate (LIBOR) or (b) the actual bond rate. The intention of the swap was to effectively change the Authority's variable interest rate on the bonds to a synthetic fixed rate of 4.11%. The Authority expended approximately $530,000 in interest expense in 2009 related to the swap. Further, as part of the refunding in May 2009, the Authority chose to terminate that swap agreement by paying $2,457,000 from the General Surplus account and recorded the payment as part of interest expense in fiscal year 2009. As the swap was fully terminated prior to December 31, 2009, no derivative instrument was recorded within the basic financial statements as of December 31, 2010 and 2009.

(d) 2004 Series Bonds

On December 22, 2004, the Authority issued $76,484,624 of noncallable capital appreciation bonds (Series 2004A), $70,705,810 callable capital appreciation bonds (Series 2004B), and $16,680,798 noncallable convertible appreciation bonds (Series 2004C) to advance refund certain portions of the outstanding Series 2000B bonds totaling $133,025,304, which includes accreted interest. As a result, the refunded 2000B bonds were defeased in substance (see note 6(j)), and the liability for those bonds has been removed from the Authority's statements of net deficit.

(e) 2006 Series Bonds

On September 21, 2006, the Authority issued $53,755,000 of callable current interest bonds (Series 2006A) and $56,932,723 of callable capital appreciation bonds (Series 2006B) to advance refund the entire outstanding Series 2000A bonds totaling $105,200,000. As a result, the refunded 2000A bonds were considered to be defeased in substance (see note 6(j)), and the liability for those bonds has been removed from the Authority's statements of net deficit. The Authority completed the advance refunding as the first of a two-step process to level off future debt service payments, with step two occurring in 2007 (see note 6(f)).

On November 25, 2008, the Authority cash defeased a portion of the 2006A bonds of approximately $22,605,000 with principal maturities between 2009 and 2014. Approximately $24,955,247 was transferred from the Senior Bonds Debt Service Reserve account to fund an escrow that will continue to pay principal and interest on these bonds as they become due. As the portion of these bonds is defeased (see note 6(j)), the liability has been removed from the Authority's statements of net deficit. Cash became available to fund this transaction when the Authority purchased a $25,000,000 surety policy from MBIA to replace these funds within the Senior Bonds Debt Service Reserve account and to meet the fund requirements as specified in the bond document. The Authority paid a $1,000,000 premium for this surety policy, and is amortizing to September 1, 2039, the date with which the senior bonds debt service refund is no longer required.

(f) 2007 Series Bonds

On June 14, 2007, the Authority issued $105,825,000 of auction-rate bonds (Series 2007A), $105,825,000 of auction-rate bonds (Series 2007B), $105,825,000 of auction-rate bonds (Series 2007C), and $105,865,000 of auction-rate bonds (Series 2007D) to current refund a significant portion of the Series 1997A current interest bonds totaling $409,080,000. As a result, the refunded portion of the 1997A bonds was considered to be defeased in substance, and the liability for those bonds has been removed from the Authority's statements of net deficit. This was the second refunding in a two-step process to level off future debt payments. The 2007 auction-rate Series Bonds were marketed at differing auction periods, and were remarketed in 2008 to fixed rate and term rate bonds (as described in note 6(g)). As a means to hedge its borrowing costs, when compared against fixed rate bonds at the time of issuance of the 2007 auction-rate bonds, the Authority originally entered into three separate interest rate swap agreements with three different counterparties – George K. Baum & Company (GK Baum), JP Morgan Chase Bank, NA (JP Morgan – JP-1) and Morgan Stanley Capital Services, Inc. (Morgan Stanley – MS-1), two of which remain in effect as of December 31, 2010 and 2009 (see note 7).

(g) Remarketing of the 2007 Series Bonds

In May 2008, the Authority remarketed all of the 2007 Series auction-rate bonds (as described in note 6(f)) as fixed rate and term rate bonds. Term rate bonds are bonds that are set at fixed rates until the conversion date, at which time the Authority may change the interest mode or remain as variable rate bonds. The transaction changed the interest mode of the 2007 Series bonds and did not change the annual principal maturities or maturity dates of the original 2007 Series bonds. Because the 2007 Series auction-rate bonds had different auction periods, the conversion occurred over the course of several days in May 2008. On May 27, 2008, the Authority remarketed the Series 2007A auction-rate bonds of $105,525,000 and 2007D auction-rate bonds of $105,535,000 into $53,325,000 of fixed rate bonds (Subseries 2007A-1), $52,200,000 of term rate bonds (Subseries 2007A-2), $53,370,000 of fixed rate bonds (Subseries 2007D-1), and $52,165,000 of term rate bonds (Subseries 2007D-2). On May 28, 2008, the Authority remarketed the Series 2007B auction-rate bonds of $105,525,000 into $53,325,000 of fixed rate bonds (Subseries 2007B-1) and $52,200,000 of term rate bonds (Subseries 2007B-2). On May 30, 2008, the Authority remarketed the 2007C auction-rate bonds of $105,525,000 into $53,325,000 of fixed rate bonds (Subseries 2007C-1) and $52,200,000 of term rate bonds (Subseries 2007C-2). The Subseries 2007A-2 and Subseries 2007B-2 term rate bonds have a conversion date of September 2, 2011, and the Subseries 2007C-2 and Subseries 2007D-2 term rate bonds have a conversion date of September 2, 2013.

As a result of converting the Series 2007 auction-rate bonds into fixed and term rate bonds, the Authority terminated the pay-fixed interest rate swap agreement with GK Baum. Because the swap had a negative fair value on the date of termination, the Authority made a payment of $6,040,550 to GK Baum on May 27, 2008 and recorded the settlement payment within interest expense in 2008. Further, the Authority entered into two additional reversing receive-fixed interest rate swaps with Morgan Stanley (2008 LIBOR swap (MS-2) and 2008 SIFMA (Securities Industry and Financial Markets Association) swap (MS-3)) at the time of the remarketing to offset the effect of the two remaining 2007 pay-fixed interest rate swaps (see note 7).

From June 5, 2007 to May 30, 2008, the two 2007 pay-fixed interest rate swaps with JP Morgan and Morgan Stanley were effectively hedging interest rate risk on the 2007 auction-rate bonds. At the date of remarketing the 2007 bonds from auction-rate bonds to fixed and term rate bonds (May 2008), the negative fair value of the 2007 pay-fixed interest rate swaps was $19,998,411. The Authority is amortizing the effective values deferred from June 5, 2007 to May 30, 2008 as a component of revenue bonds payable (2008 deferred refunding) and interest expense on a straight-line basis, using the combined weighted average notional outstanding for the period. The 2008 deferred refunding balance was $17,455,302 and $18,542,560 as of December 31, 2010 and 2009, respectively, and is expected to fully amortize on September 1, 2039, the final maturity of the 2007 bonds remarketed in 2008.

This bond series was partially refunded in 2010 for a portion (at par value) of the Subseries 2007 A-2 ($4,700,000), 2007 B-2 ($27,135,000), 2007 C-2 ($23,275,000), and 2007 D-2 ($15,015,000) term rate bonds with original maturities in 2025, 2026 and 2037 with the Series 2010 capital appreciation bonds and 2010C current interest bonds (as described in note 6(i)).

(h) 2009 Series Bonds

On May 1, 2009, the Authority issued $19,365,000 of VRF bonds (2009 Series bonds) to current refund the entire remaining outstanding 2001 VRF Series variable rate bonds after redemption of approximately $17,700,000. The net proceeds of $19,365,000 (after payment of $463,564 in underwriting fees, insurance, and other issuance costs) plus a premium of $638,649 were used to defease the entire outstanding 2001 VRF Series Bonds. As a result, the refunded 2001 VRF Series bonds are considered to be defeased in substance, and the liability for those bonds has been removed from the Authority's statements of net deficit.

The refunding eliminates the Authority's exposure to variable rate debt and reduces debt service payments in the years 2010 to and including 2018 by $27,801,454 over the span of the refunding bonds, taking into account the redeemed principal of the 2001 VRF bonds in 2010 of $17,700,000. The refunding resulted in a net present value economic gain of $4,713,937.

(i) 2010 Series Bonds

On October 26, 2010, the Authority issued $21,834,746 of capital appreciation bonds (Series 2010A) and $81,655,000 of current interest bonds (Series 2010C) to purchase (redeem) through the tender invitation in 2010 a portion of the Series 1997B capital appreciation bonds maturing between 2011 and 2015 with a total par and accretion value of $20,078,452, and a portion (at par value) of the Subseries 2007 A-2 ($4,700,000), 2007 B-2 ($27,135,000), 2007 C-2 ($23,275,000), and 2007 D-2 ($15,015,000) term rate bonds with original maturities in 2025, 2026 and 2037. The purpose of the tender was to restructure debt service.

The Authority contributed $10 million from the unrestricted General Surplus account (Senior Bond Defeasance Fund) to the transaction along with approximately $3,560,000 in bond proceeds to partially terminate the notional amounts within the interest rate swaps related to the Subseries 2007 A-2 to D-2 maturities tendered. The swaps affected included the 2007 LIBOR swap (MS-1), 2007 LIBOR swap (JP-1), and the 2008 LIBOR swap (MS-2) for a total net termination payment to the swap counterparties of $13,560,000 (see note 7).

After payment of $1,788,716 in underwriting fees and other issuance costs (with remaining funds to be expended on issuance costs of $84,460) and $13,560,000 used to partially terminate three swap agreements, the net proceeds of $97,726,141 were used to purchase portions of the 1997B capital appreciation bonds and Subseries 2007 A-2 to D-2 term rate bonds and pay the 1% redemption premium and any accrued interest related to the tendered bonds with the new 2010A and 2010C bonds for debt service. As a result, the tendered portions of the 1997B and 2007 A-2 to D-2 bonds liabilities were removed from the Authority's statement of net deficit as of December 31, 2010.

The transaction resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $17,240,254, net of amortization at December 31, 2010. This difference, reported in the accompanying financial statements as a deduction from bonds payable, is being amortized as a component of interest expense through the shorter life of the old and the new debt, which is 2026. The transaction reduces debt service payments in the years 2011 to and including 2024 by $47,313,729; however, it increases debt service payments (net) in the years 2025 to 2041 by $163,000,532, with an overall increase in debt service payments of $21,059,345 over the span of the

2010 bonds. The transaction resulted in a net present value economic loss of $746,684 after consideration of the $10 million of surplus funds used.

(j) Defeased Revenue Bonds

Various bonds previously issued by the Authority have been defeased and, thus, are not reflected as revenue bonds payable in the Authority's statements of net deficit. The Authority has entered into advance refunding transactions whereby bonds were issued to facilitate the defeasance of the Authority's obligations with respect to certain refunded bonds. In these advanced refunding transactions, an escrow agreement was entered into, and a portion of the proceeds was deposited in an escrow account. The deposited amounts, along with interest earnings, are used by the Trustee to pay interest due until redemption. The Authority considers the following refunded bonds to be legally defeased, even though the debt has not actually been paid at this time. The 2000A senior current interest bonds were fully redeemed from the escrow on September 1, 2010, and the 2000B capital appreciation bonds escrow redeemed early a significant portion of the outstanding principal and accretion as of September 1, 2010 at a premium. The following amounts are the unpaid principal balances of the defeased bonds as of December 31, 2010 and 2009:

		Amount	
		2010	**2009**
Senior Capital Appreciation Bonds – 2000B (maturity value)	$	6,600,000	518,400,000
Senior Current Interest Bonds – 2000A		—	105,200,000
Senior Current Interest Bonds – 2006A		14,990,000	18,890,000

(7) Derivative Instruments

The Authority currently has four interest rate swap agreements that are considered investment derivatives under GASB Statement No. 53 as of December 31, 2010 and 2009.

As a means to hedge its borrowing costs, when compared against fixed rate bonds at the time of issuance of the 2007 auction-rate bonds in June 2007, the Authority originally entered into separate pay-fixed, receive floating LIBOR interest rate swap agreements with Morgan Stanley (MS-1) and JP Morgan (JP-1) (formerly known as Bear Stearns). The intention of these two pay-fixed swaps was to effectively change the Authority's variable interest rate on the 2007 bonds to a synthetic fixed rate of 3.832% until final maturity of the bonds in September 2039. The fixed amount and the floating (variable) amounts are to be netted against each other. The payment of one is due only to the extent it exceeds the other on the first day of each month.

As a result of converting the Series 2007 auction-rate bonds into fixed and term rate bonds and the negative fair value of the two pay-fixed 2007 LIBOR interest rate swaps with JP Morgan and Morgan Stanley, two additional reversing receive-fixed, pay floating interest rate swaps were entered into in May 2008 with Morgan Stanley (2008 LIBOR swap (MS-2) and 2008 SIFMA swap (MS-3)) at the time of the remarketing to offset the negative fair value and swap cash flows. The MS-2 interest rate swap is associated with the Subseries 2007A-2, B-2, C-2, and D-2 term rate bonds callable in September 2013, while the MS-3 interest rate swap is associated with the Subseries 2007A-1, B-1, C-1, and D-1 fixed rate bonds with final maturities in September 2024. For both 2008 swaps, the floating rate reset date is the effective date and every Thursday thereafter. The fixed amount and the variable amounts are to be netted against each other, and the payment of one is due only to the extent it exceeds the other on the first day of each month.

In October 2010, the Authority issued the 2010 Series bonds and used approximately $3,560,000 from the 2010 bond proceeds in addition to the contribution of $10 million from unrestricted surplus funds to partially terminate the notional amounts within the interest rate swaps related to the Subseries 2007 A-2 to D-2 maturities tendered. The swap termination cash flows included the Authority paying Morgan Stanley $5,350,000, of which $8,300,000 related to the 2007 LIBOR swap (MS-1) owed by the Authority and $2,950,000 related to the 2008 LIBOR swap (MS-2) owed to the Authority, as well as the Authority paying JP Morgan $8,210,000 related to the 2007 LIBOR swap (JP-1) for a total net swap termination payment of $13,560,000. The net swap termination is reflected within investment revenues – loss on derivative instruments on the statement of revenues, expenses, and changes in net deficit for the year ended December 31, 2010. The reduction (unwind) of the swap notional amounts on the date of the swap terminations of the MS-1, MS-2 and JP-1 swaps was $35,062,500, $70,125,000 and $35,062,500, respectively.

The following table provides a summary of the Authority's investment derivative interest rate swaps as of December 31, 2010:

	Original notional amount	Current notional amount	Effective date	Maturity date	Terms	Counterparty
2007 LIBOR swap (JP-1)	$ 155,252,500	120,190,000	6/14/2007	9/01/2039	Pay 3.832%; receive 67% one month LIBOR	JP Morgan
2007 LIBOR swap (MS-1)	155,252,500	120,190,000	6/14/2007	9/01/2039	Pay 3.832%; receive 67% one month LIBOR	Morgan Stanley
Total notional amounts for pay-fixed swaps	$ 310,505,000	240,380,000				
2008 LIBOR swap (MS-2)	$ 208,765,000	138,640,000	5/30/2008	9/01/2013	Receive 2.6185%; pay 67% one month LIBOR	Morgan Stanley
2008 SIFMA swap (MS-3)	101,740,000	101,740,000	5/30/2008	9/01/2024	Receive 3.518%; pay SIFMA index	Morgan Stanley
Total notional amounts for receive-fixed swaps	$ 310,505,000	240,380,000				

The fair values of the interest rate swap derivatives are provided to the Authority from the swap counterparties using valuation dates consistent with the Authority's reporting period. The Authority values the interest rate swap derivatives based on the swaps monthly quoted market prices from its counterparties, and has subscribed to an independent monitoring service to assist in the review of the monthly cash flows and fair market valuations received. The fair values are based on the notional amounts outstanding and swap reference rate, and are estimated based on the present value of their estimated future cash flows.

The fair values and notional amounts of derivative instruments outstanding at December 31, 2010, classified by type, and changes in fair value of such derivative instruments for the year then ended as reported in the basic financial statements are as follows:

		2010 Changes in fair value		Fair value at December 31, 2010	
		Classification	**Amount**	**Classification**	**Amount**
Investment derivative instruments:					
JP-1	Pay-fixed interest rate swap	Derivative loss	$ (1,583,265)	Derivative instruments	$ (20,857,730)
MS-1	Pay-fixed interest rate swap	Derivative loss	(1,583,300)	Derivative instruments	(20,858,770)
MS-2	Receive-fixed interest rate swap	Derivative loss	(2,687,173)	Derivative instruments	4,768,347
MS-3	Receive-fixed interest rate swap	Derivative gain	2,295,258	Derivative instruments	5,936,579
	Net change in fair value		(3,558,480)		
	Swap settlement payments (net)		(13,560,000)		
		Investment revenues: Derivative loss	$ (17,118,480)	Liabilities: Derivative instruments	$ (31,011,574)

Credit Risk

Credit risk can be measured by actual market value exposure or theoretical exposure. When the fair value of any swap has a positive fair market value, then the Authority is exposed to the actual risk that the counterparty will not fulfill its obligations. As of December 31, 2010, the Authority has credit risk on the two 2008 swaps (MS-2 and MS-3) as shown in the table below:

		Fair value at December 31, 2010
MS-2	Receive-fixed interest rate swap	$ 4,768,347
MS-3	Receive-fixed interest rate swap	5,936,579
	Total positive fair market value	$ 10,704,926

(Continued)

Under the swap agreements, the counterparties (JP Morgan and Morgan Stanley) are required to maintain credit quality ratings of Aa3 by Moody's and AA- by Standard & Poor's. As of December 31, 2010, the counterparties had the following ratings from Moody's, Standard and Poor's (S&P), and Fitch:

Counterparty	Moody's	S&P	Fitch
JP Morgan	Aa1	AA-	AA-
Morgan Stanley	A2	A	A

Since Morgan Stanley is currently rated lower than their required rating, the Authority can require that Morgan Stanley post collateral at any time when the aggregate fair market value of the three Morgan Stanley swaps is an asset to the Authority. The Authority monitors its fair market value and the ratings on its counterparties regularly to determine if credit risk is a concern. The Authority has not calculated theoretical credit exposure on its swaps. There is no master netting agreement between the Authority and either counterparty.

Interest Rate Risk

Interest rate risk exists if the investment derivative exposes the Authority to interest rate risk. Each of the four investment derivatives exposes the Authority to interest rate risk because changes in interest rates will affect the fair market value of each of the investment derivatives. As variable LIBOR and SIFMA rates increase or decrease, the amount of each net settlement changes resulting in potentially dramatic changes in fair market value from period to period. Since the Authority has two investment derivatives that are receive-variable payments and two offsetting investment derivatives that are pay-variable payments, the interest rate risk is mitigated overall. The following table shows the impact of a 25 basis point (0.25%) increase and decrease in related rates in a parallel yield curve shift for each outstanding investment derivative:

			Sensitivity of investment derivatives to changes in interest rates		
			Fair value at December 31, 2010	**Interest rates up 25 basis points**	**Interest rates down 25 basis points**
JP-1	Receive-variable (LIBOR) swap	$	(20,857,730)	(16,835,405)	(24,880,055)
MS-1	Receive-variable (LIBOR) swap		(20,858,770)	(16,836,448)	(24,881,092)
MS-2	Pay-variable (LIBOR) swap		4,768,347	4,207,686	5,329,008
MS-3	Pay-variable (SIFMA) swap		5,936,579	3,377,001	8,496,157
		$	(31,011,574)	(26,087,166)	(35,935,982)

Foreign Currency Risk

All of the interest rate swaps are denominated in U.S. dollars; therefore, the Authority is not exposed to foreign currency risk.

Contingent Features

The Authority or counterparty may terminate the swap if the other party fails to perform under the terms of the swap contract or any credit support agreement. In such cases, the Authority may owe or be due a termination payment depending on the fair market value of the interest rate swap at that time. The termination payment due to the counterparty or from the counterparty may not be equal to the fair market value. A termination of any interest rate swap may automatically occur due to cross default, bankruptcy, merger and other defined events found in the swap agreements. Termination risk is a contingent feature of the investment derivatives and is described below. The Authority is not required to post collateral under its swap agreements.

Termination Risk: The 2007 LIBOR interest rate swap agreements (JP-1 & MS-1) expire on September 1, 2039. Both agreements are subject to early termination by the parties in certain specified events. These events include events of default; a failure by the swap insurer (MBIA) to maintain specified financial strength, claims paying ability, or equivalent ratings; and other ratings of the Authority and swap counterparty falling below the specified ratings in the swap agreements. No early termination events were triggered as of December 31, 2010. MBIA's financial strength and claims paying ability ratings have been downgraded to B by Standard & Poor's; however, it does not cause automatic termination and settlement of the swaps alone. The Authority's underlying senior bond rating would have to go below BBB- by Standard & Poor's or Baa3 by Moody's to cause a termination event. As of December 31, 2010, the Authority's underlying senior bond rating was BBB- by Standard & Poor's and Baa2 by Moody's. If the swap agreements had an unscheduled ending, any associated termination payments would not impact the Authority's asset/liability strategy as the Authority holds approximately $130.2 million in unrestricted surplus funds at year-end. In addition, the Authority has the ability to exercise, at its sole discretion, early termination of the swap agreements at a mutually agreed-upon price for any reason.

Termination Risk: The 2008 LIBOR swap agreement with Morgan Stanley (MS-2) has a termination date of September 1, 2013, and the 2008 SIFMA swap agreement with Morgan Stanley (MS-3) has a termination date of September 1, 2024. Both agreements are subject to early termination by the parties in certain specified events. These events include events of default; a failure by the swap insurer (MBIA) to maintain specified financial strength, claims paying ability, or equivalent ratings; and other ratings of the Authority and swap counterparty falling below the specified ratings in the swap agreements. No early termination events were triggered as of December 31, 2010. MBIA's financial strength and claims paying ability ratings have been downgraded to B by Standard & Poor's; however, it does not cause automatic termination and settlement of the swaps alone. The Authority's underlying senior bond rating would have to go below BBB- by Standard & Poor's or Baa3 by Moody's to cause a termination event. As of December 31, 2010, the Authority's underlying senior bond rating was BBB- by Standard & Poor's and Baa2 by Moody's. If the swap agreements had an unscheduled ending, any associated termination payments would not impact the Authority's asset/liability strategy as the Authority holds approximately $130.2 million in unrestricted surplus funds at year-end. In addition, the Authority has the ability to exercise, at its sole discretion, early termination of the swap agreements for any reason.

(8) Notes Payable

The following is an analysis of changes in notes payable for the years ended December 31, 2010 and 2009:

	Balance at January 1, 2010	Additions	Reductions	Balance at December 31, 2010	Due within one year
Other intergovernmental agreements	$ 2,407,693	—	—	2,407,693	240,769
Total	$ 2,407,693	—	—	2,407,693	240,769

	Balance at January 1, 2009	Additions	Reductions	Balance at December 31, 2009	Due within one year
Other intergovernmental agreements	$ 2,407,693	—	—	2,407,693	—
Total	$ 2,407,693	—	—	2,407,693	—

At the beginning of 2008, an intergovernmental agreement for $2,407,693 remained outstanding with Douglas County for the Jamaica interchange construction loan. The remaining balance of $2,407,693 will be repaid to Douglas County in 10 equal payments starting in 2011.

(9) Deferred Revenue and Other Long-Term Liabilities

The following is an analysis of changes in deferred revenue for the years ended December 31, 2010 and 2009:

Balance at January 1, 2010	Additions	Reductions	Balance at December 31, 2010	Due within one year
$ 639,059	—	185,357	453,702	—

Balance at January 1, 2009	Additions	Reductions	Balance at December 31, 2009	Due within one year
$ 677,403	—	38,344	639,059	—

Under the Master Bond Resolution and Supplemental Bond Resolutions, the Authority is required to make scheduled payments with respect to Senior Bonds by depositing certain moneys into the Senior Bonds Debt Service Account held by the Trustee. The Authority has deemed the reinvestment of these funds for a period prior to the required payment date to be desirable. To facilitate the reinvestment, the Authority entered into a Debt Service Forward Delivery Agreement in December 1997 with U.S. Bank National

Association and Lehman Brothers Special Financing Inc. (LBSF). Under the terms of the original agreement in 1997, LBSF agreed to pay a facility fee of $11,250,000 for the opportunity to use the funds to invest in qualified securities. The agreement provides for the appropriate amounts to be available as needed for scheduled debt service payments.

During 2007 and 2008, the Authority refunded and redeemed a portion of the Series 1997A and 1997C current interest bonds, respectively. By refunding and redeeming these bonds, the Authority no longer had a requirement to deposit interest and principal into the Senior Bonds Debt Service Account in the amount that was agreed upon when entering into the Debt Service Forward Delivery Agreement with LBSF. Partial termination payments were made to LBSF in 2007 ($6.5 million) and 2008 ($334,000). In 2010, the Authority tendered a portion of the remaining 1997B capital appreciation bonds ($20.1 million); thus, the Authority no longer has a requirement to deposit interest and principal into the Senior Bonds Debt Service Account in the amount that was agreed upon when entering into the Debt Service Forward Delivery Agreement with LBSF. A partial termination payment was made in November 2010 in the amount of $148,000. The remaining amount of deferred revenue will be amortized over the life of the remaining 1997A and 1997B bonds. The balance of deferred revenue at December 31, 2010 and 2009 is $453,702 and $639,059, respectively.

Other long-term liabilities at December 31, 2010 included the arbitrage rebate liability to the Authority. The Internal Revenue Code and arbitrage rebate regulations issued by the Internal Revenue Service require rebate to the federal government of excess investment earnings on tax-exempt debt proceeds if the yield on those earnings exceeds the effective yield on the related tax-exempt debt issued. Excess earnings must be rebated every five years or upon maturity of the debt, whichever is earlier. The Authority had a liability of $52,203 and $290,495 as of December 31, 2010 and 2009, respectively.

(10) Commitments and Contingencies

(a) Tax, Spending, and Debt Limitations

In November 1992, the voters of Colorado approved Amendment 1, referred to as the Taxpayers Bill of Rights (TABOR), which added a new Section 20 to Article X of the Colorado Constitution. TABOR contains tax, spending, revenue, and debt limitations that apply to the state of Colorado and all local governments. Enterprises, defined as government-owned businesses authorized to issue revenue bonds and receiving less than 10% of annual revenue in grants from all state and local governments combined, are excluded from the provisions of TABOR. The Authority's operations qualify for this exclusion.

(b) Risk Management

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors or omissions; injuries to employees; and natural disasters. The Authority maintains commercial insurance for most risks of loss. Claims, expenses, and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. At December 31, 2010 and 2009, no amounts have been recorded for pending or future claims. Further, claims have not exceeded insurance limits for each of the past three years.

(11) Litigation

The Authority is from time to time involved in various legal proceedings characterized as normally incidental to the business of the Authority. Management does not believe that the outcome of any legal proceedings will have a materially adverse impact on the financial position or results of operations of the Authority.

(12) Retirement Plans

In lieu of Social Security, the Authority contributes 6.2% of all compensation for regular employees to a retirement plan, up to the maximum Federal Insurance Contributions Act (FICA) base level of $106,800 and $106,800 in 2010 and 2009, respectively, for a maximum contribution of $6,622 and $6,622 for 2010 and 2009, respectively. Plan members are also required to contribute 6.2% of their annual covered salary. The plan is a defined contribution plan administered by ICMA Retirement Corporation. Plan provisions and contribution requirements are established and can be amended by the Authority’s board of directors. The Authority and its employees each contributed $203,530 and $214,159, respectively, to this plan in 2010 and 2009. Employees are immediately vested.

In addition, the Authority contributes to a 401(a) Retirement Plan covering 10% of all compensation for regular employees. Employees are not allowed to make contributions to the plan. The plan is a defined contribution plan administered by ICMA Retirement Corporation. Plan provisions and contribution requirements are established and can be amended by the Authority’s board of directors. Employees are 50% vested at the date of hire and 100% vested after one year of service. The Authority contributed $355,844 and $372,361 to this plan in 2010 and 2009, respectively.

E-470 PUBLIC HIGHWAY AUTHORITY

Supplementary Information (Unaudited)

Revenue Covenant

For the year ended December 31, 2010

Section 7.18 of the Master Bond Resolution, titled "Revenue Covenant," requires that there shall be sufficient revenues (as defined) collected, after the provision for the payment of operating expenses (as defined), to produce net income at least 1.30 times the aggregate senior debt service due for the year. For purposes of this provision, revenues and aggregate senior debt service in a fiscal year are to be reduced by the aggregate debt service due and paid from the VRF Debt Service Fund in such fiscal year on the 2009 VRF Series Bonds. The year ended December 31, 2002 was the first fiscal year the revenue covenant was applicable, and such covenant is applicable to all subsequent years through the payment of the Senior Bonds.

For the years ended December 31, 2010 and 2009, the Authority exceeded the required debt service coverage ratio reporting actual ratios of 1.39 and 1.39, respectively. Below is the calculation for the year ended December 31, 2010:

Revenue:		
Tolls	$	99,001,315
Vehicle registration fees		8,646,549
Unrestricted investment income		7,360,676
Other income		1,334,237
Total revenue		116,342,777
Less operating expenses before depreciation, net of renewal and replacement expenses		(27,369,509)
Net revenue		88,973,268
Less vehicle registration fee bonds aggregate debt service due and paid from the VRF Debt Service Fund during the year		(311,162)
Net income available for senior debt service	$	88,662,106
Aggregate senior debt service due during the year	$	63,744,083
Senior debt service coverage ratio		1.39

The following is a summary description of key terminology of terms identified in the Master Bond Resolution. Please refer to the Master Bond Resolution for a complete description and additional clarification of the below terms.

Revenue: As defined by the Master Bond Resolution, revenue comprises amounts received by the Authority from fees, tolls, rates, and charges for the privilege of traveling on the E-470 highway project. Revenues also include all other amounts derived from or in respect of the ownership or operation of the highway project, which constitute revenues in accordance with generally accepted accounting principles, including accrued toll revenues. Revenues also include vehicle registration fees and other amounts derived from the E-470 highway project, as defined in the Master Bond Resolution. Revenues do not include investment income that is externally restricted by credit agreements for purposes other than senior debt service. Revenues also do not include investment income that is noncash in nature, such as unrealized gains (losses), premiums, and discounts.

E-470 PUBLIC HIGHWAY AUTHORITY

Supplementary Information (Unaudited)

Revenue Covenant

For the year ended December 31, 2010

The following is a reconciliation of investment income reported in the audited basic financial statements of the Authority for the year ended December 31, 2010 to unrestricted investment income available for senior debt service.

Investment income per the basic financial statements	$	10,840,867
Less increase in fair value of investments		(4,469,883)
Add:		
Unamortized investment premium		834,316
Loss on investments		155,376
Unrestricted investment income	$	7,360,676

The following is a reconciliation of other income reported in the audited basic financial statements of the Authority for the year ended December 31, 2010 to other income available for senior debt service.

Other income per the basic financial statements	$	1,615,570
Less:		
Arbitrage rebate		(238,292)
Gain on sale of capital assets		(43,041)
Other income	$	1,334,237

Operating Expense: As defined by the Master Bond Resolution, operating expenses are amounts expended for the operation, maintenance, repair, and any other current expenses or obligations required to be paid by the Authority directly attributable to the operation of the E-470 highway project. Operating expenses do not include depreciation expense, interest for debt service, or expenses associated with the renewal and replacement accounts established under the Master Bond Resolution. Per the Master Bond Resolution, renewal and replacement expenses are to be funded after senior debt service.

The following is a reconciliation of operating expenses before depreciation expense reported in the audited basic financial statements of the Authority for the year ended December 31, 2010 to operating expenses before depreciation expense, net of nonoperating fund expenses, included in the revenue covenant calculation.

Operating expenses before depreciation and interest per the audited basic financial statements	$	33,781,694
Less renewal and replacement expenses and other activity		(6,412,185)
Operating expenses before depreciation expense, net of nonoperating fund expenses	$	27,369,509

E-470 PUBLIC HIGHWAY AUTHORITY

Supplementary Information (Unaudited)

Revenue Covenant

For the year ended December 31, 2010

VRF Bonds Aggregate Debt Service: VRF bonds aggregate debt service is the aggregate debt service due and paid from the VRF Debt Service Fund for the year ended December 31, 2010 on the 2009 VRF Series Bonds. VRF bonds aggregate debt service excludes the principal ($1,830,000) and interest ($329,463) due on September 1, 2010 from the surplus account as specified in the Master Bond Resolution.

Aggregate Senior Debt Service Due: For the year ended December 31, 2010, aggregate senior debt service due is all principal and interest due on outstanding senior bonds, which includes senior bond Series 1997A, 1997B, 2006A, 2007A-1, 2007A-2, 2007B-1, 2007B-2, 2007C-1, 2007C-2, 2007D-1, and 2007D-2. Aggregate senior debt service due excludes principal and interest on the 2009 VRF Series Bonds and approximately $5 million of debt service due from the general surplus account for a portion of the Series 1997B bonds as specified in the Master Bond Resolution.

Senior Debt Service Coverage Ratio: Senior debt service coverage ratio is the ratio of net income available for senior debt service to aggregate service debt service due during the fiscal year.