

***KANSAS TURNPIKE AUTHORITY***  
FINANCIAL STATEMENTS  
WITH SUPPLEMENTARY INFORMATION  
YEARS ENDED DECEMBER 31, 2012 AND 2011  
WITH  
INDEPENDENT AUDITORS' REPORT

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# KANSAS TURNPIKE AUTHORITY

## FINANCIAL STATEMENTS

Years Ended December 31, 2012 and 2011

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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
**Kansas Turnpike Authority**

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the Kansas Turnpike Authority as of and for the years ended December 31, 2012 and 2011, and the related notes to the financial statements, which collectively comprise the Turnpike's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and the fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditors' Responsibility**

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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

## **Basis for Qualified Opinion**

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

## **Qualified Opinion**

In our opinion, except for the effects of the Exceptions as described in the Basis for Qualified Opinion paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the Kansas Turnpike Authority as of December 31, 2012 and 2011, and its changes in financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis and required supplementary information listed on the table of contents be presented to supplement the basic financial statements. Such information, although not part of the of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Supplementary and Other Information*

Our audit was conducted for the purpose of forming an opinion on the basic financial statements as a whole. The supplementary information listed on the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, except for the effects of the accounting methods discussed in Basis for Qualified Opinion paragraph, the information is fairly stated in all material respects in relation to the financial statements as a whole.

The statistical data listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

*Allen, Gibbs & Houlik, L.C.*  
CERTIFIED PUBLIC ACCOUNTANTS

February 27, 2013  
Wichita, Kansas

# KANSAS TURNPIKE AUTHORITY

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of The Kansas Turnpike Authority's (KTA or Turnpike) financial performance provides an overview of the Turnpike's financial activities for the fiscal year ended December 31, 2012. Please read it in conjunction with the Turnpike's financial statements and associated footnotes.

The Turnpike uses a basis of accounting in accordance with its interpretation of the Kansas statutes and the 2009 First Amended and Restated Trust Indenture, which differs from generally accepted accounting principles. See Note 1 to the financial statements for an explanation of these differences.

#### **Financial Highlights**

- The Turnpike's net position increased in 2012 by approximately \$27.1 million or 6.3% compared to 2011.
- Operating income increased by approximately \$11.7 million or 44.7% in 2012 compared to 2011.
- Long term debt decreased by approximately \$9.5 million or 3.6% in 2012 compared to 2011.

#### **Auditors' Report**

The independent auditors' report provides a qualified opinion for a variety of reasons, including our recognition of depreciation and our procedures for capitalization of the costs of improvements and replacements. These differences were first noted by our independent auditors in our 1977 audit report, although the exceptions did not result in a qualified opinion until 1989.

Historically, depreciation has been excluded from our expenses in our bond trust indentures, starting in 1954. Consistently, as defined in the Turnpike's current governing indenture, depreciation and amortization are specifically items that are "not included" in Operating Expenses.

#### **Using this Annual Report**

This discussion and analysis is intended to serve as an introduction to the KTA's financial statements, which are comprised of the basic financial statements and the notes to the financial statements and supplementary information presented. Since the KTA operates like a single enterprise fund, fund level financial statements are only shown as supplementary information.

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

# KANSAS TURNPIKE AUTHORITY

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### **The Balance Sheet and Statement of Revenues, Expenses, and Change in Net Position**

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

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

### **The Statement of Cash Flows**

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

### **Notes to the Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

### **Other Information**

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

# KANSAS TURNPIKE AUTHORITY

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### The Turnpike's Balance Sheet

The Turnpike's net position is the difference between its assets and liabilities reported in the Balance Sheet. The Turnpike's net position increased in 2012 by approximately \$27.1 million (6.3%).

<b><u>ASSETS</u></b>			
	<b><u>2012</u></b>	<b><u>2011</u></b>	<b><u>2010</u></b>
Cash and cash equivalents	\$ <b>29,277,472</b>	\$ 34,997,507	\$ 22,756,759
Short-term investments	<b>65,184,838</b>	56,102,924	94,381,006
Accounts receivable	<b>848,451</b>	782,020	783,179
Other current assets	<b>7,947,270</b>	3,994,103	4,114,450
Capital assets	<b>582,015,672</b>	581,750,018	566,147,160
Other noncurrent assets	<b>57,773,894</b>	45,718,159	31,185,818
<b>Total Assets</b>	<b><u>743,047,597</u></b>	<u>723,344,731</u>	<u>719,368,372</u>
<b><u>LIABILITIES</u></b>			
Current liabilities	<b>24,079,333</b>	23,351,472	23,591,579
Long-term debt outstanding	<b>254,935,000</b>	264,415,000	275,755,000
Bond premium	<b>8,592,202</b>	5,323,621	5,656,347
Deferred refunding	<b>(6,617,257)</b>	(4,560,388)	(5,320,453)
Other long-term liabilities	<b>2,741,524</b>	2,688,251	2,391,529
<b>Total liabilities</b>	<b><u>283,730,802</u></b>	<u>291,217,956</u>	<u>302,074,002</u>
<b><u>NET POSITION</u></b>			
Net investment in capital assets	<b>299,876,509</b>	315,028,260	302,093,775
Restricted - expendable for debt service	<b>37,863,101</b>	30,291,235	32,368,707
Unrestricted	<b>121,577,185</b>	86,807,280	82,831,888
<b>Total net position</b>	<b><u>\$ 459,316,795</u></b>	<u>\$ 432,126,775</u>	<u>\$ 417,294,370</u>

Net position may serve, over time, as a useful indicator of an organization's financial position. In the case of the KTA, assets exceeded liabilities by \$459,316,795 at the close of the most recent year.

Unrestricted net position increased from \$86,807,280 at December 31, 2011, to \$121,577,185 at December 31, 2012, an increase of \$34,769,905 (40.1%) in unrestricted net position. The Turnpike's unrestricted resources are designated for future bridge and bridge deck replacements and other identified capital replacement and improvement requirements.

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

# KANSAS TURNPIKE AUTHORITY

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The KTA's assets are normally only capitalized if the source of funding to purchase or construct the asset is bond proceeds. Further, no depreciation is calculated for the KTA's capital assets because depreciation expense is excluded from operating expenses as defined in the Bond Trust Indenture. The KTA's capital assets are regularly inspected by independent consultants. If repairs or replacements of capital assets are warranted, these repairs or replacements may be completed either with or without the use of bond proceeds.

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

In 2012, the Turnpike's net position increased by approximately \$27.1 million, as shown in the table below.

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

	<b>CHANGES IN NET POSITION</b>		
	<u>2012</u>	<u>2011</u>	<u>2010</u>
<b>Operating Revenues</b>			
Tolls	\$ 87,568,437	\$ 84,363,407	\$ 84,586,174
Concessionaire rentals	3,753,178	3,627,507	3,620,783
Miscellaneous	1,547,930	2,320,559	2,469,135
	<u>92,869,545</u>	<u>90,311,473</u>	<u>90,676,092</u>
<b>Operating Expenses</b>			
Administration	7,042,388	6,810,088	6,481,177
Insurance	7,855,063	7,173,516	7,328,581
Toll collection	10,433,361	10,624,297	10,853,635
Patrol	6,151,294	5,346,352	5,344,128
Maintenance	8,798,322	8,958,452	8,430,336
Cost of improvements, major repairs and replacements	14,502,976	25,076,764	25,852,366
	<u>54,783,404</u>	<u>63,989,469</u>	<u>64,290,223</u>
<b>Operating Income</b>	<u>38,086,141</u>	<u>26,322,004</u>	<u>26,385,869</u>
<b>Nonoperating Revenues (Expenses)</b>			
Investment revenue	994,806	1,533,442	2,605,228
Interest on long-term debt	(13,697,174)	(14,829,288)	(14,265,606)
Interest expense subsidy	1,806,247	1,806,247	2,016,975
Contributed capital	--	--	262,938
	<u>(10,896,121)</u>	<u>(11,489,599)</u>	<u>(9,380,465)</u>
<b>Increase in net position</b>	<u>\$ 27,190,020</u>	<u>\$ 14,832,405</u>	<u>\$ 17,005,404</u>

# KANSAS TURNPIKE AUTHORITY

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### **Operating Income**

The first component of the overall change in the Turnpike's net position is its operating income – generally, the difference between net toll revenue and the expenses incurred to maintain and patrol the road and collect that revenue. In 2012, the Turnpike reported operating income, which is consistent with the majority of the Turnpike's operating history.

Toll revenue increased almost 3.8% between 2011 and 2012. The Turnpike's utilization statistics indicate that overall traffic has increased more than 6% in 2012 compared to 2011. Passenger car traffic made up most of the increase, while the number of Commercial Vehicles was virtually unchanged compared to 2011. The KTAG program continued its expansion. Over 49% of vehicles traveling the Turnpike in 2012 used the KTAG electronic toll collection system.

The Turnpike's Convenience and Fuel Store and Restaurant rental revenue increased in 2012 compared to 2011. In August 2012, PCF Saleco (operator of the Retail Fuel Establishments at Towanda and Matfield Green) became unable to sell fuel at those locations. The Authority allowed PCF Saleco to transfer their leases to GasMart USA, who quickly took over operation of the fuel and convenience store operations from PCF Saleco. With the exception of the Topeka restaurant, the Service Areas concessions were re-bid in 2012. The new contracts will take effect in April 2013.

Operating expenses listed in Note 2 of the Financial Statements were over \$1.3 million (3%) less than budgeted for 2012. Budgeted expenses include the costs of collecting tolls, and administering, insuring, maintaining and patrolling the Turnpike.

A second component of Operating Expenses listed in the Changes in Net Position is the cost of improvements, major repairs and replacements. Primarily, these expenses reflect purchases of assets and construction projects which have not been financed with bond proceeds. During 2012, the largest expense in this category, for example, was almost \$5.5 million to resurface 35 miles of Turnpike pavement. The total cost of improvements, major repairs and replacements was approximately \$10.6 million less in 2012 as it was in 2011. The decrease in improvements, major repairs and replacements helped operating income increase \$11.7 million in 2012 in comparison to 2011.

### **Nonoperating Revenues and Expenses**

Nonoperating revenues and expenses consist primarily of interest revenue/expense and investment earnings. Another item in this category is the interest subsidy from the federal government. This represents a rebate to compensate for the additional interest paid by the KTA on the taxable Build America Bonds issued in 2009. In 2012, the total interest subsidy received by the KTA was \$1.8 million.

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

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

## **CAPITAL ASSET AND DEBT ADMINISTRATION**

### **Capital Assets**

At the end of 2012, the Turnpike reported \$582,015,672 invested in capital assets.

## **KANSAS TURNPIKE AUTHORITY**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS**

#### **Debt**

At the end of 2012, the Turnpike had \$266,925,000 of bonds outstanding. Of the total, \$11,990,000 is payable in 2013, and the remainder is listed as Long-term liabilities.

#### **Contacting the Turnpike's Financial Management**

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

**KANSAS TURNPIKE AUTHORITY****BALANCE SHEETS**

December 31, 2012 and 2011

**ASSETS**

	<u>2012</u>	<u>2011</u>
<b>Current assets</b>		
Cash and cash equivalents	<b>\$ 21,491,639</b>	\$ 20,373,152
Short-term investments	<b>43,026,787</b>	25,766,078
Accounts receivable	<b>848,451</b>	782,020
Lease receivable	<b>40,675</b>	--
Accrued interest receivable	<b>854,815</b>	813,701
Material and supply inventory	<b>456,336</b>	461,248
Prepaid expense and other assets	<b>1,504,434</b>	1,549,481
Current portion of note receivable	<b>5,064,032</b>	1,155,271
Total current assets	<b><u>73,287,169</u></b>	<u>50,900,951</u>
<b>Restricted assets</b>		
Cash and cash equivalents	<b>7,785,833</b>	14,624,355
Investments	<b>22,158,051</b>	30,336,846
Accrued interest receivable	<b>26,978</b>	14,402
Total restricted assets	<b><u>29,970,862</u></b>	<u>44,975,603</u>
<b>Note receivable long-term</b>	<u>--</u>	<u>5,068,259</u>
<b>Other long-term investments</b>	<b><u>57,773,894</u></b>	<u>40,649,900</u>
<b>Capital assets</b>		
Cost of initial turnpike and improvements	<b><u>582,015,672</u></b>	<u>581,750,018</u>
	<b><u>\$743,047,597</u></b>	<u>\$723,344,731</u>

## LIABILITIES AND NET POSITION

	<u>2012</u>	<u>2011</u>
<b>Current liabilities</b>		
Current maturities of long-term debt	\$ 11,990,000	\$ 11,340,000
Prepaid tolls	2,610,956	2,484,419
Accounts payable	667,135	606,693
Accrued expenses	4,410,429	4,309,263
Accrued interest	4,400,813	4,611,097
	<u>24,079,333</u>	<u>23,351,472</u>
<b>Long-term liabilities</b>		
Turnpike revenue bonds	254,935,000	264,415,000
Bond premium	8,592,202	5,323,621
Deferred refunding	(6,617,257)	(4,560,388)
Other long-term liabilities	2,741,524	2,688,251
	<u>259,651,469</u>	<u>267,866,484</u>
Total long-term liabilities	<u>259,651,469</u>	<u>267,866,484</u>
Total liabilities	<u>283,730,802</u>	<u>291,217,956</u>
<b>Net position</b>		
Net investment in capital assets	299,876,509	315,028,260
Restricted - expendable for debt service	37,863,101	30,291,235
Unrestricted	121,577,185	86,807,280
	<u>459,316,795</u>	<u>432,126,775</u>
Total net position	<u>459,316,795</u>	<u>432,126,775</u>
Total liabilities and net position	<u>\$ 743,047,597</u>	<u>\$ 723,344,731</u>

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

## KANSAS TURNPIKE AUTHORITY

### STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

Years Ended December 31, 2012 and 2011

	2012	2011
<b>Operating Revenues</b>		
Tolls	\$ 87,568,437	\$ 84,363,407
Concessionaire rentals	3,753,178	3,627,507
Miscellaneous	1,547,930	2,320,559
	92,869,545	90,311,473
<b>Operating Expenses</b>		
Administration	7,042,388	6,810,088
Insurance	7,855,063	7,173,516
Toll collection	10,433,361	10,624,297
Patrol	6,151,294	5,346,352
Maintenance	8,798,322	8,958,452
Cost of improvements, major repairs and replacements	14,502,976	25,076,764
	54,783,404	63,989,469
<b>Operating Income</b>	<b>38,086,141</b>	<b>26,322,004</b>
<b>Nonoperating Revenues (Expenses)</b>		
Investment revenue	994,806	1,533,442
Interest on long-term debt	(13,697,174)	(14,829,288)
Interest expense subsidy - federal	1,806,247	1,806,247
	(10,896,121)	(11,489,599)
<b>Change in net position</b>	<b>27,190,020</b>	<b>14,832,405</b>
<b>Net position, beginning of year</b>	<b>432,126,775</b>	<b>417,294,370</b>
<b>Net position, end of year</b>	<b>\$ 459,316,795</b>	<b>\$ 432,126,775</b>

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

**KANSAS TURNPIKE AUTHORITY**

**STATEMENTS OF CASH FLOWS**

Years Ended December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
<b>Operating Activities</b>		
Cash received from toll collections	\$ 87,610,905	\$ 84,405,295
Cash received from concessionaire rentals and miscellaneous	5,278,071	5,921,653
Cash paid to suppliers and employees	<u>(54,509,264)</u>	<u>(63,728,222)</u>
Net cash flows from operating activities	<u>38,379,712</u>	<u>26,598,726</u>
<b>Capital and Related Financing Activities</b>		
Proceeds from issuance of long-term debt	35,735,000	--
Proceeds from bond premium	3,820,517	--
Interest subsidy - federal	1,806,247	1,806,247
Interest paid	<u>(13,627,353)</u>	<u>(14,092,549)</u>
Retirement of long-term debt	<u>(47,453,910)</u>	<u>(10,805,000)</u>
Payments for capitalized costs	<u>(274,954)</u>	<u>(16,774,884)</u>
Net cash flows from capital and related financing activities	<u>(19,994,453)</u>	<u>(39,866,186)</u>
<b>Investing Activities</b>		
Proceeds from payment on note receivable	1,159,498	1,200,091
Investment revenue realized	767,769	4,296,983
Proceeds from sale and maturities of investments	120,629,960	138,867,664
Purchase of investments	<u>(146,662,521)</u>	<u>(118,856,530)</u>
Net cash flows from investing activities	<u>(24,105,294)</u>	<u>25,508,208</u>
<b>Change in Cash and Cash Equivalents</b>	<u>(5,720,035)</u>	12,240,748
<b>Cash and Cash Equivalents, Beginning of Year</b>	<u>34,997,507</u>	<u>22,756,759</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u>\$ 29,277,472</u>	<u>\$ 34,997,507</u>
<b>Reconciliation of Net Operating Activities to Net Cash Flows from Operating Activities</b>		
Operating income	\$ 38,086,141	\$ 26,322,004
Changes in operating assets and liabilities		
Accounts receivable, lease receivable and prepaid tolls	19,431	15,475
Material and supply inventory	4,912	(52,826)
Accounts payable and accrued expenses	224,181	369,925
Prepaid expenses and other assets	45,047	(55,852)
Net cash flows from operating activities	<u>\$ 38,379,712</u>	<u>\$ 26,598,726</u>
<b>Noncash investing capital and financing activities:</b>		
Amortization of bond premium and deferred refunding	<u>\$ 280,105</u>	<u>\$ 427,339</u>

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

# KANSAS TURNPIKE AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

### 1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Turnpike – The Kansas Turnpike Authority (Turnpike) was created as a public corporation in 1953 by the Kansas Legislature with power to construct, operate and maintain turnpike projects and to issue revenue bonds for any of its corporate purposes, payable solely from the tolls and revenue pledged for their payment. Its enabling statutes are found in K.S.A 68-2001 et seq., as amended and supplemented. The Kansas Legislature has authority to modify the statutes related to the Turnpike, and thus modify the structure and operating activities of the Turnpike.

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

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

Basis of Accounting, Capitalized Costs and Depreciation – The Turnpike maintains its accounts in accordance with its interpretation of the Kansas statutes and the 2009 First Amended and Restated Trust Indenture, which differs from generally accepted accounting principles. Capitalized costs include the cost of the initial turnpike and subsequent improvements financed with bond proceeds or expected to be financed in part by bond proceeds. Capitalized costs include the cost of acquisition and construction, allocable expense in connection with bond offerings, premium or discount on sale of bonds and certain legal and administrative expenses incurred during the construction period. However, other practices do not conform with generally accepted accounting principles, including: 1) cost of major repairs, replacements and improvements not financed by or expected to be financed in part by bond proceeds are paid by the replacement reserve fund and are not capitalized, 2) depreciation is not provided on capital assets, 3) the “modified approach” for reporting infrastructure assets has not been utilized in the absence of recording depreciation and certain capitalized costs, 4) interest costs are not capitalized, and 5) amortization is not applied to the other costs capitalized. Otherwise, the financial statements of the Turnpike have been prepared on the accrual basis of accounting using the economic resources measurement focus.

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

Use of Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**KANSAS TURNPIKE AUTHORITY**

NOTES TO FINANCIAL STATEMENTS

**1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Investments and Investment Income – Investments are recorded at fair value. Fair value is determined using quoted market prices. Investment income includes dividend and interest income and the net change for the year in the fair value. In accordance with the 2009 First Amended and Restated Trust Indenture, interest earned and profits realized from investments in all funds and accounts, except the construction fund, are deposited in the revenue fund. Losses are charged to the fund or account owning the investment.

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

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

Cash Equivalents – The Turnpike considers all liquid investments with original maturities of three months or less from the date of purchase to be cash equivalents. At December 31, 2012 and 2011, cash equivalents consisted primarily of commercial paper, money market accounts with brokers and certain U.S. agency obligations.

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

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

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

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

# KANSAS TURNPIKE AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

### 1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

Effective January 1, 2012, the Turnpike implemented the provisions of GASB Statement No. 63 *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*. GASB 63 provides guidance for reporting deferred outflows and deferred inflows of resources. A deferred outflow of resources is the consumption of net assets that is applicable to a future reporting period. A deferred inflow of resources is defined as an acquisition of net assets applicable to a future reporting period. The Turnpike does not have any financial statement balances under current GAAP that meet the definition of a deferred outflow or a deferred inflow. As such, other than replacing the term “net assets” with the term “net position,” the adoption of this standard had no impact on the Turnpike’s financial statements.

### 2. BUDGET PROCESS

Each year the Turnpike prepares a preliminary annual budget of operating expenses. Copies are filed with the Trustee. The Consulting Engineer recommends the amount to be transferred to the replacement reserve fund for major repairs and replacements. The budget is adopted on or before January 1. The Turnpike may amend the budget at any time.

**KANSAS TURNPIKE AUTHORITY**

NOTES TO FINANCIAL STATEMENTS

**2. BUDGET PROCESS (CONTINUED)**

A comparison of actual expenses in the revenue fund and operations account with the budget for the year ended December 31, 2012, is as follows:

	<u>Budget</u>	<u>Actual</u>	<u>Over (Under)</u>
Administration	\$ 6,954,315	\$ 7,042,388	\$ 88,073
Insurance	7,766,500	7,855,063	88,563
Toll Collection	10,986,700	10,433,361	(553,339)
Patrol	5,971,300	6,151,294	179,994
Maintenance	9,912,800	8,798,322	(1,114,478)
	<u>\$ 41,591,615</u>	<u>\$ 40,280,428</u>	<u>\$ (1,311,187)</u>

**3. DEPOSITS, INVESTMENTS AND INVESTMENT INCOME**

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

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

At December 31, 2012 and 2011 none of the Turnpike’s bank balances of \$17,285,262 and \$7,646,405, respectively, were exposed to custodial credit risk.

Investments – The Turnpike may legally invest in direct obligations of and other obligations guaranteed as to principal by the U.S. Treasury and U.S. agencies, U.S. Government Sponsored Enterprises, money market funds, certificates of deposit and other depository accounts.

At December 31, 2012, the Turnpike had the following investments and maturities:

<u>Type</u>	<u>Fair Value</u>	<u>Maturities in Years</u>			
		<u>Less than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>More than 10</u>
US Treasury obligations	\$ 21,192,536	\$ 5,019,764	\$ 11,498,748	\$ 4,674,024	\$ --
US agency obligations	101,766,196	51,168,105	41,601,120	8,996,971	--
Money Market mutual funds	19,028,935	19,028,935	--	--	--
	141,987,667	<u>\$ 75,216,804</u>	<u>\$ 53,099,868</u>	<u>\$ 13,670,995</u>	<u>\$ --</u>
Less cash equivalents	<u>19,028,935</u>				
Investments per the balance sheet	<u>\$ 122,958,732</u>				

**KANSAS TURNPIKE AUTHORITY**

NOTES TO FINANCIAL STATEMENTS

**3. DEPOSITS, INVESTMENTS AND INVESTMENT INCOME (CONTINUED)**

At December 31, 2011, the Turnpike had the following investments and maturities:

<u>Type</u>	<u>Fair Value</u>	<u>Maturities in Years</u>			
		<u>Less than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>More than 10</u>
US Treasury obligations	\$ 4,665,875	\$ --	\$ --	\$ --	\$ 4,665,875
US agency obligations	91,158,344	55,174,321	35,984,023	--	--
Goldman Sachs	928,605	928,605	--	--	--
Money Market mutual funds	24,840,607	24,840,607	--	--	--
	121,593,431	<u>\$ 80,943,533</u>	<u>\$ 35,984,023</u>	<u>\$ --</u>	<u>\$ 4,665,875</u>
Less cash equivalents	<u>24,840,607</u>				
Investments per the balance sheet	<u>\$ 96,752,824</u>				

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

Credit Risk – Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. It is the Turnpike’s policy to diversify investments so that potential losses on individual securities will be minimized. At December 31, 2012 and 2011, the Turnpike’s investments in U.S. agency obligations not directly guaranteed by the U.S. government were rated AA+ by Standard & Poor’s.

Concentration of Credit Risk – The Turnpike investment policy limits the amount that may be invested in any one issuer. The limit on any single U.S. Government Sponsored Enterprise may not exceed 35% of the combined portfolio of the Turnpike. Additionally, the limit on money market funds and certificates of deposit and other depository accounts may not exceed 50% of each type of the combined portfolio of the Turnpike. At December 31, 2012 and 2011, the Turnpike’s investment in Federal Home Loan Mortgage Corporation constituted 34.76% and 40.37% of total investments and investments in Federal National Mortgage Association constituted 21.24% and 30.13%, respectively of its total investments.

**KANSAS TURNPIKE AUTHORITY**

NOTES TO FINANCIAL STATEMENTS

**3. DEPOSITS, INVESTMENTS AND INVESTMENT INCOME (CONTINUED)**

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

	2012	2011
Carrying Value:		
Deposits	\$ 10,248,537	\$ 10,156,900
Investments	141,987,667	121,593,431
	\$ 152,236,204	\$ 131,750,331

Included in the following balance sheet captions:

Cash and cash equivalents	\$ 21,491,639	\$ 20,373,152
Short-term investments	43,026,787	25,766,078
Restricted cash and cash equivalents	7,785,833	14,624,355
Restricted investments	22,158,051	30,336,846
Other long-term investments	57,773,894	40,649,900
	\$ 152,236,204	\$ 131,750,331

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

	2012	2011
Interest and dividend income	\$ 726,610	\$ 683,145
Net change in fair value of investments	268,196	850,297
	\$ 994,806	\$ 1,533,442

**4. NOTES RECEIVABLE**

In October 2008, the Turnpike entered into an agreement with Leavenworth County, Kansas (County) whereby the County will reimburse the Turnpike for costs incurred to reconstruct a section of County Road 1 in connection with a new interchange that was constructed along the Turnpike. The amount to be reimbursed by the County is \$8,473,306. Principal payments commenced on January 1, 2010 and total principal received as of December 31, 2012 was \$3,409,274. The total monthly payment is \$117,463. The County is required to pay interest at a rate of 4.39%. Interest payments commenced on February 1, 2009 and total interest received for the years ended December 31, 2012 and December 31, 2011 was \$250,053 and \$326,922, respectively. Leavenworth repaid this note receivable in full in February 2013, and therefore the entire balance is recorded with current assets as of December 31, 2012.

**KANSAS TURNPIKE AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**

**5. CAPITAL ASSETS**

Capital assets activity for the years ended December 31, 2012 and 2011 was:

	<u>December 31, 2011</u>	<u>Additions</u>	<u>Disposals</u>	<u>Transfers</u>	<u>December 31, 2012</u>
Cost of initial Turnpike and improvements	\$ 581,750,018	\$ 265,654	\$ --	\$ --	\$ 582,015,672
	<u>December 31, 2010</u>	<u>Additions</u>	<u>Disposals</u>	<u>Transfers</u>	<u>December 31, 2011</u>
Cost of initial Turnpike and improvements	\$ 566,147,160	\$ 15,602,858	\$ --	\$ --	\$ 581,750,018

**6. ACCOUNTS PAYABLE AND ACCRUED EXPENSES**

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

	<u>2012</u>	<u>2011</u>
Payable to suppliers	\$ 667,135	\$ 606,693
Contracts payable and retained amounts	317,322	323,427
Payable to employees (including payroll taxes and benefits)	3,293,523	2,933,505
Concessionaires deposits	4,584	257,331
Estimated self-insurance costs	795,000	795,000
	<u>\$ 5,077,564</u>	<u>\$ 4,915,956</u>

**KANSAS TURNPIKE AUTHORITY**

NOTES TO FINANCIAL STATEMENTS

**7. LONG-TERM OBLIGATIONS**

The following is a summary of long-term obligation transactions for the Turnpike for the years ended December 31, 2012 and 2011:

	<u>December 31, 2011</u>	<u>Additions</u>	<u>Deductions</u>	<u>December 31, 2012</u>	<u>Current Portion</u>
Long-term debt					
Revenue bonds	\$ 275,755,000	\$ 35,735,000	\$ 44,565,000	\$ 266,925,000	\$ 11,990,000
Bond premium	5,323,621	3,820,517	551,936	8,592,202	--
Deferred refunding	(4,560,388)	(2,888,910)	(832,041)	(6,617,257)	--
Other long-term liabilities					
Accrued compensated absences	<u>3,790,466</u>	<u>1,917,552</u>	<u>1,668,466</u>	<u>4,039,552</u>	<u>2,122,000</u>
Total long-term obligations	<u>\$ 280,308,699</u>	<u>\$ 38,584,159</u>	<u>\$ 45,953,361</u>	<u>\$ 272,939,497</u>	<u>\$ 14,112,000</u>
	<u>December 31, 2010</u>	<u>Additions</u>	<u>Deductions</u>	<u>December 31, 2011</u>	<u>Current Portion</u>
Long-term debt					
Revenue bonds	\$ 286,560,000	\$ --	\$ 10,805,000	\$ 275,755,000	\$ 11,340,000
Bond premium	5,656,347	--	332,726	5,323,621	--
Deferred refunding	(5,320,453)	--	(760,065)	(4,560,388)	--
Other long-term liabilities					
Accrued compensated absences	<u>3,621,159</u>	<u>1,907,466</u>	<u>1,738,159</u>	<u>3,790,466</u>	<u>1,883,000</u>
Total long-term obligations	<u>\$ 290,517,053</u>	<u>\$ 1,907,466</u>	<u>\$ 12,115,820</u>	<u>\$ 280,308,699</u>	<u>\$ 13,223,000</u>

**8. REVENUE BONDS PAYABLE**

At December 31, 2012 and 2011, Turnpike revenue bonds payable were as follows:

	<u>2012</u>	<u>2011</u>
Series 2002	\$ 8,915,000	\$ 16,760,000
Series 2003A	51,430,000	70,790,000
Series 2004	34,355,000	51,335,000
Series 2009A	77,425,000	77,425,000
Series 2010A	59,445,000	59,445,000
Series 2012A	<u>35,355,000</u>	<u>--</u>
	<u>\$ 266,925,000</u>	<u>\$ 275,755,000</u>

**KANSAS TURNPIKE AUTHORITY**

NOTES TO FINANCIAL STATEMENTS

**8. REVENUE BONDS PAYABLE (CONTINUED)**

Interest rates on the bonds vary between 2.0% and 6.74%. The debt service requirements as of December 31, 2012, are as follows:

<u>Year Ending December 31,</u>	<u>Total to be Paid</u>	<u>Principal</u>	<u>Interest</u>
2013	\$ 25,192,441	\$ 11,990,000	\$ 13,202,441
2014	25,194,541	12,510,000	12,684,541
2015	25,194,141	13,010,000	12,184,141
2016	25,190,959	13,560,000	11,630,959
2017	25,190,613	14,125,000	11,065,613
2018 – 2022	102,774,779	55,470,000	47,304,779
2023 – 2027	78,310,516	41,730,000	36,580,516
2028 – 2032	65,181,046	37,125,000	28,056,046
2033 – 2037	62,518,773	46,040,000	16,478,773
2038 – 2042	23,540,335	21,365,000	2,175,335
	<u>\$ 458,288,144</u>	<u>\$ 266,925,000</u>	<u>\$ 191,363,144</u>

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

	<u>Callable on or After</u>	<u>Call Price</u>
Series 2002	September 1, 2012	At 101% of par
	September 1, 2013	At par
Series 2003A	September 1, 2013	At par
Series 2004A-1	September 1, 2014	At par
Series 2004A-2	September 1, 2014	At 101% of par
	September 1, 2015	At 100.50% of par
	September 1, 2016	At par
Series 2009A	September 1, 2019	At par
Series 2010A	September 1, 2010	At par
Series 2012A	September 1, 2020	At par

In May 2012, the Turnpike issued \$35,735,000 in Series 2012A Turnpike Refunding Revenue Bonds at a premium of \$3,820,517 with an average coupon of 4%, to refund a portion of the Turnpike's Series 2002, 2003A, and 2004A Bonds. Approximately \$35,734,000 will be irrevocably deposited into an escrow account to refund \$32,845,000 of outstanding Series 2002, 2003A, and 2004A bonds with an average coupon of 4.5%. As a result, a portion of the 2002, 2003A, and 2004A bonds are defeased and the liability for this portion of the bonds has been removed from the Turnpike's financial statements. As of December 31, 2012, \$27,510,000 of the advance refunded bonds have not been called.

The Turnpike refunded these bonds to reduce total debt payments over the next thirteen years by \$3,224,205. The economic gain (difference between the present value of the old and new debt service payments) is \$2,309,742.

## KANSAS TURNPIKE AUTHORITY

### NOTES TO FINANCIAL STATEMENTS

#### 8. REVENUE BONDS PAYABLE (CONTINUED)

The Series 2009A bonds were issued as taxable Build America Bonds pursuant to the American Recovery and Reinvestment Act of 2009, which provides that 35% of the interest payments on those bonds will be paid to the Turnpike by the U.S. Treasury. The subsidy was \$1,806,247 for each of the years ended December 31, 2012 and 2011.

#### 9. DEFINED BENEFIT PENSION PLAN

The Turnpike participates in the Kansas Public Employees Retirement System (KPERS) which is a cost-sharing multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, et seq. and administered by the KPERS Board of Trustees. The plan provides retirement, life insurance, disability income and death benefits. Kansas law establishes and amends benefit provisions. KPERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to KPERS at 611 South Kansas Avenue, Suite 100, Topeka, Kansas 66603-3869, or by calling KPERS at 1-888-275-5737.

*Funding Policy.* K.S.A. 74-4919 establishes the KPERS member-employee contribution rates. Effective July 1, 2009 KPERS has two benefit structures and funding depends on whether the employee is a Tier 1 or Tier 2 member. Tier 1 members are active and contributing members hired before July 1, 2009. Tier 2 members were first employed in a covered position on or after July 1, 2009. Kansas law establishes the KPERS member-employee contribution rate at 4% of covered salary for Tier 1 members and at 6% of covered salary for Tier 2 members. Member employees' contributions are withheld by their employer and paid to KPERS according to the provisions of Section 414(h) of the Internal Revenue Code. State law provides that the employer contribution rate be determined annually based on the results of an annual actuarial valuation. KPERS is funded on an actuarial reserve bases. State law sets a limitation on annual increases in the contribution rates for KPERS employers. The employer contribution rates for KPERS for 2012, 2011, and 2010 were 7.34%, 6.74%, and 6.14%, respectively. The Turnpike's contributions to KPERS for 2012, 2011, and 2010 were \$1,390,719, \$1,250,160, and \$1,155,843, respectively, and were equal to the required contributions for each year.

#### 10. OTHER POST EMPLOYMENT HEALTHCARE BENEFITS DESCRIPTION

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

**KANSAS TURNPIKE AUTHORITY**

NOTES TO FINANCIAL STATEMENTS

**10. OTHER POST EMPLOYMENT HEALTHCARE BENEFITS DESCRIPTION (CONTINUED)**

Funding Policy – The contribution requirements of employees and the Turnpike are established and may be amended by the Turnpike and its board of directors. The Turnpike’s funding policy is to pay premiums, claims and administrative costs as they come due. Turnpike retirees not meeting specified age and service criteria contribute 100% of the COBRA premium rate; otherwise, retirees pay \$390 (for single coverage) or \$780 (for family coverage) annually, and the Turnpike pays the remaining cost of coverage. For fiscal 2012 and 2011, the Turnpike retirees paid \$35,881 and \$92,187, respectively, through their required contributions.

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

Annual required contribution (ARC)	\$ 566,174
Interest on net OPEB obligation	31,231
Adjustment to ARC	<u>(43,416)</u>
Annual OPEB cost (expense)	553,989
Contributions made	<u>(510,798)</u>
Increase in net OPEB obligation	43,191
Net OPEB obligation January 1, 2012	<u>780,781</u>
 Net OPEB obligation December 31, 2012	 <u>\$ 823,972</u>

The Turnpike’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for 2012, 2011 and 2010, respectively, are as follows:

Fiscal Year Ended	Annual OPEB Cost	Employer Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2012	\$ 553,989	\$ 510,798	92.20%	\$ 823,972
2011	\$ 471,109	\$ 249,697	53.00%	\$ 780,781
2010	\$ 473,973	\$ 233,970	49.40%	\$ 559,369

Funded Status and Funding Progress – As of January 1, 2012, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$6,713,231. The Turnpike’s policy is to fund the benefits on a pay as you go basis, resulting in an unfunded actuarial accrued liability (UAAL) of \$6,713,231. The covered payroll for 2012 (annual payroll of active employees covered by the plan) was \$16.1 million, and the ratio of the UAAL to the covered payroll was 42%.

# KANSAS TURNPIKE AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

### 10. OTHER POST EMPLOYMENT HEALTHCARE BENEFITS DESCRIPTION (CONTINUED)

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

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

In the January 1, 2012 actuarial valuation, the entry age normal (level % of pay) method was applied. The actuarial assumptions included a 4% investment rate of return and a 2.5% inflation rate. The valuation assumed annual healthcare cost trend rates of 5% to 8% in the first eleven years and ultimate rate of 5% after eleven years. The valuation followed generally accepted actuarial methods and included tests as considered necessary to assure the accuracy of the results. The UAAL is being amortized on a level dollar basis and on a closed group basis over a period of 30 years, with the remaining amortization period of 30 years.

Plan Report – The plan does not issue a stand-alone audited GAAP-basis report.

### 11. RISK MANAGEMENT

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

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

Changes in the balance of claims liabilities during 2012 and 2011 are summarized as follows:

	2012	2011
Balance, beginning of year	\$ 795,000	\$ 795,000
Current year claims and changes in estimates	6,206,637	5,307,292
Claim payments	<u>(6,206,637)</u>	<u>(5,307,292)</u>
Balance, end of year	<u>\$ 795,000</u>	<u>\$ 795,000</u>

# KANSAS TURNPIKE AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

### 12. OPERATING LEASES

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

2013	\$ 4,893,801
2014	4,837,248
2015	4,837,248
2016	4,714,848
2017	4,705,848
Thereafter	<u>22,468,412</u>
Total	<u>\$ 46,457,405</u>

The leases generally have terms of five years, 10.5 years or 12 years. The leases have various renewal options. All leases are anticipated to renew at the time of expiration or be leased to other parties. The Turnpike is reimbursed for all utility payments and the lessee is responsible for insurance expenses associated with the properties. In certain instances, the Turnpike has agreed to have the lessee construct new buildings. If, at the conclusion of the lease, the lessee is not successful in the bidding for a new lease, the Turnpike is committed to reimburse the lessee for certain costs of construction, net of depreciation. Such leases were successfully rebid by the existing lessee in December 2012, which extended the agreements to 2023. As of December 31, 2012, the cost of construction, net of depreciation was \$4,132,528. Over the new 10-year lease term, that amount will decline, to approximately \$280,000 by 2013. The service station and restaurant leases have base rents and contingent rental payments based on the gallons of gasoline sold, service station nonfuel sales or gross sales for the restaurant.

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

### 13. COMMITMENTS

The Turnpike has committed to construction contracts for turnpike repair and improvements valued at approximately \$488,066 at December 31, 2012.

# KANSAS TURNPIKE AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

### 14. PENDING GOVERNMENTAL ACCOUNTING STANDARDS

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

GASB Statement No. 61, *The Financial Reporting Entity: Omnibus*, was issued in November 2010. This statement modifies certain requirements for inclusion of component units in the Turnpike's financial statements. The new statement clarifies the manner in which a government's management determines a component unit should be included, even if the financial accountability criterion is not met. This statement also amends the criteria for reporting component units as if they were part of the primary government (that is, blending) when the component unit is blended based on the "substantively in the same governing body" criterion. New criteria are added to require blending of component units whose total debt outstanding is expected to be repaid entirely or almost entirely with resources of the primary government. The provisions of this statement are effective for financial statements for the Turnpike's fiscal year ending December 31, 2013. Under current requirements, the Turnpike has no component units; and therefore, management does not expect this statement to have an effect on the financial statements.

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, was issued in March 2012. This statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. Also, this statement provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows and inflows of resources, such as changes in determination of the major fund calculations and limiting the use of the term deferred in the financial statement presentations. The provisions of this statement are effective for financial statements for the Turnpike's fiscal year ending December 31, 2013.

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, was issued in June 2012. This statement establishes accounting and financial reporting by state and local governments for pensions, including entities that participate in cost-sharing multiple-employer plans. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts or equipment arrangements that meet certain criteria. Also, this statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For example, cost-sharing employers participating in KPERS, such as the Turnpike, will be required to record their proportionate share, as defined in Statement No. 68, of the KPERS unfunded pension liability. While management of the Turnpike has not yet estimated their share of the KPERS liability, it is presumed that the amount will be material to the Turnpike's financial statements. The provisions of this statement are effective for financial statements for the Turnpike's fiscal year ending December 31, 2015.

**KANSAS TURNPIKE AUTHORITY**

REQUIRED SUPPLEMENTARY INFORMATION

December 31, 2012

Schedule of Funding Progress  
for Other Post-Employment Benefits

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percent of Covered Payroll ((b-a)/c)
01/01/12	\$ --	\$ 6,713,231	\$ 6,713,231	0%	\$ 16,105,464	41.70%
01/01/10	\$ --	\$ 5,309,752	\$ 5,309,752	0%	\$ 15,196,616	34.94%
01/01/08	\$ --	\$ 4,546,135	\$ 4,546,135	0%	\$ 15,742,888	28.90%

Note 1: Significant Factors Affecting Trends in Actuarial Information for the Kansas Turnpike's Other Post-Employment Benefits other than Pensions

The major items of impact in the actuarial valuation dated January 1, 2012 relative to the prior valuation are as follows:

- The assumed Medical / Rx trend rates were changed from 8.5%, 8.0%, 7.5%, 7.0%, 6.5%, 5.5%, 5.0% (Ultimate) to 8.0%, 7.7%, 7.4%, 7.1%, 6.8%, 6.5%, 6.2%, 5.9%, 5.6%, 5.3%, 5% (Ultimate).
- The retirement age assumptions were updated to reflect the latest statistics available from KPERS.
- The valuation interest rate was lowered from 5.0% to 4.0%.
- The assumed annual rate of growth in pay per employee was lowered from 4.0% to 2.0%

SUPPLEMENTARY INFORMATION

**KANSAS TURNPIKE AUTHORITY**  
**COMBINING BALANCE SHEET**

December 31, 2012

<b>ASSETS</b>			
	<b>Total</b>	<b>Interfund Eliminations Reclassifications</b>	<b>Construction Fund</b>
<b>Current assets</b>			
Cash and cash equivalents	\$ 21,491,639	\$ --	\$ --
Short-term investments	43,026,787	--	--
Interfund receivable	--	(3,747,027)	--
Accounts receivable	848,451	--	--
Lease receivable	40,675	--	--
Accrued interest receivable	854,815	--	--
Material and supply inventory	456,336	--	--
Prepaid expense and other assets	1,504,434	--	--
Current portion of note receivable	5,064,032	--	--
Total current assets	73,287,169	(3,747,027)	--
<b>Restricted assets</b>			
Cash and cash equivalents	7,785,833	--	--
Investments	22,158,051	--	--
Accrued interest receivable	26,978	--	--
Total restricted assets	29,970,862	--	--
<b>Other long-term investments</b>			
	57,773,894	--	--
<b>Capital assets</b>			
Cost of initial turnpike and improvements	582,015,672	--	501,254,315
	\$ 743,047,597	\$ (3,747,027)	\$ 501,254,315
<b>LIABILITIES AND NET POSITION</b>			
<b>Current liabilities</b>			
Current maturities of long-term debt	\$ 11,990,000	\$ --	\$ 11,990,000
Prepaid tolls	2,610,956	--	--
Accounts payable	667,135	--	--
Interfund payable	--	(3,747,027)	4,704
Accrued expenses	4,410,429	--	--
Accrued interest	4,400,813	--	--
Total current liabilities	24,079,333	(3,747,027)	11,994,704
<b>Long-term debt</b>			
Turnpike revenue bonds	254,935,000	--	254,935,000
Bond premium	8,592,202	--	8,592,202
Deferred refunding	(6,617,257)	--	--
Other long-term liabilities	2,741,524	--	--
Total long-term liabilities	259,651,469	--	263,527,202
Total liabilities	283,730,802	(3,747,027)	275,521,906
<b>Net position</b>			
Net investment in capital assets	299,876,509	--	225,732,409
Restricted - expendable for debt service	37,863,101	--	--
Unrestricted	121,577,185	--	--
Total net position	459,316,795	--	225,732,409
Total liabilities and net position	\$ 743,047,597	\$ (3,747,027)	\$ 501,254,315

Revenue Fund And Operations Fund	Debt Service Fund	Debt Service Reserve Fund	Replacement Reserve Fund	General Fund
\$ 12,777,463	\$ --	\$ --	\$ 3,071,364	\$ 5,642,812
10,005,521	--	--	12,510,387	20,510,879
3,747,027	--	--	--	--
848,451	--	--	--	--
40,675	--	--	--	--
849,606	--	--	1,088	4,121
456,336	--	--	--	--
1,504,434	--	--	--	--
--	--	--	5,064,032	--
<u>30,229,513</u>	<u>--</u>	<u>--</u>	<u>20,646,871</u>	<u>26,157,812</u>
--	95,398	7,690,435	--	--
--	8,403,203	13,754,848	--	--
--	21,540	5,438	--	--
<u>--</u>	<u>8,520,141</u>	<u>21,450,721</u>	<u>--</u>	<u>--</u>
7,511,257	--	--	10,519,178	39,743,459
--	--	--	80,543,076	218,281
<u>\$ 37,740,770</u>	<u>\$ 8,520,141</u>	<u>\$ 21,450,721</u>	<u>\$ 111,709,125</u>	<u>\$ 66,119,552</u>
\$ --	\$ --	\$ --	\$ --	\$ --
2,610,956	--	--	--	--
667,135	--	--	--	--
--	158,734	782,728	1,128,659	1,672,202
4,093,107	--	--	317,322	--
--	4,400,813	--	--	--
<u>7,371,198</u>	<u>4,559,547</u>	<u>782,728</u>	<u>1,445,981</u>	<u>1,672,202</u>
--	--	--	--	--
--	--	--	--	--
--	(6,617,257)	--	--	--
<u>2,741,524</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
2,741,524	(6,617,257)	--	--	--
<u>10,112,722</u>	<u>(2,057,710)</u>	<u>782,728</u>	<u>1,445,981</u>	<u>1,672,202</u>
--	(6,617,257)	--	80,543,076	218,281
--	17,195,108	20,667,993	--	--
27,628,048	--	--	29,720,068	64,229,069
<u>27,628,048</u>	<u>10,577,851</u>	<u>20,667,993</u>	<u>110,263,144</u>	<u>64,447,350</u>
<u>\$ 37,740,770</u>	<u>\$ 8,520,141</u>	<u>\$ 21,450,721</u>	<u>\$ 111,709,125</u>	<u>\$ 66,119,552</u>

**KANSAS TURNPIKE AUTHORITY**  
**COMBINING STATEMENT OF REVENUES, EXPENSES**  
**AND CHANGES IN NET POSITION**

Year Ended December 31, 2012

	<u>Total</u>	<u>Construction Fund</u>	<u>Revenue Fund And Operations Fund</u>
<b>Operating Revenues</b>			
Tolls	\$ 87,568,437	\$ --	\$ 87,568,437
Concessionaire rentals	3,753,178	--	3,753,178
Miscellaneous	1,547,930	--	1,297,881
	<u>92,869,545</u>	<u>--</u>	<u>92,619,496</u>
<b>Operating Expenses</b>			
Administration	7,042,388	--	7,042,388
Insurance	7,855,063	--	7,855,063
Toll collection	10,433,361	--	10,433,361
Patrol	6,151,294	--	6,151,294
Maintenance	8,798,322	--	8,798,322
Cost of improvements, major repairs and replacements	14,502,976	--	--
	<u>54,783,404</u>	<u>--</u>	<u>40,280,428</u>
<b>Operating Income (Loss)</b>	<u>38,086,141</u>	<u>--</u>	<u>52,339,068</u>
<b>Nonoperating Revenues (Expenses)</b>			
Transfers between funds	--	(13,683,768)	(53,642,846)
Investment revenue	994,806	36,950	1,106,024
Interest subsidy - federal	1,806,247	--	1,806,247
Interest on long-term debt	(13,697,174)	551,936	--
	<u>(10,896,121)</u>	<u>(13,094,882)</u>	<u>(50,730,575)</u>
<b>Change in net position</b>	27,190,020	(13,094,882)	1,608,493
<b>Net position, beginning of year</b>	<u>432,126,775</u>	<u>238,827,291</u>	<u>26,019,555</u>
<b>Net position, end of year</b>	<u>\$ 459,316,795</u>	<u>\$ 225,732,409</u>	<u>\$ 27,628,048</u>

<u>Debt Service Fund</u>	<u>Debt Service Reserve Fund</u>	<u>Replacement Reserve Fund</u>	<u>General Fund</u>
\$ --	\$ --	\$ --	\$ --
--	--	--	--
--	--	250,049	--
--	--	250,049	--
--	--	--	--
--	--	--	--
--	--	--	--
--	--	--	--
--	--	14,502,976	--
--	--	14,502,976	--
--	--	(14,252,927)	--
16,522,645	3,370,183	23,545,817	23,887,969
(82)	(128,639)	(6,790)	(12,657)
--	--	--	--
(14,249,110)	--	--	--
<u>2,273,453</u>	<u>3,241,544</u>	<u>23,539,027</u>	<u>23,875,312</u>
2,273,453	3,241,544	9,286,100	23,875,312
8,304,398	17,426,449	100,977,044	40,572,038
<u>\$ 10,577,851</u>	<u>\$ 20,667,993</u>	<u>\$ 110,263,144</u>	<u>\$ 64,447,350</u>

**KANSAS TURNPIKE AUTHORITY**  
 Summary of Toll Revenues  
 Year Ended December 31, 2012

<u>Class</u>	<u>Toll Revenue</u>	<u>Vehicles</u>
2-axle vehicles	\$ 55,562,700	31,133,627
3-axle vehicles	1,403,281	454,263
4-axle vehicles	2,931,969	577,918
5-axle vehicles	24,584,882	2,923,498
6-axle vehicles	1,200,609	97,082
7-axle vehicles	1,062,725	37,555
8-axle vehicles	713,954	22,958
9-axle vehicles	566,963	14,979
Discounts and Adjustments	<u>(458,646)</u>	<u>334,270</u>
	<u>\$ 87,568,437</u>	<u>35,596,150</u>

## STATISTICAL DATA

**KANSAS TURNPIKE AUTHORITY**  
**OPERATING SUMMARIES - VEHICLES, MILEAGE AND REVENUE**  
Years Ended December 31, 2012 and 2011  
(Unaudited)

	<u>2012</u>	<u>2011</u>	<b>2012 Increase (Decrease) as a Percent of 2011</b>
<b>Number of Vehicles:</b>			
Passenger cars	31,133,627	28,930,249	7.62%
Commercial vehicles	4,128,253	4,125,433	0.07%
Discounts and adjustments	<u>334,270</u>	<u>346,254</u>	-3.46%
Total	<u><u>35,596,150</u></u>	<u><u>33,401,936</u></u>	6.57%
<b>Percentage of Vehicles:</b>			
Passenger cars	87.46%	86.61%	0.98%
Commercial vehicles	11.60%	12.35%	-6.10%
<b>Number of Miles:</b>			
Passenger cars	1,207,484,860	1,154,142,921	4.62%
Commercial vehicles	<u>261,430,839</u>	<u>257,801,035</u>	1.41%
Total	<u><u>1,468,915,699</u></u>	<u><u>1,411,943,956</u></u>	4.03%
<b>Percentage of Miles:</b>			
Passenger cars	82.20%	81.74%	0.56%
Commercial vehicles	17.80%	18.26%	-2.53%
<b>Toll Revenue (Gross):</b>			
Passenger cars	\$ 55,562,700	\$ 53,144,632	4.55%
Commercial vehicles	32,464,383	32,051,662	1.29%
Discounts and adjustments	<u>(458,646)</u>	<u>(832,889)</u>	-44.93%
Total	<u><u>\$ 87,568,437</u></u>	<u><u>\$ 84,363,405</u></u>	3.80%
<b>Percentage of Toll Revenue:</b>			
Passenger cars	63.45%	62.99%	0.72%
Commercial vehicles	37.07%	37.99%	-2.42%
<b>Miles Per Trip:</b>			
Passenger cars	38.78	39.89	-2.78%
Commercial vehicles	63.33	62.49	1.34%
<b>Revenue Per Trip:</b>			
Passenger cars	\$ 1.78	\$ 1.84	-2.85%
Commercial vehicles	\$ 7.86	\$ 7.77	1.22%
<b>Revenue Per Mile:</b>			
Passenger cars	\$ 0.04602	\$ 0.04605	-0.07%
Commercial vehicles	\$ 0.12418	\$ 0.12433	-0.12%
Discounts and adjustments	\$ (0.00031)	\$ (0.00059)	-47.07%

**KANSAS TURNPIKE AUTHORITY**  
**SCHEDULE OF SERVICE AREA TRAFFIC AND SALES**  
Years Ended December 31, 2012 and 2011  
(Unaudited)

Service Area	2012			Per Vehicle Passing Area	
	Vehicles Passing Area	Gallons Motor Fuel Sold	Restaurant Gross Sales	Gallons Motor Fuel	Restaurant Sales
Belle Plaine	6,871,021	9,369,473	\$ 3,051,621	1.36	\$ 0.44
Towanda	5,010,562	4,426,511	1,714,273	0.88	\$ 0.34
Matfield Green	4,658,153	4,693,171	2,243,917	1.01	\$ 0.48
Emporia	2,484,859	2,890,712	1,540,807	1.16	\$ 0.62
Topeka	13,336,194	6,688,844	3,709,651	0.50	\$ 0.28
Lawrence	11,428,401	6,612,983	3,479,231	0.58	\$ 0.30
	<u>43,789,190</u>	<u>34,681,694</u>	<u>\$ 15,739,500</u>		
	<b>2011</b>				
Belle Plaine	6,832,252	9,002,886	\$ 2,950,898	1.32	\$ 0.43
Towanda	4,773,259	3,925,251	1,592,343	0.82	\$ 0.33
Matfield Green	4,549,779	4,359,876	2,138,993	0.96	\$ 0.47
Emporia	2,389,694	2,612,573	1,484,854	1.09	\$ 0.62
Topeka	13,060,194	7,545,688	3,193,561	0.58	\$ 0.24
Lawrence	10,800,728	6,375,633	3,148,840	0.59	\$ 0.29
	<u>42,405,906</u>	<u>33,821,907</u>	<u>\$ 14,509,489</u>		

**KANSAS TURNPIKE AUTHORITY**  
**SCHEDULE OF ACTIVITY BY INTERCHANGE**  
Years Ended December 31, 2012 and 2011  
(Unaudited)

Interchange		2012			2011			Percent Increase (Decrease)
No.	Location	Entering Vehicles	Exiting Vehicles	Total Vehicles	Entering Vehicles	Exiting Vehicles	Total Vehicles	
004	Southern Terminal	2,720,781	2,776,369	5,497,150	2,737,799	2,826,521	5,564,320	-1.21%
019	Wellington: US 160	840,378	796,241	1,636,619	779,422	742,416	1,521,838	7.54%
032	Mulvane: Casino	890,815	1,018,982	1,909,797	29,406	35,851	65,257	2826.58%
033	Mulvane: K-53	540,372	406,430	946,802	597,092	541,773	1,138,865	-16.86%
039	Haysville-Derby: 71 <sup>st</sup> St.	798,063	751,745	1,549,808	834,970	780,069	1,615,039	-4.04%
042	Wichita: I-135, I-235, 47 <sup>th</sup> St.	3,647,239	3,692,218	7,339,457	3,172,347	3,216,572	6,388,919	14.88%
045	Wichita: K-15	788,164	858,211	1,646,375	761,043	834,523	1,595,566	3.18%
050	Wichita: US 54/400, Kellogg Ave.	1,763,490	1,742,573	3,506,063	1,607,884	1,614,078	3,221,962	8.82%
053	Wichita: K-96	938,574	989,604	1,928,178	881,297	924,577	1,805,874	6.77%
057	Andover: 21 <sup>st</sup> St.	530,442	510,021	1,040,463	497,677	477,086	974,763	6.74%
071	El Dorado: US 254	1,045,039	1,015,605	2,060,644	1,012,553	982,462	1,995,015	3.29%
076	El Dorado: US 77	234,738	235,818	470,556	227,087	225,362	452,449	4.00%
092	Cassoday: K-177	94,266	99,497	193,763	90,177	96,589	186,766	3.75%
127	Emporia: I-35N	1,909,818	1,858,834	3,768,652	1,909,119	1,847,708	3,756,827	0.31%
147	Council Grove, Osage City: US 56	128,665	128,725	257,390	124,710	124,076	248,786	3.46%
177	Topeka: I-470W, US 75, Topeka Blvd.	2,394,169	2,448,706	4,842,875	2,349,097	2,403,339	4,752,436	1.90%
182	Topeka: Valley Falls: K-4/I-70W	476,146	412,261	888,407	475,118	411,908	887,026	0.16%
183	Topeka: I-70	4,674,260	4,702,933	9,377,193	4,606,030	4,639,388	9,245,418	1.43%
197	Lecompton, Lawrence: K-10	1,815,738	1,784,177	3,599,915	1,803,028	1,785,654	3,588,682	0.31%
202	Lawrence: US 59, S. Iowa St.	1,931,988	1,871,067	3,803,055	1,846,286	1,819,356	3,665,642	3.75%
204	Lawrence: US 59, US40	1,038,949	1,084,978	2,123,927	944,767	956,907	1,901,674	11.69%
212	Tonganoxie/Eudora	329,389	335,862	665,251	302,107	314,951	617,058	7.81%
224	Bonner Springs	256,372	231,552	487,924	226,777	196,295	423,072	15.33%
236	Eastern Terminal	5,328,664	5,364,110	10,692,774	5,079,941	5,098,273	10,178,214	5.06%

**KANSAS TURNPIKE AUTHORITY**  
**SCHEDULE OF MONTHLY VEHICLES, MILEAGE AND TOLL REVENUE**  
Year Ended December 31, 2012  
(Unaudited)

Month	Vehicles	Mileage	Gross Revenue		Average Miles Per Vehicle	Average Revenue Per Vehicle
			Passenger	Commercial		
January	2,668,732	106,465,511	\$ 3,976,806	\$ 2,535,005	39.89	\$ 2.44
February	2,592,891	102,763,607	3,821,434	2,507,920	39.63	2.44
March	3,002,359	125,785,672	4,765,675	2,799,033	41.90	2.52
April	2,858,847	116,885,187	4,390,498	2,686,517	40.89	2.48
May	3,143,681	131,865,434	5,007,463	2,879,539	41.95	2.51
June	3,079,018	131,073,511	4,981,648	2,836,370	42.57	2.54
July	3,093,300	133,590,659	5,119,061	2,745,734	43.19	2.54
August	3,108,342	129,741,816	4,875,357	2,927,076	41.74	2.51
September	2,903,450	119,756,811	4,511,446	2,652,419	41.25	2.47
October	3,042,835	125,211,013	4,681,843	2,872,256	41.15	2.48
November	2,936,796	124,650,099	4,764,335	2,587,266	42.44	2.50
December	2,831,629	121,126,379	4,667,134	2,435,248	42.78	2.51
	<u>35,261,880</u>	<u>1,468,915,699</u>	<u>\$ 55,562,700</u>	<u>\$ 32,464,383</u>	42.89	\$ 2.50
Total Gross Toll Revenue				\$ 88,027,083		
Discounts and Adjustments				<u>(458,646)</u>		
Total Adjusted Revenue				<u>\$ 87,568,437</u>		

