

***KANSAS TURNPIKE AUTHORITY
(A COMPONENT UNIT OF THE STATE OF KANSAS)***

FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

WITH

INDEPENDENT AUDITOR'S REPORT



KANSAS TURNPIKE AUTHORITY
(A COMPONENT UNIT OF THE STATE OF KANSAS)

FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

WITH

INDEPENDENT AUDITOR'S REPORT

**KANSAS TURNPIKE AUTHORITY
(A COMPONENT UNIT OF THE STATE OF KANSAS)**

FINANCIAL STATEMENTS

For the Years Ended June 30, 2021 and 2020

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report	1 - 2
Management's Discussion and Analysis.....	3 - 8
Basic Financial Statements:	
Balance Sheets	9
Statements of Revenues, Expenses and Changes in Net Position	10
Statements of Cash Flows	11
Notes to Financial Statements	12 - 38
Required Supplementary Information	39 - 47
Supplementary Information:	
Combining Balance Sheet.....	48
Combining Statement of Revenues, Expenses and Changes in Net Position	49
Summary of Toll Revenues.....	50
Statistical Data:	
Operating Summaries - Vehicles, Mileage and Revenue	51
Schedule of Service Area Traffic and Sales.....	52
Schedule of Activity by Interchange	53
Schedule of Monthly Vehicles, Mileage and Toll Revenue	54
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	55 - 56

*This is a copy of the Turnpike's annual financial statements reproduced
from an electronic file. An original copy of this document
is available at the Turnpike's office.*

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Kansas Turnpike Authority
Wichita, Kansas

Report on the Financial Statements

We have audited the accompanying financial statements of the Kansas Turnpike Authority (Turnpike), a component unit of the State of Kansas, as of and for the years ended June 30, 2021 and 2020, and the related notes to 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 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.

Auditor's 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from 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 audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Kansas Turnpike Authority as of June 30, 2021 and 2020, and the respective changes in its financial position and its cash flows for the years ended June 30, 2021 and 2020 in accordance 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 in 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 financial statements that collectively comprise the Turnpike's basic financial statements. The supplementary information and statistical data as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary 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. Such 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, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

The statistical data 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 9, 2021 on our consideration of the Turnpike's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Turnpike's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Turnpike's internal control over financial reporting and compliance.

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

September 9, 2021
Wichita, Kansas

**KANSAS TURNPIKE AUTHORITY
(A COMPONENT UNIT OF THE STATE OF KANSAS)**

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 period ended June 30, 2021. Please read it in conjunction with the Turnpike's financial statements and associated footnotes.

Financial Highlights

- The Turnpike's net position increased in the year ended June 30, 2021 by approximately \$28.6 million or 4.0% compared to 2020.
- Long term debt decreased by \$15.2 million in the year ended June 30, 2021 compared to 2020.

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.

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 net position. You can think of the Turnpike's net position - the difference between assets/deferred outflows and liabilities/deferred inflows - 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.

**KANSAS TURNPIKE AUTHORITY
(A COMPONENT UNIT OF THE STATE OF KANSAS)**

MANAGEMENT'S DISCUSSION AND ANALYSIS

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 Financial Statements

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

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain information required to support the modified approach for the reporting of infrastructure assets, information concerning the Turnpike's schedule of changes in total other post-employment benefits liability, and information pertaining to the Turnpike's net pension liability.

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.

**KANSAS TURNPIKE AUTHORITY
(A COMPONENT UNIT OF THE STATE OF KANSAS)**

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Turnpike's Balance Sheet

The Turnpike's net position is the difference between its assets, deferred outflows of resources, liabilities and deferred inflows of resources reported in the Balance Sheet. The Turnpike's net position increased for the year ended June 30, 2021 by approximately \$28.6 million or (4.0%).

ASSETS

	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>
Cash and cash equivalents	\$ 66,895,700	\$ 44,493,866	\$ 52,918,141
Short-term investments	51,845,678	39,862,664	51,368,421
Intergovernmental receivables	5,557,854	15,936,620	5,401,038
Accounts receivable	9,034,945	7,528,232	7,969,426
Other current assets	3,336,086	3,830,757	4,305,121
Capital assets	714,549,924	709,567,147	689,331,472
Other noncurrent assets	<u>65,264,231</u>	<u>88,847,701</u>	<u>80,386,856</u>
Total assets	<u>916,484,418</u>	<u>910,066,987</u>	<u>891,680,475</u>

DEFERRED OUTFLOWS OF RESOURCES

Deferred refunding	1,652,728	3,102,716	3,452,434
Deferred outflows - pensions	4,510,942	2,214,455	2,491,605
Deferred outflows - OPEB	<u>1,085,903</u>	<u>1,261,872</u>	<u>604,690</u>
Total deferred outflows of resources	<u>7,249,573</u>	<u>6,579,043</u>	<u>6,548,729</u>

LIABILITIES

Current liabilities	27,642,096	36,832,433	35,557,977
Long-term debt outstanding	103,155,000	118,530,000	129,315,000
Bond premium	16,205,768	17,147,207	18,667,218
Net pension liability	15,461,921	13,163,068	14,036,694
Total OPEB liability	6,941,656	7,715,473	6,884,367
Other long-term liabilities	<u>1,049,000</u>	<u>1,416,000</u>	<u>1,095,000</u>
Total liabilities	<u>170,455,441</u>	<u>194,804,181</u>	<u>205,556,256</u>

DEFERRED INFLOWS OF RESOURCES

Deferred refunding	2,525,671	--	--
Deferred inflows - pensions	1,768,194	1,940,651	1,788,976
Deferred inflows - OPEB	<u>908,910</u>	<u>391,010</u>	<u>144,508</u>
Total deferred inflows of resources	<u>5,202,775</u>	<u>2,331,661</u>	<u>1,933,484</u>

NET POSITION

Net investment in capital assets	584,886,213	564,083,712	532,985,020
Restricted - expendable for debt service	18,894,165	21,871,928	22,003,256
Unrestricted	<u>144,295,397</u>	<u>133,554,548</u>	<u>135,751,188</u>
Total net position	<u>\$ 748,075,775</u>	<u>\$ 719,510,188</u>	<u>\$ 690,739,464</u>

Net position may serve, over time, as a useful indicator of an organization's financial position. In the case of the KTA, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$748,075,775 at the close of the most recent year.

**KANSAS TURNPIKE AUTHORITY
(A COMPONENT UNIT OF THE STATE OF KANSAS)**

MANAGEMENT'S DISCUSSION AND ANALYSIS

Restricted net position of \$18,894,165 represents amounts in the debt service and debt service reserve funds. These are therefore restricted from an accounting perspective. The unrestricted assets may also include other designated funds. For example, the bond trust indenture requires the replacement reserve fund be maintained at the level of the replacement reserve requirement, which was \$28,130,900 during the 2021 reporting period, and the operating fund balance is required to be maintained at 30% of the annual budget amount. The Turnpike's unrestricted resources may be used for 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, buildings, and equipment 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.

Changes in the Turnpike's Net Position

For the year ended June 30, 2021, the Turnpike's net position increased by approximately \$28.6 million, as shown in the table below.

	CHANGES IN NET POSITION		
	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>
Operating Revenues			
Tolls	\$ 121,464,360	\$ 119,333,185	\$ 124,342,364
Concessionaire rentals	5,491,748	5,185,258	5,472,031
Miscellaneous	3,785,884	1,546,323	2,917,897
Total operating revenues	<u>130,741,992</u>	<u>126,064,766</u>	<u>132,732,292</u>
Operating Expenses			
Administration	21,707,340	20,275,413	20,019,062
Insurance	5,790,611	6,314,452	5,736,192
Toll collection	4,568,610	5,209,606	6,158,769
Patrol	7,029,224	6,459,034	6,123,826
Maintenance	9,247,906	8,442,212	9,410,371
Depreciation	4,345,500	4,517,192	4,102,150
Cost of repairs and improvements	46,911,437	46,771,578	35,594,552
Total operating expenses	<u>99,600,628</u>	<u>97,989,487</u>	<u>87,144,922</u>
Operating Income	<u>31,141,364</u>	<u>28,075,279</u>	<u>45,587,370</u>
Nonoperating Revenues (Expenses)			
Investment revenue	52,333	4,376,451	5,113,284
Interest on long-term debt	(3,394,261)	(4,561,764)	(6,963,720)
Interest expense subsidy	--	--	1,381,915
Gain (loss) on disposal of asset	766,151	880,758	413,288
Net nonoperating revenues (expenses)	<u>(2,575,777)</u>	<u>695,445</u>	<u>(55,233)</u>
Increase in net position	<u>\$ 28,565,587</u>	<u>\$ 28,770,724</u>	<u>\$ 45,532,137</u>

**KANSAS TURNPIKE AUTHORITY
(A COMPONENT UNIT OF THE STATE OF KANSAS)**

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 fiscal year 2021, the Turnpike reported operating income, which is consistent with the majority of the Turnpike's operating history.

Toll revenue was \$121.5 million for the year ended June 30, 2021. When compared to fiscal year 2020 statistics, toll revenue increased 1.8% and traffic miles decreased 0.77%. The COVID-19 pandemic and the resulting voluntary and mandatory reductions in economic activity and personal mobility have decreased travel throughout the United States, including on the Turnpike. The Turnpike has been closely tracking the impact COVID-19 has had on traffic volume on the Turnpike.

The Turnpike's Convenience and Fuel Store and Restaurant rental revenue was \$5.5 million for the year ended June 30, 2021 comparable to \$5.2 million in fiscal year 2020.

Operating expenses listed in Note 2 of the Financial Statements were approximately \$1.4 million (2.9%) less than budgeted for 2021. 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 repairs and improvements. \$46.9 million was spent in Fiscal Year 2021 on construction projects which were deemed to be repair or maintenance to improve or preserve infrastructure assets.

Nonoperating Revenues and Expenses

Nonoperating revenues and expenses consist primarily of interest paid on long-term debt 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 Turnpike on the taxable Build America Bonds issued in 2009. The subsidy ended in fiscal year 2018 when the 2009A bonds were defeased in April of 2019.

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 2021, the Turnpike reported \$714,549,924 invested in capital assets. The Turnpike's infrastructure assets are made up of two networks: Roadway system network and Bridge system network. As of the June 30, 2021, condition assessment, the Turnpike's roadway system and bridge system both exceeded the established condition level set by the Turnpike. For the year ended June 30, 2021, the Turnpike's actual costs to maintain the roadway system was more than estimated by approximately \$1.3 million and bridge system was less than estimated by approximately \$4.3 million. For additional information on capital assets see Note 4 and required supplementary information.

**KANSAS TURNPIKE AUTHORITY
(A COMPONENT UNIT OF THE STATE OF KANSAS)**

MANAGEMENT'S DISCUSSION AND ANALYSIS

Debt

At the end of 2021, the Turnpike had \$112,585,000 of bonds outstanding. Of the total, \$9,430,000 is payable in fiscal year 2021, and the remainder is listed as Long-term liabilities. During fiscal year 2021, the Turnpike's bond rating by Moody's was "Aa2," confirming a Stable Outlook. For additional information on debt, see Note 6.

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 Brandon Kauffman, Chief Financial Officer at 9401 E. Kellogg, Wichita, KS 67207.

**KANSAS TURNPIKE AUTHORITY
(A COMPONENT UNIT OF THE STATE OF KANSAS)**

BALANCE SHEETS

June 30, 2021 and 2020

ASSETS AND DEFERRED OUTFLOWS

	2021	2020
Current assets		
Cash and cash equivalents	\$ 46,407,077	\$ 27,127,367
Short-term investments	51,845,678	33,417,662
Intergovernmental receivables	5,557,854	15,936,620
Accounts receivable, net of allowance for uncollectible accounts of \$12,054,938 and \$7,625,441 respectively	9,034,945	7,528,232
Accrued interest receivable	431,218	853,569
Material and supply inventory	2,857,440	2,924,766
Prepaid expense and other assets	47,428	33,803
Total current assets	116,181,640	87,822,019
Restricted assets		
Cash and cash equivalents	20,488,623	17,366,499
Short-term investments	--	6,445,002
Accrued interest receivable	--	18,619
Total restricted assets	20,488,623	23,830,120
Other long-term investments	65,264,231	88,847,701
Capital assets		
Capital assets, not being depreciated	676,043,419	670,309,821
Capital assets, net of accumulated depreciation	38,506,505	39,257,326
Total capital assets	714,549,924	709,567,147
Deferred outflows of resources		
Deferred refunding	1,652,728	3,102,716
Deferred outflows - pensions	4,510,942	2,214,455
Deferred outflows - OPEB	1,085,903	1,261,872
Total deferred outflows of resources	7,249,573	6,579,043
Total assets and deferred outflows of resources	\$ 923,733,991	\$ 916,646,030

LIABILITIES, DEFERRED INFLOWS AND NET POSITION

	<u>2021</u>	<u>2020</u>
Current liabilities		
Current maturities of long-term debt	\$ 9,430,000	\$ 10,785,000
Prepaid tolls	2,563,401	1,873,581
Accounts payable	8,353,559	12,188,059
Accrued expenses	5,700,678	10,044,351
Accrued interest	1,594,458	1,941,442
	<u>27,642,096</u>	<u>36,832,433</u>
Long-term liabilities		
Turnpike revenue bonds	103,155,000	118,530,000
Bond premium	16,205,768	17,147,207
Net pension liability	15,461,921	13,163,068
Total OPEB liability	6,941,656	7,715,473
Other long-term liabilities	1,049,000	1,416,000
	<u>142,813,345</u>	<u>157,971,748</u>
Total long-term liabilities	<u>142,813,345</u>	<u>157,971,748</u>
Total liabilities	<u>170,455,441</u>	<u>194,804,181</u>
Deferred inflows of resources		
Deferred refunding	2,525,671	--
Deferred inflows - pensions	1,768,194	1,940,651
Deferred inflows - OPEB	908,910	391,010
	<u>5,202,775</u>	<u>2,331,661</u>
Total deferred inflows of resources	<u>5,202,775</u>	<u>2,331,661</u>
Net position		
Net investment in capital assets	584,886,213	564,083,712
Restricted - expendable for debt service	18,894,165	21,871,928
Unrestricted	144,295,397	133,554,548
	<u>748,075,775</u>	<u>719,510,188</u>
Total net position	<u>748,075,775</u>	<u>719,510,188</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 923,733,991</u>	<u>\$ 916,646,030</u>

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

KANSAS TURNPIKE AUTHORITY
(A COMPONENT UNIT OF THE STATE OF KANSAS)

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

Years Ended June 30, 2021 and 2020

	2021	2020
Operating Revenues		
Tolls	\$ 121,464,360	\$ 119,333,185
Concessionaire rentals	5,491,748	5,185,258
Miscellaneous	3,785,884	1,546,323
	130,741,992	126,064,766
Operating Expenses		
Administration	21,707,340	20,275,413
Insurance	5,790,611	6,314,452
Toll collection	4,568,610	5,209,606
Patrol	7,029,224	6,459,034
Maintenance	9,247,906	8,442,212
Depreciation	4,345,500	4,517,192
Cost of repairs and improvements	46,911,437	46,771,578
	99,600,628	97,989,487
Operating Income	31,141,364	28,075,279
Nonoperating Revenues (Expenses)		
Investment revenue	52,333	4,376,451
Interest on long-term debt	(3,394,261)	(4,561,764)
Gain on disposal of assets	766,151	880,758
	(2,575,777)	695,445
Change in net position	28,565,587	28,770,724
Net position, beginning of year	719,510,188	690,739,464
Net position, end of year	\$ 748,075,775	\$ 719,510,188

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

KANSAS TURNPIKE AUTHORITY
(A COMPONENT UNIT OF THE STATE OF KANSAS)

STATEMENTS OF CASH FLOWS

Years Ended June 30, 2021 and 2020

	2021	2020
Operating Activities		
Cash received from toll collections	\$ 120,637,811	\$ 120,053,393
Cash received from concessionaire rentals and miscellaneous	9,287,288	6,731,330
Cash paid to suppliers	(75,865,506)	(85,169,834)
Cash paid to employees	(17,752,367)	(17,510,893)
	36,307,226	24,103,996
Capital and Related Financing Activities		
Proceeds from issuance of long-term debt	50,250,000	--
Proceeds from bond premium	4,596,823	--
Interest paid	(5,303,850)	(5,651,411)
Payments on bonds	(66,979,998)	(10,745,000)
Proceeds from sale of capital assets	1,039,485	1,161,732
Payments for capitalized costs	(9,601,611)	(25,033,841)
	(25,999,151)	(40,268,520)
Investing Activities		
Investment revenue realized	1,340,181	1,577,334
Proceeds from sale and maturities of investments	68,455,867	119,698,939
Purchase of investments	(57,702,289)	(113,536,024)
	12,093,759	7,740,249
Change in Cash and Cash Equivalents	22,401,834	(8,424,275)
Cash and Cash Equivalents, Beginning of Year	44,493,866	52,918,141
Cash and Cash Equivalents, End of Year	\$ 66,895,700	\$ 44,493,866
Reconciliation of Operating Income to Net Cash Flows from Operating Activities		
Operating income	\$ 31,141,364	\$ 28,075,279
Depreciation	4,345,500	4,517,192
Changes in operating assets and liabilities		
Accounts receivable, lease receivable and prepaid tolls	9,561,873	(9,815,625)
Material and supply inventory	67,326	(295,015)
Deferred outflows - pension	(2,296,487)	277,150
Deferred outflows - OPEB	175,969	(657,182)
Accounts payable and accrued expenses	(8,545,173)	1,196,047
Net pension liability	2,298,853	(873,626)
Total OPEB liability	(773,817)	831,106
Prepaid expenses and other assets	(13,625)	450,493
Deferred inflows - pension	(172,457)	151,675
Deferred inflows - OPEB	517,900	246,502
	\$ 36,307,226	\$ 24,103,996
Noncash investing capital and financing activities:		
Amortization of bond premium and deferred refunding	\$ (1,562,605)	\$ (1,170,293)

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

**KANSAS TURNPIKE AUTHORITY
(A COMPONENT UNIT OF THE STATE OF KANSAS)**

NOTES TO FINANCIAL STATEMENTS

1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Turnpike & Reporting Entity - 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.

K.S.A. 68-2003 was amended during the State of Kansas' 2013 and 2015 legislative sessions. The amendments named the Secretary of Transportation of the State of Kansas as the director of the Turnpike, effective July 1, 2013. The director is responsible for the daily administration of the toll roads, bridges, structures and facilities constructed, maintained or operated by the Turnpike. While the Turnpike retains its separate identity, powers and duties as an instrumentality of the State of Kansas (State), the amendment requires duplication of effort, facilities, and equipment between the Kansas Department of Transportation and the Turnpike be minimized in operation and maintenance of turnpikes and highways of the State.

Due to the amendments to K.S.A. 68-2003, the Turnpike became financially accountable to the State, as the State has oversight responsibility of day-to-day operations and administration of the Turnpike. The State also has the ability to significantly influence operations and accountability for fiscal matters, special financing relationships, and scope of public service. The Turnpike is therefore included in the State's financial reporting entity, and the Turnpike's transactions are reported in the State's financial statements as a component unit.

The Turnpike extends unsecured credit to certain K-TAG 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 June 30, 2021 and 2020, cash equivalents consisted primarily of commercial paper, money market accounts with brokers and certain U.S. agency obligations.

Investments and Investment Income - Money market investments are measured at amortized cost. Other investments are recorded at fair value. Fair value is defined as the exchange price that would be received to sell an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction. There is a fair value hierarchy which requires an entity to maximize the use of observable inputs when measuring fair value. Investment income includes dividend and interest income and the net change for the year in the fair value. In accordance with the 2009 Second 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.

**KANSAS TURNPIKE AUTHORITY
(A COMPONENT UNIT OF THE STATE OF KANSAS)**

NOTES TO FINANCIAL STATEMENTS

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

Accounts Receivable - Accounts receivable are reported net of an allowance for uncollectible accounts based on a review of all outstanding amounts on a periodic basis. Management determines the allowance for uncollectible accounts by identifying known accounts that will not be collected and by estimating the remaining accounts that are likely not to be collected. Accounts receivable are written off when deemed uncollectible. Recoveries of accounts receivable previously written off are recorded when received.

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.

Capital Assets - All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their acquisition value as of the date received. The Turnpike utilizes a capitalization threshold of \$50,000 for buildings and IT equipment and \$5,000 for all other equipment. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

Buildings and equipment are depreciated using the straight-line method over the following useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings and Improvements	40 years
Machinery and Equipment	4 - 20 years

For the initial capitalization of general infrastructure assets (those long-lived assets reported by the Turnpike that are normally stationary in nature and can normally be preserved for a significantly longer life than most capital assets), the Turnpike chose to include all such items regardless of their acquisition date or amount. The Turnpike was able to estimate the historical cost for the initial reporting of these assets from historical cost records or through back trending (i.e., estimating the current replacement cost of the assets being recorded and using appropriate price-level index to deflate the cost to the estimated construction year). As the Turnpike constructs or acquires additional infrastructure assets, they are capitalized and reported at historical cost.

Infrastructure assets (primarily roadway pavement and bridges) are reported using the modified approach as defined in GASB Statement 34. When using the modified approach, only those projects that add efficiency or capacity to the highway system are capitalized. Infrastructure assets are not depreciated. Expenditures that preserve those assets are expensed.

**KANSAS TURNPIKE AUTHORITY
(A COMPONENT UNIT OF THE STATE OF KANSAS)**

NOTES TO FINANCIAL STATEMENTS

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

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.

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.

Deferred Inflows of Resources/Deferred Outflows of Resources - In addition to assets, the balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The Turnpike has three items that qualify for reporting in this category: deferred charge on refunding and deferred outflows for pensions and OPEB. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. The amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. See Note 8 and 9, respectively, for more information on the deferred outflows for pensions and OPEB.

**KANSAS TURNPIKE AUTHORITY
(A COMPONENT UNIT OF THE STATE OF KANSAS)**

NOTES TO FINANCIAL STATEMENTS

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

In addition to liabilities, the balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Turnpike has three items that qualify for reporting in this category: deferred charge on refunding and deferred outflows for pensions and OPEB. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. The amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. See Notes 8 and 9, respectively, for more information on the deferred inflows for pensions and OPEB.

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.

Pensions - The net pension liability is calculated as the difference between the actuarially calculated value of the projected benefit payments attributed to past periods of employee service and the plan's fiduciary net position. The total pension expense is comprised of the service cost or actuarial present value of projected benefit payments attributed to the valuation year, interest on the total pension liability, plan administrative expenses, current year benefit changes, and other changes in plan fiduciary net position less employee contributions and projected earnings on plan investments. Additionally, the total pension expense includes the annual recognition of outflows and inflows of resources due to pension assets and liability.

For purposes of measuring the collective net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Kansas Public Employees Retirement System (KPERS) and additions to/deductions from KPERS' fiduciary net position have been determined on the same basis as they are reported by KPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Reclassifications - Certain amounts in the 2020 financial statements have been reclassified to conform to the 2021 presentation.

**KANSAS TURNPIKE AUTHORITY
(A COMPONENT UNIT OF THE STATE OF KANSAS)**

NOTES TO 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 July 1. The Turnpike may amend the budget at any time.

A comparison of actual expenses in the revenue fund and operations account with the budget for the year ended June 30, 2021, is as follows:

	<u>Budget</u>	<u>Actual</u>	<u>Over (Under)</u>
Administration	\$ 21,449,622	\$ 21,707,340	\$ 257,718
Insurance	7,368,697	5,790,611	(1,578,086)
Toll Collection	5,332,374	4,568,610	(763,764)
Patrol	6,390,169	7,029,224	639,055
Maintenance	9,240,812	9,247,906	7,094
	<u>\$ 49,781,674</u>	<u>\$ 48,343,691</u>	<u>\$ (1,437,983)</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 June 30, 2021 and 2020, the Turnpike's bank balance was \$45,635,937 and \$27,793,796, respectively; none of these balances 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.

**KANSAS TURNPIKE AUTHORITY
(A COMPONENT UNIT OF THE STATE OF KANSAS)**

NOTES TO FINANCIAL STATEMENTS

3. DEPOSITS, INVESTMENTS AND INVESTMENT INCOME (CONTINUED)

At June 30, 2021, the Turnpike had the following investments and maturities:

<u>Type</u>	<u>Fair Value</u>	<u>Maturities in Years</u>			<u>Fair Value Hierarchy</u>
		<u>Less than 1</u>	<u>1-5</u>	<u>6-10</u>	
US treasury obligations	\$ 39,056,370	\$ 12,267,083	\$ 26,789,287	\$ --	Level 1
US agency obligations	54,376,637	19,472,674	34,903,963	--	Level 2
State and municipality bonds	4,584,604	1,013,623	3,570,981	--	Level 2
Commercial paper	19,092,298	19,092,298	--	--	Level 2
Money market mutual funds	52,384,016	52,384,016	--	--	N/A
	<u>169,493,925</u>	<u>\$ 104,229,694</u>	<u>\$ 65,264,231</u>	<u>\$ --</u>	
Less cash equivalents	<u>52,384,016</u>				
Investments per balance sheet	<u>\$ 117,109,909</u>				

At June 30, 2020, the Turnpike had the following investments and maturities:

<u>Type</u>	<u>Fair Value</u>	<u>Maturities in Years</u>			<u>Fair Value Hierarchy</u>
		<u>Less than 1</u>	<u>1-5</u>	<u>6-10</u>	
US treasury obligations	\$ 51,647,907	\$ 7,937,658	\$ 43,710,249	\$ --	Level 1
US agency obligations	54,161,894	11,421,623	42,740,271	--	Level 2
State and municipality bonds	6,113,244	3,716,063	2,397,181	--	Level 2
Commercial paper	16,787,320	16,787,320	--	--	Level 2
Money market mutual funds	32,959,273	32,959,273	--	--	N/A
	<u>161,669,638</u>	<u>\$ 72,821,937</u>	<u>\$ 88,847,701</u>	<u>\$ --</u>	
Less cash equivalents	<u>32,959,273</u>				
Investments per balance sheet	<u>\$ 128,710,365</u>				

Fair Value Measurements - Following is a description of the valuation methodologies used for assets measured at fair value in the table above.

An investment's categorization within the valuation hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The following is a description of the valuation methodologies used for instruments measured at fair value, including the general classification of such instruments pursuant to the valuation hierarchy.

US treasury obligations are valued at Level 1 using quoted prices in active markets for identical assets.

US agency obligations, state bonds and commercial paper are valued at Level 2 using pricing models that maximize the use of observable inputs for similar securities.

**KANSAS TURNPIKE AUTHORITY
(A COMPONENT UNIT OF THE STATE OF KANSAS)**

NOTES TO FINANCIAL STATEMENTS

3. DEPOSITS, INVESTMENTS AND INVESTMENT INCOME (CONTINUED)

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. On June 30, 2021 and 2020, the Turnpike's investments in U.S. agency obligations not directly guaranteed by the U.S. government were rated AA+ by Standard & Poor's. On June 30, 2021 and 2020, commercial paper was rated from A-1+ to A-1 by Standard and Poor's. State and municipality bonds held on June 30, 2021 and 2020 were rated AAA to 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. On June 30, 2021 and 2020, the Turnpike had the following concentrations:

	<u>2021</u>	<u>2020</u>
Federal Home Loan Mortgage Corporation	42.83%	32.32%
Federal National Mortgage Association	12.73%	17.39%
Federal Home Loan Bank	7.53%	12.89%
Federal Farm Credit Bank	6.58%	7.69%
Credit Agricole CIB NY Comm Paper	5.12%	N/A
Sumitomo Mitsui Trust NY Comm Paper	5.44%	N/A
Mizuho Bank Ltd Comm Paper	N/A	5.57%
MUFG Bank LTD/NY Comm Paper	N/A	5.38%
BNP Paribas NY Branch Comm Paper	N/A	4.93%

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

	<u>2021</u>	<u>2020</u>
Carrying Value:		
Deposits	\$ 14,511,684	\$ 11,534,593
Investments	<u>169,493,925</u>	<u>161,669,638</u>
	<u>\$ 184,005,609</u>	<u>\$ 173,204,231</u>

**KANSAS TURNPIKE AUTHORITY
(A COMPONENT UNIT OF THE STATE OF KANSAS)**

NOTES TO FINANCIAL STATEMENTS

3. DEPOSITS, INVESTMENTS AND INVESTMENT INCOME (CONTINUED)

Included in the following balance sheet captions:

	2021	2020
Cash and cash equivalents	\$ 46,407,077	\$ 27,127,367
Short-term investments	51,845,678	33,417,662
Restricted cash and cash equivalents	20,488,623	17,366,499
Restricted investments	--	6,445,002
Other long-term investments	65,264,231	88,847,701
	<u>\$ 184,005,609</u>	<u>\$ 173,204,231</u>

Investment Income - Investment income for the periods ended June 30, consisted of:

	2021	2020
Interest and dividend income	\$ 1,961,158	\$ 3,140,960
Net change in fair value of investments	(1,908,825)	1,235,491
	<u>\$ 52,333</u>	<u>\$ 4,376,451</u>

4. CAPITAL ASSETS

Capital assets activity for the periods ended June 30, 2021 and 2020 was:

	June 30, 2020	Increases	Decreases	June 30, 2021
Capital assets, not being depreciated:				
Land	\$ 20,325,883	\$ 23,134	\$ --	\$ 20,349,017
Infrastructure, including CIP	649,983,938	19,046,888	13,336,424	655,694,402
Total capital assets, not being depreciated	<u>670,309,821</u>	<u>19,070,022</u>	<u>13,336,424</u>	<u>676,043,419</u>
Capital assets, being depreciated:				
Buildings and improvements	42,044,516	432,652	--	42,477,168
Machinery and equipment	35,435,214	3,435,361	1,855,788	37,014,787
Total capital assets being depreciated	<u>77,479,730</u>	<u>3,868,013</u>	<u>1,855,788</u>	<u>79,491,955</u>
Less accumulated depreciation for:				
Buildings and improvements	17,387,474	1,051,113	--	18,438,587
Machinery and equipment	20,834,930	3,294,387	1,582,454	22,546,863
Total accumulated depreciation	<u>38,222,404</u>	<u>4,345,500</u>	<u>1,582,454</u>	<u>40,985,450</u>
Total capital assets, being depreciated, net	<u>39,257,326</u>	<u>477,487</u>	<u>273,334</u>	<u>38,506,505</u>
Capital assets, net	<u>\$ 709,567,147</u>	<u>\$ 18,592,535</u>	<u>\$ 13,609,758</u>	<u>\$ 714,549,924</u>

KANSAS TURNPIKE AUTHORITY
(A COMPONENT UNIT OF THE STATE OF KANSAS)

NOTES TO FINANCIAL STATEMENTS

4. CAPITAL ASSETS (CONTINUED)

	June 30, 2019	Increases	Decreases	June 30, 2020
Capital assets, not being depreciated:				
Land	\$ 20,323,653	\$ 6,934	\$ 4,704	\$ 20,325,883
Infrastructure, including CIP	<u>633,014,110</u>	<u>39,921,149</u>	<u>22,951,321</u>	<u>649,983,938</u>
Total capital assets, not being depreciated	<u>653,337,763</u>	<u>39,928,083</u>	<u>22,956,025</u>	<u>670,309,821</u>
Capital assets, being depreciated:				
Buildings and improvements	40,312,792	1,731,724	--	42,044,516
Machinery and equipment	<u>31,444,112</u>	<u>6,258,959</u>	<u>2,267,857</u>	<u>35,435,214</u>
Total capital assets being depreciated	<u>71,756,904</u>	<u>7,990,683</u>	<u>2,267,857</u>	<u>77,479,730</u>
Less accumulated depreciation for:				
Buildings and improvements	16,141,721	1,245,753	--	17,387,474
Machinery and equipment	<u>19,621,474</u>	<u>3,271,439</u>	<u>2,057,983</u>	<u>20,834,930</u>
Total accumulated depreciation	<u>35,763,195</u>	<u>4,517,192</u>	<u>2,057,983</u>	<u>38,222,404</u>
Total capital assets, being depreciated, net	<u>35,993,709</u>	<u>3,473,491</u>	<u>209,874</u>	<u>39,257,326</u>
Capital assets, net	<u>\$ 689,331,472</u>	<u>\$ 43,401,574</u>	<u>\$ 23,165,899</u>	<u>\$ 709,567,147</u>

5. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses in current liabilities at June 30, consisted of:

	2021	2020
Payable to suppliers	\$ 8,353,559	\$ 12,188,059
Contracts payable and retained amounts	1,103,944	5,656,342
Payable to employees (including payroll taxes and benefits)	3,102,508	2,816,784
Concessionaires deposits	474,226	274,225
Estimated self-insurance costs	<u>1,020,000</u>	<u>1,297,000</u>
	<u>\$ 14,054,237</u>	<u>\$ 22,232,410</u>

**KANSAS TURNPIKE AUTHORITY
(A COMPONENT UNIT OF THE STATE OF KANSAS)**

NOTES TO FINANCIAL STATEMENTS

6. LONG-TERM OBLIGATIONS

The following is a summary of long-term obligation transactions for the Turnpike for the periods ended June 30, 2021 and 2020:

	<u>June 30, 2020</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2021</u>	<u>Current Portion</u>
Long-term debt					
Revenue bonds	\$ 129,315,000	\$ 50,250,000	\$ 66,980,000	\$ 112,585,000	\$ 9,430,000
Bond premium	17,147,207	4,596,823	5,538,262	16,205,768	--
Other long-term liabilities					
Accrued compensated absences	<u>3,641,000</u>	<u>2,266,000</u>	<u>2,429,000</u>	<u>3,478,000</u>	<u>2,429,000</u>
Total long-term obligations	<u>\$ 150,103,207</u>	<u>\$ 57,112,823</u>	<u>\$ 74,947,262</u>	<u>\$ 132,268,768</u>	<u>\$ 11,859,000</u>
	<u>June 30, 2019</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2020</u>	<u>Current Portion</u>
Long-term debt					
Revenue bonds	\$ 140,060,000	\$ --	\$ 10,745,000	\$ 129,315,000	\$ 10,785,000
Bond premium	18,667,218	--	1,520,011	17,147,207	--
Other long-term liabilities					
Accrued compensated absences	<u>3,510,000</u>	<u>1,416,000</u>	<u>1,285,000</u>	<u>3,641,000</u>	<u>2,225,000</u>
Total long-term obligations	<u>\$ 162,237,218</u>	<u>\$ 1,416,000</u>	<u>\$ 13,550,011</u>	<u>\$ 150,103,207</u>	<u>\$ 13,010,000</u>

7. REVENUE BONDS PAYABLE

At June 30, 2021 and 2020, Turnpike revenue bonds payable were as follows:

	<u>2021</u>	<u>2020</u>
Series 2010A	--	50,140,000
Series 2012A	--	16,840,000
Series 2019A	62,335,000	62,335,000
Series 2020A	<u>50,250,000</u>	<u>--</u>
	<u>\$ 112,585,000</u>	<u>\$ 129,315,000</u>

KANSAS TURNPIKE AUTHORITY
(A COMPONENT UNIT OF THE STATE OF KANSAS)

NOTES TO FINANCIAL STATEMENTS

7. REVENUE BONDS PAYABLE (CONTINUED)

Interest rates on the bonds vary between 3.0% and 5.00%. The debt service requirements as of June 30, 2021, are as follows:

<u>Year Ending June 30,</u>	<u>Total to be Paid</u>	<u>Principal</u>	<u>Interest</u>
2022	\$ 13,912,800	\$ 9,430,000	\$ 4,482,800
2023	12,925,625	8,715,000	4,210,625
2024	11,940,200	7,980,000	3,960,200
2025	10,957,125	7,225,000	3,732,125
2026	9,972,075	6,445,000	3,527,075
2027 - 2031	39,086,150	24,210,000	14,876,150
2032 - 2036	36,833,125	28,055,000	8,778,125
2037 - 2041	22,098,375	20,525,000	1,573,375
	<u>\$ 157,725,475</u>	<u>\$ 112,585,000</u>	<u>\$ 45,140,475</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 2019A	September 1, 2029	At par
Series 2020A	No early redemption	N/A

In August 2020, the Turnpike issued \$50,250,000 in Series 2020A Turnpike Refunding Revenue Bonds at a premium of \$4,596,823 with an average interest rate of 3%, to current refund \$41,390,000 of the Turnpike's Series 2010A and \$14,805,000 of the Turnpike's Series 2012A Bonds with an average interest rate of 4.06% and 3.59%, respectively. The Turnpike refunded these bonds to reduce total debt payments by \$10,109,925. The net economic gain (difference between the present value of the old and new debt service payments) is \$7,013,508.

In April 2019, the Turnpike issued \$62,335,000 in Series 2019A Turnpike Refunding Revenue Bonds at a premium of \$13,741,774 with an average interest rate of 5%, to advance refund the Turnpike's Series 2009A Bonds. Approximately \$79,293,302 was irrevocably deposited into an escrow account to refund \$77,425,000 of outstanding Series 2009A bonds with an average interest rate of 6.6%. The 2009A bonds will be called on September 1, 2029. As a result, the Series 2009A bonds are defeased and the liability for this portion of the bonds has been removed from the Turnpike's financial statements. The Turnpike refunded these bonds to reduce total debt payments by \$26,161,721. The economic gain (difference between the present value of the old and new debt service payments) is \$16,758,230.

The bond trust indenture of the Turnpike requires, among other things, that special reserve accounts be established and maintained. Additionally, the indenture requires the Turnpike to charge such tolls for the use of the Turnpike, that, together with any other available funds, will produce revenues at least equal to the greater of: a) an amount sufficient to pay operating, maintenance, and debt service costs, and to satisfy deposits to the debt service reserve fund and the replacement reserve fund as defined by the bond trust indenture; or b) an amount sufficient to enable the Turnpike to have in each fiscal year a debt service coverage ratio that will not be less than 1.25. The Turnpike was in compliance with the above requirements as of June 30, 2021 and 2020.

**KANSAS TURNPIKE AUTHORITY
(A COMPONENT UNIT OF THE STATE OF KANSAS)**

NOTES TO FINANCIAL STATEMENTS

7. REVENUE BONDS PAYABLE (CONTINUED)

The Turnpike has pledged specific revenue streams to secure the repayment of certain outstanding debt issuances. The corresponding debt issuances are for Turnpike revenue bonds and the purpose of the debt is for Turnpike improvements. The following table lists those revenues, the amount and term of the pledge remaining, the current year principal and interest on the debt, the amount of pledged revenue recognized during the current fiscal year, and the approximate percentage of the revenue stream that has been committed:

Revenue pledged	Amount of pledge	Term of commitment	Percentage of revenue pledged	Principal and interest for the year ended 2021	Pledged revenue recognized for the year ended 2021
Net revenues	\$ 157,725,475	Through 2039	100%	\$ 16,088,850	\$ 82,450,634

8. DEFINED BENEFIT PENSION PLAN

General Information about the Pension Plan

Plan description. The Turnpike participates in the Kansas Public Employees Retirement System (KPERs), a cost-sharing multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, et. seq. Kansas law establishes and amends benefit provisions. KPERs issues a publicly available financial report that includes financial statements and required supplementary information. KPERs' financial statements are included in its Comprehensive Annual Financial Report which can be found on the KPERs website at www.kpers.org or by writing to KPERs (611 South Kansas, Suite 100, Topeka, KS 66603) or by calling 1-888-275-5737.

Benefits provided. KPERs provides retirement benefits, life insurance, disability income benefits, and death benefits. Benefits are established by statute and may only be changed by the General Assembly. Member employees with ten or more years of credited service, may retire as early as age 55, with an actuarially reduced monthly benefit. Normal retirement is at age 65, age 62 with ten years of credited service, or whenever an employee's combined age and years of credited service equal 85 "points".

Monthly retirement benefits are based on a statutory formula that includes final average salary and years of service. When ending employment, member employees may withdraw their contributions from their individual accounts, including interest. Member employees who withdraw their accumulated contributions lose all rights and privileges of membership. The accumulated contributions and interest are deposited into and disbursed from the membership accumulated reserve fund as established by K.S.A. 74-4922.

Member employees chose one of seven payment options for their monthly retirement benefits. At retirement, a member employee may receive a lump-sum payment of up to 50% of the actuarial present value of the member employee's lifetime benefit. His or her monthly retirement benefit is then permanently reduced based on the amount of the lump-sum. Benefit increases, including ad hoc post-retirement benefit increases, must be passed into law by the Kansas Legislature. Benefit increases are under the authority of the Legislature and the Governor of the State of Kansas.

**KANSAS TURNPIKE AUTHORITY
(A COMPONENT UNIT OF THE STATE OF KANSAS)**

NOTES TO FINANCIAL STATEMENTS

8. DEFINED BENEFIT PENSION PLAN (CONTINUED)

The 2012 Legislature made changes affecting new hires, current member employees and employers. A new KPERS 3 cash balance retirement plan for new hires starting January 1, 2015, was created. Normal retirement age for KPERS 3 is 65 with five years of service or 60 years with 30 years of service. Early retirement is available at age 55 with ten years of service, with a reduced benefit. Monthly benefit options are an annuity benefit based on the account balance at retirement.

For all pension coverage groups, the retirement benefits are disbursed from the retirement benefit payment reserve fund as established by K.S.A. 74-4922.

Contributions. K.S.A. 74-4919 and K.S.A. 74-49,210 establish the KPERS member-employee contributions rates. KPERS has multiple benefit structures and contribution rates depending on whether the employee is a KPERS 1, KPERS 2 or KPERS 3 member. KPERS 1 members are active and contributing members hired before July 1, 2009. KPERS 2 members were first employed in a covered position on or after July 1, 2009, and KPERS 3 members were first employed in a covered position on or after January 1, 2015. Effective January 1, 2015, Kansas law established the KPERS member-employee contribution rate at 6% of covered salary for KPERS 1, KPERS 2 and KPERS 3 members. Member 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 rates for KPERS 1, KPERS 2 and KPERS 3 be determined based on the results of each annual actuarial valuation. KPERS is funded on an actuarial reserve basis. Kansas law sets a limitation on annual increases in the employer contribution rates. The actuarially determined employer contribution rate (not including the 1.00% contribution rate for Death and Disability Program) and the statutory contribution rate were 8.89% from July 1, 2019 through December 31, 2019 and 8.61% from January 1, 2020 through June 30, 2020. The actuarially determined employer contribution rate and the statutory contribution rate were 8.61% from July 1, 2020 through December 31, 2020 and 8.87% from January 1, 2021 through June 30, 2021. Contributions to the pension plan from the Turnpike were \$1,517,433 and \$1,473,645 for the periods ended June 30, 2021 and 2020, respectively.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Net pension liability activity for the years ended June 30 was as follows:

	<u>June 30, 2021</u>	<u>June 30, 2020</u>
Net pension liability	\$ 15,461,921	\$ 13,163,068
Measurement date	June 30, 2020	June 30, 2019
Valuation date	December 31, 2019	December 31, 2018
Proportion	0.892%	0.942%
Change in proportion	-0.050%	-0.065%

The collective net pension liability is measured by KPERS each June 30, and the total pension liability used to calculate the collective net pension liability is determined by an actuarial valuation as of each December 31, rolled forward to June 30. The Turnpike's proportion of the collective

**KANSAS TURNPIKE AUTHORITY
(A COMPONENT UNIT OF THE STATE OF KANSAS)**

NOTES TO FINANCIAL STATEMENTS

8. DEFINED BENEFIT PENSION PLAN (CONTINUED)

net pension liability was based on the ratio of the Turnpike's actual contributions to KPERS, relative to the total employer and non-employer contributions of the local subgroup within KPERS for the fiscal years ended June 30, 2020 and 2019. The contributions used exclude contributions made for prior service, excess benefits and irregular payments.

For the years ended June 30, 2021 and 2020, the Turnpike recognized pension expense of \$1,426,506 and \$1,202,202, respectively. At June 30, 2021 and 2020, the Turnpike reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>June 30, 2021</u>		<u>June 30, 2020</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 258,167	\$ 198,782	\$ 28,813	\$ 331,501
Net difference between projected and actual earnings on pension plan investments	1,804,021	--	309,686	--
Changes in proportionate share	--	1,569,412	--	1,582,471
Changes in assumptions	931,321	--	402,311	26,679
Turnpike contributions subsequent to measurement date	<u>1,517,433</u>	<u>--</u>	<u>1,473,645</u>	<u>--</u>
Total	<u>\$ 4,510,942</u>	<u>\$ 1,768,194</u>	<u>\$ 2,214,455</u>	<u>\$ 1,940,651</u>

The \$1,517,433 reported as deferred outflows of resources related to pensions resulting from the Turnpike contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2022	\$ (11,453)
2023	(259,849)
2024	(413,272)
2025	(528,825)
2026	(11,916)
	<u>\$ (1,225,315)</u>

**KANSAS TURNPIKE AUTHORITY
(A COMPONENT UNIT OF THE STATE OF KANSAS)**

NOTES TO FINANCIAL STATEMENTS

8. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Actuarial assumptions. The total pension liability for KPERS in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Price inflation	2.75%
Wage inflation	3.25%
Salary increases, including wage increases	3.25% to 11.75%, including inflation
Long-term rate of return, net of investment expense, and including price inflation	7.50%

Mortality rates were based on the RP 2014 Mortality Tables, with age setbacks and age set forwards as well as other adjustments based on different membership groups. Future mortality improvements are anticipated using Scale MP-2016.

The actuarial assumptions used in the December 31, 2019 valuation were based on the results of an actuarial experience study conducted for the three-year period beginning January 1, 2016. The experience study is dated January 7, 2020.

The actuarial assumptions changes adopted by the Pension Plan for all groups based on the experience study were as follows:

- Investment return assumption was lowered from 7.75 percent to 7.50 percent
- General wage growth assumption was lowered from 3.50 percent to 3.25 percent
- Payroll growth assumption was lowered from 3.00 percent to 2.75 percent

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class as of the most recent experience study dated January 7, 2020, as provided by KPERS' investment consultant, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. equities	23.5%	5.20%
Non-U.S. equities	23.5	6.40
Private equity	8	9.50
Private real estate	11	4.45
Yield driven	8	4.70
Real return	11	3.25
Fixed income	11	1.55
Short-term investments	4	0.25
Total	<u>100%</u>	

**KANSAS TURNPIKE AUTHORITY
(A COMPONENT UNIT OF THE STATE OF KANSAS)**

NOTES TO FINANCIAL STATEMENTS

8. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Discount rate. The discount rate used by KPERS to measure the total pension liability at June 30, 2020 was 7.50%. The discount rate used to measure the total pension liability at the prior measurement date of June 30, 2019 was 7.75%. The projection of cash flows used to determine the discount rate was based on member and employer contributions. The local employers do not necessarily contribute the full actuarial determined rate. Based on legislation passed in 1993 and subsequent legislation, the employer contribution rates certified by the KPERS' Board of Trustees for this group may not increase by more than the statutory cap. The statutory cap for the State fiscal year 2020 was 1.2%. The local employers are currently contributing the full actuarial contribution rate. The expected employer actuarial contribution rate was modeled for future years for these groups, assuming all actuarial assumptions are met in the future years. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Turnpike's proportionate share of the collective net pension liability to changes in the discount rate. The following presents the Turnpike's proportionate share of the collective net pension liability calculated using the discount rate of 7.50% for fiscal 2021 and 7.75% for fiscal year 2020, as well as what the Turnpike's proportionate share of the collective net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50/6.75%) or 1-percentage-point higher (8.50/8.75%) than the current rate:

	1% Decrease (6.50/6.75%)	Current Discount Rate (7.50/7.75%)	1% Increase (8.50/8.75%)
June 30, 2021	\$ 21,761,113	\$ 15,461,921	\$ 10,165,945
June 30, 2020	\$ 19,659,314	\$ 13,163,068	\$ 7,729,072

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued KPERS financial report.

9. OTHER POST EMPLOYMENT HEALTHCARE BENEFITS DESCRIPTION

The Turnpike participates in two different other post-employment benefit plans (OPEB), which are separately disclosed in the following section.

Turnpike's OPEB Plan

Plan Description. The Turnpike offers medical, dental and prescription drug 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). No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75. There is no stand-alone financial report for the plan.

**KANSAS TURNPIKE AUTHORITY
(A COMPONENT UNIT OF THE STATE OF KANSAS)**

NOTES TO FINANCIAL STATEMENTS

9. OTHER POST EMPLOYMENT HEALTHCARE BENEFITS DESCRIPTION (CONTINUED)

Benefits Provided. Retirees must pay COBRA rates to continue coverage, which extends until the individuals become eligible for Medicare at age 65. Turnpike retirees not meeting specified age and service criteria contribute 100% of the COBRA premium rate; otherwise, retirees pay the same rate as employees, and the Turnpike pays the remaining cost of coverage. 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.

Employees covered by benefit terms. At June 30, 2021, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	54
Active employees	279
	333
	333

Total OPEB Liability

Total OPEB liability activity for the years ended June 30 was as follows:

	June 30, 2021	June 30, 2020
Total OPEB Liability	\$ 6,418,406	\$ 7,179,560
Measurement date	June 30, 2021	June 30, 2020
Valuation date	January 1, 2020	January 1, 2020

Actuarial assumptions and other inputs. The total OPEB liability in the January 1, 2020 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all period included in the measurement, unless otherwise noted:

Salary increases, including inflation	3.00%
Discount rate	2.60% for June 30, 2020 measurement date 2.00% for June 30, 2021 measurement date
Healthcare cost trend rates	6.50% for 2020, decreasing by 0.25% per year to an ultimate rate of 5.0% for 2026 and later years
Retiree share of benefit cost	Retirees pay 100% of COBRA rates unless specified minimum age and service levels are met, in that case retirees pay active employee premium rates.

The discount rate was based on the average of the published yields from the S&P Municipal Bond 20-year High Grade and the Fidelity GO AA-20 Years indexes. Mortality rates were based on the Society of Actuaries Pub-2010 Public Retirement Plans Headcount-weighted General Mortality Tables using Scale MP-2019 Full Generational Improvement for June 30, 2020 measurement date and MP-2020 Full generational Improvement for June 30, 2021 measurement date.

**KANSAS TURNPIKE AUTHORITY
(A COMPONENT UNIT OF THE STATE OF KANSAS)**

NOTES TO FINANCIAL STATEMENTS

9. OTHER POST EMPLOYMENT HEALTHCARE BENEFITS DESCRIPTION (CONTINUED)

The actuarial assumptions used in the January 1, 2020 valuation were based reasonable expectations of future experience under the postretirement insurance program based on years of experience information provided by the Turnpike.

Changes in the Total OPEB Liability

	<u>June 30, 2021</u>	<u>June 30, 2020</u>
	<u>Total OPEB</u>	<u>Total OPEB</u>
	<u>Liability</u>	<u>Liability</u>
Beginning balance	\$ 7,179,560	\$ 6,217,858
Changes for the year:		
Service cost	173,520	135,692
Interest	183,767	180,262
Change in benefit terms	-	513,118
Differences between actual and expected experience	(90,243)	926,747
Changes in assumptions and inputs	(457,935)	(104,489)
Benefit payments	(570,263)	(689,628)
Net changes	<u>(761,154)</u>	<u>961,702</u>
Ending balance	<u>\$ 6,418,406</u>	<u>\$ 7,179,560</u>

Changes of assumptions. Changes of assumptions and other inputs reflect the effects of the following changes:

- The retirement and turnover rate assumptions were updated based on the latest available data from KPERS pension valuation on June 30, 2021.
- The discount rate decreased from 2.60% on June 30, 2020 to 2.00% on June 30, 2021 and decreased from 3.00% on June 30, 2019 to 2.60% on June 30, 2020.
- The assumed salary scale increased from 2.00% on June 30, 2019 to 3.00% on June 30, 2020 and 2021.
- The mortality assumption was changed from Society of Actuaries RPH-2014 Adjusted to 2006 Total Dataset Headcount-weighted Mortality with MP-2018 Full Generational Improvement to the Society of Actuaries Pub-2010 Public Retirement Plans Headcount-weighted General Mortality Tables using Scale MP-2019 Full Generational Improvement on June 30, 2020. For the June 30, 2021 measurement date, the scale MP-2020 Full Generational Improvement was used.
- The retiree per capita costs, retiree contribution premiums and trend assumption were updated as part of the actuarial evaluation.

Changes of benefit terms. There were no changes in benefit terms for June 30, 2021. Changes of benefit terms for June 30, 2020 reflect the effects eleven employees retiring earlier than expected due to a voluntary retirement incentive offered during the year ended June 30, 2020. This is valued as a change in benefit terms.

Sensitivity of the total OPEB liability to changes in the discount rate. The following presents the total OPEB liability of the Turnpike, as well as what the Turnpike's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.00%/1.60%) or 1-percentage-point higher (3.00%/3.60%) than the current discount rate:

**KANSAS TURNPIKE AUTHORITY
(A COMPONENT UNIT OF THE STATE OF KANSAS)**

NOTES TO FINANCIAL STATEMENTS

9. OTHER POST EMPLOYMENT HEALTHCARE BENEFITS DESCRIPTION (CONTINUED)

	<u>1% Decrease (1.00%/1.60%)</u>	<u>Current Discount Rate (2.00%/2.60%)</u>	<u>1% Increase (3.00%/3.60%)</u>
June 30, 2021	\$ 6,786,557	\$ 6,418,406	\$ 6,065,883
June 30, 2020	\$ 7,598,897	\$ 7,179,560	\$ 6,781,257

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates. The following presents the total OPEB liability of the Turnpike, as well as what the Turnpike's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage point lower (5.5% decreasing to 4.0%) or 1-percentage-point higher (7.5% decreasing to 6.0%) than the current healthcare cost trend rates:

	<u>1% Decrease (5.5% decreasing to 4.0%)</u>	<u>Healthcare Cost Trend Rates (6.5% decreasing to 5.0%)</u>	<u>1% Increase (7.5% decreasing to 6.0%)</u>
June 30, 2021	\$ 5,882,592	\$ 6,418,406	\$ 7,033,161
June 30, 2020	\$ 6,651,601	\$ 7,179,560	\$ 7,782,399

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2021 and 2020, the Turnpike recognized OPEB expense of \$467,426 and \$1,007,733, respectively. At June 30, 2021 and 2020, the Turnpike reported deferred outflows of resources from the following sources:

	<u>June 30, 2021</u>		<u>June 30, 2020</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 929,836	\$ 78,963	\$ 1,100,863	\$ --
Changes in assumptions	97,505	479,060	118,200	91,428
Total	<u>\$ 1,027,341</u>	<u>\$ 558,023</u>	<u>\$ 1,219,063</u>	<u>\$ 91,428</u>

**KANSAS TURNPIKE AUTHORITY
(A COMPONENT UNIT OF THE STATE OF KANSAS)**

NOTES TO FINANCIAL STATEMENTS

9. OTHER POST EMPLOYMENT HEALTHCARE BENEFITS DESCRIPTION (CONTINUED)

Amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:	<u>Deferred (Inflows) of Resources</u>
2022	\$ 110,139
2023	110,139
2024	110,139
2025	106,651
2026	66,512
Thereafter	<u>(34,262)</u>
	<u>\$ 469,318</u>

KPERS Death and Disability OPEB Plan

Plan Description: The Turnpike participates in an agent multiple-employer defined benefit other post-employment benefit (OPEB) plan which is administered by KPERS. The plan provides long-term disability benefits and life insurance benefit for disabled members to KPERS members, as provided by K.S.A. 74-04927. The plan is administered through a trust held by KPERS that is funded to pay annual benefit payments. Because the trust's assets are used to pay employee benefits other than OPEB, no assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75. There is no stand-alone financial report for the plan.

Benefits provided: Benefits are established by statute and may be amended by the KPERS Board of Trustees. The Plan provides long-term disability benefits equal to 60% (prior to January 1, 2006, 66 2/3%) of annual compensation, offset by other benefits. Members receiving long-term disability benefits also receive credit towards their KPERS retirement benefits and have their group life insurance coverage continued under the waiver premium provision.

Long-term disability benefit: Monthly benefit is 60% of the member's monthly compensation, with a minimum of \$100 and maximum of \$5,000. The monthly benefit is subject to reduction by deductible sources of income, which include Social Security primary disability or retirement benefits, worker's compensation benefits, other disability benefits from any other source by reason of employment, and earnings from any form of employment. If the disability begins before age 60, benefits are payable while disability continues until the member's 65th birthday or retirement date, whichever occurs first. If the disability occurs after age 60, benefits are payable while disability continues, for a period of 5 years or until the member retires, whichever occurs first. Benefit payments for disabilities caused or contributed to by substance abuse or non-biologically based mental illnesses are limited to the term of the disability or 24 months per lifetime, whichever is less. There are no automatic cost-of-living increase provisions. KPERS has the authority to implement an ad hoc cost-of living increase.

**KANSAS TURNPIKE AUTHORITY
(A COMPONENT UNIT OF THE STATE OF KANSAS)**

NOTES TO FINANCIAL STATEMENTS

9. OTHER POST EMPLOYMENT HEALTHCARE BENEFITS DESCRIPTION (CONTINUED)

Group life waiver of premium benefit: Upon the death of an employee who is receiving monthly disability benefits, the plan will pay a lump-sum benefit to eligible beneficiaries. The benefit amount will be 150% of the greater of the member's annual rate of compensation at the time of disability or the member's previous 12 months of compensation at the time of the last date on payroll. If the member has been disabled for 5 or more years, the annual compensation or salary rate at the time of death will be indexed using the consumer price before the life insurance benefit is computed. The indexing is based on the consumer price index, less one percentage point, to compute the death benefit. If a member is diagnosed as terminally ill with a life expectancy of 12 months or less, the member may be eligible to receive up to 100% of the death benefit rather than having the benefit paid to the beneficiary. If a member retires or disability benefits end, the member may convert the group life insurance coverage to an individual life insurance policy.

Employees covered by benefit terms: At June 30, 2021, the following employees were covered by the benefit terms:

Disabled employees	1
Active employees	313
	314

Total OPEB Liability

Total OPEB liability activity for the years ended June 30 was as follows:

	June 30, 2021	June 30, 2020
Total OPEB Liability	\$ 523,250	\$ 535,913
Measurement date	June 30, 2020	June 30, 2019
Valuation date	December 31, 2019	December 31, 2018

Actuarial assumptions and other inputs. The total OPEB liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise noted:

Price inflation	2.75%
Payroll growth	3.00%
Salary increases, including inflation	3.50 to 10%, including price inflation
Discount rate	2.21%
Healthcare cost trend rates	Not applicable for the coverage in this plan
Retiree share of benefit cost	Not applicable for the coverage in this plan

The discount rate was based on the Bond Buyer General Obligation 20-Bond Municipal Index.

Mortality rates were based on the RP-2014 Mortality tables, as appropriate, with adjustment for mortality improvements based on Scale MP-2020.

**KANSAS TURNPIKE AUTHORITY
(A COMPONENT UNIT OF THE STATE OF KANSAS)**

NOTES TO FINANCIAL STATEMENTS

9. OTHER POST EMPLOYMENT HEALTHCARE BENEFITS DESCRIPTION (CONTINUED)

The actuarial assumptions used in the June 30, 2020 valuation were based on actuarial experience study for the three-year period beginning January 1, 2016. Other demographic assumptions are set to be consistent with the actuarial assumptions reflected in the December 31, 2019 KPERS pension valuation.

Changes in the Total OPEB Liability

	<u>June 30, 2021</u>	<u>June 30, 2020</u>
	<u>Total OPEB</u>	<u>Total OPEB</u>
	<u>Liability</u>	<u>Liability</u>
Beginning balance	\$ 535,913	\$ 666,509
Changes for the year:		
Service cost	63,926	65,559
Interest	20,505	27,607
Effect on economic/demographic gains/losses	(97,730)	(191,617)
Effect of assumptions changes or inputs	28,823	5,621
Benefit payments	(28,187)	(37,766)
Net changes	<u>(12,663)</u>	<u>(130,596)</u>
Ending balance	<u>\$ 523,250</u>	<u>\$ 535,913</u>

Changes of assumptions: Changes of assumptions and other inputs reflect the effects of changes in the discount rate each period. The discount rate decreased from 3.50% on June 30, 2019 to 2.21% on June 30, 2020 and increased from 3.87% on June 30, 2018 to 3.50% on June 30, 2019.

Sensitivity of the total OPEB liability to changes in the discount rate: The following presents the total OPEB liability of the Turnpike, as well as what the Turnpike's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.21%/2.50%) or 1-percentage-point higher (3.21%/4.50%) than the current discount rate:

	<u>1% Decrease</u>	<u>Current</u>	<u>1% Increase</u>
	<u>(1.21%/2.50%)</u>	<u>Discount Rate</u>	<u>(3.21%/4.50%)</u>
		<u>(2.21%/3.50%)</u>	
June 30, 2021	\$ 531,011	\$ 523,250	\$ 511,579
June 30, 2020	\$ 549,084	\$ 535,913	\$ 519,849

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates: The healthcare trend rates do not affect the liabilities related to the long-term disability benefits sponsored by KPERS. Therefore, there is no sensitivity to a change in healthcare trend rates.

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2021 and 2020, the Turnpike recognized OPEB expense of \$41,499 and \$57,199, respectively. At June 30, 2021 and 2020, the Turnpike reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

**KANSAS TURNPIKE AUTHORITY
(A COMPONENT UNIT OF THE STATE OF KANSAS)**

NOTES TO FINANCIAL STATEMENTS

9. OTHER POST EMPLOYMENT HEALTHCARE BENEFITS DESCRIPTION (CONTINUED)

	<u>June 30, 2021</u>		<u>June 30, 2020</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ --	\$ 336,273	\$ --	\$ 282,497
Changes in assumptions	30,375	14,614	5,043	17,085
Benefit payments subsequent to the measurement date	<u>28,187</u>	<u>--</u>	<u>37,766</u>	<u>--</u>
Total	<u>\$ 58,562</u>	<u>\$ 350,887</u>	<u>\$ 42,809</u>	<u>\$ 299,582</u>

The deferred outflow of resources related to the benefit payments subsequent to the measurement date totaling \$28,187 consist of payment made to KPERS for benefits and administrative costs, and will be recognized as a reduction in the total OPEB liability during the year ended June 30, 2022. Other amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	<u>Deferred (Inflows) of Resources</u>
Year ended June 30:	
2022	\$ (42,932)
2023	(42,932)
2024	(42,932)
2025	(42,932)
2026	(42,932)
Thereafter	<u>(105,852)</u>
	<u>\$ (320,512)</u>

Summary of OPEB Plans

As of June 30, 2021 and 2020, the Turnpike's total OPEB liability, deferred outflows of resources, deferred inflows of resources and OPEB expense associated with the two OPEB plans are summarized as follows:

	<u>June 30, 2021</u>	<u>June 30, 2020</u>
Total OPEB liability	\$ 6,941,656	\$ 7,715,473
Deferred outflows of resources	1,085,903	1,261,872
Deferred inflows of resources	908,910	391,010
OPEB expense	508,925	1,064,932

**KANSAS TURNPIKE AUTHORITY
(A COMPONENT UNIT OF THE STATE OF KANSAS)**

NOTES TO FINANCIAL STATEMENTS

10. RISK MANAGEMENT

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

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

Changes in the balance of claims liabilities during 2021 and 2020 are summarized as follows:

	2021	2020
Balance, beginning of period	\$ 1,297,000	\$ 1,298,000
Current year claims and changes in estimates	6,051,432	4,874,874
Claim payments	(6,328,432)	(4,875,874)
Balance, end of period	\$ 1,020,000	\$ 1,297,000

Impact of COVID-19 Public Health Crisis: On March 11, 2020, the World Health Organization declared COVID-19 a global pandemic and recommended worldwide mitigation measures. The extent of COVID-19's effect on the Turnpike's operational and financial performance will depend on future developments, including the duration, spread and intensity of the pandemic, all of which are uncertain and difficult to predict considering the rapidly evolving landscape. As a result, it is not currently possible to ascertain the overall impact of COVID-19 on the Turnpike's operations.

11. OPERATING LEASES

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

2022	\$ 5,578,024
2023	4,252,239
2024	230,468
2025	230,468
2026	98,325
Total	\$ 10,389,524

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

**KANSAS TURNPIKE AUTHORITY
(A COMPONENT UNIT OF THE STATE OF KANSAS)**

NOTES TO FINANCIAL STATEMENTS

11. OPERATING LEASES (CONTINUED)

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 June 30, 2021, the cost of construction, net of depreciation was \$280,000. 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.

12. COMMITMENTS

The Turnpike has committed to construction contracts for Turnpike repair and improvements valued at approximately \$47,313,546 on June 30, 2021.

13. COST-SHARING AGREEMENTS

The Turnpike participates in various cost-sharing agreements with Kansas Department of Transportation (KDOT) in order minimize duplication of effort, facilities, and equipment. For example, the Turnpike is the project lead on a cost-sharing construction project with KDOT and the City of Wichita. The Turnpike will be reimbursed from KDOT and the City of Wichita for their portion of the project costs. At June 30, 2021 and 2020, the Turnpike recorded a \$5,279,155 and \$4,646,638 receivable from these parties for costs incurred, respectively.

In fiscal year 2020, the Turnpike became the project lead for a construction project that will be fully reimbursed by KDOT. At June 30, 2021 and 2020, the Turnpike recorded a \$278,699 and \$11,289,982 receivable from KDOT, respectively.

14. PENDING GOVERNMENTAL ACCOUNTING STANDARDS

GASB Statement No. 87, *Leases*, improves accounting and financial reporting for leases by governments. This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The provisions of this statement were originally effective for the financial statements for the Turnpike's fiscal year ending June 30, 2021 and now postponed until June 30, 2022 per GASB Statement No. 95.

**KANSAS TURNPIKE AUTHORITY
(A COMPONENT UNIT OF THE STATE OF KANSAS)**

NOTES TO FINANCIAL STATEMENTS

14. PENDING GOVERNMENTAL ACCOUNTING STANDARDS (CONTINUED)

GASB Statement No. 91, *Conduit Debt Obligations*, provides a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. Provisions of this statement are effective for financial statements for the Turnpike's year ending June 30, 2022 and now postponed until June 30, 2023 per GASB Statement No. 95.

GASB Statement No. 92, *Omnibus 2020*, enhances comparability in accounting and financial reporting and improves the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This statement addresses a variety of topics including: effective date of GASB 87 for interim financial reports; intra-entity transfers between primary governments and component unit pension or OPEB plans; applicability of Statements No. 73 and 74 for reporting assets accumulated for postemployment benefits; applicability of certain requirements of GASB 84 to postemployment benefit arrangements; measurement of asset retirement obligations in government acquisitions; reporting by public entity risk pools for amounts recoverable from reinsurers or excess insurers; reference to nonrecurring fair value measurements in authoritative literature and terminology used related to derivative instruments. Certain provisions of this statement were effective upon issuance and did not impact the Turnpike's financial reporting, other provisions of this statement are were originally effective for financial statements for the Turnpike's fiscal year ending June 30, 2021 and now postponed until June 30, 2022 per GASB Statement No. 95.

GASB Statement No. 93, *Replacement of Interbank Offered Rates*, provides guidance where some governments have entered into agreements in which variable payments made or received depend on an interbank offered rate (IBOR)-most notably, the London Interbank Offered Rate (LIBOR). As a result of global reference rate reform, LIBOR is expected to cease to exist in its current form at the end of 2021, prompting governments to amend or replace financial instruments for the purpose of replacing LIBOR with other reference rates, by either changing the reference rate or adding or changing fallback provisions related to the reference rate. The provisions of this statement were originally effective for financial statements for the Turnpike's fiscal year ending June 30, 2021 and now postponed until June 30, 2022 per GASB Statement No. 95.

GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, improves financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). A PPP is an arrangement in which a government contracts with an operator to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset, for a period of time in an exchange or exchange-like transaction. This statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs), which is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction. The provisions of this statement are effective for financial statements for the Turnpike's fiscal year ending June 30, 2023.

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, provides new accounting and financial reporting guidance for subscription-based information technology arrangements (SBITAs), which have become increasingly common among state and local

**KANSAS TURNPIKE AUTHORITY
(A COMPONENT UNIT OF THE STATE OF KANSAS)**

NOTES TO FINANCIAL STATEMENTS

14. PENDING GOVERNMENTAL ACCOUNTING STANDARDS (CONTINUED)

governments in recent years. Statement 96 is based on the standards established in Statement 87, *Leases*. The new defines a SBITA as a contract that conveys control of the right to use a SBITA vendor's IT software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction. The guidance requires governments with SBITAs to recognize a right-to-use subscription asset, an intangible asset, and a corresponding subscription liability (with an exception for short-term SBITAs, those with a maximum possible term of 12 months) and provides guidance related to outlays other than subscription payments, including implementation costs, and requirements for note disclosures related to a SBITA. The provisions of this statement will be effective for financial statements for the Turnpike's fiscal year ending June 30, 2023.

GASB Statement No. 97, *Certain Component Unit Criteria and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans* provides the following guidance: 1) increases consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; 2) mitigates costs associated with the reporting of certain defined contribution pension plans, defined contribution OPEB plans and employee benefit plans other than pension or OPEB plans as fiduciary component units in fiduciary fund financial statements; and 3) addresses relevance, consistency and comparability of the accounting and financial reporting for Internal Revenue Code Section 457 deferred compensation plans that meet the definition of a pension plan and for benefit provided through those plans. The first two provisions of this statement are effective immediately. The last provision will be effective for financial statements for the Turnpike's fiscal year ending June 30, 2022.

REQUIRED SUPPLEMENTARY INFORMATION

**KANSAS TURNPIKE AUTHORITY
(A COMPONENT UNIT OF THE STATE OF KANSAS)**

REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2021

Schedule of Changes in the Turnpike's
Total OPEB Liability

Last Four Fiscal Years*

Turnpike's OPEB Plan

Measurement Date	2021 <u>June 30, 2021</u>	2020 <u>June 30, 2020</u>	2019 <u>June 30, 2019</u>	2018 <u>June 30, 2018</u>
Total OPEB liability				
Service cost	\$ 173,520	\$ 135,692	\$ 122,378	\$ 111,923
Interest	183,767	180,262	204,992	206,552
Changes in benefit terms	-	513,118	-	(80,596)
Differences between actual and expected experience	(90,243)	926,747	136,704	301,719
Changes in assumptions changes or inputs	(457,935)	(104,489)	121,326	43,793
Benefit payments	<u>(570,263)</u>	<u>(689,628)</u>	<u>(914,056)</u>	<u>(898,772)</u>
Net change in total OPEB liability	(761,154)	961,702	(328,656)	(315,381)
Total OPEB liability - beginning	<u>7,179,560</u>	<u>6,217,858</u>	<u>6,546,514</u>	<u>6,861,895</u>
Total OPEB liability - ending	<u>\$ 6,418,406</u>	<u>\$ 7,179,560</u>	<u>\$ 6,217,858</u>	<u>\$ 6,546,514</u>
Covered-employee payroll	\$ 17,366,791	\$ 16,825,810	\$ 17,416,679	\$ 18,019,901
 Total OPEB liability as a percentage of covered-employee payroll	 36.96%	 42.67%	 35.70%	 36.33%

*GASB 75 requires presentation of ten years. As of June 30, 2021, only four years of information is available.

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75. There is no stand-alone financial report for the plan.

Changes of benefit terms. Changes of benefit terms reflect the effects of changes:

2020 plan year

- Eleven employees retired earlier than expected due to a voluntary retirement incentive offer during the year ended June 30, 2020. This is valued as a change in benefit terms.

**KANSAS TURNPIKE AUTHORITY
(A COMPONENT UNIT OF THE STATE OF KANSAS)**

REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2021

Schedule of Changes in the Turnpike's
Total OPEB Liability

Last Four Fiscal Years*

Changes of assumptions. Changes of assumptions and other inputs reflect the effects of the following changes:

- Discount rate changes:
 - 2.60% on June 30, 2020 to 2.00% on June 30, 2021
 - 3.00% on June 30, 2019 to 2.60% on June 30, 2020
 - 3.30% on June 30, 2018 to 3.00% on June 30, 2019
 - 3.40% on June 30, 2017 to 3.30% on June 30, 2018
- Assumed salary scale changes:
 - 2.00% on June 30, 2019 to 3.00% on June 30, 2020
- Mortality assumption changes:

2020 plan year

- From Society of Actuaries RPH-2014 Adjusted to 2006 Total Dataset Headcount-weighted Mortality with MP-2018 Full Generational Improvement to the Society of Actuaries to Pub-2010 Public Retirement Plans Headcount-weighted General Mortality Tables using Scale MP-2019 Full Generational Improvement.

2021 plan year

- From Pub-2010 Public Retirement Plans Headcount-weighted General Mortality Tables using Scale MP-2019 Full Generational Improvement to Pub-2010 Public Retirement Plans Headcount-weighted General Mortality Tables using Scale MP-2020 Full Generational Improvement.
- The retiree per capita costs, retiree contribution premiums and trend assumption were updated as part of the actuarial evaluation for all plan years.

**KANSAS TURNPIKE AUTHORITY
(A COMPONENT UNIT OF THE STATE OF KANSAS)**

REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2021

Schedule of Changes in the Turnpike's
Total OPEB Liability

Last Four Fiscal Years*

KPERS Death and Disability OPEB Plan

Measurement Date	<u>2021</u> June 30, 2020	<u>2020</u> June 30, 2019	<u>2019</u> June 30, 2018	<u>2018</u> June 30, 2017
Total OPEB liability				
Service cost	\$ 63,926	\$ 65,559	\$ 65,124	\$ 76,317
Interest	20,505	27,607	30,146	24,704
Effect of economic/demographic gains or losses	(97,730)	(191,617)	(139,331)	-
Effect of assumptions changes or inputs	28,823	5,621	(5,544)	(18,382)
Benefit payments	<u>(28,187)</u>	<u>(37,766)</u>	<u>(120,652)</u>	<u>(72,251)</u>
Net change in total OPEB liability	(12,663)	(130,596)	(170,257)	10,388
Total OPEB liability - beginning	<u>535,913</u>	<u>666,509</u>	<u>836,766</u>	<u>826,378</u>
Total OPEB liability - ending	<u>\$ 523,250</u>	<u>\$ 535,913</u>	<u>\$ 666,509</u>	<u>\$ 836,766</u>
Covered payroll	<u>\$ 16,825,810</u>	<u>\$ 17,416,679</u>	<u>\$ 18,019,901</u>	<u>\$ 19,080,744</u>
 Total OPEB liability as a percentage of covered payroll	 3.11%	 3.08%	 3.70%	 4.39%

*GASB 75 requires presentation of ten years. As of June 30, 2021, only four years of information is available.

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75. There is no stand-alone financial report for the plan.

Changes of assumptions. Changes of assumptions and other inputs reflect the effects of changes in the discount rate each period:

June 30, 2021: 2.21%
June 30, 2020: 3.50%
June 30, 2019: 3.87%
June 30, 2018: 3.58%
June 30, 2017: 2.85%

**KANSAS TURNPIKE AUTHORITY
(A COMPONENT UNIT OF THE STATE OF KANSAS)**

REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2021

Share of the Collective Net Pension Liability
Kansas Public Employees Retirement System

Last Eight Years*^

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Measurement Date	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014	June 30, 2013
Turnpike's proportion of the collective net pension liability	0.892%	0.942%	1.007%	1.079%	1.082%	1.123%	1.169%	1.179%
Turnpike's proportionate share of the net pension liability	\$ 15,461,921	\$ 13,163,068	\$ 14,036,694	\$ 15,692,194	\$ 16,732,544	\$ 14,751,631	\$ 14,383,900	\$ 17,950,769
Turnpike's covered payroll	\$ 16,825,810	\$ 17,416,679	\$ 18,019,901	\$ 19,080,744	\$ 18,554,529	\$ 18,756,731	\$ 9,503,355 **	\$ 19,270,991
Turnpike's proportionate share of the net pension liability as a percentage of its covered payroll	92%	76%	78%	82%	90%	79%	151%	93%
Plan fiduciary net position as a percentage of the total pension liability	66.30%	69.88%	68.88%	67.12%	65.10%	64.95%	66.60%	59.94%

**Covered payroll for the fiscal year ended June 30, 2014 only includes the six month period January 1 - June 30, 2014.

* GASB 68 requires presentation of ten years. As of June 30, 2021, only eight years of information is available.

^ Covered payroll is measured as of the measurement date.

**KANSAS TURNPIKE AUTHORITY
(A COMPONENT UNIT OF THE STATE OF KANSAS)**

REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2021

Schedule of Turnpike's Contributions
Kansas Public Employees Retirement System

Last Ten Years

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Contractually required contribution	\$ 1,517,433	\$ 1,473,645	\$ 1,504,716	\$ 1,518,095	\$ 1,628,854	\$ 1,731,011	\$ 1,721,487	\$ 832,233	\$ 1,530,117	\$ 1,390,719
Contributions in relation to the contractually required contribution	<u>(1,517,433)</u>	<u>(1,473,645)</u>	<u>(1,504,716)</u>	<u>(1,518,095)</u>	<u>(1,628,854)</u>	<u>(1,731,011)</u>	<u>(1,721,487)</u>	<u>(832,233)</u>	<u>(1,530,117)</u>	<u>(1,390,719)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>						
Turnpike's covered payroll	\$ 17,366,791	\$ 16,825,810	\$ 17,416,679	\$ 18,019,901	\$ 19,080,744	\$ 18,554,529	\$ 18,756,731	\$ 9,503,355	\$ 19,270,991	\$ 18,947,123
Contributions as a percentage of covered payroll	8.74%	8.76%	8.64%	8.42%	8.54%	9.33%	9.18%	8.76%	7.94%	7.34%

Note: In January 2014, the Turnpike changed from a fiscal year ending December 31, to June 30. For years 2009-2013, information covers a period from January 1 to December 31. For 2014, six months of information is presented from January 1 to June 30. For all subsequent years, a full fiscal year from July 1 to June 30 is presented.

**KANSAS TURNPIKE AUTHORITY
(A COMPONENT UNIT OF THE STATE OF KANSAS)**

REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2021

Changes in benefit terms for KPERS. Effective January 1, 2014, KPERS Tier 1 member's employee contribution rate increased to 5.0% and then on January 1, 2015, increased to 6.0% with an increase in benefit multiplier to 1.85% for future years of service. For Tier II members retiring after July 1, 2012, the cost of living adjustments (COLA) is eliminated, but members will receive a 1.85% multiplier for all years of service.

January 1, 2015, the KPERS 3 cash balance plan became effective. Members enrolled in this plan are ones first employed in a KPERS covered position on or after January 1, 2015, or KPERS 1 or KPERS 2 members who left employment before vesting and returned to employment on or after January 1, 2015. The retirement benefit is an annuity based on the account balance at retirement.

For the state fiscal year 2017, the Legislature changed the working after retirement rules for members who retire on or after January 1, 2019. The key changes to the working after retirement rules were to lengthen the waiting period for KPERS members to return to work from 60 days to 180 days for members who retire before attaining age 62, remove the earnings limitation for all retirees and establish a single-employer contribution schedule for all retirees.

Changes in assumptions for KPERS. As a result of the experience study completed in November 2016, there were several changes made to the actuarial assumptions and methods since the prior valuation. The changes that impact all groups were effective December 31, 2016 and include:

- The price inflation assumption was lowered from 3.00% to 2.75%.
- The investment return assumption was lowered from 8.00% to 7.75%.
- The general wage growth assumption was lowered from 4.00% to 3.50%.
- The payroll growth assumption was lowered from 4.00% to 3.00%.

Changes from the November 2016 experience study that impacted individual groups are listed below:

KPERS:

- The post-retirement healthy mortality assumption was changed to the RP-2014 Mortality Table, with adjustments to better fit the observed experience for the various KPERS groups. The most recent mortality improvement scale, MP-2016, is used to anticipate future mortality improvements in the valuation process through the next experience study.
- The active member mortality assumption was modified to also be based on the RP-2014 Employee Mortality Table with adjustments.
- The retirement rates for the select period (when first eligible for unreduced benefits under Rule of 85) were increased, but all other retirement rates were decreased.
- Disability rates were decreased for all three groups.
- The termination of employment assumption was increased for all three groups
- The interest crediting rate assumption for KPERS 3 members was lowered from 6.50% to 6.25%.

**KANSAS TURNPIKE AUTHORITY
(A COMPONENT UNIT OF THE STATE OF KANSAS)**

REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2021

As a result of the experience study completed in January 2020, there were several changes made to the actuarial assumptions and methods since the prior valuation. The changes that impact all groups were effective December 31, 2019 and include:

- The investment return assumption was lowered from 7.75% to 7.50%.
- The general wage growth assumption was lowered from 3.50% to 3.25%.
- The payroll growth assumption was lowered from 3.00% to 2.75%.

Changes from the January 2020 experience study that impacted individual groups are listed below:

KPERS:

- Retirement rates were adjusted to partially reflect observed experience.
- Termination rates were increased for most KPERS groups.
- Disability rates were reduced.
- Factors for the State group that are used to anticipate higher liabilities due to higher final average salary at retirement for pre-1993 hires were modified to better reflect actual experience.
- The administrative expense load for contributions rates was increased from 0.16% to 0.18%.

Information needed to support the use of the Modified Approach for Infrastructure Reporting:

Roadway Pavement

The Turnpike toll road consists of 236 centerline miles of interstate highway. The Turnpike's highway pavement is also referred to as roadway. Changes in 2018 at the federal level in measurement, condition reporting, and management prescribed in 23 CFR 490 and 23 CFR 515 have significantly impacted the way that the Turnpike reports pavement condition. While the Turnpike is not required to use the federal measures for reporting pavement condition, to remain consistent with the Kansas Department of Transportation (KDOT), the Turnpike elected to use the federal pavement measures to avoid having multiple measures called the same name but following different processes and producing very different results.

The condition of the Turnpike's Interstate Highways is assessed annually using a Pavement Management System that measures the condition of the pavement surface. The pavement condition is a combined score based on three factors: roughness (measured as International Roughness Index or IRI, percent cracking (number of transverse cracked slabs per total slabs in concrete or percent of the wheel path area with longitudinal or fatigue type cracking in asphalt surfaces), and faulting in concrete or rutting in asphalt. Each factor is converted to a Good, Fair, Poor (GFP) designation. For instance, the International Roughness Index values for each 0.1 mile are used to assign that mile's roughness GFP based on <95 in/mile, 95-170 in/mile or > 170 in/mile. Federal criteria are also used to generate GFP for cracking, rutting, and faulting on each 0.1 mile of highway pavement. Using federal rules, each 0.1 mile segment's ratings for the factors are combined by requiring that all three must be "Good" for an overall rating of "Good" or if any two are "Poor" the overall rating is "Poor". Every other combination becomes "Fair".

**KANSAS TURNPIKE AUTHORITY
(A COMPONENT UNIT OF THE STATE OF KANSAS)**

REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2021

The Turnpike has a target to maintain the roadway at a level higher than the minimum acceptable condition. The cost to repair or replace deteriorated pavement far exceeds the cost to maintain pavement that is already in good condition; so maintaining Turnpike pavement at levels above our minimum acceptable condition requires a pavement management strategy that accounts for life-cycle planning. The Turnpike has defined the minimum acceptable condition level as having at least 60 percent of the Interstate miles in "Good". The following table compares the minimum acceptable condition level with the actual condition for the current and prior years. The timing for collecting and processing data has also changed. Data collected in Spring 2021 is still being processed to produce the federal method's condition measures. It is consistent with federal reporting regulations since data collected in calendar year 2021 is reported in April of the following year for Interstates.

Interstate Highways		
Fiscal Year	Minimum Acceptable Condition Level*	Actual Condition Level*
June 30, 2021	60%	80.3%
June 30, 2020	60%	68.9%
June 30, 2019	60%	71.4%
*Percent of miles in Good Condition		

The Turnpike's target is to continually maintain and improve the condition of the roadway. To achieve this target, it is necessary to perform maintenance activities and replace those assets that can no longer be economically maintained. To maintain the Turnpike roadway at or above the stated minimum condition level, it was estimated that annual preservation and replacement expenditures should be approximately \$35.2 million for the fiscal period ended June 30, 2021. The estimated expenditure amounts are based on the projected 2016 Long Term Needs Study (LTNS) funding levels for preservation that are anticipated to be needed to maintain the system. The actual expenses are based on project expenditures for preservation and some capacity and modernization costs that improve the roadway surface.

The following table compares the estimated expenditures needed to maintain the system at a minimum acceptable condition level with actual amounts spent for the current and prior years.

Interstate Highways		
Fiscal Year	Estimated Expenditures Needed to Maintain the System at the Minimum Acceptable Condition Level	Actual Expenses
June 30, 2017	\$ 8,000,000	\$ 12,135,069
June 30, 2018	9,500,000	6,412,957
June 30, 2019	22,639,770	20,385,259
June 30, 2020	27,088,500	28,584,687
June 30, 2021	35,216,500	36,537,523

Bridges

Federal law (Title 23 CFR 650) requires that each bridge be inspected at least every 24 months. Annually, the Turnpike Bridge condition data for key elements (deck, superstructure, substructure,

**KANSAS TURNPIKE AUTHORITY
(A COMPONENT UNIT OF THE STATE OF KANSAS)**

REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2021

culvert, etc.) was collected during inspections and stored within the Brm Bridge Management System maintained by the Kansas Department of Transportation. In February 2017, FHWA published the National Performance Management Measures Final Rule, 23 CFR Part 490, which requires each state to submit performance measures data based on the calculated deck area of each bridge. Each bridge is represented by its deck area. Bridges with a minimum condition rating of 7 or higher are considered to be in “Good” condition and bridges with element condition ratings of 4 or less are considered “Poor”.

The bridge Performance Measure is the percent of the Turnpike bridges (represented by deck area) in Good condition, with the condition state of a bridge being defined as follows (Elements considered are Deck, Superstructure, Substructure and Culvert):

Good Condition	Minimum Element Rating = 7
Fair Condition	Element Rating 5 or 6
Poor Condition	Any Element Rating = 4 or Less

The goal of the Turnpike is to maintain bridges at a high level. Beginning in fiscal year 2017, the Turnpike has defined the minimum acceptable condition level as having at least 70% of the bridges in Good condition. The following table compares the minimum acceptable condition level with the actual condition level for the current year.

Fiscal Year	Minimum Acceptable Condition Level*	Actual Condition Level*
June 30, 2021	70%	81.8%
June 30, 2020	70%	79.9%
June 30, 2019	70%	78.2%
*Percent of bridges with a Bridge Health Index in Good Condition		

The KTA’s goal is to continually improve the condition of the Turnpike’s bridge system. To achieve this goal, it is necessary to perform maintenance activities and to replace those bridges that can no longer be economically maintained. To maintain the KTA’s bridges at or above the stated minimum acceptable condition level, it was estimated that annual preservation and replacement expenditures should be approximately \$12.1 million for fiscal period ended June 30, 2021.

The following table compares the estimated annual expenditures needed to maintain the bridges system with the actual expenditures for the current and prior years.

Fiscal Year	Estimated Expenditures Needed to Maintain the System at the Minimum Acceptable Health Index	Actual Expenses
June 30, 2017	\$ 2,220,000	\$ 6,063,273
June 30, 2018	7,730,000	9,957,580
June 30, 2019	16,874,500	13,182,254
June 30, 2020	23,331,585	16,566,913
June 30, 2021	12,073,510	7,760,117

SUPPLEMENTARY INFORMATION

**KANSAS TURNPIKE AUTHORITY
(A COMPONENT UNIT OF THE STATE OF KANSAS)**

COMBINING BALANCE SHEET

June 30, 2021

ASSETS AND DEFERRED OUTFLOWS

	<u>Total</u>	<u>Interfund Eliminations Reclassifications</u>	<u>Construction Fund</u>
Current assets			
Cash and cash equivalents	\$ 46,407,077	\$ --	\$ --
Short-term investments	51,845,678	--	--
Interfund receivable	--	573,167	--
Intergovernmental receivables	5,557,854	--	--
Accounts receivable, net of allowance	9,034,945	--	--
Accrued interest receivable	431,218	--	--
Material and supply inventory	2,857,440	--	--
Prepaid expense and other assets	47,428	--	--
Total current assets	<u>116,181,640</u>	<u>573,167</u>	<u>--</u>
Restricted assets			
Cash and cash equivalents	20,488,623	--	--
Investments	--	--	--
Accrued interest receivable	--	--	--
Total restricted assets	<u>20,488,623</u>	<u>--</u>	<u>--</u>
Other long-term investments	<u>65,264,231</u>	<u>--</u>	<u>--</u>
Capital assets			
Capital assets, not being depreciated	676,043,419	--	460,406,273
Capital assets, net of accumulated depreciation	38,506,505	--	--
Total capital assets	<u>714,549,924</u>	<u>--</u>	<u>460,406,273</u>
Deferred outflows of resources			
Deferred refunding	1,652,728	--	--
Deferred outflows - pensions	4,510,942	--	--
Deferred outflows - OPEB	1,085,903	--	--
Total deferred outflows	<u>7,249,573</u>	<u>--</u>	<u>--</u>
Total assets and deferred outflows of resources	<u>\$ 923,733,991</u>	<u>\$ 573,167</u>	<u>\$ 460,406,273</u>

LIABILITIES, DEFERRED INFLOWS AND NET POSITION

Current liabilities			
Current maturities of long-term debt	\$ 9,430,000	\$ --	\$ 9,430,000
Prepaid tolls	2,563,401	--	--
Accounts payable	8,353,559	--	--
Interfund payable	--	573,167	--
Accrued expenses	5,700,678	--	--
Accrued interest	1,594,458	--	--
Total current liabilities	<u>27,642,096</u>	<u>573,167</u>	<u>9,430,000</u>
Long-term debt			
Turnpike revenue bonds	103,155,000	--	103,155,000
Bond premium	16,205,768	--	16,205,768
Net pension liability	15,461,921	--	--
Total OPEB liability	6,941,656	--	--
Other long-term liabilities	1,049,000	--	--
Total long-term liabilities	<u>142,813,345</u>	<u>--</u>	<u>119,360,768</u>
Total liabilities	<u>170,455,441</u>	<u>573,167</u>	<u>128,790,768</u>
Deferred inflows of resources			
Deferred refunding	2,525,671	--	--
Deferred inflows - pensions	1,768,194	--	--
Deferred inflows - OPEB	908,910	--	--
Total deferred inflows	<u>5,202,775</u>	<u>--</u>	<u>--</u>
Net position			
Net investment in capital assets	584,886,213	--	331,615,505
Restricted - expendable for debt service	18,894,165	--	--
Unrestricted	144,295,397	--	--
Total net position	<u>748,075,775</u>	<u>--</u>	<u>331,615,505</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 923,733,991</u>	<u>\$ 573,167</u>	<u>\$ 460,406,273</u>

Revenue Fund And Operations Fund	Debt Service Fund	Debt Service Reserve Fund	Replacement Reserve Fund	General Fund
\$ 17,182,386	\$ --	\$ --	\$ 11,019,424	\$ 18,205,267
3,974,840	--	--	4,513,941	43,356,897
573,167	--	--	--	--
--	--	--	5,557,854	--
9,034,945	--	--	--	--
414,805	--	--	958	15,455
2,857,440	--	--	--	--
47,428	--	--	--	--
<u>34,085,011</u>	<u>--</u>	<u>--</u>	<u>21,092,177</u>	<u>61,577,619</u>
--	9,400,478	11,088,145	--	--
--	--	--	--	--
--	--	--	--	--
<u>--</u>	<u>9,400,478</u>	<u>11,088,145</u>	<u>--</u>	<u>--</u>
4,617,495	--	--	4,499,181	56,147,555
--	--	--	215,637,146	--
1,500,008	--	--	37,006,497	--
<u>1,500,008</u>	<u>--</u>	<u>--</u>	<u>252,643,643</u>	<u>--</u>
--	1,652,728	--	--	--
4,510,942	--	--	--	--
1,085,903	--	--	--	--
<u>5,596,845</u>	<u>1,652,728</u>	<u>--</u>	<u>--</u>	<u>--</u>
<u>\$ 45,799,359</u>	<u>\$ 11,053,206</u>	<u>\$ 11,088,145</u>	<u>\$ 278,235,001</u>	<u>\$ 117,725,174</u>
\$ --	\$ --	\$ --	\$ --	\$ --
2,563,401	--	--	--	--
2,037,745	--	--	6,315,814	--
--	--	--	37,873	535,294
4,596,734	--	--	1,103,944	--
--	1,594,458	--	--	--
<u>9,197,880</u>	<u>1,594,458</u>	<u>--</u>	<u>7,457,631</u>	<u>535,294</u>
--	--	--	--	--
--	--	--	--	--
15,461,921	--	--	--	--
6,941,656	--	--	--	--
1,049,000	--	--	--	--
<u>23,452,577</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
32,650,457	1,594,458	--	7,457,631	535,294
--	2,525,671	--	--	--
1,768,194	--	--	--	--
908,910	--	--	--	--
<u>2,677,104</u>	<u>2,525,671</u>	<u>--</u>	<u>--</u>	<u>--</u>
1,500,008	(872,943)	--	252,643,643	--
--	7,806,020	11,088,145	--	--
8,971,790	--	--	18,133,727	117,189,880
<u>10,471,798</u>	<u>6,933,077</u>	<u>11,088,145</u>	<u>270,777,370</u>	<u>117,189,880</u>
<u>\$ 45,799,359</u>	<u>\$ 11,053,206</u>	<u>\$ 11,088,145</u>	<u>\$ 278,235,001</u>	<u>\$ 117,725,174</u>

KANSAS TURNPIKE AUTHORITY
(A COMPONENT UNIT OF THE STATE OF KANSAS)

COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION

Year Ended June 30, 2021

	<u>Total</u>	<u>Construction Fund</u>	<u>Revenue Fund And Operations Fund</u>
Operating Revenues			
Tolls	\$ 121,464,360	\$ --	\$ 121,464,360
Concessionaire rentals	5,491,748	--	5,491,748
Miscellaneous	3,785,884	--	3,785,884
	<u>130,741,992</u>	<u>--</u>	<u>130,741,992</u>
Operating Expenses			
Administration	21,707,340	--	21,707,340
Insurance	5,790,611	--	5,790,611
Toll collection	4,568,610	--	4,568,610
Patrol	7,029,224	--	7,029,224
Maintenance	9,247,906	--	9,247,906
Depreciation	4,345,500	--	128,710
Cost of repairs and improvements	46,911,437	--	--
	<u>99,600,628</u>	<u>--</u>	<u>48,472,401</u>
Operating Income (Loss)	<u>31,141,364</u>	<u>--</u>	<u>82,269,591</u>
Nonoperating Revenues (Expenses)			
Transfers between funds	--	41,063,271	13,083,001
Investment revenue	52,333	--	138,680
Interest subsidy - federal	--	--	--
Interest on long-term debt	(3,394,261)	1,347,201	--
Gain on disposal of assets	766,151	--	1,039,487
	<u>(2,575,777)</u>	<u>42,410,472</u>	<u>14,261,168</u>
Change in net position	28,565,587	42,410,472	96,530,759
Net position, beginning of year	<u>719,510,188</u>	<u>289,205,033</u>	<u>(86,058,961)</u>
Net position, end of year	<u>\$ 748,075,775</u>	<u>\$ 331,615,505</u>	<u>\$ 10,471,798</u>

Debt Service Fund	Debt Service Reserve Fund	Replacement Reserve Fund	General Fund
\$ --	\$ --	\$ --	\$ --
--	--	--	--
--	--	--	--
<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
--	--	--	--
--	--	--	--
--	--	--	--
--	--	--	--
--	--	4,216,790	--
<u>--</u>	<u>--</u>	<u>46,911,437</u>	<u>--</u>
--	--	<u>51,128,227</u>	--
--	--	<u>(51,128,227)</u>	--
(59,207,988)	25,730,229	(42,201,445)	21,532,932
3,289	--	(539)	(89,097)
--	--	--	--
215,404	(4,956,866)	--	--
<u>--</u>	<u>--</u>	<u>(273,336)</u>	<u>--</u>
<u>(58,989,295)</u>	<u>20,773,363</u>	<u>(42,475,320)</u>	<u>21,443,835</u>
(58,989,295)	20,773,363	(93,603,547)	21,443,835
<u>65,922,372</u>	<u>(9,685,218)</u>	<u>364,380,917</u>	<u>95,746,045</u>
<u>\$ 6,933,077</u>	<u>\$ 11,088,145</u>	<u>\$ 270,777,370</u>	<u>\$ 117,189,880</u>

**KANSAS TURNPIKE AUTHORITY
(A COMPONENT UNIT OF THE STATE OF KANSAS)**

SUMMARY OF TOLL REVENUES

Fiscal Year Ended June 30, 2021

Class	Toll Revenue	Vehicles
2-axle vehicles	\$ 71,508,253	28,078,538
3-axle vehicles	2,276,999	516,953
4-axle vehicles	5,649,755	801,709
5-axle vehicles	42,855,842	3,898,672
6-axle vehicles	2,041,837	156,569
7-axle vehicles	1,491,375	43,703
8-axle vehicles	806,744	21,885
9-axle vehicles	525,517	13,458
Discounts and Adjustments	<u>(5,691,962)</u>	<u>300,133</u>
	<u>\$ 121,464,360</u>	<u>33,831,620</u>

STATISTICAL DATA

KANSAS TURNPIKE AUTHORITY
(A COMPONENT UNIT OF THE STATE OF KANSAS)
OPERATING SUMMARIES - VEHICLES, MILEAGE AND REVENUE
Fiscal Years Ended June 30, 2021 and 2020
(Unaudited)

	<u>2021</u>	<u>2020</u>	2021 Increase (Decrease) as a Percent of 2020
Number of Vehicles:			
Passenger cars	28,078,538	29,652,258	
Commercial vehicles	5,452,949	5,056,731	
Discounts and adjustments	300,133	314,714	
	<u>33,831,620</u>	<u>35,023,703</u>	
Total	\$ 33,831,620	\$ 35,023,703	-3.40%
Percentage of Vehicles:			
Passenger cars	82.99%	84.66%	-1.97%
Commercial vehicles	16.12%	14.44%	11.64%
Number of Miles:			
Passenger cars	1,195,652,667	1,214,122,947	
Commercial vehicles	406,992,184	363,773,398	
	<u>1,602,644,851</u>	<u>1,577,896,345</u>	
Total	1,602,644,851	1,577,896,345	1.57%
Percentage of Miles:			
Passenger cars	74.60%	76.95%	-3.04%
Commercial vehicles	25.40%	23.05%	10.15%
Toll Revenue (Gross):			
Passenger cars	\$ 79,435,007	\$ 75,272,463	
Commercial vehicles	47,721,315	43,578,753	
Discounts and adjustments	(5,691,962)	481,969	
	<u>121,464,360</u>	<u>119,333,185</u>	
Total	\$ 121,464,360	\$ 119,333,185	1.79%

KANSAS TURNPIKE AUTHORITY
(A COMPONENT UNIT OF THE STATE OF KANSAS)
SCHEDULE OF SERVICE AREA TRAFFIC AND SALES
Fiscal Years Ended June 30, 2021 and 2020
(Unaudited)

Service Area	2021			Per Vehicle Passing Area	
	Vehicles Passing Area	Gallons Motor Fuel Sold	Restaurant Gross Sales	Gallons Motor Fuel	Restaurant Sales
Belle Plaine	7,438,604	7,931,717	\$ 2,830,705	1.07	\$ 0.38
Towanda	5,587,818	4,663,174	1,816,001	0.83	\$ 0.32
Matfield Green	5,361,772	5,460,168	2,065,861	1.02	\$ 0.39
Emporia	3,344,282	3,123,384	1,558,063	0.93	\$ 0.47
Topeka	13,996,866	7,348,723	3,883,994	0.53	\$ 0.28
Lawrence	10,389,749	6,506,294	3,684,332	0.63	\$ 0.35
	<u>46,119,091</u>	<u>35,033,460</u>	<u>\$ 15,838,956</u>		
2020					
Belle Plaine	7,318,126	7,432,427	\$ 2,881,433	1.02	\$ 0.39
Towanda	5,473,060	4,134,464	1,727,854	0.76	\$ 0.32
Matfield Green	5,289,460	4,806,211	2,054,740	0.91	\$ 0.39
Emporia	3,224,286	3,047,759	1,526,060	0.95	\$ 0.47
Topeka	14,496,843	7,325,047	4,126,752	0.51	\$ 0.28
Lawrence	10,984,444	6,372,157	3,494,228	0.58	\$ 0.32
	<u>46,786,219</u>	<u>33,118,065</u>	<u>\$ 15,811,067</u>		

KANSAS TURNPIKE AUTHORITY
(A COMPONENT UNIT OF THE STATE OF KANSAS)
SCHEDULE OF ACTIVITY BY INTERCHANGE
Fiscal Year Ended June 30, 2021
(Unaudited)

Interchange		2021		
No.	Location	Entering Vehicles	Exiting Vehicles	Total Vehicles
4	Southern Terminal	3,270,131	3,018,419	6,288,550
19	Wellington: US 160	717,419	680,445	1,397,864
32	Mulvane: Casino	577,788	725,344	1,303,132
33	Mulvane: K-53	430,151	309,865	740,016
39	Haysville-Derby: 71 st St.	647,872	620,527	1,268,399
42	Wichita: I-135, I-235, 47 th St.	3,142,104	3,139,085	6,281,189
45	Wichita: K-15	614,892	658,452	1,273,344
50	Wichita: US 54/400, Kellogg Ave.	729,283	1,000,001	1,729,284
53	Wichita: K-96	1,150,779	1,148,279	2,299,058
57	Andover: 21 st St.	487,824	440,736	928,560
71	El Dorado: US 254	980,330	934,129	1,914,459
76	El Dorado: US 77	230,863	232,510	463,373
92	Cassoday: K-177	85,153	96,441	181,594
127	Emporia: I-35N	1,705,759	1,749,284	3,455,043
147	Council Grove, Osage City: US 56	115,860	119,270	235,130
177	Topeka: I-470W, US 75, Topeka Blvd.	2,299,535	2,414,479	4,714,014
182	Topeka: Valley Falls: K-4/I-70W	430,319	382,732	813,051
183	Topeka: I-70	4,558,472	4,652,250	9,210,722
197	Lecompton, Lawrence: K-10	2,561,058	2,568,669	5,129,727
202	Lawrence: US 59, S. Iowa St.	1,456,745	1,448,389	2,905,134
204	Lawrence: US 59, US40	792,604	858,716	1,651,320
212	Tonganoxie/Eudora	368,622	377,552	746,174
236	Eastern Terminal	5,207,174	4,985,163	10,192,337

KANSAS TURNPIKE AUTHORITY
(A COMPONENT UNIT OF THE STATE OF KANSAS)
SCHEDULE OF MONTHLY VEHICLES, MILEAGE AND TOLL REVENUE
Fiscal Year Ended June 30, 2021
(Unaudited)

Month	Vehicles	Mileage	Gross Revenue		Average Miles Per Vehicle	Average Revenue Per Vehicle
			Passenger	Commercial		
July	2,862,978	135,326,445	\$ 6,941,646	\$ 3,705,024	47.27	\$ 3.72
August	2,905,775	135,726,310	6,896,510	3,723,972	46.71	3.65
September	2,785,113	128,840,950	6,425,135	3,835,415	46.26	3.68
October	2,869,600	134,527,243	6,661,586	4,086,224	46.88	3.75
November	2,536,744	122,526,218	5,928,282	3,653,052	48.30	3.78
December	2,579,853	125,893,851	6,063,096	4,013,353	48.80	3.91
January	2,432,006	114,683,633	5,408,473	3,877,120	47.16	3.82
February	2,128,858	98,797,383	4,561,470	3,643,948	46.41	3.85
March	2,970,910	143,218,965	6,987,415	4,618,269	48.21	3.91
April	2,986,230	144,345,074	7,149,577	4,381,056	48.34	3.86
May	3,215,022	158,201,496	8,110,311	3,886,689	49.21	3.73
June	3,258,398	160,557,283	8,301,506	4,297,193	49.27	3.87
	<u>33,531,487</u>	<u>1,602,644,851</u>	<u>\$ 79,435,007</u>	<u>\$ 47,721,315</u>	47.80	\$ 3.79
Total Gross Toll Revenue				\$ 127,156,322		
Discounts and Adjustments				<u>\$ (5,691,962)</u>		
Total Adjusted Revenue				<u>\$ 121,464,360</u>		

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

Board of Directors
Kansas Turnpike Authority
Wichita, Kansas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Kansas Turnpike Authority (Turnpike) which comprise the balance sheet as of June 30, 2021 and 2020, and the related statements of revenues, expenses and changes in net position, and cash flows for the years ended June 30, 2021 and 2020, and the related notes to financial statements, and have issued our report thereon dated September 9, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Turnpike's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Turnpike's internal control. Accordingly, we do not express an opinion on the effectiveness of the Turnpike's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Turnpike's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts.

However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control on compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Turnpike's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Turnpike's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

September 9, 2021
Wichita, Kansas