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

FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

WITH

INDEPENDENT AUDITOR'S REPORT

AGH
CPAs & ADVISORS

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AGH CPAs & ADVISORS

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Kansas Turnpike Authority

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, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the Turnpike's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 audit 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, 2018 and 2017, and the respective changes in its financial position and its cash flows for the years ended June 30, 2018 and 2017 in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 9 to the financial statements, in 2018, the Turnpike adopted Government Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions.* Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Turnpike's basic financial statements. The supplementary information and statistical data as listed on 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 18, 2018 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 18, 2018
Wichita, Kansas

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of The Kansas Turnpike Authority's (Turnpike) financial performance provides an overview of the Turnpike's financial activities for the fiscal period ended June 30, 2018. 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, 2018 by approximately $45.9 million or 7.7% compared to 2017.

- Long-term debt decreased by $13.6 million in the year ended June 30, 2018 compared to 2017.

Using this Annual Report

This discussion and analysis is intended to serve as an introduction to the Turnpike's financial statements, which are comprised of the basic financial statements and the notes to the financial statements and supplementary information presented. Since the Turnpike 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 Turnpike'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 Turnpike'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 and liabilities – as one way to measure the Turnpike's financial health, or financial position. Over time, increases or decreases in the Turnpike's net position is one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the Turnpike's customer base and measures of the quality of service it provides, as well as local economic factors to assess the overall health of the Turnpike.

The Statement of Cash Flows

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

Notes to the Financial Statements

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

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.

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, 2018 by approximately $45.9 million (7.7%).

	June 30, 2018	June 30, 2017	June 30, 2016
ASSETS			
Cash and cash equivalents	**$ 60,763,372**	$ 48,247,461	$ 86,444,950
Short-term investments	**51,215,669**	62,303,372	64,468,181
Intergovernmental receivables	**2,345,975**	1,072,595	3,821,526
Accounts receivable	**6,921,385**	8,773,607	1,566,145
Other current assets	**3,779,702**	3,131,546	2,856,393
Capital assets	**663,138,742**	623,512,363	594,504,905
Other noncurrent assets	**67,228,124**	73,770,646	28,415,280
Total assets	**855,392,969**	820,811,590	782,077,380
DEFERRED OUTFLOWS OF RESOURCES			
Deferred refunding	**1,804,870**	2,544,616	3,664,396
Deferred outflows - pensions	**2,925,645**	3,702,583	1,731,011
Deferred outflows - OPEB	**374,138**	--	--
Total deferred outflows of resources	**5,104,653**	6,247,199	5,395,407
LIABILITIES			
Current liabilities	**27,631,888**	32,270,587	26,142,717
Long-term debt outstanding	**155,150,000**	167,795,000	181,415,000
Bond premium	**5,850,314**	7,269,785	8,689,256
Net pension liability	**15,629,194**	16,732,544	14,751,631
Total OPEB liability	**7,383,280**	--	--
Other long-term liabilities	**2,194,000**	2,258,301	1,512,042
Total liabilities	**213,838,676**	226,326,217	232,510,646
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows - pensions	**1,435,136**	1,462,003	1,859,272
Deferred inflows - OPEB	**16,483**	--	--
Total deferred inflows of resources	**1,451,619**	1,462,003	1,859,272
NET POSITION			
Net investment in capital assets	**491,297,492**	437,371,388	394,989,239
Restricted - expendable for debt service	**33,216,034**	34,041,477	33,529,100
Unrestricted	**120,693,801**	127,857,704	124,584,530
Total net position	**$ 645,207,327**	$ 599,270,569	$ 553,102,869

Net position may serve, over time, as a useful indicator of an organization's financial position. In the case of the Turnpike, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $645,207,327 at the close of the most recent year.

Restricted net position of $33,216,034 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 $26,500,000 during the 2018 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 Turnpike'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 Turnpike 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, 2018, the Turnpike's net position increased by approximately $45.9 million, as shown in the table below. The prior period adjustment recorded during fiscal year 2018 was to restate beginning net position as of July 1, 2017 for the adoption of GASB 75: *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.*

CHANGES IN NET POSITION

	June 30, 2018	June 30, 2017	June 30, 2016
Operating Revenues			
Tolls	**$ 118,188,895**	$ 112,525,112	$ 108,455,441
Concessionaire rentals	**5,429,610**	5,350,824	5,504,521
Miscellaneous	**1,267,459**	723,511	794,709
Total operating revenues	**124,885,964**	118,599,447	114,754,671
Operating Expenses			
Administration	**18,105,556**	13,150,572	11,612,922
Insurance	**6,235,320**	5,264,407	8,505,554
Toll collection	**7,813,430**	8,361,817	9,207,166
Patrol	**6,187,183**	6,193,018	5,542,888
Maintenance	**8,909,305**	6,782,748	8,526,600
Depreciation	**3,616,997**	3,529,126	2,989,297
Cost of repairs and improvements	**16,054,584**	22,169,890	24,493,380
Total operating expenses	**66,922,375**	65,451,578	70,877,807
Operating Income	**57,963,589**	53,147,869	43,876,864
Nonoperating Revenues (Expenses)			
Investment revenue	**1,436,321**	901,511	1,380,500
Interest on long-term debt	**(8,463,489)**	(9,436,500)	(10,038,728)
Interest expense subsidy	**1,696,131**	1,682,780	1,681,315
Gain (loss) on disposal of asset	**585,927**	(127,960)	262,480
Net nonoperating revenues (expenses)	**(4,745,110)**	(6,980,169)	(6,714,433)
Prior period adjustment	**(7,281,721)**	--	--
Increase in net position	**$ 45,936,758**	$ 46,167,700	$ 37,162,431

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 2018, the Turnpike reported operating income, which is consistent with the majority of the Turnpike's operating history.

Toll revenue was over $118.2 million for the year ended June 30, 2018. When compared to fiscal year 2017 statistics, toll revenue was up 5.03% and traffic miles were down 0.27%.

The Turnpike's Convenience and Fuel Store and Restaurant rental revenue was over $5 million for the year ended June 30, 2018.

Operating expenses listed in Note 2 of the Financial Statements were approximately $5.1 million (9.7%) less than budgeted for 2018. 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. $16.1 million was spent in Fiscal Year 2018 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. In 2018, the total interest subsidy received by the Turnpike was $1,696,131. Interest subsidy payments were subject to sequestration reductions by the Federal government starting in 2013.

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 2018, the Turnpike reported $663,138,742 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, 2018 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, 2018, the Turnpike's actual costs to maintain the roadway system was less than estimated by approximately $3.1 million and bridge system was more than estimated by approximately $2.2 million. For additional information on capital assets see Note 4 and required supplementary information.

Debt

At the end of 2018, the Turnpike had $167,795,000 of bonds outstanding. Of the total, $12,645,000 is payable in fiscal year 2019, and the remainder is listed as Long-term liabilities. During fiscal year 2018, the Turnpike's bond rating by Moody's improved from "Aa3" to "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 Kent Olson, 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, 2018 and 2017

ASSETS AND DEFERRED OUTFLOWS

	2018	2017
Current assets		
Cash and cash equivalents	$ 34,381,244	$ 23,700,543
Short-term investments	41,909,961	49,335,301
Intergovernmental receivables	2,345,975	1,072,595
Accounts receivable, net of allowance for uncollectible accounts of $3,638,357 and $3,072,062, respectively	6,921,385	8,773,607
Accrued interest receivable	1,257,435	1,124,446
Material and supply inventory	2,076,298	1,665,220
Prepaid expense and other assets	432,170	326,487
Total current assets	89,324,468	85,998,199
Restricted assets		
Cash and cash equivalents	26,382,128	24,546,918
Short-term investments	9,305,708	12,968,071
Accrued interest receivable	13,799	15,393
Total restricted assets	35,701,635	37,530,382
Other long-term investments	67,228,124	73,770,646
Capital assets		
Capital assets, not being depreciated	626,357,972	591,052,461
Capital assets, net of accumulated depreciation	36,780,770	32,459,902
Total capital assets	663,138,742	623,512,363
Deferred outflows of resources		
Deferred refunding	1,804,870	2,544,616
Deferred outflows - pensions	2,925,645	3,702,583
Deferred outflows - OPEB	374,138	--
Total deferred outflows of resources	5,104,653	6,247,199
Total assets and deferred outflows of resources	$ 860,497,622	$ 827,058,789

LIABILITIES, DEFERRED INFLOWS AND NET POSITION

	2018	2017
Current liabilities		
Current maturities of long-term debt	**$ 12,645,000**	$ 13,620,000
Prepaid tolls	**509,629**	1,930,324
Accounts payable	**4,818,313**	7,572,541
Accrued expenses	**6,755,415**	6,027,879
Accrued interest	**2,903,531**	3,119,843
Total current liabilities	**27,631,888**	32,270,587
Long-term liabilities		
Turnpike revenue bonds	**155,150,000**	167,795,000
Bond premium	**5,850,314**	7,269,785
Net pension liability	**15,629,194**	16,732,544
Total OPEB liability	**7,383,280**	--
Other long-term liabilities	**2,194,000**	2,258,301
Total long-term liabilities	**186,206,788**	194,055,630
Total liabilities	**213,838,676**	226,326,217
Deferred inflows of resources		
Deferred inflows - pensions	**1,435,136**	1,462,003
Deferred inflows - OPEB	**16,483**	--
Total deferred inflows of resources	**1,451,619**	1,462,003
Net position		
Net investment in capital assets	**491,297,492**	437,371,388
Restricted - expendable for debt service	**33,216,034**	34,041,477
Unrestricted	**120,693,801**	127,857,704
Total net position	**645,207,327**	599,270,569
Total liabilities, deferred inflows of resources and net position	**$ 860,497,622**	$ 827,058,789

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, 2018 and 2017

	2018	2017
Operating Revenues		
Tolls	$ 118,188,895	$ 112,525,112
Concessionaire rentals	5,429,610	5,350,824
Miscellaneous	1,267,459	723,511
	124,885,964	118,599,447
Operating Expenses		
Administration	18,105,556	13,150,572
Insurance	6,235,320	5,264,407
Toll collection	7,813,430	8,361,817
Patrol	6,187,183	6,193,018
Maintenance	8,909,305	6,782,748
Depreciation	3,616,997	3,529,126
Cost of repairs and improvements	16,054,584	22,169,890
	66,922,375	65,451,578
Operating Income	57,963,589	53,147,869
Nonoperating Revenues (Expenses)		
Investment revenue	1,436,321	901,511
Interest on long-term debt	(8,463,489)	(9,436,500)
Interest expense subsidy - federal	1,696,131	1,682,780
Gain (loss) on disposal of assets	585,927	(127,960)
	(4,745,110)	(6,980,169)
Change in net position	53,218,479	46,167,700
Net position, beginning of year	599,270,569	553,102,869
Prior period adjustment	(7,281,721)	--
Net position, end of year	$ 645,207,327	$ 599,270,569

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, 2018 and 2017

	2018	2017
Operating Activities		
Cash received from toll collections	$ 118,620,956	$ 105,564,486
Cash received from concessionaire rentals and miscellaneous	6,696,535	6,177,936
Cash paid to suppliers	(48,553,004)	(36,028,479)
Cash paid to employees	(19,242,883)	(17,701,945)
Net cash flows from operating activities	57,521,604	58,011,998
Capital and Related Financing Activities		
Interest subsidy - federal	1,696,131	1,682,780
Interest paid	(9,359,526)	(9,976,383)
Payments on bonds	(13,620,000)	(13,075,000)
Proceeds from sale of capital assets	891,359	2,860,146
Payments for capitalized costs	(43,548,808)	(35,524,690)
Net cash flows from capital and related financing activities	(63,940,844)	(54,033,147)
Investing Activities		
Investment revenue realized	1,341,461	821,026
Proceeds from sale and maturities of investments	134,399,109	115,247,358
Purchase of investments	(116,805,419)	(158,244,724)
Net cash flows from investing activities	18,935,151	(42,176,340)
Change in Cash and Cash Equivalents	12,515,911	(38,197,489)
Cash and Cash Equivalents, Beginning of Year	48,247,461	86,444,950
Cash and Cash Equivalents, End of Year	$ 60,763,372	$ 48,247,461
Reconciliation of Operating Income to Net Cash Flows from Operating Activities		
Operating income	$ 57,963,589	$ 53,147,869
Depreciation	3,616,997	3,529,126
Changes in operating assets and liabilities		
Accounts receivable, lease receivable and prepaid tolls	(841,853)	(4,108,094)
Material and supply inventory	(411,078)	(1,336,514)
Deferred outflows - pension	776,938	(1,971,572)
Deferred outflows - OPEB	(301,887)	--
Accounts payable and accrued expenses	(1,756,692)	6,218,884
Net pension liability	(1,103,350)	1,980,913
Total OPEB liability	(304,993)	--
Prepaid expenses and other assets	(105,683)	948,655
Deferred inflows - pension	(26,867)	(397,269)
Deferred inflows - OPEB	16,483	--
Net cash flows from operating activities	$ 57,521,604	$ 58,011,998
Noncash investing capital and financing activities:		
Amortization of bond premium and deferred refunding	$ (679,725)	$ (299,261)

The accompanying notes are an integral part of these 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 (State) 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, 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, 2018, 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.

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

Accounts receivable - Accounts receivable is 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:

Asset Class	Estimated Useful Lives
Buildings	40 years
Machinery and Equipment	7 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.

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:

Length of Service	Earnings Rate	Allowed Vacation Earnings
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 three types of items deferred charge on refunding and deferred outflows for pensions and OPEB that qualify for reporting in this category. 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.

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 two items that qualify for reporting in this category: deferred inflows for pensions and OPEB. See Note 8 and 9, respectively, for more information on these deferred inflows.

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.

Reclassifications - Certain amounts in the 2017 financial statements have been reclassified to conform to the 2018 presentation.

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.

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, 2018, is as follows:

	Budget	Actual	Over (Under)
Administration	$ 19,508,980	$ 18,105,556	$ (1,403,424)
Insurance	7,761,680	6,235,320	(1,526,360)
Toll Collection	9,146,420	7,813,430	(1,332,990)
Patrol	5,850,962	6,187,183	336,221
Maintenance	10,046,734	8,909,305	(1,137,429)
	$ 52,314,776	$ 47,250,794	$ (5,063,982)

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, 2018 the Turnpike's bank balance was $38,993,169; of this balance $1,718,133 was exposed to custodial credit risk. At June 30, 2017, none of the Turnpike's bank balances of $24,926,516 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.

3. DEPOSITS, INVESTMENTS AND INVESTMENT INCOME (CONTINUED)

At June 30, 2018, the Turnpike had the following investments and maturities:

		Maturities in Years			Fair Value
Type	**Fair Value**	**Less than 1**	**1-5**	**6-10**	**Hierarchy**
US treasury obligations	$ 52,163,164	$ 18,238,538	$ 33,924,626	$ --	Level 1
US agency obligations	41,363,878	41,363,878	--	--	Level 2
State bonds	1,476,478	--	1,476,478	--	Level 2
Commercial paper	23,440,273	23,440,273	--	--	Level 2
Money market mutual funds	44,268,391	44,268,391	--	--	N/A
	162,712,184	$ 127,311,080	$ 35,401,104	$ --	
Less cash equivalents	44,268,391				
Investments per balance sheet	$ 118,443,793				

At June 30, 2017, the Turnpike had the following investments and maturities:

		Maturities in Years			Fair Value
Type	**Fair Value**	**Less than 1**	**1-5**	**6-10**	**Hierarchy**
US treasury obligations	$ 81,937,004	$ 29,961,870	$ 51,975,134	$ --	Level 1
US agency obligations	29,020,845	8,219,710	20,801,135	--	Level 2
Commercial paper	25,116,169	25,116,169	--	--	Level 2
Money market mutual funds	31,060,118	31,060,118	--	--	N/A
	167,134,136	$ 94,357,867	$ 72,776,269	$ --	
Less cash equivalents	31,060,118				
Investments per balance sheet	$ 136,074,018				

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.

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. At June 30, 2018 and 2017, the Turnpike's investments in U.S. agency obligations not directly guaranteed by the U.S. government were rated AA+ by Standard & Poor's. At June 30, 2018 and 2017 commercial paper was rated from A-1+ to A- by Standard and Poor's. State bonds held at June 30, 2018 were rated AA- by Standard & Poor's.

Concentration of Credit Risk - The Turnpike investment policy limits the amount that may be invested in any one issuer. The limit on any single U.S. Government Sponsored Enterprise may not exceed 35% of the combined portfolio of the Turnpike. Additionally, the limit on money market funds and certificates of deposit and other depository accounts may not exceed 50% of each type of the combined portfolio of the Turnpike. At June 30, 2018 and 2017, the Turnpike had the following concentrations:

	2018	2017
Federal Home Loan Mortgage Corporation	21.48%	9.73%
Federal National Mortgage Association	15.86%	9.09%
Federal Home Loan Bank	25.07%	28.97%
Federal Farm Credit Bank	0.00%	5.81%
Bank of Tokyo Mitsubishi	5.69%	6.96%
BNP Paribas NY Branch Comm Paper	5.69%	5.17%
Credit Agricole CIB NY Comm Paper	5.70%	1.47%
Canadian Imperial Holding Comm Paper	0.00%	5.15%
Cooperative Rabobank U.A. Comm Paper	0.00%	5.17%
ING Funding LLC Comm Paper	4.17%	5.17%

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

	2018	2017
Carrying Value:		
Deposits	$ 16,494,981	$ 17,187,343
Investments	162,712,184	167,134,136
	$ 179,207,165	$ 184,321,479

3. DEPOSITS, INVESTMENTS AND INVESTMENT INCOME (CONTINUED)

Included in the following balance sheet captions:

	2018	2017
Cash and cash equivalents	$ 34,381,244	$ 23,700,543
Short-term investments	41,909,961	49,335,301
Restricted cash and cash equivalents	26,382,128	24,546,918
Restricted investments	9,305,708	12,968,071
Other long-term investments	67,228,124	73,770,646
	$ 179,207,165	$ 184,321,479

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

	2018	2017
Interest and dividend income	$ 2,347,012	$ 1,581,142
Net change in fair value of investments	(910,691)	(679,631)
	$ 1,436,321	$ 901,511

4. CAPITAL ASSETS

Capital assets activity for the periods ended June 30, 2018 and 2017 was:

	June 30, 2017	Increases	Decreases	June 30, 2018
Capital assets, not being depreciated:				
Land	$ 20,073,847	$ --	$ --	$ 20,073,847
Infrastructure, including CIP	570,978,614	68,020,631	32,715,120	606,284,125
Total capital assets, not being depreciated	591,052,461	68,020,631	32,715,120	626,357,972
Capital assets, being depreciated:				
Buildings and improvements	34,496,115	5,199,230	--	39,695,345
Machinery and equipment	28,386,066	2,989,350	1,737,033	29,638,383
Total capital assets being depreciated	62,882,181	8,188,580	1,737,033	69,333,728
Less accumulated depreciation for:				
Buildings and improvements	14,151,646	862,404	--	15,014,050
Machinery and equipment	16,270,633	2,754,593	1,486,318	17,538,908
Total accumulated depreciation	30,422,279	3,616,997	1,486,318	32,552,958
Total capital assets, being depreciated, net	32,459,902	4,571,583	250,715	36,780,770
Capital assets, net	$ 623,512,363	$ 72,592,214	$ 32,965,835	$ 663,138,742

4. CAPITAL ASSETS (CONTINUED)

	June 30, 2016	Increases	Decreases	June 30, 2017
Capital assets, not being depreciated:				
Land	$ 22,171,584	$ 140,140	$ 2,237,877	$ 20,073,847
Building CIP	839,019	--	839,019	--
Infrastructure, including CIP	541,238,282	30,145,560	405,228	570,978,614
Total capital assets, not being depreciated	564,248,885	30,285,700	3,482,124	591,052,461
Capital assets, being depreciated:				
Buildings and improvements	33,657,096	839,019	--	34,496,115
Machinery and equipment	24,640,868	5,238,993	1,493,795	28,386,066
Total capital assets being depreciated	58,297,964	6,078,012	1,493,795	62,882,181
Less accumulated depreciation for:				
Buildings and improvements	13,289,243	862,403	--	14,151,646
Machinery and equipment	14,752,701	2,666,723	1,148,791	16,270,633
Total accumulated depreciation	28,041,944	3,529,126	1,148,791	30,422,279
Total capital assets, being depreciated, net	30,256,020	2,548,886	345,004	32,459,902
Capital assets, net	$ 594,504,905	$ 32,834,586	$ 3,827,128	$ 623,512,363

5. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

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

	2018	2017
Payable to suppliers	$ 4,818,313	$ 7,572,541
Contracts payable and retained amounts	3,135,568	2,441,771
Payable to employees (including payroll taxes and benefits)	2,039,506	2,148,106
Concessionaires deposits	260,341	268,002
Estimated self-insurance costs	1,320,000	1,170,000
	$ 11,573,728	$ 13,600,420

6. LONG-TERM OBLIGATIONS

The following is a summary of long-term obligation transactions for the Turnpike for the periods ended June 30, 2018 and 2017:

	June 30, 2017	Additions	Deductions	June 30, 2018	Current Portion
Long-term debt					
Revenue bonds	$ 181,415,000	$ --	$ 13,620,000	$ 167,795,000	$ 12,645,000
Bond premium	7,269,785	--	1,419,471	5,850,314	--
Other long-term liabilities					
Accrued compensated absences	3,438,000	2,194,000	2,102,000	3,530,000	1,336,000
Total long-term obligations	$ 192,122,785	$ 2,194,000	$ 17,141,471	$ 177,175,314	$ 13,981,000

	June 30, 2016	Additions	Deductions	June 30, 2017	Current Portion
Long-term debt					
Revenue bonds	$ 194,490,000	$ --	$ 13,075,000	$ 181,415,000	$ 13,620,000
Bond premium	8,689,256	--	1,419,471	7,269,785	--
Other long-term liabilities					
Accrued compensated absences	3,512,000	1,924,000	1,998,000	3,438,000	1,514,000
Total long-term obligations	$ 206,691,256	$ 1,924,000	$ 16,492,471	$ 192,122,785	$ 15,134,000

7. REVENUE BONDS PAYABLE

At June 30, 2018 and 2017, Turnpike revenue bonds payable were as follows:

	2018	2017
Series 2002	$ --	$ 3,125,000
Series 2009A	77,425,000	77,425,000
Series 2010A	59,445,000	59,445,000
Series 2012A	21,425,000	23,665,000
Series 2013A	9,500,000	17,755,000
	$ 167,795,000	$ 181,415,000

7. REVENUE BONDS PAYABLE (CONTINUED)

Interest rates on the bonds vary between 2.0% and 6.74%. The debt service requirements as of June 30, 2018, are as follows:

Year Ending June 30,	Total to be Paid	Principal	Interest
2019	$ 21,355,588	$ 12,645,000	$ 8,710,588
2020	18,881,906	10,745,000	8,136,906
2021	18,471,156	10,785,000	7,686,156
2022	15,807,881	8,515,000	7,292,881
2023	16,436,856	9,595,000	6,841,856
2024 – 2028	67,360,468	38,085,000	29,275,468
2029 – 2033	41,531,084	18,645,000	22,886,084
2034 – 2038	52,043,054	37,415,000	14,628,054
2039 – 2041	22,820,334	21,365,000	1,455,334
	$ 274,708,327	$ 167,795,000	$ 106,913,327

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

	Callable on or After	Call Price
Series 2009A	September 1, 2019	At par
Series 2010A	September 1, 2010	At par
Series 2012A	September 1, 2020	At par

The Series 2009A bonds were issued as taxable Build America Bonds pursuant to the American Recovery and Reinvestment Act of 2009, which provides that 33% of the interest payments on those bonds will be paid to the Turnpike by the U.S. Treasury. The subsidy was $1,696,131 and $1,682,780 for the years ended June 30, 2018 and 2017, respectively.

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, 2018.

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.

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

8. DEFINED BENEFIT PENSION PLAN (CONTINUED)

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 9.18% from July 1, 2016 through December 31, 2016 and 8.46% from January 1, 2017 through June 30, 2017. The actuarially determined employer contribution rate and the statutory contribution rate were 8.46% from July 1, 2017 through December 31, 2017 and 8.39% from January 1, 2018 through June 30, 2018. Contributions to the pension plan from the Turnpike were $1,518,095 and $1,628,854 for the periods ended June 30, 2018 and 2017, 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:

	June 30, 2018	June 30, 2017
Net pension liability	$ 15,629,194	$ 16,732,544
Measurement date	June 30, 2017	June 30, 2016
Valuation date	December 31, 2016	December 31, 2015
Proportion	1.079%	1.082%
Change in proportion	-0.003%	-0.042%

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 net pension liability was based on the ratio of the Turnpike's actual contributions to KPERS, relative to the total employer and nonemployer contributions of the Local subgroup within KPERS for the fiscal years ended June 30, 2017 and 2016. The contributions used exclude contributions made for prior service, excess benefits and irregular payments.

For the years ended June 30, 2018 and 2017, the Turnpike recognized pension expense of $1,177,164 and $1,325,559. At June 30, 2018 and 2017, the Turnpike reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

8. DEFINED BENEFIT PENSION PLAN (CONTINUED)

	June 30, 2018		June 30, 2017	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 75,592	$ 540,425	$ 97,116	$ 302,005
Net difference between projected and actual earnings on pension plan investments	490,262	--	1,976,613	--
Changes in proportionate share	--	780,426	--	1,003,478
Changes in assumptions	841,696	114,286	--	156,520
Turnpike contributions subsequent to measurement date	1,518,095	--	1,628,854	--
Total	$ 2,925,645	$ 1,435,137	$ 3,702,583	$ 1,462,003

The $1,518,095 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, 2019. 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:	
2019	$ (295,291)
2020	318,933
2021	146,130
2022	(242,355)
2023	44,996
	$ (27,587)

Actuarial assumptions. The total pension liability for KPERS in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Price inflation	2.75%
Wage inflation	3.50%
Salary increases, including wage increases	3.50% to 12.00%, including inflation
Long-term rate of return, net of investment expense, and including price inflation	7.75%

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.

The actuarial assumptions used in the December 31, 2016 valuation were based on the results of an actuarial experience study conducted for the three-year period beginning January 1, 2013.

8. DEFINED BENEFIT PENSION PLAN (CONTINUED)

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

- Price inflation assumption lowered from 3.00 percent to 2.75 percent
- Investment return assumption was lowered from 8.00 percent to 7.75 percent
- General wage growth assumption was lowered from 4.00 to 3.5 percent
- Payroll growth assumption was lowered from 4.00 percent to 3.00 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 included in the pension plan's target asset allocations as of June 30, 2017 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global equity	47%	6.80%
Fixed income	13	1.25
Yield driven	8	6.55
Real return	11	1.71
Real estate	11	5.05
Alternatives	8	9.85
Short-term investments	2	(0.25)
Total	100%	

Discount rate. The discount rate used by KPERS to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the contractually required rate. The Local employers do not necessarily contribute the full actuarial determined rate. Based on legislation passed in 1993, 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 2018 was 1.2%. The Local employers are currently contributing the full actuarial contribution rate. The expected KPERS employer statutory contribution was modeled for future years, 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.

8. DEFINED BENEFIT PENSION PLAN (CONTINUED)

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 7.75% and 8.00% for fiscal 2018 and 2017, respectively, 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 (6.75% and 7.00%) or 1-percentage-point higher (8.75% and 9.00%) than the current rate:

	1% Decrease (2017 - 7.00%) (2018 - 6.75%)	Current Discount Rate (2017 - 8.00%) (2018 - 7.75%)	1% Increase (2017 - 9.00%) (2018 - 8.75%)
June 30, 2018	$ 22,509,461	$ 15,629,194	$ 9,829,406
June 30, 2017	$ 22,934,663	$ 16,732,544	$ 11,473,637

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

For the year ended June 30, 2018, the Turnpike implemented the provisions of GASB 75, *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions*. The Turnpike participates in two different other post-employment benefit plans (OPEB), which are separately disclosed in the following section.

<u>Turnpike's OPEB Plan</u>

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.

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, 2018, the following employees were covered by the benefit terms:

9. OTHER POST EMPLOYMENT HEALTHCARE BENEFITS DESCRIPTION (CONTINUED)

Inactive employees or beneficiaries currently receiving benefit payments	61
Active employees	299
	360

Total OPEB Liability

The Turnpike's total OPEB liability of $6,546,514 was measured as of June 30, 2018, and was determined by an actuarial valuation as of January 1, 2018, which was rolled forward to June 30, 2018.

Actuarial assumptions and other inputs. The total OPEB liability in the January 1, 2018 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	2.00%
Discount rate	3.40%
Healthcare cost trend rates	7.0% for 2018, decreasing by 0.5% per year until 2020 and then decreasing by 0.25% per year to an ultimate rate of 5.0% for 2024 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 RPH-2014 Adjusted to 2006 Total Dataset Headcount-weighted Mortality table with Scale MP-2017 Full Generational Improvement.

The actuarial assumptions used in the January 1, 2018 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

	Total OPEB Liability
Balance at fiscal year-end 6/30/17	$6,861,895
Changes for the year:	
Service cost	111,923
Interest	206,552
Change in benefit terms	(80,596)
Differences between actual and expected experience	301,719
Changes in assumptions and inputs	43,793
Benefit payments	(898,772)
Net changes	(315,381)
Balance at fiscal year-end 6/30/18	$6,546,514

9. OTHER POST EMPLOYMENT HEALTHCARE BENEFITS DESCRIPTION (CONTINUED)

Changes of benefit terms. Amounts presented reflect additional benefit options for the 2018 plan year.

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 3.40% on June 30, 2017 to 3.30% on June 30, 2018.

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 (2.30%) or 1-percentage-point higher (4.30%) than the current discount rate:

	1% Decrease (2.30%)	**Current Discount Rate (3.30%)**	**1% Increase (4.30%)**
Total OPEB liability	$ 6,989,793	$ 6,546,514	$ 6,115,493

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 (6.0% decreasing to 4.0%) or 1-percentage-point higher (9.0% decreasing to 5.0%) than the current healthcare cost trend rates:

	1% Decrease (6.0% decreasing to 4.0%)	Healthcare Cost Trend Rates (7.0% decreasing to 5.0%)	1% Increase (8.0% decreasing to 6.0%)
Total OPEB liability	$ 6,009,431	$ 6,546,514	$ 7,140,993

<u>OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB</u>

For the year ended June 30, 2018, the Turnpike recognized OPEB expense of $281,504. At June 30, 2018, the Turnpike reported deferred outflows of from the following sources:

	Deferred Outflows of Resources
Difference between expected and actual experience	$ 263,623
Changes in assumptions	38,264
Total	$ 301,887

9. OTHER POST EMPLOYMENT HEALTHCARE BENEFITS DESCRIPTION (CONTINUED)

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

Year ended June 30:		Deferred Outflows of Resources
2019	$	43,625
2020		43,625
2021		43,625
2022		43,625
2023		43,625
Thereafter		83,762
	$	301,887

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 meet 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.

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 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 an 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 plan.

Employees covered by benefit terms. At June 30, 2018, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	7
Active employees	365
	372

Total OPEB Liability

The Turnpike's total OPEB liability of $836,766 was measured as of June 30, 2017, and was determined by an actuarial valuation as of December 31, 2016, which was rolled forward to June 30, 2017.

Actuarial assumptions and other inputs. The total OPEB liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all period 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	3.58%
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-2017.

9. OTHER POST EMPLOYMENT HEALTHCARE BENEFITS DESCRIPTION (CONTINUED)

The actuarial assumptions used in the June 30, 2017 valuation were based on actuarial experience study for the period July 1, 2014 - June 30, 2016. Other demographic assumptions are set to be consistent with the actuarial assumptions reflected in the December 31, 2016 KPERS pension valuation.

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at fiscal year-end 6/30/17	$ 826,378
Changes for the year:	
Service cost	76,317
Interest	24,704
Effect of assumptions changes or inputs	(18,382)
Benefit payments	(72,251)
Net changes	10,388
Balance at fiscal year-end 6/30/18	$ 836,766

Changes of assumptions. Changes of assumptions and other inputs reflect the effects of changes in the discount rate each period. The discount rate increased from 2.85% on June 30, 2016 to 3.58% on June 30, 2017.

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 (2.58%) or 1-percentage-point higher (4.58%) than the current discount rate:

	1% Decrease (2.58%)	Current Discount Rate (3.58%)	1% Increase (4.58%)
Total OPEB liability	$ 860,784	$ 836,766	$ 810,586

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, 2018, the Turnpike recognized OPEB expense of $99,122. At June 30, 2018, the Turnpike reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred outflows of resources	Deferred inflows of resources
Changes in assumptions	$ -	$ 16,483
Benefit payments subsequent to the measurement date	72,251	-
Total	$ 72,251	$ 16,483

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9. OTHER POST EMPLOYMENT HEALTHCARE BENEFITS DESCRIPTION (CONTINUED)

The deferred outflow of resources related to the benefit payments subsequent to the measurement date totaling $72,251 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, 2019. Other amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:		Deferred (Inflows) of Resources
2019	$	(1,899)
2020		(1,899)
2021		(1,899)
2022		(1,899)
2023		(1,899)
Thereafter		(6,988)
	$	(16,483)

Summary of OPEB Plans

As of June 30, 2018, 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:

	2018
Total OPEB liability	7,383,280
Deferred outflows of resources	374,138
Deferred inflows of resources	16,483
OPEB expense	380,626

Prior period adjustment. The implementation of GASB 75 resulted in a $7,353,972 increase to the total OPEB liability, $72,251 increase to deferred outflows of resources and a $7,281,721 decrease to net position as of July 1, 2017.

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.

10. RISK MANAGEMENT (CONTINUED)

Changes in the balance of claims liabilities during 2018 and 2017 are summarized as follows:

	2018	2017
Balance, beginning of period	$ 1,170,000	$ 1,170,000
Current year claims and changes in estimates	6,818,873	5,908,101
Claim payments	(6,668,873)	(5,908,101)
Balance, end of period	$ 1,320,000	$ 1,170,000

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:

2019	$ 5,256,934
2020	5,392,188
2021	5,393,348
2022	5,094,084
2023	2,261,808
Thereafter	800,666
Total	$ 24,199,028

The leases generally have terms of five years, 10.5 years or 12 years. The leases have various renewal options. All leases are anticipated to renew at the time of expiration or be leased to other parties. The Turnpike is reimbursed for all utility payments and the lessee is responsible for insurance expenses associated with the properties. In certain instances, the Turnpike has agreed to have the lessee construct new buildings. If, at the conclusion of the lease, the lessee is not successful in the bidding for a new lease, the Turnpike is committed to reimburse the lessee for certain costs of construction, net of depreciation. Such leases were successfully rebid by the existing lessee in December 2012, which extended the agreements to 2023. As of June 30, 2018, 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 $92,306,200 at June 30, 2018.

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, 2018 and 2017, the Turnpike recorded a $2.3 million and $1.1 million receivable from these parties for costs incurred.

14. PENDING GOVERNMENTAL ACCOUNTING STANDARDS

GASB Statement No. 83, *Certain Asset Retirement Obligations,* addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability and a corresponding deferred outflow of resources for AROs when the liability is incurred and reasonable estimable. This statement also requires disclosure of information about the nature of a government's AROs, the methods and assumptions used for estimating the liability and the estimated remaining useful life of the associated tangible capital asset. The provisions of this statement are effective for financial statements for the Turnpike's fiscal year ending June 30, 2019.

GASB Statement No. 84, *Fiduciary Activities,* improves guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when demands for resources has been made or when no further action, approval or condition is required to be taken or met by the beneficiary to release the assets. The provisions of this statement are effective for financial statements for the Turnpike's fiscal year ending June 30, 2020.

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 resource 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. Provisions of this statement are effective for financial statements for the Turnpike's fiscal year ending June 30, 2021.

GASB Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements,* improves information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. Provisions of this statement are effective for financial statements for the Turnpike's year ending June 30, 2019.

REQUIRED SUPPLEMENTARY INFORMATION

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

REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2018

Schedule of Changes in the Turnpike's
Total OPEB Liability

Last Fiscal Year*

Turnpike's OPEB Plan

	2018
Measurement Date	June 30, 2018
Total OPEB liability	
Service cost	$ 111,923
Interest	206,552
Changes in benefit terms	(80,596)
Differences between actual and expected experience	301,719
Changes in assumptions changes or inputs	43,793
Benefit payments	(898,772)
Net change in total OPEB liability	(315,381)
Total OPEB liability - beginning	6,861,895
Total OPEB liability - ending	$ 6,546,514
Covered-employee payroll	$ 18,019,901
Total OPEB liability as a percentage of covered-employee payroll	36.33%

*GASB 75 requires presentation of ten years. As of June 30, 2018, only one year 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. Amounts presented reflect additional benefit options for the 2018 plan year.

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 3.40% on June 30, 2017 to 3.30% on June 30, 2018.

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

REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2018

Schedule of Changes in the Turnpike's
Total OPEB Liability

Last Fiscal Year*

KPERS Death and Disability OPEB Plan

	2018
Measurement Date	June 30, 2017
Total OPEB liability	
Service cost	$ 76,317
Interest	24,704
Effect of assumptions changes or inputs	(18,382)
Benefit payments	(72,251)
Net change in total OPEB liability	10,388
Total OPEB liability - beginning	826,378
Total OPEB liability - ending	$ 836,766
Covered-employee payroll	$ 19,080,744
Total OPEB liability as a percentage of covered-employee payroll	4.39%

*GASB 75 requires presentation of ten years. As of June 30, 2018, only one year 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. The discount rate increased from 2.85% on June 30, 2016 to 3.58% on June 30, 2017.

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

REQUIRED SUPPLEMENTARY INFORMATION

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

Last Five Years*^

	2018	2017	2016	2015	2014
Measurement Date	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014	June 30, 2013
Turnpike's proportion of the collective net pension liability	1.079%	1.082%	1.123%	1.169%	1.179%
Turnpike's proportionate share of the net pension liability	$ 15,692,194	$ 16,732,544	$ 14,751,631	$ 14,383,900	$ 17,950,769
Turnpike's covered-employee payroll	$ 19,080,744	$ 18,554,529	$ 18,756,731	$ 9,503,355 [1]	$ 19,270,991
Turnpike's proportionate share of the net pension liability as a percentage of its covered-employee payroll	82%	90%	79%	151%	93%
Plan fiduciary net position as a percentage of the total pension liability	67.12%	65.10%	64.95%	66.60%	59.94%

[1] Covered-employee 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, 2018, only five 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

Schedule of Turnpike's Contributions
Kansas Public Employees Retirement System

Last Ten Years

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Contractually required contribution	$ 1,518,095	$ 1,628,854	$ 1,731,011	$ 1,721,487	$ 832,233	$ 1,530,117	$ 1,390,719	$ 1,250,160	$ 1,155,843	$ 1,045,950
Contributions in relation to the contractually required contribution	(1,518,095)	(1,628,854)	(1,731,011)	(1,721,487)	(832,233)	(1,530,117)	(1,390,719)	(1,250,160)	(1,155,843)	(1,045,950)
Contribution deficiency (excess)	--	--	--	--	--	--	--	--	--	--
Turnpike's covered-employee payroll	$18,019,901	$19,080,744	$18,554,529	$18,756,731	$ 9,503,355	$19,270,991	$18,947,123	$18,548,405	$18,827,406	$18,879,970
Contributions as a percentage of covered-employee payroll	8.42%	8.54%	9.33%	9.18%	8.76%	7.94%	7.34%	6.74%	6.14%	5.54%

Note: In January 2014, the Turnpike changed from a fiscal year ending December 31, to June 30. For years 2006-2013, information covers a period from January 1 to December 1. 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.

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, will increase 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, 2018. 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%.

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".

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 our 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. Prior year (2015-2016) condition levels were calculated using the Turnpike's method for determining pavement condition at the time. This year's data contains the pavement condition and minimal acceptable condition levels based on the federal methodology. The timing for collecting and processing data has also changed. Data collected in spring 2018 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 2018 is reported in April of the following year for Interstates.

Interstate Highways		
Fiscal Year	Minimum Acceptable Condition Level*	Actual Condition Level*
June 30, 2018	60%	73.3%
June 30, 2017	90%	95.7%
June 30, 2016	90%	94.6%
* 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 exceed $9.5 million for the fiscal period ended June 30, 2018. 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, 2014	$ 5,300,000	$ 6,155,355
June 30, 2015	7,700,000	6,530,706
June 30, 2016	9,450,000	10,057,420
June 30, 2017	8,000,000	12,135,069
June 30, 2018	9,500,000	6,412,957

Bridges

Federal law (Title 23 CFR 650) requires that each bridge be inspected at least every 24 months. In 2016, the Turnpike Bridge condition data for key elements (deck, superstructure, substructure, culvert, etc.) was collected during inspections and stored within the Pontis 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, Subs tructure 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. Prior to that, the minimum was 85%. 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, 2018	70%	76.0%
June 30, 2017	70%	75.3%
June 30, 2016	85%	89.4%
* Percent of bridges with a Bridge Health Index in Good Condition		

The Turnpike'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 Turnpike's bridges at or above the stated minimum acceptable condition level, it is estimated that annual preservation and replacement expenditures must be approximately $7.7 million for fiscal period ended June 30, 2018.

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, 2014	$ 1,300,000	$ 297,193
June 30, 2015	5,530,000	3,513,391
June 30, 2016	6,270,000	3,744,054
June 30, 2017	2,220,000	6,063,273
June 30, 2018	7,730,000	9,957,580

SUPPLEMENTARY INFORMATION

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

COMBINING BALANCE SHEET

June 30, 2018

ASSETS AND DEFERRED OUTFLOWS

	Total	Interfund Eliminations Reclassifications	Construction Fund
Current assets			
Cash and cash equivalents	$ 34,381,244	$ --	$ --
Short-term investments	41,909,961	--	--
Interfund receivable	--	78,175,720	--
Intergovernmental receivables	2,345,975	--	--
Accounts receivable, net of allowance	6,921,385	--	--
Accrued interest receivable	1,257,435	--	--
Material and supply inventory	2,076,298	--	--
Prepaid expense and other assets	432,170	--	--
Total current assets	89,324,468	78,175,720	--
Restricted assets			
Cash and cash equivalents	26,382,128	--	--
Investments	9,305,708	--	--
Accrued interest receivable	13,799	--	--
Total restricted assets	35,701,635	--	--
Other long-term investments	67,228,124	--	--
Capital assets			
Capital assets, not being depreciated	626,357,972	--	460,406,273
Capital assets, net of accumulated depreciation	36,780,770	--	--
Total capital assets	663,138,742	--	460,406,273
Deferred outflows of resources			
Deferred refunding	1,804,870	--	--
Deferred outflows - pensions	2,925,645	--	--
Deferred outflows - OPEB	374,138	--	--
Total deferred outflows	5,104,653	--	--
Total assets and deferred outflows of resources	$ 860,497,622	$ 78,175,720	$ 460,406,273

LIABILITIES, DEFERRED INFLOWS AND NET POSITION

	Total	Interfund Eliminations Reclassifications	Construction Fund
Current liabilities			
Current maturities of long-term debt	$ 12,645,000	$ --	$ 12,645,000
Prepaid tolls	509,629	--	--
Accounts payable	4,818,313	--	--
Interfund payable	--	78,175,720	806
Accrued expenses	6,755,415	--	--
Accrued interest	2,903,531	--	--
Total current liabilities	27,631,888	78,175,720	12,645,806
Long-term debt			
Turnpike revenue bonds	155,150,000	--	155,150,000
Bond premium	5,850,314	--	5,850,314
Net pension liability	15,629,194	--	--
Total OPEB liability	7,383,280	--	--
Other long-term liabilities	2,194,000	--	--
Total long-term liabilities	186,206,788	--	161,000,314
Total liabilities	213,838,676	78,175,720	173,646,120
Deferred inflows of resources			
Deferred inflows - pensions	1,435,136	--	--
Deferred inflows - OPEB	16,483	--	--
Total deferred inflows	1,451,619	--	--
Net position			
Net investment in capital assets	491,297,492	--	286,760,153
Restricted - expendable for debt service	33,216,034	--	--
Unrestricted	120,693,801	--	--
Total net position	645,207,327	--	286,760,153
Total liabilities, deferred inflows of resources and net position	$ 860,497,622	$ 78,175,720	$ 460,406,273

Revenue Fund And Operations Fund	Debt Service Fund	Debt Service Reserve Fund	Replacement Reserve Fund	General Fund
$ 18,117,263	$ --	$ --	$ 4,295,730	$ 11,968,251
3,546,881	--	--	4,290,687	34,072,393
--	18,726,378	--	59,449,342	--
--	--	--	2,345,975	--
6,921,385	--	--	--	--
1,254,656	--	--	387	2,392
2,076,298	--	--	--	--
432,170	--	--	--	--
32,348,653	18,726,378	--	70,382,121	46,043,036
--	4,358,989	22,023,139	--	--
--	9,305,708	--	--	--
--	13,799	--	--	--
--	13,678,496	22,023,139	--	--
5,346,230	--	--	7,260,854	54,621,040
--	--	--	165,951,699	--
99,190	--	--	36,681,580	--
99,190	--	--	202,633,279	--
--	1,804,870	--	--	--
2,925,645	--	--	--	--
374,138	--	--	--	--
3,299,783	1,804,870	--	--	--
$ 41,093,856	$ 34,209,744	$ 22,023,139	$ 280,276,254	$ 100,664,076
$ --	$ --	$ --	$ --	$ --
509,629	--	--	--	--
1,469,406	--	--	3,348,907	--
57,429,003	--	18,308,448	--	2,437,463
3,619,847	--	--	3,135,568	--
--	2,903,531	--	--	--
63,027,885	2,903,531	18,308,448	6,484,475	2,437,463
--	--	--	--	--
--	--	--	--	--
15,629,194	--	--	--	--
7,383,280	--	--	--	--
2,194,000	--	--	--	--
25,206,474	--	--	--	--
88,234,359	2,903,531	18,308,448	6,484,475	2,437,463
1,435,136	--	--	--	--
16,483	--	--	--	--
1,451,619	--	--	--	--
99,190	1,804,870	--	202,633,279	--
--	29,501,343	3,714,691	--	--
(48,691,312)	--	--	71,158,500	98,226,613
(48,592,122)	31,306,213	3,714,691	273,791,779	98,226,613
$ 41,093,856	$ 34,209,744	$ 22,023,139	$ 280,276,254	$ 100,664,076

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, 2018

	Total	Construction Fund	Revenue Fund And Operations Fund
Operating Revenues			
Tolls	$ 118,188,895	$ --	$ 118,188,895
Concessionaire rentals	5,429,610	--	5,429,610
Miscellaneous	1,267,459	--	1,267,459
	124,885,964	--	124,885,964
Operating Expenses			
Administration	18,105,556	--	18,105,556
Insurance	6,235,320	--	6,235,320
Toll collection	7,813,430	--	7,813,430
Patrol	6,187,183	--	6,187,183
Maintenance	8,909,305	--	8,909,305
Depreciation	3,616,997	--	3,233
Cost of repairs and improvements	16,054,584	--	--
	66,922,375	--	47,254,027
Operating Income (Loss)	57,963,589	--	77,631,937
Nonoperating Revenues (Expenses)			
Transfers between funds	--	13,620,000	(107,589,169)
Investment revenue	1,436,321	--	2,079,445
Interest subsidy - federal	1,696,131	--	1,696,131
Interest on long-term debt	(8,463,489)	1,419,471	--
Gain on disposal of assets	585,927	--	836,638
	(4,745,110)	15,039,471	(102,976,955)
Change in net position	53,218,479	15,039,471	(25,345,018)
Net position, beginning of year	599,270,569	271,720,682	(15,965,383)
Prior period adjustment	(7,281,721)	--	(7,281,721)
Net position, end of year	$ 645,207,327	$ 286,760,153	$ (48,592,122)

Debt Service Fund	Debt Service Reserve Fund	Replacement Reserve Fund	General Fund
$ --	$ --	$ --	$ --
--	--	--	--
--	--	--	--
--	--	--	--
--	--	--	--
--	--	--	--
--	--	--	--
--	--	--	--
--	--	--	--
--	--	3,613,764	--
--	--	16,054,584	--
--	--	19,668,348	--
--	--	(19,668,348)	--
8,317,771	--	89,952,575	(4,301,177)
--	--	(45,805)	(597,319)
--	--	--	--
(739,746)	(9,143,214)	--	--
--	--	(250,711)	--
7,578,025	(9,143,214)	89,656,059	(4,898,496)
7,578,025	(9,143,214)	69,987,711	(4,898,496)
23,728,188	12,857,905	203,804,068	103,125,109
--	--	--	--
$ 31,306,213	$ 3,714,691	$ 273,791,779	$ 98,226,613

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

Summary of Toll Revenues

Fiscal Year Ended June 30, 2018

Class	Toll Revenue	Vehicles
2-axle vehicles	$ 83,642,539	34,277,782
3-axle vehicles	2,096,196	464,676
4-axle vehicles	5,212,496	744,526
5-axle vehicles	41,436,212	3,428,724
6-axle vehicles	2,273,680	137,638
7-axle vehicles	1,470,249	40,830
8-axle vehicles	1,247,053	27,930
9-axle vehicles	400,596	9,199
Discounts and Adjustments	(19,590,126)	376,582
	$ 118,188,895	39,507,887

STATISTICAL DATA

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

OPERATING SUMMARIES - VEHICLES, MILEAGE AND REVENUE

Fiscal Years Ended June 30, 2018 and 2017
(Unaudited)

	2018	2017	2018 Increase (Decrease) as a Percent of 2017
Number of Vehicles:			
Passenger cars	34,277,782	35,214,044	
Commercial vehicles	4,853,523	4,578,505	
Discounts and adjustments	376,582	402,022	
Total	39,507,887	40,194,571	-1.71%
Number of Miles:			
Passenger cars	1,382,625,436	1,409,794,953	
Commercial vehicles	335,744,291	313,152,610	
Total	1,718,369,727	1,722,947,563	-0.27%
Toll Revenue (Gross):			
Passenger cars	$ 83,642,539	$ 82,925,282	
Commercial vehicles	54,136,482	48,017,316	
Discounts and adjustments	(19,590,126)	(18,417,486)	
Total	$ 118,188,895	$ 112,525,112	5.03%

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

SCHEDULE OF SERVICE AREA TRAFFIC AND SALES

Fiscal Years Ended June 30, 2018 and 2017
(Unaudited)

	2018			Per Vehicle Passing Area	
Service Area	**Vehicles Passing Area**	**Gallons Motor Fuel Sold**	**Restaurant Gross Sales**	**Gallons Motor Fuel**	**Restaurant Sales**
Belle Plaine	7,919,935	8,046,941	$ 3,091,182	1.02	$ 0.39
Towanda	5,808,864	4,340,246	1,931,113	0.75	$ 0.33
Matfield Green	5,644,632	5,062,386	2,289,561	0.90	$ 0.41
Emporia	3,313,460	3,297,712	1,778,081	1.00	$ 0.54
Topeka	15,988,525	8,104,711	4,768,900	0.51	$ 0.30
Lawrence	12,486,665	7,470,085	3,818,427	0.60	$ 0.31
	51,162,081	36,322,081	$ 17,677,264		
	2017				
Belle Plaine	7,680,476	8,074,919	$ 3,040,671	1.05	$ 0.40
Towanda	5,864,251	4,443,498	2,072,329	0.76	$ 0.35
Matfield Green	5,455,007	4,763,075	2,166,644	0.87	$ 0.40
Emporia	3,104,755	3,044,936	1,769,438	0.98	$ 0.57
Topeka	15,777,577	8,072,194	4,731,534	0.51	$ 0.30
Lawrence	13,519,673	7,804,341	3,934,887	0.58	$ 0.29
	51,401,739	36,202,963	$ 17,715,503		

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

SCHEDULE OF ACTIVITY BY INTERCHANGE

Fiscal Year Ended June 30, 2018
(Unaudited)

Interchange		2018		
No.	**Location**	**Entering Vehicles**	**Exiting Vehicles**	**Total Vehicles**
004	Southern Terminal	3,372,043	3,196,946	6,568,989
019	Wellington: US 160	849,198	803,772	1,652,970
032	Mulvane: Casino	862,773	1,026,640	1,889,413
033	Mulvane: K-53	515,797	371,546	887,343
039	Haysville-Derby: 71st St.	774,459	730,080	1,504,539
042	Wichita: I-135, I-235, 47th St.	3,846,966	3,907,433	7,754,399
045	Wichita: K-15	783,993	848,119	1,632,112
050	Wichita: US 54/400, Kellogg Ave.	663,853	1,029,546	1,693,399
053	Wichita: K-96	1,659,971	1,299,869	2,959,840
057	Andover: 21st St.	599,467	574,859	1,174,326
071	El Dorado: US 254	1,135,691	1,138,241	2,273,932
076	El Dorado: US 77	276,302	268,483	544,785
092	Cassoday: K-177	93,873	102,212	196,085
127	Emporia: I-35N	2,060,832	2,041,566	4,102,398
147	Council Grove, Osage City: US 56	138,177	140,763	278,940
177	Topeka: I-470W, US 75, Topeka Blvd.	2,716,944	2,837,464	5,554,408
182	Topeka: Valley Falls: K-4/I-70W	512,091	431,668	943,759
183	Topeka: I-70	5,490,293	5,530,111	11,020,404
197	Lecompton, Lawrence: K-10	2,928,219	2,878,878	5,807,097
202	Lawrence: US 59, S. Iowa St.	1,965,277	1,943,102	3,908,379
204	Lawrence: US 59, US40	1,192,968	1,246,084	2,439,052
212	Tonganoxie/Eudora	429,505	445,075	874,580
236	Eastern Terminal	6,086,168	6,162,403	12,248,571

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

SCHEDULE OF MONTHLY VEHICLES, MILEAGE AND TOLL REVENUE

Fiscal Year Ended June 30, 2018
(Unaudited)

			Gross Revenue		Average Miles	Average Revenue
Month	**Vehicles**	**Mileage**	**Passenger**	**Commercial**	**Per Vehicle**	**Per Vehicle**
July	3,467,408	155,815,086	$ 7,591,047	$ 4,215,157	44.94	$ 3.40
August	3,455,777	151,985,918	7,231,184	4,652,777	43.98	3.44
September	3,319,581	142,478,462	6,801,914	4,363,637	42.92	3.36
October	3,387,721	146,015,869	6,933,011	4,602,216	43.10	3.41
November	3,260,697	143,663,667	7,096,804	4,461,582	44.06	3.54
December	3,176,880	142,775,218	7,152,648	4,249,016	44.94	3.59
January	2,858,611	122,255,967	5,916,412	4,345,923	42.77	3.59
February	2,679,664	113,828,316	5,485,725	4,099,370	42.48	3.58
March	3,394,771	151,571,409	7,468,274	4,780,572	44.65	3.61
April	3,179,079	137,345,484	6,697,811	4,612,954	43.20	3.56
May	3,520,809	156,476,924	7,709,153	4,920,421	44.44	3.59
June	3,430,307	154,157,407	7,558,556	4,832,857	44.94	3.61
	39,131,305	1,718,369,727	$ 83,642,539	$ 54,136,482	43.91	$ 3.52

Total Gross Toll Revenue	$ 137,779,021
Discounts and Adjustments	$ (19,590,126)
Total Adjusted Revenue	$ 118,188,895

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, 2018 and 2017, and the related statements of revenues, expenses and changes in net position, and cash flows for the years ended June 30, 2018 and 2017, and the related notes to the financial statements, and have issued our report thereon dated September 18, 2018.

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 18, 2018
Wichita, Kansas