Florida's Turnpike System
Department of Transportation
State of Florida

Financial Statements as of and for the
Years Ended June 30, 2013 and 2012, and
Independent Auditors' Report

FLORIDA'S TURNPIKE SYSTEM
DEPARTMENT OF TRANSPORTATION
STATE OF FLORIDA

TABLE OF CONTENTS

Deloitte & Touche LLP
Certified Public Accountants
Suite 2801
One Independent Drive
Jacksonville, FL 32202-5034
USA

Tel: +1 904 665 1400
Fax: +1 904 665 1600
www.deloitte.com

INDEPENDENT AUDITORS' REPORT

Secretary of Transportation and the Executive Board
Florida Department of Transportation
Tallahassee, Florida

Report on the Financial Statements

We have audited the accompanying basic financial statements of Florida's Turnpike System (the "System"), an enterprise fund of the Florida Department of Transportation, which is an agency of the State of Florida, as of and for the years ended June 30, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the System's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the System'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 System'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 basic financial statements referred to above present fairly, in all material respects, the respective financial position of Florida's Turnpike System as of June 30, 2013 and 2012, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

As discussed in Notes 2, 5 and 10 to the financial statements, the System implemented Government Accounting Standards Board (GASB) Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, and GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, as of July 1, 2012. 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 the required supplementary information other than management's discussion and analysis listed in the foregoing table of contents be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the GASB who considers it to be an essential part of the 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.

Deloitte & Touche LLP

October 31, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2013 AND 2012

As management of Florida's Turnpike System ("Florida's Turnpike," "Turnpike," or the "System"), we offer readers of our annual financial report this narrative overview of the financial activities of the System for the fiscal years ended June 30, 2013 and 2012. Please read it in conjunction with the financial statements as a whole.

The System operates as an enterprise fund of the Florida Department of Transportation (the "Department"), an agency of the State of Florida. The statements contained herein include only the accounts of the System and do not include any other accounts of the Department or the State of Florida. The System is presented as a blended enterprise fund in the financial statements of the State of Florida.

FINANCIAL HIGHLIGHTS

- The System's total revenues were $777.0 million and $650.2 million for fiscal year 2013 and 2012, respectively. Fiscal year 2013 revenues increased $126.8 million (19.5%) from the prior year and fiscal year 2012 revenues increased $18.6 million (2.9%) from fiscal year 2011.
- The System's total expenses were $391.4 million and $378.0 million for fiscal years 2013 and 2012, respectively. Fiscal year 2013 total expenses increased $13.4 million (3.5%) from the prior year, and fiscal year 2012 total expenses increased $29.7 million (8.5%) from fiscal year 2011.
- The System's net position totaled $6,078.8 million and $5,692.0 million as of June 30, 2013 and 2012, respectively. Increases of $386.8 million (6.8%) and $268.9 million (5.0%) from each of the prior fiscal years indicate growth in the System's financial position.
- The System's total capital assets, net of accumulated depreciation and amortization, amounted to $8,170.5 million and $7,804.7 million as of June 30, 2013 and 2012, respectively. Increases of $365.8 million (4.7%) and $139.6 million (1.8%) from each of the prior fiscal years signify continued investments in capital assets.

USING THIS ANNUAL REPORT

This discussion and analysis is intended to serve as an introduction to the System's basic financial statements, notes to the financial statements, and required supplementary information. While the System is considered part of the Department, which is an agency of the State of Florida, it is also considered an enterprise fund. Therefore, the System's financial statements are presented in a manner similar to a private sector business.

Statement of Net Position — This statement presents information on all of the System's assets, deferred outflow of resources, liabilities and deferred inflow of resources, with the difference between the sum of the assets and deferred outflows and the sum of liabilities and deferred inflows reported as net position. Over time, increases or decreases in net position are relative indicators of whether the System's financial position is improving or deteriorating.

Statement of Revenues, Expenses, and Changes in Net Position — This statement shows the results of the System's total operations during the fiscal year and reflects both operating and nonoperating activities. Changes in net position reflect the current fiscal period's operating impact upon the overall financial position of the System.

Statement of Cash Flows — This statement presents information about the System's cash receipts and cash payments, or, in other words, the sources and uses of the System's cash and the change in cash balance during the fiscal year. The direct method of cash flows is presented, ending with a reconciliation of operating income to net cash provided by operating activities.

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

Other — Certain required supplementary information is presented to disclose trend data on the System's infrastructure condition.

FINANCIAL ANALYSIS

Net position serves as an indicator of the strength of the System's financial status. The System's net position as of June 30, 2013 was $6.1 billion, an increase of $386.8 million, or 6.8%, as compared to the prior fiscal year. As of June 30, 2012 net position was $5.7 billion, an increase of $268.9 million, or 5.0%, from fiscal year 2011. The increases in net position were primarily attributable to the positive operating results for the two years and were primarily invested in the System's capital assets (land, infrastructure, buildings, etc.), less any related outstanding debt used to acquire those assets (see Table 1). The System uses these capital assets to provide services to customers. Although the System's investment in capital assets is reported net of related debt, it should be noted that the revenues collected by the System are utilized to repay this debt in accordance with the bond resolution.

Table 1
Net Position of Florida's Turnpike System
(In Millions)

	As of June 30, 2013	2012	2011
Current and other assets	$ 731.2	$ 728.1	$ 652.1
Noncurrent restricted assets	283.1	369.0	256.9
Capital assets—net of accumulated depreciation and amortization	8,170.5	7,804.7	7,665.1
Noncurrent assets	82.3	-	-
Total assets	9,267.1	8,901.8	8,574.1
Current liabilities	186.8	273.8	258.7
Long-term debt outstanding and other liabilities	2,861.2	2,936.0	2,892.3
Total liabilities	3,048.0	3,209.8	3,151.0
Deferred inflow of resources	140.3	-	-
Net position:			
Net investment in capital assets	5,339.1	5,051.5	4,792.0
Restricted	149.6	166.2	164.9
Unrestricted	590.1	474.3	466.2
Total net position	$ 6,078.8	$ 5,692.0	$ 5,423.1

A portion of the System's net position represents resources subject to bond covenants or other restrictions. Funds maintained in these accounts include bond sinking fund requirements and debt service reserve requirements. As of June 30, 2013 and 2012, net position subject to these restrictions totaled $149.6 million and $166.2 million, respectively. For fiscal year 2013, this represents a decrease of $16.6 million from the prior year. This is primarily due to a $22.2 million decrease in net position restricted for renewals and replacement resulting from a substantial increase in the use of funds for resurfacing and preservation activities during the year, offset by a $5.6 million increase in net position restricted for debt service from restructuring of debt and investments during the year. For fiscal year 2012, this represents an increase of $1.3 million from the prior year. This increase is primarily due a $7.4 million increase in net position restricted for renewals and replacement resulting from a decrease in funding needs for resurfacing, preliminary engineering and construction during the year, offset by a $6.1 million decrease in net position restricted for debt service from a slight restructuring of investments as of the end of fiscal year 2012. Additional information on the System's debt service funding can be found in Note 8 to the financial statements.

Unrestricted net position of $590.1 million and $474.3 million as of June 30, 2013 and 2012, respectively, represent residual amounts after all mandatory transfers have been made as required by bond covenants and other restrictions. For fiscal year 2013, this represents an increase of $115.8 million from the prior year. This is primarily due to the decrease of $87.3 million in liabilities paid by unrestricted funds; $9.9 million decrease in reimbursement to the Department (including operations and maintenance costs); $6.6 million decrease of advances to the State Transportation Trust Fund and $16.0 million of bonds proceeds utilized for capital projects; offset by a $4.0 million decline in interest receivable due to falling interest rates. For fiscal year 2012, this represents an increase of $8.1 million from the prior year. This is primarily due to the restructuring of unrestricted investments by the State Board of Administration and pooled investments with the State Treasury during the year. In addition, $22.8 million of the 2010B Bonds proceeds was spent to complete capital projects, hence, the increase in unrestricted pooled investments with the State Treasury. Typically, unrestricted net position is used to fund improvements scheduled in the System's work program and to support the ongoing operations of the System.

Table 2
Changes in Net Position of Florida's Turnpike System
(In Millions)

	For the Year Ended June 30,		
	2013	**2012**	**2011**
Operating revenues from toll facilities	$ 755.5	$ 608.8	$ 600.1
Operating revenues from concessions and other sources	12.5	11.4	11.9
Nonoperating investment earnings	3.3	24.1	13.7
Nonoperating interest subsidy	5.7	5.9	5.9
Total revenues	777.0	650.2	631.6
Operations and maintenance expense	(156.2)	(171.0)	(176.7)
Business development and marketing expense	(1.2)	(2.7)	(3.3)
Pollution remediation expense	-	-	1.0
Renewals and replacements expense	(81.9)	(44.1)	(34.5)
Depreciation and amortization expense	(35.1)	(31.0)	(19.1)
Nonoperating interest expense	(109.2)	(125.8)	(110.4)
Other nonoperating expense—net	(7.8)	(3.4)	(5.3)
Total expenses	(391.4)	(378.0)	(348.3)
Income before contributions for capital projects and contributions to other governments	385.6	272.2	283.3
Contributions for capital projects	1.2	2.3	23.6
Contributions to other governments	-	(5.6)	(5.9)
Increase in net position	386.8	268.9	301.0
Net position:			
Beginning of year	5,692.0	5,423.1	5,122.1
End of year	$ 6,078.8	$ 5,692.0	$ 5,423.1

Total revenues for fiscal year 2013 were $777.0 million, representing an increase of $126.8 million, or 19.5%, compared to fiscal year 2012. This resulted primarily from an increase in toll revenues offset by a decrease in nonoperating investment earnings due to the fair market adjustment at fiscal year end. Fiscal year 2013 reflected the first full year effect of the implementation of Section 338.165(3), Florida Statutes, requiring the

Department to index toll rates on existing toll facilities. Management expected this rise in toll rates to significantly increase total revenues for fiscal year 2013 although toll transactions remained relatively flat. Due to the leap year in the previous year, toll transactions decreased 1.0 million to 663.3 million transactions for the year ended June 30, 2013 from 664.3 million transactions for the year ended June 30, 2012. The System has a broad customer base and the ability to serve more than half of the State of Florida's population. Expanded use of the interstate highway system and continuing heavy flows of commuter traffic make Florida's Turnpike an attractive option to the motoring public in both rural and urban areas. Customers of the System perceive the value of the Turnpike's well-maintained limited-access roadways and its high level of service, and respond by choosing the Turnpike over alternative routes.

Total revenues for fiscal year 2012 were $650.2 million, representing an increase of $18.6 million, or 2.9%, compared to fiscal year 2011. This resulted primarily from an increase in toll revenues and an increase in nonoperating investment earnings due to the fair market adjustment at fiscal year end. Corresponding to the increase in toll revenues, toll transactions increased to 664.3 million transactions for the year ended June 30, 2012, from 652.9 million transactions for the year ended June 30, 2011, due to slight growth in ridership and a continuing economic recovery.

For the year ended June 30, 2013, the System reported $1.2 million of contributions for capital projects, a decrease of $1.1 million from the prior year. The contributions consist of $0.6 million for service plaza renovations, $0.5 million from the federal Value Pricing Pilot Program to study integrated congestion pricing, and $0.1 million for construction of the I-595 fly-over ramps on the Mainline.

Total expenses (including depreciation and amortization expense) for fiscal year 2013 were $391.4 million, an increase of $13.4 million, or 3.5%, as compared to fiscal year 2012. The increase is primarily due to a $37.8 million increase in renewals and replacements; $4.1 million increase in depreciation and amortization expense and $3.8 million increase in property losses, offset by a $16.6 million decrease in nonoperating interest expense; $14.8 million decrease in operations and maintenance expense; and $1.5 million decrease in business development and marketing expenses. The increase in renewals and replacements was due to an increase in resurfacing projects in fiscal year 2013 as compared to fiscal year 2012. The increase in property loss is due to service plaza reconstruction and toll equipment/systems replacement. The increase in depreciation and amortization was primarily due to an additional $25.7 million of tangible assets placed in service during the year. The decrease in nonoperating interest expense is primarily due to $10.0 million decrease in interest paid on revenue bonds due to the $56.3 million reduction in bonded debt as compared to the previous fiscal year, as well as, interest savings due to the refinancing of debt at lower rates. The decrease in operations and maintenance expense is primarily due to the decrease in toll collection costs and efficiencies in new maintenance contracts. Since the System utilizes the modified approach for reporting infrastructure, it is required to maintain its infrastructure assets at certain levels. Fluctuations in expense levels from year to year will result based on management's assessment of needed System preservation. The overall infrastructure condition rating was not affected by the increase in renewal and replacements expenditures in fiscal year 2013. (See the required supplementary information included after the Notes to Financial Statements.)

Total expenses (including depreciation and amortization expense) for fiscal year 2012 were $378.0 million, an increase of $29.7 million, or 8.5%, as compared to fiscal year 2011. The increase is primarily due to a $15.4 million increase in nonoperating interest expense, $11.9 million increase in depreciation and amortization expense, and $9.6 million increase in renewal and replacements expense, offset by a $5.7 million decrease in operations and maintenance expense, and a $1.9 million decrease in other nonoperating expenses. The increase in nonoperating interest expense was due to the issuance of $150.2 million State of Florida, Department of Transportation Turnpike Revenue Bonds, Series 2011A. The increase in renewals and replacements was primarily due to an increase in resurfacing projects in fiscal year 2012 compared to fiscal year 2011. The increase in depreciation and amortization was primarily from the increase in the amortization of intangible assets related to assets placed in service totaling $23.2 million. The decrease in operations and maintenance expense is primarily due to the decrease in toll collection costs associated with the Homestead Extension of Florida's Turnpike (HEFT). This roadway was converted to All Electronic Tolling in February 2011; hence, fiscal year 2011 only reflected a partial year's savings as compared to a full year of savings in fiscal year 2012. The decrease in other nonoperating expense was primarily due to property losses of $0.6 million in fiscal year 2012 as compared to $2.6 million in fiscal year 2011. Since the System utilizes the modified approach for reporting infrastructure, it is required to maintain its infrastructure assets at certain levels. Fluctuations in expense levels from year to year will result based on management's assessment of needed System preservation. The overall infrastructure condition rating was not affected by the increase in renewal and replacements expenditures in fiscal year 2012. (See the required supplementary information included after the Notes to Financial Statements.)

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets — As of June 30, 2013, the System reported approximately $8.2 billion in constructed, purchased, and donated capital assets (net of accumulated depreciation and amortization), which was $365.8 million, or 4.7%, higher than the prior year. As of June 30, 2012, the System reported approximately $7.8 billion in constructed, purchased, and donated capital assets (net of accumulated depreciation and amortization), which was $139.6 million, or 1.8%, higher than the prior year. The increases were mainly in the category of infrastructure and related construction in progress assets which reflect the System's ongoing investment in its capital work program (see Table 3). The System's financial statements present capital assets in three groups: construction work in progress; those not subject to depreciation and amortization, such as land, infrastructure, and buildings associated with the service concession arrangement (see the discussion following on the modified approach for reporting infrastructure); and those assets subject to depreciation and amortization such as buildings and improvements, furniture and equipment, and intangible assets.

For fiscal year 2013, due to the implementation of Governmental Accounting Standards Board Statement No. 60 – *Accounting and Financial Reporting for Service Concession Arrangements* , capital assets which meet the criteria of this Statement are not subject to depreciation. The System acquired buildings and infrastructure as part of this arrangement and have recorded them as non-depreciable assets. See Note 5 – *Capital Assets* and Note 10 – *Deferred Inflows of Resources* for the disclosures related to this Statement.

Table 3
Capital Assets of Florida's Turnpike System
(Net of Depreciation and Amortization, in Millions)

	As of June 30,		
	2013	**2012**	**2011**
Construction in progress	$ 598.9	$ 399.2	$ 624.9
Land	866.6	863.4	863.9
Buildings	49.0	-	-
Infrastructure	6,432.8	6,311.6	5,958.8
Buildings and improvements—net	132.5	142.8	149.2
Furniture and equipment—net	71.3	59.4	53.7
Intangible assets—net	19.4	28.3	14.6
Total capital assets—net	$ 8,170.5	$ 7,804.7	$ 7,665.1

For fiscal years ended 2013 and 2012, major additions of capital assets, including those in progress, were as follows (in millions):

	2013	2012
Widening and capacity improvements	$ 61.9	$ 46.4
Interchange and access projects	99.2	32.1
High-speed express lanes	23.6	19.3
Toll system technology upgrades	30.7	18.0
Safety improvements	10.7	8.1
Intelligent transportation system enhancements	-	4.0
Service plaza improvements	1.8	5.8
	$ 227.9	$ 133.7

The System's capital program is made up of a number of ongoing projects, which include a system-wide toll systems enhancement project; construction of the new Selmon I-4 Connector project in Tampa; construction of the new First Coast Expressway in Clay and Duval counties; conversion of the Southern Coin section of the Mainline, the Sawgrass Expressway, the Veterans Expressway, and the Suncoast Parkway to All Electronic Tolling; improvements to the Turnpike Mainline interchange with I-595; a widening of the Veterans Expressway in Hillsborough County from milepost 3 to 9; widening of the HEFT in Miami-Dade County from Southwest 216th Street to south of Killian Parkway; as well as improvements to three service plazas along the Mainline. Planned commitments for the fiscal year ending June 30, 2014 include $178.2 million for widening the HEFT south of Killian Parkway to Bird Road (including the addition of managed toll lanes); $60.5 million to convert additional sections of the Southern Coin section of the Mainline to All Electronic Tolling; $50.7 million for widening of the center portion of the Veterans Expressway (from mile post 9 to 11); and an additional $93.4 million for the First Coast Expressway project. These projects will be funded over the next few years with existing cash, toll revenues, and bond proceeds, as well as available state and local funds.

Modified Approach for Reporting Infrastructure — Governmental accounting and reporting standards permit an alternative to reporting depreciation for infrastructure known as the modified approach. For its highway system and improvements, the System has made the commitment to maintain and preserve these assets at condition level ratings equal to or greater than those established by the Department. As a result, the System does not report depreciation expense for its highway system and improvements; rather, costs for both maintenance and preservation of infrastructure capital assets are expensed in the period incurred.

As detailed in the required supplementary information included after the Notes to Financial Statements, the System has exceeded its targeted infrastructure condition level ratings for the last several years. For fiscal years 2013 and 2012, the System estimated it would need to spend $102.7 million and $95.7 million, respectively, for infrastructure maintenance and preservation, but actually expended $117.8 million and $84.3 million, respectively. Fluctuations occur from year to year between the amount spent to preserve and maintain the System, and the estimated amount resulting from the timing of work activities. Over a period of time, the amount expended is comparable to the estimate. As such, the System's overall maintenance condition rating is fairly consistent from year to year.

Additional information on the System's current capital assets can be found in Note 5 to the financial statements.

Noncurrent Liabilities — At the end of fiscal year 2013, the System had outstanding revenue bonds (net of unamortized premiums/discounts and refunding losses on early retirement of debt) and other noncurrent liabilities payable totaling $2.9 billion. This amount represents a decrease of the System's long-term debt obligations by $74.8 million, or 2.5%, from June 30, 2012. This decrease was primarily due to scheduled repayments of principal on outstanding bonds and current year refundings.

At the end of fiscal year 2012, the System had outstanding revenue bonds (net of unamortized premiums and refunding losses on early retirement of debt) and other noncurrent liabilities payable totaling $2.9 billion. This amount represents an increase of the System's long-term debt obligations by $43.7 million, or 1.5%, from June 30, 2011. This increase was primarily due to the issuance of $150.2 million of State of Florida, Department of Transportation Turnpike Revenue Bonds, Series 2011A offset by the principal payments totaling $105.1 million for the System's outstanding revenue bonds.

Additional information on the System's outstanding noncurrent liabilities can be found in Notes 7, 8, and 9 to the financial statements.

The System is authorized by Section 338.2275 of the Florida Statutes to have up to $10.0 billion of outstanding revenue bonds to fund approved projects. The System has issued $2.8 billion of outstanding revenue bonds related to the financing of the construction of expansion projects and system improvements. At June 30, 2013, $7.2 billion remains of the statutory limitation on outstanding bonds.

The System issues revenue bonds to fund expansion and improvement projects in accordance with Turnpike Debt Management Guidelines. Pursuant to these guidelines, the System typically issues 30-year fixed-rate bonds. Bonds are issued to fund projects with an expected useful life not less than the term of the bonds. The System does not issue bonds for operations and maintenance costs. Bonds are issued through the State Board of Administration (SBA), Division of Bond Finance, in accordance with s.11(d), Article VII of the State Constitution.

Turnpike revenue bonds are only issued for projects included in the System's legislatively (Section 339.135 (4), F.S.) approved Work Program. Expansion projects are also subject to the statutorily required tests of economic feasibility prior to the sale of bonds (Section 338.223, F.S.). The tests require that the net revenues of an expansion project must be sufficient to pay 50% of the debt service of the bonds by the 12th year after the project opens to traffic and must pay 100% of the debt service of the bonds by the 30th year after the project opens to traffic (Section 338.221, F.S.).

The planned bond sales are included in the Department's financially balanced five-year finance plan and 36-month cash forecast as required by the legislature (Section 339.135 (4), F.S.).

The resolution authorizing the issuance of Turnpike revenue bonds requires a debt service reserve be established in an amount as defined in the resolution. The debt service reserve requirement for each bond issue is to be funded from revenues or through a reserve account credit facility as provided for in the resolution. The Turnpike is fully funded for fiscal years 2013 and 2012. Additional information on the System's debt service reserve requirements can be found in Note 8 to the financial statements.

The System currently holds an "AA-" rating from Standard & Poor's, an "Aa3" rating from Moody's Investors Service, and an "AA-" rating from Fitch Ratings for its bond issues. The System's debt service coverage ratio increased to 2.51 for fiscal year 2013, an increase of 0.69 over the fiscal year 2012 ratio of 1.82. This is primarily due to an increase of $164.1 million of net operating revenues available for debt service, due to the effects of a system-wide toll rate increase implemented on June 24, 2012. In addition, the System had a sale pending for the 2013B Bonds which closed on July 18, 2013. See Note 17 – *Subsequent Event* for details. This coverage ratio exceeded the 1.2 minimum debt service coverage as required by the covenants with the bondholders.

Table 4
Outstanding Noncurrent Liabilities of Florida's Turnpike System
(Net of Premiums and Refunding Losses, in Millions)

	As of June 30,		
	2013	2012	2011
Revenue bonds (backed by System revenues)	$ 2,721.5	$ 2,784.9	$ 2,731.8
Advances to the Florida Department of Transporation	139.1	148.9	155.8
Other noncurrent liabilities	0.6	2.2	4.7
Total noncurrent liabilities	$ 2,861.2	$ 2,936.0	$ 2,892.3

Economic Conditions and Outlook — Florida's economy continues to improve at a slow and steady pace. A gradual rebound in traffic on the Turnpike is expected to continue with a stronger recovery beyond 2015. Additionally, the unemployment rate in Florida has improved significantly in the last two years and is now below the national average.

Fiscal year 2013 toll revenues reflect the first full year of statutorily required toll rate increases based on an established index. Pursuant to Section 338.165(3), Florida Statutes, toll rates were indexed on all Department toll roads and bridges on June 24, 2012. The law requires that the Department index toll rates on existing toll facilities to the annual Consumer Price Index (CPI) or similar inflation indicator no more frequently than once a year, and no less frequently than once every five years. The current adjusted toll rates reflect an average increase of $0.25 at most toll locations. SunPass and TOLL-BY-PLATE rates will be adjusted on or before July 1st each year based on the actual change in year-over-year CPI, while cash rates will be indexed every five years. On July 1, 2013 the SunPass and TOLL-BY-PLATE rates were increased by the annual CPI increase of 2.1%. Management believes that fiscal year 2014 toll revenues will be more than sufficient to meet its obligations for debt service, operating and maintenance costs, and the preservation of the System.

Requests for Information — This financial report is designed to provide a general overview of the System's financial results and condition for those interested. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Chief Financial Officer, Florida's Turnpike System, P.O. Box 613069, Ocoee, Florida 34761.

FLORIDA'S TURNPIKE SYSTEM
DEPARTMENT OF TRANSPORTATION
STATE OF FLORIDA

STATEMENTS OF NET POSITION
JUNE 30, 2013 AND 2012
(In thousands)

	2013	2012
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents (Note 3)	$ 679,346	$ 680,845
Unrestricted investments	-	127
Receivables:		
Accounts	9,162	2,938
Interest	906	4,916
Due from other governments (Note 4)	25,268	19,790
Prepaid expenses	-	61
Inventory	1,735	4,551
Other assets	1,855	-
Total current assets	718,272	713,228
NONCURRENT ASSETS:		
Restricted assets:		
Restricted cash and cash equivalents (Note 3)	69,594	119,068
Restricted investments (Note 3)	213,526	249,927
Total restricted assets	283,120	368,995
Construction in progress (Note 5)	598,831	399,188
Nondepreciable capital assets (Note 5):		
Land	866,624	863,355
Buildings	48,981	-
Infrastructure — highway system and improvements	6,432,812	6,311,641
Total nondepreciable capital assets	7,348,417	7,174,996
Depreciable capital assets (Note 5):		
Buildings and improvements	247,870	263,058
Furniture and equipment	151,261	152,345
Intangible assets	41,941	39,952
Less accumulated depreciation and amortization	(217,777)	(224,878)
Total depreciable capital assets — net	223,295	230,477
Fiscal charges — net	12,818	13,322
Other assets	-	1,577
Service concession arrangement receivable (Note 10)	82,308	-
Total noncurrent assets	8,548,789	8,188,555
TOTAL ASSETS	$ 9,267,061	$ 8,901,783

(Continued)

FLORIDA'S TURNPIKE SYSTEM
DEPARTMENT OF TRANSPORTATION
STATE OF FLORIDA

STATEMENTS OF NET POSITION
JUNE 30, 2013 AND 2012
(In thousands)

LIABILITIES, DEFERRED INFLOW OF RESOURCES AND NET POSITION	**2013**	**2012**
LIABILITIES:		
Current liabilities:		
Construction contracts and retainage payable (Note 16)	$ 36,199	$ 120,077
Current portion of bonds payable (Notes 8, 9)	117,220	110,185
Due to Florida Department of Transportation (Notes 6, 7, 9, 13)	32,814	42,663
Due to other governments	106	72
Deposits payable	200	200
Unearned revenue	249	605
Total current liabilities	186,788	273,802
Noncurrent liabilities:		
Long-term portion of bonds payable — net of premiums of $106,559 and $66,093, respectively, and refunding losses on early retirement of debt of $40,102 and $27,951, respectively (Notes 8, 9)	2,721,532	2,784,892
Advances payable to Florida Department of Transportation (Notes 7, 9, 13)	139,121	148,898
Unearned revenue from other governments (Note 9)	600	649
Other long-term liabilities (Note 9)	-	1,566
Total noncurrent liabilities	2,861,253	2,936,005
Total liabilities	3,048,041	3,209,807
DEFERRED INFLOW OF RESOURCES (Note 10)	140,259	-
NET POSITION:		
Net investment in capital assets	5,339,106	5,051,519
Restricted for debt service	138,716	133,109
Restricted for renewal and replacement	10,830	33,119
Unrestricted	590,109	474,229
Total net position	$ 6,078,761	$ 5,691,976

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

(Concluded)

FLORIDA'S TURNPIKE SYSTEM
DEPARTMENT OF TRANSPORTATION
STATE OF FLORIDA

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEARS ENDED JUNE 30, 2013 AND 2012
(In thousands)

	2013	2012
OPERATING REVENUES:		
Toll facilities	$ 755,542	$ 608,812
Concessions	7,515	7,169
Other	4,928	4,220
Total operating revenues	767,985	620,201
OPERATING EXPENSES:		
Operations and maintenance	156,185	171,028
Business development and marketing	1,203	2,676
Renewals and replacements	81,912	44,064
Depreciation and amortization (Note 5)	35,165	31,038
Total operating expenses	274,465	248,806
OPERATING INCOME	493,520	371,395
NONOPERATING REVENUES (EXPENSES):		
Investment earnings	3,327	24,121
Interest subsidy (Note 5, 8)	5,685	5,943
Interest expense	(109,188)	(125,821)
Other — net	(7,783)	(3,416)
Total nonoperating expenses — net	(107,959)	(99,173)
INCOME BEFORE CONTRIBUTIONS FOR CAPITAL PROJECTS AND CONTRIBUTIONS TO OTHER GOVERNMENTS	385,561	272,222
CONTRIBUTIONS FOR CAPITAL PROJECTS (Note 12)	1,224	2,274
CONTRIBUTIONS TO OTHER GOVERNMENTS	-	(5,628)
INCREASE IN NET POSITION	386,785	268,868
NET POSITION:		
Beginning of year	5,691,976	5,423,108
End of year	$ 6,078,761	$ 5,691,976

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

FLORIDA’S TURNPIKE SYSTEM
DEPARTMENT OF TRANSPORTATION
STATE OF FLORIDA

STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2013 AND 2012
(In thousands)

	2013	2012
OPERATING ACTIVITIES:		
Cash received from customers	$ 752,021	$ 604,864
Cash payments to suppliers for goods and services	(237,956)	(200,480)
Cash payments to employees	(14,320)	(19,158)
Other operating revenues	9,425	8,821
Net cash provided by operating activities	509,170	394,047
CAPITAL AND RELATED FINANCING ACTIVITIES:		
Proceeds from the issuance of revenue bonds	542,148	160,701
Proceeds from 2009B Build America Bonds interest subsidy	5,685	5,943
Principal paid on revenue bond maturities	(111,680)	(105,060)
Interest paid on revenue bonds	(137,623)	(146,446)
Payment of bond issuance costs	(3,103)	(1,367)
Payments for advance refunding of revenue bonds	(477,039)	-
Receipts from contributions made by other governments	-	633
Payments to acquire or construct capital assets	(423,286)	(147,543)
Proceeds from the sale of capital assets	402	13
Fiscal charges	(1,146)	(1,181)
Net cash used in capital and related financing activities	(605,642)	(234,307)
INVESTING ACTIVITIES:		
Proceeds from the sale or maturity of investments	1,093,865	621,886
Investment earnings	8,892	20,637
Purchase of investments	(1,057,258)	(626,645)
Net cash provided by investing activities	45,499	15,878
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS AND RESTRICTED CASH AND CASH EQUIVALENTS	(50,973)	175,618
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH AND CASH EQUIVALENTS:		
Beginning of year	799,913	624,295
End of year	$ 748,940	$ 799,913

(Continued)

FLORIDA'S TURNPIKE SYSTEM
DEPARTMENT OF TRANSPORTATION
STATE OF FLORIDA

STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2013 AND 2012
(In thousands)

	2013	2012
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating income	$ 493,520	$ 371,395
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization expense	35,165	31,038
Other noncash adjustments	(277)	(1,587)
(Increase) decrease in:		
Due from other governments	(5,045)	(4,854)
Accounts receivable	(384)	178
Prepaid expenses	61	486
Inventory	2,930	619
Other assets	(278)	478
Increase (decrease) in:		
Due to Florida Department of Transportation	(16,408)	84
Due to other governments	34	(100)
Construction contracts and retainage payable	208	(3,519)
Unearned revenue	(356)	(171)
Total adjustments	15,650	22,652
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 509,170	$ 394,047
SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:		
Bond premium amortization — net	$ (13,837)	$ (1,389)
Amortization of deferred charges	$ 1,742	$ 1,699
Amortization of deferred losses on early retirement of debt	$ 5,948	$ 5,597
Deferred losses due to refunding	$ (21,313)	$ -
Write-off of deferred losses, net bond discounts, and deferred charges due to refunding	$ 6,439	$ -
Loss on disposed capital assets	$ 4,462	$ 662
Contributions for capital projects	$ 1,224	$ 1,402
Contributions to other governments	$ -	$ (5,628)
Capital asset contributions in other — net	$ (271)	$ -
Capital asset contributions in deferred inflow of resources	$ 52,111	$ -
Purchases of capital assets in construction contracts and retainage payable	$ 29,150	$ 114,801
Unrealized gain (loss) on investments	$ 13,628	$ (4,763)

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

(Concluded)

FLORIDA'S TURNPIKE SYSTEM
DEPARTMENT OF TRANSPORTATION
STATE OF FLORIDA

INDEX OF NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2013 AND 2012

1. REPORTING ENTITY

Florida's Turnpike System (the "Turnpike" or the "System") is part of the Florida Department of Transportation (the "Department"), which is an agency of the State of Florida (the "State"). The Department is responsible for cash management and other financial matters of the System. The fiscal years 2013 and 2012 financial statements contained herein include only the accounts of the System and do not include any other accounts of the Department or the State. The System is presented as a blended enterprise fund in the financial reports of the State.

In evaluating how to define the System for financial reporting purposes, management has considered all potential component units in accordance with Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*. GASB Statement No. 14 defines the reporting entity as the primary government and those component units for which the primary government is financially accountable. Management has determined that there are no other units that meet the criteria for inclusion in the System's financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These policies represent variations of generally accepted accounting principles (GAAP) that are unique to state and local governments. In addition they describe situations where the government has elected an accounting treatment from among several GAAP alternatives. The System has adopted GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncement*, which requires the System to follow the pronouncements of the GASB in its accounting and financial reporting. GASB Statement No. 62 superseded previous guidance contained in GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*.

Basis of Presentation — Fund Accounting — The accounting systems of the Department are organized on the basis of funds, each of which is considered an accounting entity having a self-balancing set of accounts for recording its assets, liabilities, fund equity or net position, revenues, and expenditures or expenses. The individual funds account for the governmental resources allocated to them for the purpose of carrying on specific activities in accordance with laws, regulations, or other restrictions. The System is an Enterprise Fund — a Proprietary Fund of the Department.

The focus of proprietary fund measurement is on economic resources, or the determination of operating income, changes in net position, financial position, and cash flows. The accounting principles generally accepted in the United States of America ("generally accepted accounting principles") applicable to proprietary funds are similar to those applicable to businesses in the private sector. The following is a general description of the Turnpike System Enterprise Fund:

Enterprise funds may be used to report any activity for which a fee is charged to external users for goods or services. Activities are required to be reported as enterprise funds if any one of the following criteria is met, and governments should apply each of these criteria in the context of the activity's principal revenue sources.

a. The activity is financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity. Debt that is secured by a pledge of net revenues from fees and charges and the full faith and credit of a related primary government or component unit — even if that government is not expected to make any payments — is not payable solely from fees and charges of the activity. (Some debt may be secured, in part, by a portion of its own proceeds but should be considered as payable "solely" from the revenues of the activity.)

b. Laws or regulations require that the activity's costs of providing services, including capital costs (such as depreciation and amortization or debt service), be recovered with fees and charges, rather than with taxes or similar revenues.

c. The pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs (such as depreciation and amortization or debt service).

Management believes that the activities of the System meet all three criteria.

Basis of Accounting — Basis of accounting refers to the timing of recognition of revenues and expenses in the accounts and reporting in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied. Proprietary funds utilize the accrual basis of accounting. Under this method, revenues are recognized when they are earned and expenses are recognized when they are incurred.

Cash and Cash Equivalents — Investments with a maturity of three months or less when purchased are considered to be cash equivalents. Included within this category are repurchase agreements held by the State Board of Administration (SBA) and cash deposited in the State's general pool of investments, which are reported at fair value.

Investments — Investments are stated at fair value with the exception of certain nonparticipating contracts, such as repurchase agreements, which are reported at cost. Fair values are based on published market rates.

Accounts Receivable — Accounts receivable are reported at their net realizable value. Beginning in fiscal year 2013, with the implementation of GASB Statement No. 60 – *Accounting and Financial Reporting for Service Concession Arrangements*, the short term portion of the service concession arrangement receivable is included in accounts receivable.

Inventory — Inventory consists of SunPass transponders that will be sold to customers, which are valued at the lower of cost or market (first-in, first-out method).

Other Assets — Other assets consists of toll equipment parts for use in All Electronic Tolling lanes on the System. Toll equipment parts are reported at historical cost and classified as current if used within the operating cycle of 12 months, otherwise, they are classified as noncurrent.

Capital Assets — Capital assets are recorded at historical cost, except for contributed assets, which are recorded at fair value at the date of contribution. Construction in progress consists of project costs for infrastructure highway system, improvements, buildings, equipment and software development that are not yet complete and have not been placed in service.

Construction period interest cost, net of interest earned on the unexpended proceeds of tax-exempt borrowings, is capitalized as part of the capital asset cost. Costs for maintenance and repairs are expensed as incurred. The System's capitalization level is $1,000 for tangible assets and $10,000 for intangible assets. Depreciation and amortization, on a straight-line basis, is charged over useful lives ranging from 15 to 30 years for buildings and improvements, 3 to 10 years for furniture and equipment, and 3 to 15 years for intangibles assets. Infrastructure capital assets are recorded as highway system and improvements and are not depreciated (see the following infrastructure depreciation policy). Buildings constructed or acquired meeting the criteria of a Service Concession Arrangement (Note 5) are not depreciated. Under the System's policy of accounting for toll facilities pursuant to "betterment accounting," property costs represent a historical accumulation of costs expended to acquire right-of-way and to construct, improve, and place in operation the various projects and related facilities. Costs also include the costs of enlargement, betterments, and certain general and administrative expenses incurred during the construction phase. Subsequent betterments are capitalized. All such costs are not reduced for subsequent replacements, as replacements are considered to be period costs and are included in renewals and replacements. These policies are consistent with practices followed by similar entities within the toll bridge, turnpike, and tunnel industry and with the modified approach for reporting infrastructure assets sanctioned by GASB Statement No. 34, *Basic Financial Statements — and Management's Discussion and Analysis — for State and Local Governments.*

Modified Approach for Reporting Infrastructure — The modified approach is an alternative to reporting infrastructure capital assets depreciation, if two requirements are met. First, the assets should be managed using an asset management system that meets certain criteria. Second, the System should document that the infrastructure is being preserved at or above a condition level established and disclosed by management. Significant aspects of the System's modified approach policy are: The System has made the commitment to preserve and maintain its infrastructure assets (highway system and improvements) at levels equal to or greater than those established by the Department. Depreciation expense is not reported for infrastructure assets and amounts are not capitalized in connection with improvements that lengthen the lives of such assets, unless the improvements also increase their service potential. Rather, costs for both maintenance and preservation of infrastructure capital assets are expensed in the period incurred. The System relies on the Department to maintain an asset management system that has an up-to-date inventory of System infrastructure assets and that performs condition assessments of those assets, summarizing the results using a measurement scale. Using these results, System management estimates the annual amount to maintain and preserve its infrastructure at a condition level established and disclosed by the System. The information required by GASB Statement No. 34 is presented in the required supplementary information included after the Notes to Financial Statements.

Impairment of Capital Assets — The System reviews its capital assets and considers impairment whenever indicators of impairment are present, such as when the decline in service utility of the capital asset is large in magnitude, and the event or change in circumstance is outside the normal life cycle of the capital asset. Pursuant to these guidelines, management has determined that no impairments existed at June 30, 2013 and 2012.

Restricted Assets — Certain assets are required to be segregated from other assets due to various bond indenture provisions. These assets are legally restricted for specific purposes, such as construction, renewals and replacements, and debt service.

Bond Discounts and Issuance Costs — Bond discounts and issuance costs are deferred and amortized over the term of the bonds using the interest method and straight-line method, respectively.

Loss Amounts on Bond Refundings — In bond refunding transactions, the difference between the reacquisition price and the net carrying amount of the refunded debt is deferred and systematically amortized as a component of interest expense over the shorter of the remaining life of the old bonds or the life of the new bonds.

Deferred Inflow and Outflow of Resources — Deferred inflow of resources represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until that time. Likewise, a deferred outflow of resources represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

Restricted Net Position — Restricted net position is comprised of assets restricted for debt service and renewals and replacements. It is the System's policy to first use assets when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

Net Investment in Capital Assets — This component of net position consists of capital assets — net of accumulated depreciation and amortization, reduced by the outstanding balances of bonds net of unexpended proceeds, and advances payable that are attributable to the acquisition, construction, or improvement of those assets.

Operating Revenues and Expenses — Enterprise funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and delivering goods in connection with the fund's principal ongoing operations. The principal operating revenues of the System are toll collections and concession revenue. Operating expenses consist primarily of operations, maintenance, renewal and replacement costs, pollution remediation, and business development and marketing costs, as well as depreciation and amortization on certain capital assets. All revenues and expenses not meeting these definitions are reported as nonoperating revenues and expenses.

Contributions to Other Governments — Amounts included in contributions to other governments represent capital contributions to other governments by the System to support other government road construction projects in conjunction with System projects. Such contributions are authorized by Chapter 338 of the Florida Statutes. Beginning in fiscal year 2013, these are presented as nonoperating revenues and expenses. The balance in fiscal year 2012 is not considered material and has not been restated.

Use of Estimates — The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and changes therein and disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

New Accounting Standards — In November 2010, the GASB issued GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements.* This Statement establishes guidance for accounting and financial reporting for service concession arrangements (SCA's). These arrangements are often referred to as public-private or public-public partnership. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2011. The System implemented GASB Statement No. 60 as of July 1, 2012. See Note 5 – *Capital Assets* and Note 10 - *Deferred Inflow of Resources* for the disclosures related to this Statement.

In November 2010, the GASB issued GASB Statement No. 61, *The Financial Reporting Entity: Omnibus — an amendment of GASB Statements No. 14 and No. 34.* This Statement modifies existing requirements for the assessment of potential component units in determining what should be included in the financial reporting entity, the display of component units (blending vs. discrete) presentation, and certain disclosure requirements. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2012. GASB Statement No. 61 had no effect on the financial position, changes in net position, or cash flows of the System.

In December 2010, the GASB issued GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements.* This Statement codifies into GASB accounting and financial reporting standards the “legacy” standards from the private-sector. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2011. The System implemented GASB Statement No. 62 as of July 1, 2012. The implementation of GASB Statement No. 62 did not have a material effect on the financial position, changes in net position, or cash flows of the System.

In June 2011, the GASB issued GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position.* This Statement establishes standards for reporting deferred outflows of resources, the deferred inflows of resources, and net position in a statement of financial position and related disclosures. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2011. The System implemented GASB Statement No. 63 as of July 1, 2012. The implementation of GASB Statement No. 63 did not have a material effect on the financial position, changes in net position, or cash flows of the System. See Note 10 – *Deferred* I*nflow of* R*esources* for the disclosure related to this Statement.

In April 2012, the GASB issued GASB Statement No. 65*, Items Previously Reported as Assets and Liabilities.* This Statement specifies the items that were previously reported as assets and liabilities that should now be reported as deferred outflows of resources, deferred inflows of resources, outflow of resources or inflows of resources. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2012. Management believes GASB Statement No. 65 will not have a material effect on the financial position, changes in net position, or cash flows of the System.

In April 2012, the GASB issued GASB Statement No. 66, *Technical Corrections*—an amendment to Statement No. 62 and Statement No. 10. This Statement enhances the usefulness of financial reports by resolving conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2012. Management believes GASB Statement No. 66 will not have a material effect on the financial position, changes in net position, or cash flows of the System.

In June 2012, the GASB issued GASB Statement No. 67, *Financial Reporting for Pension Plans*—an amendment to Statement No. 25. This Statement enhances the financial reporting by state and local governmental pension plans. This Statement replaces the requirement of Statement No. *25 Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans* and No. 50, *Pension Disclosures*, as they relate to pension plans that are administered through trusts or equivalent arrangements that meet certain criteria. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2013. Management believes GASB Statement No. 67 will not have a material effect on the financial position, changes in net position, or cash flows of the System.

In June 2012, the GASB issued GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*—an amendment to Statement No. 67. This Statement replaces the requirements of Statements No. 27 and No. 50 related to pension plans that are administered through trusts or equivalent arrangements. The requirement of Statements No. 27 and No. 50 remain applicable for pensions that are not administered as trusts or equivalent arrangements. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2014. Management believes GASB Statement No. 68 will not have a material effect on the financial position, changes in net position, or cash flows of the System.

In January 2013, the GASB issued GASB Statement No. 69, *Government Combinations and Disposals of Government Operations.* This Statement establishes accounting and financial reporting standards to government combinations and disposals of government operations. As used in this Statement, the term government combinations include a variety of transactions referred to as mergers, acquisitions, and transfers of operations. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2013. Management believes GASB Statement No. 69 will not have a material effect on the financial position, changes in net position, or cash flows of the System.

In April 2013, the GASB issued GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. This Statement improves the recognitions, measurement and disclosure guidance for state and local governments that have extended or received financial guarantees that are nonexchange transactions. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2013. Management believes GASB Statement No. 70 will not have a material effect on the financial position, changes in net position, or cash flows of the System.

3. CASH AND CASH EQUIVALENTS AND INVESTMENTS

The System's deposit and investment practices are governed by Chapter 280, Florida Statutes, Section 17.57, and Section 215.47, as well as various legal covenants related to the outstanding bond issues. At June 30, 2013 and 2012, the carrying amounts of the System's cash on deposit in its bank accounts were $4.3 million and $3.9 million, respectively. The related bank balance was $2.9 million for both years, all of which were insured by the Federal Deposit Insurance Corporation or collateralized pursuant to Chapter 280, Florida Statutes. All collateralized deposits are considered insured.

Chapter 280, Florida Statutes, generally requires public funds to be deposited in a bank or savings association that is designated by the State Chief Financial Officer (State CFO) as authorized to receive deposits in the State and that meets the collateral requirements. The State CFO determines the collateral requirements and collateral pledging level for each Qualified Public Depository (QPD) following guidelines outlined in Chapter 69C-2, Florida Administrative Code (FAC), and Section 280.04, Florida Statutes. The State CFO is directed by FAC to review the "Public Depository Monthly Reports" and continually monitor the collateral pledging level(s) and required collateral of each QPD. If the State CFO determines that a QPD has violated the law and rule and has not pledged adequate collateral and/or has not used the proper collateral pledging level or levels, the QPD is immediately notified of the fact and directed to immediately comply with the State CFO's collateral requirements.

Eligible collateral includes federal, federally guaranteed, state and local government obligations, corporate bonds, letters of credit issued by a Federal Home Loan Bank, and with the State CFO's permission, collateralized mortgage obligations, real estate mortgage investment conduits and securities, or other interests in any open-end management investment company registered under the Investment Company Act of 1940, provided the portfolio of such investment company is limited to direct obligations of the United States (U.S.) government and to repurchase agreements fully collateralized by such direct obligations of the U.S. government, and provided such investment company takes delivery of such collateral either directly or through an authorized custodian. Statutes provide that if a loss to public depositors is not covered by deposit insurance, demanding payment under letters of credit, and the proceeds from the sale of collateral pledged or deposited by the defaulting depository, the difference will be provided by an assessment levied against other QPDs.

The System deposits monies in the State's general pool of investments. Under Section 17.57, Florida Statutes, the State CFO is provided with the powers and duties concerning the investment of certain funds and specifies acceptable investments. The State CFO pools deposited monies from all departments in the State Treasury. The State Treasury, in turn, keeps these funds fully invested to maximize interest earnings. Authorized investment types are set forth in Section 17.57, Florida Statutes, and include certificates of deposit, direct obligations of the U.S. Treasury, obligations of federal agencies, asset-backed or mortgage-backed securities, commercial paper, bankers' acceptances, medium-term corporate obligations, repurchase agreements, reverse repurchase agreements, commingled and mutual funds, obligations of state and local governments, derivatives, put and call options, negotiable certificates of deposit and convertible debt obligations of any corporation domiciled within the U.S. and, subject to certain rating conditions, foreign bonds denominated in U.S. dollars and registered with the Securities and Exchange Commission for sale in the U.S. Certain investments, such as mutual funds, cannot be categorized by all the different investment types because they are not evidenced by securities that exist in physical or book entry form. Securities held by the other parties underlying securities lending agreements also are not categorized.

The System's share of the State's general pool of investments was $659.6 million and $723.1 million at June 30, 2013 and 2012, respectively, which was the fair value of the pool share. The historical cost of the System's share of the State's general pool of investments was $556.2 million and $711.0 million at June 30, 2013 and 2012, respectively. No allocation is made as to the System's share of the types of investments or their risk categories. The System's share of the assets and liabilities arising from the reverse repurchase agreements and securities lending agreements is likewise not carried on the balance sheet since the State Treasury operates on a pooled basis and, to do so, may give the misleading impression that the System itself has entered into such agreements.

The schedule below discloses the detail of the State's general pool of investments and the fair value of each investment type as of June 30, 2013 and 2012, which were used to determine the fair value of the System's participation (in thousands).

Investment Type	**2013**	**2012**
Commercial paper	$ 529,296	$ 1,039,325
Repurchase agreements	570,724	584,427
U.S. guaranteed obligations	5,921,741	5,164,224
Federal agencies	9,162,810	8,286,491
Bonds and notes — domestic	3,419,298	3,049,944
Bonds and notes — international	516,219	420,186
Total investments	20,120,088	18,544,597
Cash on deposit	834,278	1,016,894
Total	$ 20,954,366	$ 19,561,491

The System currently invests in U.S. Treasury securities through the SBA. Further information may be obtained from the Chief Operating Officer — Finance and Accounting, State Board of Administration of Florida, 1801 Hermitage Boulevard, Suite 100, Tallahassee, Florida 32308, (850) 488-4406.

At June 30, 2013 and 2012, the System's cash, cash equivalents, and investments consisted of the following amounts stated at fair value (in thousands):

	2013	2012
Cash and restricted cash:		
Cash on hand	$ 22	$ 18
Cash on deposit	4,334	3,870
Cash held by the State Treasury	2,244	1,708
Cash held by the SBA	18	71,181
Total cash	6,618	76,777
Cash equivalents and restricted cash equivalents:		
U.S. government securities held by the SBA (maturity <90 days)	82,742	-
Pooled investments with the State Treasury (uncategorized)	659,580	723,136
Total cash equivalents	742,322	723,136
Restricted investments — U.S. government securities held by the SBA	213,526	249,927
Unrestricted investments — U.S. government securities held by the SBA	-	127
Total	$ 962,466	$ 1,049,967

As of June 30, 2013 and 2012, cash, cash equivalents, and investments as presented in the Statements of Net Position were comprised of the following (in thousands):

	2013	2012
Current assets:		
Cash and cash equivalents:		
Cash on hand	$ 22	$ 18
Cash on deposit	4,334	3,870
Cash held by the State Treasury	2,039	1,608
Cash and cash equivalents held by the SBA	78,947	71,155
Pooled investments with the State Treasury (uncategorized)	594,004	604,194
Total	679,346	680,845
Noncurrent restricted assets:		
Restricted cash and cash equivalents:		
Cash held by the State Treasury	205	101
Cash and cash equivalents held by the SBA	3,813	26
Pooled investments with the State Treasury (uncategorized)	65,576	118,941
Total restricted cash and cash equivalents	69,594	119,068
Restricted investments	213,526	249,927
Unrestricted investments	-	127
Total	$ 962,466	$ 1,049,967

Credit Risk — Credit risk exists when there is a possibility that the issuer or other counterparty to an investment may be unable to fulfill its obligations. GASB Statement No. 40, *Deposit and Investment Risk Disclosures — an Amendment of GASB Statement No. 3*, requires the disclosure of nationally recognized credit quality ratings of investments in debt securities, as well as investments in external investment pools, money market funds, bond mutual funds, and other pooled investments of fixed-income securities existing at year-end, such as Standard & Poor's, Moody's, or Fitch ratings of AA, AAA, etc. Excluded from such disclosure requirements are U.S. government obligations and obligations explicitly guaranteed by the U.S. government, since those investments are deemed to have no exposure to credit risk. As of June 30, 2013, the U.S. government obligations and obligations explicitly guaranteed by the U.S. government were AAA rated. The credit risk requirements of GASB Statement No. 40 are not required for repurchase agreements or for deposits.

The State Treasury Investment Pool is rated by Standard & Poor's. The rating at June 30, 2013, was A+f. The System does not have a policy to address the credit risk that may exist for its investments in the State's uncategorized general pool. Instead, it relies on the controls and safeguards provided by Section 17.57, Florida Statutes, as discussed above.

The System currently invests in U.S. Treasury securities through the SBA. The System does not have a policy to address the credit risk that may exist for its investments with the SBA. Instead, it relies on the controls and safeguards provided by Section 215.47, Florida Statutes.

Custodial Credit Risk — Custodial credit risk for deposits exists when, in the event of the failure of a depository financial institution, a government may be unable to recover deposits or recover collateral securities that are in possession of an outside party. Custodial credit risk for investments exists when, in the event of the failure of the counterparty to a transaction, a government may be unable to recover the value of investment or collateral securities that are in the possession of an outside party.

GASB Statement No. 40 limits disclosure of custodial risk to deposits and investments that meet the definition of "Category 3," as defined in GASB Statement No. 3, *Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements.* The System has no "Category 3" credit risk deposits or investments for which the securities are held by the counterparty or by its trust department or agent, but not in the System's name.

Concentration of Credit Risk — Increased risk of loss occurs as more investments are acquired from one issuer (i.e., lack of diversification). This results in a concentration of credit risk. GASB Statement No. 40 requires disclosures of investments by amount and issuer for any issuer that represents 5% or more of total investments. This requirement does not apply to investments issued or explicitly guaranteed by the U.S. government or investments in external investment pools, such as those that the System makes through the SBA or the State's general pool of investments.

Foreign Currency Risk — Foreign currency risk exists when there is a possibility that changes in exchange rates could adversely affect an investment's or deposit's fair value. GASB Statement No. 40 requires disclosures of value in U.S. dollars by foreign currency denomination and by investment type for investments denominated in foreign currencies. The System does not have a policy to address the foreign currency risk that may exist for its investments in the State's uncategorized general pool. Instead, it relies on the controls and safeguards provided by Section 17.57, Florida Statutes, as discussed above. For the years ended June 30, 2013 and 2012, the System was not exposed to any foreign currency risks.

Interest Rate Risk — Interest rate risk exists when there is a possibility that changes in interest rates could adversely affect an investment's fair value. GASB Statement No. 40 requires that interest rate risk be disclosed using one of five approved methods.

Interest rate risk disclosures are required for all debt investments, as well as investments in external investment pools and other pooled investments that do not meet the definition of a 2a7-like pool. Also, disclosures are required for any assumptions regarding cash flow timing, interest rate changes, and other factors, as well as contract terms, such as coupon multipliers, benchmark indexes, reset dates, and embedded options that cause the fair value of investments to be highly sensitive to interest rate changes. The System does not have a policy to address the interest rate risk that may exist for its investments in the State's uncategorized general pool or investments held with the SBA. Instead, it relies on the controls and safeguards provided by Sections 17.57 and 215.47, Florida Statutes, as discussed above.

The System's investments reported on its Statements of Net Position consist of U.S. Treasury Notes held by the SBA. As of June 30, 2013 and 2012, the maturity dates of these securities and their fair values (in thousands) were as follows:

	2013	2012
December 31, 2012	$ -	$ 250,054
July 11, 2013	82,742	-
December 31, 2013	213,526	-
	$ 296,268	$ 250,054

4. DUE FROM OTHER GOVERNMENTS

As of June 30, 2013 and 2012, amounts due from other governments consisted of the following (in thousands):

	2013	2012
Due from the Department	$ 24,727	$ 19,592
Due from the Department of Financial Services	541	108
Due from other departments	-	90
	$ 25,268	$ 19,790

The amount due from the Department of Financial Services (DFS) is attributable to escrow deposits held by DFS on behalf of local governments and organizations to fund certain construction costs. Pursuant to the agreement between the Turnpike and the local governments, the Turnpike is required to incur the construction costs before the deposits are released from escrow. In addition, at June 30, 2013 and 2012, amounts due from the Department were $24.7 million and $19.6 million, respectively, which were primarily comprised of toll revenue that was collected from customers and held in a Department fund at year-end. The amounts were remitted to the Turnpike subsequent to the respective year-ends.

5. CAPITAL ASSETS

Changes in the System's capital assets for the fiscal years ended June 30, 2013 and 2012 are shown below (in thousands):

2013	Beginning Balance	Transfers	Additions	Retirements	Ending Balance
Construction in progess	$ 399,188	$ (81,948)	$ 281,591	$ -	$ 598,831
Nondepreciable capital assets:					
Land	863,355	-	3,366	(97)	866,624
Buildings - SCA	-	-	48,981	-	48,981
Infrastructure — highway system and improvements	6,311,641	73,851	47,320	-	6,432,812
Total nondepreciable capital assets	7,174,996	73,851	99,667	(97)	7,348,417
Depreciable capital assets:					
Buildings and improvements	263,058	1,034	686	(16,908)	247,870
Furniture and equipment	152,345	5,074	25,740	(31,898)	151,261
Intangible assets	39,952	1,989	-	-	41,941
Less accumulated depreciation and amortization:					
Buildings and improvements	(120,244)	-	(9,102)	13,997	(115,349)
Furniture and equipment	(92,961)	-	(15,238)	28,269	(79,930)
Intangible assets	(11,673)	-	(10,825)		(22,498)
Total depreciable capital assets	230,477	8,097	(8,739)	(6,540)	223,295
	$ 7,804,661	$ -	$ 372,519	$ (6,637)	$ 8,170,543

2012	Beginning Balance	Transfers	Additions	Retirements	Ending Balance
Construction work in progress	$ 624,870	$ (372,301)	$ 146,619	$ -	$ 399,188
Nondepreciable capital assets:					
Land	863,893	-	1,023	(1,561)	863,355
Infrastructure — highway system and improvements	5,958,776	339,425	13,440	-	6,311,641
Total nondepreciable capital assets	6,822,669	339,425	14,463	(1,561)	7,174,996
Depreciable capital assets:					
Buildings and improvements	262,745	1,395	1,870	(2,952)	263,058
Furniture and equipment	136,623	8,874	9,258	(2,410)	152,345
Intangible assets	16,787	22,607	565	(7)	39,952
Less accumulated depreciation and amortization:					
Buildings and improvements	(113,491)	-	(9,206)	2,453	(120,244)
Furniture and equipment	(82,896)	-	(12,347)	2,282	(92,961)
Intangible assets	(2,195)	-	(9,484)	6	(11,673)
Total depreciable capital assets	217,573	32,876	(19,344)	(628)	230,477
	$ 7,665,112	$ -	$ 141,738	$ (2,189)	$ 7,804,661

Capitalized Interest — The total interest costs incurred for fiscal year 2013 was $109.2 million, which is net of the amount capitalized during the year of $26.2 million. This is comprised of $1.6 million of interest earned on related investments acquired with revenue bond proceeds, $5.7 million of the Build America Bonds ("BABs") interest subsidy received in 2013 from the U.S. Treasury pursuant to the American Recovery and Reinvestment Act of 2009 (ARRA), and $18.9 million capitalized as part of capital assets for the year ended June 30, 2013. The reduction to interest costs during the year ended June 30, 2012 was $28.1 million. This is comprised of $1.7 million of interest earned on related investments acquired with revenue bond proceeds, $5.9 million of the BABs interest subsidy received in 2012 from the U.S. Treasury pursuant to the ARRA, and $20.5 million capitalized as part of capital assets for the year ended June 30, 2012. See Note 8 — *Bonds Payable* for further discussion related to the BABs that were part of the 2009B Bond issue.

Nondepreciable Capital Assets — Buildings — In April 2009, the System entered into an agreement (the "Agreement") with Areas USA FLTP, LLC (the "Operator") to reconstruct and operate the eight service plazas along the Mainline through January 2040. Pursuant to the Agreement, the System retains ownership of the assets and the Operator is required to return a facility(s) to the System in their original or enhanced condition. The Agreement meets all the criteria of GASB Statement No. 60. Therefore the System has implemented the Statement as of July 1, 2012. As a result of the implementation, in accordance with GASB Statement No. 60, the System has recorded the reconstructed assets at fair value, with a corresponding deferred inflow of resources, and will not depreciate these assets. For the year ended June 30, 2013, five of the eight service plazas were reconstructed and the System recorded additions of $49.0 million of buildings – non-depreciable and $45.5 million of infrastructure. See Note 10 — *Deferred Inflow of Resources* for further disclosures related to the implementation of GASB Statement No. 60.

Prior to the implementation of GASB Statement No. 60 in fiscal year 2013, the Agreement with the Operator was reported in the Operating Lease footnote. Since the Agreement meets the criteria of an SCA, it will no longer be reported as an operating lease. Prior year's information reported in the Operating Lease footnote states: As of June 30, 2012, the total cost and carrying amount of the service plaza buildings in use by the lessee were $28.8 million and $6.8 million, respectively. Depreciation expense relating to these assets was $0.9 million for fiscal year 2012.

In 2007, the System was party to a lawsuit with a natural gas pipeline company ("claimant") involving pipeline relocation costs with respect to 11 miles along the Mainline in Broward County. A judgment was rendered in May 2011, and amended in July 2011, requiring the System to reimburse the claimant for relocation costs. In November 2012, the System reimbursed all previously recorded liabilities totaling $99.6 million for related capital costs recorded in fiscal years 2011 and 2012. For the year ended June 30, 2013, the System recorded $0.6 million of additional capital costs related to the relocation.

6. DUE TO FLORIDA DEPARTMENT OF TRANSPORTATION

At June 30, 2013 and 2012, due to the Department consisted of the following (in thousands):

	2013	2012
June operations, maintenance, in-house, and overhead reimbursement	$ 23,037	$ 34,897
Current portion of advances payable to the Department	9,777	7,766
	$ 32,814	$ 42,663

7. ADVANCES PAYABLE TO FLORIDA DEPARTMENT OF TRANSPORTATION

At June 30, 2013 and 2012, advances payable to the Department consisted of the following (in thousands):

	2013	2012
State Infrastructure Bank Loans	$ 45,488	$ 48,705
Operations and maintenance subsidy	94,410	98,959
Advances from State Transportation Trust Fund	9,000	9,000
	148,898	156,664
Less current portion	(9,777)	(7,766)
	$ 139,121	$ 148,898

State Infrastructure Bank (SIB) Loans were established in 1997 as a pilot program for eight states, which allows those states to capitalize the SIB with up to 10% of their Federal Highway apportionments. The SIB acts as a revolving fund to provide assistance in the form of loans, credit enhancements, capital reserves, subsidized interest rates, or to provide other debt financing security. Such loans are interest free. In fiscal year 2005, the System received the last advance of the $55.5 million loan for Seminole Expressway, Project 2. Repayments of $2.5 million occurred as scheduled in 2013 and 2012, with the balance due in installments through 2026. SIB loans are also being utilized as interest cost subsidies for the 2003C bond sale. Interest subsidies provided in the aggregate of $16.9 million. Repayments on this loan were $0.7 million for both fiscal year 2013 and 2012, and will be fully repaid by fiscal year 2034. The repayment of these loans is subordinate to the payment of bonded debt.

As provided in Section 338.223 (4), Florida Statutes, the Department is authorized to make operations and maintenance loans to the System in a fiscal year, subject to a limitation of 1.5% of state transportation tax revenues available for that fiscal year. For the years ended June 30, 2013 and 2012, $0.7 million and $0.8 million, respectively, were provided to the System primarily in support of the Suncoast Parkway project. Repayments on this were $4.5 million (net of $0.7 million subsidy provided) and $2.5 million (net of $0.8 million subsidy provided) for fiscal year 2013 and 2012 respectively. This loan is paid from the System’s general reserve fund and will be fully repaid by fiscal year 2030.

In the Spring of 2012, Senate Bill 1998 repealed the Toll Facility Revolving Trust Fund (TFRTF) and transferred those revenues and future revenues to the State Transportation Trust Fund. Through fiscal year 2009, the System was awarded and expended $9.0 million in TFRTF loans from the Department for eligible expenditures. Repayment of these interest free loans begins in fiscal year 2015 with final payment due in fiscal year 2020.

Following are maturities of advances payable to the Department at June 30, 2013 (in thousands):

2014	$ 9,777
2015	13,242
2016	15,217
2017	25,542
2018	27,679
2019–2023	30,915
2024–2028	18,940
2029–2033	7,218
2034	368
	$ 148,898

8. BONDS PAYABLE

	Maturing	Interest	2013	2012
$183,140 Revenue Bonds, Series 2013A — Serial Bonds	2013-2025	5.00 %	$183,140	$ -
$306,065 Revenue Bonds, Series 2012A:				
Serial Bonds	2013–2039	2.875%–5.00%	241,795	-
Term Bonds	2034–2042	3.25%–4.00%	62,775	-
Total 2012 Series A			304,570	-
$150,165 Revenue Bonds, Series 2011A:				
Serial Bonds	2012–2039	3.25%–5.00%	113,470	115,210
Term Bonds	2035–2041	4.75%–5.00%	33,355	33,355
Total 2011 Series A			146,825	148,565
$251,080 Revenue Bonds, Series 2010B:				
Serial Bonds	2012–2031	4.00%–5.00%	123,150	127,380
Term Bonds	2032–2040	4.50%–5.00%	115,635	115,635
Total 2010 Series B			238,785	243,015
$211,255 Refunding Bonds, Series 2010A — Serial Bonds	2012–2030	5.00 %	172,615	185,890
$255,000 Revenue Bonds, Series 2009B — Build America Term Bonds	2025–2039	6.14%–6.80%	255,000	255,000
$68,445 Revenue Bonds, Series 2009A — Serial Bonds	2012–2020	3.00%–5.00%	44,620	50,885
$325,775 Revenue Bonds, Series 2008A:				
Serial Bonds	2012–2029	5.00 %	189,525	200,705
Term Bonds	2030–2037	4.50%–5.00%	81,880	81,880
Total 2008 Series A			271,405	282,585
$256,075 Revenue Bonds, Series 2007A:				
Serial Bonds	2012–2030	5.00 %	142,255	147,500
Term Bonds	2031–2036	5.00 %	85,825	85,825
Total 2007 Series A			228,080	233,325
$443,290 Revenue Bonds, Series 2006A:				
Serial Bonds	2012–2029	3.00%–5.00%	279,925	292,555
Term Bonds	2030–2036	4.50%–4.75%	98,975	98,975
Total 2006 Series A			378,900	391,530

(Continued)

	Maturing	Interest	2013	2012
$93,560 Refunding Bonds, Series 2005A — Serial Bonds	2012–2029	3.375%–5.00%	$ 81,785	$ 85,185
$279,180 Revenue Bonds, Series 2004A:				
Serial Bonds	2012–2031	4.00%–5.00%	183,850	190,350
Term Bonds	2032–2034	4.50%	48,170	48,170
Total 2004 Series A			232,020	238,520
$200,925 Revenue Bonds, Series 2003C:				
Serial Bonds	2012–2026	4.50%–5.00%	-	92,650
Term Bonds	2027–2033	4.625%–5.00%	-	74,615
Total 2003 Series C			-	167,265
$303,945 Refunding Bonds, Series 2003B — Serial Bonds	2012–2025	4.50%–5.25%	-	229,525
$445,980 Refunding Bonds, Series 2003A	2012–2022	4.25%–5.00%	234,550	262,965
$109,835 Revenue Bonds, Series 1999A — Term Bonds	2025–2028	4.50 %	-	25,285
$233,615 Revenue Bonds, Series 1998A — Term Bonds	2024–2027	4.50 %	-	57,395
			2,772,295	2,856,935
Add unamortized bond premium			106,559	66,093
Less deferred loss on early retirement of debt			(40,102)	(27,951)
			2,838,752	2,895,077
Less current portion			(117,220)	(110,185)
Long-term portion			$2,721,532	$2,784,892

(Concluded)

As of June 30, 2013, debt service requirements to maturity, including interest at fixed rates, were as follows (in thousands):

	Principal	Interest	Total
2014	$ 117,220	$ 134,014	$ 251,234
2015	120,490	128,402	248,892
2016	126,425	122,413	248,838
2017	132,670	116,220	248,890
2018	140,365	109,680	250,045
2019–2023	658,600	446,373	1,104,973
2024–2028	571,850	299,010	870,860
2029–2033	464,365	182,317	646,682
2034–2038	350,030	70,702	420,732
2039–2042	90,280	7,462	97,742
	$2,772,295	$1,616,593	$4,388,888

The System has defeased certain bonds by placing sufficient funds from the issuance of new bonds into irrevocable trusts. The trust funds will provide for all future debt service payments on the defeased bonds. Accordingly, the trust account assets and the liabilities for the defeased bonds are not included in the System's financial statements. The principal balances of all defeased bonds outstanding were $11.5 million and $23.0 million at June 30, 2013 and 2012, respectively.

The State of Florida issued the $68.5 million and $255.0 million State of Florida, Department of Transportation Turnpike Revenue Bonds, Series 2009A and 2009B, respectively. The 2009B Bonds were issued as BABs for purposes of the American Recovery and Reinvestment Act of 2009. Pursuant to the Recovery Act, the State receives a cash subsidy payment from the U.S. Treasury equal to 35% of the interest payable on each interest payment date. The cash payment does not constitute a full faith and credit guarantee of the U.S. Government, but is required to be paid by the Treasury under the Recovery Act. Any cash subsidy payments received by the State are deposited into the Sinking Fund. The cash subsidy interest payments received in fiscal year 2013 and 2012 was $5.7 million and $5.9 million, respectively, and are included in nonoperating revenues on the Statements of Revenues, Expenses, and Changes in Net Position. The decrease in the fiscal year 2013 subsidy is due to the effect of the federal sequestration. Any future decrease in subsidy will not have an effect on the overall financial position of the System.

Bond Sales — In February 2013, the State of Florida issued the $306.1 million State of Florida, Department of Transportation Turnpike Revenue Bonds, Series 2012A (2012A Bonds) to finance capital improvements to the System, to fund the debt service reserve account, to refund all or a portion of the State of Florida, Department of Transportation Turnpike Revenue Bonds, Series 1998A Bonds (1998A Bonds), State of Florida, Department of Transportation Turnpike Revenue Bonds, Series 1999A (1999A Bonds), and State of Florida, Department of Transportation Turnpike Revenue Bonds, Series 2003C (2003C Bonds), and to pay costs of issuance. In May 2013, the State of Florida issued the $183.1 million State of Florida, Department of Transportation Turnpike Revenue Bonds, Series 2013A (2013A Bonds), to refund all or a portion of the State of Florida, Department of Transportation Turnpike Revenue Bonds, Series 2003B (2003B Bonds), to fund the debt service reserve account, and to pay costs of issuance.

Bond Refunding — In February 2013, a portion of the 2012A Bonds, together with other legally available moneys advance refunded the 1998A Bonds maturing in the years 2024 through 2027, with an outstanding principal amount of $57.4 million. The reacquisition price of the refunding issue exceeded the carrying amount of the defeased debt by $4.6 million. This resulted in a reduction in future debt service payments of $13.4 million and a present value savings associated with the refunding of $10.0 million. In addition, a portion of the 2012A Bonds, together with other legally available moneys, refunded the 1999A Bonds maturing in the years 2025 through 2028 with an outstanding principal amount of $25.3 million. The reacquisition price of the refunding issue exceeded the carrying amount of the defeased debt by $1.5 million. This resulted in a reduction in future debt service payments of $6.0 million and a present value savings associated with the refunding of $4.4 million.

In May 2013, the 2013A Bonds, together with other legally available moneys, advance refunded the 2003B Bonds maturing in the years 2014 through 2025 with an outstanding principal balance of $217.0 million. The reacquisition price of the refunding issue exceeded the carrying amount of the defeased debt by $8.2 million. This resulted in a reduction in future debt service payments of $46.3 million and a present value savings associated with the refunding of $40.8 million.

In June 2013, portions of the 2011A Bonds and 2012A Bonds, together with other legally available moneys, were issued to advance refund the 2003C Bonds maturing in the years 2014 through 2033 with outstanding principal amounts totaling $162.5 million. The reacquisition price of the refunding issue exceeded the carrying amount of the defeased debt by $7.0 million. This resulted in a reduction in future debt service payments of $34.5 million and a total present value savings associated with these refundings were $24.8 million.

These advance refundings will take advantage of a general reduction in interest rates to achieve an overall reduction in future debt service costs.

Debt Service Reserve — The resolution authorizing the issuance of Turnpike revenue bonds requires a debt service reserve be established in an amount as defined in the resolution. The debt service reserve requirement for each bond issue is to be funded from revenues or through a reserve account credit facility as provided for in the resolution.

The resolution requires that if the Standard & Poor's or Moody's rating of an issuer of a reserve credit facility falls below AAA to AA or A, that credit facility must be replaced with another AAA-rated credit facility within six months or with cash over a five-year period in equal semiannual installments. If the rating falls below A, replacement must occur with another AAA-rated credit facility within six months or with cash over 12 months in equal monthly installments.

As of June 30, 2013 and 2012, the balance in the debt service reserve account was $217.3 million and $250.0 million, respectively. The balance as of June 30, 2013 exceeded the requirements of $216.6 million for all outstanding issues. The debt service reserve account has been fully funded since June 30, 2011. The debt service reserve account as of June 30, 2013 was overfunded due to the pending sale of $206.0 million State of Florida, Department of Transportation Turnpike Revenue Bonds, Series 2013B (2013B Bonds), however the sale did not take place until July 18, 2013. See Note 17 – *Subsequent Event* for further details.

9. CHANGES IN LONG-TERM LIABILITIES

Long-term liability activity for the years ended June 30, 2013 and 2012 was as follows (in thousands):

2013	**Beginning Balance**	**Additions**	**Reductions**	**Ending Balance**	**Due Within One Year**	**Amount Due in More than One Year**
Bonds payable	$ 2,856,935	$ 607,920	$ (692,560)	$ 2,772,295	$ 117,220	$ 2,655,075
Add unamortized amounts for issuance premiums	66,093	52,575	(12,109)	106,559	-	106,559
Less loss amounts on refundings	(27,951)	(21,313)	9,162	(40,102)	-	(40,102)
Total bonds payable	2,895,077	639,182	(695,507)	2,838,752	117,220	2,721,532
Advances payable to the Department	156,664	-	(7,766)	148,898	9,777	139,121
Unearned revenue from other governments	699	-	(50)	649	49	600
Other long-term liabilities	2,206	-	(2,206)	-	-	-
	$ 3,054,646	$ 639,182	$ (705,529)	$ 2,988,299	$ 127,046	$ 2,861,253

2012	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year	Amount Due in More than One Year
Bonds payable	$ 2,811,830	$150,165	$ (105,060)	$ 2,856,935	$110,185	$ 2,746,750
Add unamortized amounts for issuance premiums	56,946	22,825	(13,678)	66,093	-	66,093
Less loss amounts on refundings	(33,548)	-	5,597	(27,951)	-	(27,951)
Total bonds payable	2,835,228	172,990	(113,141)	2,895,077	110,185	2,784,892
Advances payable to the Department	162,403	836	(6,575)	156,664	7,766	148,898
Unearned revenue from other governments	749	-	(50)	699	50	649
Other long-term liabilities	5,204	-	(2,998)	2,206	640	1,566
	$ 3,003,584	$173,826	$ (122,764)	$ 3,054,646	$118,641	$ 2,936,005

10. DEFERRED INFLOW OF RESOURCES

In April 2009, the System entered into an Agreement (the "Agreement") with Areas USA FLTP, LLC (the "Operator") to reconstruct and operate the eight service plazas along the Mainline through January 2040. Pursuant to the Agreement, the System retains ownership of the assets and the Operator is required to return the assets in their original or enhanced condition. The Agreement is based on a fixed monthly rental payment $0.5 million, plus a percentage of revenue generated. At inception, the Operator was required to pay an initial deposit totaling $0.2 million. The deposit is refundable and is recorded as of June 30, 2013 and 2012, in current liabilities. The System's obligations in the Agreement consist of monetary and nonmonetary assets and maintenance expense for limited areas. The Agreement meets all the criteria of GASB Statement No. 60; therefore the System has implemented the Statement as of July 1, 2012. In conjunction with the implementation of GASB Statement No. 60, the System has implemented GASB Statement No. 63 as of July 1, 2012.

Capital Assets — For the year ended June 30, 2013, as a result of the implementation of GASB Statement No. 60 and GASB Statement No. 63, the System recorded capital assets at a fair value of $94.5 million with a corresponding deferred inflow of resources of $52.7 million, which is equal to the difference between the fair value of the asset and the System's obligations. The deferred inflow of resources is amortized and recognized as contributed capital in a systematic and rational manner over the remaining term of the Agreement; the System has chosen a straight-line basis. For the year ended June 30, 2013, five of the eight reconstructed service plazas have been placed into operation and approximately $0.6 million of the deferred inflow of resources has been recognized. See Note 5 – *Capital Assets* for disclosure on the recording of the capital assets.

Service Concession Receivable — For the year ended June 30, 2013, as a result of the implementation of GASB Statement No. 60 and GASB Statement No. 63, the System recorded a receivable and a corresponding deferred inflow of resources equal to the present value of the fixed component of the rental payment for the remaining 26.5 years of the Agreement. Beginning fiscal year 2013, the present value of the deferred inflow of resources for the remaining term of the contract is estimated to be $88.1 million. The current portion of $5.8 million is included in accounts receivable and the long-term portion of $82.3 million is included in service concession arrangement receivable. Rent earned under the Agreement for the fiscal years ended 2013 and 2012 was approximately $6.6 million and $6.0 million, respectively.

	2013
Capital assets	$ 52,723
Total SCA receivables	88,148
	$ 140,871
Less amortization of deferred inflow of resources to:	
Capital contributions	(612)
Total deferred inflow of resources	$ 140,259

11. EMPLOYEE BENEFITS

A. Pensions

Florida Retirement System — The System participates in the Florida Retirement System (FRS), a cost-sharing multiple-employer public-employee retirement system administered by the State of Florida, Department of Management Services, Division of Retirement, to provide retirement and survivor benefits to participating public employees. Chapter 121, Florida Statutes, establishes the authority for participant eligibility, contribution requirements, vesting eligibility, and benefit provisions. The financial statements and other supplementary information for the FRS are included in the Comprehensive Annual Financial Report of the State of Florida, which may be obtained from the DFS. FRS also issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by contacting the State of Florida, Department of Management Services, Division of Retirement, Research, Education and Policy Section, P.O. Box 9000, Tallahassee, Florida 32315-9000 or by calling (850) 488-5706.

Retiree Health Insurance Subsidy Program — In 1987, the Florida Legislature established through Section 112.363, Florida Statutes, the Retiree Health Insurance Subsidy (HIS) to assist retirees of all state-administered retirement systems in paying health insurance costs. The HIS is a cost-sharing multiple-employer defined benefit pension plan. For the fiscal years ended June 30, 2013 and 2012, eligible retirees or beneficiaries received a monthly retiree health insurance subsidy payment equal to the number of years of creditable service completed at the time of retirement multiplied by $5. The payments to individual retirees or beneficiaries were at least $30, but not more than $150 per month during each of the fiscal years. To be eligible to receive the HIS, a retiree under any State-administered retirement system must provide proof of health insurance coverage, which can include Medicare.

The HIS is funded by required contributions from FRS participating employers. For each of the years ended June 30, 2013 and 2012, the System contributed 1.11% of payroll for all active employees covered by the FRS, which is included in the amounts disclosed below. This contribution was added to the amount submitted for retirement contributions and was deposited in a separate trust fund from which HIS payments are authorized. If these contributions fail to provide full subsidy benefits to all participants, the subsidy payments may be reduced or canceled.

The accounting and financial reporting for the HIS is governed by GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*. Further disclosures and other supplementary information for the HIS are included in the Comprehensive Annual Financial Report of the State of Florida, which may be obtained from the DFS.

Funding Policy — In the Spring of 2012, the Florida Legislature passed House Bill 5005, Enrolled, and the Governor signed it on April 20, 2012. The bill established the FRS employer contribution rates for the 2012-2013 plan year. The required employee contribution established in the Spring of 2011when the

Florida Legislature passed Senate Bill 2100 and the Governor signed it on May 26, 2011 remained at 3%. Senate Bill 2100 made a number of substantial changes to the FRS. One of the changes affecting the funding policy requires each employee, beginning in fiscal year 2012, to contribute 3% of their gross compensation. The employer shall deduct the contribution from the employee's salary, and the contribution shall be submitted to the Division of Retirement. The System is required to pay the amount collected from each employee and the employer contribution for full-time and part-time employees. Generally, employee participation in FRS is compulsory. The contribution rates, which are established in Section 121.071, Florida Statutes, were as follows (including a health insurance subsidy of 1.11% for each of the years ended June 30, 2013, 2012, and 2011):

	Through June 30,		
	2013	**2012**	**2011**
Employer contributions			
Senior management	6.30 %	6.27 %	14.57 %
Regular employees	5.18	4.91	10.77
Employee contributions			
Senior management	3.00	3.00	-
Regular employees	3.00	3.00	-

The System's contributions to the FRS for the retirement plans amounted to approximately $0.5 million for fiscal years ended June 30, 2013 and 2012 and $1.1 million for the year ended June 30, 2011. The System remitted 100% of the required contributions for the years ended June 30, 2013, 2012, and 2011, respectively.

B. Other Postemployment Benefits

The System participates in the State Employees' Health Insurance Program, a cost-sharing multiple-employer defined benefit plan administered by the State of Florida, Department of Management Services, Division of State Group Insurance, to provide group health benefits. Section 110.123, Florida Statutes, provides that retirees may participate in the State's group health insurance programs. Although premiums are paid by the retiree, the premium cost to the retiree is implicitly subsidized by the commingling of claims experience in a single risk pool with a single premium determination.

An actuarial valuation has been performed for the plan. The System's employees were included in the actuarial analysis and are part of the actuarial accrued liability, annual required contribution, and net other postemployment benefit obligation disclosed in the footnotes and other required supplementary information of the Comprehensive Annual Financial Report of the State of Florida.

The cost of group insurance benefits for current employees is charged to the System through overhead accruals assessed by the Department in the period the benefits are earned.

C. Deferred Compensation Plan

The System, through the State of Florida, offers its employees a deferred compensation plan created in accordance with Section 457 of the Internal Revenue Code. The plan (refer to Section 112.215, Florida Statutes), available to all regular payroll State employees, permits them to defer a portion of their salaries until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable financial emergency.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are (notwithstanding the mandates of 26 U.S.C. s. 457(b)(6), all of the assets specified in subparagraph 1) held in trust for the exclusive benefit of participants and their beneficiaries as mandated by 26 U.S.C. s. 457(g)(1).

The System does not contribute to the plan. Participation under the plan is solely at the discretion of the employee.

The State has no liability for losses under the plan, but does have the duty of due care that would be required to an ordinary and prudent investor. Pursuant to Section 112.215, Florida Statutes, the Deferred Compensation Trust Fund is created in the State Treasury.

D. Compensated Absences

Employees earn the right to be compensated during absences for vacation and illness. Within the limits established by law or rule, the value of unused leave benefits will be paid to employees by the Department upon separation from state service.

The cost of vacation and vested sick leave benefits is charged to the System through overhead accruals assessed by the Department in the period the benefits are earned. The liability for these benefits is not recorded by the System since the System pays the Department for these costs in the period in which they are earned by the employee. The liability for accrued leave is recorded by the Department, which is responsible for paying accrued leave when it is taken.

12. CONTRIBUTIONS FOR CAPITAL PROJECTS

Contributions for capital projects represent proceeds received from other entities for construction of certain highway system projects, land acquisition, and various studies.

Contributions for capital projects recognized for the years ended June 30, 2013 and 2012 were as follows (in thousands):

	2013	2012
Service Concession Arrangement	$ 612	$ -
Integrated Congestion Pricing Planning Study	456	68
I-595 Flyover Ramps	139	500
Suncoast Parkway 2	9	9
Land Conveyance to FDOT from Polk County	8	-
Service Plaza Refurbishments	-	597
Pace Road/Polk Parkway Interchange	-	571
Widening in Orange County	-	302
Solar Power Project	-	225
Furniture	-	2
	$ 1,224	$ 2,274

13. TRANSACTIONS WITH FLORIDA DEPARTMENT OF TRANSPORTATION

As described in Note 1, System operations are the responsibility of the Department. Transactions between the System and other funds of the Department consist of reimbursements made by the System to the Department. Reimbursements include amounts arising from the use of Department personnel, equipment and materials, and charges incurred from independent suppliers and contractors who are paid directly by the Department on behalf of the System.

The following summarizes transactions with and balances due to the Department as of and for the years ended June 30, 2013 and 2012, (in thousands):

	2013	2012
Payments/reimbursements to the Department	$ 173,231	$ 194,148
Amounts due to the Department for reimbursement of operating expenses	29,596	39,445

14. OPERATING LEASES

The System leases certain equipment and office space under noncancelable operating leases. As of June 30, 2013, future minimum lease payments under noncancelable operating leases with initial or remaining terms in excess of one year are as follows (in thousands):

2014	$ 151
2015	108
2016	35
2017	1
	$ 295

Rent expense for all operating leases was approximately $0.4 million and $0.5 million for the years ended June 30, 2013 and 2012, respectively.

15. COMMITMENTS AND CONTINGENCIES

Commitments and Contingencies — Commitments on outstanding contracts for construction of improvements and maintenance of the System and right-of-way acquisitions totaled $964.0 million at June 30, 2013.

The System is contingently liable with respect to lawsuits and other claims incidental to the ordinary course of its operations. In the opinion of System management, based on the advice of Department legal counsel, except as described below, the ultimate disposition of these lawsuits and claims will not have a material adverse effect on the financial position or results of operations of the System.

Risk Management — The System participates in various self-insurance programs established by the State of Florida for property and casualty losses and employee health insurance. Coverages include property, general liability, automobile liability, workers' compensation, and federal civil rights actions.

The System obtains conventional coverage for damage and revenue losses on the System bridges, although it retains significant self-insurance risk in order to control the cost of insurance premiums. The costs associated with the repairs of the bridges are recorded in renewal and replacement in the accompanying Statements of Revenues, Expenses, and Changes in Net Position.

For fiscal year 2013, total losses were $0.2 million with no insurance recoveries and there were no reported insurance losses or recoveries during fiscal year 2012.

16. POLLUTION REMEDIATION

Groundwater and soil contamination related to fuel tank leakage exists at the System's eight service plazas. The sites were accepted into the Florida Department of Environmental Protection's (FDEP) Early Detection Incentive (EDI) Program established in 1986 to provide reimbursement or state-contracted cleanup of qualifying sites. Under EDI, qualifying sites were exempted from departmental enforcement actions. Section 376.308 of the Florida Statutes directs facilities eligible for FDEP funding not to accrue for remediation costs until restoration funding can be committed to the facility. As of June 30, 2013, FDEP has funded approximately $19.4 million for pollution remediation efforts performed at five of the service plaza sites since the sites were accepted into the program. The System has not recognized any liability for the remediation efforts funded by the FDEP. In 2009, through its agreement with a new lessee of the service plazas, the System legally obligated itself to commence pollution remediation for soil and groundwater contamination and commit restoration funding. The future estimated remediation costs are listed below (in thousands):

	2014
Canoe Creek	$ 9
Fort Drum	32
Fort Pierce	603
Pollution remediation liabilities	$ 644

These estimates were developed based on existing site studies performed under the FDEP program. Management believes that these estimates are reasonable based on the information available as of June 30, 2013. However, the System's remediation efforts are nearing the end of the design stages and estimates are subject to change based on new information obtained as the project progresses. Additionally, the System could potentially receive some funding from FDEP for the future pollution remediation; however, estimates are not available. The System has no other pollution remediation obligations for the fiscal years presented. Only the current portion remains of the liability and is included in construction contracts and retainage payable.

17. SUBSEQUENT EVENT

In July 2013, the State of Florida issued $206.0 million State of Florida, Department of Transportation Turnpike Revenue Refunding Bonds, Series 2013B. The Series 2013B Bonds were issued to refund, together with legally available moneys, State of Florida, Department of Transportation Turnpike Revenue Refunding Bonds, Series 2003A issues maturing in the years 2014 through 2022, in the amount of $234.6 million. This refunding was done to achieve debt service savings.

* * * * * *

REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MANAGEMENT'S DISCUSSION AND ANALYSIS

FLORIDA'S TURNPIKE SYSTEM
DEPARTMENT OF TRANSPORTATION
STATE OF FLORIDA

TREND DATA ON THE SYSTEM'S INFRASTRUCTURE CONDITION

INFRASTRUCTURE ASSETS REPORTED USING THE MODIFIED APPROACH

Pursuant to GASB Statement No. 34, *Basic Financial Statements — and Management's Discussion and Analysis — for State and Local Governments*, Florida's Turnpike System (the "System") has adopted an alternative method of recording depreciation expense on its infrastructure assets (highway system and improvements). Under this alternative method, referred to as the modified approach, the System expenses certain maintenance and preservation costs and, consequently, does not report depreciation expense related to infrastructure. System assets accounted for under the modified approach include 460 centerline miles of roadway and 700 bridges.

In using this modified approach, the System relies on the Florida Department of Transportation (the "Department") to maintain an asset management system that has an up-to-date inventory of System infrastructure assets and that performs condition assessments of those assets, summarizing the results using a measurement scale. Using these results, System management estimates the annual amount to maintain and preserve its infrastructure at a condition level established and disclosed by the System. System management also documents the annual amount expensed to maintain and preserve its infrastructure at or above the established condition level.

DEPARTMENT CONDITION AND MAINTENANCE PROGRAMS

Resurfacing Program — Road pavements require periodic resurfacing. The frequency of resurfacing depends on the volume of traffic, type of traffic, pavement material variability, and weather conditions. Resurfacing preserves the structural integrity of highway pavements and includes pavement resurfacing, pavement rehabilitation, and minor reconstruction.

The Department conducts an annual pavement condition survey. Pavements are rated on a scale of 0 to 10 (with 10 being the best) in each of three criteria: ride smoothness, pavement cracking, and wheel path rutting. Ride smoothness is what the motorist experiences. It directly affects motor vehicle operation costs. Pavement cracking refers to the structural deterioration of the pavement, which leads to loss of smoothness and deterioration of the road base by water seepage if not corrected. Wheel path rutting are depressions in pavement caused by heavy use. Ride smoothness and wheel path rutting are measured mechanically, using lasers. Pavement cracking is determined through visual observation by experienced survey crews.

The condition rating scales are set by a statewide committee of pavement engineers, so that a pavement segment receiving a rating of 6 or less in any of the three rating criteria is designated a deficient pavement segment. The standard is to ensure that 80% of the pavement on the System's roadways has a score greater than 6 in all three criteria.

Bridge Repair and Replacement Program — The Department's bridge repair program emphasizes periodic maintenance and specified structural rehabilitation work. The primary focus is on the replacement of structurally deficient or weight-restricted bridges.

The Department conducts bridge condition surveys using the National Bridge Inspection Standards to determine condition ratings. Each bridge is inspected at least once every two years. During the inspection process, the major components, such as deck, superstructure, and substructure, are assigned a condition rating. The condition rating ranges from 0 to 9. A rating of 8 to 9 is very good to excellent, which indicates that no repairs are necessary. A rating of 5 to 7 is fair to good, which indicates that minor repairs are required. A rating below 5 identifies bridges needing major repairs or replacement. A rating of 4 or less indicates a condition of poor to failing and requires urgency in making repairs. A rating of 2 requires closure of the bridge, while a rating of 1 is used for a bridge that is closed. A rating of 0 means the bridge is beyond repair. The standard is to ensure that 90% of all System bridges achieve a rating of 5 or better.

Pollution Remediation Program — The System's eight service plazas have groundwater and soil contamination related to fuel tank leakages. These sites were accepted into the Florida Department of Environmental Protection's Early Detection Incentive Program in the late 1980's, which provided funding for all pollution remediation efforts through fiscal year 2009. In fiscal year 2009, the System entered into an agreement with a new lessee for the operations of the service plazas. Under the new lease agreement, the System legally obligated itself to commence pollution remediation related to the fuel tank leakages as discussed in Note 15 to the financial statements. These expenses do not impact the infrastructure condition ratings.

Routine Maintenance Program — The System is responsible for managing and performing routine maintenance on its roadways. Routine maintenance includes many activities, such as highway repair, roadside upkeep, emergency response, maintaining signs, roadway striping, and keeping storm drains clear and structurally sound.

The Department monitors the quality and effectiveness of the System's routine maintenance program by periodic surveys, using the Maintenance Rating Program (MRP). The Department has used the MRP since 1985 to evaluate routine maintenance in five broad categories; roadway, roadside, vegetation and aesthetics, traffic services, and drainage. The MRP results in a maintenance rating of 1 to 100 for each category, as well as an overall rating for the System's routine maintenance performance. The standard is to achieve an overall routine maintenance rating of 80 or higher. In fiscal year 2013, the Department's methodology for developing the MRP rating was modified to provide equal weightings to the various maintenance categories which resulted in a lower score. For fiscal years ended June 30, 2012 and 2011, the application of this new methodology would have resulted in MRP rating of 89 and 91, respectively. Management believes the change in methodology dies not affect the overall condition assessment of the System.

Condition Ratings for the System's Infrastructure	**2013**	**2012**	**2011**
Percentage of pavement meeting Department standards	97 %	91 %	96 %
Percentage of bridges meeting Department standards	91 %	92 %	92 %
Overall routine maintenance rating	88	91	91

Comparison of Needed-to-Actual Maintenance/Preservation (in thousands)*:

Fiscal Year	Needed	Actual Resurfacing	Actual Bridge Repair and Replacement	Actual Pollution Remediation	Actual Routine Maintenance	Total Actual	Difference
2013	$ 102,670	$ 81,609	$ 302	$ -	$ 35,897	$ 117,808	$ 15,138
2012	95,738	44,063	1	-	40,278	84,342	(11,396)
2011	84,588	35,116	416	(1,030)	40,789	75,291	(9,297)
2010	84,692	49,717	287	-	38,909	88,913	4,221
2009	109,759	61,958	890	9,502	39,353	111,703	1,944

*Note: The amounts listed above are totals for the resurfacing, bridge repair and replacement, pollution remediation, and routine maintenance programs of the System. Needed amounts are estimated on a cash basis, while actual amounts are stated on the accrual basis of accounting.