Colorado High Performance Transportation Enterprise

Financial Statements and Independent Auditor's Reports

Financial Audit

Years Ended June 30, 2019 and 2018

Compliance Audit

Year Ended June 30, 2019

LEGISLATIVE AUDIT COMMITTEE

OFFICE OF THE STATE AUDITOR

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BKD
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Members of the Legislative Audit Committee

We have completed the financial statement and compliance audits of the Colorado Department of Transportation's High Performance Transportation Enterprise (the Enterprise or HPTE) as of and for the years ended June 30, 2019 and 2018. Our audits were conducted in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

We were engaged to conduct our audits pursuant to Section 2-3-103, C.R.S., which authorizes the State Auditor to conduct or cause to be conducted audits of all departments, institutions and agencies of State government. The reports which we have issued as a result of this engagement are set forth in the table of contents which follows.

BKD, LLP

Denver, Colorado
December 9, 2019

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Colorado High Performance Transportation Enterprise

June 30, 2019 and 2018

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Colorado High Performance Transportation Enterprise

Report Summary

Year Ended June 30, 2019

Purposes and Scope of Audit

The Office of the State Auditor engaged BKD, LLP (BKD) to conduct a financial and compliance audit of the Colorado High Performance Transportation Enterprise for the fiscal year ended June 30, 2019. BKD performed the audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. The audit of the Colorado High Performance Transportation Enterprise (the Enterprise or HPTE) was performed under authority of Section 2-3-103, C.R.S.

The purposes and scope of this audit were to:

- Express opinions on the financial statements of the Enterprise as of and for the years ended June 30, 2019 and 2018, including consideration of internal control over financial reporting as required by auditing standards generally accepted in the United States of America and *Government Auditing Standards* for the year ended June 30, 2019.
- To review the Enterprise's compliance with rules and regulations governing the expenditure of federal and state funds for the year ended June 30, 2019.
- Issue a report on the Enterprise's internal control over financial reporting and on compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters based on our audit of the financial statements performed in accordance with *Government Auditing Standards* for the year ended June 30, 2019.

Audit Opinions and Reports

The independent auditor's reports included herein expressed unmodified opinions on the Enterprise's financial statements as of and for the years ended June 30, 2019 and 2018.

No instances of noncompliance considered material to the financial statements were disclosed by the audit.

Summary of Key Findings and Recommendations

There are no findings in the current year.

Colorado High Performance Transportation Enterprise

Report Summary

Year Ended June 30, 2019

Summary of Progress in Implementing Prior Year Audit Recommendations

There were no prior year audit recommendations.

Significant Audit Adjustments

There were no significant audit adjustments proposed.

Auditor's Communication to Legislative Audit Committee

The auditor's communication to the Legislative Audit Committee describes the auditor's responsibility under auditing standards generally accepted in the United States of America and significant management judgments and estimates. This communication is located on page 75.

Colorado High Performance Transportation Enterprise
Background
Year Ended June 30, 2019

On March 2, 2009, former Governor Ritter signed into law Colorado SB 09-108, *Funding Advancement for Surface Transportation and Economic Recovery Act*, otherwise known as FASTER, creating the High Performance Transportation Enterprise (HPTE or the Enterprise) as a government-owned business within the Colorado Department of Transportation (CDOT). The new law created the High Performance Transportation Enterprise, replacing the Colorado Tolling Enterprise (CTE) that had been established in 2002. With the passage of the new legislation, the CTE ceased to exist on March 2, 2009 and CTE's activities for the remainder of the fiscal year were assumed by HPTE. Any residual funds available from the original CTE were consolidated into HPTE.

The HPTE has the legal responsibility to seek out opportunities for innovative and efficient means of financing and delivering important surface transportation infrastructure projects in the State. It has the statutory power, among others, to impose tolls and other user fees, to issue revenue bonds secured by those fees, and to enter into contracts with public and private entities to facilitate Public Private Partnerships (P3s), which are partnerships between a government and a private sector company that can be used to finance, build, and operate projects.

The law also introduced a new governance structure, creating an HPTE Board of Directors which includes a mix of State Transportation Commissioners and external stakeholders appointed by the Governor to provide expertise and guidance in analyzing P3s and other creative financings mechanisms.

The revised Colorado High Performance Transportation Enterprise statute, Section 43-4-806 C.R.S., requires two separate funds for management of the Enterprise. The Statewide Transportation Special Revenue Fund is referred to in statute and herein as the Transportation Special Fund. The Transportation Special Fund receives revenues collected from tolls, fees and other fines with the intent to separately account for authorized projects. The principal revenues for this fund comes primarily from the Mountain Express Lanes (MEXL) and the I-25 North Segment II Managed Lanes (I-25N). Prior to March 7, 2014, HPTE collected revenue from the I-25 Central Reversible Lanes. However, revenues from those lanes ceased when Plenary Roads Denver (PRD) commenced operations under the U.S. 36 Managed Lanes Concession Agreement.

The second fund, the Enterprise Operating Fund, referred to as the Operating Fund, was created to house the monies provided by the Transportation Commission from the State Highway Fund. These monies are intended to defray expenses incurred by the Enterprise prior to the receipt of revenues either from bond proceeds or user fees. Statutes require that the Operating Fund is to be maintained and reported separate from the Transportation Special Fund. Therefore, the financial information for each fund is separately presented with combined totals in the accompanying financial statements for the Enterprise.

The Enterprise retains the status of an enterprise for purposes of Section 20 of Article X of the State Constitution (commonly referred to as "TABOR"), and accordingly, is not subject to the revenue and spending limitations of TABOR as long as it receives less than 10 percent of its total revenues in grants from the State and local governments. Management did not identify any violations of this enterprise status for Fiscal Years 2017-18 or 2018-19.

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Independent Auditor's Report

Members of the Legislative Audit Committee

Report on the Financial Statements

We have audited the accompanying financial statements of the Colorado High Performance Transportation Enterprise (the Enterprise or HPTE), an enterprise fund of the State of Colorado, Department of Transportation, as of and for the years ended June 30, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the Enterprise's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Controller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Enterprise as of June 30, 2019 and 2018, and the changes in its financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 – Nature of Operations and Summary of Significant Accounting Policies, the financial statements of the Enterprise are intended to present the net position and changes in financial position and, cash flows for only that portion of the financial reporting entity, State of Colorado, Department of Transportation, that is attributable to the transactions of the Enterprise. They do not purport to, and do not present fairly the financial position of the State of Colorado, Department of Transportation as of June 30, 2019 and 2018 and the changes in its financial position, or cash flows, for the years then ended, in conformity with accounting principles generally accepted in the United States of America. 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 pension and other postemployment benefits information listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Enterprise’s basic financial statements. The report summary and background as listed in the table of contents are presented for additional analysis and are not a required part of the basic financial statements.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 2019, on our consideration of the Enterprise's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Enterprise's internal control over financial reporting and compliance.

BKD, LLP

Denver, Colorado
December 9, 2019

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Colorado High Performance Transportation Enterprise

Management's Discussion and Analysis
(Unaudited)
June 30, 2019 and 2018

Management's Discussion and Analysis (MD&A) was prepared by the Colorado High Performance Transportation Enterprise (the Enterprise or HPTE) and is designed to provide an analysis of the Enterprise's financial condition and operating results for the fiscal years ended June 30, 2019 and 2018. The MD&A also informs the reader of the financial issues and activities related to the Enterprise. It should be read in conjunction with the Enterprise's financial statements.

Program Overview

After the creation of the Enterprise a professional study team engaged by the board initiated a strategic planning process and reported potential funding and financing revenue sources for Enterprise eligible projects. The process culminated in development of procedures to determine eligible projects and the adoption of a 2010 Action Plan which remains largely the basis of current Enterprise activities.

A study in 2015 was completed and concluded that HPTE provides a necessary benefit to CDOT and assigned values for various HPTE services and tasks. In March 2019, the current HPTE Board and the Transportation Commission approved the HPTE Fee for Service Intragency Agreement. The agreement divides HPTE's tasks into categories linked to the stage of development of the various surface transportation projects which HPTE is involved in. HPTE is required to provide CDOT a progress report every January 15th and July 15th of each fiscal year. The progress reports are used by CDOT and HPTE to recognize revenue and expenses respectively.

For further information, please refer to the statutorily required annual report found at https://www.codot.gov/programs/high-performance-transportation-enterprise-hpte/reports/hpte-annual-reports.

Enterprise Structure

The revised Colorado High Performance Transportation Enterprise statute requires two separate funds for management of the Enterprise. The Statewide Transportation Special Revenue Fund is referred to in statute and herein as the Transportation Special Fund. The principal revenues of the Enterprise are deposited into this fund and include toll revenue from the Mountain Express Lanes (MEXL) and I-25 North Segment II Managed Lanes (I-25N). Prior to March 7, 2014, HPTE collected revenue from the I-25 Central Reversible Lanes. However, revenues from those lanes ceased when Plenary Roads Denver (PRD) commenced operations under the U.S. 36 Managed Lanes Concession Agreement. The fund is statutorily authorized to separately account for authorized projects as well as to repay loans made to the HPTE Operating Fund (see below) when sufficient revenues are generated to do so.

The second fund is the Enterprise Operating Fund, referred to herein as the Operating Fund. The Operating Fund was initially funded with monies loaned by the Transportation Commission to HPTE from the State Highway Fund (such monies were intended to defray expenses incurred by the Enterprise prior to the receipt of revenues either from bond proceeds or fees). Beginning in 2016, HPTE's fees earned for providing services pursuant to the Fee for Service Intragency Agreement are also deposited into the Operating Fund. Statutes require that the Operating Fund is to be maintained and reported separately from the Transportation Special Fund. Therefore, the financial information for each fund is presented with combined totals in the accompanying financial statements for the Enterprise.

Including the Director, the Enterprise presently has seven direct staff for administration of the program. During fiscal year ended June 30, 2019, the HPTE Director resigned and an Acting Director was appointed. The Board is expected to hire a replacement during the 2020 fiscal year. Also in the coming year, HPTE plans to hire a Tolling Operations Supervisor, and a Project Manager. The time CDOT staff works for the Enterprise is billed to and paid by the Enterprise.

The Enterprise retains the status of an enterprise for purposes of Section 20 of Article X of the State Constitution (TABOR) so long as it retains the authority to issue revenue bonds and receives less than 10 percent of its total revenues in grants from the State and local governments. Management has not identified any violations of this enterprise status for Fiscal Years 2017-18 or 2018-19.

Program Highlights

U.S. 36

In the summer of 2013, HPTE and PRD completed the commercial close of a 50-year concession agreement. The concession agreement is HPTE and CDOT's first Public-Private-Partnership (P3) project, an innovative relationship where public and private sectors work together to provide transportation improvements and services to the public. The financial close of the concession agreement between HPTE and PRD was completed in February 2014. PRD financed, designed and constructed Phase II of the project, and now operates and maintains Phase I, Phase II and the existing I-25 Central Reversible Express Lanes. Phase I tolling commencement took place on July 22, 2015, Phase II tolling commencement took place on March 30, 2016, and operations and maintenance of the U.S. 36 Managed Lanes were transferred to PRD, at that time.

As part of the financial close between HPTE and PRD, $20 million of private activity bonds (PABs) were issued by PRD, with HPTE acting as a conduit issuer. This allocation is a capital source for construction of the Phase II project. The PABs are not a liability of HPTE and will be repaid by the concessionaire with future toll revenues. HPTE does not receive any toll revenue from the U.S. 36 Express Lanes project.

The U.S. 36 project added a new Express Lane in each direction and installed Intelligent Transportation Systems (ITS) for tolling, transit, traveler information and incident management. In addition, U.S. 36 was widened to accommodate 12-foot-wide inside and outside shoulders, installed a 18 mile bikeway along the U.S. 36 corridor, improved several Regional Transportation District (RTD) stations, and several bridges were replaced.

The acceleration of improvements to this corridor is largely a result of the collaborative efforts of the Enterprise, CDOT, RTD, Colorado Bridge Enterprise (CBE), the Denver Regional Council of Governments (DRCOG), and the U.S. 36 local government/business coalition. The project combined local and State contributions with private debt and equity and is a model for future congestion relief efforts in the state.

I-25 North

Another HPTE and CDOT project is the extension of the I-25 Express Lanes north on I-25 to the entrance of RTD's Wagon Road Park and Ride near 120th Avenue (I-25 North Segment II). This project was awarded a $15 million Transportation Investment Generating Economic Recovery (TIGER) Grant by USDOT in June 2012. This project largely uses the existing highway infrastructure to expand the capacity of I-25 in this portion of the Denver Metro area and to also assist CDOT with traffic management of the I-25 corridor. This project opened for toll collection in July 2016. RTD provided a contribution towards the project to ensure effective and efficient operation of RTD's buses.

On February 24, 2016, the HPTE closed on a $23,630,000 loan with Banc of America Preferred Funding Corporation to close the funding gap on the I-25N Segment III Project (120th to E-470). In 2013, CDOT allocated the use of Responsible Acceleration of Maintenance and Partnerships (RAMP) funds or State Highway funds to HPTE, which were then used on the project. The project will continue the managed lanes that are currently operating from U.S. 36 up to 120th Avenue. In addition, the project will resurface the existing lanes along this six mile stretch. Extending the project past the limits of Segment II from 120th Avenue to E-470 will bring continuity for the traveling public while decreasing travel time and expanding transportation choices further along the I-25 north corridor. The loan is to be repaid from toll revenues earned from the Segment III Express Lanes. Interest on the loan accrues at the rate of 1.99 percent and payments are due annually in December. Principal payments start yearly in December 2023 with the maturity date in December 2025. The project was anticipated to be complete in fall of 2019, but was delayed and now is expected to be completed in spring 2020. HPTE and CDOT amended the project interagency agreement (IAA) in the fall of 2018 with CDOT to reflect that CDOT is responsible for debt service payments if the project was not completed to the original schedule. HPTE will invoice CDOT in the fall of 2019 for the amount that HPTE owes Banc of America for the previous six months.

Improvements at the northern most portion of the North I-25 corridor will be along 14 miles of highway between state highways 402 and 14, and will include one tolled express lane in each direction. The total cost of the project is estimated to be $341 million. The planned improvements will provide much needed capacity and help ease congestion in this rapidly growing corridor. CDOT is proceeding with a Design-Build project procurement. The preferred proposer was selected in November 2017, and notice to proceed was provided in April 2018. Construction started in the fall of 2018, and is scheduled to be complete in the fall of 2021.

In 2013, the U.S. Department of Transportation (USDOT) awarded CDOT and local partners a TIGER VIII grant for the North I-25 corridor. Other potential funding sources include federal grants (such as FASTLANE), Senate Bill (SB) 09-228 transfers allocated to the project in Fiscal Year 2017-18, toll revenue-backed loans, and general fund appropriations. This project is also supported by all of the communities and counties served by this corridor by contribution of funds totaling more than $25 million.

Central 70

HPTE is working closely with CDOT and the Colorado Bridge Enterprise (CBE) on the Central 70 project. In February 2015 the Transportation Commission approved using a Design, Build, Finance, Operate and Maintain (P3 DBFOM) availability payment Public-Private Partnership procurement. The P3 DBFOM structure was selected as the delivery method because of its ability to transfer more risk to the private sector in several key areas including the long-term costs of maintaining the corridor. In this model, the concessionaire is given annual performance payments and must meet strict operations and maintenance standards. Central 70 is HPTE's second major P3 project.

In November 2017, HPTE and CBE reached commercial close with Kiewit Meridiam Partners LLC (KMP). The financial close of the project agreement between HPTE and KMP was completed in December 2017. The start of construction started in the summer of 2018.

The full project scope includes removing the elevated section of I-70 between Brighton and Colorado boulevards, lowering this portion of the highway below ground, constructing a cover over a portion of the lowered highway, and installing one additional Express Lane in each direction along the length of the project from Brighton Boulevard to Chambers Road.

This project includes a 1.8 mile viaduct bridge, which ranks as the highest priority project for CBE to complete. CDOT, in collaboration with HPTE and CBE, have identified a total project delivery cost of approximately $1.2 billion to construct the 10-mile project. Funding sources currently committed to the Central 70 Project include $850 million from CBE, $50 million from DRCOG, transfers from SB-228 funds totaling $180 million, HPTE toll revenues, and $37 million from the City and County of Denver.

A Settlement Agreement was executed on May 9, 2019 between Colorado Bridge Enterprise (CBE), HPTE and KMP, to resolve four Supervening Events (potential claim). The Settlement Agreement involved amendments to the project documents, including a settlement payment by the Enterprises (CBE and HPTE) of $7.6 million and time extension to address these events. The payment of $7.6 million is due at substantial completion.

Other Supervening Events mainly related to Union Pacific Railroad Company (UPRR) related design processes, are not covered by the Settlement Agreement, and KMP is engaged in discussion with HPTE and Colorado Bridge Enterprise and UPRR to manage and mitigate any resulting impacts. Currently, there is a two month delay in Milestone 5, with a corresponding two month delay in the substantial completion. KMP is considering mitigating measures including adding double shifts and additional nightly closures to address this delay.

C-470

HPTE is also working closely with CDOT on the C-470 project. After examining the level II traffic and revenue study and incorporating those results into a preliminary value for money analysis, the HPTE Board recommended to the Transportation Commission in November 2014 that the C-470 project be procured using the design build public funding delivery method. In a design build public funding method, HPTE takes the toll risk vs the developer taking the toll risk. The preliminary value for money for analysis came to the conclusion that the project did not receive any additional value in delivering it as a Public-Private Partnership.

In April 2016, Flatiron Construction and AECOM were selected as the preferred proposer team and the Design Build contract was executed in June 2016.

In August 2016, after years of planning and collaboration, federal, state, and local officials and members of the community joined CDOT and HPTE to celebrate the groundbreaking of the C-470 Express Lanes Project, which increased mobility and user choice on a 12.5 mile stretch of C-470 primarily between I-25 and Wadsworth Boulevard. Over 100,000 motorists currently use this segment of C-470 each day, with volumes projected to increase 40 percent by 2035. Completion of the project is expected in Fiscal Year 2020.

HPTE received credit assistance from TIFIA in the amount of $106 million and $176.5 million toll revenue backed bonds, which closed in June 2017 for the C-470 project. Additionally, CDOT contributed $20 million in RAMP Development Funds. HPTE started to draw down the TIFIA loan facility in December 2018, and has received $42.5 million, leaving a balance of $64.5 million left to disburse as of June 30, 2019.

On July 18, 2019, subsequent to Fiscal Year 2019, CDOT presented Flatiron/AECOM (F/A) with a Notice of Breach Under the Design-Build Contract and a rejection of the F/A's June 21, 2019 Monthly Progress Schedule. On July 26, 2019, CDOT and HPTE rejected the F/A's demands for additional time and potential costs due to winter weather delays. Then on August 2, 2019, because the F/A was unable to cure the breach of contract, CDOT notified F/A that they have been placed in default under the contract because they were unable to meet the Project Completion Deadline. CDOT and HPTE will meet with the F/A's bond surety to discuss the next steps on the project. Presently, F/A continues to work on the project and both CDOT and F/A are committed to completing the project.

On September 10, 2019, subsequent to Fiscal Year 2019, Fitch Ratings placed the C-470 project on Rating Watch Negative for the C-470 revenue bonds and TIFIA loan. The Rating Watch Negative is a reflection of construction delays on the project, and F/A being placed in default.

Mountain Express Lane

In 2014, HPTE arranged financing for the construction of the I-70 Mountain Express Lanes through a $25 million construction loan with Banc of America Preferred Funding Corporation, to be repaid from toll revenues from the lane. Interest accrues at the rate of 2.79 percent and is due each December. Principal payments start yearly in Fiscal Year 2022-23 with the maturity date in December 2024.

Prior to the lanes opening, HPTE and CDOT negotiated agreements for the details of this project with Clear Creek County, Federal Highway Administration (FHWA), and the City of Idaho Springs. The existing shoulders on I-70 between the Twin Tunnels to Empire Junction were expanded to allow tolled traffic on the eastbound shoulders during peak travel times.

The I-70 Mountain Express Lanes (MEXL) project opened for tolling on December 19, 2015. The opening winter season and 2016 summer season showed success across all travel lanes in reducing congestion, improving travel times and safety, even while experiencing record-breaking volumes at the Eisenhower-Johnson Tunnels.

Given the beneficial results of the eastbound Mountain Express Lanes, CDOT and HPTE are implementing a westbound Mountain Express Lane from the Veterans Memorial Tunnel to Empire Junction. Construction started in the summer of 2019, and tolling is expected to start in spring of 2021.

I-25 South

Widening I-25 from four to six lanes for the 17 miles between Monument and Castle Rock has long been a focus for corridor travelers and elected officials. In 2017, CDOT accelerated the environmental planning for the project. This project was awarded a $65 million Infrastructure for Rebuilding America (IFRA) Grant by the U.S. Department of Transportation in June 2018. Kramer North America was selected as the preferred proposer team and the Construction Manage/General Contractor (CM/GC) contract was executed. Construction started in the fall of 2018 and expected to be completed in 2022.

CDOT was able to accelerate the funding of the environmental planning due to the financing of the C-470 Express Lanes project. CDOT was able to redirect $15M of C-470 project funds that otherwise were allocated to serve as a "backstop" for loans that will be financing the project in order to allow the project to progress. The $15 million funding represented flexible state funds that allowed CDOT to move them to the project until financing was secured. The accelerated environmental study examined opportunities to improve operations, reduce congestion and provide more predictable travel times for users. The I-25 South environmental study was funded in part by $3.75M in RAMP Development Funds.

Express Lanes Master Plan

HPTE is implementing an Express Lane Master Plan (ELMP) to process and evaluate the provision and functionality of an integrated, statewide Express Lanes network. The ELMP will provide the state of Colorado with an articulate, financially sustainable, and beneficial Express Lanes plan to enhance mobility, safety, and accessibility for statewide travelers in support of economic vitality. A kickoff workshop was held with stakeholders from around the state last August 2018 to confirm the overall goals and objectives of the master planning effort (*e.g.* review the scope of the study, identify how the study will benefit stakeholders, discuss policies needed for different parts of the state to implement the plan); provide input on the initial list of the potential Express Lane corridors that should be evaluated in the study, and provide input on the evaluation criteria that will be used to shape the technical analysis of the study. A second workshop was held in December 2018 to review the screening methodology and the results of the initial corridor screening and to work with the stakeholders to select a group of corridors for a more detailed analysis. Subsequent to Fiscal Year 2019, a final workshop was held in October 2019 to discuss the draft final report and to seek any further input from stakeholders.

HPTE Program

In June 2015, HPTE entered into an interagency agreement with CDOT, which compensates HPTE for providing CDOT direct benefits by accelerating infrastructure projects that ordinarily would not have been undertaken due to the constrained fiscal environment. HPTE's status as an enterprise under Section 20 of Article X of the Colorado Constitution, also known as TABOR, has allowed HPTE to accelerate the development and delivery of critical transportation infrastructure projects through the use of innovative financing, public-private partnerships, user fees, revenue bonds and private commercial loan agreements. Per the agreement, HPTE will invoice CDOT for services that will be provided for the I-70 Peak Period Shoulder Lane (PPSL), Central 70, I-25 North and South, C-470 and U.S. 36 projects. The agreement will be renewed annually (or as often as additional work arises), and requires HPTE and CDOT to create an annual scope of work.

Colorado High Performance Transportation Enterprise

Management's Discussion and Analysis
(Unaudited)
June 30, 2019 and 2018

Using This Annual Report

This annual report consists of a series of financial statements.

The Enterprise reports two major funds, the Transportation Special Fund and the Operating Fund.

The statements of net position includes the assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position and provides information about HPTE's assets and liabilities and reflects the financial position of HPTE as of June 30, 2019 and 2018. Over time, increases or decreases in the net position continue to serve as a useful indicator of whether the financial position of the Enterprise is improving or deteriorating.

The statements of revenues, expenses, and changes in net position presents the revenues earned and expenses incurred for the years ended June 30, 2019 and 2018. Revenues and expenses are reported on the accrual basis. Thus, revenues and expenses are reported in the statement for some items that will result in cash flows in future fiscal years.

The statements of cash flows presents information of cash inflows and outflows related to the Enterprise's activities for the years ended June 30, 2019 and 2018.

Revenues and expenses of the Enterprise are accounted for on a fiscal year basis and are presented herein.

Net Position Analysis

Condensed Statements of Net Position

As of June 30	Transportation Special Revenue Fund 2019	Transportation Special Revenue Fund 2018	Transportation Special Revenue Fund 2017*	Operating Fund 2019	Operating Fund 2018	Operating Fund 2017*
Assets						
Current Assets	$ 39,895,130	$ 26,124,338	$ 30,325,663	$ 3,493,228	$ 2,813,257	$ 1,970,314
Noncurrent Assets	28,748,712	90,314,983	176,079,693	-	-	-
Capital Assets	541,600,819	438,745,045	327,074,417	-	-	-
Total Assets	**610,244,661**	**555,184,366**	**533,479,773**	**3,493,228**	**2,813,257**	**1,970,314**
Deferred Outflows of Resources	**932**	**51,116**	**298,321**	**1,348,729**	**869,775**	**675,032**
Liabilities						
Current Liabilities	40,123,836	36,018,870	10,855,195	353,174	323,780	179,275
Noncurrent Liabilities	281,692,366	229,879,543	228,664,536	4,689,473	5,242,745	5,843,368
Total Liabilities	**321,816,202**	**265,898,413**	**239,519,731**	**5,042,647**	**5,566,525**	**6,022,643**
Deferred Inflows of Resources	**133,945,456**	**136,981,219**	**139,663,057**	**1,273,284**	**131,693**	**58,819**
Net Position (Deficit)						
Net Investment in Capital Assets	141,051,148	198,515,110	117,672,422	-	-	-
Restricted for Debt Service	16,881,811	24,626,580	-	-	-	-
Unrestricted (Deficit)	(3,449,024)	(70,785,840)	36,922,884	(1,473,974)	(2,015,186)	(3,411,996)
Total Net Position (Deficit)	**$ 154,483,935**	**$ 152,355,850**	**$ 154,595,306**	**$ (1,473,974)**	**$ (2,015,186)**	**$ (3,411,996)**

*The prior periods were not restated for the adoption of GASB 75 as it was not practical to do so

Fiscal Year 2018-19 Analysis

Transportation Special Revenue Fund

Assets

The Transportation Special Revenue Fund total assets increased by $55.1 million.

Current Assets

Current assets increased by $13.7 million due to an increase in accounts receivable of $9.4 million. The increase in accounts receivable was related to a C-470 TIFIA loan facility proceeds request, which was approved in June 2018 but was not received until July 2019.

Noncurrent Assets

Noncurrent assets, excluding capital assets decreased by $61.6 million due to the reduction in restricted cash from the spending of C-470 bond proceeds.

Capital Assets

In Fiscal Year 2018-19, HPTE capital assets increased by $102.9 million due to the construction of C-470 and I-25 Segment III managed lanes.

Liabilities

Liabilities increased by $55.9 million due the C-470 TIFIA loan facility. In Fiscal Year 2018-19 HPTE started to requisition the C-470 TIFIA loan facility proceeds, which caused the liability to be recorded, per the terms of the loan. Additionally, HPTE has a pending draw totaling $9.2 million. The pending draw is a requisition for the TIFIA loan facility that has been approved by TIFIA but the funds were not received until after June 30, 2019.

HPTE accrued $5.4 million of interest for Fiscal Year 2018-19 for the C-470 bonds, C-470 TIFIA loan facility, Segment III and MEXL loans.

Deferred Outflows and Inflows of Resources

Deferred outflows of resources decreased by $50,184 and deferred inflows of resources decreased by $3 million due to transactions related to pensions. The decrease in deferred inflows of resources was also attributed to the U.S. 36 Concession Agreement.

Net Position

The net effect of these changes was an increase in net position for the Transportation Special Revenue Fund of $2.1 million. Of the total net position, $141.1 million represents the net investment in capital assets.

In addition, the balance of net position contains the effects of PERA pension and OPEB liabilities and related items, required under Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Reporting for Pensions* (GASB 68) and GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (GASB 75), which are detailed in the table below:

	Transportation Special Revenue Fund		
	Fiscal Year 2018-19	Fiscal Year 2017-18	Fiscal Year 2016-17
Net Position (GAAP Basis)	$ 154,483,935	$ 152,355,850	$ 154,595,306
GASB 68-Pension Related Items			
Net Pension Liability	6,988	269,932	987,296
Deferred Outflows of Resources	(921)	(51,080)	(298,321)
Deferred Inflows of Resources	283,544	415,853	207,862
Net GASB 68 Pension related items	289,611	634,705	896,837
GASB 75 OPEB Related Items			
Postemployment Benefit Liability	293	6,174	-
Deferred Outflows of Resources	(11)	(36)	-
Deferred Inflows of Resources	17,340	15,488	-
Net GASB 75 OPEB	17,622	21,626	-
Net Position excluding Pension and OPEB	$ 154,791,168	$ 153,012,181	$ 155,492,143

In Fiscal Years 2018-19, 2017-18 and 2016-17, pension expense (credit) recognized in accordance with GASB 68 totaled ($345,084), ($259,162) and $303,070, respectively. OPEB expense recognized under GASB 75 in Fiscal Years 2018-19, 2017-18 and 2016-17 totaled ($4,001), ($2,537) and $0, respectively.

Operating Fund

<u>Assets</u>

The operating fund total assets increased by $679,971 from Fiscal Year 2017-18 to Fiscal Year 2018-19 due to an increase in cash. Cash increased due an increase in investment income. The interest rate of return increased from 1.66 percent to 2.22 percent in Fiscal Year 2018-19. Additionally, prepaid items decreased by $30,321 due to C-470 surveillance and rating fees.

<u>Liabilities</u>

As explained below, total liabilities decreased by $523,878 due to HPTE repaying a portion of the Transportation Commission loans.

<u>Current Liabilities</u>

Current liabilities increased by $29,294 due to an increase in accrual payments to vendors.

<u>Noncurrent Liabilities</u>

Noncurrent liabilities decreased by $553,272 primarily due to HPTE's Transportation Commission loan payment of $1.3 million, which included both principal and interest. The HPTE will continue to make loan payments from monies in its Transportation Special Revenue or Operating Fund from future revenue generating activities, such as toll revenues, the issuance of revenue bonds, concession fees, or fee for services when such funds are not restricted and available for the general use of the HPTE.

Deferred Outflows and Inflows of Resources

Deferred outflows of resources increased by $478,954 and deferred inflows of resources increased by $1.1 million. Both the decrease of deferred outflows of resources and the increase of deferred inflows of resources were due to pensions and OPEB.

Net Position

The effect of these changes was a decrease in the deficit net position of the operating fund of $541,212 from the previous fiscal year.

In addition, the balance of net position contains the effects of PERA pension and OPEB liabilities and related items which are detailed in the following table:

	Operating Fund		
	Fiscal Year 2018-19	Fiscal Year 2017-18	Fiscal Year 2016-17
Net Position (GAAP Basis)	$ (1,473,974)	$ (2,015,186)	$ (3,411,996)
GASB 68-Pension Related Items			
Net Pension Liability	2,464,396	2,860,175	2,070,667
Deferred Outflows of Resources	(1,305,816)	(854,352)	(675,032)
Deferred Inflows of Resources	1,273,126	130,598	58,819
Net GASB 68 Pension related items	2,431,706	2,136,421	1,454,454
GASB 75 OPEB Related Items			
Postemployment Benefit Liability	104,022	65,423	-
Deferred Outflows of Resources	(42,913)	(15,423)	-
Deferred Inflows of Resources	158	1,095	-
Net GASB 75 OPEB	61,267	51,095	-
Net Position excluding Pension and OPEB	$ 1,018,999	$ 172,330	$ (1,957,542)

In Fiscal Years 2018-19, 2017-18 and 2016-17 pension expense recognized in accordance with GASB 68 totaled $295,285, $797,851 and $351,575, respectively. OPEB expense recognized under GASB 75 in Fiscal Years 2018-19, 2017-18 and 2016-17 totaled $5,087, $7,398 and $0, respectively.

Fiscal Year 2017-18 Analysis

Transportation Special Revenue Fund

Assets

The Transportation Special Revenue Fund total assets increased by $21.7 million.

Current Assets

Current assets decreased by $4.2 million due primarily to the spending of the Segment III construction loan proceeds.

Noncurrent Assets

Noncurrent assets, excluding capital assets decreased by $85.8 million due to the reduction in restricted cash from the spending of C-470 bond proceeds.

Capital Assets

In Fiscal Year 2017-18, HPTE capital assets increased by $111.7 million due to the construction of C-470 and I-25 Segment III managed lanes.

Liabilities

Liabilities increased by $26.4 million due to an increase in accounts payable and accrued liabilities. The increase in accounts payable and accrued liabilities is due to the accrual of invoices for the C-470 and Segment III projects.

HPTE accrued $4.7 million of interest for Fiscal Year 2017-18 for the C-470 bonds, Segment III and MEXL loans. In Fiscal Year 2017-18 HPTE repaid CDOT $1.5 million for tolling equipment and software related to the Installment Purchase Agreement (MIPA) for the I-25 North Segment II corridor.

Net Position

The net effect of these changes was a decrease in net position for the Transportation Special Revenue Fund of $2.2 million. Of the total net position, $199 million represents the net investment in capital assets.

In addition the balance of net position contains the effects of PERA pension and OPEB liabilities and related items which are detailed in the table below:

	Transportation Special Revenue Fund	
	Fiscal Year 2017-18	Fiscal Year 2016-17
Net Position (GAAP Basis)	$ 152,355,850	$ 154,595,306
GASB 68-Pension Related Items		
Net Pension Liability	269,932	987,296
Deferred Outflows of Resources	(51,080)	(298,321)
Deferred Inflows of Resources	415,853	207,862
Net GASB 68 Pension related items	634,705	896,837
GASB 75 OPEB Related Items		
Postemployment Benefit Liability	6,174	-
Deferred Outflows of Resources	(36)	-
Deferred Inflows of Resources	15,488	-
Net GASB 75 OPEB	21,626	-
Net Position excluding Pension and OPEB	$ 153,012,181	$ 155,492,143

Furthermore, the Transportation Special Revenue Fund's change in net position is impacted by net pension expense under GASB 68. In Fiscal Year 2017-18, pension expense totaled ($259,162) and $303,070 in Fiscal Year 2016-17. The net position change was additionally effected by the implementation of GASB 75, which resulted in OPEB-expenses of ($2,537) in Fiscal Year 2017-18. The adoption of GASB 75 decreased the balance of beginning net position by $24,321.

Operating Fund

Assets

The operating fund total assets increased by $842,943 from Fiscal Year 2016-17 to Fiscal Year 2017-18 due to an increase in cash, which is funded by an intergovernmental agreement with CDOT. Additionally, prepaid items increased by $70,096 due to C-470 surveillance and rating fees.

Liabilities

As explained below, total liabilities decreased by $431,998 due to an increase in net pension liability of $789,508, which was offset by a HPTE Transportation Commission loan payment of $1.4 million.

Current Liabilities

Current liabilities increased by $168,967 due to an increase in accrual payments to vendors.

Noncurrent Liabilities

Noncurrent liabilities decreased by $600,965 primarily due to HPTE's Transportation Commission loan payment of $1.4 million. The HPTE will continue to make loan payments from monies in its Transportation Special Revenue or Operating Fund from future revenue generating activities, such as toll revenues, the issuance of revenue bonds, concession fees, or fee for services when such funds are not restricted and available for the general use of the HPTE.

Net Position

The effect of these changes was a decrease in the deficit net position of the operating fund of $1.4 million from the previous fiscal year.

In addition, the balance of net position contains the effects of PERA pension and OPEB liabilities and related items which are detailed in the following table:

	Operating Fund	
	Fiscal Year 2017-18	Fiscal Year 2016-17
Net Position (GAAP Basis)	$ (2,015,186)	$ (3,411,996)
GASB 68-Pension Related Items		
Net Pension Liability	2,860,175	2,070,667
Deferred Outflows of Resources	(854,352)	(675,032)
Deferred Inflows of Resources	130,598	58,819
Net GASB 68 Pension related items	2,136,421	1,454,454
GASB 75 OPEB Related Items		
Postemployment Benefit Liability	65,423	-
Deferred Outflows of Resources	(15,423)	-
Deferred Inflows of Resources	1,095	-
Net GASB 75 OPEB	51,095	-
Net Position excluding Pension and OPEB	$ 172,330	$ (1,957,542)

Furthermore, the Operating Fund's change in net position is impacted by net pension expense under GASB 68. In fiscal year 2017-18, pension expense totaled $797,851 and $351,575 in fiscal year 2016-17. The net position change was additionally affected by the implementation of GASB 75, which resulted in OPEB expenses of $7,398 in fiscal year 2017-18. The adoption of GASB 75 decreased the balance of beginning net position by $49,876.

Colorado High Performance Transportation Enterprise

Management's Discussion and Analysis
(Unaudited)
June 30, 2019 and 2018

Revenue and Expense Analysis

Condensed Statements of Revenues, Expenses, and Changes in Net Position

	Transportation Special Revenue Fund			Operating Fund		
For Year Ended June 30	2019	2018	2017*	2019	2018	2017*
Operating Revenues						
Charges for Tolls and Services	$ 13,942,225	$ 13,452,778	$ 13,669,461	$ 5,169,500	$ 5,169,500	$ 2,371,597
Federal Revenues	-	-	46,516	-	-	-
Other Operating Revenues	731,541	439,770	1,097,249	74,068	21,811	26,689
Total Operating Revenues	**14,673,766**	**13,892,548**	**14,813,226**	**5,243,568**	**5,191,311**	**2,398,286**
Operating Expenses						
Salaries and Benefits	(307,355)	(226,394)	435,643	1,172,351	1,545,123	819,557
Operating and Travel	3,497,166	2,624,939	568,309	712,095	302,254	142,091
Construction Expenses	67,843	(110,628)	1,447,986	-	-	-
Professional Services	803,712	532,782	4,390,816	2,944,884	1,857,136	766,603
Depreciation Expense	8,580,530	8,548,369	8,526,388	-	-	-
Total Operating Expenses	**12,641,896**	**11,369,068**	**15,369,142**	**4,829,330**	**3,704,513**	**1,728,251**
Operating Income (Loss)	**2,031,870**	**2,523,480**	**(555,916)**	**414,238**	**1,486,798**	**670,035**
Nonoperating Revenues (Expenses)						
Investment Income (Loss)	1,943,814	1,173,529	127,291	180,882	28,453	10,606
Interest Expense	(2,990,715)	(6,748,722)	(1,545,789)	(53,908)	(68,565)	(117,877)
Cost of Issuance	-	-	(4,741,006)	-	-	-
Loss on Disposal of Capital Asset	-	-	(6,175,441)	-	-	-
Net Nonoperating Revenues (Expenses)	**(1,046,901)**	**(5,575,193)**	**(12,334,945)**	**126,974**	**(40,112)**	**(107,271)**
Transfer of I-25 North Segment II managed lanes to HPTE	1,143,116	836,578	65,910,733	-	-	-
Change in Net Position	**2,128,085**	**(2,215,135)**	**53,019,872**	**541,212**	**1,446,686**	**562,764**
Beginning Net Position As Restated	**152,355,850**	**154,570,985**	**101,575,434**	**(2,015,186)**	**(3,461,872)**	**(3,974,760)**
Net Position (Deficit), End of Year	**$ 154,483,935**	**$ 152,355,850**	**$ 154,595,306**	**$ (1,473,974)**	**$ (2,015,186)**	**$ (3,411,996)**

*The prior periods were not restated for the adoption of GASB 75 as it was not practical to do so

Variances for Fiscal Year 2018-19

Transportation Special Revenue Fund

<u>Revenues</u>

Total operating revenues increased by $781,218. This increase in operating revenues is primarily a result of an increase in toll revenue totaling $489,447. Toll rates on MEXL were increased from $5 per trip to $6 or $7 (depending on traffic), in addition HPTE was allowed to toll MEXL for 100 days per the terms of the agreement, which increased from the number of tolling days from the prior fiscal year. Toll rates on I-25N Segment II were also increased. Additionally, there was an increase in other operating revenues totaling $291,771. The increase in other operating revenues is related to an increase in tolling fines. In Fiscal Year 2018-19 HPTE increased tolling enforcement on the I-25N Segment II and MEXL managed lanes.

Expenses

Total operating expenses increased in Fiscal Year 2018-19 by $1.3 million. Operating and travel expenses increased by $872,227 and professional services increased by $270,930. The increase in operating and travel is due to the change in the sales tax laws, requiring HPTE to pay sales tax to states outside of Colorado. In prior fiscal years, HPTE collected and remitted the sales tax collected on the sale of transponders to the State of Colorado. HPTE now pays the full sales tax liability to the State of Colorado and other states as needed. Construction expenses increased by $178,471 due to the C-470 and I-25 South projects. Salaries and benefits were a credit expense due to a credit from pension expense and other postemployment benefits expense (OPEB).

Net nonoperating expenses decreased by $4.5 million due to the increase in investment income of $770,285, and a decrease in interest expense of $3.8 million. The decrease of interest expense is due to HPTE repaying the Master Installment Purchase Agreement in Fiscal Year 2017-18.

Net Position

The outcome of these changes was an increase in net position of $2.1 million in Fiscal Year 2018-19.

Operating Fund

Revenues

Total operating revenues increased by $52,258 due to an increase in other operating revenues. Other operating revenues increased due to the Operating Fund being reimbursed by the Transportation Special Revenue Fund. The Transportation Special Revenue Fund reimburses the Operating Fund for staff time being charged to the tolling corridors.

Expenses

Total operating costs increased by $1.1 million due to an increase in operating and travel. The increase in operating and travel was due to increase legal expenses related to the Central 70 and C-470 projects.

Net nonoperating revenues increased by $167,086 due to an increase in investment income. Interest rate of return increased from 1.66% to 2.22% in Fiscal Year 2018-19.

Net Position

The outcome of these changes was an increase in net position of $541,212 in Fiscal Year 2018-19.

Variances for Fiscal Year 2017-18

Transportation Special Revenue Fund

Revenues

Total operating revenues decreased by $920,678. This decrease is due to HPTE recognizing the revenue earned from intergovernmental agreements between HPTE and various local entities during Fiscal Year 2016-17, which were related to the U.S. 36 Phase II project. This resulted in a decrease in other operating revenue by $657,479. There was also a decrease in charges for tolls and services of $216,683, due to rates being lowered in the MEXL corridor.

Expenses

Total operating expenses decreased in Fiscal Year 2017-18 by $4 million. Operating and travel expenses increased by $2 million and professional services decreased by $3.86 million. The increase in operating and travel and professional services is due to the increased use of advisory services for HPTE projects such as C-470, I-25 South Gap, and Central 70. Included in salaries and benefits is the pension credit of $259,162. Construction expenses decreased due to the true up of final settlement amounts. Depreciation expense also increased due to the I-25 North Segment II managed lanes being placed into service during the prior fiscal year.

Net nonoperating expenses decreased by $6.8 million due to the increase in investment income of $1.0 million, an increase in interest expense of $5.2 million, a decrease of $4.7 million in cost issuance and a $6.1 million decrease on loss on disposal of capital assets.

Net Position

The outcome of these changes was a decrease in net position of $2.2 million in Fiscal Year 2017-18. The implementation of GASB 75 in Fiscal Year 2017-18 resulted in a $24,321 reduction to beginning net position. Beginning net position was adjusted to a balance of $155.0 million and an ending balance of $152.4 million. Prior year information contained herein has not been restated for the adoption of GASB 75.

Operating Fund

Revenues

Total operating revenues increased by $2.8 million due to an increase of HPTE's Fee for Service Agreement with CDOT.

Expenses

Total operating costs increased by $2 million due to an increase in salaries and benefits caused by the merging of the Office of Major Projects and Development, which was formerly a division with CDOT, and HPTE. HPTE staff increased by four staff members.

Net nonoperating revenues and expenses decreased by $67,159 due to a reduction in accrued interest of $49,312. The reduction of accrued interest is due to HPTE repaying the Transportation Commission loans.

Net Position

The outcome of these changes was an increase in net position of $1.4 million in Fiscal Year 2017-18. The implementation of GASB 75 in Fiscal Year 2017-18 resulted in a $49,876 reduction of beginning net position, resulting in beginning net position being adjusted from the previously stated deficit balance of $3.4 million and restated balances of $3.5 million. Ending net position for Fiscal Year 2017-18 was a deficit of $2.0 million. Prior year information contained herein has not been restated for the adoption of GASB 75.

Capital Assets and Debt Administration

Transportation Special Revenue Fund

Capital Assets

As of June 30	2019	2018	2017
Capital Assets, Non-depreciable	$ 238,621,091	$ 128,333,253	$ 9,053,855
Capital Assets	302,979,728	310,411,792	318,020,562
Capital Assets, Net of Accumulated Depreciation	$ 541,600,819	$ 438,745,045	$ 327,074,417

In Fiscal Year 2018-19, capital assets increased overall by $102.9 million. In Fiscal Year 2018-19, the increase in non-depreciable capital assets totaling $110.3 million was due to the construction of the C-470 managed lanes. Depreciable capital assets decreased by $7.4 million in Fiscal Year 2018-19 due to the depreciation of the I-25 North Segment II managed lanes.

Debt Outstanding

In October 2013 HPTE started to request disbursements of the $54 million TIFIA loan and at June 30, 2014 HPTE had drawn down $23.4 million of the loan. During Fiscal Year 2014-15 HPTE had drawn down the remaining balance of $30.6 million. The obligation of the TIFIA loan was transferred to PRD when U.S. 36 Phase I project was completed in July 2015.

In December 2014 HPTE entered into $25 million loan with Banc of America Preferred Funding Corporation. The loan will be repaid with toll revenue from the MEXL project. Interest accrues at the rate of 2.79 percent and is due each December. Principal payments start in December 2022 with the maturity date in December 2024.

In February 2016 HPTE entered into a $23.6 million loan with Banc of America Preferred Funding Corporation. The loan will be repaid with toll revenue from I-25 North Segment III. Interest accrues at the rate of 1.99 percent and is due in December. Principal payments begin in fiscal year 2024, maturing in December 2025.

HPTE closed on the financing for the C-470 Managed Lanes Project in June 2017, which consisted of a TIFIA loan totaling $106 million and revenue backed bonds totaling $176.5 million. As of June 30, 2019, HPTE had requisitioned $42.5 million of the TIFIA loan, resulting in a liability as well. Debt service payments for the TIFIA loan do not start until after substantial completion. The C-470 revenue backed bonds interest payments began in December 2017 and principal payments are due December 2045. The C-470 bond mature in December 2056.

Operating Fund

The operating fund does not hold any capital assets.

Debt Outstanding

The long-term portion of the debt due to the Transportation Commission loans was $1.97 million in Fiscal Year 2018-19 and $2.04 million in Fiscal Year 2017-18. A payment of $1.25 million, consisting of $988,286 principal and $267,486 interest was made to CDOT in January 2019. HPTE will continue to make debt payments when sufficient revenue becomes available to repay the principal and interest of the loan.

Financial Contact

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Colorado High Performance Transportation Enterprise

Statements of Net Position

June 30, 2019 and 2018

	June 30, 2019			June 30, 2018		
	Transportation Special Revenue Fund	Operating	Total	Transportation Special Revenue Fund	Operating	Total
Assets						
Current assets:						
Cash and pooled cash investments	$ 30,210,317	$ 3,449,566	$ 33,659,883	$ 25,805,752	$ 2,738,754	$ 28,544,506
Receivables	9,684,813	1,418	9,686,231	318,336	1,938	320,274
Prepaid items	-	42,244	42,244	250	72,565	72,815
Total current assets	39,895,130	3,493,228	43,388,358	26,124,338	2,813,257	28,937,595
Noncurrent assets:						
Restricted cash	28,748,712	-	28,748,712	90,314,983	-	90,314,983
Capital assets, nondepreciable	238,621,091	-	238,621,091	128,333,253	-	128,333,253
Capital assets, net of accumulated depreciation	302,979,728	-	302,979,728	310,411,792	-	310,411,792
Total noncurrent assets	570,349,531	-	570,349,531	529,060,028	-	529,060,028
Total assets	**610,244,661**	**3,493,228**	**613,737,889**	**555,184,366**	**2,813,257**	**557,997,623**
Deferred Outflows of Resources						
Related to pensions	921	1,305,816	1,306,737	51,080	854,352	905,432
Related to postemployment benefits	11	42,913	42,924	36	15,423	15,459
Total deferred outflows of resources	**932**	**1,348,729**	**1,349,661**	**51,116**	**869,775**	**920,891**
Liabilities						
Current liabilities:						
Accounts payable and accrued liabilities	40,123,836	353,174	40,477,010	36,018,870	323,780	36,342,650
Total current liabilities	40,123,836	353,174	40,477,010	36,018,870	323,780	36,342,650
Noncurrent liabilities						
Due to Transportation Commission	-	1,968,437	1,968,437	-	2,043,273	2,043,273
C-470 Bonds	176,117,822	-	176,117,822	176,299,781	-	176,299,781
C-470 TIFIA loan facility	42,499,961	-	42,499,961	-	-	-
Pending draw on C-470 TIFIA loan facility	9,178,383	-	9,178,383	-	-	-
MEXL program loan	25,000,000	-	25,000,000	25,000,000	-	25,000,000
I-25 North Segment III program loan	23,630,000	-	23,630,000	23,630,000	-	23,630,000
Accrued interest	5,258,919	152,618	5,411,537	4,673,656	273,874	4,947,530
Net other postemployment benefits	293	104,022	104,315	6,174	65,423	71,597
Net pension liability	6,988	2,464,396	2,471,384	269,932	2,860,175	3,130,107
Total noncurrent liabilities	281,692,366	4,689,473	286,381,839	229,879,543	5,242,745	235,122,288
Total liabilities	**321,816,202**	**5,042,647**	**326,858,849**	**265,898,413**	**5,566,525**	**271,464,938**
Deferred Inflows of Resources						
Related to pensions	283,554	1,273,126	1,556,680	415,853	130,598	546,451
Related to postemployment benefits	17,340	158	17,498	15,488	1,095	16,583
Concession agreement	133,644,562	-	133,644,562	136,549,878	-	136,549,878
Total Deferred Inflows of Resources	**133,945,456**	**1,273,284**	**135,218,740**	**136,981,219**	**131,693**	**137,112,912**
Net Position (Deficit)						
Net investment in capital assets	141,051,148	-	141,051,148	198,515,110	-	198,515,110
Restricted for debt service	16,881,811	-	16,881,811	24,626,580	-	24,626,580
Unrestricted (deficit)	(3,449,024)	(1,473,974)	(4,922,998)	(70,785,840)	(2,015,186)	(72,801,026)
Total net position (deficit)	**$ 154,483,935**	**$ (1,473,974)**	**$ 153,009,961**	**$ 152,355,850**	**$ (2,015,186)**	**$ 150,340,664**

The accompanying notes are an integral part of these financial statements

Colorado High Performance Transportation Enterprise

Statements of Revenues, Expenses, and Changes in Net Position

Years Ended June 30, 2019 and 2018

	June 30, 2019			June 30, 2018		
	Transportation Special Revenue Fund	Operating	Total	Transportation Special Revenue Fund	Operating	Total
Operating Revenues						
Charges for tolls and services	$ 13,942,225	$ 5,169,500	$ 19,111,725	$ 13,452,778	$ 5,169,500	$ 18,622,278
Other operating revenues	731,541	74,068	805,609	439,770	21,811	461,581
Total operating revenues	**14,673,766**	**5,243,568**	**19,917,334**	**13,892,548**	**5,191,311**	**19,083,859**
Operating Expenses						
Salaries and benefits	(307,355)	1,172,351	864,996	(226,394)	1,545,123	1,318,729
Operating and travel	3,497,166	712,095	4,209,261	2,624,939	302,254	2,927,193
Construction expenses	67,843	-	67,843	(110,628)	-	(110,628)
Professional services	803,712	2,944,884	3,748,596	532,782	1,857,136	2,389,918
Depreciation expense	8,580,530	-	8,580,530	8,548,369	-	8,548,369
Total operating expenses	**12,641,896**	**4,829,330**	**17,471,226**	**11,369,068**	**3,704,513**	**15,073,581**
Operating income	**2,031,870**	**414,238**	**2,446,108**	**2,523,480**	**1,486,798**	**4,010,278**
Nonoperating Revenues (Expenses)						
Investment income	1,943,814	180,882	2,124,696	1,173,529	28,453	1,201,982
Interest expense	(2,990,715)	(53,908)	(3,044,623)	(6,748,722)	(68,565)	(6,817,287)
Net nonoperating revenues (expenses)	**(1,046,901)**	**126,974**	**(919,927)**	**(5,575,193)**	**(40,112)**	**(5,615,305)**
Transfer of I-25 North Segment II managed lanes to HPTE	1,143,116	-	1,143,116	836,578	-	836,578
Change in Net Position	**2,128,085**	**541,212**	**2,669,297**	**(2,215,135)**	**1,446,686**	**(768,449)**
Beginning Net Position	**152,355,850**	**(2,015,186)**	**150,340,664**	**154,570,985**	**(3,461,872)**	**151,109,113**
Net Position (Deficit), End of the Year	**$ 154,483,935**	**$ (1,473,974)**	**$ 153,009,961**	**$ 152,355,850**	**$ (2,015,186)**	**$ 150,340,664**

The accompanying notes are an integral part of these financial statements

Colorado High Performance Transportation Enterprise

Statements of Cash Flows

Years Ended June 30, 2019 and 2018

	June 30, 2019			June 30, 2018		
	Transportation Special Revenue Fund	Operating	Total	Transportation Special Revenue Fund	Operating	Total
Cash Flows from Operating Activities						
Cash received from users and grants	$ 11,580,306	$ 43,336	$ 11,623,642	$ 14,777,859	$ 19,874	$ 14,797,733
Cash payments for salaries and benefits	(41,683)	(852,781)	(894,464)	(532,663)	(844,957)	(1,377,620)
Cash payments to contractors and suppliers of goods and services	(4,261,196)	(3,580,125)	(7,841,321)	(3,428,531)	(2,101,961)	(5,530,492)
Net cash provided by (used in) operating activities	**7,277,427**	**(4,389,570)**	**2,887,857**	**10,816,665**	**(2,927,044)**	**7,889,621**
Cash Flows from Noncapital Financing Activities						
Principal paid on interagency loans	-	(74,836)	(74,836)	-	(1,401,130)	(1,401,130)
Interest paid on interagency loans	-	(175,164)	(175,164)	-	(98,870)	(98,870)
Payments from intergovernmental agreement	-	5,169,500	5,169,500	-	5,169,500	5,169,500
Net cash provided by noncapital financing activities	**-**	**4,919,500**	**4,919,500**	**-**	**3,669,500**	**3,669,500**
Cash Flows from Capital and Related Financing Activities						
Interest paid on debt	(9,444,565)	-	(9,444,565)	(5,639,081)	-	(5,639,081)
Proceeds from issuance of long-term debt	42,318,002					
Acquisition and construction of capital assets	(99,256,384)	-	(99,256,384)	(95,431,837)	-	(95,431,837)
Net cash used in capital and related financing activities	**(66,382,947)**	**-**	**(66,382,947)**	**(101,070,918)**	**-**	**(101,070,918)**
Cash Flows from Investing Activities						
Investment income	1,943,814	180,882	2,124,696	1,173,529	28,453	1,201,982
Net cash provided by investing activities	**1,943,814**	**180,882**	**2,124,696**	**1,173,529**	**28,453**	**1,201,982**
Net increase (decrease) in cash and cash equivalents	(57,161,706)	710,812	(56,450,894)	(89,080,724)	770,909	(88,309,815)
Cash and cash equivalents, beginning of year	116,120,735	2,738,754	118,859,489	205,201,459	1,967,845	207,169,304
Cash and cash equivalents, end of year	**$ 58,959,029**	**$ 3,449,566**	**$ 62,408,595**	**$ 116,120,735**	**$ 2,738,754**	**$ 118,859,489**

Colorado High Performance Transportation Enterprise

Statements of Cash Flows

Years Ended June 30, 2019 and 2018

	June 30, 2019			June 30, 2018		
	Transportation Special Revenue Fund	Operating	Total	Transportation Special Revenue Fund	Operating	Total
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:						
Operating income (loss)	$ 2,031,870	$ 414,238	$ 2,446,108	$ 2,523,480	$ 1,486,798	$ 4,010,278
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:						
Depreciation expense	8,580,530	-	8,580,530	8,548,369	-	8,548,369
Adjustment to net pension and net other postemployment benefit liability	(268,826)	(357,180)	(626,006)	(735,510)	789,508	53,998
Deferred inflows of resources - pension and net other postemployment benefits related	(130,444)	1,141,591	1,011,147	223,478	88,420	311,898
Deferred inflows of resources - concession agreement	(2,905,320)	-	(2,905,320)	(2,905,317)	-	(2,905,317)
Deferred outflows of resources - pension and net other postemployment benefits related	50,184	(478,954)	(428,770)	247,207	(194,743)	- 52,464
Direct state allocation to pension - expense	47	15,650	15,697	-	-	-
Direct state allocation to pension - revenue	(47)	(15,650)	(15,697)	-	-	-
Changes in assets and liabilities						
Receivables, net	(188,093)	(5,168,980)	(5,357,073)	885,311	(5,171,438)	(4,286,127)
Prepaid items	250	30,321	30,571	-	(70,094)	(70,094)
Accounts payable and accrued liabilities	107,276	29,394	136,670	2,029,647	144,505	2,174,152
Net cash provided by (used in) operating activities	**$ 7,277,427**	**$ (4,389,570)**	**$ 2,887,857**	**$ 10,816,665**	**$ (2,927,044)**	**$ 7,889,621**
Noncash Investing, Capital and Financing Activities						
Acquisition of capital assets, on account	$ 39,643,537	$ -	$ 39,643,537	$ 35,645,843	$ -	$ 35,645,843
Transfer of managed lanes to (from) CDOT	$ 1,143,116	$ -	$ 1,143,116	$ 836,578	$ -	$ 836,578
Unrealized gain (loss)	$ 141,873	$ 16,079	$ 157,952	$ 321,956	$ (34,234)	$ 287,722
Pending TIFIA Loan Facility	$ 9,178,384	$ 1,418	$ 9,179,802	$ -	$ -	$ -

The accompanying notes are an integral part of these financial statements

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Colorado High Performance Transportation Enterprise
Notes to Financial Statements
June 30, 2019 and 2018

NOTE 1 – NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

The High Performance Transportation Enterprise (the Enterprise or HPTE) is a self-supporting enterprise fund of the State of Colorado. It was established as an entity of the Colorado Department of Transportation (CDOT) under the provisions of Colorado Revised Statutes (C.R.S.) Section 43-4-806. The Enterprise is tasked with pursuing innovative means to more efficiently finance infrastructure projects that will improve the safety, capacity, and accessibility of the transportation system. Financing projects may come through, among other means, public-private partnerships with other entities, user fee-based revenues and debt issuance. The Enterprise is under the direction of its Board, consisting of seven members. The Enterprise was statutorily established with two distinct funds, the Transportation Special Revenue Fund and the Transportation Enterprise Operating Fund.

Transportation Special Fund

The Statewide Transportation Special Revenue Fund is referred in statute and herein as the Transportation Special Fund. The Fund is authorized to receive monies from any tolling projects. Currently those revenues come primarily from the I-25 Express Lane tolls and I-70 Mountain Express Lanes. Through an intergovernmental agreement with RTD, revenues generated from I-25 cannot be used for purposes other than the operation and maintenance of the I-25 Express Lanes and of the U.S. 36 corridor.

Operating Fund

The Transportation Enterprise Operating Fund, referred to herein as the Operating Fund, accounts for the administration of non-fee supported activities of the Enterprise. The Operating fund is currently funded through an intragency agreement with CDOT. These proceeds from the Transportation Commission loans and the intragency agreement continue to be drawn upon for general administrative activities of the Enterprise that do not involve the operations and administration of HPTE's Express Lanes.

Basis of Accounting and Presentation

For financial reporting purposes, the Enterprise is considered a special-purpose government entity engaged only in business-type activities. Accordingly, the Enterprise uses the accrual basis of accounting to summarize its activities. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when an obligation is incurred.

The financial statements of the Enterprise have been prepared in accordance with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB). The Enterprise uses self-balancing accounting funds to record its financial accounting transactions. The guidelines further require that intra-fund accounting transactions be eliminated. The Enterprise reports two major funds, the Transportation Special Fund and the Operating Fund.

The basic financial statements of the Enterprise present the financial position, results of operations, and, where applicable, cash flows for only the Enterprise. They do not purport to, and do not present, the financial position of CDOT as of June 30, 2019 or 2018, or the results of operations, or cash flows where applicable, thereof for the years then ended.

Use of Estimates in Preparation of Financial Statements

The preparation of financial statements, in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities and deferred inflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

Cash and Pooled Cash Investments

Cash and pooled cash investments consist of cash on deposit with the State Treasurer. For purposes of the statements of cash flows, cash and pooled cash investments are defined as instruments with maturities of three months or less at date of acquisition, and pooled cash held by the Colorado State Treasurer.

Receivables

Receivables are recorded for charges for services as well as funds due from other governments. Enterprise receivables are discussed in Note 3.

Capital Assets

The Enterprise records property and equipment at historical cost. Contributed capital assets are valued at their estimated acquisition value on the date donated. Maintenance and repairs are charged to current period operating expense; additions and improvements are capitalized. Interest cost relating to construction is capitalized. Certain applicable labor costs are also capitalized. The Enterprise's capitalization level is $500,000 for infrastructure and $5,000 for other capital assets. Tolling software and equipment are depreciated using a straight-line methodology over a useful life of five to seven years. Toll lanes are depreciated over a useful life of 40 to 50 years, also using a straight-line methodology. Upon retirement or other disposition of property and equipment, the costs and related accumulated depreciation will be removed from the respective accounts and any gains or losses will be included in operating expenses.

Liabilities

Amounts due within one year are reported as current liabilities. Amounts owed after one year are reported as noncurrent liabilities. Current liabilities include amounts that are payable to contractors and vendors as well as an amount recorded for accrued wages as discussed in Note 5. Noncurrent liabilities include outstanding debt and debt service, compensated absences, amounts due to other funds, and unearned revenue.

Compensated Absences

Employees of the Enterprise are entitled to paid vacations, sick days, and personal days off, depending on job classification, length of service, and other factors. The Enterprise has recorded the amount of compensation for future absences as an accrued liability in the accompanying financial statements. The estimated liability is based on hours earned up to assigned maximums. One-fourth of unused sick days or a maximum of 520 hours may be paid to employees upon retirement or death. Unused vacation days are paid to employees upon termination.

Deferred Outflows of Resources and Deferred Inflows of Resources

Deferred outflows of resources represent a consumption of net position that applies to a future reporting period(s) and so will not be recognized as outflows of resources (expense or reduction of liability) until that time. Deferred inflows of resources represent an acquisition of net position that applies to a future reporting period(s) and so will not be recognized as inflows of resources (revenue) until that time.

HPTE's deferred outflows of resources and deferred inflows of resources consist of pension and OPEB related items. These amounts will be amortized to pension and OPEB expense in a later period, or in the case of the deferred outflows of resources relating to contributions made subsequent to the measurement date, will be recognized as a reduction of the net pension or OPEB liability in the subsequent year. Also included in deferred inflows of resources are items related to the service concession agreement. This amount is being amortized to revenue over the duration of the agreement.

Capitalized Interest

Interest incurred during construction is reflected in the capitalized value of the asset constructed. Total interest expense incurred was $10,029,827 and $8,988,151 during the years ended June 30, 2019 and 2018, respectively. Interest expense capitalized during the years ended June 30, 2019 and 2018 was $7,039,112 and $2,239,429, respectively.

Net Position

The net position of the Enterprise is classified as follows:

Net Investment in Capital Assets

Net investment in capital assets represents capital assets, less accumulated depreciation reduced by the outstanding balances of debt attributable to the acquisition, construction or improvement of these assets.

Restricted Net Position

Restricted net position represents resources in which HPTE is contractually obligated to spend or reserve in accordance with restrictions imposed by external parties.

Unrestricted Net Position

Unrestricted net position represents resources that are not restricted for any project or other purpose. These resources are used to pay the operating costs of the Enterprise.

For the year ended June 30, 2019, the Transportation Special Revenue Fund reported an unrestricted net position deficit of $3,449,024, which is attributable to an increase in assets. The Operating Fund reported a deficit unrestricted net position $1,473,974, which can be attributed principally to the requirements of GASB 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, and GASB Statement No. 75 requiring the recognition of a long-term liability for pensions.

Classification of Revenues and Expenses

The Enterprise has classified its revenues and expenses as either operating or nonoperating. Operating revenues and expenses generally result from providing services or incurring expenses in connection with the Enterprise's principal activities. Nonoperating revenues and expenses include transactions such as interest earned on deposits and interest expense.

Budgets and Budgetary Accounting

The Enterprise prepares an annual operating budget as set by the Board with periodic reviews and changes. By statute, the Enterprise is continuously funded through user service charges. Therefore, the budget is not legislatively adopted and budgetary comparison information is not a required part of these financial statements.

Application of Restricted and Unrestricted Resources

When both restricted and unrestricted resources are available to pay an expense, the Enterprise's policy is to first use unrestricted resources per State policy.

Revision

Net investment in capital assets for the fiscal year ended June 30, 2018 has been revised to reflect the amount of accounts payable at year-end related to capital assets. In addition, the non-cash investing, capital and financing activities section of the statement of cash flows has been revised to include the accounts payable amount.

NOTE 2 – CASH AND POOLED CASH INVESTMENTS

The Enterprise deposits its cash with the Colorado State Treasurer as required by Colorado Revised Statutes. The State Treasurer pools these deposits and invests them in securities authorized by C.R.S. 24-75-601.1. The State Treasury acts as a bank for all State agencies and institutions of higher education, with the exception of the University of Colorado. Monies deposited in the Treasury are invested until the cash is needed. As of June 30, 2019 and 2018, the Enterprise had cash on deposit with the State Treasurer of $33,659,883 and $28,544,506, respectively, which represented less than 1.0 percent of the total $9,096.5 million fair value of investments in the State Treasurer's Pool (Pool) and less than 1.0

percent of the total $7,635.8 million fair value of investments in the Pool as of June 30, 2018. As of June 30, 2019, the Pool's resources included $73.7 million of cash on hand and $9,022.8 million of investments.

On the basis of the Enterprises' participation in the Pool, the Enterprise reports as an increase or decrease in cash for its share of the Treasurer's unrealized gains and losses on the Pool's underlying investments. The State Treasurer does not invest any of the Pool's resources in any external investment pool, and there is no assignment of income related to participation in the Pool. The unrealized gains/losses included in income reflect only the change in fair value for the fiscal year.

Additional information on investments of the State Treasurer's Pool may be obtained in the State's Comprehensive Annual Financial Report for the year ended June 30, 2019.

As of June 30, 2019 HPTE had $28,748,712 of restricted cash in the Transportation Special Revenue Fund. The restricted cash in the Transportation Special Revenue Fund is related to the C-470 TIFIA Loan Facility and revenue bond proceeds.

NOTE 3 – ACCOUNTS RECEIVABLE

The Enterprise expects to receive matching funds from local governments remitted for approved projects, *i.e.* U.S. 36 Phase II. The amounts are recorded in the financial statements directly from CDOT's Federal Aid Billing system based on the project status.

The Enterprise also records receivables from CDOT, Plenary Roads Denver (PRD) and E-470 for services provided.

The amounts recorded as receivables as of June 30 are as follows:

	2019	2018
Tolling revenues receivable	$ 176,609	$ 137,988
CDOT receivable	174,572	1,938
Federal receivable	9,178,383	-
Other receivable	156,667	180,348
Total accounts receivable	**$ 9,686,231**	**$ 320,274**

The federal receivable as of June 30, 2019 represents amounts due from the C-470 TIFIA loan that was approved as of June 30, 2019, but was not received until after June 30, 2019.

No allowance has been recorded as all amounts above are believed to be collectible.

Colorado High Performance Transportation Enterprise

Notes to Financial Statements

June 30, 2019 and 2018

NOTE 4 – CAPITAL ASSETS

A summary of changes in capital assets is as follows for the years ended June 30, 2019 and 2018:

	2019				
	Balance at June 30, 2018	Additions	Disposals	Transfers	Balance at June 30, 2019
Capital assets, not being depreciated					
Assets under construction	$ 128,333,253	$ 110,287,838	$ -	$ -	$ 238,621,091
Total capital assets, not being depreciated	128,333,253	110,287,838	-	-	238,621,091
Capital assets, being depreciated					
Tolling software	2,220,182	-	-	-	2,220,182
Tolling equipment	3,446,750	5,350	-	-	3,452,100
Toll lanes	326,733,317	1,143,116	-	-	327,876,433
Total capital assets, being depreciated	332,400,249	1,148,466	-	-	333,548,715
Less accumulated depreciation					
Tolling software and equipment	(1,110,461)	(444,020)	-	-	(1,554,481)
Toll lanes	(20,877,996)	(8,136,510)	-	-	(29,014,506)
Total accumulated depreciation	(21,988,457)	(8,580,530)	-	-	(30,568,987)
Total capital assets, being depreciated, net	310,411,792	(7,432,064)	-	-	302,979,728
Total capital assets, net	$ 438,745,045	$ 102,855,774	$ -	$ -	$ 541,600,819

	2018				
	Balance at June 30, 2017	Additions	Disposals	Transfers	Balance at June 30, 2018
Capital assets, not being depreciated					
Assets under construction	$ 9,053,855	$ 119,382,420	$ -	$ (103,022)	$ 128,333,253
Total capital assets, not being depreciated	9,053,855	119,382,420	-	(103,022)	128,333,253
Capital assets, being depreciated					
Tolling software	2,220,182	-	-	-	2,220,182
Tolling equipment	3,446,750	-	-	-	3,446,750
Toll lanes	325,793,718	836,577	-	103,022	326,733,317
Total capital assets, being depreciated	331,460,650	836,577	-	103,022	332,400,249
Less accumulated depreciation					
Tolling software and equipment	(666,442)	(444,019)	-	-	(1,110,461)
Toll lanes	(12,773,646)	(8,104,350)	-	-	(20,877,996)
Total accumulated depreciation	(13,440,088)	(8,548,369)	-	-	(21,988,457)
Total capital assets, being depreciated, net	318,020,562	(7,711,792)	-	103,022	310,411,792
Total capital assets, net	$ 327,074,417	$ 111,670,628	$ -	$ -	$ 438,745,045

NOTE 5 – ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Current liabilities include amounts payable to contractors and vendors as well as an amount recorded for accrued wages. Under C.R.S. Section 24-75-201, salaries and wages earned during the month of June are paid in July of the following year. An accrued liability was recorded on June 30 for these earned wages.

The amounts recorded as current liabilities as of June 30 are as follows:

	2019	2018
Vendors payable	$ 796,419	$ 653,169
Contractors payable	39,643,537	35,645,843
Other payables	33,983	2,537
Current portion of compensated absences	3,071	41,101
Total current accounts payable and accrued liabilities	**$ 40,477,010**	**$ 36,342,650**

NOTE 6 – LONG-TERM LIABILITIES

Transportation Commission Loan

Noncurrent liabilities have been recorded for an annual $1,000,000 loan from the Transportation Commission to the operating fund to pay a portion of its operating expenses until sufficient revenues become available to repay the principal and interest on this loan. The Fiscal Year 2011-12, the Fiscal Year 2012-13 and the Fiscal Year 2013-14 loan bears an interest rate of 3.25 percent, 2.5 percent and 2.25 percent, respectively, and the Fiscal Year 2014-15 loan bears an interest rate of 2.75 percent on the unpaid balance, compounded annually. As of June 30, 2019, $152,618 in accrued interest on all loans was recorded and a total of $4 million has been borrowed from the Transportation Commission. For the year ended June 30, 2018 HPTE paid approximately $1.4 million on the loan, and during Fiscal Year 2018-19 HPTE made a Transportation Commission loan payment that totaled $74,836 principal, and $175,164 of interest. The principal balance at June 30, 2019 is $1.97 million with $24,619 of interest being accrued in Fiscal Year 2018-19.

C-470 TIFIA Loan Facility and Revenue Bonds

In June 2017, HPTE closed a $106 million loan facility with TIFIA and $176.5 million revenue backed bonds which included a premium, for the C-470 project to make up the difference in funding that is needed to complete construction. Both the TIFIA loan facility and revenue bonds will be repaid with toll revenues earned from the C-470 managed lanes. The TIFIA loan facility accrues interest at the rate of 2.81 percent and principal payments begin when the C-470 project has reached substantial completion. For Fiscal Year 2018-19, HPTE has received $42,499,961 of TIFIA loan facility proceeds, leaving $64.5 million to be requisitioned, of which $9.2 million is a pending draw. Accrued interest of $585,259 was recognized in Fiscal Year 2018-19 for the C-470 TIFIA loan facility and $9.1 million of the C-470 revenue bond proceeds are available for requisitions. $4 million was accrued as interest for the C-470 revenue bonds in Fiscal Year 2018-19. Both the TIFIA loan facility balance and bonds debt service would be paid by CDOT if HPTE was to default.

I-25 North Segment III Commercial Loan

To close the funding gap on the I-25 North Segment III project (120th Avenue to E-470), HPTE entered into a $23.6 million construction loan with Banc of America Preferred Funding Corporation during Fiscal Year 2015-16. This loan is to be repaid from toll revenues earned from I-25 North Segment III. Interest accrues at the rate of 1.99 percent and is due in December. In Fiscal Year 2018-19 $253,205 of interest was accrued. Principal payments begin in December 2023 with a maturity date in December 2025. No assets were pledged for this loan, future toll revenue was pledged for the repayment of the loan. If HPTE is to default on this loan, CDOT will take over the debt service payments.

Mountain Express Lanes (MEXL Program Loan)

To assist CDOT with traffic management on I-70 between the Twin Tunnels and Empire Junction, the existing shoulders would be expanded to allow tolled traffic during peak travel times under the Mountain Express Lanes (MEXL) project. To fund the MEXL project, HPTE entered into a $25 million loan with Banc of America Preferred Funding Corporation in December 2014. This loan is to be repaid from toll revenues earned from the MEXL. Interest accrues at the rate of 2.79 percent and is due each December. Principal payment start in December 2022 with a maturity date in December 2024. Interest in the amount of $375,580 was accrued in Fiscal Year 2018-19. For the repayment of the loan, future toll revenue was pledged. If HPTE is to default on this loan, CDOT will take over the debt service payments.

U.S. 36 TIFIA Loan

In accordance with the Transportation Infrastructure Finance and Innovation Act (TIFIA) loan disbursement schedule, the Enterprise has drawn the full $54 million under the TIFIA loan agreement for U.S. 36. Toll revenue from the existing I-25 HOT lanes and future toll revenues from U.S. 36 were pledged to establish the TIFIA loan. Per the terms of the concession agreement, the TIFIA loan liability was transferred to PRD when tolling commenced on U.S. 36 Phase I on July 22, 2015. Therefore, the U.S. 36 TIFIA loan is not reflected in the financial statements.

As of June 30, 2019, $5.4 million in accrued interest was recorded in relation to the MEXL loan, I-25 North Segment III loan, C-470 bonds, C-470 TIFIA loan facility and the Transportation Commission loans.

Other long-term liabilities include net pension liability of $2.5 million and OPEB liability of $104,315. The changes in the total liabilities for Fiscal Year 2018-19 and for Fiscal Year 2017-18 are as follows:

	Balance at June 30, 2018	Increase	Decrease	Balance at June 30, 2019	Due Within One Year
Transportation Commission	$ 2,043,273	$ -	$ (74,836)	$ 1,968,437	$ -
C-470 Bonds	161,795,000	-	-	161,795,000	-
Premium on C-470 Bonds	14,504,781	-	(181,959)	14,322,822	-
C-470 TIFIA Loan Facility	-	42,499,961	-	42,499,961	-
Pending Draw	-	9,178,383	-	9,178,383	-
I-25 North Segment III Loan	23,630,000	-	-	23,630,000	-
MEXL Program Loan	25,000,000	-	-	25,000,000	-
Accrued Interest	4,947,530	13,446,099	(12,982,092)	5,411,537	-
Net Pension Liability	3,130,107	1,335	(660,058)	2,471,384	-
Other Postemployment Benefits	71,597	38,673	(5,955)	104,315	-
Total liability	$ 235,122,288	$ 65,164,451	$ (13,904,900)	$ 286,381,839	$ -

	Balance at June 30, 2017 (Restated)	Increase	Decrease	Balance at June 30, 2018	Due Within One Year
Transportation Commission	$ 3,444,403	$ -	$ (1,401,130)	$ 2,043,273	$ -
C-470 Bonds	161,795,000	-	-	161,795,000	-
Premium on C-470 Bonds	14,730,466	-	(225,685)	14,504,781	-
I-25 North Segment III Loan	23,630,000	-	-	23,630,000	-
MEXL Program Loan	25,000,000	-	-	25,000,000	-
Accrued Interest	1,314,975	3,632,555	-	4,947,530	-
Installment Purchase Agreement (MIPA)	1,510,740	-	(1,510,740)	-	-
Net Pension Liability	3,057,963	790,303	(718,159)	3,130,107	-
Other Postemployment Benefits	76,092	-	(4,495)	71,597	-
Total liability	$ 234,559,639	$ 4,422,858	$ (3,860,209)	$ 235,122,288	$ -

Total future debt service payments over the remaining life of the MEXL program loan is as follows:

Fiscal Year	Interest Due	Principal Due	Debt Service Payment
2020	$ 697,500	$ -	$ 697,500
2021	697,500	-	697,500
2022	697,500	-	697,500
2023	1,750,000	6,500,000	8,250,000
2024	1,295,000	8,250,000	9,545,000
2025	717,500	10,250,000	10,967,500
Total payments	$ 5,855,000	$ 25,000,000	$ 30,855,000

Total future debt service payments over the remaining life of the I-25 North Segment III program loan is as follows:

Fiscal Year	Interest Due	Principal Due	Debt Service Payment
2020	$ 470,237	$ -	$ 470,237
2021	470,237	-	470,237
2022	470,237	-	470,237
2023	470,237	-	470,237
2024	1,654,100	7,875,000	9,529,100
2025-2026	1,654,450	15,755,000	17,409,450
Total payments	$ 5,189,498	$ 23,630,000	$ 28,819,498

Total future debt service payments over the life of the C-470 bonds is as follows:

Fiscal Year	Interest Due	Principal Due	Debt Service Payment
2020	$ 8,089,750	$ -	$ 8,089,750
2021	8,089,750	-	8,089,750
2022	8,089,750	-	8,089,750
2023	8,089,750	-	8,089,750
2024	8,089,750	-	8,089,750
2025-2029	40,448,750	-	40,448,750
2030-2034	40,448,750	-	40,448,750
2035-2039	40,448,750	-	40,448,750
2040-2044	40,448,750	-	40,448,750
2045-2049	37,390,750	42,795,000	80,185,750
2050-2054	23,262,250	68,510,000	91,772,250
2055-2057	5,134,000	50,490,000	55,624,000
Total payments	$ 268,030,750	$ 161,795,000	$ 429,825,750

The Transportation Commission loans do not have established payment terms and are not included in the table above.

NOTE 7 – COMMITMENTS

The Enterprise has commitments at the end of Fiscal Year 2018-19 totaling $4,068,777 related to professional services and construction for the Transportation Special Fund and for consulting services in the amount of $3,132,252 for the Operating Fund.

NOTE 8 – DEFINED BENEFIT PENSION PLAN

The Enterprise participates in the State Division Trust Fund (SDTF), a cost-sharing multiple-employer defined benefit pension fund administered by the Public Employee's Retirement Association of Colorado (PERA). The net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net pension and additions to/deductions from the fiduciary net position of the SDTF have been determined using the economic resources measurement focus and the accrual basis of accounting. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

During the 2018 legislative session, the Colorado General Assembly passed significant pension reform through SB 18-200: *Concerning Modifications To the Public Employees' Retirement Association Hybrid Defined Benefit Plan Necessary to Eliminate with a High Probability the Unfunded Liability of the Plan Within the Next Thirty Years.* The bill was signed into law by Governor Hickenlooper on June 4, 2018. SB 18-200 makes changes to the plans administered by PERA with the goal of eliminating the unfunded actuarial accrued liability of the Division Trust Funds and thereby reach a 100 percent funded ratio for each division within the next 30 years.

A brief description of some of the major changes to plan provisions required by SB 18-200 are listed below. A full copy of the bill can be found online at www.leg.colorado.gov.

- Increases employer contribution rates by 0.25 percent on July 1, 2019.

- Increases employee contribution rates by a total of 2 percent (to be phased in over a period of three years starting on July 1, 2019).

- As specified in C.R.S. 24-51-413, the state is required to allocate $225 million each year to PERA starting on July 1, 2018. A portion of the direct distribution will be allocated to the SDTF based on the proportionate amount of annual payroll of the SDTF, School Division Trust Fund, Judicial Division Trust Fund and the Denver Public Schools Division Trust Fund. The allocation recorded by HPTE amounted to $15,650.

- Modifies the retirement benefits, including temporarily suspending and reducing the annual increase for all current and future retirees, modifying the highest average salary for employees with less than five years of service credit on December 31, 2019 and raises the retirement age for new employees.

- Member contributions, employer contributions, the direct distribution from the state, and the annual increases will be adjusted based on certain statutory parameters beginning July 1, 2020, and then each year thereafter, to help keep PERA on path to full funding in 30 years.

- Expands eligibility to participate in the PERA DC Plan to new members hired on or after January 1, 2019, who are classified college and university employees in the State Division. Beginning January 1, 2021, and every year thereafter, employer contribution rates for the SDTF will be adjusted to include a defined contribution supplement based on the employer contribution amount paid to defined contribution plan participant accounts that would have otherwise gone to the defined benefit trusts to pay down the unfunded liability plus any defined benefit investment earnings thereon.

A. Plan Description

Eligible employees of the HPTE are provided with pensions through the State Division Trust Fund, a cost-sharing multiple-employer defined benefit pension plan administered by PERA. Plan benefits are specified in Title 24, Article 51 of the Colorado Revised Statutes (C.R.S.), administrative rules set forth at 8 C.C.R. 1502-1, and applicable provisions of the federal Internal Revenue Code. Colorado State law provisions may be amended from time to time by the Colorado General Assembly. PERA issues publicly available comprehensive annual financial report that can be obtained at www.copera.org/ investments/pera-financial-reports.

B. Benefits Provided as of December 31, 2018

PERA provides retirement, disability and survivor benefits. Retirement benefits are determined by the amount of service credit earned and/or purchased, highest average salary, the benefit structure(s) under which the member retires, the benefit option selected at retirement, and age at retirement. Retirement eligibility is specified in tables set forth at C.R.S. § 24-51-602, 604, 1713, and 1714.

The lifetime retirement benefit for all eligible retiring employees under the PERA Benefit Structure is greater of the:

- Highest average salary multiplied by 2.5 percent and then multiplied by years of service credit.
- The value of retiring employee's member contribution account plus a 100 percent match on eligible amounts as of the retirement date. This amount is then annuitized into a monthly benefit based on life expectancy and other actuarial factors.

In all cases the service retirement benefit is limited to 100 percent of the highest average salary and also cannot exceed the maximum benefit allowed by federal Internal Revenue Code.

Members may elect to withdraw their member contribution accounts upon termination of employment with all PERA employers; waiving rights to any lifetime retirement benefits earned. If eligible, the member may receive a match of either 50 percent or 100 percent on eligible amounts depending on when contributions were remitted to PERA, the date employment was terminated, whether five years of service credit has been obtained and the benefit structure under which contributions were made.

As of December 31, 2018, benefit recipients who elect to receive a lifetime retirement benefit are generally eligible to receive post-retirement cost-of-living adjustments, referred to as annual increases in the C.R.S. Pursuant to SB 18-200, there are no annual increases (AI) for 2018 and 2019 for all benefit recipients. Therefore, benefit recipients under the PERA benefit structure who began eligible employment before January 1, 2007 will receive an annual increase unless PERA has a negative investment year, in which case the annual index for the next three years is the lesser of 1.5 percent of the average of the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) for the prior calendar year. Benefit recipients under the PERA benefit structure who began eligible employment after January 1, 2007 will receive the lesser of an annual increase of 1.5 percent or the average CPI-W for the prior calendar year, not to exceed 10 percent of PERA's Annual Increase Reserve (AIR) for the SDTF. The automatic adjustment provision may raise or lower the aforementioned AIR or a given year by up to one-quarter of 1.0 percent based on the parameters specified in C.R.S § 24-51-413. Disability benefits are available for eligible employees once they reach five years of earned service credit and are determined to meet the definition of disability.

Survivor benefits are determined by several factors, which include the amount of earned service credit, highest average salary of the deceased, the benefit structure(s) under which service credit was obtained, and the qualified survivor(s) who will receive the benefits.

C. Contributions Provisions as of June 30, 2018

Eligible employees and HPTE are required to contribute to the SDTF at a rate set by Colorado statute. The contribution requirements are established under C.R.S. § 24-51-401, et seq and § 24-51-413. Employee contribution rates are summarized in the table below:

	07-1-18 to 12-31-18	01-01-19 to 06-30-19	07-01-19 to 06-30-2020
Employee Contribution Rate	8.00%	8.00%	8.75%

[1] Contribution Rates for the SDTF are expressed as a percentage of salary as defined in C.R.S. § 24-51-101(42).

The employer contribution requirements for all employees is summarized in the table below:

	07-1-18 to 12-31-18	01-01-19 to 06-30-19	07-01-19 to 06-30-2020
Employer Contribution Rate	10.15%	10.15%	10.40%
Amount of Employer Contribution Apportioned to the Heath Care Trust Fund as specified in C.R.S. Section 24-51-208(1)(f)	-1.02%	-1.02%	-1.02%
Amount Apportioned to the SDTF	9.13%	9.13%	9.38%
Amortization Equalization Disbursement (AED) as specified in C.R.S. Section 24-51-411	5.00%	5.00%	5.00%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S., Section 24-51-411	5.00%	5.00%	5.00%
Total Employer Contribution Rate to the SDTF	19.13%	19.13%	19.38%

[1] Contribution Rates for the SDTF are expressed as a percentage of salary as defined in C.R.S. § 24-51-101(42).

As specified in C.R.S § 24.-51-413, the State is required to contribute $225 million each year to PERA starting on July 1, 2018. A portion of the direct distribution payment is allocated to the SDTF based on the proportionate amount of the annual payroll of the SDTF, School Division Trust Fund, Judicial Division Trust Fund, and Denver Public Schools Division Trust Fund. The allocation recorded by HPTE amounted to $15,650.

Employer contributions are recognized by the SDTF in the period in which the compensation becomes payable to the member and the HPTE is statutorily committed to pay the contributions to the SDTF. Employer contributions recognized by the SDTF from the Enterprise were $135,075 and $118,854 for the years ended June 30, 2019 and 2018, respectively.

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

The net pension liability was measured as of December 31, 2018 and 2017, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2017 and 2016, respectively. Standard update procedures were used to roll forward the total pension liability to December 31, 2018 and 2017. The CBE proportion of the net pension liability was based on CBE's contributions to the SDTF for the calendar year associated with the above measurement date, relative to the total contributions of participating employers and, as applicable, the State as a nonemployee contributing entity for participating employers of the SDTF that are outside of the State's financial reporting entity.

At June 30, 2019 and 2018, the Enterprise reported a liability of $2,471,384 and $3,130,107, respectively, for its proportionate share of the net pension liability.

At December 31, 2018, the Enterprise's proportion was .022 percent, which was an increase of .006 percent from its proportion measured as of December 31, 2017.

At December 31, 2017, the Enterprise's proportion was .0160 percent, which was a decrease of .001 percent from its proportion measured as of December 31, 2016.

For the years ended June 30, 2019 and 2018, the HPTE recognized pension expense (credit) of ($49,799) and $538,689, respectively. At June 30, 2019 and 2018, the Enterprise reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2019		2018	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 70,673	$ -	$ 48,806	$ -
Changes in assumptions or other inputs	130,131	1,276,185	543,506	-
Net difference between projected and actual earnings on pension plan investments	124,833	-	-	117,891
Changes in proportion and differences between contributions recognized and proportionate share of contributions	922,459	280,495	246,552	428,560
Contributions subsequent to the measurement date	58,641	-	66,568	-
Total	$ 1,306,737	$ 1,556,680	$ 905,432	$ 546,451

$58,641 was reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30, 2019	
2020	$ (128,752)
2021	(254,326)
2022	6,132
2023	68,362
2024	-
Thereafter	$ (308,584)

E. Actuarial Assumptions

The total pension liability in the December 31, 2017 actuarial valuation was determined using the following actuarial cost method, actuarial assumptions and other inputs:

Actuarial cost method	Entry age
Price inflation	2.40 percent
Real wage growth	1.10 percent
Wage inflation	3.50 percent
Salary increases, including wage inflation	3.50-9.17 percent
Long-term investment Rate of Return, net of pension plan investment expenses, including price inflation	7.25 percent
Discount rate	4.72 percent
Post-retirement benefit increases:	
PERA Benefit Structure hired prior to January 1, 2007 and DPS Benefit Structure (automatic)	2.00 percent compounded annually
PERA Benefit Structure hired after December 31, 2006 (ad hoc, substantively automatic)	Financed by the Annual Increase Reserve

The revised assumptions shown below in the roll-forward calculation of the total pension liability from December 31, 2017 to December 31, 2018:

Discount rate	7.25 percent
Post-retirement benefit increases:	
PERA benefit structure hired prior to January 1, 2007 and DPS benefit structure (automatic)	0% through 2019 and 1.5% compounded annually, thereafter
PERA benefit structure hired after December 31, 2006 (ad hoc, substantively automatic)	Financed by the Annual Increase Reserve

Healthy mortality assumptions for active members reflect the RP-2014 White Collar Employee Mortality Table, a table specifically developed for actively working people. To allow for an appropriate margin of improved mortality prospectively, the mortality rates incorporate a 70 percent factor applied to males' rates and a 55 percent factor applied to females' rates.

Healthy, post-retirement mortality assumptions reflect the RP-2014 Healthy Annuitant Mortality Table, adjusted as follows:

- **Males:** Mortality improvement projected to 2018 using the MP-2015 projection scale, a 73 percent factor applied to rates for ages less than 80, a 108 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.

- **Females:** Mortality improvements projected to 2020 using the MP-2015 projection scale, a 78 percent factor applied to rates for ages less than 80, a 109 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.

For disabled retirees, the mortality assumption was changed to reflect 90 percent of the RP-2014 Disabled Retiree Mortality Table.

The actuarial assumptions used in the December 31, 2016 valuations were based on the results of the 2016 experience analysis for the periods January 1, 2012 through December 31, 2015, as well as the October 28, 2016 actuarial assumptions workshop and were adopted by the PERA Board during the November 18, 2016 Board meeting.

The long-term expected return on plan assets is reviewed as part of regular experience studies prepared every four or five years for PERA. Recently, this assumption has been reviewed more frequently. The most recent analyses were outlined in presentations to PERA's Board on October 28, 2016.

Several factors were considered in evaluating the long-term rate of assumption for the SDTF, including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation.

As of the most recent adoption of the current long-term expected rate of return by the PERA Board, the target asset allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	30 Year Expected Geometric Real Rate of Return
U.S. Equity – Large Cap	21.20%	4.30%
U.S. Equity – Small Cap	7.42%	4.80%
Non U.S. Equity – Developed	18.55%	5.20%
Non U.S. Equity – Emerging	5.83%	5.40%
Core Fixed Income	19.32%	1.20%
High Yield	1.38%	4.30%
Non U.S. Fixed Income-Developed	1.84%	0.60%
Emerging Market Debt	0.46%	3.90%
Core Real Estate	8.50%	4.90%
Opportunity Fund	6.00%	3.80%
Private Equity	8.50%	6.60%
Cash	1.00%	0.20%
Total	100.00%	

In setting the long-term expected rate of return, projections employed to model future returns provide a range of expected long-term returns that including expected inflation, ultimately support a long-term expected rate of return assumption of 7.25 percent.

F. Discount Rate

The discount rate used to measure the total pension liability was 7.25 percent. The projection of cash flows used to determine the discount rate applied to the actuarial cost method and assumptions shown above. In addition, the following methods and assumptions were used in the projection of cash flows:

- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.50 percent.

- Employee contributions were assumed to be made at the current member contribution rate. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.

- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law and effective as of the measurement date, including current and estimated future AED and SAED, until the Actuarial Value Funding Ratio reaches 103 percent, at which point, the AED and SAED will each drop 0.50 percent every year until they are zero. Additionally, estimated employer contributions included reductions for the funding of the AIR and retiree health care benefits. For future plan members, employer contributions were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.

- As specified in law, the State will provide an annual direct distribution of $225 million (actual dollars), commencing July 1, 2018, that is proportioned between the State, School, Judicial, and DPS Division Trust Funds based upon the covered payroll of each Division. The annual direct distribution ceases when all Division Trust Funds are fully funded.

- Employer contributions and the amount of total service costs for future plan members were based upon a process used by the plan to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.

- The AIR balance was excluded from the initial fiduciary net position, as, per statute, AIR amounts cannot be used to pay benefits until transferred to either retirement benefits reserve or the survivor benefits reserve as appropriate. AIR transfers to the fiduciary net position and the subsequent AIR benefit payments were estimated and included in the projections.

- Benefit payments and contributions were assumed to be made at the middle of the year.

Based on the above assumptions and methods, the projection test indicates the SDTF's fiduciary net position was projected to be available to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return 7.25 percent on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount determination does not use the municipal bond index rate, and therefore, the discount rate is 7.25 percent.

As of the prior measurement date, the long-term expected rate of return on plan investments of 7.25 percent and the municipal bond index rate of 3.43 percent were used in the discount rate determination resulting in a discount rate of 4.72 percent, 2.53 percent lower compared to the current measurement date.

G. Sensitivity of the HPTE Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the proportionate share of the net pension liability calculated using the discount rate of 7.25 percent, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.25 percent) or one percentage point higher (8.25 percent) than the current rate:

	June 30, 2019		
	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net pension liability	$ 3,072,357	$ 2,417,385	$ 1,962,908

H. Pension Plan Fiduciary Net Position

Detailed information about the SDTF's fiduciary net position is available in PERA's comprehensive annual financial report which can be obtained at www.copera.org/investment/pera-financial-reports.

NOTE 9 – OTHER RETIREMENT PLANS

Other Investment Program

A. Plan Description

Employees of HPTE that are also members of the SDTF may voluntarily contribute to the Voluntary Investment Program, an Internal Revenue Code Section 401(k) defined contribution plan administered by PERA. Title 24, Article 51, Part 14 of the C.R.S., as amended, assigns the authority to establish the plan provisions to the PERA Board of Trustees. PERA issues a publicly available comprehensive annual financial report which includes additional information on the Voluntary Investment Program. That report can be obtained at www.copera.org/investments/pera-financial-reports.

B. Funding Policy

The Voluntary Investment Program is funded by voluntary member contributions up to the maximum limits set by the Internal Revenue Service, as established under Title 24, Article 51, Section 1402 of the C.R.S., as amended. Employees are immediately vested in their own contributions.

Defined Contribution Retirement Plan (DC Plan)

A. Plan Description

Employees of HPTE that were hired on or after January 1, 2006 which were eligible to participate in the SDTF, a cost-sharing multiple-employer defined benefit pension plan, have the option to participate in the SDTF or the Defined Contribution Retirement Plan (PERA DC Plan). The PERA DC Plan is an Internal Revenue Code Section 401(a) governmental profit-sharing defined contribution plan. Title 24, Article 51, Part 15 of the C.R.S., as amended, assigns the authority to establish Plan provisions to the PERA Board of Trustees. The DC Plan is also included in PERA's comprehensive annual financial report as referred to above.

B. Funding Policy

All participating employees in the PERA DC Plan, with the exception of State Troopers, are required to contribute 8.00 percent of their PERA-includable salary and the State of Colorado is required to contribute 10.15 percent of PERA-includable salary on behalf of these employees. Additionally, the State of Colorado is required to contribute AED and SAED to the SDTF as follows:

01-01-18 to12-31-18	01-01-19-06-30-19	07-01-19-06-30-20
8.00%	8.00%	8.75%
10.00%	10.00%	10.75%

Additionally, the employers are required to contribute to AED and SAED to the SDTF as follows:

	As of 06-30-19
Amortization Equalization Disbursement (AED) as specified in C.R.S. Section 24-51-411[1]	5.00%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S., Section 24-51-411[1]	5.00%
Total employer contribution rate to the SDTF[1]	10.00%

[1] Rates are expressed as a percentage of salary as defined in C.R.S. §24-51-101(42).

Contribution requirements are established under Title 24, Article 51, Section 1505 of the C.R.S., as amended. Participating employees of the PERA DC Plan are immediately vested in their own contributions and investment earnings and are immediately 50 percent vested in the amount of employer contributions made on their behalf. For each full year of participation, vesting of employer contributions increases by 10 percent. Forfeitures are used to pay expenses of the PERA DC Plan in accordance with PERA Rule 16.08 as adopted by the PERA Board of Trustees in accordance with Title 24, Article 51, Section 204 of the C.R.S. As a result, forfeitures do not reduce pension expense. Participating employees in the PERA DC Plan contributed $10,573,000 and the State of Colorado recognized pension contributions of $13,201,000 for the PERA DC Plan. HPTE recognized pension contributions of $1,440 as of June 30, 2019 and $10,740 as of June 30, 2018.

NOTE 10 – DEFINED BENEFIT OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLAN

A. OPEB

The HPTE participates in the Health Care Trust Fund (HCTF), a cost-sharing multiple-employer defined benefit OPEB fund administered by the Public Employees' Retirement Association of Colorado (PERA). The net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, OPEB expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position have been determined on the same basis as they are reported by HCTF, using the economic resources measurement focus and the accrual basis of accounting. For this purpose, benefits paid on behalf of health care participants are recognized when due and/or payable in accordance with the benefit terms. Investments are reported at fair value.

B. Plan Description

Eligible employees of the HPTE are provided with OPEB through the HCTF—a cost-sharing multiple-employer defined benefit OPEB fund administered by PERA. The HCTF is established under Title 24, Article 51, Part 12 of the Colorado Revised Statutes (C.R.S.), as amended. Colorado State law provisions may be amended from time to time by the Colorado General Assembly. Title 24, Article 51, Part 12 of the C.R.S., as amended, sets forth a framework that grants authority to the PERA Board to contract, self-insure, and authorize disbursements necessary in order to carry out the purposes of the PERACare program, including the administration of the premium subsidies. Colorado State law provisions may be amended from time to time by the Colorado General Assembly. PERA issues a publicly available comprehensive annual financial report that can be obtained at www.copera.org/investments/pera-financial-reports.

C. Benefits Provided

The HCTF provides a health care premium subsidy to eligible participating PERA benefit recipients and retirees who choose to enroll in one of the PERA health care plans, however, the subsidy is not available if only enrolled in the dental and/or vision plan(s). The health care premium subsidy is based upon the benefit structure under which the member retires and the member's years of service credit. For members who retire having service credit with employers in the Denver Public Schools (DPS) Division and one or more of the other four Divisions (State, School, Local Government and Judicial), the premium subsidy is allocated between the HCTF and the Denver Public Schools Health Care Trust Fund (DPS HCTF). The basis for the amount of the premium subsidy funded by each trust fund is the percentage of the member contribution account balance from each division as it relates to the total member contribution account balance from which the retirement benefit is paid.

C.R.S. § 24-51-1202 et seq. specifies the eligibility for enrollment in the health care plans offered by PERA and the amount of the premium subsidy. The law governing a benefit recipient's eligibility for the subsidy and the amount of the subsidy differs slightly depending under which benefit structure the benefits are calculated. All benefit recipients under the PERA benefit structure and all retirees under the DPS benefit structure are eligible for a premium subsidy, if enrolled in a health care plan under PERACare. Upon the death of a DPS benefit structure retiree, no further subsidy is paid.

Enrollment in the PERACare is voluntary and is available to benefit recipients and their eligible dependents, certain surviving spouses, and divorced spouses and guardians, among others. Eligible benefit recipients may enroll in the program upon retirement, upon the occurrence of certain life events, or on an annual basis during an open enrollment period.

D. PERA Benefit Structure

The maximum service-based premium subsidy is $230 per month for benefit recipients who are under 65 years of age and who are not entitled to Medicare; the maximum service-based subsidy is $115 per month for benefit recipients who are 65 years of age or older or who are under 65 years of age and entitled to

Medicare. The basis for the maximum service-based subsidy, in each case, is for benefit recipients with retirement benefits based on 20 or more years of service credit. There is a 5 percent reduction in the subsidy for each year less than 20. The benefit recipient pays the remaining portion of the premium to the extent the subsidy does not cover the entire amount.

For benefit recipients who have not participated in Social Security and who are not otherwise eligible for premium-free Medicare Part A for hospital-related services, C.R.S. 24-51-1206(4) provides an additional subsidy. According to the statute, PERA cannot charge premiums to benefit recipients without Medicare Part A that are greater than premiums charged to benefit recipients with Part A for the same plan option, coverage level, and service credit. Currently, for each individual PERACare enrollee, the total premium for Medicare coverage is determined assuming plan participants have both Medicare Part A and Part B and the difference in premium cost is paid by the HCTF on behalf of benefit recipients not covered by Medicare Part A.

E. Contributions

Pursuant to Title 24, Article 51, Section 208(1)(f) of the C.R.S., as amended, certain contributions are apportioned to the HCTF. PERA-affiliated employers of the State, School, Local Government and Judicial Divisions are required to contribute at a rate of 1.02 percent of PERA-includable salary into the HCTF.

Employer contributions are recognized by the HCTF in the period in which the compensation becomes payable to the member and the HPTE is statutorily committed to pay the contributions. Employer contributions recognized by the HCTF from HPTE were $6,368 for the year ended June 30, 2019.

F. OPEB Liabilities, OPEB Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2019 and 2018, the HPTE reported a liability of $104,315 and $71,597, respectively for its proportionate share of the net OPEB liability. The net OPEB liability for the HCTF was measured as of December 31, 2018 and 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2017 and 2016, respectively. Standard update procedures were used to roll-forward the total OPEB liability to December 31, 2018 and 2017. The HPTE proportion of the net OPEB liability was based on HPTE contributions to the HCTF for the calendar year 2018 relative to the total contributions of participating employers to the HCTF.

At December 31, 2018, the HPTE proportion was .008 percent, which was an increase of .002 percent from its proportion measured as of December 31, 2017.

At December 30, 2017, the HPTE proportion was .006 percent, which was a decrease of .053 percent for its proportion measured as of December 31, 2016.

For the year ended June 30, 2019, the HPTE recognized OPEB expense of $6,169 and $4,861 as of June 30, 2018. At June 30, 2019, the HPTE reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	2019		2018	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 379	$ 158	$ 338	$ -
Changes of assumptions or other inputs	732	-	-	-
Net difference between projected and actual earnings on OPEB plan investments	600	-	-	1,198
Changes in proportion and differences between contributions recognized and proportionate share of contributions	38,086	17,340	11,572	15,385
Contributions subsequent to the measurement date	3,127	-	3,549	-
Total	$ 42,924	$ 17,498	$ 15,459	$ 16,583

$3,127 reported as deferred outflows of resources related to OPEB, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30	
2020	$ 4,227
2021	4,227
2022	4,227
2023	4,644
2024	4,779
Thereafter	195
	$ 22,299

G. Actuarial Assumptions

The total OPEB liability in the December 31, 2017 actuarial valuation was determined using the following actuarial cost method, actuarial assumptions and other inputs:

Actuarial cost method	Entry age
Price inflation	2.40 percent
Real wage growth	1.10 percent
Wage inflation	3.50 percent
Salary increases, including wage inflation	3.50 percent in aggregate
Long-term investment Rate of Return, net of OPEB plan investment expenses, including price inflation	7.25 percent
Discount rate	7.25 percent
Health care cost trend rates	
PERA benefit structure:	
Service based premium subsidy	0.00 percent
PERACare Medicare plans	5.00 percent
Medicare Part A premiums	3.25 percent for 2018, gradually rising to 5.00 percent in 2025
DPS benefit structure	
PERA benefit structure:	
Service based premium subsidy	0.00 percent
PERACare Medicare plans	N/A
Medicare Part A premiums	N/A

Calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each actuarial valuation and on the pattern of sharing of costs between employers of each fund to that point.

The actuarial assumptions used in the December 31, 2017 valuations were based on the results of the 2016 experience analysis for the periods January 1, 2012 through December 31, 2015, as well as the October 28, 2016 actuarial assumptions workshop and were adopted by the PERA Board during the November 28, 2016 Board meeting. In addition, certain actuarial assumptions pertaining to per capita health care costs and their related trends are analyzed and reviewed by PERA actuary as discussed below.

In determining the additional liability for PERACare enrollees who are age 65 or older and who are not eligible for premium-free Medicare Part A, the following monthly costs/premiums are assumed for 2018 for the PERA Benefit Structure:

Medicare Plan	Cost for Members Without Medicare Part A	Premiums for Members Without Medicare Part A
Self-Funded Medicare Supplement Plans	$736	$367
Kaiser Permanente Medicare Advantage HMO	602	236
Rocky Mountain Health Plans Medicare HMO	611	251
United Healthcare Medicare HMO	686	213

The 2018 Medicare Part A premium is $422 per month.

In determining the additional liability for PERACare enrollees in the PERA Benefit Structure who are age 65 or older and who are not eligible for premium-free Medicare Part A, the following charge details the initial expected value of Medicare Part A benefits, age adjusted to age 65 for the year following the valuation date:

Medicare Plan	Cost for Members Without Medicare Part A
Self-Funded Medicare Supplement Plans	$289
Kaiser Permanente Medicare Advantage HMO	300
Rocky Mountain Health Plans Medicare HMO	270
United Healthcare Medicare HMO	400

All costs are subject to the health care cost trend rates, as discussed below:

Health care cost trend rates reflect the change in per capita health costs over time due to factors such as medical inflation, utilization, plan design, and technology improvements. For the PERA benefit structure, health care cost trend rates are needed to project the future costs associated with providing benefits to those PERACare enrollees not eligible for premium-free Medicare Part A.

Health care cost trend rates for the PERA benefit structure are based on published annual health care inflation surveys in conjunction with actual plan experience (if credible), building block models and heuristics developed by health plan actuaries and administrators, and projected trends for the Federal Hospital Insurance Trust Fund (Medicare Part A premiums) provided by the Centers for Medicare & Medicaid Services. Effective December 31, 2017, the health care cost trend rates for Medicare Part A premiums were revised to reflect the current expectation of future increases in rates of inflation applicable to Medicare Part A premiums.

The PERA benefit structure health care cost trend rates that were used to measure the total OPEB liability are summarized in the table below:

Year	PERACare Medicare Plan	Medicare Part A Premiums
2018	5.00%	3.25%
2019	5.00%	3.50%
2020	5.00%	3.75%
2021	5.00%	4.00%
2022	5.00%	4.25%
2023	5.00%	4.50%
2024	5.00%	4.75%
2025+	5.00%	5.00%

Mortality assumptions for the determination of the total pension liability for each of the Division Trust Funds as shown below are applied, as applicable, in the determination of the total OPEB liability for the HCTF. Affiliated employers of the State, School, Local Government and Judicial Divisions participate in the HCTF.

Healthy mortality assumptions for active members were based on the RP-2014 White Collar Employee Mortality Table, a table specifically developed for actively working people. To allow for an appropriate margin of improved mortality prospectively, the mortality rates incorporate a 70 percent factor applied to male rates and a 55 percent factor applied to female rates.

Healthy, post-retirement mortality assumptions for the State and Local Government Divisions were based on the RP-2014 Healthy Annuitant Mortality Table, adjusted as follows:

- **Males:** Mortality improvement projected to 2018 using the MP-2015 projection scale, a 73 percent factor applied to rates for ages less than 80, a 108 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.

- **Females:** Mortality improvement projected to 2020 using the MP-2015 projection scale, a 78 percent factor applied to rates for ages less than 80, a 109 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.

For disabled retirees, the mortality assumption was based on 90 percent of the RP-2014 Disabled Retiree Mortality Table.

The following health care cost assumptions were updated and used in the measurement of the obligations for the HCTF:

- Initial per capita health care costs for those PERACare enrollees under the PERA benefit structure who are expected to attain age 65 and older ages and are not eligible for premium-free Medicare Part A benefits were updated to reflect the change in costs for the 2018 plan year.

- The health care cost trend rates for Medicare Part A premiums were revised to reflect the then-current expectation of future increases in rates of inflation applicable to Medicare Part A premiums.

The long-term expected return on plan assets is reviewed as part of regular experience studies prepared every four or five years for PERA. Recently, this assumption has been reviewed more frequently. The most recent analyses were outlined in presentations to PERA's Board on October 28, 2016.

Several factors were considered in evaluating the long-term rate of return assumption for the HCTF, including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation.

As of the most recent adoption of the long-term expected rate of return by the PERA Board, the target asset allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	30 Year Expected Geometric Real Rate of Return
U.S. Equity – Large Cap	21.20%	4.30%
U.S. Equity – Small Cap	7.42%	4.80%
Non U.S. Equity – Developed	18.55%	5.20%
Non U.S. Equity – Emerging	5.83%	5.40%
Core Fixed Income	19.32%	1.20%
High Yield	1.38%	4.30%
Non U.S. Fixed Income-Developed	1.84%	0.60%
Emerging Market Debt	0.46%	3.90%
Core Real Estate	8.50%	4.90%
Opportunity Fund	6.00%	3.80%
Private Equity	8.50%	6.60%
Cash	1.00%	0.20%
Total	100.00%	

In setting the long-term expected rate of return, projections employed to model future returns provide a range of expected long-term returns that, including expected inflation, ultimately support a long-term expected rate of return assumption of 7.25 percent.

H. Sensitivity of the HPTE Proportionate Share of the Net OPEB Liability to Changes in Health Care Cost Trend Rates

The following presents the net OPEB liability using the current health care cost trend rates applicable to the PERA benefit structure, as well as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current rates:

	1% Decrease in Trend Rates	Current Trend Rates	1% Increase in Trend Rates
PERACare Medicare Trend Rate	4.00%	5.00%	6.00%
Initial Medicare Part A Trend Rate	2.25%	3.25%	4.25%
Ultimate Medicare Part A Trend Rate	4.00%	5.00%	6.00%
Net OPEB Liability	$243,536	$250,452	$258,406

I. Discount Rate

The discount rate used to measure the total OPEB liability was 7.25 percent. The projection of cash flows used to determine the discount rate applied the actuarial cost method and assumptions shown above. In addition, the following methods and assumptions were used in the projection of cash flows:

- Updated health care cost trend rates for Medicare Part A premiums as of the December 31, 2018 measurement date.

- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.50 percent.

- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law and effective as of the measurement date.

- Employer contributions and the amount of total service costs for future plan members were based upon a process used by the plan to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.

- Transfers of a portion of purchase service agreements intended to cover the costs associated with OPEB benefits were estimated and included in the projections.

- Benefit payments and contributions were assumed to be made at the end of the month.

Based on the above assumptions and methods, the projection test indicates the HCTF's fiduciary net position was projected to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return of 7.25 percent on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability. The discount rate determination does not use the municipal bond index rate, and therefore, the discount rate is 7.25 percent.

J. Sensitivity of the HPTE Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

The following presents the proportionate share of the net OPEB liability calculated using the discount rate of 7.25 percent, as well as what the proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (6.25 percent) or one percentage point higher (8.25 percent) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net OPEB liability	$116,720	$104,315	$93,711

K. OPEB Plan Fiduciary Net Position

Detailed information about the HCTF's fiduciary net position is available in PERA's comprehensive annual financial report which can be obtained at www.copera.org/investments/pera-financial-reports.

NOTE 11 – RISK MANAGEMENT

The State of Colorado currently self-insures its agencies, officials, and employees for the risks of losses to which they are exposed. That includes general liability, motor vehicle liability, worker's compensation, and medical claims. Property claims are not self-insured; rather the State has purchased insurance. HPTE participates in the Risk Management Fund of the State of Colorado through the Department of Transportation. Agency premiums are based on an assessment of risk exposure and historical experience. Liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities include an amount of claims that have been incurred but not reported. Because actual claims liabilities depend on such complex factors as inflation, changes in legal doctrines and damage awards, the process used in computing claims liability does not necessarily result in an exact amount. Claims liabilities are re-evaluated periodically to take into consideration recently settled claims, the frequency of claims, and other economic and social factors. There were no significant reductions or changes in insurance coverage from the prior year in any of the above mentioned risk management arrangements and had no settlements that exceeded insurance coverage for the past three years.

NOTE 12 – CONCESSION AGREEMENT

On February 25, 2014, HPTE and Plenary Roads Denver (PRD) completed the financial close of a concession agreement. The commercial close of the concession agreement finalized the terms of the agreement. The concession agreement with PRD transferred the operations, maintenance, and revenues from the I-25 High Occupancy Toll lanes and the U.S. 36 Phase I project to PRD from HPTE for the next 50 years. The concession agreement was HPTE and CDOT's first public-private partnership (P3) project, where public and private sectors work together to provide transportation improvements.

The concession agreement meets the criteria of a service concession arrangement under the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements* (SCA), and upon the financial close of the concession agreement the Enterprise adopted and implemented GASB 60. The standard addresses SCAs concession agreements between a government and a governmental or nongovernmental entity in which the transferor conveys to an operator the right and related obligation to provide services through the use of infrastructure or another public asset (a facility) in exchange for significant consideration and the operator collects and is compensated by fees from third parties. The statement also includes required disclosures about SCAs. The adoption of GASB 60 did not result in any effect on beginning net position. In accordance with the standard, the Enterprise recorded the U.S. 36 Phase II construction as an asset at acquisition value upon being placed in operation and being transferred to the Enterprise from PRD in the spring of 2016.

Under the agreement, the Enterprise received from PRD a transfer of capital assets and the assumption of the TIFIA loan. In accordance with GASB 60 (as amended) the Enterprise recorded the capital assets consisting of tolling software and toll lanes at the acquisition value of $88,716,505. The book value of the

TIFIA loan assumed by PRD was $54 million. These amount were included in deferred inflows of resources on the statements of net position, and are being amortized over the life of the agreement.

NOTE 13 – TAX, SPENDING AND DEBT LIMITATIONS

Colorado voters passed an amendment to the State Constitution, Article X, Section 20 (TABOR), which has several limitations, including revenue raising, spending abilities, and other specific requirements of state and local governments. The amendment excludes from its provision Enterprise operations. Enterprises are defined as government-owned businesses authorized to issue revenue bonds, which receive less than 10 percent of their annual revenue in grants from all state and local governments combined. HPTE qualifies as an Enterprise pursuant to C.R.S. 43-4-806(2)(d).

NOTE 14 – REPAYMENT OF PRIOR YEAR TRANSFER

The Colorado Tolling Enterprise (CTE) was established as a government-owned nonprofit business operating within, and as a division of the Colorado Department of Transportation. The CTE was authorized by House Bill 02-1310 and created by the Transportation Commission pursuant to Section 43-4-803(1), C.R.S., prior to the repeal and reenactment of said section by Senate Bill 09-108 by a resolution adopted on August 15, 2002.

The CTE requested Transportation Commission draws of $1,000,000 in Fiscal Year 2002-03, $2,000,000 and $4,000,000 in Fiscal Year 2005-06 totaling $7,000,000 and corresponding interagency agreements. These draws were to assist the CTE with their start-up costs in connection with the formation and operations of the CTE. The CTE planned to repay the draws when they receive sufficient bond proceeds or toll revenues. Under the terms of the interagency agreement, the CTE Transportation Commission draws were classified as a transfer. Before the abolishment of the CTE, the CTE made payments of $2,500,000 and $930,000 in Fiscal Year 2007-08 and $301,822 in Fiscal Year 2008-09, leaving a balance of $3,057,178 outstanding.

When HPTE was created, a Level III transfer occurred which moved the CTE’s powers, duties, functions, and financial balances to HPTE, which included the balance of the CTE’s draws. HPTE made payments of $301,822 and $905,464 in Fiscal Year 2009-10 and Fiscal Year 2010-11, respectively, leaving an outstanding balance of $2,060,892 of the CTE transfers. These amounts are not considered a liability of the Enterprise. HPTE will reimburse CDOT for CTE’s transfers when HPTE has the funds available.

NOTE 15 – CENTRAL 70 PROJECT

On August 24, 2017, Kiewit Meridiam Partners LLC (KMP) was selected to be the Central 70 project developer to undertake the $1.2 billion dollar project. On November 22, 2017, Colorado Bridge Enterprise (CBE) and the HPTE Boards approved the Project Agreement and completed the commercial close of the Central 70 project. On December 21, 2017, KMP and CBE completed the financial close of the project what included CBE issuing $120,765,426 of Private Activity Bonds (PABs) and closing on a TIFIA loan totaling $416,000,000. Since CBE acted as a conduit issuer for the TIFIA loan and the PABs, CBE has no liabilities to record, and the debt will be repaid by KMP. Construction officially started in the summer of 2018 with completion estimated to be in 2022.

NOTE 16 – ADOPTION OF NEW ACCOUNTING STANDARD

HPTE implemented GASB Statement No. 88, *Certain Disclosures Related to Debt Including Direct Borrowings and Direct Placements*. The primary objective of this statement is to improve the information that is disclosed in notes to government financial statements related to debt including direct borrowings, and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt.

NOTE 17 – SUBSEQUENT EVENTS

Highway U.S. 36 Emergency

On July 11, 2019 a longitudinal crack and failure of a wall on U.S. 36 occurred and traffic from the eastbound general purpose and express lanes were detoured to the westbound side of the highway. An emergency contracting process was started immediately and several contracts were established to complete emergency stabilization, design, and re-construction.

Rebuilding of the wall and road started on August 18, 2019. The road opened for traffic on September 27, 2019, with repairs to the wall still underway. CDOT and HPTE have estimated that design and repairs will cost approximately $20 million.

This will be considered a Compensation Event per the U.S. 36 Concession Agreement; however, the cost will not be known until the reconstruction of the wall is complete. A forensic investigation of the cause(s) or of the failure is being lead by the Colorado Attorney General’s office and a report will be forthcoming once all data is collected and properly analyzed.

C-470 Breach of Contract

On July 18, 2019, CDOT presented Flatiron/AECOM (F/A) with a Notice of Breach Under the Design-Build Contract and a rejection of the F/A’s June 21, 2019 Monthly Progress Schedule. On July 26, 2019, CDOT and HPTE rejected F/A’s demands for additional time and potential costs due to winter weather delays. Then on August 2, 2019, because F/A was unable to cure the breach of contract, CDOT notified F/A that they have been placed in default under the contract because they were unable to meet the Project Completion Deadline of August 1, 2019. F/A responded to CDOT/HPTE’s Default Notice on August 9, 2019 claiming that because of material shortages and winter weather delays, they were unable to meet the Project Completion Deadline. CDOT and HPTE will meet with the F/A’s bond surety to discuss the next steps on the project. Presently, F/A continues to work on the project and both CDOT and F/A are committed to completing the project.

On September 10, 2019 Fitch Ratings placed the C-470 project on Rating Watch Negative for the C-470 revenue bonds and the TIFIA loan. The Rating Watch Negative is a reflection of construction delays on the project, and F/A being placed in default.

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Required Supplementary Information

Colorado High Performance Transportation Enterprise

Required Supplementary Information

Schedule of HPTE's Proportionate Share of the Net Pension Liability

June 30

	2019	2018	2017	2016 *	2015 *
HPTE's proportion of the net pension liability	0.022%	0.016%	0.02%	0.02%	0.02%
HPTE's proportionate share of the net pension liability	$ 2,471,384	$ 3,130,107	$ 3,057,963	$ 2,139,258	$ 1,914,042
HPTE's covered payroll	$ 747,535	$ 459,041	$ 474,500	$ 555,546	$ 581,304
HPTE's proportionate share of the net pension liability as a percentage of its covered payroll	330.60%	681.88%	644.46%	385.07%	329.27%
Plan fiduciary net position as a percentage of the total pension liability	55.11%	43.20%	42.60%	56.10%	59.84%

Note: Information is not available prior to 2015. In future reports, additional years will be added until 10 years of historical data are presented. Information presented in this schedule has been determined as of the measurement date (December 31) of the collective net pension liability in accordance with Governmental Accounting Standards Board Statement No. 68.

* Amounts were not updated for the implementation of Governmental Accounting Standards Board Statement No. 82 as amounts were not readily available.

Colorado High Performance Transportation Enterprise

Required Supplementary Information

Schedule of HPTE Pension Contributions

June 30

	2019	2018	2017	2016 *	2015 *
Statutorily required contribution	$ 135,075	$ 118,854	$ 75,338	$ 91,834	$ 97,049
Contributions in relation to the statutorily required contribution	135,075	118,854	75,338	91,834	97,049
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
HPTE's covered payroll	$ 624,532	$ 621,296	$ 403,308	$ 516,614	$ 609,247
Contributions as a percentage of covered payroll	21.63%	19.13%	18.68%	17.78%	15.93%

Note: Information is not available prior to 2015. In future reports, additional years will be added until 10 years of historical data are presented. Information presented in this schedule has been determined as of HPTE's fiscal year-end (June 30) in accordance with Governmental Accounting Standards Board Statement No. 68.

* Amounts were not updated for the implementation of Governmental Accounting Standards Board Statement No. 82 as amounts were not readily available.

Colorado High Performance Transportation Enterprise

Required Supplementary Information

Schedule of HPTE's Proportionate Share of the Net OPEB Liability

June 30

	2019	2018*
HPTE's proportion of the net OPEB liability	0.008%	0.006%
HPTE's proportionate share of the net OPEB liability	$ 104,315	$ 71,597
HPTE's covered payroll	$ 747,535	$ 459,041
HPTE's proportionate share of the net OPEB liability as a percentage of its covered payroll	13.95%	15.60%
Plan fiduciary net position as a percentage of the total OPEB liability	17.03%	17.53%

*Note: Information is not available prior to 2018. In future reports, additional years will be added until 10 years of historical data are presented. Information presented in this schedule has been determined as of the measurement date (December 31) of the collective net OPEB liability in accordance with Governmental Accounting Standards Board Statement No. 75.

Colorado High Performance Transportation Enterprise
Required Supplementary Information
Schedule of HPTE OPEB Contributions
June 30

	2019	2018
Statutorily required contribution	$ 6,368	$ 6,337
Contributions in relation to the statutorily required contribution	6,368	6,337
Contribution deficiency (excess)	$ -	$ -
HPTE's covered payroll	$ 624,314	$ 925,166
Contributions as a percentage of covered payroll	1.02%	0.68%

Note: Information is not available prior to 2018. In future reports, additional years will be added until 10 years of historical data are presented. Information presented in this schedule has been determined as of HPTE's fiscal year-end (June 30) in accordance with Governmental Accounting Standards Board Statement No. 75.

Colorado High Performance Transportation Enterprise
Notes to Required Supplementary Information
June 30, 2019 and 2018

NOTE 1 – 2018 CHANGES IN ASSUMPTIONS OR OTHER INPUTS SINCE 2017 – PENSIONS

The following changes were made to the plan provisions as part of Senate Bill (SB) 18-200:

- Member contribution rates increased by 0.75 percent effective July 1, 2019, an additional .075 percent effective July 1, 2020 and an additional 0.50 percent effective July 1, 2021.
- Employer contribution rates increased by 0.25 percent effective July 1, 2019 for State, School, Judicial and DPS Divisions.
- Employer contribution rates increased by 0.25 percent effective July 1, 2019 for State, School, Judicial, and DPS Divisions.
- An annual direct distribution of $225 million (actual dollars) from the State of Colorado, recognized as a nonemployer contributing entity, is distributed between the State, School, Judicial, and DPS Divisions, proportionally based on payroll.
- Annual Increase (AI) cap is lowered from 2.00 percent per year to 1.50 percent per year.
- Initial AI waiting period is extended from one year after retirement to three years after retirement.
- AI payments are suspended for 2018 and 2019.
- The number of years used in the Highest Average Salary calculation for non-vested members as of January 1, 2020, increases from three to five years for the State, School, Local Government, and DPS Divisions and increases from one to three years for the Judicial Division.

Changes in assumptions or other inputs effective for the December 31, 2017 measurement period are as follow:

- The assumed investment rate of return of 7.25% was used as the discount rate, rather than using the blended rate of 4.72%
- The municipal bond index rate used in the determination of the SEIR for the State Division changed from 3.86% on the prior measurement date to 3.43% on the measurement date.

Changes in assumptions or other inputs effective for the December 31, 2016 measurement period are as follows:

- The investment return assumption was lowered from 7.50% to 7.25%.
- The price inflation assumption was lowered from 2.80% to 2.40%.

- The real rate of investment return assumption increased from 4.70% per year, net of investment expenses, to 4.85% per year, net of investment expenses.

- The wage inflation assumption was lowered from 3.90% to 3.50%.

- The mortality tables were changed from RP-2000 Combined Mortality Table for Males and Females, as appropriate, with adjustments for mortality improvements based on a projection scale of Scale AA to 2020 to RP-2014 White Collar Employee Mortality for active employees, RP-2014 Healthy Annuitant Mortality tables projected to 2020 using the MP-2015 projection scale for retirees, or RP-2014 Disabled Retiree Mortality Table for disabled retirees.

- The discount rate was lowered from 7.50% to 5.26%.

NOTE 2 – DEFINED BENEFIT OTHER POSTEMPLOYMENT BENEFITS

- There were no changes to plan provisions

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Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*

Members of the Legislative Audit Committee

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Colorado High Performance Transportation Enterprise (the Enterprise or HPTE), an enterprise fund of the State of Colorado, Department of Transportation, which comprise the statement of financial position as of June 30, 2019 and the related statements of revenues, expenses, changes in net position and cash flows for the year then ended and the related notes to the financial statements, and have issued our report thereon dated December 9, 2019, which contained an emphasis of matter paragraph regarding the organizational structure of the Enterprise.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Enterprise's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

BKD, LLP

Denver, Colorado
December 9, 2019

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Independent Auditor's Communication to Legislative Audit Committee

Members of the Legislative Audit Committee

As part of our audit of the financial statements and compliance of High Performance Transportation Enterprise (the Enterprise or HPTE) as of and for the year ended June 30, 2019, we wish to communicate the following to you.

AUDIT SCOPE AND RESULTS

Auditor's Responsibility Under Auditing Standards Generally Accepted in the United States of America and the Standards Applicable to Financial Audits Contained in *Government Auditing Standards* Issued by the Comptroller General of the United States and U.S. Office of Management and Budget (OMB) Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance)

An audit performed in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and U.S. Office of Management and Budget (OMB), *Uniform Guidance* is designed to obtain reasonable, rather than absolute, assurance about the financial statements and about whether noncompliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on a major federal program occurred. In performing auditing procedures, we establish scopes of audit tests in relation to the financial statements taken as a whole. Our engagement does not include a detailed audit of every transaction. Our engagement letter more specifically describes our responsibilities.

These standards require communication of significant matters related to the financial statement and compliance audits that are relevant to the responsibilities of those charged with governance in overseeing the financial reporting process. Such matters are communicated in the remainder of this letter or have previously been communicated during other phases of the audit. The standards do not require the auditor to design procedures for the purpose of identifying other matters to be communicated with those charged with governance.

Audits of the financial statements and compliance do not relieve management or those charged with governance of their responsibilities. Our engagement letter more specifically describes your responsibilities.

Qualitative Aspects of Significant Accounting Policies and Practices

Significant Accounting Policies

The Enterprise's significant accounting policies are described in Note 1 of the audited financial statements.

Alternative Accounting Treatments

We had discussions with management regarding alternative accounting treatments within accounting principles generally accepted in the United States of America for policies and practices for material items, including recognition, measurement and disclosure considerations related to the accounting for specific transactions as well as general accounting policies, as follows:

- No matters are reportable

Management Judgments and Accounting Estimates

Accounting estimates are an integral part of financial statement preparation by management, based on its judgments. The following areas involve significant areas of such estimates for which we are prepared to discuss management's estimation process and our procedures for testing the reasonableness of those estimates:

- Depreciation and useful lives of capital assets
- Net pension liability and related items
- Net OPEB liability and related items
- Valuation of capital assets under service concession arrangement

Financial Statement Disclosures

The following areas involve particularly sensitive financial statement disclosures for which we are prepared to discuss the issues involved and related judgments made in formulating those disclosures:

- Revenue recognition
- Defined benefit pension plan
- OPEB plan

Audit Adjustments

During the course of any audit, an auditor may propose adjustments to financial statement amounts. Management evaluates our proposals and records those adjustments which, in its judgment, are required to prevent the financial statements from being materially misstated. Some adjustments proposed were not recorded because their aggregate effect is not currently material; however, they involve areas in which adjustments in the future could be material, individually or in the aggregate.

Proposed Audit Adjustments Recorded

- No matters are reportable

Proposed Audit Adjustments Not Recorded

- Attached is a summary of uncorrected misstatements we aggregated during the current engagement and pertaining to the latest period presented that were determined by management to be immaterial, both individually and in the aggregate, to the financial statements as a whole

Auditor's Judgments About the Quality of HPTE's Accounting Principles

During the course of the audit, we made the following observations regarding HPTE's application of accounting principles:

- No matters are reportable

Disagreements with Management

The following matters involved disagreements, which if not satisfactorily resolved would have caused a modified auditor's opinion on the financial statements:

- No matters are reportable

Consultation with Other Accountants

During our audit we became aware that management had consulted with other accountants about the following auditing or accounting matters:

- Matters related to Central 70

Significant Issues Discussed with Management

Prior to Retention

During our discussion with management prior to our engagement, the following issues regarding application of accounting principles or auditing standards were discussed:

- No matters are reportable

During the Audit Process

During the audit process, the following issues were discussed or were the subject of correspondence with management:

- No matters are reportable

Difficulties Encountered in Performing the Audit

Our audit requires cooperative effort between management and the audit team. During our audit, we found significant difficulties in working effectively on the following matters:

- No matters are reportable

Other Material Communications

Listed below are other material communications between management and us related to the audit:

- Management representation letter
- Management letter

* * * * *

This communication is intended solely for the information and use of the Legislative Audit Committee, the Office of the State Auditor, Board of Directors, and management of HPTE and is not intended to be and should not be used by anyone other than these specified parties. However, upon release by the Legislative Audit Committee, this report is a public document.

BKD, LLP

December 9, 2019

Colorado Department of Transportation

ATTACHMENT

This analysis and the attached "Schedule of Uncorrected Misstatements (Adjustments Passed)" reflect the effects on the financial statements if the uncorrected misstatements identified were corrected.

HPTE - Fund 536

QUANTITATIVE ANALYSIS

	Before Misstatements	Misstatements	Subsequent to Misstatements	% Change
Current Assets	39,895,130		39,895,130	
Non-Current Assets & Deferred Outflows	570,350,463		570,350,463	
Current Liabilities	(40,123,836)	134,842	(39,988,994)	-0.34%
Non-Current Liabilities & Deferred Inflows	(408,739,774)		(408,739,774)	
Current Ratio	0.994		0.998	0.40%
Total Assets & Deferred Outflows	610,245,593		610,245,593	
Total Liabilities & Deferred Inflows	(448,863,610)	134,842	(448,728,768)	-0.03%
Total Net Position	(161,381,983)	(134,842)	(161,516,825)	0.08%
Operating Revenues	(14,673,766)		(14,673,766)	
Operating Expenses	12,641,896	(134,842)	12,507,054	-1.07%
Nonoperating (Revenues) Exp	1,046,901		1,046,901	
Change in Net Position	(2,128,085)	(134,842)	(2,262,927)	6.34%

Client: Colorado Department of Transportation

Period Ending: June 30, 2019

HPTE - Fund 536

SCHEDULE OF UNCORRECTED MISSTATEMENTS (ADJUSTMENTS PASSED)

Description	Financial Statement Line Item	Factual (F), Judgmental (J) or Projected (P)	Assets & Deferred Outflows		Liabilities & Deferred Inflows		Operating Revenues	Operating Expenses	Nonoperating (Revenues) Exp	Net Position	Net Effect on Following Year	
			Current	*Noncurrent*	*Current*	*Noncurrent*					*Change in Net Position*	*Net Position*
			DR (CR)	DR (CR)	DR (CR)	DR (CR)	DR (CR)	DR (CR)	DR (CR)	DR (CR)	DR (CR)	DR (CR)
To adjust for overstatement of accrued interest due to incorrect calculation.		F	0	0	134,842	0	0	(134,842)	0	0	134,842	(134,842)
	Acccrued Interest				134,842							(134,842)
	Interest Expense							(134,842)			134,842	
Total passed adjustments			0	0	134,842	0	0	(134,842)	0	0	134,842	(134,842)

Impact on Change in Net Position	**(134,842)**
Impact on Net Position	**(134,842)**

Colorado Department of Transportation

ATTACHMENT

This analysis and the attached "Schedule of Uncorrected Misstatements (Adjustments Passed)" reflect the effects on the financial statements if the uncorrected misstatements identified were corrected.

HPTE - Fund 537

QUANTITATIVE ANALYSIS

	Before Misstatements	Misstatements	Subsequent to Misstatements	% Change
Current Assets	3,493,228		3,493,228	
Non-Current Assets & Deferred Outflows	1,348,729		1,348,729	
Current Liabilities	(353,174)	(6,818)	(359,992)	1.93%
Non-Current Liabilities & Deferred Inflows	(3,014,809)		(3,014,809)	
Current Ratio	9.891		9.704	-1.89%
Total Assets & Deferred Outflows	4,841,957		4,841,957	
Total Liabilities & Deferred Inflows	(3,367,983)	(6,818)	(3,374,801)	0.20%
Total Net Position	(1,473,974)	6,818	(1,467,156)	-0.46%
Operating Revenues	(5,243,569)		(5,243,569)	
Operating Expenses	4,829,331	6,818	4,836,149	0.14%
Nonoperating (Revenues) Exp	(126,974)		(126,974)	
Change in Net Position	(541,212)	6,818	(534,394)	-1.26%

Client: Colorado Department of Transportation
Period Ending: June 30, 2019

HPTE - Fund 537

SCHEDULE OF UNCORRECTED MISSTATEMENTS (ADJUSTMENTS PASSED)

Description	Financial Statement Line Item	Factual (F), Judgmental (J) or Projected (P)	Assets & Deferred Outflows: Current DR (CR)	Assets & Deferred Outflows: Noncurrent DR (CR)	Liabilities & Deferred Inflows: Current DR (CR)	Liabilities & Deferred Inflows: Noncurrent DR (CR)	Operating Revenues DR (CR)	Operating Expenses DR (CR)	Nonoperating (Revenues) Exp DR (CR)	Net Position DR (CR)	Net Effect on Following Year: Change in Net Position DR (CR)	Net Effect on Following Year: Net Position DR (CR)
To post reversal effect of over accrual of accounts payable at year-end		F/P	0	0	(6,818)	0	0	6,818	0	0	0	0
	Advertising and Marketing (2610) - Factual							3,346			N/A	
	Accounts Payable (2120) - Factual				(3,346)							N/A
	Advertising and Marketing (2610) - Project							3,472				
	Accounts Payable (2120) - Projected				(3,472)							
Total passed adjustments			0	0	(6,818)	0	0	6,818	0	0	0	0

Impact on Change in Net Position	**6,818**
Impact on Net Position	**6,818**