Colorado High Performance Transportation Enterprise

Financial Statements and Independent Auditor's Reports

Financial Audit

Years Ended June 30, 2021 and 2020

Compliance Audit

Year Ended June 30, 2021

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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, 2021 and 2020. 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
January 13, 2022

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Colorado High Performance Transportation Enterprise
June 30, 2021 and 2020

Table of Contents

INTRODUCTORY SECTION

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Colorado High Performance Transportation Enterprise

Report Summary

Year Ended June 30, 2021

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, 2021. 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, 2021 and 2020, 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, 2021.

- Review the Enterprise's compliance with rules and regulations governing the expenditure of federal and state funds for the year ended June 30, 2021.

- 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, 2021.

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, 2021 and 2020.

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

Summary of Key Findings and Recommendations

There is one finding in the current year.

Summary of Progress in Implementing Prior Year Audit Recommendations

There were no prior year audit recommendations.

Colorado High Performance Transportation Enterprise

Report Summary

Year Ended June 30, 2021

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 91.

Colorado High Performance Transportation Enterprise

Recommendation Locator

Year Ended June 30, 2021

Recommendation Number	Page Number	Recommendation Summary	Response	Implementation Date
2021-001	5	The Department of Transportation's Colorado High Performance Transportation Enterprise should strengthen its internal controls over exhibit preparation and review by: (A) Assigning back-up responsibilities for exhibit preparation and review to staff to allow for appropriate segregation of duties and review and appropriate delegation when turnover occurs. (B) Appropriately training employees on exhibit preparation and reviews (C) Ensuring exhibits are reviewed prior to the submission to the Office of the State Controller.	Agree	October 2022

Colorado High Performance Transportation Enterprise
Background
Year Ended June 30, 2021

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 a HPTE Board of Directors (the Board) 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 revenue for this fund comes primarily from the I-70 Eastbound Mountain Express Lanes (MEXL), the I-25 North U.S. 36 to 120th Avenue Express Lanes (I-25N Segment II) the I-25 North 120th to Northwest Parkway/E-470 Express Lanes (I-25N Segment III), and the C-470 I-25 to Wadsworth Boulevard Express Lanes. 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 loaned 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. Beginning in 2016, HPTE's fees earned for providing services pursuant to the Fee for Service Interagency Agreement are also deposited into the Operating Fund. 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 2020-21 or 2019-20.

Colorado High Performance Transportation Enterprise

Findings and Recommendations

Year Ended June 30, 2021

Accounting Controls

The High Performance Transportation Enterprise (HPTE) is an enterprise which operates within the Department of Transportation. It pursues innovative means of financing and operating surface transportation infrastructure projects, including public-private partnerships, operating concession agreements, user fees, and design-build contracting. The Department of Transportation and HPTE staff (Department staff) are responsible for HPTE's financial reporting, including the accurate, complete, and timely entry and approval of financial transactions into the State's accounting system, the Colorado Operations and Resource Engine (CORE). In addition, the Department staff are responsible for reporting fiscal year-end accounting information through "exhibits" to the Office of the State Controller (OSC) for inclusion in the State's financial statements.

Each year, HPTE is required to prepare an exhibit containing it's federal expenditures and related reimbursements to aid the Colorado Office of the State Controller (OSC) in the preparation of the State's Schedule of Expenditures of Federal Awards (SEFA).This exhibit is referred to as the Exhibit K1, Schedule of Federal Assistance, and should include expenditures for grants received directly from the federal government and expended by HPTE (direct expenditures), as well as expenditures for federal grants payments made by the HPTE to other State and/or non-state agencies (subrecipient expenditures). For Fiscal Year 2021, HPTE's Exhibit K1 reported $41.8 million in federal expenditures for one grant program, the Transportation Infrastructure Finance and Innovation Act (TIFIA).

HPTE received credit assistance in the amount of $106 million in June 2017 for the C-470: I-25 to Wadsworth Boulevard project in the form of a Transportation Infrastructure Finance and Innovation Action (TIFIA) program loan. This loan was provided by the Build America Bureau and represents federal assistance that is required to be reported in HPTE's Exhibit K1 sent to the OSC.

Exhibit C, Changes in Long-Term Liabilities, is used to identify changes in long-term debt obligations during the fiscal year. For Fiscal Year 2021, HPTE's Exhibit C reported $363.8 million in long-term debt obligations as of June 30, 2021.

What was the purpose of our audit work and what work was performed?

The purpose of the audit work was to determine whether HPTE had adequate internal controls in place over, and complied with its policies and procedures related to its financial accounting and reporting processes during Fiscal Year 2021.

Our Fiscal Year 2021 audit testwork included a review of the HPTE's exhibits and related supporting documentation prepared and submitted to the OSC for Fiscal Year 2021 to determine whether Department staff prepared this information in accordance with the OSC's Fiscal Procedures Manual.

Colorado High Performance Transportation Enterprise

Findings and Recommendations

Year Ended June 30, 2021

How were the results of the audit work measured?

We measured the results of our audit work against the following:

- The OSC's Exhibits Instructions outline specific requirements for departments' completion of exhibits. For example, Exhibit K1, *Schedule of Federal Assistance*, reports federal expenditure information to the OSC for statewide compilation and reporting. Exhibit C, *Changes in Long-Term Liabilities* reports increases and decreases in long-term liabilities. The OSC uses information from the Exhibits to support the State of Colorado's Schedule of Expenditures of Federal Awards and notes to the financial statements.

- Federal regulations at 2 CFR 200.510(b) *Schedule of expenditures of Federal awards* states in subparagraph (5) "For loan or loan guarantee programs described in 2 CFR 200.502(b), identify in the notes to the schedule the balances outstanding at the end of the audit period. This is in addition to including the total Federal awards expended for loan or loan guarantee programs in the schedule". 2 CFR 200.502(b) *Loan and loan guarantees (loans*) states "Since the Federal Government is at risk for loans until the debt is repaid, the following guidelines must be used to calculate the value of Federal awards expended under loan programs, except as noted in paragraphs (c) and (d) of this section:

    (1) Value of new loans made or received during the audit period; plus
    (2) Beginning of the audit period balance of loans from previous years for which the Federal Government imposes continuing compliance requirements; plus
    (3) Any interest subsidy, cash, or administrative cost allowance received."

- State Fiscal Rule 1-2, Internal Controls, Rule 3.5, requires that state departments "implement internal accounting and administrative controls that reasonably ensure that financial transactions are accurate, reliable, conform to the Fiscal Rules, and reflect the underlying realities of the accounting transaction (substance rather than form)".

What problem did the audit work identify?

We identified errors in HPTE's exhibits submitted to the OSC. Specifically, HPTE's Exhibit K1 did not include the TIFIA loan. HPTE drew approximately $41.8 million from the TIFIA loan during Fiscal Year 2021. In accordance with federal regulations the draw down activity is to be reported on the Exhibit K1 in the year of the draw down. Once we identified this, HPTE corrected the exhibit and resubmitted it to the OSC.

The Exhibit C also did not include a payoff of a $25 million note payable from one financial institution and the related borrowing of a similar amount under a note payable from another financial institution. This exhibit was also corrected and resubmitted to the OSC.

Why did this problem occur?

HPTE lacked adequate internal controls over its exhibit preparation and review processes to ensure that it met OSC financial reporting deadlines for Fiscal Year 2021. Specifically, Department staff experienced turnover and vacancy in positions during Fiscal Year 2021 and had not adequately assigned and trained backup staff on exhibit preparation and financial reporting reviews; therefore, there was limited staff with the requisite background and training to prepare and review exhibits. This caused many of the responsibilities to complete required year-end tasks fell to personnel who were new to their position within the last two years. Furthermore, adequate supervisory review was not available in many cases due to the vacancy of positions pulling already scarce resources from the fiscal year-end processes.

Why does this problem matter?

Strong financial accounting internal controls, including effective review processes and procedures over financial transactions and exhibits, are necessary to ensure that the Department staff are reporting financial information appropriately and accurately, in accordance with rules and regulations. Further, timeliness of accounting information is important to protect the users of accounting information from basing their decisions on outdated information. Inaccurate information in the exhibits could affect the preparation and accuracy of the State's Annual Comprehensive Financial Report (ACFR) and Schedule of Expenditure of Federal Awards.

Classification of Finding: Significant Deficiency

Recommendation No. 2021-001:

The Department of Transportation's Colorado High Performance Transportation Enterprise should strengthen its internal controls over exhibit preparation and review by:

A. Assigning back-up responsibilities for exhibit preparation and review to staff to allow for appropriate segregation of duties and review and appropriate delegation when turnover occurs.
B. Appropriately training employees on exhibit preparation and reviews
C. Ensuring exhibits are reviewed prior to the submission to the Office of the State Controller.

High Performance Transportation Enterprise (HPTE) Response:

A. AGREE. IMPLEMENTATION DATE: OCTOBER 2022

The Department of Transportation's Colorado High Performance Transportation Enterprise will enhance internal controls by ensuring there are proper backups identified for exhibit preparation. This will be defined in necessary procedures. Additional accounting staff are also being brought on board to support increased volume and complexity, and provide greater opportunity for back up, segregation of duties, and additional review.

B. AGREE. IMPLEMENTATION DATE: OCTOBER 2022

The Department of Transportation's Colorado High Performance Transportation Enterprise will enhance internal controls by establishing additional training on exhibit preparation. This will be defined in necessary procedures. Additional accounting staff are also being brought on board to support increased volume and complexity, and provide greater opportunity for back up, segregation of duties, and additional review.

C. AGREE. IMPLEMENTATION DATE: OCTOBER 2022

The Department of Transportation's Colorado High Performance Transportation Enterprise will enhance internal controls by establishing additional training on exhibit preparation. This will be defined in necessary procedures. Additional accounting staff are also being brought on board to support increased volume and complexity, and provide greater opportunity for back up, segregation of duties, and additional review.

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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, 2021 and 2020, 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.

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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, 2021 and 2020, 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, 2021 and 2020 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. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 13, 2022, 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
January 13, 2022

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Colorado High Performance Transportation Enterprise

Management's Discussion and Analysis

(Unaudited)

June 30, 2021 and 2020

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, 2021 and 2020. 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

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 I-70 Eastbound Mountain Express Lanes (MEXL), I-25 North U.S. 36 to 120th Avenue Express Lanes (I-25N Segment II), the I-25 North 120th Avenue to Northwest Parkway/E-470 Express Lanes (I-25N Segment III), and the C-470 I-25 to Wadsworth Boulevard Express Lanes. 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.

In May 2015, HPTE entered into a tolling services agreement with E-470 Public Highway Authority (E-470), which allowed E-470 to perform back-office services for HPTE. Those services include collection and remittance of the tolls that are earned in HPTE's express lanes, general maintenance of tolling equipment, use of the Express Toll website, toll billing and collections, license plate image review, transponder mailing and inventory management, and customer service.

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 eight staff for administration of the program. The time CDOT staff works for the Enterprise is billed to and paid by the Enterprise. Program areas supported by CDOT staff include: accounting, communications, contracts and procurement. In May 2021 HPTE was approved to hire four new staff dedicated to Express Lane operations and HPTE will be filling those positions over the next two fiscal years. Priority hiring in Fiscal Year 2021-22 is being given to the tolling traffic engineer and tolling operations and maintenance roles. It is anticipated the other two positions for a toll data analyst and a toll quality assurance/business analyst will be filled in Fiscal Year 2022-23.

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 2020-21 or 2019-20.

Program Planning and Future Project Development

Strategic Planning

After the creation of the Enterprise, a professional study team engaged by the HPTE Board initiated a strategic planning process and reported potential funding 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 formed the basis of early enterprise activities. Since 2010, HPTE has held several planning retreats with its Board to ensure that HPTE is growing sustainably and pursuing projects and policies that are in service of its mission laid out in the *Funding Advancement for Surface Transportation and Economic Recovery Act* (FASTER) legislation. Outcomes from previous retreats have included the drafting and subsequent adoption of a comprehensive toll rate setting policy, an update to the CDOT/HPTE Memorandum of Understanding (MOU), and a comprehensive staffing plan to support the growing network of Express Lanes. HPTE held its most recent Board retreat in June of 2021 and topics discussed included: the transition from time-of-day pricing to dynamic pricing, connecting current and future Express Lanes to create a network and status update on the progress being made to address high priority projects identified under the Express Lanes Master Plan (ELMP).

Fee For Service

A study in early 2015 was completed and concluded that HPTE provides a necessary benefit to CDOT and assigned values for HPTE services and tasks. In June 2015, HPTE entered into its first Fee for Service Interagency Agreement (IAA) 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.

This and subsequent IAA's divide HPTE's tasks into categories linked to the stage of development of the various surface transportation projects and requires HPTE and CDOT to create an annual scope of work. 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. Per the agreement, HPTE will invoice CDOT for services that will be provided under the scope of work and the agreement will be renewed annually (or as often as additional work arises). HPTE's fees earned for providing services pursuant to the IAA are deposited into the Operating Fund.

Memorandum of Understanding (MOU)

A MOU between HPTE and CDOT was originally signed in 2013. At the direction of the HPTE Board, the MOU was updated in Fiscal Year 2020-21 and approved by both HPTE and CDOT in January 2021. The revised MOU concentrates on the services HPTE and CDOT offer and how they work together to improve the state surface transportation system. The MOU also acknowledges that as HPTE has grown into a successful tolling operator, challenges and growing pains have emerged around operations and maintenance of Express Lanes. The MOU specifies that HPTE and CDOT will develop a new IAA on operations and maintenance of Express Lanes to reflect the expansion of the Express Lanes.

Tolling Operations and Maintenance

In recognition of the specialized operations and maintenance expertise that CDOT provides to HPTE, HPTE and CDOT have determined a new structure that will provide an upfront payment to CDOT to cover Express Lane operation and maintenance (O&M) costs for the upcoming year through a new annual Tolling Operations and Maintenance (TOMs) IAA. This IAA documents the terms of the overall business relationship between CDOT and HPTE. It includes the scope of work HPTE wants CDOT to provide in Fiscal Year 2021-22, the cost calculations to deliver the work, and the process by which CDOT charges HPTE for the fair market value of the services provided. It ensures a proactive approach to determining O&M costs and will ensure equity in O&M cost sharing as the network of Express Lanes grows. Three key areas of work addressed under the scope of work include 1) Roadway Maintenance such as snow and ice removal, guardrail, and pothole repair, 2) Operational Support such as monitoring and response to traffic and incident management, and 3) Intelligent Transportation Systems (ITS) maintenance and monitoring of the electronic tolling equipment. The IAA for Fiscal Year 2021-22 was approved by HPTE and CDOT in May 2021.

Express Lanes Master Plan (ELMP)

To assist in planning for future projects, HPTE is implementing an ELMP. The goal of the ELMP is to 1) identify and prioritize corridors that have the potential to benefit from Express Lanes in the future, 2) identify the potential revenue-generating capacity of those corridors, 3) estimate the potential cost and level of construction impact of various Express Lanes design alternatives, 4) identify whether HOV travel should be a component of the corridor, 5) engage with stakeholders to inform technical analysis, project approach, and ultimate recommendations.

Burnham Yard

For close to 150 years, Burnham Yard was a central agent of economic activity for the Denver Metro region. The land was acquired and developed by the railroad in 1871, five years before Colorado became a state. Throughout the latter part of the 19th century and for most of the 20th century, Burnham Yard was a driving force of economic activity, vitality, and commerce. It served as a repair, refueling, maintenance, manufacturing, and storage facility for Denver and Rio Grande Western Railroad (DRG&W), Southern Pacific (SP), and then Union Pacific Railroad (UPRR) activities over the past century and a half and employed hundreds of individuals in the Denver Metro area. With the turn of the

21st century, Burnham Yard's importance as an economic engine became less pronounced and other modes of freight and individual transportation rose to primacy.

Burnham Yard is located in central Denver between four of Denver's main road arteries: I-25, Colfax Avenue, Speer Boulevard, and 6th Avenue, and is less than a mile from Mile High Stadium, the Denver Art Museum, and Denver's Central Business District. It is a centrally located area that is currently not being utilized by UPRR. The site sits across from the Denver Housing Authority's Mariposa District redevelopment and the Santa Fe Arts District to the east, with the Regional Transportation District's (RTD) 10th & Osage light rail station located near the center of the site. The banana-shaped property is approximately 1.05 miles long and extends from 13th Avenue at its northern extent to 4th Avenue at the south. Reaching its maximum width of approximately 0.20 miles between 8th and 9th Avenues, the site is bounded by the RTD's central light rail line and UPRR historical right-of-way to the east, and a mixture of commercial and industrial properties to the west.

UPRR decommissioned Burnham Yard in 2016, leaving it mostly unused for the past four years. Since late 2019, the HPTE has been working with the UPRR towards the purchase of the Burnham Yard property, which culminated in an Intra-Agency Agreement with CDOT in September 2019 that requested qualified developers to submit proposals that would add value to UPRR's Request for Qualifications (RFQ). Despite the developers' best efforts and UPRR's willingness to negotiate, CDOT and HPTE found little value added based on the proposals received. As a result, UPRR and HPTE agreed to negotiate in good faith with one another for a fee simple transaction with no third party developer.

To acquire the property, HPTE borrowed $55.8 million through loans from Bank of America, and J.P. Morgan Chase Bank, ($22.9 million each) and a loan from CDOT for $10 million. Additionally, CDOT contributed $5 million to HPTE, that HPTE will set aside to cover environmental, land use planning, and/or other costs to be spent during the next three to five years on improvements to the property, which would be expected to increase property value and facilitate a disposition to a developer. CDOT and HPTE anticipate retaining approximately 17 acres for future transportation use and will be working with the City and County of Denver and stakeholders on a two to three-year study to determine specific mobility needs and a purpose and need for other potential projects.

To make the project creditworthy for the bank market, HPTE entered into an Intra-Agency Agreement with CDOT that documents the substantive terms of how CDOT and HPTE work together and allocate rights and responsibilities on the Burnham Yard project. Under the Burnham Yard IAA, HPTE is responsible for acquiring the Burnham Yard Property, which includes negotiating the Purchase and Sale Agreement with the UPRR, reviewing title and survey, and undertaking short-term financing to cover the remainder of the purchase price. In exchange for this, CDOT will reimburse HPTE for the financing related costs. During the next five years, CDOT and HPTE will:

- Determine boundaries for the transportation related parcels, HPTE will start the process to dispose of the remnant or non-transportation related parcels.

- Undertake the necessary environmental studies to determine the location and quantity of the transportation related parcels.

- Coordinate with other state agencies, such as Colorado Office of Economic Development and International Trade (OEDIT), the Department of Local Affairs (DOLA), and other state agencies regarding the mitigation of CDOT's risk on non-transportation related parcels.

- Negotiate and enter into a Memorandum of Understanding with the City and County of Denver for the development of a Small Area Plan by the Denver Department of Community Planning and Development (CPD), which will include engagement with community members, stakeholders, the Partnering Agencies, and development of an Infrastructure Master Plan for the Burnham Yard, in accordance with the standard CPD Large Development Review process.

- Coordinating with CDOT to possibly advance conceptual land use and infrastructure planning either through the use of a consultant or through a possible developer, and engage with the Colorado Department of Public Health and Environment regarding environmental remediation of the Property through enrollment in the Voluntary Cleanup Program (VCUP).

- Zoning and other possible entitlements.

- Engaging the Denver Urban Renewal Authority (DURA) on blight studies and/or the establishment of an urban renewal area, in order to make available tax increment financing revenues to support the cost of public infrastructure and environmental remediation for development of the Remnant Property.

Express Lane Project Highlights

I-70 Mountain Express Lane Eastbound (MEXL)

The MEXL project opened for tolling on December 19, 2015. The 12 lane miles of existing shoulders on I-70 between the Twin Tunnels located east of the city of Idaho Springs to Empire Junction were expanded to allow tolled traffic on the eastbound shoulders during peak travel times. 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. Since the opening in 2015, the express lanes have shown success in both the winter and summer seasons in reducing congestion as well as improving travel times and safety. 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 early 2022.

To deliver the initial eastbound project, HPTE arranged financing for the construction of the I-70 MEXL project through a $25 million construction loan with Banc of America Preferred Funding Corporation in 2014. This original loan was always intended to be an interim financing tool, with a refinancing to be completed between 2020 and 2021. In September 2020, HPTE initiated the refinancing process and entered into new loan agreement with Wells Fargo in January 2021. HPTE selected a three-year term in order to secure a favorable interest rate of .76 percent, saving a significant amount on interest costs over the initial term of the loan. Payments are due annually in June. Principal payments are due annually beginning in June 2024 with a maturity date in June 2027. HPTE anticipates that the toll revenues generated from both the current I-70 MEXL eastbound lanes as well as the westbound lanes when they come online, will be pledged as part of a larger corridor financing strategy.

I-25 Corridor, Segment II (U.S. 36 to 120th Avenue)

The existing Express Lanes on I-25 Central (from downtown to U.S. 36) were extended from U.S. 36 to 120th Avenue and opened for tolling in July 2016. The 12 lane miles of Express Lanes operate 24 hours a day, seven days a week with one Express Lane in each direction. This project was awarded a $15 million Transportation Investment Generating Economic Recovery (TIGER) Grant by USDOT in June 2012. This project largely used 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. RTD provided a contribution towards the project to ensure effective and efficient operation of RTD's buses. In collaboration with the Colorado State Patrol, HPTE has developed a program for additional enforcement on the corridor. Officers drive in both the Express Lanes and the general purpose lanes, providing increased visibility and a metering effect to slow down traffic during peak periods. Officers enforce speed limits, Express Lanes violations, and all other applicable traffic laws to improve safety and efficient throughput of traffic on the corridor.

I-25 Corridor, Segment III (Northwest Parkway/E-470)

Continuing the success of I-25 North: U.S. 36 to 120th Avenue, Express Lanes were extended in both directions from 120th Avenue to Northwest Parkway/E-470, for a total of 10 lane miles. The Express Lanes opened in the summer of 2020. Extending the existing Express Lanes maintains continuity for the traveling public while decreasing travel time and expanding transportation choices further along the I-25 north corridor. 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 this project. The loan will be repaid from toll revenues earned from the 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.

I-25 Corridor, Segment 7&8 (Johnstown to Fort Collins)

Improvements at the northern most portion of the corridor between State Highways 402 and 14 will include one tolled express lane in each direction for a total of 34 lane miles of Express Lanes. The planned improvements will provide much needed capacity and help ease congestion in this rapidly growing segment of the I-25 corridor. CDOT is proceeding with a Design-Build delivery for the project. Construction started in the fall of 2018, and is scheduled to be complete in the early 2024.

In August 2020, HPTE began working with the Build America Bureau (BAB) Transportation Infrastructure Finance and Innovation Act (TIFIA) program to address the short-term funding needs for the I-25 Segment 7 and 8 project. The proposed TIFIA loan will rely upon pledged revenues generated from Express Lanes on Segments two and three, which are open and operational. Preliminary financial analysis indicates that revenues from both Segments would be more than sufficient to support a TIFIA loan far exceeding standard debt service coverage ratios. The final amount to be financed, interest rates and costs of securing the loan will be finalized as HPTE begins the credit worthiness process with the BAB in Summer 2021. HPTE is targeting a financial close on the loan in Spring 2022.

Other funding sources for Segments 7 and 8 include federal grants (such as TIGER), Senate Bill (SB) 09-228 transfers allocated to the project in Fiscal Year 2017-18, 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 $52 million.

I-25 Corridor, South Gap: Monument to Castle Rock

Widening I-25 from four to six lanes for the 18 miles between Monument and Castle Rock has long been a focus for corridor travelers and elected officials. Improvements include the construction of 36 lane miles of Express Lanes, bridge replacements and the construction of wildlife crossings. In 2017, CDOT was able to accelerate the environmental planning for this project by redirecting $15 million of flexible state funds from C-470 project that were originally allocated to serve as a "backstop" for loans that would be financing the project in order to allow the project to progress. 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 also funded in part by $3.75 million in Responsible Acceleration of Maintenance and Partnerships (RAMP) Development funds. This project was awarded a $65 million Infrastructure for Rebuilding America (INFRA) Grant by the US 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.

C-470: I-25 to Wadsworth Boulevard

The C-470 I-25 to Wadsworth Express Lanes project broke ground in August 2016 and opened for tolling in August 2020. In addition to the 30 lane miles of new Express Lanes, the project reconstructed a portion of the existing pavement, added auxiliary lanes between interchanges, improved portions of on- and off-ramps, widened the existing bridges through the project area, replaced the bridges over the South Platte River, installed water quality features, noise barriers, installed Intelligent Transportation Systems elements and tolling equipment, and added grade separations for the multi-use trail at Quebec Street and Colorado Boulevard. Peak-hour congestion has long been a problem for frequent commuters on C-470. Over 100,000 motorists use this segment of C-470 each day, with volumes projected to increase by 40 percent by 2035. The new Express Lanes offer improved traffic flow, trip reliability, and safety to the corridor.

In order to deliver the project, 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. HPTE started to draw down the TIFIA loan facility in December 2018 and has received $93.5 million, leaving a balance of $12.5 million left to disburse as of June 30, 2021.

Public Private Partnerships (P3)

Central 70: Brighton Boulevard to Chambers Road

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 (DBFOM) availability payment Public-Private Partnership (P3) 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 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 Denver Regional Council of Governments (DRCOG), transfers from SB16-228 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 claims). The Settlement Agreement involved amendments to the project documents, including a settlement payment of $7.6 million and time extension to address these events, which will be paid by CBE and CDOT. The payment of $7.6 million is due at substantial completion.

Certain challenges related to the UPRR crossing began in late 2018 affecting the Project timeline. Despite all parties' best intentions and a sincere desire to wholly alleviate and eliminate the potential for those delays, project schedule impacts continued beyond the timeline presented to the Board of Directors. Because of additional eligible costs incurred by KMP and a lower interest rate environment, a unique opportunity exists to refinance the Developer's TIFIA loan amount. Doing so will allow the project to generate additional financing proceeds, without increasing project funding sources to the HPTE or the Bridge Enterprise's (CBE) (collectively, the Enterprises), to defray increases in Project costs, to restructure debt to minimize delays costs, and greatly minimize future risk to the project. This effort to restructure the project's private debt is made possible by P3 structure of the Project.

The parties' efforts to refinance the existing TIFIA loan and raise additional TIFIA debt, senior debt, and equity, if achieved successfully, will not increase either the Enterprise's monthly Performance Payments payable to KMP. Because KMP is the TIFIA Borrower, they are required to lead the effort with TIFIA, but have agreed to share financing documents and solicit the Enterprises' input throughout the debt restructuring process. The parties have agreed that 100 percent of the refinancing gains generated by the debt restructuring will be used by the Developer to cover project costs as part of this settlement. As a part of the settlement, certain milestone descriptions and dates, as well as Substantial Completion, are being revised. The Performance Payment Start Date of March 25, 2022, remains unchanged. Additional milestones have been added by splitting scope associated with prior milestones in an effort to better manage the upcoming construction work for the project, and more closely match payments to the planned completion of significant portions of the work.

If the debt restructuring is approved, the Dispute Resolution Process (DRP) will be withdrawn in its entirety. If the debt restructuring is not approved, or if financial close is not reached, the parties have the ability to resume the DRP. The Enterprise Boards approved the debt restricting on April 14, 2021, and the transaction closed in September 2021.

U.S. 36: I-25 to Table Mesa

In February 2014, HPTE and Plenary Roads Denver (PRD) completed the financial close of a 50-year concession agreement. The concession agreement was HPTE and CDOT's first P3 project. The U.S. 36 project added a new Express Lane in each direction for a total of 32 lane miles of Express Lanes 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 an 18 mile bikeway along the U.S. 36 corridor, improved several Regional Transportation District (RTD) stations, and replaced several bridges. In March 2016, the Express Lanes were open for tolling and operations and maintenance of the U.S. 36 Corridor and the existing I-25 Central Reversible Express Lanes were transferred to PRD. 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. 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 generated from the U.S. 36 Express Lanes project.

In May 2019, the CDOT Transportation Commission provided funding to complete a package of repair work that was originally agreed to be done before PRD took over maintenance of the U.S. 36 corridor (referred to as Initial Works). The concession agreement allowed for PRD to procure a contractor and oversee construction management on the project. The U.S. 36 Initial Works Pavement Repairs were completed in two phases:

Phase 1 (October 2019 – January 2020)

- The project completed approximately 2,000 square yards of concrete panel repairs from the Westbound Federal Boulevard off ramp to underneath the Federal Boulevard Bridge

Phase 2 (April 2020 – May 2020)

- The project completed approximately 6,500 square yards of concrete panel repairs on U.S. 36 between Pecos Street and Federal Boulevard

- The contractor also completed milling and paving of approximately 3,600 tons of Stone Matrix Asphalt (SMA) on the Federal Boulevard on and off ramps

- During Phase Two, HPTE and PRD worked closely with CDOT Region 1 traffic operations to implement daytime lane closures on U.S. 36 during low traffic volumes related to COVID -19 restrictions. Originally scheduled for 150 days, the project was completed in 39 days.

The HPTE Major Projects Manager has been working with CDOT and PRD to procure and complete a third phase of Initial Works on the corridor. The Phase Three Initial Works is estimated to cost $1.0 million. The scope of work includes:

- Bridge repair and maintenance for 20th Street Bridge and the Baseline Road Bridge

- Pavement and shoulder repairs identified in the five year lifecycle plan between the U.S. 36/I-25 interchange to the U.S. 36/Pecos Street interchange; including replacement and rehabilitation of large pavement gaps in the General Purpose lanes

- Vegetation Management on the Eastbound side of U.S. 36 between Baseline and Table Mesa

- Erosion repair along eastbound Pecos ramps

- Traffic sign renewal and lighting repair

Work for Phase 3 began in Summer of 2021 and is scheduled to be completed in Spring of 2022. Weekly construction update meetings will continue through the project until project completion.

In July 2019, CDOT, HPTE and PRD worked together on a U.S. 36 emergency rebuild project to repair a retaining wall between Church Ranch Boulevard and Wadsworth Boulevard, following a crack in the concrete of the eastbound lanes of U.S. 36 near Westminster. Immediately following the appearance of the crack, two lanes of eastbound traffic were redirected via a constructed cross-over to the westbound side of the highway. Through emergency contracting, a contractor was selected to rebuild the failed retaining wall and by October 2019 U.S. 36 eastbound was re-opened in its original configuration, including the Express Lanes. In April 2020 all work related to the retaining wall failure was completed including 77 concrete wall panels installed, 141 concrete caissons drilled and poured as well as 4,500 geofoam blocks installed. In June 2021, CDOT reached a settlement with Ames Granite, HDR, and Klienfelder for $14 million. CDOT is responsible for the payment of the settlement, not HPTE.

COVID-19 Pandemic and Impacts to HPTE

Over the last year, HPTE has seen a strong recovery since the expiration of the initial stay-at-home orders. Traffic on the I-25N Segment II and III Express Lanes has recovered to approximately normal traffic conditions and the MEXL Express Lane is seeing higher capture rates than the prior year. While the toll revenues in 2020 and 2021 were down across all Express Lanes as a result of lower than normal traffic volumes, the annual revenue performance of the Express Lanes still has been strong and is nearing pre-pandemic levels.

Two new Express Lanes corridors opened for tolling in calendar year 2020. I-25N Segment III Express Lanes opened in June and serves as a continuation of the existing I-25N Segment II Express Lanes. While this segment of I-25 does not have pre-COVID traffic levels to compare to, initial capture rates are approximately 60 percent of what is expected under normal traffic conditions. C-470 (I-25 to Wadsworth Boulevard) opened for tolling in August 2020. As these are the first Express Lanes on this roadway, the ramp-up period is longer than I-25 North, where drivers are already familiar with Express Lanes, including how to use them and their benefits. While COVID-19 has affected the volume of traffic using the C-470 Express Lanes, it is too early to determine the degree to which revenue has been impacted before Express Lanes usage normalizes. More data is necessary to evaluate the trends resulting from COVID-19 on these new Express Lanes. When the COVID-19 vaccine use is more widespread, HPTE anticipates that traffic volumes will start to build again.

HPTE anticipates that the observed recovery in Express Lane volumes and revenues will continue into the Fall and Winter of 2021 as individuals return to places of work, business and travel to outdoor recreation in the mountains.

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, 2021 and 2020. 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, 2021 and 2020. 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, 2021 and 2020.

Colorado High Performance Transportation Enterprise

Management's Discussion and Analysis
(Unaudited)
June 30, 2021 and 2020

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

	Transportation Special Revenue Fund			Operating Fund		
As of June 30	**2021**	**2020**	**2019**	**2021**	**2020**	**2019**
Assets						
Current Assets	$ 40,363,975	$ 30,776,446	$ 39,895,130	$ 4,686,935	$ 6,256,744	$ 3,493,228
Noncurrent Assets	32,787,336	16,794,745	28,748,712	-	-	-
Capital Assets	578,443,185	624,772,519	541,600,819	-	-	-
Total Assets	**651,594,496**	**672,343,710**	**610,244,661**	**4,686,935**	**6,256,744**	**3,493,228**
Deferred Outflows of Resources	**188,021**	**25,786**	**932**	**252,662**	**564,545**	**1,348,729**
Liabilities						
Current Liabilities	6,312,359	31,495,224	40,123,836	509,805	594,984	353,174
Noncurrent Liabilities	389,097,800	278,925,874	281,692,366	2,088,204	3,296,357	4,689,473
Total Liabilities	**395,410,159**	**310,421,098**	**321,816,202**	**2,598,009**	**3,891,341**	**5,042,647**
Deferred Inflows of Resources	**127,883,546**	**130,832,833**	**133,945,456**	**508,660**	**969,680**	**1,273,284**
Net Position (Deficit)						
Net Investment in Capital Assets	84,431,404	203,323,983	141,051,148	-	-	-
Restricted for Debt Service	-	-	16,881,811	-	-	-
Unrestricted (Deficit)	44,057,408	27,791,582	(3,449,024)	1,832,928	1,960,268	(1,473,974)
Total Net Position (Deficit)	**$ 128,488,812**	**$ 231,115,565**	**$ 154,483,935**	**$ 1,832,928**	**$ 1,960,268**	**$ (1,473,974)**

Fiscal Year 2020-21 Analysis

Transportation Special Revenue Fund

<u>Assets</u>

The Transportation Special Revenue Fund total assets decreased by $20.7 million.

Current Assets

Current assets increased by $9.6 million primarily due to an increase in cash and pooled cash investments of $9.4 million. The increase in cash and pooled cash investments was related to revenue earned from the opening of I-25N Segment III and the CDOT Burnham Yard contribution of $5 million.

Noncurrent Assets

Noncurrent assets, excluding capital assets increased by $16 million due to an increase in restricted cash from the Burnham Yard transaction.

Capital Assets

In Fiscal Year 2020-21, HPTE capital assets decreased by $46.3 million. The overall reduction of capital assets is caused by a decrease in non-depreciable capital assets totaling $231.6 million, which is caused by the capitalization of the C-470 Express Lanes and the transfer of the C-470 general purpose lanes to CDOT. Land increased by $50 million due to the Burnham Yard transaction.

Liabilities

Liabilities increased by $85 million due to HPTE issuing two commercial loans totaling $45.8 million and an interfund loan from CDOT totaling $10 million for the Burnham Yard Transaction. Additionally, the C-470 TIFIA loan facility increased by $41.8 million, as HPTE completed draws to pay CDOT for the construction of the C-470 Express Lanes. The payment to CDOT for the construction of the C-470 Express Lanes caused accounts payable to decrease by $25.2 million. Accrued interest increased by $4.5 million due to the increase in the C-470 TIFIA facility and the Burnham Yard commercial loans.

Deferred Outflows and Inflows of Resources

Deferred outflows of resources increased by $162,235 and deferred inflows of resources decreased by $2.9 million due to transactions related to pensions and OPEB. 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 a decrease in net position for the Transportation Special Revenue Fund of $102.6 million. Of the total net position, $84.4 million represents the net investment in capital assets.

In Fiscal Years 2020-21, 2019-20, and 2018-19, pension expense (credit) recognized in accordance with GASB 68 totaled ($41,176), ($203,551), and ($345,084), respectively. OPEB expense (credit) recognized under GASB 75 in Fiscal Years 2020-21, 2019-20, and 2018-19 totaled ($3,974), ($7,707), and ($4,001), respectively. The credit for pension and OPEB was the result of HPTE's proportional share of the net pension liability decreasing and also the State's contribution to the Trust Fund in accordance with C.R.S. §24-51-413, during 2020-21 and 2019-20. As a result, total pension and OPEB liabilities decreased.

Operating Fund

Assets

The operating fund total assets decreased by $1.6 million from Fiscal Year 2019-20 to Fiscal Year 2020-21 due to a decrease in accounts receivable. Accounts receivable decreased by $1.8 million due to a receivable from CDOT for traffic and revenue studies for Floyd Hill and I-270 IAAs.

Liabilities

As explained below, total liabilities decreased by $1.3 million primarily due to HPTE recognizing the unearned revenue from a portion of the Floyd Hill and I-270 IAAs for traffic and revenue studies.

Current Liabilities

Current liabilities decreased by $85,179 due to an increase in accrual payments to vendors before year-end.

Noncurrent Liabilities

Noncurrent liabilities decreased by $1.2 million primarily due to HPTE recognizing unearned revenue from the Floyd Hill and I-270 IAAs.

Deferred Outflows and Inflows of Resources

Deferred outflows of resources decreased by $311,882 and deferred inflows of resources decreased by $461,021. Both the decrease of deferred outflows of resources and of deferred inflows of resources were due to pensions and OPEB.

Net Position

The effect of these changes was a decrease in the net position of the operating fund of $127,340 from the previous fiscal year.

In Fiscal Years 2020-21, 2019-20, and 2018-19 pension expense (credit) recognized in accordance with GASB 68 totaled ($228,347), ($95,303), and $295,285, respectively. OPEB expense recognized under GASB 75 in Fiscal Years 2020-21, 2019-20, and 2018-19 totaled $1,028, $3,821, and $5,087, respectively.

Fiscal Year 2019-20 Analysis

Transportation Special Revenue Fund

Assets

The Transportation Special Revenue Fund total assets increased by $62.1 million.

Current Assets

Current assets decreased by $9.1 million due to a decrease in accounts receivable of $9.4 million. The decrease in accounts receivable was related to a C-470 TIFIA loan facility proceeds request, which was received by HPTE in July 2019.

<u>*Noncurrent Assets*</u>

Noncurrent assets, excluding capital assets decreased by $12 million due to the reduction in restricted cash from the spending of C-470 bond proceeds.

<u>*Capital Assets*</u>

In Fiscal Year 2019-20, HPTE capital assets increased by $83.2 million due to the construction of C-470 and I-25 Segment III managed lanes.

Liabilities

Liabilities decreased by $11.4 million. Accrued interest decreased by $2.6 million due to the C-470 bond payment not being accrued. In Fiscal Year 2019-20, June 30th was on a Sunday, which caused the payment by the Trustee to occur on Monday, July 1st, causing the debt service payment to be accrued. The June 30, 2020 payment occurred before year-end and as such an accrual for debt service was not required. Additionally, the pending draw on C-470 TIFIA loan facility decreased to zero as the funds have been received from TIFIA, and as previously stated, an accrual was not required for June 30, 2020. Additionally, accrued liabilities decreased by $8.6 million due to less project expenses to accrue due to the opening of the Segment III project.

Deferred Outflows and Inflows of Resources

Deferred outflows of resources increased by $24,854 and deferred inflows of resources decreased by $3.1 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 $76.6 million. Of the total net position, $203.3 million represents the net investment in capital assets.

In Fiscal Years 2019-20, 2018-19, and 2017-18, pension expense (credit) recognized in accordance with GASB 68 totaled ($203,551), ($345,084), and ($259,162), respectively. OPEB expense (credit) recognized under GASB 75 in Fiscal Years 2019-20, 2018-19, and 2017-18 totaled ($3,707), ($4,001), and ($2,537), respectively. The credit for pension and OPEB was the result of HPTE's proportional share of the net pension liability decreasing and also the State's contribution to the Trust Fund in accordance with C.R.S. §24-51-413, during 2018-19 and 2019-20. As a result, total pension and OPEB liabilities decreased.

Operating Fund

Assets

The operating fund total assets increased by $2.8 million from Fiscal Year 2018-19 to Fiscal Year 2019-20 due to an increase in accounts receivable. Accounts receivable increased by $1.9 million due to a receivable from CDOT, regarding an IAA with CDOT to perform traffic and revenue studies for I-270 and Floyd Hill. Cash also increased due an increase in investment income.

Liabilities

As explained below, total liabilities decreased by $1.1 million due to HPTE repaying the remaining balance of the Transportation Commission loans.

Current Liabilities

Current liabilities increased by $241,280 due to an increase in accrual payments to vendors.

Noncurrent Liabilities

Noncurrent liabilities decreased by $1.4 million primarily due to HPTE repaying the entire balance of Transportation Commission loans of $2 million. HPTE paid the Transportation Commission loans with the remaining toll revenue from the I-25 Central Reversible lanes before the tolls were turned over to the PRD through the concession agreement.

Deferred Outflows and Inflows of Resources

Deferred outflows of resources decreased by $784,184 and deferred inflows of resources decreased by $303,604. Both the decrease of deferred outflows of resources and of deferred inflows of resources were due to pensions and OPEB.

Net Position

The effect of these changes was an increase in the net position of the operating fund of $3.4 million from the previous fiscal year.

In Fiscal Years 2019-20, 2018-19, and 2017-18 pension expense (credit) recognized in accordance with GASB 68 totaled ($95,303), $295,285, and $797,851, respectively. OPEB expense recognized under GASB 75 in Fiscal Years 2019-20, 2018-19, and 2017-18 totaled $3,821, $5,087, and $7,398, respectively.

Colorado High Performance Transportation Enterprise

Management's Discussion and Analysis
(Unaudited)
June 30, 2021 and 2020

Revenue and Expense Analysis

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

For Year Ended June 30	Transportation Special Revenue Fund 2021	Transportation Special Revenue Fund 2020	Transportation Special Revenue Fund 2019	Operating Fund 2021	Operating Fund 2020	Operating Fund 2019
Operating Revenues						
Charges for Tolls and Services	$ 17,865,658	$ 13,198,852	$ 13,942,225	$ 6,736,000	$ 6,819,175	$ 5,169,500
Other Operating Revenues	1,418,442	1,199,491	731,541	12,549	85,230	74,068
Total Operating Revenues	**19,284,100**	**14,398,343**	**14,673,766**	**6,748,549**	**6,904,405**	**5,243,568**
Operating Expenses						
Salaries and Benefits	156,375	(153,631)	(307,355)	586,860	890,411	1,172,351
Operating and Travel	8,237,379	2,518,097	3,497,166	1,135,178	1,207,582	712,095
Professional Services	3,065,502	2,179,851	871,555	5,136,381	3,754,060	2,944,884
Depreciation Expense	14,715,721	8,800,224	8,580,530	-	-	-
Total Operating Expenses	**26,174,977**	**13,344,541**	**12,641,896**	**6,858,419**	**5,852,053**	**4,829,330**
Operating Income (Loss)	**(6,890,877)**	**1,053,802**	**2,031,870**	**(109,870)**	**1,052,352**	**414,238**
Nonoperating Revenues (Expenses)						
Investment Income (expense)	(240,990)	1,726,403	1,943,814	(17,469)	260,833	180,882
CDOT I-25 North Segment III construction delay payment	7,693,107	782,183	-	-	-	-
Cost of issuance for Burnham Yard and MEXL program loans	(576,598)	-	-	-	-	-
Interest Expense and bond premium	(13,277,149)	(2,257,994)	(2,990,715)	-	(21,415)	(53,908)
Net Nonoperating Revenues (Expenses)	**(6,401,630)**	**250,592**	**(1,046,901)**	**(17,469)**	**239,418**	**126,974**
Transfer for Transportation Commission Loan Payment	-	(2,142,472)	-	-	2,142,472	-
Transfer of I-25 North Segment II and III managed lanes to HPTE	(89,334,246)	77,469,708	1,143,116	-	-	-
Change in Net Position	**(102,626,753)**	**76,631,630**	**2,128,085**	**(127,339)**	**3,434,242**	**541,212**
Beginning Net Position (Deficit)	**231,115,565**	**154,483,935**	**152,355,850**	**1,960,268**	**(1,473,974)**	**(2,015,186)**
Net Position (Deficit), End of Year	**$ 128,488,812**	**$ 231,115,565**	**$ 154,483,935**	**$ 1,832,929**	**$ 1,960,268**	**$ (1,473,974)**

Variances for Fiscal Year 2020-21

Transportation Special Revenue Fund

Revenues

Total operating revenues increased by $4.9 million. This increase in operating revenues is primarily a result of an increase in toll revenue totaling $4.7 million. The increase in toll revenue is due to the opening of I-25N Segment III and C-470 Express Lanes.

Expenses

Total operating expenses increased in Fiscal Year 2020-21 by $12.8 million. Operating and travel expenses increased by $5.7 million. The increase in operating and travel is due to HPTE and increase in tolling operations because of the opening of C-470 and I-25N Segment III Express Lanes. Depreciation expense also increased by $5.9 million due to the increase in express lane corridors being operated by HPTE.

Net nonoperating expenses increased by $6.7 million due to an increase in interest expense totaling $15.5 million. Interest expense increased due to the refinancing of the MEXL loan, additions of the Burnham Yard commercial loans, and an increase in the C-470 TIFIA loan facility interest. Additionally, a payment was received from CDOT totaling $7.7 million which offset the increase of nonoperating expenses. This payment from CDOT is to compensate HPTE for construction delays related to the I-25N Segment III and C-470 projects per the IAA.

Net Position

The outcome of these changes was decrease in net position of $102.6 million in Fiscal Year 2020-21.

Operating Fund

Revenues

Total operating revenues decreased by $155,856 due to a decrease in charges for tolls and services and other operating revenue. The decrease was due to HPTE staff directly charging their time to the tolling corridors in the Transportation Special Revenue Fund. In prior fiscal years, the Transportation Special Revenue Fund would reimburse the Operating Fund for staff time associated with tolling corridors.

Expenses

Total operating costs increased by $1 million due to an increase in professional services. The increase in professional services was due to traffic and revenue studies being completed for Floyd Hill, I-270, and C-470 corridors. Salaries and benefits decreased by $303,551 due to staff time being allocated to the tolling corridors in the Transportation Special Revenue Fund.

Net nonoperating revenues decreased by $256,887 due to a decrease in investment income.

Net Position

The outcome of these changes was a decrease in net position of $127,339 in Fiscal Year 2020-21.

Variances for Fiscal Year 2019-20

Transportation Special Revenue Fund

Revenues

Total operating revenues decreased by $275,423. This decrease in operating revenues is primarily a result of a decrease in toll revenue totaling $743,373, offset by an increase of $467,950 of other operating revenue. The increase in other operating revenue is caused by an increase in toll fines resulting in Colorado State Patrol providing increased toll enforcement. The decrease in toll revenue is related to reduction of traffic in the toll lanes due to COVID-19. The decrease in toll revenue was offset by an increase of $467,939 in other operating revenues, which is related to an increase in tolling fines. In Fiscal Year 2019-20 HPTE increased tolling enforcement on the I-25 North Segment II and MEXL managed lanes due to safety concerns.

Expenses

Total operating expenses increased in Fiscal Year 2019-20 by $702,645. Operating and travel expenses decreased by $979,069. The decrease in operating and travel totaling $979,069 is due to HPTE purchasing less transponders for resale. In Fiscal Year 2018-19 HPTE purchased more transponders to sell to public for preparation of the opening of I-25 North Segment II managed lanes. Professional services increased by $1.4 million due to IAA agreement between CDOT and HPTE for I-270. 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 $1.3 million due a transfer from the Transportation Special Revenue Fund to the Operating Fund. This transfer was completed to use toll revenue collected on the I-25 Central Reversible Lanes prior to the concession agreement to repay the Transportation Commission loans. Additionally, a payment was received from CDOT totaling $782,183. This payment from CDOT is to compensate HPTE for construction delays related to the Segment III project per the IAA.

Net Position

The outcome of these changes was an increase in net position of $76.6 million in Fiscal Year 2019-20.

Operating Fund

Revenues

Total operating revenues increased by $1.7 million due to an increase in charges for tolls and services. The increase in charges for services was due to HPTE collecting fees for the review of unsolicited proposals. 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 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. Salaries and benefits decreased by $281,940 due to staff time being allocated to the tolling corridors in the Transportation Special Revenue Fund.

Net nonoperating revenues increased by $112,444 due to an increase in investment income.

Net Position

The outcome of these changes was an increase in net position of $3.4 million in Fiscal Year 2019-20.

Capital Assets and Debt Administration

Transportation Special Revenue Fund

Capital Assets

As of June 30	2021	2020	2019
Land	$ 50,046,670	$ -	$ -
Assets Under Construction	687,129	232,242,778	238,621,091
Capital Assets Being Depreciated	527,709,386	392,529,741	302,979,728
Capital Assets, Net of Accumulated Depreciation	$ 578,443,185	$ 624,772,519	$ 541,600,819

In Fiscal Year 2020-21, capital assets decreased overall by $46.3 million due to the C-470 Express Lanes being placed into service and transferring the general purpose lanes to CDOT. The net decrease in non-depreciable assets totaling $232 million is related to the C-470 Express Lanes being moved to capital assets being depreciated. HPTE transferred a total of $89.3 million to CDOT for the construction of the C-470 general purpose lanes as well. In Fiscal Year 2020-21 HPTE purchased the Burnham Yard property from Union Pacific Railroad, which caused an increase in land totaling $50 million.

Debt Outstanding

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. In January 2021 HPTE refinanced the Banc of America loan by paying off the principal balance of $25 million and entering into a new loan with Wells Fargo totaling $25.2 million.

The new MEXL commercial loan with Wells Fargo accrues at a rate of .76 percent, saving a significant amount on interest costs over the term of the loan. The MEXL loan will be repaid with toll revenue from the eastbound and westbound MEXL Express Lanes.

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 Express Lanes Project in June 2017, which consisted of a TIFIA loan totaling $106 million and revenue backed bonds totaling $176.5 million including a bond premium of $14.1 million. As of June 30, 2021, HPTE has received $93.4 million of the TIFIA loan proceeds.

In May 2021 HPTE borrowed $45.8 million through commercial loans from Bank of America and J.P. Morgan Chase bank ($22.9 million each) and a loan from CDOT totaling $10 million. Both the Bank of America and J.P. Morgan Chase loans will be repaid by HPTE through the proceeds of the sale of the Burnham Yard property.

The $10 million loan from CDOT was used to assist HPTE with the purchase of the Burnham Yard property. This loan also allows CDOT to have access to the property and complete environmental and land use planning for the property. After five years, HPTE will transfer approximately 17 acres to CDOT, which will be used for future transportation projects and the loan will be considered to be paid in full.

In May 2019 HPTE and CDOT entered into the Tolling Equipment Financing Agreement (TEFA). This agreement was created to allow CDOT to loan HPTE funds to purchase tolling equipment and software for the express lanes. The agreement acts as a line of credit for HPTE. In Fiscal Year 2020-21, HPTE completed its first draw in January 2021 totaling $2.9 million to purchase tolling equipment and software for the MEXL westbound project and the develop a cloud based tolling system.

For more information regarding outstanding debt for the Transportation Special Fund, see Note 6.

Operating Fund

The operating fund does not hold any capital assets or debt.

Financial Contact

If you have questions about this report please contact:

High Performance Transportation Enterprise
2829 West Howard Place
Denver, Colorado 80204
Attn: Kay Hruska

Colorado High Performance Transportation Enterprise

Statements of Net Position

June 30, 2021 and 2020

	June 30, 2021			June 30, 2020		
	Transportation Special Revenue Fund	Operating	Total	Transportation Special Revenue Fund	Operating	Total
Assets						
Current assets:						
Cash and pooled cash investments	$ 39,338,393	$ 4,656,777	$ 43,995,170	$ 29,935,334	$ 4,342,397	$ 34,277,731
Receivables	718,394	972	719,366	241,112	1,884,274	2,125,386
Prepaid items	307,188	29,186	336,374	600,000	30,073	630,073
Total current assets	40,363,975	4,686,935	45,050,910	30,776,446	6,256,744	37,033,190
Noncurrent assets:						
Restricted cash	32,787,336	-	32,787,336	16,794,745	-	16,794,745
Land	50,046,670	-	50,046,670	-	-	-
Capital assets, nondepreciable	687,129	-	687,129	232,242,778	-	232,242,778
Capital assets, net of accumulated depreciation	527,709,386	-	527,709,386	392,529,741	-	392,529,741
Total noncurrent assets	611,230,521	-	611,230,521	641,567,264	-	641,567,264
Total assets	**651,594,496**	**4,686,935**	**656,281,431**	**672,343,710**	**6,256,744**	**678,600,454**
Deferred Outflows of Resources						
Related to pensions	180,444	226,626	407,070	24,759	529,786	554,545
Related to postemployment benefits	7,577	26,036	33,613	1,027	34,759	35,786
Total deferred outflows of resources	**188,021**	**252,662**	**440,683**	**25,786**	**564,545**	**590,331**
Liabilities						
Current liabilities:						
Accounts payable and accrued liabilities	6,312,359	509,805	6,822,164	31,495,224	594,984	32,090,208
Total current liabilities	6,312,359	509,805	6,822,164	31,495,224	594,984	32,090,208
Noncurrent liabilities						
TEFA Loan	2,950,000	-	2,950,000	-	-	-
C-470 Bonds, including bond premium	175,703,642	-	175,703,642	175,927,637	-	175,927,637
C-470 TIFIA loan facility	93,483,600	-	93,483,600	51,678,344	-	51,678,344
MEXL program loan	25,205,000	-	25,205,000	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
Burnham Yard program loan	45,810,000	-	45,810,000	-	-	-
Burnham Yard CDOT loan	10,000,000	-	10,000,000	-	-	-
Accrued interest	7,122,319	-	7,122,319	2,657,710	-	2,657,710
Unearned revenue	5,000,000	169,000	5,169,000	-	1,300,000	1,300,000
Net pension liability	187,038	1,854,999	2,042,037	30,822	1,920,810	1,951,632
Net other postemployment benefits	6,201	64,205	70,406	1,361	75,547	76,908
Total noncurrent liabilities	389,097,800	2,088,204	391,186,004	278,925,874	3,296,357	282,222,231
Total liabilities	**395,410,159**	**2,598,009**	**398,008,168**	**310,421,098**	**3,891,341**	**314,312,439**
Deferred Inflows of Resources						
Related to pensions	38,301	479,684	517,985	80,007	945,379	1,025,386
Related to postemployment benefits	11,316	28,976	40,292	13,581	24,301	37,882
Concession agreement	127,833,929	-	127,833,929	130,739,245	-	130,739,245
Total Deferred Inflows of Resources	**127,883,546**	**508,660**	**128,392,206**	**130,832,833**	**969,680**	**131,802,513**
Net Position						
Net investment in capital assets	84,431,404	-	84,431,404	203,323,983	-	203,323,983
Unrestricted	44,057,408	1,832,928	45,890,336	27,791,582	1,960,268	29,751,850
Total net position	**$ 128,488,812**	**$ 1,832,928**	**$ 130,321,740**	**$ 231,115,565**	**$ 1,960,268**	**$ 233,075,833**

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, 2021 and 2020

	June 30, 2021			June 30, 2020		
	Transportation Special Revenue Fund	Operating	Total	Transportation Special Revenue Fund	Operating	Total
Operating Revenues						
Charges for tolls and services	$ 17,865,658	$ 6,736,000	$ 24,601,658	$ 13,198,852	$ 6,819,175	$ 20,018,027
Other operating revenues	1,418,442	12,549	1,430,991	1,199,491	85,230	1,284,721
Total operating revenues	**19,284,100**	**6,748,549**	**26,032,649**	**14,398,343**	**6,904,405**	**21,302,748**
Operating Expenses						
Salaries and benefits	156,375	586,860	743,235	(153,631)	890,411	736,780
Operating and travel	8,237,379	1,135,178	9,372,557	2,518,097	1,207,582	3,725,679
Professional services	3,065,502	5,136,381	8,201,883	2,179,851	3,754,060	5,933,911
Depreciation expense	14,715,721	-	14,715,721	8,800,224	-	8,800,224
Total operating expenses	**26,174,977**	**6,858,419**	**33,033,396**	**13,344,541**	**5,852,053**	**19,196,594**
Operating income	**(6,890,877)**	**(109,870)**	**(7,000,747)**	**1,053,802**	**1,052,352**	**2,106,154**
Nonoperating Revenues (Expenses)						
Investment income (expense)	(240,990)	(17,469)	(258,459)	1,726,403	260,833	1,987,236
CDOT payment for C-470 and Segment III construction delay	7,693,107	-	7,693,107	782,183	-	782,183
Cost of issuance for Burnham Yard and MEXL program loans	(576,598)	-	(576,598)	-	-	-
Interest expense and bond premium	(13,277,149)	-	(13,277,149)	(2,257,994)	(21,415)	(2,279,409)
Net nonoperating revenues (expenses)	**(6,401,630)**	**(17,469)**	**(6,419,099)**	**250,592**	**239,418**	**490,010**
Transfer for Transportation Commission Loan Payment	-	-	-	(2,142,472)	2,142,472	-
Transfer of C-470 and I-25 North Segment III managed lanes	(89,334,246)	-	(89,334,246)	77,469,708	-	77,469,708
Change in Net Position	**(102,626,753)**	**(127,339)**	**(102,754,092)**	**76,631,630**	**3,434,242**	**80,065,872**
Beginning Net Position	**231,115,565**	**1,960,268**	**233,075,833**	**154,483,935**	**(1,473,974)**	**153,009,961**
Net Position, End of the Year	**$ 128,488,812**	**$ 1,832,929**	**$ 130,321,741**	**$ 231,115,565**	**$ 1,960,268**	**$ 233,075,833**

The accompanying notes are an integral part of these financial statements

Colorado High Performance Transportation Enterprise

Statements of Cash Flows

Years Ended June 30, 2021 and 2020

	June 30, 2021			June 30, 2020		
	Transportation Special Revenue Fund	Operating	Total	Transportation Special Revenue Fund	Operating	Total
Cash Flows from Operating Activities						
Cash received from users and grants	$ 20,901,502	$ 1,900,851	$ 22,802,353	$ 11,758,343	$ 721,550	$ 12,479,893
Cash payments for salaries and benefits	(201,526)	(788,567)	(990,093)	(53,627)	(956,794)	(1,010,421)
Cash payments to contractors and suppliers of goods and services	(9,513,038)	(6,380,435)	(15,893,473)	(5,547,899)	(4,732,760)	(10,280,659)
Net cash provided by (used in) operating activities	**11,186,938**	**(5,268,151)**	**5,918,787**	**6,156,817**	**(4,968,004)**	**1,188,813**
Cash Flows from Noncapital Financing Activities						
Principal paid on interagency loans	-	-	-	-	(1,968,437)	(1,968,437)
Interest paid on interagency loans	-	-	-	-	(174,033)	(174,033)
Cash received (paid) from transfer	-	-	-	(2,142,472)	2,142,472	-
Payments from intergovernmental agreement	7,693,107	5,600,000	13,293,107	782,183	5,600,000	6,382,183
Net cash provided by (used in) noncapital noncapital financing activities	**7,693,107**	**5,600,000**	**13,293,107**	**(1,360,289)**	**5,600,002**	**4,239,713**
Cash Flows from Capital and Related Financing Activities						
Interest paid on debt	(9,780,418)	-	(9,780,418)	(13,499,505)	-	(13,499,505)
Proceeds from issuance of long-term debt	100,770,256	-	100,770,256	9,178,384	-	9,178,384
Payment of debt issuance fees	(205,000)	-	(205,000)	-	-	-
Acquisition and construction of capital assets	(84,028,243)	-	(84,028,243)	(14,430,760)	-	(14,430,760)
Net cash used in capital and related financing activities	**6,756,595**	**-**	**6,756,595**	**(18,751,881)**	**-**	**(18,751,881)**
Cash Flows from Investing Activities						
Investment income (expense)	(240,990)	(17,469)	(258,459)	1,726,403	260,833	1,987,236
Net cash provided by investing activities	**(240,990)**	**(17,469)**	**(258,459)**	**1,726,403**	**260,833**	**1,987,236**
Net increase (decrease) in cash and cash equivalents	25,395,650	314,380	25,710,030	(12,228,950)	892,831	(11,336,119)
Cash and cash equivalents, beginning of year	46,730,079	4,342,397	51,072,476	58,959,029	3,449,566	62,408,595
Cash and cash equivalents, end of year	**$ 72,125,729**	**$ 4,656,777**	**$ 76,782,506**	**$ 46,730,079**	**$ 4,342,397**	**$ 51,072,476**

Colorado High Performance Transportation Enterprise

Statements of Cash Flows (continued)

Years Ended June 30, 2021 and 2020

	June 30, 2021			June 30, 2020		
	Transportation Special Revenue Fund	Operating	Total	Transportation Special Revenue Fund	Operating	Total
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:						
Operating income	$ (6,890,877)	$ (109,870)	$ (7,000,747)	$ 1,053,802	$ 1,052,352	$ 2,106,154
Adjustments to reconcile operating income to net cash provided by operating activities:						
Depreciation expense	14,715,721	-	14,715,721	8,800,224	-	8,800,224
Adjustment to net pension and net other postemployment benefit liability	161,056	(77,153)	83,903	24,902	(572,061)	(547,159)
Deferred inflows of resources - pension and net other postemployment benefits related	(43,971)	(461,020)	(504,991)	(207,306)	(303,605)	(510,911)
Deferred inflows of resources - concession agreement	(2,905,317)	-	(2,905,317)	(2,905,317)	-	(2,905,320)
Deferred outflows of resources - pension and net other postemployment benefits related	(162,235)	311,882	149,647	(24,854)	784,184	759,330
Direct state allocation to pension - expense	-	-	-	11	1,327	1,338
Direct state allocation to pension - revenue	-	-	-	(11)	(1,327)	(1,338)
Changes in assets and liabilities						
Receivables, net	(477,281)	(3,716,698)	(4,193,979)	265,317	(7,482,846)	(7,217,529)
Prepaid items	292,812	888	293,700	(600,000)	12,171	(587,829)
Accounts payable and accrued liabilities	1,497,030	(85,180)	1,411,850	(249,951)	241,801	(8,150)
Unearned revenue	5,000,000	(1,131,000)	3,869,000	-	1,300,000	1,300,000
Net cash provided by (used in) operating activities	**$ 11,186,938**	**$ (5,268,151)**	**$ 5,918,787**	**$ 6,156,817**	**$ (4,968,004)**	**$ 1,188,813**
Noncash Investing, Capital and Financing Activities						
Acquisition of capital assets, on account	$ 4,584,981	$ -	$ 4,584,981	$ 31,264,875	$ -	$ 31,264,875
Transfer of managed lanes	$ 89,334,246	$ -	$ 89,334,246	$ 77,469,708	$ -	$ 77,469,708
Unrealized gain (loss)	$ (682,994)	$ 102,998	$ (579,996)	$ (780,688)	$ (115,713)	$ (896,401)
Capitalized Interest	$ 743,883	$ -	$ 743,883	$ 8,640,302	$ -	$ 8,640,302
Proceeeds from MEXL Loan Refi	$ 25,000,000	$ -	$ 25,000,000	$ -	$ -	$ -
Payment of MEXL loan BofA	$ (25,000,000)	$ -	$ (25,000,000)	$ -	$ -	$ -
Payment of debt fees	$ (371,598)	$ -	$ (371,598)	$ -	$ -	$ -

The accompanying notes are an integral part of these financial statements

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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 I-70 Mountain Express Lanes, and C-470 Express Lanes. Through an intergovernmental agreement with Regional Transportation District (RTD), revenues generated from I-25 Central Reversible Lanes cannot be used for purposes other than the operation and maintenance of the I-25 Central Reversible 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 interagency agreement (IAA) with the Colorado Department of Transportation (CDOT). These proceeds from 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, 2021 or 2020, 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 $14,245,027 and $11,088,481 during the years ended June 30, 2021 and 2020, respectively. Interest expense capitalized during the years ended June 30, 2021 and 2020 was $743,883 and $8,640,302, 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.

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.

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, 2021 and 2020, the Enterprise had cash on deposit with the State Treasurer of $43,995,170 and $34,277,731, respectively, which represented less than 1.0 percent of the total $17,744.6 million fair value of investments in the State Treasurer's Pool (Pool). As of June 30, 2021, the Pool's resources included $36.1 million of cash on hand and $17,708.5 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 Annual Comprehensive Financial Report for the year ended June 30, 2021.

As of June 30, 2021, HPTE had $32,787,336 of restricted cash in the Transportation Special Fund and a balance of $16,794,745 as of June 30, 2020. The restricted cash in the Transportation Special Fund is related to the C-470 Transportation infrastructure Finance and Innovation Act (TIFIA) Loan Facility and revenue bond proceeds, and the Burnham Yard transaction.

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, Colorado Bridge Enterprise (CBE) Plenary Roads Denver (PRD) and E-470 for services provided.

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

	2021	2020
Tolling revenues receivable	$ 529,362	$ 200,047
CDOT receivable	972	1,884,274
Other receivable	189,032	41,065
Total accounts receivable	**$ 719,366**	**$ 2,125,386**

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

NOTE 4 – CAPITAL ASSETS

A summary of changes in capital assets is as follows for the years ended June 30, 2021 and 2020:

	2021				
	Balance at June 30, 2020	Additions	Disposals	Transfers	Balance at June 30, 2021
Capital assets, not being depreciated					
Land	$ -	$ 50,046,670	$ -	$ -	$ 50,046,670
Assets under construction	232,242,778	7,673,963	-	(239,229,612)	687,129
Total capital assets, not being depreciated	232,242,778	57,720,633	-	(239,229,612)	50,733,799
Capital assets, being depreciated					
Tolling software	2,490,156	-	-	1,556,689	4,046,845
Tolling equipment	4,363,165	-	-	1,264,054	5,627,219
Toll lanes	425,045,631	964,238	(90,298,484)	236,408,869	572,120,254
Total capital assets, being depreciated	431,898,952	964,238	(90,298,484)	239,229,612	581,794,318
Less accumulated depreciation					
Tolling software and equipment	(2,003,000)	(561,069)	-	-	(2,564,069)
Toll lanes	(37,366,211)	(14,154,652)	-	-	(51,520,863)
Total accumulated depreciation	(39,369,211)	(14,715,721)	-	-	(54,084,932)
Total capital assets, being depreciated, net	392,529,741	(13,751,483)	(90,298,484)	239,229,612	527,709,386
Total capital assets, net	$ 624,772,519	$ 43,969,150	$ (90,298,484)	$ -	$ 578,443,185

	2020				
	Balance at June 30, 2019	Additions	Disposals	Transfers	Balance at June 30, 2020
Capital assets, not being depreciated					
Assets under construction	$ 238,621,091	$ 14,502,215	$ -	$ (20,880,528)	$ 232,242,778
Total capital assets, not being depreciated	238,621,091	14,502,215	-	(20,880,528)	232,242,778
Capital assets, being depreciated					
Tolling software	2,220,182	-	-	269,974	2,490,156
Tolling equipment	3,452,100	165,349	-	745,716	4,363,165
Toll lanes	327,876,433	77,304,360	-	19,864,838	425,045,631
Total capital assets, being depreciated	333,548,715	77,469,709	-	20,880,528	431,898,952
Less accumulated depreciation					
Tolling software and equipment	(1,554,481)	(448,519)	-	-	(2,003,000)
Toll lanes	(29,014,506)	(8,351,705)	-	-	(37,366,211)
Total accumulated depreciation	(30,568,987)	(8,800,224)	-	-	(39,369,211)
Total capital assets, being depreciated, net	302,979,728	68,669,485	-	20,880,528	392,529,741
Total capital assets, net	$ 541,600,819	$ 83,171,700	$ -	$ -	$ 624,772,519

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:

	2021	2020
Vendors payable	$ 2,159,580	$ 774,902
Contractors payable	4,584,981	31,264,875
Other payables, including accrued compensation and compensated absences	77,603	50,431
Total current accounts payable and accrued liabilities	**$ 6,822,164**	**$ 32,090,208**

NOTE 6 – LONG-TERM LIABILITIES

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 and interest rate of 5 percent, for the C-470 project to make up the difference in funding that is needed to complete construction. Payment for the C-470 bonds begin in December 2045, with a maturity date of December 2056. 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 2020-21, HPTE has received $93.4 million of TIFIA loan facility proceeds, leaving $13.5 million to be requisitioned, and $8.9 million of the C-470 revenue bond proceeds are available for requisitions. Both the TIFIA loan facility balance and bonds debt service would be paid by CDOT if HPTE was to default.

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. If HPTE is to default on this loan, CDOT will take over the debt service payments.

In Fiscal Year 2020-21 HPTE refinanced the Banc of America loan, paying the principal balance of $25 million with proceeds from a new loan with Wells Fargo totaling $25.2 million. The additional $205,000 was to cover the cost of issuance for the new loan with Wells Fargo, thus there was no gain or loss from the refinancing of this loan. The new MEXL program loan with Wells Fargo accrues at a rate of .76

percent. The payments are due annually in June, with principal payments starting in June 2024. The MEXL loan will be repaid with toll revenue from the eastbound and westbound MEXL Express Lanes.

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. Principal payments begin in December 2023 with a maturity date in December 2025. 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.

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.

Burnham Yard Program Loans

In May 2021 HPTE borrowed $45.8 million through loans from Bank of America and JP Morgan Chase bank ($22.9 million each), and a loan from CDOT totaling $10 million. The two commercial loans accrue interest at a rate of 3.90 percent with payments due each May. Principal payments start in Fiscal Year 2026-27, maturing in Fiscal Year 2028-29. Both the Bank of America and JP Morgan Chase loans will be repaid by HPTE through the proceeds of the sale of the Burnham Yard property.

The $10 million CDOT loan was used to assist HPTE to purchase the Burnham Yard property. After five years, HPTE will transfer approximately 17 acres to CDOT, which will be used for future transportation projects and the loan will be considered paid in full.

CDOT Tolling Equipment Financing Agreement (TEFA)

In May 2019 HPTE and CDOT entered into the TEFA to allow CDOT to loan funds to HPTE to purchase tolling equipment and software for corridors under construction. In Fiscal Year 2020-21, HPTE completed its first draw in January 2021 totaling $2.9 million to purchase tolling equipment and software for the MEXL westbound project and to develop a cloud based tolling system. The $2.9 million loan from CDOT has an interest rate of two percent, with payments due in February. Principal payments starting in February 2028, maturing in February 2031. Toll revenue from the express lane corridors will repay the loan to CDOT.

As of June 30, 2021, $7.1 million in accrued interest was recorded in relation to the MEXL loan, I-25 North Segment III loan, C-470 TIFIA loan facility, Burnham Yard, and TEFA agreement. For Fiscal Year 2020-21 and 2019-20, $253,205 of interest was accrued for the I-25 North Segment III loan. $76,430 and $375,580 was accrued as interest in Fiscal Year 2020-21 and 2019-20 for the MEXL loan. $4.7 million was accrued for the C-470 TIFIA loan facility in Fiscal Year 2020-21 and $1,442,92 in Fiscal Year 2019-20. HPTE accrued $92,505 and $22,125 for the Burnham Yard and TEFA agreement in Fiscal Year 2020-21.

Other long-term liabilities include net pension liability of $2 million and OPEB liability of $75,414. The changes in the total liabilities for Fiscal Year 2020-21 and for Fiscal Year 2019-20 are as follows:

	Balance at June 30, 2020	Increase	Decrease	Balance at June 30, 2021	Due Within One Year
C-470 Bonds	$ 161,795,000	$ -	$ -	$ 161,795,000	$ -
Premium on C-470 Bonds	14,132,637	-	(223,995)	13,908,642	-
C-470 TIFIA Loan Facility	51,678,344	41,805,256	-	93,483,600	-
MEXL Program Loan	25,000,000	25,205,000	(25,000,000)	25,205,000	-
I-25 North Segment III Loan	23,630,000	-	-	23,630,000	-
Burnham Yard Program Loan	-	45,810,000		45,810,000	-
Burnham Yard CDOT Loan	-	10,000,000	-	10,000,000	-
TEFA loan	-	2,950,000	-	2,950,000	-
Accrued Interest	2,657,710	5,094,867	(630,258)	7,122,319	-
Net Pension Liability	1,951,632	1,179,116	(1,088,710)	2,042,038	-
Other Postemployment Benefits	76,908	4,840	(11,342)	70,406	-
Total liability	$ 280,922,231	$ 132,049,079	$ (26,954,305)	$ 386,017,005	$ -

	Balance at June 30, 2019	Increase	Decrease	Balance at June 30, 2020	Due Within One Year
Transportation Commission	$ 1,968,437	$ -	$ (1,968,437)	$ -	$ -
C-470 Bonds	161,795,000	-	-	161,795,000	-
Premium on C-470 Bonds	14,322,822	-	(190,185)	14,132,637	-
C-470 TIFIA Loan Facility	42,499,961	9,178,383	-	51,678,344	-
Pending Draw	9,178,383	-	(9,178,383)	-	-
MEXL Program Loan	25,000,000	-	-	25,000,000	-
I-25 North Segment III Loan	23,630,000	-	-	23,630,000	-
Accrued Interest	5,411,537	7,469,135	(10,222,962)	2,657,710	-
Net Pension Liability	2,471,384	55,895	(575,647)	1,951,632	-
Other Postemployment Benefits	104,315	2,489	(29,896)	76,908	-
Total liability	$ 286,381,839	$ 16,705,902	$ (22,165,510)	$ 280,922,231	$ -

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

C-470 Bonds

Fiscal Year	Interest Due	Principal Due	Debt Service Payment
2022	$ 8,089,750	$ -	$ 8,089,750
2023	8,089,750	-	8,089,750
2024	8,089,750	-	8,089,750
2025	8,089,750	-	8,089,750
2026	8,089,750	-	8,089,750
2027-2031	40,448,750	-	40,448,750
2032-2036	40,448,750	-	40,448,750
2037-2041	40,448,750	-	40,448,750
2042-2046	40,203,750	9,800,000	50,003,750
2047-2051	31,041,375	58,235,000	89,276,375
2052-2056	14,324,125	76,075,000	90,399,125
2057-2061	442,125	17,685,000	18,127,125
Total payments	$ 247,806,375	$ 161,795,000	$ 409,601,375

C-470 TIFIA Loan Facility

HPTE does not currently have a debt service schedule for the C-470 TIFIA loan, as the debt service schedule is dependent on the draws of the TIFIA loan. HPTE is in the process of completing their final TIFIA loan draw, and working with TIFIA to finalize the debt service schedule.

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

MEXL Loan

Fiscal Year	Interest Due	Principal Due	Debt Service Payment
2022	$ 168,145	$ -	$ 168,145
2023	191,558	-	191,558
2024	881,503	3,175,000	4,056,503
2025	1,395,100	8,400,000	9,795,100
2026	807,100	8,400,000	9,207,100
2027	191,862	5,230,000	5,421,862
Total payments	$ 3,635,268	$ 25,205,000	$ 28,840,268

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

Segment III Loan

Fiscal Year	Interest Due	Principal Due	Debt Service Payment
2022	$ 470,237	$ -	$ 470,237
2023	470,237	-	470,237
2024	1,654,100	7,875,000	9,529,100
2025	1,102,850	7,875,000	8,977,850
2026	551,600	7,880,000	8,431,600
Total payments	$ 4,249,024	$ 23,630,000	$ 27,879,024

Total future debt service payments over the remaining life of the Burnham Yard program loans are as follows:

Burnham Yard Notes A and B

Fiscal Year	Interest Due	Principal Due	Debt Service Payment
2022	$ 1,110,065	$ -	$ 1,110,065
2023	1,094,859	-	1,094,859
2024	1,094,859	-	1,094,859
2025	1,094,859	-	1,094,859
2026	1,094,859	-	1,094,859
2027-2031	7,004,742	45,810,000	52,814,742
Total payments	$ 12,494,243	$ 45,810,000	$ 58,304,243

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

TEFA

Fiscal Year	Interest Due	Principal Due	Debt Service Payment
2022	$ 60,180	$ -	$ 60,180
2023	61,384	-	61,384
2024	62,611	-	62,611
2025	63,864	-	63,864
2026	65,141	-	65,141
2027-2031	237,552	2,950,000	3,187,552
Total payments	$ 550,732	$ 2,950,000	$ 3,500,732

NOTE 7 – COMMITMENTS

The Enterprise has commitments at the end of Fiscal Year 2020-21 totaling $8,105,255 related to professional services and construction for the Transportation Special Fund and for consulting services in the amount of $4,652,332 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 plan administered by the Public Employees' 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 position 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.

The Colorado General Assembly passed significant pension reform through Senate Bill (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 certain benefit provisions. Some, but not all, of these changes were in effect as of June 30, 2021.

A. Plan Description

Eligible employees of the HPTE are provided with pensions through the SDTF—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 a publicly available comprehensive annual report (Annual Report) that can be obtained at www.copera.org/investments/pera-financial-reports.

B. Benefits Provided as of December 31, 2020

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.

The lifetime retirement benefit for all eligible retiring employees under the Denver Public Schools (DPS) benefit structure is the greater of the:

- Highest average salary multiplied by 2.5 percent and then multiplied by years of service credit
- $15 times the first 10 years of service credit plus $20 times service credit over 10 years plus a monthly amount equal to the annuitized member contribution account balance 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, 2020, 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., once certain criteria are met. Pursuant to SB 18-200, eligible benefit recipients under the PERA benefit structure who began membership before January 1, 2007, and all eligible benefit recipients of the DPS benefit structure will receive an annual increase of 1.25 percent unless adjusted by the automatic adjustment provision (AAP) pursuant C.R.S. § 24-51-413. Eligible benefit recipients under the PERA benefit structure who began membership on or after January 1, 2007, will receive the lesser of an annual increase of 1.25 percent or the average of the Consumer Price Index for Urban Wage Earners and Clerical Workers for the prior calendar year, not to exceed 10 percent of PERA's Annual Increase Reserve (AIR) for the SDTF. The AAP may raise or lower the aforementioned annual increase by up to 0.25 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. State Troopers whose disability is caused by an on-the-job injury are immediately eligible to apply for disability benefits and do not have to meet the five years of service credit requirement. The disability benefit amount is based on the lifetime retirement benefit formula(s) shown above considering a minimum 20 years of service credit, if deemed disabled.

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, 2021

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:

	July 1, 2020 through December 31, 2020	January 1, 2021 through June 30, 2021
Employee Contribution Rate (all employees except State Troopers)**	10.90%	10.90%

**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 except State Troopers are summarized in the summarized in the table below:

	July 1, 2019 through June 30, 2020	July 1, 2020 through December 31, 2020	January 1, 2021 through June 30, 2021
Employer Contribution Rate**	10.40%	10.90%	10.90%
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	9.38%	9.88%	9.88%
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 24-51-415	5.00%	5.00%	5.00%
Defined Contribution Supplement as specified in C.R.S 24-51-415	N/A	N/A	0.05%
Total Employer Contribution Rate to the SDTF	19.38%	19.88%	19.93%

**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. § 24-51-414, 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 annual payroll of the SDTF to the total annual payroll of the SDTF, School Division Trust Fund, Judicial Division Trust Fund, and Denver Public Schools Division Trust Fund. House Bill (HB) 20-1379 suspended the $225 million direct distribution payable on July 1, 2020 for the State's 2020-21 fiscal year.

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 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 $141,741 and $146,779 for the years ended June 30, 2021 and 2020, 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, 2020 and 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2019 and 2018. Standard update procedures were used to roll forward the total pension liability to December 31, 2020 and 2019. The HPTE proportion of the net pension liability was based on HPTE's contributions to the SDTF for the calendar year 2020 relative to the total contributions of participating employers and the State as a nonemployer contributing entity.

Due to the aforementioned suspension of the July 1, 2020, direct distribution payment, the nonemployer contributing entity's proportion is zero percent. Pursuant to C.R.S. § 24-51-414, the direct distribution payment from the State of Colorado is to recommence annually starting on July 1, 2021. For purposes of GASB 68 paragraph 15, a circumstance exists in which a nonemployer contributing entity is legally responsible for making contributions to the SDTF and is considered to meet the definition of a special funding situation.

At June 30, 2021 the HPTE reported a liability of $2,042,037 and $1,951,632 on June 30, 2020 for its proportionate share of the net pension liability that reflected a reduction for support for the State as a nonemployer contributing entity. The HPTE proportionate share of the net pension liability is as follows:

At December 31, 2020, the HPTE proportion was .022 percent, which was an increase of .02 percent from its proportion measured as of December 31, 2019.

At December 31, 2019, the Enterprise's proportion was .020 percent, which was a decrease of.02 percent from its proportion measured as of December 31, 2018.

For the years ended June 30, 2021 and 2020, the HPTE recognized pension expense (credit) of ($269,523) and $298,853, respectively. At June 30, 2021 and 2020, the Enterprise reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2021		2020	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 50,464	$ -	$ 72,918	$ -
Changes in assumptions or other inputs	138,658	-	-	559,771
Net difference between projected and actual earnings on pension plan investments	-	417,951	-	210,265
Changes in proportion and differences between contributions recognized and proportionate share of contributions	147,890	100,034	414,151	255,350
Contributions subsequent to the measurement date	70,058	-	67,476	-
Total	$ 407,070	$ 517,985	$ 554,545	$ 1,025,386

$70,058 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, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30	
2022	$ (14,272)
2023	40,899
2024	(142,098)
2025	(65,502)
Total	$ (180,973)

E. Actuarial Assumptions

The total pension liability in the December 31, 2019 and 2018 actuarial valuations were determined using the following actuarial cost method, actuarial assumptions and other inputs:

	2019	2018
Actuarial cost method	Entry age	Entry age
Price inflation	2.40 percent	2.40 percent
Real wage growth	1.10 percent	1.10 percent
Wage inflation	3.50 percent	3.50 percent
Salary increases, including wage inflation	3.50-9.17 percent	3.50-9.17 percent
Long-term investment Rate of Return, net of pension plan investment expenses, including price inflation	7.25 percent	7.25 percent
Discount rate	7.25 percent	7.25 percent
Post-retirement benefit increases:		
PERA Benefit Structure hired prior to January 1, 2007 and DPS Benefit Structure (automatic)[1]	1.25 percent compounded annually	1.25 percent compounded annually
PERA Benefit Structure hired after December 31, 2006 (ad hoc, substantively automatic)[1]	Financed by the Annual Increase Reserve	Financed by the Annual Increase Reserve

[1] Post-retirement benefit increases are provided by the AIR, accounted separately within each Division Trust Fund, and subject to movies being available; therefore, liabilities related to the increases for member of these benefit tiers can never exceed available assets.

Additionally, the following actuarial assumptions were utilized for both the December 31, 2018 and 2017 actuarial valuations:

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 male rates and a 55 percent factor applied to female rates.

Postretirement non-disabled mortality assumptions 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.

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

The actuarial assumptions used in the December 31, 2019, valuation were based on the results of the 2016 experience analysis for the period January 1, 2012, through December 31, 2015, as well as the October 28, 2016, actuarial assumptions workshop and were adopted by PERA's Board during the November 18, 2016, Board meeting.

Based on the 2020 experience analysis, dated October 28, 2020, for the period January 1, 2016, through December 31, 2019, revised economic and demographic assumptions were adopted by PERA's Board on November 20, 2020, and were effective as of December 31, 2020. The assumptions shown below were reflected in the roll forward calculation of the total pension liability from December 31, 2019, to December 31, 2020.

Actuarial cost method	Entry age
Price inflation	2.30 percent
Real wage growth	0.70 percent
Wage inflation	3.00 percent
Salary increases, including wage inflation	
Members other than State Troopers	3.30%-10.90%
State Troopers	3.20%-12.40%
Long-term investment Rate of Return, net of pension plan investment expenses, including price inflation	7.25 percent
Discount rate	7.25 percent
Post-retirement benefit increases:	
PERA Benefit Structure hired prior to January 1, 2007 and DPS Benefit Structure (automatic)[1]	1.25 percent compounded annually
PERA Benefit Structure hired after December 31, 2006 (ad hoc, substantively automatic)[1]	Financed by the Annual Increase Reserve

[1] Post-retirement benefit increases are provided by the AIR, accounted separately within each Division Trust Fund, and subject to movies being available; therefore, liabilities related to the increases for member of these benefit tiers can never exceed available assets.

Salary scale assumptions were revised to align with revised economic assumptions and to more closely reflect actual experience.

Rates of termination/withdrawal, retirement, and disability were revised to more closely reflect actual experience.

Pre-retirement mortality assumptions for Members other than State Troopers were based upon the PubG-2010 Employee Table with generational projection using scale MP-2019.

Pre-retirement mortality assumptions for State Troopers were based upon the PubS-2010 Employee Table with generational projection using scale MP-2019.

Post-retirement non-disabled mortality assumptions for Members other than State Troopers were based upon the PubG-2010 Healthy Retiree Table, adjusted as follows:

- **Males:** 94 percent of the rates prior to age 80 and 90 percent of the rates for ages 80 and older, with generational projection using scale MP-2019.
- **Females:** 87 percent of the rates prior to age 80 and 107 percent of the rates for ages 80 and older, with generational projection using scale MP-2019.

Post-retirement non-disabled mortality assumptions for State Troopers were based upon the unadjusted PubS-2010 Healthy Retiree Table, with generational projection using scale MP-2019.

Post-retirement non-disabled beneficiary mortality assumptions were based upon the Pub-2010 Contingent Survivor Table, adjusted as follows:

- **Males:** 97 percent of the rates for all ages, with generational projection using scale MP-2019.

- **Females:** 105 percent of the rates for all ages, with generational projection using scale MP-2019.

Disabled mortality assumptions for Members other than State Troopers were based upon the PubNS-2010 Disabled Retiree Table using 99 percent of the rates for all ages with generational projection using scale MP-2019.

Disabled mortality assumptions for State Troopers were based upon the unadjusted PubS-2010 Disabled Retiree Table with generational projection using scale MP-2019.

The mortality tables described above are generational mortality tables on a benefit-weighted basis.

The long-term expected return on plan assets is reviewed as part of regular experience studies prepared every four to five years for PERA. Recently this assumption has been reviewed more frequently. The most recent analyses were outlined in the Experience Study report dated October 28, 2020. As a result of the November 20, 2020, PERA Board meeting, the following economic assumptions were changed, effective December 31, 2020:

- Price inflation assumption decreased from 2.40 percent per year to 2.30 percent per year.

- Real rate of investment return assumption increased from 4.85 percent per year, net of investment expenses to 4.95 percent per year, net of investment expenses.

- Wage inflation assumption decreased from 3.50 percent per year to 3.00 percent per year.

Several factors were considered in evaluating the long-term rate of return 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.

The PERA Board first adopted the 7.25 percent long-term expected rate of return as of November 18, 2016. Following an asset/liability study, the Board reaffirmed the assumed rate of return at the Board's November 15, 2019, meeting, to be effective January 1, 2020. As of the most recent reaffirmation of the long-term rate of return, the target asset allocation and best estimates of geometric real rates of return for each major asset class are summarized in the table as follows:

Asset Class	Target Allocation	30 Year Expected Geometric Real Rate of Return
Global Equity	54.00%	5.60%
Fixed Income	23.00%	1.30%
Private Equity	8.50%	7.10%
Real Estate	8.50%	4.40%
Alternatives[1]	6.00%	4.70%
Total	100.00%	

[1] The Opportunity Fund's name changed to Alternatives, effective January 1, 2020.

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 for December 31, 2019 and 2018 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 3.00 percent.

- Employee contributions were assumed to be made at the member contribution rates in effect for each year, including the scheduled increases in SB 18-200. 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 for each year, including the scheduled increase in SB 18-200. Employer contributions also include 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 reflect 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, as a nonemployer contributing entity, 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. HB 20-1379 suspended the $225 million (actual dollars) direct distribution payable on July 1, 2020, for the State's 2020-21 fiscal year.

- Employer contributions and the amount of total service costs for future plan members were based upon a process 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 the 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 SDTF's FNP was projected to be available to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return of 7.25 percent on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate determination does not use the municipal bond index rate, and therefore, the discount rate is 7.25 percent. There was no change in the discount rate from the prior 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, 2021		
	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net pension liability	$ 2,701,675	$ 2,042,037	$ 1,488,179

H. Pension Plan Fiduciary Net Position

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

NOTE 9 – OTHER RETIREMENT PLANS

Voluntary Investment Program (PERAPlus 401 (k) Plan)

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 Annual 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 the State of Colorado that were hired on or after January 1, 2006, and employees of certain community colleges that were hired on or after January 1, 2008, 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). Pursuant to C.R.S. § 24-51-1501(4), the PERA DC Plan eligibility was extended to certain new classified employees at State Colleges and Universities beginning on January 1, 2019. 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 Annual Report as referred to above.

B. Funding Policy

All participating employees in the PERA DC Plan are required to contribute a percentage of the participating employees' PERA-includable salary to the PERA DC Plan. The employee and employer contribution rates for the period July 2020 through June 2021 are summarized in the table below:

	July 1, 2020 through December 31, 2020	January 1, 2021 through June 30, 2021
Employee Contribution rates:		
Employee Contribution (all employees except State Troopers)	10.00%	10.00%
State Troopers Only	12.00%	12.00%
Employer Contribution Rates:		
On behalf of all employees except State Troopers	10.15%	10.15%
State Troopers	12.85%	12.85%

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

	July 1, 2020 through December 31, 2020	January 1, 2021 through June 30, 2021
Amortization Equalization Disbursement (AED) as specified in C.R.S. 24-51-411[1]	5.00%	5.00%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S 24-51-411[1]	5.00%	5.00%
Automatic Adjustment Provision (AAP), as specified in C.R.S. 24-51-413[1]	0.50%	0.50%
Defined Contribution Statutory contribution as specified C.R.S. 24-51-1505[1]	0.25%	0.25%
Defined Contribution Summplemnt as specified in C.R.S. 24-51-415	N/A	0.05%
Total Employer contribution rate to SDTF[1]	10.75%	10.80%

[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 $15,753,000 and $12,967,000 for the years ended June 30, 2021 and 2020, respectively, and the HPTE did not recognize any pension contributions for the PERA DC plan for the years ended June 30, 2021 and 2020.

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 of the HCTF have been determined 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 plan 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 (Annual 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 into 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 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 or the DPS 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 $7,818 and $6,872 for the year ended June 30, 2021 and 2020, respectively.

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

At June 30, 2021 and 2020, the HPTE reported a liability of $70,406 and $76,908, respectively, for its proportionate share of the net OPEB liability. The net OPEB liability for the HCTF was measured as of December 31, 2020 and 2019. Standard update procedures were used to roll-forward the total OPEB liability to December 31, 2020 from the actuarial valuation date of December 31, 2019. The HPTE's proportion of the net OPEB liability was based on HPTE's contributions to the HCTF for the calendar year 2020 relative to the total contributions of participating employers to the HCTF.

At December 31, 2020 the HPTE proportion was .007 percent, which did not change from its proportion measured as of December 31, 2019.

At December 31, 2019, the HPTE proportion was .007 percent, which was a decrease of .001 from its proportion measured as of December 31, 2018.

For the years ended June 30, 2021 and 2020, the HPTE recognized OPEB expense (credit) of $1,918 and $113, respectively. At June 30, 2021, the HPTE reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	2021		2020	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 186	$ 15,479	$ 256	$ 12,923
Changes of assumptions or other inputs	526	4,318	638	-
Net difference between projected and actual earnings on OPEB plan investments	-	2,876	-	1,284
Changes in proportion and differences between contributions recognized and proportionate share of contributions	29,425	17,619	31,343	23,675
Contributions subsequent to the measurement date	3,476	-	3,549	-
Total	$ 33,613	$ 40,292	$ 35,786	$ 37,882

$3,476 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, 2022. 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	
2022	$ (1,705)
2023	(1,302)
2024	(1,150)
2025	(5,249)
2026	(716)
2027	33
Total	$ (10,089)

G. Actuarial Assumptions

The total OPEB liability in the December 31, 2019 and 2018, actuarial valuations were determined using the following actuarial cost method and actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

	2019	2018
Actuarial cost method	Entry age	Entry age
Price inflation	2.40 percent	2.40 percent
Real wage growth	1.10 percent	1.10 percent
Wage inflation	3.50 percent	3.50 percent
Salary increases, including wage inflation	3.50 percent in aggregate	3.50 percent in aggregate
Long-term investment Rate of Return, net of OPEB plan investment expenses, including price inflation	7.25 percent	7.25 percent
Discount rate	7.25 percent	7.25 percent
Health care cost trend rates		
PERA benefit structure:		
Service based premium subsidy	0.00 percent	0.00 percent
PERACare Medicare plans	8.10 percent in 2020 gradually decreasing to 4.50 percent in 2029	5.60 percent in 2019 gradually decreasing to 4.50 percent in 2029
Medicare Part A premiums	3.50 percent in 2020, gradually increasing to 4.50 percent in 2029	3.50 percent in 2019, gradually increasing to 4.50 percent in 2029
DPS benefit structure		
PERA benefit structure:		
Service based premium subsidy	0.00 percent	0.00 percent
PERACare Medicare plans	N/A	N/A
Medicare Part A premiums	N/A	N/A

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 in the December 31, 2019, valuation, the following monthly costs/premiums (actual dollars) are assumed for 2020 for the PERA Benefit Structure:

	Initial Costs for Members without Medicare Part A		
Medicare Plan	**Monthly Cost**	**Monthly Premium**	**Monthly Cost Adjusted to Age 65**
Medicare Advantage/Self-Insured Prescription	$ 588	$ 227	$ 550
Kaiser Permanente Medicare Advantage HMO	621	232	586

The 2020 Medicare Part A premium is $458 (actual dollars) per month.

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 industry methods developed by health plan actuaries and administrators. In addition, projected trends for the Federal Hospital Insurance Trust Fund (Medicare Part A premiums) provided by the Centers for Medicare & Medicaid Services are referenced in the development of these rates. Effective December 31, 2019, 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 cost trend rates used to measure the total OPEB liability are summarized in the table below:

Year	PERACare Medicare Plans	Medicare Part A Premiums
2020	8.10%	3.50%
2021	6.40%	3.75%
2022	6.00%	3.75%
2023	5.70%	3.75%
2024	5.50%	4.00%
2025	5.30%	4.00%
2026	5.10%	4.00%
2027	4.90%	4.25%
2028	4.70%	4.25%
2029+	4.50%	4.50%

Mortality assumptions used in the December 31, 2019 valuation for the determination of the total pension liability for each of the Division Trust Funds as shown below were 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.

Postretirement non-disabled 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.

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

The actuarial assumptions used in the December 31, 2019, valuation were based on the results of the 2016 experience analysis for the period January 1, 2012, through December 31, 2015, as well as the October 28, 2016, actuarial assumptions workshop and were adopted by PERA's Board during the November 18, 2016, Board meeting.

Based on the 2020 experience analysis, dated October 28, 2020, and November 4, 2020, for the period of January 1, 2016, through December 31, 2019, revised economic and demographic assumptions were adopted by PERA's Board on November 20, 2020, and were effective as of December 31, 2020. The assumptions shown below were reflected in the roll forward calculation of the total OPEB liability from December 31, 2019, to December 31, 2020.

	Trust Fund
	State Division
Actuarial Cost method	Entry Age
Price inflation	2.30%
Real wage growth	0.70%
Wage inflation	3.00%
Salary increases, including wage inflation:	
Members other than State Troopers	3.30%-10.90%
State Troopers	3.20%-12.40%

[1] C.R.S. 24-51-101 (46), as amended, expanded the definition of "State Troopers" to include certain employees within the Local Government Division, effective January 1, 2020. See Note 4 of the Notes to the Financial Statements in PERA's 2020 Annual Report for more information.

The long-term rate of return, net of OPEB plan investment expenses, including price inflation and discount rate assumptions were 7.25 percent.

Rates of termination/withdrawal, retirement, and disability were revised to more closely reflect actual experience.

Mortality assumptions used in the roll forward calculations for the determination of the total pension liability for each of the Division Trust Funds as shown below were applied, as applicable, in the roll forward calculation for the HCTF, using a headcount-weighted basis.

Pre-retirement mortality assumptions for the State and Local Government Divisions (Members other than State Troopers) were based upon the PubG-2010 Employee Table with generational projection using scale MP-2019.

Pre-retirement mortality assumptions for State Troopers were based upon the PubS-2010 Employee Table with generational projection using scale MP-2019.

The pre-retirement mortality assumptions for the School Division were based upon the PubT-2010 Employee Table with generational projection using scale MP-2019.

Pre-retirement mortality assumptions for the Judicial Division were based upon the PubG-2010(A) Above-Median Employee Table with generational projection using scale MP-2019.

Post-retirement non-disabled mortality assumptions for the State and Local Government Divisions (Members other than State Troopers) were based upon the PubG-2010 Healthy Retiree Table, adjusted as follows:

- **Males:** 94 percent of the rates prior to age 80 and 90 percent of the rates for ages 80 and older, with generational projection using scale MP-2019.

- **Females:** 87 percent of the rates prior to age 80 and 107 percent of the rates for ages 80 and older, with generational projection using scale MP-2019.

Post-retirement non-disabled mortality assumptions for State Troopers were based upon the unadjusted PubS-2010 Healthy Retiree Table, with generational projection using scale MP-2019.

Post-retirement non-disabled mortality assumptions for the School Division were based upon the PubT-2010 Healthy Retiree Table, adjusted as follows:

- **Males:** 112 percent of the rates prior to age 80 and 94 percent of the rates for ages 80 and older, with generational projection using scale MP-2019.

- **Females:** 83 percent of the rates prior to age 80 and 106 percent of the rates for ages 80 and older, with generational projection using scale MP-2019.

Post-retirement non-disabled mortality assumptions for the Judicial Division were based upon the unadjusted PubG-2010(A) Above-Median Healthy Retiree Table with generational projection using scale MP-2019.

Post-retirement non-disabled beneficiary mortality assumptions were based upon the Pub-2010 Contingent Survivor Table, adjusted as follows:

- **Males:** 97 percent of the rates for all ages, with generational projection using scale MP-2019.

- **Females:** 105 percent of the rates for all ages, with generational projection using scale MP-2019.

Disabled mortality assumptions for Members other than State Troopers were based upon the PubNS-2010 Disabled Retiree Table using 99 percent of the rates for all ages with generational projection using scale MP-2019.

Disabled mortality assumptions for State Troopers were based upon the unadjusted PubS-2010 Disabled Retiree Table with generational projection using scale MP-2019.

The mortality tables described above are generational mortality tables on a head-count weighted basis.

The following health care costs assumptions were updated and used in the roll forward calculation 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 2020 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.

Actuarial assumptions pertaining to per capita health care costs and their related trend rates are analyzed and updated annually by the Board's actuary, as discussed above.

The long-term expected return on plan assets is reviewed as part of regular experience studies prepared every four to five years for PERA. Recently this assumption has been reviewed more frequently. The most recent analyses were outlined in the Experience Study report dated October 28, 2020. As a result of the November 20, 2020, PERA Board meeting, the following economic assumptions were changed, effective December 31, 2020:

- Price inflation assumption decreased from 2.40 percent per year to 2.30 percent per year.

- Real rate of investment return assumption increased from 4.85 percent per year, net of investment expenses to 4.95 percent per year, net of investment expenses.

- Wage inflation assumption decreased from 3.50 percent per year to 3.00 percent per year.

Several factors are considered in evaluating the long-term rate of return assumption, 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 percentages and then adding expected inflation.

The PERA Board first adopted the 7.25 percent long-term expected rate of return as of November 18, 2016. Following an asset/liability study, the Board reaffirmed the assumed rate of return at the Board's November 15, 2019, meeting, to be effective January 1, 2020. As of the most recent reaffirmation of the long-term rate of return, the target asset allocation and best estimates of geometric real rates of return for each major asset class are summarized in the table as follows:

Asset Class	Target Allocation	30 Year Expected Geometric Real Rate of Return
Global Equity	54.00%	5.60%
Fixed Income	23.00%	1.30%
Private Equity	8.50%	7.10%
Real Estate	8.50%	4.40%
Alternatives[1]	6.00%	4.70%
Total	100.00%	

[1] The Opportunity Fund's name changed to Alternatives, effective January 1, 2020.

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	7.10%	8.10%	9.10%
Ultimate PERACare Medicare trend rate	3.50%	4.50%	5.50%
Initial Medicare Part A trend rate	2.50%	3.50%	4.50%
Ultimate Medicare Part A trend rate	3.50%	4.50%	5.50%
Net OPEB Liability	$ 925,665	$ 70,406	$ 978,816

I. Discount Rate

The discount rate used to measure the total OPEB liability for December 31, 2020 and 2019 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, 2020 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 3.00 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.

- Estimated transfers of dollars into the HCTF representing a portion of purchase service agreements intended to cover the costs associated with OPEB benefits.

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

Based on the above assumptions and methods, the HCTF's FNP 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	$ 80,651	$ 70,406	$ 61,652

K. OPEB Plan Fiduciary Net Position

Detailed information about the HCTF's fiduciary net position is available in PERA's Annual 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 amounts were included in deferred inflows of resources on the statements of net position, and are being amortized over the life of the agreement. As of June 30, 2021 and 2020 the amount of deferred inflow related to the concession agreement recorded was $127,833,929 and $130,739,245, respectively.

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 $3,268,178 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. This transfer was not recorded as a liability as these amounts are not required to be repaid by the HPTE.

In Fiscal 2019-20, the HPTE Board of Directors voted unanimously to not repay the outstanding balance of the CTE transfers totaling $2,060,892.

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 which 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, Construction officially started in the Summer of 2018 with completion estimated to be in 2022.

NOTE 16 – BURNHAM YARD

In May 2021 HPTE purchased the Burnham Yard property from Union Pacific Railroad for $45.8 million through two commercial loans from Bank of America and J.P. Morgan Chase Bank and a loan from CDOT totaling $10 million. Additionally, CDOT contributed $5 million to HPTE that will be set aside to cover environmental, land use planning, and/or other costs to be spend during the next five years on improvements to the property, which would be expected to increase property value and facilitate a disposition to a developer. CDOT and HPTE anticipate retaining around 17 acres for future transportation use and will be working with the City and County of Denver and stakeholders on a two or three-year study to determine specific mobility needs and a purpose and need for other potential projects.

NOTE 17 – COVID-19

As a result of the COVID-19 pandemic, economic uncertainties have arisen which may negatively affect the financial position, results of operations, and cash flows of HPTE. The duration of these uncertainties and the financial effect cannot be reasonably estimated at this time.

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Required Supplementary Information

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Colorado High Performance Transportation Enterprise

Required Supplementary Information

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

June 30

	2021	2020	2019	2018	2017	2016 *	2015 *
HPTE's proportion of the net pension liability	0.022%	0.020%	0.022%	0.016%	0.02%	0.02%	0.02%
HPTE's proportionate share of the net pension liability	$ 2,042,037	$ 1,951,632	$ 2,471,384	$ 3,130,107	$ 3,057,963	$ 2,139,258	$ 1,914,042
HPTE's covered payroll	$ 706,817	$ 632,064	$ 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	288.91%	308.77%	330.60%	681.88%	644.46%	385.07%	329.27%
Plan fiduciary net position as a percentage of the total pension liability	65.34%	62.24%	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

	2021	2020	2019	2018	2017	2016 *	2015 *
Statutorily required contribution	$ 141,741	$ 146,779	$ 135,075	$ 118,854	$ 75,338	$ 91,834	$ 97,049
Contributions in relation to the statutorily required contribution**	141,741	146,779	135,075	118,854	75,338	91,834	97,049
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -
HPTE's covered payroll	$ 718,965	$ 632,064	$ 624,532	$ 621,296	$ 403,308	$ 516,614	$ 609,247
Contributions as a percentage of covered payroll	19.68%	21.79%	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.

** Total contributions include the additional contributions from State per SB18-200. Thus causing the ratio to be higher than the statutory contribution rate as noted in the Notes to the Financial Statements

Colorado High Performance Transportation Enterprise

Required Supplementary Information

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

June 30

	2021	2020	2019	2018*
HPTE's proportion of the net OPEB liability	0.007%	0.007%	0.008%	0.006%
HPTE's proportionate share of the net OPEB liability	$ 70,406	$ 76,908	$ 104,315	$ 71,597
HPTE's covered payroll	$ 706,817	$ 632,064	$ 747,535	$ 459,041
HPTE's proportionate share of the net OPEB liability as a percentage of its covered payroll	9.72%	12.09%	13.95%	15.60%
Plan fiduciary net position as a percentage of the total OPEB liability	32.78%	24.49%	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

	2021	2020	2019	2018
Statutorily required contribution	$ 7,818	$ 6,872	$ 6,368	$ 6,337
Contributions in relation to the statutorily required contribution	7,818	6,872	6,368	6,337
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
HPTE's covered payroll	$ 766,470	$ 682,055	$ 624,314	$ 925,166
Contributions as a percentage of covered payroll	1.02%	1.01%	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.

NOTE 1 – SIGNIFICANT CHANGES IN PLAN PROVISIONS AFFECTING TRENDS IN ACTUAL INFORMATION

A. Defined Benefit Pension Plan

2020 Changes in Assumptions or Other Inputs Since 2019

- House Bill (HB) 20-1379, enacted on June 29, 2020, suspended the $225 million (actual dollars) direct distribution payable on July 1, 2020 for the State's 2020-21 fiscal year.

- The price inflation assumption was lowered from 2.40 percent to 2.30 percent, and the wage inflation assumption was lowered from 3.50 percent to 3.00 percent.

- The real rate of investment return assumption was increased to 4.95 percent per year, net of investment expenses from 4.85 percent per year, net of investment expenses.

- Salary scale assumptions were revised to align with the revised economic assumptions and to more closely reflect actual experience.

- Rates of termination/withdrawal, retirement, and disability were revised to more closely reflect actual experience.

- The pre-retirement mortality assumption for the State Division (members other than State Troopers) was changed to the PubG-2010 Employee Table with generational projection using scale MP-2019.

- The post-retirement non-disabled mortality assumption for the State Division (Members other than State Troopers) was changed to the PubG-2010 Health Retiree Table, adjusted as follows:

    - Males: 94 percent of the rates prior to age 80 and 90 percent of the rates for ages 80 and older, with generations projection using sale MP-2019.
    - Females: 87 percent of the rates prior to age 80 and 107 percent of the rates for ages 80 and older, with generational projection using scale MP-2019.

- The post-retirement non-disabled mortality assumption for State Troopers was changed to the unadjusted PubS-2010 Healthy Retiree Table, with generational projection using scale MP-2019.

- The disabled mortality assumption for the Division Trust Funds (Members other than State Troopers) was changed to the PubNS-2010 Disabled Retiree Table with generational projection using scale MP-2019.

- The disability mortality assumption for State Troopers was changed to the unadjusted PubS-2010 Disabled Retiree Table with generational projection using scale MP-2019.

- The mortality tables described above are generational mortality tables on a benefit-weighted basis.

2019 Changes in Assumptions or Other Inputs Since 2018:

- The assumption used to value the AI cap benefit provision was changed from 1.50 percent to 1.25 percent.

2018 Changes in Assumptions or Other Inputs Since 2017:

- The single equivalent interest rate (SEIR) for the State Division was increased from 4.72 percent to 7.25 percent to reflect the changes to the projection's valuation basis which no longer resulted in a projected year of depletion of the fiduciary net position (FNP), thereby eliminating the need to apply the municipal bond index rate.

2017 Changes in Assumptions or Other Inputs Since 2016:

- The SEIR for the State Division was lowered from 5.26 percent to 4.72 percent to reflect the changes to the projection's valuation basis, a projected year of depletion of the FNP, and the resulting application of the municipal bond index rate.

- The municipal bond index rate used in the determination of the SEIR for the State and Judicial Division changed from 3.86 percent on the prior measurement date to 3.43 percent on the measurement date.

2016 Changes in Assumptions or Other Inputs Since 2015:

- The investment return assumption was lowered from 7.50 percent to 7.25 percent.

- The price inflation assumption was lowered from 2.80 percent to 2.40 percent.

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

- The post-retirement mortality assumption for healthy lives for the State Division was changed to the RP-2014 Healthy Annuitant Mortality Table with adjustments for credibility and gender adjustments of a 73 percent factor applied to ages below 80 and a 108 percent factor applied to age 80 and above, projected to 2018, for males, and a 78 percent factor applied to ages below 80 and a 109 percent factor applied to age 80 and above, projected to 2020, for females.

- The post-retirement mortality assumption for healthy lives for the Judicial Division was changed to the RP-2014 White Collar Healthy Annuitant Mortality Table with adjustments for credibility and gender adjustments of a 93 percent factor applied to ages below 80 and a 113 percent factor applied to age 80 and above, projected to 2018, for males, and a 68 percent factor applied to ages below 80 and a 106 percent factor applied to age 80 and above, projected to 2020, for females.

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

- The mortality assumption for active members was changed to 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.

- The rates of retirement, withdrawal, and disability were revised to reflect more closely actual experience.

- The estimated administrative expense as a percentage of covered payroll was increased from 0.35 percent to 0.40 percent.

- The SEIR for the State Division was lowered from 7.50 percent to 5.26 percent to reflect the changes to the projection's valuation basis, a projected year of depletion of the FNP, and the resulting application of the municipal bond index rate of 3.86 percent on the measurement date.

2015 Changes in Assumptions or Other Inputs Since 2014:

- The following programming changes were made:

  - Valuation of the full survivor benefit without any reduction for possible remarriage.
  - Reflection of the employer match on separation benefits for all eligible years.
  - Reflection of one year of service eligibility for survivor annuity benefit.
  - Refinement of the 18-month AI timing.
  - Refinements to directly value certain and life, modified cash refund and pop-up benefit forms.

- The following methodology changes were made:

  - Recognition of merit salary increases in the firs projection year.
  - Elimination of the assumption that 35 percent of future disabled members elect to receive a refund.
  - Removal of the negative value adjustment for liabilities associated with refunds of future terminating members.
  - Adjustments to the timing of the normal cost and UAAL payment calculations to reflect contributions throughout the year.

2014 Changes in Assumptions or Other Inputs Since 2013:

- The SEIR for the Judicial Division was lowered from 6.66 percent to 6.14 percent to reflect the changes to the projection's valuation basis, a projected year of depletion of the FNP, and the resulting application of the municipal bond index rate from 4.73 percent on the prior measurement date to 3.70 percent on the measurement date.

2013 Changes in Assumptions or Other Inputs Since 2012:

- The investment return assumption was lowered from 8.00 percent to 7.50 percent.
- The price inflation assumption was lowered from 3.50 percent to 2.80 percent.
- The wage inflation assumption was lowered from 4.25 percent to 3.90 percent.

B. Defined Benefit Other Postemployment Benefit Plan

2020 Changes in Assumptions or Other Inputs Since 2019

- The price inflation assumption was lowered from 2.40 percent to 2.30 percent, and the wage inflation assumption was lowered from 3.50 percent to 3.00 percent.
- The real rate of investment return assumption was increased to 4.95 percent per year, net of investment expenses from 4.85 percent per year, net of investment expenses.
- Salary scale assumptions were revised to align with the revised economic assumptions and to more closely reflect actual experience.
- Rates of termination/withdrawal, retirement, and disability were revised to more closely reflect actual experience.
- The pre-retirement mortality assumption for the State Division (members other than State Troopers) was changed to the PubG-2010 Employee Table with generational projection using scale MP-2019.
- The post-retirement non-disabled mortality assumption for the State Division (Members other than State Troopers) was changed to the PubG-2010 Health Retiree Table, adjusted as follows:
  - Males: 94 percent of the rates prior to age 80 and 90 percent of the rates for ages 80 and older, with generational projection using scale MP-2019.
  - Females: 87 percent of the rates prior to age 80 and 107 percent of the rates for ages 80 and older, with generational projection using scale MP-2019.

- The disabled mortality assumption for the Division Trust Funds (Members other than State Troopers) was changed to the PubNS-2010 Disabled Retiree Table with generational projection using scale MP-2019.

- The mortality tables described above are generational mortality tables on a benefit-weighted basis.

2019 Changes in Assumptions or Other Inputs Since 2018:

- There were no changes in terms or assumptions for the December 31, 2019 measurement period for pension compared to the prior year.

2018 Changes in Assumptions or Other Inputs Since 2017:

- There were no changes in terms or assumptions for the December 31, 2018 measurement period for pension compared to the prior year.

2017 Changes in Assumptions or Other Inputs Since 2016:

- There were no changes in terms or assumptions for the December 31, 2017 measurement period for pension compared to the prior year.

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

Independent Auditor's Report

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 net position as of June 30, 2021 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 January 13, 2022, which contained an emphasis of a matter paragraph regarding the financial statements 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, and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a deficiency in internal control, described in the accompanying schedule of findings and responses as item 2021-001, that we consider to be a significant deficiency.

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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 financial statements. 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*.

Management's Response to Finding

Management's response to the finding identified in our audit are described in the accompanying schedule of findings and responses. Management's response was not subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on it.

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 results 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
January 13, 2022

BKD
CPAs & Advisors

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Members of the Legislative Audit Committee

As part of our audits of the financial statements and compliance of Colorado High Transportation Enterprise (the Enterprise or HPTE) as of and for the year ended June 30, 2021, 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 those 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.

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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 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

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. A misstatement is a difference between the amount, classification, presentation, or disclosure of a reported financial statement item and that which is required for the item to be presented fairly in accordance with the applicable financial reporting framework. 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, but more than trivial to the financial statements as a whole

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

During the course of the audit, we made the following observations regarding the Enterprise'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
- We orally communicated to management other deficiencies in internal control identified during our audit that are not considered material weaknesses or significant deficiencies

* * * * *

This communication is intended solely for the information and use of management, 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

Denver, Colorado
January 13, 2022

High Performance Transportation Enterprise

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.

Operating Fund

QUANTITATIVE ANALYSIS

	Before Misstatements	Misstatements	Subsequent to Misstatements	% Change
Current Assets	4,686,935		4,686,935	
Non-Current Assets & Deferred Outflows	252,662		252,662	
Current Liabilities	(509,805)	(35,502)	(545,307)	6.96%
Non-Current Liabilities & Deferred Inflows	(2,596,864)		(2,596,864)	
Current Ratio	9.194		8.595	-6.52%
Total Assets & Deferred Outflows	4,939,597		4,939,597	
Total Liabilities & Deferred Inflows	(3,106,669)	(35,502)	(3,142,171)	1.14%
Total Net Position	(1,832,928)	35,502	(1,797,426)	-1.94%
Operating Revenues	(6,748,549)		(6,748,549)	
Operating Expenses	6,858,419	35,502	6,893,921	0.52%
Nonoperating (Revenues) Exp	17,469		17,469	
Change in Net Position	127,339	35,502	162,841	27.88%

Client: High Performance Transportation Enterprise

Period Ending: June 30, 2021

Operating Fund

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 adjust for under accrual of accounts payable		F	0	0	(15,360)	0	0	15,360	0	0	15,360	(15,360)
	Personal Services - Professional							15,360			15,360	
	Accounts Payable				(15,360)							(15,360)
To ajdust for projected error of under accrual of accounts payable		J	0	0	(20,142)	0	0	20,142	0	0	20,142	(20,142)
	Personal Services - Professional							20,142			20,142	
	Accounts Payable				(20,142)							(20,142)
Total passed adjustments			0	0	(35,502)	0	0	35,502	0	0	35,502	(35,502)

Impact on Change in Net Position	**35,502**
Impact on Net Position	**35,502**