

Colorado High Performance Transportation Enterprise
Financial Statements and Independent Auditor's Reports
Financial Audit
Years Ended June 30, 2022 and 2021
Compliance Audit
Year Ended June 30, 2022

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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, 2022 and 2021. 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.

FORVIS,LLP

Denver, Colorado
December 15, 2022

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Colorado High Performance Transportation Enterprise

June 30, 2022 and 2021

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Colorado High Performance Transportation Enterprise

Report Summary

Year Ended June 30, 2022

Purposes and Scope of Audit

The Office of the State Auditor engaged FORVIS to conduct a financial and compliance audit of the Colorado High Performance Transportation Enterprise for the fiscal year ended June 30, 2022. FORVIS 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, 2022 and 2021, 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, 2022.
- Review the Enterprise's compliance with rules and regulations governing the expenditure of federal and state funds for the year ended June 30, 2022.
- 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, 2022.

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, 2022 and 2021.

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

Summary of Key Findings and Recommendations

There were no findings for the year ended June 30, 2022.

Summary of Progress in Implementing Prior Year Audit Recommendations

For the Fiscal Year 2021-22 audit, we performed test work to determine the disposition of the prior year recommendation relating to Fiscal Year 2020-21. We found that Part (A) and (C) were deferred as the Department planned to fully implement this recommendation by October 2022. Part (B) was implemented. See the Disposition of Prior Audit Findings and Recommendations section of this report for further information.

Colorado High Performance Transportation Enterprise

Report Summary

Year Ended June 30, 2022

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 87.

Colorado High Performance Transportation Enterprise

Background

Year Ended June 30, 2022

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 2021-22 or 2020-21.

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Colorado High Performance Transportation Enterprise
Disposition of Prior Year Audit Findings and Recommendations
Year Ended June 30, 2022

| Recommendation Number | Recommendation Summary | Disposition |
|----------------------------------|---|--|
| 2021-001 | <p>The Department of Transportation's Colorado High Performance Transportation Enterprise should strengthen its internal controls over exhibit preparation and review by:</p> <p>(A) Assigning back-up responsibilities for exhibit preparation and review to staff to allow for appropriate segregation of duties and review appropriate delegation when turnover occurs.</p> <p>(B) Appropriately training employees on exhibit preparation and reviews.</p> <p>(C) Ensuring exhibits are reviewed prior to the submission to the Office of the State Controller.</p> | <p>(A) and (C) Deferred. HPTE plans to fully implement this recommendation by the October 2022 implementation date. Significant Deficiency.</p> <p>(B) Implemented</p> |

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Independent Auditor's Report

Members of the Legislative Audit Committee

Report on the Audit of the Financial Statements

Opinions

We have audited 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, as of and for the years ended June 30, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the Enterprise's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Enterprise as of June 30, 2022 and 2021, and the changes in financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are required to be independent of the Enterprise, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2022 and 2021 and the change 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.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Enterprise's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Enterprise's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Enterprise's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, pension, and other postemployment benefit information be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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

Management is responsible for the other information included in the annual financial and compliance report. The other information comprises the report summary and background of the Colorado High Performance Transportation Enterprise, but does not include the basic financial statements and our auditor's report thereon. Our opinion on the basic financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 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 effectiveness of the Enterprise's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Enterprise's internal control over financial reporting and compliance.

FORVIS,LLP

Denver, Colorado
December 15, 2022

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Colorado High Performance Transportation Enterprise

Management's Discussion and Analysis

(Unaudited)

June 30, 2022 and 2021

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, 2022 and 2021. 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. HPTE and E-470 entered into an amendment to the Tolling Services Agreement in January 2022 to extend the term of the TSA from June 30, 2023 to June 30, 2028.

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 Interagency 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 nine staff for administration of the program. In May 2021, HPTE was approved to hire four new staff dedicated to Express Lane operations. In Fiscal Year 2021-22, HPTE hired a Tolling Maintenance Supervisor and anticipates that the other three positions for a Tolling Traffic Engineer, Toll Data Analyst, and a Toll Quality Assurance/Business Analyst will be filled in Fiscal Year 2022-23. The time that CDOT staff works for the Enterprise is billed to and paid by the Enterprise. Program areas supported by CDOT staff include: Accounting, Communications, Budget, and Contracts and Procurement.

Colorado High Performance Transportation Enterprise

Management's Discussion and Analysis

(Unaudited)

June 30, 2022 and 2021

In 2021, at the direction of the HPTE Board of Directors, HPTE underwent a rebranding effort. There was a consensus that the HPTE office needs a complementary but separate identity from CDOT. Board members felt that our name should communicate progress, trust, and a focus on solving the state's critical infrastructure projects. The Colorado Transportation Investment Office (CTIO) was selected, and a new visual identity was created to better align with the colors and branding guidelines for CDOT. The Board formally approved the new CTIO name and rebranding in November 2021. While HPTE remains the name for the enterprise in all legal, contractual, and legislative documents, the Colorado High Performance Enterprise is now doing business as the Colorado Transportation Investment Office and is how the enterprise refers to itself now and in the future.

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 2021-22 or 2020-21.

Program Planning and Future Project Development

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 using 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

Colorado High Performance Transportation Enterprise

Management's Discussion and Analysis

(Unaudited)

June 30, 2022 and 2021

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 for the upcoming fiscal year, 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 most recent IAA for Fiscal Year 2021-23 was approved by HPTE and CDOT in May 2022.

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. The ELMP was finalized in February 2020 and HPTE is working with CDOT to implement top tier projects including I-270 and I-25 North E-470 to State Highway 66 (Segment).

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.

Colorado High Performance Transportation Enterprise

Management's Discussion and Analysis

(Unaudited)

June 30, 2022 and 2021

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.

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.

To acquire the Burnham 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.

Colorado High Performance Transportation Enterprise

Management's Discussion and Analysis (Unaudited)

June 30, 2022 and 2021

- 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.

HPTE issued a Request for Proposals for a Transportation Planning study for the property. The work will assist with the required Federal Railroad Administration pre-National Environmental Policy Act (NEPA) analysis to relocate the Consolidated Main Line (CML) from its existing location adjacent to I-25 to Burnham Yard, add two Regional Transportation District (RTD) light rail lines, and preserve the future right-of-way for Front Range Passenger Rail (FRPR). A contract was awarded in June 2022 and the work begins in October 2022 with an expectation of taking nine months to complete.

Express Lane Projects

I-70 Mountain Express Lane (MEXL)

The MEXL Eastbound 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 commenced in August 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 December. Principal payments are due annually beginning in June 2024 with a maturity date in June 2027.

Colorado High Performance Transportation Enterprise

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HPTE anticipates that the toll revenues generated from both the current I-70 MEXL eastbound lanes as well as the westbound lanes will be pledged as part of the larger Floyd Hill to Veterans Memorial Tunnels project on I-70 west of the Denver Metro Area in Clear Creek and Jefferson Counties. Currently, it is projected that the total cost of the Floyd Hill Project is \$700 million. CDOT has identified \$460 million in combined enterprise financing from the Bridge and Tunnel Enterprise (BTE) and HPTE. In January 2020, HPTE initiated a funding gap study to determine its share of toll revenue backed financing. The study was finished in Spring 2022 and identified that HPTE can contribute an estimate \$165 million through the USDOT Build America Bureau (BAB) Transportation Infrastructure Finance and Innovation Act (TIFIA) loan program. HPTE plans to start work on the TIFIA loan process in Summer 2022 and its targeting a loan close in Spring 2024. Floyd Hill project construction will begin in Spring 2023 and be completed in mid 2027.

I-25 Corridor, Segment 2 (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 3 (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 6 (Berthoud to Johnstown)

The next phase of the I-25 North improvements along the Front Range adds 13 lane miles of Express Lanes between Berthoud and Johnstown. This project, which broke ground in September 2019 and is anticipated to be completed by 2023, will provide better connections between the Denver area and the

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Northern Front Range and link drivers to safer, time saving mobility choices. The project will add an Express Lane in each direction of I-25, replace aging bridges, make interchanges safer and more efficient, and improve infrastructure for bus transit along the I-25 corridor. The project will also add carpool and transit facilities, create new pedestrian and bicycle accesses, improve drainage systems, and improves the alignment of I-25 for safer travel. Funding sources for Segment 6 include a federal Better Utilizing Investments to Leverage Development (BUILD) grant, Senate Bill (SB) 09-267 transfers, BTE funds and more than \$13 million in contributions from the communities and counties served by this corridor.

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

In conjunction with the project underway between Berthoud and Johnstown, improvements at the northern most portion of the corridor between Johnstown to Fort Collins will add 34 lane miles of Express Lanes. This project, which broke ground in the fall of 2018 and is anticipated to be completed in early 2024, will bring significant structural investment to one of the fastest growing areas of the State. The planned improvements will add an Express Lane in each direction of I-25, construct a new park-n-ride facility, mobility hub, and replace aging bridges. Funding sources for Segment 7 and 8 included a federal TIGER grant, SB09-267 transfers, SB09-228 transfers allocated to the project in Fiscal Year 2017-18, BTE funds, HPTE financing and more than \$52 million in contributions from the communities and counties served by this corridor.

In August 2020, HPTE began working with the Build America Bureau (BAB) Transportation Infrastructure Finance and Innovation Act (TIFIA) program to secure toll revenue backed financing 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 2023.

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 USDOT in June 2018. Construction started in the fall of 2018 and tolling is expected to commence in Spring 2023.

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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. The new Express Lanes offer improved traffic flow, trip reliability, and safety to the corridor. 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.

Public Private Partnerships (P3)

Central 70: Brighton Boulevard to Chambers Road

HPTE is working closely with CDOT and the Statewide Bridge and Tunnel Enterprise (BTE) 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 BTE 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 BTE to complete. CDOT, in collaboration with HPTE and BTE, 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 BTE, \$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 BTE, 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,

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which will be paid by BTE and CDOT. The payment of \$7.6 million is due at substantial completion, which is estimated to be February or March of 2023.

Certain challenges related to the Union Pacific Railroad (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 original project timeline. Because of additional eligible costs incurred by KMP due to the delays and a lower interest rate environment, a unique opportunity exists to refinance the Developer's TIFIA loan amount. Doing so allowed the project to generate additional financing proceeds, to defray increases in Project costs, to restructure debt to minimize delays costs, and greatly minimize future risk to the project.

The parties' efforts to refinance the KMP's existing TIFIA loan (\$416 million) and raise additional TIFIA debt of \$49 million, was successful due to the P3 structure of the project. The Enterprise Boards approved the debt restructuring during the April 2021 meeting and the transaction closed in September 2021.

Central 70 Globeville and Elyria Swansea Tolling Equity Program (GES)

As part of the Central 70 Record of Decision (ROD) in 2017, a range of environmental justice concerns were acknowledged. One issue identified was how the project might impact low income populations living in the areas adjacent to the project. To mitigate this potential equity impact, the ROD included a commitment that HPTE would develop a program that would provide some type of discounted access to the Express Lanes for eligible populations in these neighborhoods. Ten months of work and engagement with stakeholders, Denver council members, and GES residents resulted in a preferred program option being identified in December 2021 and approved by the HPTE Board of Directors in April 2022. The preferred program identifies an initial one time Express Lanes transponder and credit totaling \$100, plus an additional annual pool for funds for GES residents to spend on either transit passes or adding credit to Express Lanes accounts.

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.

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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 Initial Works are being completed in three phases. Phase I and 2 (referred to as the U.S. 36 Initial Works Pavement Repairs) were completed in May 2020. Work for Phase 3 began in Summer 2021 and is scheduled to be completed in Summer 2022. The scope of work included:

- Bridge repair and maintenance for 20th Street Bridge and 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

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, 2022 and 2021. 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, 2022 and 2021. 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, 2022 and 2021.

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

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Net Position Analysis

Condensed Statements of Net Position

| As of June 30 | Transportation Special Revenue Fund | | | Operating Fund | | |
|---------------------------------------|-------------------------------------|-----------------------|-----------------------|-------------------|---------------------|---------------------|
| | 2022 | 2021 | 2020 | 2022 | 2021 | 2020 |
| Assets | | | | | | |
| Current Assets | \$ 52,680,710 | \$ 40,363,975 | \$ 30,776,446 | \$ 3,153,589 | \$ 4,686,935 | \$ 6,256,744 |
| Noncurrent Assets | 32,312,185 | 32,787,336 | 16,794,745 | - | - | - |
| Capital Assets | 568,646,872 | 578,443,185 | 624,772,519 | - | - | - |
| Total Assets | 653,639,767 | 651,594,496 | 672,343,710 | 3,153,589 | 4,686,935 | 6,256,744 |
| Deferred Outflows of Resources | 319,082 | 188,021 | 25,786 | 139,320 | 252,662 | 564,545 |
| Liabilities | | | | | | |
| Current Liabilities | 1,259,141 | 6,312,359 | 31,495,224 | 540,058 | 509,805 | 594,984 |
| Noncurrent Liabilities | 405,129,424 | 389,097,800 | 278,925,874 | 1,473,167 | 2,088,204 | 3,296,357 |
| Total Liabilities | 406,388,565 | 395,410,159 | 310,421,098 | 2,013,225 | 2,598,009 | 3,891,341 |
| Deferred Inflows of Resources | 125,073,167 | 127,883,546 | 130,832,833 | 556,217 | 508,660 | 969,680 |
| Net Position (Deficit) | | | | | | |
| Net Investment in Capital Assets | 65,293,203 | 84,431,404 | 203,323,983 | - | - | - |
| Unrestricted (Deficit) | 57,203,914 | 44,057,408 | 27,791,582 | 723,467 | 1,832,928 | 1,960,268 |
| Total Net Position (Deficit) | \$ 122,497,117 | \$ 128,488,812 | \$ 231,115,565 | \$ 723,467 | \$ 1,832,928 | \$ 1,960,268 |

Fiscal Year 2021-22 Analysis

Transportation Special Revenue Fund

Assets

The Transportation Special Revenue Fund total assets increased by \$2 million.

Current Assets

Current assets increased by \$12 million primarily due to an increase in cash and pooled cash investments of \$12 million. The increase in cash and pooled cash investments was related to revenue earned from an increase in toll revenue.

Noncurrent Assets

Noncurrent assets, excluding capital assets decreased by \$475,151.

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Capital Assets

In Fiscal Year 2021-22, HPTE capital assets decreased by \$10 million. The overall reduction of capital assets is caused by a decrease in non-depreciable capital assets totaling \$4 million, which is due to HPTE not having any new construction projects.

Liabilities

Liabilities increased by \$10.9 million due to HPTE incurring two additional loans related to the Tolling Equipment Financing Agreement (TEFA) with CDOT for Central 70 and the South Gap projects. The C-470 TIFIA loan facility also increased by \$15.5 million, as HPTE completed its final draw to pay CDOT for the construction of the C-470 Express Lanes. Additionally, the interest on the C-470 TIFIA loan facility is added to the principal balance per the terms of the loan agreement. This caused a decrease in accrued interest of \$7 million. Accounts payable and accrued liabilities decreased by \$5 million due to HPTE having less construction project expenses to accrue.

Deferred Outflows and Inflows of Resources

Deferred outflows of resources increased by \$131,061 due to pensions and OPEB. Deferred inflows of resources decreased by \$2.8 million due to a decrease in the U.S. 36 Concession agreement of \$2.9 million and an increase in pension and OPEB of \$94,938.

Net Position

The net effect of these changes was a decrease in net position for the Transportation Special Revenue Fund of \$6 million. Of the total net position, \$65.3 million represents the net investment in capital assets. In Fiscal Year 2021-22, pension expense recognized in accordance with GASB 68 totaled \$170,165. In Fiscal Years 2020-21, pension expense (credit) GASB 68 totaled (\$41,176). OPEB expense (credit) recognized under GASB 75 in Fiscal Years 2021-22 and 2020-21 (\$2,191) and (\$3,974), respectively. The credit for pension and OPEB was the result of the change in HPTE's proportional share of the net pension liability and also the State's contribution to the Trust Fund in accordance with C.R.S. §24-51-413, during 2021-22 and 2020-21. As a result, total pension and OPEB liabilities decreased.

Operating Fund

Assets

The operating fund total assets decreased by \$1.5 million from Fiscal Year 2020-21 to Fiscal Year 2021-22 due to a decrease in cash. Cash decreased due to a reduction in the Fee For Service agreement.

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Liabilities

As explained below, total liabilities decreased by \$584,684 primarily due to HPTE recognizing the unearned revenue from the Floyd Hill and I-270 IAAs for traffic and revenue studies in Fiscal Year 2021-22.

Current Liabilities

Current liabilities increased by \$30,253 due to an increase in accrual payments to vendors before year-end.

Noncurrent Liabilities

Noncurrent liabilities decreased by \$615,037 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 \$113,342 and deferred inflows of resources increased by \$47,557. Both the decrease of deferred outflows of resources and the increase of deferred inflows of resources were due to pensions and OPEB.

Net Position

The effect of these changes was a decrease in the net position of the operating fund of \$1.1 million from the previous fiscal year.

In Fiscal Years 2021-22, 2020-21, and 2019-20 pension expense (credit) recognized in accordance with GASB 68 totaled (\$284,305), (\$228,347), and (\$95,303), respectively. OPEB expense (credit) recognized under GASB 75 in Fiscal Years 2021-22, 2020-21, and 2019-20 totaled (\$832), \$1,028, and \$3,821, respectively.

Fiscal Year 2020-21 Analysis

Transportation Special Revenue Fund

Assets

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

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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

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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.

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Revenue and Expense Analysis

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

| For Year Ended June 30 | Transportation Special Revenue Fund | | | Operating Fund | | |
|---|-------------------------------------|-----------------------|-----------------------|--------------------|---------------------|---------------------|
| | 2022 | 2021 | 2020 | 2022 | 2021 | 2020 |
| Operating Revenues | | | | | | |
| Charges for Tolls and Services | \$ 29,899,483 | \$ 17,865,658 | \$ 13,198,852 | \$ 4,219,000 | \$ 6,736,000 | \$ 6,819,175 |
| Other Operating Revenues | 1,303,584 | 1,418,442 | 1,199,491 | 4,400 | 12,549 | 85,230 |
| Total Operating Revenues | 31,203,067 | 19,284,100 | 14,398,343 | 4,223,400 | 6,748,549 | 6,904,405 |
| Operating Expenses | | | | | | |
| Salaries and Benefits | 403,175 | 156,375 | (153,631) | 593,729 | 586,860 | 890,411 |
| Operating and Travel | 7,683,651 | 8,237,379 | 2,518,097 | 1,114,761 | 1,135,178 | 1,207,582 |
| Professional Services | 2,860,323 | 3,065,502 | 2,179,851 | 3,499,808 | 5,136,381 | 3,754,060 |
| Depreciation Expense | 14,891,608 | 14,715,721 | 8,800,224 | - | - | - |
| Total Operating Expenses | 25,838,757 | 26,174,977 | 13,344,541 | 5,208,298 | 6,858,419 | 5,852,053 |
| Operating Income (Loss) | 5,364,310 | (6,890,877) | 1,053,802 | (984,898) | (109,870) | 1,052,352 |
| Nonoperating Revenues (Expenses) | | | | | | |
| Investment Income (expense) | (2,444,584) | (240,990) | 1,726,403 | (124,564) | (17,469) | 260,833 |
| CDOT I-25 North Segment III construction delay payment | - | 7,693,107 | 782,183 | - | - | - |
| Cost of issuance for Burnham Yard and MEXL program loans | (115,000) | (576,598) | - | - | - | - |
| Interest Expense and Bond Premium | (9,788,293) | (13,277,149) | (2,257,994) | - | - | (21,415) |
| Net Nonoperating Revenues (Expenses) | (12,347,877) | (6,401,630) | 250,592 | (124,564) | (17,469) | 239,418 |
| 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 | 991,872 | (89,334,246) | 77,469,708 | - | - | - |
| Change in Net Position | (5,991,695) | (102,626,753) | 76,631,630 | (1,109,462) | (127,339) | 3,434,242 |
| Beginning Net Position (Deficit) | 128,488,812 | 231,115,565 | 154,483,935 | 1,832,929 | 1,960,268 | (1,473,974) |
| Net Position, End of Year | \$ 122,497,117 | \$ 128,488,812 | \$ 231,115,565 | \$ 723,467 | \$ 1,832,929 | \$ 1,960,268 |

Variations for Fiscal Year 2021-22

Transportation Special Revenue Fund

Revenues

Total operating revenues increased by \$11.9 million. This increase in operating revenues is primarily a result of an increase in toll revenue totaling \$12 million. The increase in toll revenue is due to the increase of traffic since the COVID pandemic.

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Expenses

Total operating expenses decreased in Fiscal Year 2021-22 by \$336,220. Operations and travel decreased by \$553,728 due to the Burnham Yard transaction closing in Fiscal Year 2020-21. This was offset by an increase to salaries and benefits of \$246,800 as HPTE added additional staff. Depreciation expense also increased by \$175,887.

Net nonoperating expenses increased by \$5.9 million due to \$7.7 million of other income from a construction payment in Fiscal Year 2020-21. This was offset by a decrease in interest expense due to the financing of the tolling equipment and software for Central 70 and South Gap projects.

Net Position

The outcome of these changes was decrease in net position of 6 million in Fiscal Year 2021-22.

Operating Fund

Revenues

Total operating revenues decreased by \$2.5 million due to a decrease in charges for tolls and services and other operating revenue. The decrease was due to a reduction in the Fee For Service agreement from prior fiscal years.

Expenses

Total operating costs decreased by \$1.7 million due to a decrease in professional services of \$1.6 million, and by a reduction of operations and travel totaling \$10,347. The decrease in professional services was due to HPTE's reduced need of legal and P3 advisory services as the Burnham Yard project closed in the prior fiscal year.

Net nonoperating revenues decreased by \$142,033 due to a decrease in investment income.

Net Position

The outcome of these changes was a decrease in net position of \$1.2 million in Fiscal Year 2021-22.

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Variations 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.

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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.

Capital Assets and Debt Administration

Transportation Special Revenue Fund

Capital Assets

| As of June 30 | 2022 | 2021 | 2019 |
|---|-----------------------|-----------------------|-----------------------|
| Land | \$ 50,046,670 | \$ 50,046,670 | \$ - |
| Assets Under Construction | 4,451,203 | 687,129 | 238,621,091 |
| Capital Assets Being Depreciated | <u>514,148,999</u> | <u>527,709,386</u> | <u>302,979,728</u> |
| Capital Assets, Net of Accumulated Depreciation | <u>\$ 568,646,872</u> | <u>\$ 578,443,185</u> | <u>\$ 541,600,819</u> |

In Fiscal Year 2021-22, capital assets decreased overall by \$9.8 million due to the amount of assets under construction increasing only \$3.8 million, while depreciation on existing assets was \$14.9 million.

Debt Outstanding

HPTE has two commercial loans, one for MEXL totaling \$25.2 million and one with Bank of America for the Segment III corridor totaling \$23.6 million. HPTE also borrowed \$45.8 million through Bank of America and J.P. Morgan Chase (totaling \$22.9 million each) for the Burnham Yard transaction. Additionally, HPTE received a CDOT loan totaling \$10 million for the Burnham Yard transaction as well.

The financing for the C-470 Express Lanes Project consists of a TIFIA loan totaling \$109 million and revenue backed bonds totaling \$175.5 million including a bond premium of \$13.7 million. As of June 30, 2022, HPTE has received \$101.7 million of the TIFIA facility loan proceeds.

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. In Fiscal Year 2021-22 HPTE completed two more draws totaling \$8 million to purchase tolling equipment and software for the Central 70 and South Gap projects.

Colorado High Performance Transportation Enterprise
Management's Discussion and Analysis
(Unaudited)
June 30, 2022 and 2021

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

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Colorado High Performance Transportation Enterprise

Statement of Net Position

June 30, 2022

| | Transportation Special Revenue Fund | Operating | Total |
|---|--|-------------------|-----------------------|
| Assets | | | |
| Current assets: | | | |
| Cash and pooled cash investments | \$ 51,414,632 | \$ 3,044,569 | \$ 54,459,201 |
| Receivables | 1,002,909 | 770 | 1,003,679 |
| Prepaid items | 263,169 | 108,250 | 371,419 |
| Total current assets | 52,680,710 | 3,153,589 | 55,834,299 |
| Noncurrent assets: | | | |
| Restricted cash | 32,312,185 | - | 32,312,185 |
| Land | 50,046,670 | - | 50,046,670 |
| Capital assets, nondepreciable | 4,451,203 | - | 4,451,203 |
| Capital assets, net of accumulated depreciation | 514,148,999 | - | 514,148,999 |
| Total noncurrent assets | 600,959,057 | - | 600,959,057 |
| Total assets | 653,639,767 | 3,153,589 | 656,793,356 |
| Deferred Outflows of Resources | | | |
| Related to pensions | 301,423 | 120,608 | 422,031 |
| Related to postemployment benefits | 17,659 | 18,712 | 36,371 |
| Total deferred outflows of resources | 319,082 | 139,320 | 458,402 |
| Liabilities | | | |
| Current liabilities: | | | |
| Accounts payable and accrued liabilities | 1,259,141 | 540,058 | 1,799,199 |
| Total current liabilities | 1,259,141 | 540,058 | 1,799,199 |
| Noncurrent liabilities | | | |
| TEFA Loan | 10,950,000 | - | 10,950,000 |
| C-470 Bonds, including bond premium | 175,469,547 | - | 175,469,547 |
| C-470 TIFIA loan facility | 108,993,467 | - | 108,993,467 |
| MEXL program loan | 25,205,000 | - | 25,205,000 |
| I-25 North Segment III program 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 |
| Accrued interest | 52,073 | - | 52,073 |
| Unearned revenue | 4,622,000 | - | 4,622,000 |
| Net pension liability | 382,574 | 1,418,609 | 1,801,183 |
| Net other postemployment benefits | 14,763 | 54,558 | 69,321 |
| Total noncurrent liabilities | 405,129,424 | 1,473,167 | 406,602,591 |
| Total liabilities | 406,388,565 | 2,013,225 | 408,401,790 |
| Deferred Inflows of Resources | | | |
| Related to pensions | 133,909 | 525,750 | 659,659 |
| Related to postemployment benefits | 10,646 | 30,467 | 41,113 |
| Concession agreement | 124,928,612 | - | 124,928,612 |
| Total Deferred Inflows of Resources | 125,073,167 | 556,217 | 125,629,384 |
| Net Position | | | |
| Net investment in capital assets | 65,293,203 | - | 65,293,203 |
| Unrestricted | 57,203,914 | 723,467 | 57,927,381 |
| Total net position | \$ 122,497,117 | \$ 723,467 | \$ 123,220,584 |

The accompanying notes are an integral part of these financial statements

Colorado High Performance Transportation Enterprise

Statement of Net Position

June 30, 2021

| | Transportation Special Revenue Fund | Operating | Total |
|---|--|---------------------|-----------------------|
| Assets | | | |
| Current assets: | | | |
| Cash and pooled cash investments | \$ 39,338,393 | \$ 4,656,777 | \$ 43,995,170 |
| Receivables | 718,394 | 972 | 719,366 |
| Prepaid items | 307,188 | 29,186 | 336,374 |
| Total current assets | 40,363,975 | 4,686,935 | 45,050,910 |
| Noncurrent assets: | | | |
| Restricted cash | 32,787,336 | - | 32,787,336 |
| Land | 50,046,670 | - | 50,046,670 |
| Capital assets, nondepreciable | 687,129 | - | 687,129 |
| Capital assets, net of accumulated depreciation | 527,709,386 | - | 527,709,386 |
| Total noncurrent assets | 611,230,521 | - | 611,230,521 |
| Total assets | 651,594,496 | 4,686,935 | 656,281,431 |
| Deferred Outflows of Resources | | | |
| Related to pensions | 180,444 | 226,626 | 407,070 |
| Related to postemployment benefits | 7,577 | 26,036 | 33,613 |
| Total deferred outflows of resources | 188,021 | 252,662 | 440,683 |
| Liabilities | | | |
| Current liabilities: | | | |
| Accounts payable and accrued liabilities | 6,312,359 | 509,805 | 6,822,164 |
| Total current liabilities | 6,312,359 | 509,805 | 6,822,164 |
| Noncurrent liabilities | | | |
| TEFA Loan | 2,950,000 | - | 2,950,000 |
| C-470 Bonds, including bond premium | 175,703,642 | - | 175,703,642 |
| C-470 TIFIA loan facility | 93,483,600 | - | 93,483,600 |
| MEXL program loan | 25,205,000 | - | 25,205,000 |
| I-25 North Segment III program 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 |
| Accrued interest | 7,122,319 | - | 7,122,319 |
| Unearned revenue | 5,000,000 | 169,000 | 5,169,000 |
| Net pension liability | 187,038 | 1,854,999 | 2,042,037 |
| Net other postemployment benefits | 6,201 | 64,205 | 70,406 |
| Total noncurrent liabilities | 389,097,800 | 2,088,204 | 391,186,004 |
| Total liabilities | 395,410,159 | 2,598,009 | 398,008,168 |
| Deferred Inflows of Resources | | | |
| Related to pensions | 38,301 | 479,684 | 517,985 |
| Related to postemployment benefits | 11,316 | 28,976 | 40,292 |
| Concession agreement | 127,833,929 | - | 127,833,929 |
| Total Deferred Inflows of Resources | 127,883,546 | 508,660 | 128,392,206 |
| Net Position | | | |
| Net investment in capital assets | 84,431,404 | - | 84,431,404 |
| Unrestricted | 44,057,408 | 1,832,928 | 45,890,336 |
| Total net position | \$ 128,488,812 | \$ 1,832,928 | \$ 130,321,740 |

The accompanying notes are an integral part of these financial statements

Colorado High Performance Transportation Enterprise
Statement of Revenues, Expenses, and Changes in Net Position
Year Ended June 30, 2022

| | Transportation Special Revenue Fund | Operating | Total |
|---|--|--------------------|-----------------------|
| Operating Revenues | | | |
| Charges for tolls and services | \$ 29,899,483 | \$ 4,219,000 | \$ 34,118,483 |
| Other operating revenues | 1,303,584 | 4,400 | 1,307,984 |
| Total operating revenues | 31,203,067 | 4,223,400 | 35,426,467 |
| Operating Expenses | | | |
| Salaries and benefits | 403,175 | 593,729 | 996,904 |
| Operating and travel | 7,683,651 | 1,114,761 | 8,798,412 |
| Professional services | 2,860,323 | 3,499,808 | 6,360,131 |
| Depreciation expense | 14,891,608 | - | 14,891,608 |
| Total operating expenses | 25,838,757 | 5,208,298 | 31,047,055 |
| Operating income (loss) | 5,364,310 | (984,898) | 4,379,412 |
| Nonoperating Revenues (Expenses) | | | |
| Investment income (expense) | (2,444,584) | (124,564) | (2,569,148) |
| Cost of issuance for Burnham Yard | (115,000) | - | (115,000) |
| Interest expense and amortization of bond premium | (9,788,293) | - | (9,788,293) |
| Net nonoperating revenues (expenses) | (12,347,877) | (124,564) | (12,472,441) |
| Transfer of I-25 North Segment III managed lanes | 991,872 | - | 991,872 |
| Change in Net Position | (5,991,695) | (1,109,462) | (7,101,157) |
| Beginning Net Position | 128,488,812 | 1,832,929 | 130,321,741 |
| Net Position, End of the Year | \$ 122,497,117 | \$ 723,467 | \$ 123,220,584 |

The accompanying notes are an integral part of these financial statements

Colorado High Performance Transportation Enterprise
Statement of Revenues, Expenses, and Changes in Net Position
Year Ended June 30, 2021

| | Transportation Special Revenue Fund | Operating | Total |
|---|--|---------------------|-----------------------|
| Operating Revenues | | | |
| Charges for tolls and services | \$ 17,865,658 | \$ 6,736,000 | \$ 24,601,658 |
| Other operating revenues | 1,418,442 | 12,549 | 1,430,991 |
| Total operating revenues | 19,284,100 | 6,748,549 | 26,032,649 |
| Operating Expenses | | | |
| Salaries and benefits | 156,375 | 586,860 | 743,235 |
| Operating and travel | 8,237,379 | 1,135,178 | 9,372,557 |
| Professional services | 3,065,502 | 5,136,381 | 8,201,883 |
| Depreciation expense | 14,715,721 | - | 14,715,721 |
| Total operating expenses | 26,174,977 | 6,858,419 | 33,033,396 |
| Operating income (loss) | (6,890,877) | (109,870) | (7,000,747) |
| Nonoperating Revenues (Expenses) | | | |
| Investment income (expense) | (240,990) | (17,469) | (258,459) |
| CDOT payment for C-470 and Segment III construction delay | 7,693,107 | - | 7,693,107 |
| 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) |
| Net nonoperating revenues (expenses) | (6,401,630) | (17,469) | (6,419,099) |
| Transfer of C-470 and I-25 North Segment III managed lanes | (89,334,246) | - | (89,334,246) |
| Change in Net Position | (102,626,753) | (127,339) | (102,754,092) |
| Beginning Net Position | 231,115,565 | 1,960,268 | 233,075,833 |
| Net Position, End of the Year | \$ 128,488,812 | \$ 1,832,929 | \$ 130,321,741 |

The accompanying notes are an integral part of these financial statements

Colorado High Performance Transportation Enterprise
Statement of Cash Flows
Year Ended June 30, 2022

| | Transportation Special Revenue Fund | Operating | Total |
|--|--|----------------------------|-----------------------------|
| Cash Flows from Operating Activities | | | |
| Cash received from users and grants | \$ 27,635,232 | \$ 54,603 | \$ 27,689,835 |
| Cash payments for salaries and benefits of goods and services | (235,200) | (868,798) | (1,103,998) |
| | <u>(11,012,745)</u> | <u>(4,673,449)</u> | <u>(15,686,194)</u> |
| Net cash provided by (used in) operating activities | <u>16,387,287</u> | <u>(5,487,644)</u> | <u>10,899,643</u> |
| Cash Flows from Noncapital Financing Activities | | | |
| Payments from intergovernmental agreement | - | 4,000,000 | 4,000,000 |
| | <u>-</u> | <u>4,000,000</u> | <u>4,000,000</u> |
| Net cash provided by (used in) noncapital noncapital financing activities | <u>-</u> | <u>4,000,000</u> | <u>4,000,000</u> |
| Cash Flows from Capital and Related Financing Activities | | | |
| Interest paid on debt | (9,838,197) | - | (9,838,197) |
| Proceeds from issuance of long-term debt | 16,255,430 | - | 16,255,430 |
| Payment of debt issuance fees | (115,000) | - | (115,000) |
| Acquisition and construction of capital assets | (8,643,848) | - | (8,643,848) |
| | <u>(2,341,615)</u> | <u>-</u> | <u>(2,341,615)</u> |
| Net cash used in capital and related financing activities | <u>(2,341,615)</u> | <u>-</u> | <u>(2,341,615)</u> |
| Cash Flows from Investing Activities | | | |
| Investment income (expense) | (2,444,584) | (124,564) | (2,569,148) |
| | <u>(2,444,584)</u> | <u>(124,564)</u> | <u>(2,569,148)</u> |
| Net cash provided by investing activities | <u>(2,444,584)</u> | <u>(124,564)</u> | <u>(2,569,148)</u> |
| Net increase (decrease) in cash and cash equivalents | 11,601,088 | (1,612,208) | 9,988,880 |
| Cash and cash equivalents, beginning of year | 72,125,729 | 4,656,777 | 76,782,506 |
| | <u>11,601,088</u> | <u>(1,612,208)</u> | <u>9,988,880</u> |
| Cash and cash equivalents, end of year | <u>\$ 83,726,817</u> | <u>\$ 3,044,569</u> | <u>\$ 86,771,386</u> |

Colorado High Performance Transportation Enterprise
Statement of Cash Flows (continued)
Year Ended June 30, 2022

| | Transportation Special Revenue Fund | Operating | Total |
|---|--|------------------------------|-----------------------------|
| Reconciliation of Operating Income to Net Cash Provided by Operating Activities: | | | |
| Operating income | \$ 5,364,310 | \$ (984,898) | \$ 4,379,412 |
| Adjustments to reconcile operating income to net cash provided by operating activities: | | | |
| Depreciation expense | 14,891,608 | - | 14,891,608 |
| Adjustment to net pension and net other postemployment benefit liability | 204,098 | (446,036) | (241,938) |
| Deferred inflows of resources - pension and net other postemployment benefits related | 94,938 | 47,557 | 142,495 |
| Deferred inflows of resources - concession agreement | (2,905,317) | - | (2,905,317) |
| Deferred outflows of resources - pension and net other postemployment benefits related | (131,061) | 113,342 | (17,719) |
| Changes in assets and liabilities | | | |
| Receivables, net | (284,515) | (3,999,797) | (4,284,312) |
| Prepaid items | 44,019 | (79,065) | (35,046) |
| Accounts payable and accrued liabilities | (512,793) | 30,253 | (482,540) |
| Unearned revenue | (378,000) | (169,000) | (547,000) |
| | <u>(378,000)</u> | <u>(169,000)</u> | <u>(547,000)</u> |
| Net cash provided by (used in) operating activities | <u>\$ 16,387,287</u> | <u>\$ (5,487,644)</u> | <u>\$ 10,899,643</u> |
| Noncash Investing, Capital and Financing Activities | | | |
| Acquisition of capital assets, on account | \$ 44,555 | \$ - | \$ 44,555 |
| Transfer of managed lanes | \$ 991,872 | \$ - | \$ 991,872 |
| Unrealized gain (loss) | \$ (2,990,429) | \$ (191,534) | \$ (3,181,963) |

The accompanying notes are an integral part of these financial statements

Colorado High Performance Transportation Enterprise
Statement of Cash Flows
Year Ended June 30, 2021

| | 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 |
| Cash payments for salaries and benefits of goods and services | (201,526) (9,513,038) | (788,567) (6,380,435) | (990,093) (15,893,473) |
| Net cash provided by (used in) operating activities | 11,186,938 | (5,268,151) | 5,918,787 |
| Cash Flows from Noncapital Financing Activities | | | |
| Payments from intergovernmental agreement | 7,693,107 | 5,600,000 | 13,293,107 |
| Net cash provided by (used in) noncapital noncapital financing activities | 7,693,107 | 5,600,000 | 13,293,107 |
| Cash Flows from Capital and Related Financing Activities | | | |
| Interest paid on debt | (9,780,418) | - | (9,780,418) |
| Proceeds from issuance of long-term debt | 100,770,256 | - | 100,770,256 |
| Payment of debt issuance fees | (205,000) | - | (205,000) |
| Acquisition and construction of capital assets | (84,028,243) | - | (84,028,243) |
| Net cash used in capital and related financing activities | 6,756,595 | - | 6,756,595 |
| Cash Flows from Investing Activities | | | |
| Investment income (expense) | (240,990) | (17,469) | (258,459) |
| Net cash provided by investing activities | (240,990) | (17,469) | (258,459) |
| Net increase (decrease) in cash and cash equivalents | 25,395,650 | 314,380 | 25,710,030 |
| Cash and cash equivalents, beginning of year | 46,730,079 | 4,342,397 | 51,072,476 |
| Cash and cash equivalents, end of year | \$ 72,125,729 | \$ 4,656,777 | \$ 76,782,506 |

Colorado High Performance Transportation Enterprise
Statement of Cash Flows (continued)
Year Ended June 30, 2021

| | 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) |
| Adjustments to reconcile operating income to net cash provided by operating activities: | | | |
| Depreciation expense | 14,715,721 | - | 14,715,721 |
| Adjustment to net pension and net other postemployment benefit liability | 161,056 | (77,153) | 83,903 |
| Deferred inflows of resources - pension and net other postemployment benefits related | (43,971) | (461,020) | (504,991) |
| Deferred inflows of resources - concession agreement | (2,905,317) | - | (2,905,317) |
| Deferred outflows of resources - pension and net other postemployment benefits related | (162,235) | 311,882 | 149,647 |
| Changes in assets and liabilities | | | |
| Receivables, net | (477,281) | (3,716,698) | (4,193,979) |
| Prepaid items | 292,812 | 888 | 293,700 |
| Accounts payable and accrued liabilities | 1,497,030 | (85,180) | 1,411,850 |
| Unearned revenue | 5,000,000 | (1,131,000) | 3,869,000 |
| | \$ 11,186,938 | \$ (5,268,151) | \$ 5,918,787 |
| Net cash provided by (used in) operating activities | | | |
| Noncash Investing, Capital and Financing Activities | | | |
| Acquisition of capital assets, on account | \$ 4,584,981 | \$ - | \$ 4,584,981 |
| Transfer of managed lanes | \$ 89,334,246 | \$ - | \$ 89,334,246 |
| Unrealized gain (loss) | \$ (682,994) | \$ 102,998 | \$ (579,996) |
| Capitalized Interest | \$ 743,883 | \$ - | \$ 743,883 |
| Proceeds 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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Colorado High Performance Transportation Enterprise

Notes to Financial Statements

June 30, 2022 and 2021

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

Nature of Operations

The High Performance Transportation Enterprise (the Enterprise or HPTE, or CTIO) 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 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 interagency 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.

Colorado High Performance Transportation Enterprise

Notes to Financial Statements

June 30, 2022 and 2021

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, 2022 or 2021, 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. Prior to July 1, 2021, interest cost related to construction was capitalized. Subsequent to the adoption of GASB Statement 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, interest is expensed as occurred beginning with the year ending June 30, 2022. 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.

Colorado High Performance Transportation Enterprise

Notes to Financial Statements

June 30, 2022 and 2021

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.

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.

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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.

Implementation of New Accounting Principles

Effective for Fiscal Year 2021-22, the Enterprises adopted both GASB Statement 87, *Leases* and GASB Statement 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. The implementation of GASB 87 had no impact on the financial statements for the year ended June 30, 2022. The requirements of GASB 89 were applied prospectively as of July 1, 2021 and requires that interest incurred during the construction period be expensed as incurred, as opposed to capitalization into the cost of the construction, as has been done in the previous year. The previously constructed assets are not adjusted for previously capitalized interest costs.

NOTE 2 – CASH AND POOLED CASH INVESTMENTS

The Enterprise deposits its cash with the Colorado State Treasurer as required by Colorado Revised Statutes (C.R.S.) 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, 2022 and 2021, the Enterprise had cash on deposit with the State Treasurer of \$54,459,201 and \$43,995,170, respectively, which represented less than one percent of the total \$21,066.9 million fair value of investments in the State Treasurer's Pool (Pool). As of June 30, 2022, the Pool's resources included \$46.2 million of cash on hand and \$21,013.7 million of investments.

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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, 2022.

As of June 30, 2022, HPTE had \$32,312,185 of restricted cash in the Transportation Special Fund and a balance of \$32,787,336 as of June 30, 2021. 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. 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 (BTE), and for services provided and toll revenue.

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

| | 2022 | 2021 |
|----------------------------------|---------------------|-------------------|
| Tolling revenues receivable | \$ 60,216 | \$ 529,362 |
| CDOT receivable | 770 | 972 |
| Other receivable | 942,693 | 189,032 |
| Total accounts receivable | \$ 1,003,679 | \$ 719,366 |

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

Colorado High Performance Transportation Enterprise

Notes to Financial Statements

June 30, 2022 and 2021

NOTE 4 – CAPITAL ASSETS

A summary of changes in capital assets is as follows for the years ended June 30, 2022 and 2021:

| | 2022 | | | | |
|--|---|------------------------------|-------------------------------|----------------------|---|
| | <u>Balance at June 30, 2021</u> | <u>Additions</u> | <u>Disposals</u> | <u>Transfers</u> | |
| Capital assets, not being depreciated | | | | | |
| Land | \$ 50,046,670 | \$ - | \$ - | \$ - | \$ 50,046,670 |
| Assets under construction | <u>687,129</u> | <u>4,103,423</u> | <u>-</u> | <u>(339,349)</u> | <u>4,451,203</u> |
| Total capital assets, not being depreciated | <u>50,733,799</u> | <u>4,103,423</u> | <u>-</u> | <u>(339,349)</u> | <u>54,497,873</u> |
| Capital assets, being depreciated | | | | | |
| Tolling software | 4,046,845 | - | - | 17,449 | 4,064,294 |
| Tolling equipment | 5,627,219 | - | - | - | 5,627,219 |
| Toll lanes | <u>572,120,254</u> | <u>991,872</u> | <u>-</u> | <u>321,900</u> | <u>573,434,026</u> |
| Total capital assets, being depreciated | <u>581,794,318</u> | <u>991,872</u> | <u>-</u> | <u>339,349</u> | <u>583,125,539</u> |
| Less accumulated depreciation | | | | | |
| Tolling software and equipment | (2,564,069) | (365,791) | - | - | (2,929,860) |
| Toll lanes | <u>(51,520,863)</u> | <u>(14,525,817)</u> | <u>-</u> | <u>-</u> | <u>(66,046,680)</u> |
| Total accumulated depreciation | <u>(54,084,932)</u> | <u>(14,891,608)</u> | <u>-</u> | <u>-</u> | <u>(68,976,540)</u> |
| Total capital assets, being depreciated, net | <u>527,709,386</u> | <u>(13,899,736)</u> | <u>-</u> | <u>339,349</u> | <u>514,148,999</u> |
| Total capital assets, net | <u><u>\$ 578,443,185</u></u> | <u><u>\$ (9,796,313)</u></u> | <u><u>\$ -</u></u> | <u><u>\$ -</u></u> | <u><u>\$ 568,646,872</u></u> |
| | | | | | |
| | | | | | |
| | | | | | |
| | 2021 | | | | |
| | <u>Balance at June 30, 2020</u> | <u>Additions</u> | <u>Disposals</u> | <u>Transfers</u> | <u>Balance at June 30, 2021</u> |
| Capital assets, not being depreciated | | | | | |
| Land | \$ - | \$ 50,046,670 | \$ - | \$ - | \$ 50,046,670 |
| Assets under construction | <u>232,242,778</u> | <u>7,673,963</u> | <u>-</u> | <u>(239,229,612)</u> | <u>687,129</u> |
| Total capital assets, not being depreciated | <u>232,242,778</u> | <u>57,720,633</u> | <u>-</u> | <u>(239,229,612)</u> | <u>50,733,799</u> |
| 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 | <u>425,045,631</u> | <u>964,238</u> | <u>(90,298,484)</u> | <u>236,408,869</u> | <u>572,120,254</u> |
| Total capital assets, being depreciated | <u>431,898,952</u> | <u>964,238</u> | <u>(90,298,484)</u> | <u>239,229,612</u> | <u>581,794,318</u> |
| Less accumulated depreciation | | | | | |
| Tolling software and equipment | (2,003,000) | (561,069) | - | - | (2,564,069) |
| Toll lanes | <u>(37,366,211)</u> | <u>(14,154,652)</u> | <u>-</u> | <u>-</u> | <u>(51,520,863)</u> |
| Total accumulated depreciation | <u>(39,369,211)</u> | <u>(14,715,721)</u> | <u>-</u> | <u>-</u> | <u>(54,084,932)</u> |
| Total capital assets, being depreciated, net | <u>392,529,741</u> | <u>(13,751,483)</u> | <u>(90,298,484)</u> | <u>239,229,612</u> | <u>527,709,386</u> |
| Total capital assets, net | <u><u>\$ 624,772,519</u></u> | <u><u>\$ 43,969,150</u></u> | <u><u>\$ (90,298,484)</u></u> | <u><u>\$ -</u></u> | <u><u>\$ 578,443,185</u></u> |

Colorado High Performance Transportation Enterprise
Notes to Financial Statements
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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:

| | 2022 | 2021 |
|---|---------------------|---------------------|
| Vendors payable | \$ 1,665,751 | \$ 2,159,580 |
| Contractors payable | 44,555 | 4,584,981 |
| Other payables, including accrued compensation and compensated absences | 88,893 | 77,603 |
| Total current accounts payable and accrued liabilities | \$ 1,799,199 | \$ 6,822,164 |

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 five 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 in June 2024. The TIFIA loan facility interest is added to the outstanding loan balance per the terms of the loan agreement. Through Fiscal Year 2021-22, HPTE received \$106.7 million of TIFIA loan facility proceeds, leaving \$5 million to be requisitioned, and \$8.9 million of the C-470 revenue bond proceeds are available for requisitions. HPTE will not complete any additional draws on the TIFIA loan facility as the project has reached substantial completion. 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 started in December 2022 with a maturity date in December 2024.

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

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

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starting in February 2028, maturing in February 2031. Toll revenue from the express lane corridors will repay the loan to CDOT.

In Fiscal Year 2021-22, HPTE completed its second and third draw of the TEFA funds for the I-25 South Gap and Central 70 projects totaling \$4 million for each project. These two draws have an interest rate of two percent with payments due in July for the South Gap project and March for the Central 70 project. The principal payments for the South Gap project start in July 2028 and the principal payments for the Central 70 project start in March 2029. Toll revenue from the South Gap and Central 70 will be used to repay the loans to CDOT.

As of June 30, 2022 and 2021, \$52,073 and \$7.1 million, respectively, on the various debt agreements. \$7 million of accrued interest related to the C-470 TIFIA loan facility was reclassified to outstanding principal per the terms of the agreement and debt service schedule.

Other long-term liabilities include net pension liability of \$2 million and OPEB liability of \$69,321. The changes in the total liabilities for Fiscal Year 2021-22 and for Fiscal Year 2020-21 are as follows:

| | Balance at June 30, 2021 | Increase | Decrease | Balance at June 30, 2022 | Due Within One Year |
|-------------------------------|---|-----------------------|------------------------|---|------------------------------------|
| C-470 Bonds | \$ 161,795,000 | \$ - | \$ - | \$ 161,795,000 | \$ - |
| Premium on C-470 Bonds | 13,908,642 | - | (234,095) | 13,674,547 | - |
| C-470 TIFIA Loan Facility | 93,483,600 | 15,509,867 | - | 108,993,467 | - |
| MEXL Program Loan | 25,205,000 | - | - | 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 | 8,000,000 | - | 10,950,000 | - |
| Accrued Interest | 7,122,319 | 5,937,919 | (13,008,165) | 52,073 | - |
| Net Pension Liability | 2,042,038 | 196,052 | (436,907) | 1,801,183 | - |
| Other Postemployment Benefits | 70,406 | 8,562 | (9,647) | 69,321 | - |
| Total liability | \$ 386,017,005 | \$ 29,652,400 | \$ (13,688,814) | \$ 401,980,591 | \$ - |
| | 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 | \$ - |

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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 |
|----------------|-----------------------|-----------------------|----------------------------|
| 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 | 8,089,750 | - | 8,089,750 |
| 2028-2032 | 40,448,750 | - | 40,448,750 |
| 2033-2037 | 40,448,750 | - | 40,448,750 |
| 2038-2042 | 40,448,750 | - | 40,448,750 |
| 2043-2047 | 39,454,125 | 20,185,000 | 59,639,125 |
| 2048-2052 | 28,047,500 | 61,520,000 | 89,567,500 |
| 2053-2057 | 10,420,000 | 80,090,000 | 90,510,000 |
| | <u>\$ 239,716,625</u> | <u>\$ 161,795,000</u> | <u>\$ 401,511,625</u> |
| Total payments | <u>\$ 239,716,625</u> | <u>\$ 161,795,000</u> | <u>\$ 401,511,625</u> |

C-470 TIFIA Loan Facility

| Year | Interest Due | Principal Due | Debt Service Payment |
|-------------------------------|----------------------|-----------------------|----------------------------|
| 2024 | \$ 1,588,271 | \$ 375,000 | \$ 1,963,271 |
| 2025 | 3,173,848 | 750,000 | 3,923,848 |
| 2026 | 3,157,158 | 750,000 | 3,907,158 |
| 2027 | 3,136,083 | 750,000 | 3,886,083 |
| 2028-2032 | 15,368,471 | 3,750,000 | 19,118,471 |
| 2033-2037 | 14,533,859 | 14,603,839 | 29,137,698 |
| 2038-2042 | 11,281,706 | 28,283,177 | 39,564,883 |
| 2043-2047 | 7,253,064 | 26,556,882 | 33,809,946 |
| 2048-2052 | 3,701,438 | 26,268,291 | 29,969,729 |
| 2053-2057 | 409,749 | 11,578,143 | 11,987,892 |
| | <u>\$ 63,603,647</u> | 113,665,332 | <u>\$ 177,268,979</u> |
| Total payments | <u>\$ 63,603,647</u> | 113,665,332 | <u>\$ 177,268,979</u> |
| Less: Future Interest | | <u>(4,671,865)</u> | |
| Outstanding Principal Balance | | <u>\$ 108,993,467</u> | |

Interest accrued on the TIFIA loan facility is added to the outstanding TIFIA loan facility balance per the terms of the loan agreement. Therefore, the principal balance is not the total of the completed draws.

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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 |
|----------------|---------------------|----------------------|----------------------------|
| 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 | 183,862 | 5,230,000 | 5,413,862 |
| Total payments | <u>\$ 3,459,123</u> | <u>\$ 25,205,000</u> | <u>\$ 28,664,123</u> |

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 |
|----------------|---------------------|----------------------|----------------------------|
| 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 | 551,660 | 7,880,000 | 8,431,660 |
| Total payments | <u>\$ 3,778,847</u> | <u>\$ 23,630,000</u> | <u>\$ 27,408,847</u> |

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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 |
|----------------|----------------------|----------------------|----------------------------|
| 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 | 3,197,817 | 15,270,000 | 18,467,817 |
| 2028-2031 | <u>3,806,925</u> | <u>30,540,000</u> | <u>34,346,925</u> |
| Total payments | <u>\$ 11,384,178</u> | <u>\$ 45,810,000</u> | <u>\$ 57,194,178</u> |

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

TEFA: MEXL and Cloud Software

| Fiscal Year | Interest Due | Principal Due | Debt Service Payment |
|----------------|-------------------|---------------------|----------------------------|
| 2023 | \$ 61,384 | \$ - | \$ 61,384 |
| 2024 | 62,611 | - | 62,611 |
| 2025 | 63,863 | - | 63,863 |
| 2026 | 65,141 | - | 65,141 |
| 2027 | 66,444 | - | 66,444 |
| 2028-2032 | <u>171,109</u> | <u>2,950,000</u> | <u>3,121,109</u> |
| Total payments | <u>\$ 490,552</u> | <u>\$ 2,950,000</u> | <u>\$ 3,440,552</u> |

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TEFA: South Gap

| Fiscal Year | Interest Due | Principal Due | Debt Service Payment |
|----------------|-------------------|---------------------|----------------------------|
| 2023 | \$ 81,600 | \$ - | \$ 81,600 |
| 2024 | 83,232 | - | 83,232 |
| 2025 | 84,897 | - | 84,897 |
| 2026 | 86,595 | - | 86,595 |
| 2027 | 88,326 | - | 88,326 |
| 2028-2032 | <u>322,105</u> | <u>4,000,000</u> | <u>4,322,105</u> |
| Total payments | <u>\$ 746,755</u> | <u>\$ 4,000,000</u> | <u>\$ 4,746,755</u> |

TEFA: Central 70

| Fiscal Year | Interest Due | Principal Due | Debt Service Payment |
|----------------|-------------------|---------------------|----------------------------|
| 2023 | \$ 81,600 | \$ - | \$ 81,600 |
| 2024 | 83,232 | - | 83,232 |
| 2025 | 84,897 | - | 84,897 |
| 2026 | 86,595 | - | 86,595 |
| 2027 | 88,326 | - | 88,326 |
| 2028-2032 | <u>322,105</u> | <u>4,000,000</u> | <u>4,322,105</u> |
| Total payments | <u>\$ 746,755</u> | <u>\$ 4,000,000</u> | <u>\$ 4,746,755</u> |

NOTE 7 – COMMITMENTS

The Enterprise has commitments at the end of Fiscal Year 2021-22 totaling \$16.4 million related to professional services and construction for the Transportation Special Fund and for consulting services in the amount of \$3.2 million 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 (FNP) 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.

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Notes to Financial Statements

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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 annual comprehensive report (ACFR) that can be obtained at www.copera.org/investments/pera-financial-reports.

B. Benefits Provided as of December 31, 2021

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

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

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

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

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

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Upon meeting certain criteria, 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. Subject to the automatic adjustment provision (AAP) under C.R.S. § 24-51-413 eligible benefit recipients under PERA benefit structure who began membership before January 1, 2007, and all eligible benefit recipients of the DPS benefit structure will receive the maximum annual increase (AI) or AI cap of one percent unless adjust by the AAP. 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 the one percent AI cap or the average increase of the Consumer Price Index for Urban Wage Earners and Clerical Workers for the prior calendar year, not to exceed a determined increase that would exhaust 10 percent of PERA’s Annual Increase Reserve (AIR) for the SDTF. The AAP may raise or lower the aforementioned AI cap by up to 0.25 percent based o 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, the five-year service requirement is waived and they are immediately eligible to apply for disability benefits. 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, 2022

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 for the period of July 1, 2021 through June 30, 2022 are summarized in the table below:

| | July 1, 2021 through December 31, 2021 | January 1, 2022 through June 30, 2022 |
|--|--|---|
| Employee Contribution Rate (all employees except State Troopers) | 10.50% | 10.50% |

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

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The employer contribution requirements for all employees except State Troopers are summarized in the summarized in the table below:

| | July 1, 2020 through June 30, 2020 | July 1, 2021 through December 31, 2021 | January 1, 2022 through June 30, 2022 |
|---|--|--|---|
| 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 | 0.05% | 0.10% |
| Total Employer Contribution Rate to the SDTF | 19.38% | 19.93% | 19.98% |

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

Employer contributions are recognized by the SDTF in the period in which the compensation becomes payable to the member and the Enterprise is statutorily committed to pay the contributions to the SDTF. Employer contributions recognized by the SDTF from the Enterprise were \$176,441 and \$141,741 for the year ended June 30, 2022 and 2021, respectively.

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. As specified in C.R.S. § 24-51-414, the State is required to contribute \$225 million (actual dollars) 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. In addition to the \$225 million (actual dollars) direct distribution due July 1, 2022, House Bill (HB) 22-1029 instructs the State treasurer to issue a warrant to PERA in the amount of \$380 million (actual dollars), upon enactment, with reductions to future direct distributions scheduled to occur July 1, 2023 and July 1, 2024.

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

The net pension liability for the SDTF was measured as of December 31, 2021, and the total pension liability (TPL) used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2020. Standard update procedures were used to roll forward the TPL to December 31, 2021. The HPTE proportion of the net pension liability was based on HPTE's contributions to the SDTF for the calendar year 2021 relative to the total contributions of participating employers and the State as a nonemployer contributing entity for participating employers of the SDTF that are outside of the State's financial reporting entity.

At June 30, 2022 and 2021, the HPTE reported a liability of \$1,801,183 and \$2,042,037 for its proportionate share of the net pension liability, respectively.

At December 31, 2021, the proportion was .024 percent, which was a decrease of .02 percent from its proportion measured as of December 31, 2020.

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.

For the years ended June 30, 2022 and 2021, the HPTE recognized pension expense of \$62,301 and \$269,523, respectively. At June 30, 2022 and 2021, the Enterprise reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | <u>2022</u> | | <u>2021</u> | |
|---|---|--|---|--|
| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
| Differences between expected and actual experience | \$ 12,256 | \$ 2,506 | \$ 50,464 | \$ - |
| Changes in assumptions or other inputs | 64,219 | - | 138,658 | - |
| Net difference between projected and actual earnings on pension plan investments | - | 619,835 | - | 417,951 |
| Changes in proportion and differences between contributions recognized and proportionate share of contributions | 267,058 | 37,318 | 147,890 | 100,034 |
| Contributions subsequent to the measurement date | 78,498 | - | 70,058 | - |
| Total | <u>\$ 422,031</u> | <u>\$ 659,659</u> | <u>\$ 407,070</u> | <u>\$ 517,985</u> |

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\$78,498 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, 2023. 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

| | |
|------|--------------|
| 2023 | \$ 73,702 |
| 2024 | (165,518) |
| 2025 | (149,306) |
| 2026 | (75,005) |
| 2027 | - |
| | \$ (316,127) |

E. Actuarial Assumptions

The TPL in the December 31, 2020 and 2019 actuarial valuations were determined using the following actuarial cost method, actuarial assumptions and other inputs:

| | 2020 | 2019 |
|---|---------------------|----------------------------------|
| Actuarial cost method | Entry age | Entry age |
| Price inflation | 2.30 percent | 2.40 percent |
| Real wage growth | 0.70 percent | 1.10 percent |
| Wage inflation | 3.00 percent | 3.50 percent |
| Salary increases, including wage inflation | | 3.50-9.17 percent |
| 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 | 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 (compounded annually) | 1.00% | 1.25 percent compounded annually |
| PERA Benefit Structure hired after December 31, 2006 ¹ | Financed by the AIR | Financed by the Annual |

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

The TPL as of December 2021, included the anticipated adjustments to contributions rates and the AI cap, resulting from the 2020 AAP assessment, statutorily recognized July 1, 2021, and effective July 1, 2022.

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

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

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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 at 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, adjust 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% 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 actuarial assumptions used in the December 31, 2020 valuation were based on the results of the 2020 experience analysis for the period January 1, 2016 through December 31, 2019, and were reviewed and adopted by the PERA Board at their November 20, 2020 meeting.

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.

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.

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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:

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>30 Year Expected Geometric Real Rate of Return</u> |
|---------------------------|--------------------------|---|
| 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% | |

Note: 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 TPL 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, required adjustments resulting from the 2018 AAP assessment, and the additional 0.50 percent resulting from the 2020 AAP assessment, statutorily recognized July 1, 2021, and effective July 1, 2022. 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, required adjustments resulting from the 2018 AAP assessment, and the additional 0.50 percent resulting from the 2020 AAP assessment, statutorily recognized July 1, 2021, and effective July 1, 2022. 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

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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.
- 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 FNP, 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 FNP and the subsequent AIR benefit payments were estimated and included in the projections.
- The projected benefit payments reflect the lowered AI cap, from 1.25 percent to 1.00 percent, resulting from the 2020 AAP assessment, statutorily recognized July 1, 2021, and effective July 1, 2022.
- 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 TPL. 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, 2022 | | |
|--|--------------------------------|--|--------------------------------|
| | 1% Decrease (6.25%) | Current Discount Rate (7.25%) | 1% Increase (8.25%) |
| Proportionate share of the net pension liability | \$ 2,540,504 | \$ 1,801,183 | \$ 1,179,653 |

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H. Pension Plan Fiduciary Net Position

Detailed information about the SDTF's FNP is available in PERA's ACFR 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 ACFR 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, employer contributions, and investment earnings.

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, and certain classified employees of State Colleges and Universities hired on or after January 1, 2019, have the option to participate in the SDTF, a cost-sharing multiple-employer defined benefit pension plan, or the Defined Contribution Retirement Plan (PERA DC Plan).

The PERA DC Plan is an Internal Revenue Service 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 ACFR as referred to above.

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B. Funding Policy

All participating employees in the PERA DC Plan and the HPTE 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 2021 through June 2022 are summarized in the table below:

| | July 1, 2021 through December 31, 2021 | January 1, 2022 through June 30, 2022 |
|--|--|---|
| Employer Contribution Rate: | | |
| All employees other than State Troopers | 10.50 | 10.50 |
| Employer Contribution Rate: | | |
| On behalf of all employees other than State Troopers | 10.15% | 10.50% |

Contribution rates are expressed as a percentage of salary as defined in C.R.S. §24-51-101(42)

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

| | July 1, 2021 through December 31, 2021 | January 1, 2022 through June 30, 2022 |
|---|---|---|
| Amortization Equalization Disbursement (AED) as specified in C.R.S. § 24-51-411 | 5.00% | 5.00% |
| Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. § 24-51-411 | 5.00% | 5.00% |
| Automatic Adjustment Provision (AAP), as specified in C.R.S. § 24-51-413 | 0.50% | 0.50% |
| Defined Contribution statutory contribution as specified in C.R.S. § 24-51-1505 | 0.25% | 0.25% |
| Defined Contribution Supplement as specified in C.R.S. § 24-51-415 | 0.05% | 0.10% |
| Total Employer Contribution Rate to the SDTF | 10.80% | 10.85% |

Contribution rates are expressed as a percentage of salary as defined in C.R.S. §24-51-101(42)

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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. The Enterprise did not recognize pension expense and no employees contributed to the plan in Fiscal Years 2021-22 and 2020-21.

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 annual comprehensive financial report (ACFR) 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

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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 five 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.

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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 \$7,534 and \$7,818 for the year ended June 30, 2022 and 2021, respectively.

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

At June 30, 2022 and 2021, the HPTE reported a liability of \$69,321 and \$70,406, respectively, for its proportionate share of the net OPEB liability. The net OPEB liability for the HCTF was measured as of December 31, 2021 and 2020 and the total OPEB liability (TOL) used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2020. Standard update procedures were used to roll-forward the total OPEB liability to December 31, 2021. The HPTE proportion of the net OPEB liability was based on the HPTE contributions to the HCTF for the calendar year 2021 relative to the total contributions of participating employees to the HCTF.

At December 31, 2021, the HPTE proportion was .008 percent which was an increase of .001 percent from its proportion measured as of December 31, 2020.

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

For the years ended June 30, 2022 and 2021, the HPTE recognized OPEB expense of \$4,511 and \$1,918, respectively. At June 30, 2022, the HPTE reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | <u>2022</u> | | <u>2021</u> | |
|---|---|--|---|--|
| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
| Differences between expected and actual experience | \$ 105 | \$ 16,437 | \$ 186 | \$ 15,479 |
| Changes of assumptions or other inputs | 1,436 | 3,760 | 526 | 4,318 |
| Net difference between projected and actual earnings on OPEB plan investments | - | 4,291 | - | 2,876 |
| Changes in proportion and differences between contributions recognized and proportionate share of contributions | 31,019 | 16,625 | 29,425 | 17,619 |
| Contributions subsequent to the measurement date | 3,811 | - | 3,476 | - |
| Total | <u>\$ 36,371</u> | <u>\$ 41,113</u> | <u>\$ 33,613</u> | <u>\$ 40,292</u> |

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\$3,811 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 | | |
|---------------------------|----|-----------------------|
| 2023 | \$ | (1,571) |
| 2024 | | (1,463) |
| 2025 | | (5,532) |
| 2026 | | (741) |
| 2027 | | 633 |
| Thereafter | | <u>122</u> |
| Total | \$ | <u><u>(8,552)</u></u> |

G. Actuarial Assumptions

The total OPEB liability in the December 31, 2020 and 2019, actuarial valuations were determined using the following actuarial cost method and actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

| | 2020 | 2019 |
|--|--|--|
| Actuarial cost method | Entry age | Entry age |
| Price inflation | 2.30 percent | 2.40 percent |
| Real wage growth | 0.70 percent | 1.10 percent |
| Wage inflation | 3.00 percent | 3.50 percent |
| Salary increases, including wage inflation | | 3.50 percent in aggregate |
| Members other than State Troopers | 3.30 percent to 10.90 percent | |
| State Troopers | 3.20 percent to 12.40 percent | |
| 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 |
| | 4.50 percent in 2021 | |
| | 6.00 percent in 2022 | |
| PERACare Medicare plans | gradually decreasing to 4.50 percent in 2029 | 8.10 percent in 2020 gradually decreasing to 4.50 percent in 2029 |
| | 3.75 percent in 2021 | |
| Medicare Part A premiums | gradually increasing to 4.50 percent in 2029 | 3.50 percent in 2020, gradually increasing to 4.50 percent in 2029 |

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

Colorado High Performance Transportation Enterprise

Notes to Financial Statements

June 30, 2022 and 2021

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

| Medicare Plan | Initial Cost for Members without Medicare Part A | | |
|--|---|--|--|
| | Monthly Cost | Monthly Premium Premium Without Medicare Part A | Monthly Cost Adjusted to Age 65 |
| Medicare Advantage/Self-Insured Prescription | \$633 | \$230 | 591 |
| Kaiser Permanente Medicare Advantage HMO | 596 | 199 | 562 |

The 2021 Medicare Part A premium is \$471 (actual dollars) per month.

All costs are subject to health care cost trends rates, as discussed below.

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

Health care cost trend rates for the PERA benefit structure are based on published annual health care inflation surveys in conjunction with actual plan experience (if credible), building block models and 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, 2020, 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 |
|-------------|------------------------------------|-------------------------------------|
| 2021 | 4.50% | 3.75% |
| 2022 | 6.00% | 3.75% |
| 2023 | 5.80% | 4.00% |
| 2024 | 5.60% | 4.00% |
| 2025 | 5.40% | 4.00% |
| 2026 | 5.10% | 4.25% |
| 2027 | 4.90% | 4.25% |
| 2028 | 4.70% | 4.25% |
| 2029+ | 4.50% | 4.50% |

Colorado High Performance Transportation Enterprise

Notes to Financial Statements

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Mortality assumptions used in the December 31, 2020 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, but developed using a headcount-weighted basis. Affiliated employers of the State, School, Local Government, and Judicial Divisions participate in the HCTF.

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.

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

The following health care costs assumptions were updated and used in the roll-forward calculation for the Trust Fund:

- 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 2021 plan year.
- The health care cost trends 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 PERA Board's actuary, as discussed above.

Colorado High Performance Transportation Enterprise

Notes to Financial Statements

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The actuarial assumptions used in the December 31, 2020 valuation were based on the results of the 2020 experience analysis for the period January 1, 2016 through December 31, 2019, and were reviewed and adopted by the PERA Board at their November 20, 2020 meeting.

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.

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.

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 | 6.00% | 4.70% |
| Total | 100.00% | |

Note: 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 nominal rate of return assumption of 7.25 percent.

Colorado High Performance Transportation Enterprise

Notes to Financial Statements

June 30, 2022 and 2021

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 |
|---------------------------------------|-------------------------------|------------------------|-------------------------------|
| Initial PERACare Medicare trend rate | 3.50% | 4.50% | 5.50% |
| Ultimate PERACare Medicare trend rate | 3.50% | 4.50% | 5.50% |
| Initial Medicare Part A trend rate | 2.75% | 3.75% | 4.75% |
| Ultimate Medicare Part A trend rate | 3.50% | 4.50% | 5.50% |
| Net OPEB Liability | \$ 67,331 | \$ 69,321 | \$ 71,628 |

I. Discount Rate

The discount rate used to measure the total OPEB liability 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 were assumed to be made at rates equal to the fixed statutory rates as 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 year.

Colorado High Performance Transportation Enterprise
Notes to Financial Statements
June 30, 2022 and 2021

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. There was no change in the discount rate from the prior year measurement date.

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 | \$ 80,510 | \$ 69,321 | \$ 59,765 |

K. OPEB Plan Fiduciary Net Position

Detailed information about the HCTF’s fiduciary net position is available in PERA’s ACFR 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.

Colorado High Performance Transportation Enterprise

Notes to Financial Statements

June 30, 2022 and 2021

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, 2022 and 2021 the amount of deferred inflow related to the concession agreement recorded was \$124,928,612 and \$127,833,929, 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).

Colorado High Performance Transportation Enterprise

Notes to Financial Statements

June 30, 2022 and 2021

NOTE 14 – 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 spent 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 15 – SUBSEQUENT EVENT, MOUNTAIN EXPRESS LANES

Tolling commencement on the I-70 Mountain Express Lane (MEXL) Westbound occurred on July 7, 2022. The new lane will be open during peak travel times in both the summer and winter seasons to reduce congestion as well as improve travel times and safety on a twelve mile stretch of the I-70 mountain corridor from the Veterans Memorial Tunnel to Empire Junction.

NOTE 16 – SUBSEQUENT EVENT, SEGMENT III LOAN

In February 2016, HPTE entered into a Loan Agreement with Bank of America, N.A. for \$23.6 million of which the proceeds were used to fund a portion of the capital construction cost for the I-25 North 120th to E-470 (Segment 3) Express Lanes project, fund three years of capitalized interest and pay cost of issuance expenses. The Segment 3 Express Lanes have been operational since June 2020.

Given the availability of existing net toll revenue generated from I-25 North US 36 to 120th (Segment 2) and I-25 Segment 3, the HPTE Board of Directors approved Resolution #402 on November 16, 2022 authorizing a full payoff of the Bank of America, N.A. loan. The final payoff amount was completed on November 22, 2022.

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

| | <u>2022</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016 *</u> | <u>2015 *</u> |
|--|--------------|--------------|--------------|--------------|--------------|--------------|---------------|---------------|
| HPTE's proportion of the net pension liability | 0.024% | 0.022% | 0.020% | 0.022% | 0.016% | 0.02% | 0.02% | 0.02% |
| HPTE's proportionate share of the net pension liability | \$ 1,801,183 | \$ 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 | \$ 755,584 | \$ 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 | 238.38% | 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 | 73.05% | 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

| | <u>2022</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016 *</u> | <u>2015 *</u> |
|---|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Statutorily required contribution | \$ 176,441 | \$ 141,741 | \$ 146,779 | \$ 135,075 | \$ 118,854 | \$ 75,338 | \$ 91,834 | \$ 97,049 |
| Contributions in relation to the statutorily required contribution.. | <u>176,441</u> | <u>141,741</u> | <u>146,779</u> | <u>135,075</u> | <u>118,854</u> | <u>75,338</u> | <u>91,834</u> | <u>97,049</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| HPTE's covered payroll | <u>\$ 738,595</u> | <u>\$ 718,965</u> | <u>\$ 632,064</u> | <u>\$ 624,532</u> | <u>\$ 621,296</u> | <u>\$ 403,308</u> | <u>\$ 516,614</u> | <u>\$ 609,247</u> |
| Contributions as a percentage of covered payroll | 23.89% | 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

| | <u>2022</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018*</u> |
|--|-------------|-------------|-------------|-------------|--------------|
| HPTE's proportion of the net OPEB liability | 0.008% | 0.007% | 0.007% | 0.008% | 0.006% |
| HPTE's proportionate share of the net OPEB liability | \$ 69,321 | \$ 70,406 | \$ 76,908 | \$ 104,315 | \$ 71,597 |
| HPTE's covered payroll | \$ 846,245 | \$ 706,817 | \$ 632,064 | \$ 747,535 | \$ 459,041 |
| HPTE's proportionate share of the net OPEB liability as a percentage of its covered payroll | 8.19% | 9.72% | 12.09% | 13.95% | 15.60% |
| Plan fiduciary net position as a percentage of the total OPEB liability | 39.40% | 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

| | <u>2022</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|
| Statutorily required contribution | \$ 7,534 | \$ 7,818 | \$ 6,872 | \$ 6,368 | \$ 6,337 |
| Contributions in relation to the statutorily required contribution | <u>7,534</u> | <u>7,818</u> | <u>6,872</u> | <u>6,368</u> | <u>6,337</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| HPTE's covered payroll | <u>\$ 738,595</u> | <u>\$ 766,470</u> | <u>\$ 682,055</u> | <u>\$ 624,314</u> | <u>\$ 925,166</u> |
| Contributions as a percentage of covered payroll | 1.02% | 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.

Colorado High Performance Transportation Enterprise

Notes to Required Supplementary Information

June 30, 2022 and 2021

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

A. Defined Benefit Pension Plan

2021 Changes in Plan Provisions Since 2020

- The following changes reflect the anticipated adjustments resulting from the 2020 automatic adjustment provision (AAP) assessment, statutorily recognized July 1, 2021, and effective July 1, 2022:
 - Member contribution rates increase by 0.50 percent.
 - Employer contribution rates increase by 0.50 percent.
 - Annual increase (AI) cap is lowered from 1.25 percent per year to 1.00 percent per year.

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 postretirement 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.

Colorado High Performance Transportation Enterprise

Notes to Required Supplementary Information

June 30, 2022 and 2021

- 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:

- 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 assumed investment rate of return of 7.25% was used as the discount rate, rather than using the blended rate of 4.72%.

2017 Changes in Assumptions or Other Inputs Since 2016:

- The discount rate was lowered from 5.26% to 4.72%.

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 real rate of investment return assumption increased from 4.70% per year, net of investment expenses, to 4.85% per year, net of investment expenses.
- The wage inflation assumption was lowered from 3.90 percent to 3.50 percent.
- The mortality tables were changed from RP-2000 Combined Mortality Table for Males and Females, as appropriate, with adjustments for mortality improvements based on a projection scale of Scale AA to 2020 to RP-2014 White Collar Employee Mortality for active employees, RP2014 Healthy Annuitant Mortality tables projected to 2020 using the MP-2015 projection scale for retirees, or RP-2014 Disabled Retiree Mortality Table for disabled retirees.
- The discount rate was lowered from 7.50% to 5.26%.

2015 Changes in Assumptions or Other Inputs Since 2014:

- There were no changes in terms or assumptions for the December 31, 2015 measurement period for pension compared to the prior year.

Colorado High Performance Transportation Enterprise

Notes to Required Supplementary Information

June 30, 2022 and 2021

2014 Changes in Assumptions or Other Inputs Since 2013:

- There were no changes in terms or assumptions for the December 31, 2014 measurement period for pension compared to the prior year.

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

- There were no changes made to plan provisions.

NOTE 2 – SIGNIFICANT CHANGES IN ASSUMPTIONS OR OTHER INPUTS AFFECTING TRENDS IN ACTUARIAL INFORMATION

A. Defined Benefit Pension Plan

2021 Changes in Assumption or Other Inputs Since 2020

- The assumption used to value the AI cap benefit provision was change from 1.25 percent to 1.00 percent.

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.

Colorado High Performance Transportation Enterprise

Notes to Required Supplementary Information

June 30, 2022 and 2021

- The postretirement 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.

B. Defined Benefit Other Postemployment Benefit Plan

- There were no changes made to actuarial plans or assumptions.



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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 Enterprise's statement of financial position as of June 30, 2022, and the related revenues, expenses, and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 15, 2022.

Report on 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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Enterprise's internal control. Accordingly, we do not express an opinion on the effectiveness of the Enterprise's internal control.

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

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

Report on 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*.

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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

FORVIS,LLP

Denver, Colorado
December 15, 2022



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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, 2022, 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

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

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

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

Qualitative Aspects of Significant Accounting Policies and Practices

Significant Accounting Policies

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

Alternative Accounting Treatments

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

- No matters are reportable

Management Judgments and Accounting Estimates

Accounting estimates are an integral part of financial statement preparation by management, based on its judgments. The following areas involve significant 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

- A summary of uncorrected misstatements is included on page 91 that 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
- We would like to call your attention to the fact that although these uncorrected misstatements, individually and in the aggregate, were deemed to be immaterial to the current year financial statements, it is possible that the impact these uncorrected misstatements, or matters underlying these uncorrected misstatements, could potentially cause future-period financial statements to be materially misstated

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:

- Implementation of GASB 87, *Leases*

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.

FORVIS,LLP

December 15, 2022

Colorado Department of Transportation
ATTACHMENT

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

HPTE - Operating Fund

QUANTITATIVE ANALYSIS

| | Before Misstatements | Misstatements | Subsequent to Misstatements | % Change |
|--|-------------------------|---------------|--------------------------------|----------|
| Current Assets | 3,153,589 | | 3,153,589 | |
| Non-Current Assets & Deferred Outflows | 139,320 | | 139,320 | |
| Current Liabilities | (540,058) | | (540,058) | |
| Non-Current Liabilities & Deferred Inflows | (2,029,384) | | (2,029,384) | |
| Current Ratio | 5.839 | | 5.839 | |
| | | | | |
| Total Assets & Deferred Outflows | 3,292,909 | | 3,292,909 | |
| Total Liabilities & Deferred Inflows | (2,569,442) | | (2,569,442) | |
| Total Net Position | (723,467) | | (723,467) | |
| | | | | |
| Operating Revenues | (4,223,400) | | (4,223,400) | |
| Operating Expenses | 5,208,298 | 15,360 | 5,223,658 | 0.29% |
| Nonoperating (Revenues) Exp | 124,564 | | 124,564 | |
| Change in Net Position | 1,109,462 | 15,360 | 1,124,822 | 1.38% |

Client: Colorado Department of Transportation
 Period Ending: June 30, 2022

HPTE - Operating Fund
 SCHEDULE OF UNCORRECTED MISSTATEMENTS (ADJUSTMENTS PASSED)

| Description | Financial Statement Line Item | Factual (F), Judgmental (J) or Projected (P) | Assets & Deferred Outflows | | | | Liabilities & Deferred Inflows | | | | Operating | | | | Nonoperating | | Net Position | | Net Effect on Following Year | | |
|---|-------------------------------|--|----------------------------------|----|------------|----|--------------------------------|----|------------|----|-----------|----|---------|----|--------------|----|--------------|----|------------------------------|----|----|
| | | | Current | | Noncurrent | | Current | | Noncurrent | | Revenue | | Expense | | Revenue/Exp | | Net Position | | Change in Net Position | | |
| | | | DR | CR | DR | CR | DR | CR | DR | CR | DR | CR | DR | CR | DR | CR | DR | CR | DR | CR | DR |
| To post turn around effect of prior year passed adjustment for under accrual of accounts payable - known amount | | F | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 15,360 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Expense | | | | | | | | | | | 15,360 | | | | | | | | | | |
| Net Position | | | | | | | | | | | | | | | | | | | | | |
| Total passed adjustments | | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 15,360 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | | | Impact on Change in Net Position | | | | | | | | | | | | | | | | 15,360 | | |
| | | | Impact on Net Position | | | | | | | | | | | | | | | | 0 | | |

Colorado Department of Transportation
ATTACHMENT

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

HPTE - Special Revenue Fund

QUANTITATIVE ANALYSIS

| | Before Misstatements | Misstatements | Subsequent to Misstatements | % Change |
|---|-------------------------|---------------|--------------------------------|----------|
| Current Assets | 52,680,710 | | 52,680,710 | |
| Non-Current Assets & Deferred Outflows | 601,278,139 | | 601,278,139 | |
| Current Liabilities | (1,259,141) | | (1,259,141) | |
| Non-Current Liabilities & Deferred Inflows | (530,202,591) | | (530,202,591) | |
| Current Ratio | 41.839 | | 41.839 | |
| Total Assets & Deferred Outflows | 653,958,849 | | 653,958,849 | |
| Total Liabilities & Deferred Inflows | (531,461,732) | | (531,461,732) | |
| Total Net Position | (122,497,117) | | (122,497,117) | |
| | | | | |
| Operating Revenues | (31,203,067) | | (31,203,067) | |
| Operating Expenses | 25,838,757 | 576,000 | 26,414,757 | 2.23% |
| Nonoperating (Revenues) Exp | 12,347,877 | | 12,347,877 | |
| Change in Net Position | 5,991,695 | 576,000 | 6,567,695 | 9.61% |

Client: Colorado Department of Transportation
 Period Ending: June 30, 2022

HPTE - Special Revenue Fund
 SCHEDULE OF UNCORRECTED MISSTATEMENTS (ADJUSTMENTS PASSED)

| Description | Financial Statement Line Item | Factual (F), Judgmental (J) or Projected (P) | Assets & Deferred Outflows | | Liabilities & Deferred Inflows | | Operating Revenues | Operating Expenses | Nonoperating (Revenues) Exp | Net Position | Net Effect on Following Year | | |
|---------------------------------|-------------------------------|--|----------------------------|------------|--------------------------------|------------|-----------------------|-----------------------|--------------------------------|---|------------------------------|------------------|--|
| | | | Current | Noncurrent | Current | Noncurrent | | | | | Position | Net Position | |
| | | | DR / CR | DR / CR | DR / CR | DR / CR | | | | | DR / CR | DR / CR | |
| To correct interest expense | | F | 0 | 0 | 0 | 0 | 0 | 576,000 | 0 | (576,000) | 576,000 | (576,000) | |
| | Expense | | | | | | | 576,000 | | | 576,000 | | |
| | Accrued Interest | | | | | | | | | (576,000) | | (576,000) | |
| Total passed adjustments | | | 0 | 0 | 0 | 0 | 0 | 576,000 | 0 | (576,000) | 576,000 | (576,000) | |
| | | | | | | | | | | Impact on Change in Net Position | | 576,000 | |
| | | | | | | | | | | Impact on Net Position | | 0 | |