COLORADO
HPTE

Annual Financial Statements
Fiscal Year 2014 and 2015

Colorado High Performance Transportation Enterprise

Financial Statements and Independent Auditor's Reports

Financial Audit

Years Ended June 30, 2015 and 2014

Compliance Audit

Year Ended June 30, 2015

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SECTION 2-3-103 (2) states in part:

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January 21, 2016

Members of the Legislative Audit Committee:

We have completed the financial statement audit of the Colorado Department of Transportation's High Performance Transportation Enterprise (the Enterprise or HPTE) as of and for the years ended June 30, 2015 and 2014. Our audit was conducted in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

BKD, LLP

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Colorado High Performance Transportation Enterprise
June 30, 2015 and 2014

Table of Contents

INTRODUCTORY SECTION

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Colorado High Performance Transportation Enterprise

Report Summary

Year Ended June 30, 2015

Purposes and Scope of Audit

The Office of the State Auditor engaged BKD, LLP (BKD) to conduct a financial and compliance audit of the Colorado High Performance Transportation Enterprise for the fiscal year ended June 30, 2015. BKD performed the audit in accordance with auditing standards generally accepted in the United States of America; 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) Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations.* 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 purpose of the audit was to express an opinion on the financial statements of the Enterprise for the years ended June 30, 2015 and 2014.

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, 2015 and 2014, 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, 2015.
- To review the Enterprise's compliance with rules and regulations governing the expenditure of State funds for the year ended June 30, 2015.
- 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, 2015.

Audit Opinions and Reports

The independent auditor's reports included herein expressed an unmodified opinion on the Enterprise's financial statements as of and for the years ended June 30, 2015 and 2014.

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

Summary of Key Findings and Recommendations

There are no findings in the current year.

Colorado High Performance Transportation Enterprise

Report Summary

Year Ended June 30, 2015

Summary of Progress in Implementing Prior Year Audit Recommendations

There were no prior year audit recommendations.

Significant Audit Adjustments

We did not propose any adjustments during HPTE's audit.

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 61.

Colorado High Performance Transportation Enterprise
Background
Year Ended June 30, 2015

On March 2, 2009, former Governor Ritter signed into law Colorado SB 09-108, Funding Advancement for Surface Transportation and Economic Recovery, otherwise known as FASTER. 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. The activities for the remainder of the fiscal year were assumed by the new Enterprise. Any residual funds available from the original CTE were consolidated in the new Enterprise.

This law provided for many of the same components of the previous law in that as a government owned business, the Enterprise may issue revenue bonds to accelerate construction of projects and may enter in to public-private partnerships for transportation improvement in corridors within the state. The new law also changed the composition of the Enterprise Board of Directors to include three Transportation Commissioners and four gubernatorial appointees. The new language charges the Enterprise to actively pursue public-private partnerships and other innovative financing mechanisms. The Board was also tasked with appointing a director to oversee the discharge of all responsibilities of the Enterprise.

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 principal revenues came primarily from the I-25 Express Lane tolls until March 7, 2014 when Plenary Roads Denver commenced operations under the U.S. 36 Managed Lanes Concession Agreement. When other toll facilities come online, the Transportation Special Fund receives revenues collected from tolls, fees and other fines with the intent to separately account for authorized projects.

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

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

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Independent Auditor's Report on Financial Statements and Supplementary Information

Members of the Legislative Audit Committee:

Report on the Financial Statements

We have audited the accompanying basic financial statements of the business-type activities and each major fund of the Colorado High Performance Transportation Enterprise (the Enterprise or HPTE), an enterprise fund of the State of Colorado, Department of Transportation, which are comprised of the statements of net position as of June 30, 2015 and 2014, and the related statements of revenues, expenses and changes in net position and statements of cash flows for the years then ended, and the related notes to the basic financial statements, as listed in the table of contents of the Colorado High Performance Transportation Enterprise.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

Members of the Legislative Audit Committee:

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and each major fund of the Enterprise as of June 30, 2015 and 2014 and the changes in its financial position and the respective changes in financial position and cash flows, where applicable thereof, for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

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 financial position and changes in financial position and where applicable, 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, 2015 and 2014 and the changes in its financial position, or cash flows, for the years then ended, in conformity with accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

As discussed in Note 16 to the financial statements, in fiscal year 2015 the Enterprise adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions, an amendment of GASB Statement No. 27,* as amended by Governmental Accounting Standards Board Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, *an amendment of GASB Statement No. 68*. Our opinions are not modified with respect to this matter.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and pension information listed in the table of contents be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the 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 audits 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.

Members of the Legislative Audit Committee:

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 21, 2016, on our consideration of the Enterprise’s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Enterprise's internal control over financial reporting and compliance.

BKD, LLP

Denver, Colorado
January 21, 2016

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Colorado High Performance Transportation Enterprise

Management's Discussion and Analysis
(Unaudited)
June 30, 2015 and 2014

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, 2015 and 2014. 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

On March 2, 2009, former Governor Ritter signed into law Colorado SB 09-108, Funding Advancements for Surface Transportation and Economic Recovery, otherwise known as FASTER. The new law created the Colorado 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. The activities for the remainder of that fiscal year were assumed by the Enterprise. Any residual funds available from the original CTE were consolidated into the new Enterprise.

The new law provided for many of the same components of the previous law in that as a government owned business, the Enterprise may issue revenue bonds to accelerate construction of projects and may enter into public-private partnerships for transportation improvement in corridors within the state. The new statute eliminated the previous prohibition for tolling existing capacity provided that all of the affected communities are in agreement. The new law also changed the composition of the Enterprise Board of Directors to include three Transportation Commissioners and four gubernatorial appointees. The new language charges the Enterprise to actively pursue public-private partnerships and other innovative financing mechanisms. The Board was also tasked with appointing a director to oversee the discharge of all responsibilities of the Enterprise.

Including the director, the Enterprise presently has four direct staff for administration of the program. In addition, the Board uses the services of other Colorado Department of Transportation (CDOT) employees and consultants as necessary. The time CDOT staff works for the Enterprise is billed to and paid by the Enterprise.

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

In September 2013 the Board of HPTE and the Commission approved and entered into a Memorandum of Understanding (MOU) to serve as a guidance document for daily operations and joint projects. CDOT, HPTE, senior management, and Board members worked closely with outside consultants and participated in interviews with other governments to develop the MOU. Most significantly, the MOU assigns the CDOT Chief Financial Officer and Chief Engineer to perform their same duties for HPTE as for CDOT and defines the role of the Office of Major Project Development which frequently supports projects with HPTE involvement.

After entering into the September 2013 MOU, HPTE sought to quantify the market value of its services to CDOT based on a review of costs incurred by comparable agencies for similar services. In June 2015 the Board and the Transportation Commission approved the HPTE Fee for Service Interagency Agreement. The report concluded that HPTE provides a necessary benefit to CDOT and assigned values for various HPTE services and tasks. The agreement divides HPTE's tasks into categories linked to the stage of development of the various surface transportation projects HPTE is involved with. HPTE is required to provide CDOT a progress report every January 15th and July 15th of each fiscal year. The progress reports will be used by CDOT and HPTE to recognize revenue and expenses respectively.

For further information, please refer to the statutorily required annual report found at http://www.coloradodot.info/programs/high-performance-transportation-enterprise-Enterprise.

Enterprise Structure

The revised Colorado High Performance Transportation Enterprise statute requires two separate funds for management of the Enterprise. The Statewide Transportation Special Revenue Fund is referred to in statute and herein as the Transportation Special Fund. The principal revenues of the Enterprise are deposited into this fund. Those revenues came from the I-25 Express Lanes tolls until the closing of the U.S. 36 concessionaire agreement. Under an intergovernmental agreement with Regional Transportation District (RTD), the revenues generated from tolls in that corridor prior to the closing of the concession arrangement cannot be used for purposes other than the operation and maintenance of the I-25 Express Lanes and the U.S. 36 corridor. The Special Fund receives revenues collected from tolls, fees and other fines. The fund is statutorily authorized to separately account for authorized projects as well as to repay loans made to the HPTE Operating Fund (see below) when sufficient revenues are generated to do so.

The second fund, the Enterprise Operating Fund, referred to as the Operating Fund, was created to house 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. 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.

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 ten percent of its total revenues in grants from the State and local governments. Management has not identified any violations of this enterprise status.

Program Highlights

In February 2010, CDOT and the Enterprise received a $10 million Transportation Investment Generating Economic Recovery (TIGER) Grant. The primary purpose of the Grant was to facilitate the development of financing plans to accelerate the reconstruction and addition of a managed lane/bus rapid transit lane on U.S. 36 between Denver and Boulder. Using nearly $900,000 of the grant, Enterprise staff prepared feasibility reports and an application for federal funding from the Transportation Infrastructure Finance and Innovation Act (TIFIA). The TIFIA program provides federal credit assistance to nationally or regionally significant surface transportation projects, including highway, transit and rail. During 2011 the Enterprise worked with a coalition of U.S. 36 stakeholders, CDOT, Colorado Bridge Enterprise (CBE), RTD and the Denver Regional Council of Governments (DRCOG), to secure financing. Funding was approved and available beginning in September 2011.

With the awarding of the $54 million TIFIA loan by the U.S. Department of Transportation, the Enterprise began Phase I of the U.S. 36 managed lanes/bus rapid transit project. The loan is secured by toll revenues. Proceeds of the loan are disbursed to HPTE solely to pay directly for eligible project costs. Interest accrues at 3.58 percent per annum on actual amounts drawn down. As of the end of the FY 2013-14, HPTE received $23.4 of the $54 million, and the remaining balance was received by November 2014. The U.S. 36 project continues to serve as a national model for regional collaboration to implement major corridor projects.

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

The U.S. 36 Phase I and Phase II projects are adding an additional High Occupancy Toll (HOT) lane in each direction and installing Intelligent Transportation Systems (ITS) for tolling, transit, traveler information and incident management. In addition, U.S. 36 will be widened to accommodate 12-foot-wide inside and outside shoulders, installation of a bikeway along the U.S. 36 corridor, improvements to several RTD stations and the replacement of several bridges.

Phase I of the U.S. 36 Managed Lanes/Bus Rapid Transit Project broke ground in July 2012. Design was completed the first quarter of 2013 with the U.S. 36 corridor opening in July 2015.

In the summer of 2013, HPTE and Plenary Roads Denver (PRD) which is led by Plenary Group completed the commercial close of a fifty-year concession agreement. The concession agreement is HPTE and CDOT's first Public Private Partnership (P3) project, an innovative relationship where public and private sectors work together to provide transportation improvements and services to the public.

The financial close of the concession agreement between HPTE and PRD was completed in February 2014. PRD will finance, design and construct Phase II, and then operate and maintain Phase I, Phase II and the existing I-25 HOT lanes. Additionally, the operations and revenues from the current I-25 HOT lanes were transferred to PRD as part of the concession agreement. Perhaps most significantly, upon the completing of the Phase I construction and its entrance into service, PRD will assume the liability for the $54 million TIFIA loan outstanding for Phase I.

As part of the final close between HPTE and PRD, $20 million of private activity bonds (PABS) were issued by PRD, with HPTE acting as a conduit issuer. This allocation is a capital source for construction of the Phase II project, which is expected to open in late 2015. The PABS are not a liability of HPTE and will be repaid by the concessionaire with future toll revenues.

In August 2011, HPTE, CDOT and RTD entered into an intergovernmental agreement (IGA). The payment structure of this agreement is based on a fee for RTD's use of the U.S. 36 Phase I managed lanes. HPTE has invoiced RTD on an annual basis for three years (fiscal years 2013, 2014 and 2015) at $30 million per year, totaling $90 million with the final installment of $30 million being invoiced in the fall of 2015 totaling $120 million. On June 13, 2013, the RTD IGA was amended to increase the amount of the contract from $120 million to $135 million. The parties added $15 million to the contract as RTD's fee for use of the U.S. 36 Phase II managed lanes. The additional $15 million was to be billed in two increments of $7.5 million each in the fall of 2014 and 2015. The first installment of the $15 million was invoiced in the fall of 2014, the second installment will be invoiced in the fall of 2015.

Another project of the HPTE and CDOT is the extension of the I-25 HOT lanes north on I-25 to the entrance to RTD's Wagon Wheel Park and Ride. This project was awarded a $15 million TIGER Grant by USDOT in June 2012. This project largely will use the existing highway infrastructure to expand the capacity of I-25 in this portion of the Denver Metro area and will assist CDOT with traffic management of the I-25 corridor. This project is under construction and is scheduled to open in early 2016. RTD is providing a small contribution toward this project and as it will also serve as an express bus lane is subject to some restrictions to ensure effective and efficient operation of RTD's buses.

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

CDOT released the RFQ for the C470 project in February 2015 and shortlisted three bidders in May 2015. The first draft of the RFP is anticipated to be released in summer 2015, with proposals due late winter 2016. Construction is anticipated to start in the summer of 2016.

In October 2013, the Colorado Transportation Commission allocated $100 million to the C-470 project under its Responsible Acceleration of Maintenance and Partnerships (RAMP) program, with $32 million in FASTER and local funding, $86 million in senior non-recourse toll revenue bonds, and a $108 million TIFIA loan. An investment grade traffic revenue study is currently underway and will be complete by early fall 2015.

HPTE is working closely with CDOT and Colorado Bridge Enterprise (CBE) on the I-70 East project. In February 2015 the Transportation Commission approved using a Design, Build, Finance, Operate and Maintain (DBFOM) availability payment Public-Private Partnership procurement. In March 2015 the HPTE and the CBE (the Procuring Authorities) released a RFQ with responses due in late June 2015. Up to four teams will be shortlisted and the draft RFP will go out in late summer 2015 with the selection of preferred proposer sometime in late summer/early fall 2016. The full project scope of the preliminary identified preferred alternative proposal to remove the elevated section of I-70, lower highway below ground, cover a portion between Brighton Boulevard and Colorado Boulevard, and install one managed lane from Brighton to Tower Road.

This project includes a 1.8 mile viaduct bridge, which ranks as the highest priority project for CBE to complete. CDOT, in collaboration with HPTE and CBE have identified a total project delivery cost of approximately $1.2 billion to construct the project from I-25 to I-225. Funding sources currently committed to the I-70 East Project include $850 million from CBE, $50 million from DRCOG, transfers from SB-228 funds totaling $180 million, and $37 million from the City and County of Denver.

The I-70 West Peak Period Shoulder Lanes (PPSL) project is also actively underway to assist CDOT with traffic management on I-70 from the Twin Tunnels to Empire Junction. The existing shoulders on I-70 between these locations will be modestly expanded to allow tolled traffic on the shoulders during peak travel times. HPTE and CDOT are in the process of establishing agreements for the details of this project with Clear Creek County, FHWA, the City of Idaho Springs and each other. The eastbound PPSL are under construction and design is commencing for the westbound lanes. In December 2014 HPTE entered into a $25 million loan with Banc of America Preferred Funding Corporation. The loan is to be repaid from toll revenues from the PPSL. Interest accrues at the rate of 2.79 percent and is due each December. Principal payments start yearly in 2022 with the maturity date in December 2024.

HPTE continues to monitor other congestion-relief projects planned or being proposed elsewhere in the metro Denver area, the Colorado Springs area, and in the I-70 and I-25 corridors.

The current HOV policy mandates that vehicles must contain two people to qualify to use the HOV lane in the I-25 HOT lanes. In May 2013, the Board began discussing the eventual shifting to high occupancy vehicle (HOV) 3+ policy, which required three people in the vehicle to qualify to use the HOV lane. The new policy was adopted by the Board in January 2013. The HOV3+ policy will be triggered by a "change event" relating to defined transit delays, degradation of average speed in the managed lanes, or

HOV2+ vehicle volumes exceeding a defined number of "passenger care equivalents" in peak periods to assist with traffic management. For future managed lane corridors, the HOV policy will be decided on a project by project basis and will likely not apply to the C-470 and I-70 Peak Period Shoulder Lanes projects. HOV policy for I-70 east project remains undetermined and HOV policy for I-25 north to Ft. Collins will mirror the policy on U.S. 36 and the existing I-25 HOT lanes.

In June 2015, HPTE entered into an interagency agreement with CDOT. This agreement is compensating 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 exemptions from restrictions in Section 20 of Article X of the Colorado Constitution, also known as TABOR, has allowed HPTE to accelerate the development and delivery of critical transportation infrastructure projects through the use of innovative financing, public-private partnerships, user fees on surface treatment projects, issue revenue bonds and enter into private commercial loan agreements.

Starting in FY 2015-16, HPTE will invoice CDOT for $2 million for services that will be provided for the I-70 PPSL, I-70 East, I-25 and U.S. 36 projects. The agreement will be renewed annually, and requires HPTE and CDOT to create an annual scope of work. HPTE will use the $2 million from this agreement to pay for the services provided to CDOT, and to also make payments against the Transportation Commission loans.

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, liabilities, and net position and provides information about the HPTE's assets and liabilities and reflects the financial position of the HPTE as of June 30, 2015 and 2014. 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, 2015 and 2014. 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, 2015 and 2014.

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

Colorado High Performance Transportation Enterprise

Management's Discussion and Analysis
(Unaudited)
June 30, 2015 and 2014

Net Position Analysis

Condensed Statements of Net Position
(In Thousands)

	Transportation Special Fund			Operating Fund		
As of June 30	2015	2014 *	2013 *	2015	2014 *	2013 *
Assets						
Current Assets	$ 78,811.9	$ 36,583.2	$ 58,048.2	$ 1,029.0	$ 938.4	$ 534.8
Noncurrent Assets	4,323.8	2,218.3	617.0	-	-	-
Capital Assets	183,751.9	105,889.3	16,255.3	-	-	-
Total Assets	**266,887.6**	**144,690.8**	**74,920.5**	**1,029.0**	**938.4**	**534.8**
Deferred Outflow of Resources	**581.1**	**.**	**-**	**47.5**		
Liabilities						
Current Liabilities	45,388.9	18,116.6	2,651.7	38.3	52.5	45.4
Noncurrent Liabilities	211,609.0	113,637.8	60,000.0	5,326.5	3,169.1	2,092.1
Total Liabilities	**256,997.9**	**131,754.4**	**62,651.7**	**5,364.8**	**3,221.6**	**2,137.5**
Deferred Inflow of Resources	**.1**	**-**	**-**	**32.0**	**-**	**-**
Net Position (Deficit)						
Net Investment in Capital Assets	104,751.9	82,439.8	16,255.3	-	-	-
Unrestricted	(94,281.2)	(69,503.3)	(3,986.5)	(4,320.4)	(2,283.2)	(1,602.7)
Total Net Position	**$ 10,470.7**	**$ 12,936.5**	**$ 12,268.8**	**$ (4,320.4)**	**$ (2,283.2)**	**$ (1,602.7)**

* Years ended June 30, 2014 and 2013 were not restated for the adoption of GASB Statement No. 68 because it was not practical to do so.

FY 2015-14 Analysis

Transportation Special Fund

<u>Assets</u>

The Transportation Special Fund total assets increased by $122.2 million.

Current Assets

Current assets increased by $42.2 million due primarily to the $25 million construction loan with Banc of America Funding Corporation (PPSL loan).

Noncurrent Assets

Long-term investments totaling $2.2 million were recorded based on the requirements of the TIFIA loan received by the Enterprise. The loan originally required that $604,614 be transferred to a project operation and maintenance account, which was done during FY 2012-13. These monies are being held by the Enterprise's trustee, Zions Bank, and are invested with the Colorado State Treasury. In FY 2013-14, HPTE established a required debt service reserve account for $1.6 million, which was based on TIFIA loan requirements. These monies are also held by Zions Bank and invested with the Colorado State Treasury. As of June 30, 2015, $22,661 in interest earnings was added to the account.

Capital Assets

In FY 2014-15, HPTE capital assets increased by $77.8 million as assets under construction related to U.S. 36 were recorded.

Liabilities

Liabilities increased by $125.2 million due to the $25 million PPSL construction loan with Banc of America Funding Corporation. HPTE accrued $368,758 of interest for FY 2014-15. Accrual of payments to vendors increased to the progression of the concessionaire agreement and construction of U.S. 36, and unearned revenue increased by $30 million due to the agreement with RTD.

Starting in October 2014, HPTE requested monthly disbursements of the $54 million TIFIA loan total. A total of $23.5 million was disbursed to HPTE in FY 2013-14 and $30.5 million was disbursed in FY 2014-2015. HPTE accrued $1.9 million of interest related to the TIFIA loan in FY 2014-15.

Finally, HPTE adopted the provisions of Governmental Accounting Standard Board Statement No. 68 (GASB 68), *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* causing a recognition of the net pension liability of $872,660.

Net Position

The net effect of these changes was a decrease in net position for the Transportation Special Fund of $2.5 million. Of the total net position, $104.8 million represents the net investment in capital assets.

Operating Fund

Assets

The operating fund total assets increased by $90,655 from FY 2013-14 to FY 2014-15 due to an increase in cash, which is funded by a loan from the Transportation Commission.

Liabilities

As explained below, total liabilities increased by $2.1 million due to the FY 2014-15 Transportation Commission loan of $1 million and the recognition of the net pension liability of $1 million.

Current liabilities

Current liabilities decreased by $14,226 due to a decrease in accrual payments to vendors.

Noncurrent liabilities

Noncurrent liabilities increased by $2.2 million due primarily to an additional $1 million operating loan from the Transportation Commission, plus accrued interest of $110,292 and a $5,816 increase in accruals for compensation payable and $1 million recognition of the net pension liability due to the adoption of GASB 68. The HPTE will repay the Transportation Commission from monies in its Transportation Special Revenue Fund from future revenue generating activities, such as toll revenues, the issuance of revenue bonds, or concession fees when such funds are not restricted and available for the general use of the HPTE.

Net Position

The effect of these changes was an increase in net deficit position of the operating fund of $2 million from the previous fiscal year.

FY 2013-14 Analysis

Transportation Special Fund

Assets

The Transportation Special Fund total assets increased by $69.8 million.

Current Assets

Current assets decreased by $21.5 million due primarily to an Intergovernmental Agreement (IGA) with RTD. This IGA requires RTD to pay HPTE $30 million per year for four years for use of the U.S. 36 managed lanes. RTD paid the outstanding balance from the prior fiscal year and paid the full $30 million receivable for FY 2013-14, which reduced receivables by $21.9 million from FY 2012-13.

Noncurrent Assets

Long-term investments totaling $2.2 million were recorded based on the requirements of the TIFIA loan received by the Enterprise. The loan originally required that $604,614 be transferred to a project operation and maintenance account, which was done during FY 2012-13. These monies are being held by the Enterprise's trustee, Zions Bank, and are invested with the Colorado State Treasury. In FY 2013-14, HPTE established a required debt service reserve account for $1.6 million, which was based on TIFIA loan requirements. These monies are also held by Zions Bank and invested with the Colorado State Treasury. As of June 30, 2014, $20,422 in interest earnings was added to the account.

Capital Assets

In FY 2013-14, HPTE capital assets increased by $89.6 million as assets under construction related to U.S. 36 were recorded.

Liabilities

Liabilities increased by $69.1 million partially due to the $30 million payment billed to RTD that will not be recognized as revenue in the current year, and instead is recorded as unearned revenue until the lanes are placed in service. Accrual of payments to vendors increased due to the progression of the concessionaire agreement and construction of U.S. 36

Starting in October 2014, HPTE requested monthly disbursements of the $54 million TIFIA loan total. A total of $23.5 million was disbursed to HPTE in FY 2013-14. HPTE accrued $25,770 of interest related to the TIFIA loan.

Net Position

The net effect of these changes was a decrease in net position for the Transportation Special Fund of $667,711. Of the total net position, $82.4 million represents the net investment in capital assets.

Operating Fund

<u>Assets</u>

The operating fund total assets increased by $403,559 from FY 2012-13 to FY 2013-14 due to an increase in cash, which is funded by a loan from the Transportation Commission.

<u>Liabilities</u>

As explained below, total liabilities increased by $1.1 million.

<u>Current liabilities</u>

Current liabilities increased by $7,129 due to an increase in salaries.

<u>Noncurrent liabilities</u>

Noncurrent liabilities increased by $1.1 million due primarily to an additional $1 million operating loan from the Transportation Commission, plus accrued interest of $80,061 offset by a $3,124 decrease in accruals for compensation payable. The HPTE will repay the Transportation Commission from monies in its Transportation Special Revenue Fund from future revenue generating activities, such as toll revenues, the issuance of revenue bonds, or concession fees when such funds are not restricted and available for the general use of the HPTE.

<u>Net Position</u>

The effect of these changes was a decrease in net position of the operating fund of $680,507 from the previous fiscal year.

Colorado High Performance Transportation Enterprise

Management's Discussion and Analysis
(Unaudited)
June 30, 2015 and 2014

Revenue and Expense Analysis

Condensed Schedule of Net Revenues, Expenses, and Changes in Net Position
(In Thousands)

	Transportation Special Fund			Operating Fund		
For Year Ended June 30	2015	2014 *	2013 *	2015	2014 *	2013 *
Operating Revenues						
Charges for Tolls and Services	$ 259.2	$ 1,972.7	$ 2,610.2	$ -	$ -	$ 45.3
Federal Revenues	.9	14,425.0	-	-	-	-
Other Operating Revenues	3,738.7	2,065.0	1,044.9	-	49.2	52.8
Total Operating Revenues	**3,998.8**	**18,462.7**	**3,655.1**	**-**	**49.2**	**98.1**
Operating Expenses						
Salaries and Benefits	659.4	203.3	52.9	426.3	396.6	392.8
Operating and Travel	1,064.8	207.7	612.6	103.6	68.7	22.6
Construction Expenses	1,620.0	18,015.9	-	-	-	-
Professional Services	1,094.7	2,967.2	2,741.3	399.6	198.1	476.4
Total Operating Expenses	**4,438.9**	**21,394.1**	**3,406.8**	**929.5**	**663.4**	**891.8**
Operating Income (Loss)	**(440.1)**	**(2,931.4)**	**248.3**	**(929.5)**	**(614.2)**	**(793.7)**
Nonoperating Revenues (Expenses)						
Investment Income (Loss)	708.0	376.9	186.1	13.8	13.8	4.9
Other Nonoperating Revenues (Expenses)	(2,753.7)	3,222.2	563.5	(110.2)	(80.1)	(56.5)
Net Nonoperating Revenues (Expenses)	**(2,045.7)**	**3,599.1**	**749.6**	**(96.4)**	**(66.3)**	**(51.6)**
Change in Net Position	**(2,485.8)**	**667.7**	**997.9**	**(1,025.9)**	**(680.5)**	**(845.3)**
Beginning net position, before restatement	12,936.5	12,268.8	11,270.9	(2,283.2)	(1,602.7)	(757.4)
Adjustment for change in accounting principle	20.0	-	-	(1,011.2)	-	-
Beginning net position as restated	**12,956.5**	**12,268.8**	**11,270.9**	**(3,294.4)**	**(1,602.7)**	**(757.4)**
Net Position (Deficit), End of the Year	**$ 10,470.7**	**$ 12,936.5**	**$ 12,268.8**	**$ (4,320.3)**	**$ (2,283.2)**	**$ (1,602.7)**

* Years ended June 30, 2014 and 2013 were not restated due to the adoption of GASB Statement No. 68, because it was not practical to do so.

Variances for FY 2014-15

Transportation Special Fund

Revenues

Total operating revenues decreased by $14.5 million. This decrease is due to the reduction of Federal revenue for FY 2014-15. The Federal reimbursements have been reduced due to nearing completion of the U.S. 36 project. There was also a reduction in charges for tolls and services of $1.7 million. The decrease in toll revenues is due the terms of the concessionaire agreement which transferred toll revenues from the I-25 HOT lanes to the concessionaire in FY 2013-14.

Net nonoperating revenues and expenses decreased by $5.6 million due the issuance costs of the Banc of America Funding Corporation loan and interest accruals associated with the loan and $54 million TIFIA loan.

Expenses

Total operating expenses decreased in FY 2014-15 by $17.0 million. Construction expenses decreased by $16.4 million due to the near completion of the U.S. 36 Phase I project. The decrease in construction expenses was offset by an increase in operating and travel. The increase in operating and travel is due to purchase of transponders in preparation for the opening of U.S. 36 Phase I.

Net Position

The outcome of these changes was a decrease in net position of $2.5 million in FY 2014-15, including prior to the effect of the adoption of GASB 68, to an ending balance of 10.5 million.

Operating Fund

Revenues

Total operating revenues decreased by $49,167.

Expenses

Total operating costs increased by $266,049 due to an increase in professional consultant fees which funded the development of the interagency agreement between HPTE and CDOT.

Net nonoperating revenues and expenses increased by $30,221. Investment income increased with more interest earnings while the fund's share of the unrealized gain in market value of the State Treasurer's pooled funds also increased. In addition, $110,292 was accrued as interest payable on the loan from the Transportation Commission, prior to the effect of the adoption of GASB 68. The implementation of GASB 68 in FY 2014-15 resulted in a $1.0 million adjustment, reducing beginning net position (deficit) to a balance of $3.3 million (deficit) and to an ending balance of $4.3 million (deficit).

Variances for FY 2013-14

Transportation Special Fund

Revenues

Total operating revenues increased by $14.8 million. This increase is due to Federal Highway reimbursements for the U.S. 36 project, which has been offset by a decrease of $637,444 in toll revenues. The decrease in toll revenues is due the terms of the concessionaire agreement which transferred toll revenues from the I-25 HOT lanes to the concessionaire.

The increase of $18.0 million was due to the finalizing of the concessionaire agreement.

Expenses

Total operating expenses decreased in FY 2013-14 by $18.0 million due to local government obligations to complete the U.S. 36 project

Salary and benefits and other nonoperating revenue also increased due to the construction of U.S. 36.

Net Position

The outcome of these changes was a decrease in net position of $667,711 in FY 2013-14.

Operating Fund

Revenues

Total operating revenues decreased by $48,954.

Expenses

Total operating costs decreased by $228,469, due to a decrease in professional consultant fees which were paid by the Transportation Special Fund.

Net nonoperating expenses increased by $14,714. Investment income increased with more interest earnings while the fund's share of the unrealized gain in market value of the State Treasurer's pooled funds increased as well. In addition, $80,060 was accrued as interest payable on the loan from the Transportation Commission.

Net Position

The outcome of these changes was a decrease in net position of $680,507 in FY 2013-14.

Capital Assets and Debt Administration

Transportation Special Fund

Capital Assets
(In Thousands)

As of June 30	2015	2014	2013
Capital Assets Not Being Depreciated	$ 183,751.9	$ 105,889.3	$ 16,300.0

In FY 2014-15, capital assets increased by $77.9 million due to the construction for the U.S. 36 project and purchase of tolling equipment and software related to the PPSL project. Capital assets increased by $89.6 million in FY 2013-14 due to the start of construction of the U.S. 36 project.

Debt Outstanding

In October 2013 HPTE started to request disbursements of the $54 million TIFIA loan and at June 30, 2014 HPTE had drawn down $23.4 million of the loan. During FY 2014-15 HPTE had drawn down the remaining balance of $30.6 million. The obligation of the TIFIA loan will be transferred to Plenary when U.S. 36 is completed, which is scheduled for July 2015.

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

Operating Fund

The operating fund does not hold any capital assets.

Debt Outstanding

The long-term portion of the debt was $4 million and $3 million in FY 2014-15 and FY 2013-14, respectively. Principal payments will be made when sufficient revenue becomes available to repay the principal and interest of the loan.

Contingencies

On March 22, 2014, the Drive Sunshine Institute (DSI), a trade name for The Renewable Energy Initiative, a Colorado nonprofit corporation, and Cliff Smedley filed a complaint in the United States District Court of Colorado against HPTE, the HPTE Board members, certain HPTE staff members, the Colorado Department of Transportation, the Colorado Department of Transportation Commission, Kutak Rock LLP, Hogan Lovells LLP, Goldman, Sachs & Co., and certain other defendants. The complaint was subsequently amended on March 24, 2014 (Amended Complaint). In the Amended Complaint, DSI and Cliff Smedley seek (1) preliminary and permanent injunctive relief related to HPTE's alleged violations under 42 U.S.C. §1983;(2) preliminary and permanent injunctive relief to HPTE's alleged violations of the defendants Constitutional Rights under Colorado law (3) declaratory relief relate to HPTE's alleged violations of Colorado Sunshine laws; (4) preliminary and permanent injunctive relief related to HPTE's alleged violations under the Colorado Open Records Act; (5) preliminary and injunctive relief relating to HPTE's violations of the Colorado Administrative Procedures Act; and (6) preliminary and permanent relief related to HPTE's issuance of the PABS. All defendants in the matter, including the State defendants, filed Motions to dismiss the lawsuit and no party ever filed an answer. After multiple delays and extensions, Plaintiff voluntarily dismissed the case without prejudice on February 20, 2015 without ever responding to the outstanding motions.

Subsequent Events

Tolling commencement and completion of Phase I of the U.S. 36 project occurred on July 22, 2015. The completion of Phase I of the U.S. 36 project initiated the transfer of the $54 million TIFIA liability to Plenary Roads Denver. The required debt service reserve of $1.6 million was also transferred to Plenary Roads Denver and the operations and maintenance reserve of $628,789 was returned to HPTE.

HPTE had unearned revenue of $120 million which consisted of payments from RTD under an Intergovernmental Agreement. Under this agreement RTD paid HPTE $120 million over a four year period for use of the Phase I U.S. 36 managed lanes. As of July 22, 2015 the revenue is considered to be earned and as a result HPTE will recognize the full $120 million of unearned revenue.

On September 9, 2015 HPTE and CDOT entered into an Intra-Agency agreement for $2,000,000. CDOT agreed to compensate HPTE for services provided to CDOT for fiscal year 2016. HPTE will be providing various services to CDOT for several transportation projects such as U.S. 36, I-70 East, C-470 Express Lanes, I-25 North, and I-70 Peak Period Shoulder Lanes. HPTE will be completing such tasks as maintenance and contract monitoring for U.S. 36, project procurement and Statements of Qualification evaluation, issuance of Request for Proposal for the I-70 East project, securing a TIFIA loan and PABs for the C-470 Express Lanes Project, and assisting CDOT with traffic management with the opening of the I-70 West Peak Period Shoulder Lanes and I-25 North Segments 2 and 3. HPTE will also be providing program-wide services, including the implementation of the Aconex document management system, transparency and education on Public-Private Partnerships, and the development of a Public-Private Partnership manual.

Financial Contact

If you have questions about this report please contact:

High Performance Transportation Enterprise
4201 East Arkansas Avenue
Denver, Colorado 80222

Attn: Kay Hruska

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Colorado High Performance Transportation Enterprise

Statements of Net Position

June 30, 2015 and 2014

	June 30, 2015			June 30, 2014		
	Transportation Special Fund	Operating	Total	Transportation Special Fund	Operating	Total
Assets						
Current assets:						
Cash and pooled cash investments	$ 76,694,892	$ 1,028,231	$ 77,723,123	$ 35,158,004	$ 938,376	$ 36,096,380
Receivables	2,107,896	800	2,108,696	1,410,594	-	1,410,594
Prepaid items	9,077	-	9,077	14,585	-	14,585
Total current assets	78,811,865	1,029,031	79,840,896	36,583,183	938,376	37,521,559
Noncurrent assets:						
Restricted cash	2,084,752	-	2,084,752	-	-	-
Other long-term investments	2,239,087	-	2,239,087	2,218,321	-	2,218,321
Capital assets - nondepreciable	183,751,863	-	183,751,863	105,889,312	-	105,889,312
Total noncurrent assets	188,075,702	-	188,075,702	108,107,633	-	108,107,633
Total assets	**266,887,567**	**1,029,031**	**267,916,598**	**144,690,816**	**938,376**	**145,629,192**
Deferred Outflows of Resources Related to Pensions	**581,126**	**47,497**	**628,623**	**-**	**-**	**-**
Liabilities						
Current liabilities:						
Accounts payable and accrued liabilities	45,388,915	38,328	45,427,243	18,116,568	52,554	18,169,122
Total current liabilities	45,388,915	38,328	45,427,243	18,116,568	52,554	18,169,122
Noncurrent liabilities						
Due to Transportation Commission	-	4,000,000	4,000,000	-	3,000,000	3,000,000
TIFIA loan	54,000,000	-	54,000,000	23,449,499	-	23,449,499
Peak period shoulder lane loan	25,000,000	-	25,000,000	-	-	-
Accrued interest	2,322,559	265,883	2,588,442	25,770	155,591	181,361
Compensated absences	-	19,282	19,282	-	13,466	13,466
Net pension liability	872,660	1,041,382	1,914,042			
Unearned revenue	129,413,800	-	129,413,800	90,162,500	-	90,162,500
Total noncurrent liabilities	211,609,019	5,326,547	216,935,566	113,637,769	3,169,057	116,806,826
Total liabilities	**256,997,934**	**5,364,875**	**262,362,809**	**131,754,337**	**3,221,611**	**134,975,948**
Deferred Inflow of Resources Related to Pensions	**65**	**32,048**	**32,113**	**-**	**-**	**-**
Net Position (Deficit)						
Net investment in capital assets	104,751,863	-	104,751,863	82,439,813	-	82,439,813
Unrestricted deficit	(94,281,169)	(4,320,395)	(98,601,564)	(69,503,334)	(2,283,235)	(71,786,569)
Total net position (deficit)	**$ 10,470,694**	**$ (4,320,395)**	**$ 6,150,299**	**$ 12,936,479**	**$ (2,283,235)**	**$ 10,653,244**

Colorado High Performance Transportation Enterprise

Statements of Revenues, Expenses, and Changes in Net Position

Years Ended June 30, 2015 and 2014

	June 30, 2015			June 30, 2014		
	Transportation Special Fund	Operating	Total	Transportation Special Fund	Operating	Total
Operating Revenues						
Charges for tolls and services	$ 259,247	$ -	$ 259,247	$ 1,972,737	$ -	$ 1,972,737
Federal revenues	881	-	881	14,424,965	-	14,424,965
Other operating revenues	3,738,735	-	3,738,735	2,064,991	49,167	2,114,158
Total operating revenues	**3,998,863**	**-**	**3,998,863**	**18,462,693**	**49,167**	**18,511,860**
Operating Expenses						
Salaries and benefits	659,414	426,300	1,085,714	203,297	396,595	599,892
Operating and travel	1,064,804	103,566	1,168,370	207,727	68,729	276,456
Construction expenses	1,620,021	-	1,620,021	18,015,878	-	18,015,878
Professional services	1,094,714	399,563	1,494,277	2,967,241	198,056	3,165,297
Total operating expenses	**4,438,953**	**929,429**	**5,368,382**	**21,394,143**	**663,380**	**22,057,523**
Operating income (loss)	**(440,090)**	**(929,429)**	**(1,369,519)**	**(2,931,450)**	**(614,213)**	**(3,545,663)**
Nonoperating Revenues (Expenses)						
Investment income	707,963	13,777	721,740	376,941	13,766	390,707
Other nonoperating revenues (expenses), net	(2,753,625)	(110,292)	(2,863,917)	3,222,220	(80,060)	3,142,160
Net nonoperating revenues (expenses)	**(2,045,662)**	**(96,515)**	**(2,142,177)**	**3,599,161**	**(66,294)**	**3,532,867**
Change in Net Position	**(2,485,752)**	**(1,025,944)**	**(3,511,696)**	**667,711**	**(680,507)**	**(12,796)**
Beginning net position, as previously stated	12,936,479	(2,283,235)	10,653,244	12,268,768	(1,602,728)	10,666,040
Adjustment for change in accounting principle	19,967	(1,011,216)	(991,249)	-	-	-
Beginning Net Position as Restated	**12,956,446**	**(3,294,451)**	**9,661,995**	**12,268,768**	**(1,602,728)**	**10,666,040**
Net Position (Deficit), End of the Year	**$ 10,470,694**	**$ (4,320,395)**	**$ 6,150,299**	**$ 12,936,479**	**$ (2,283,235)**	**$ 10,653,244**

Colorado High Performance Transportation Enterprise

Statements of Cash Flows

Years Ended June 30, 2015 and 2014

	June 30, 2015			June 30, 2014		
	Transportation Special Fund	Operating	Total	Transportation Special Fund	Operating	Total
Cash Flows from Operating Activities						
Cash received from users and grants	$ 26,750,541	$ -	$ 26,750,541	$ 37,900,854	$ 49,167	$ 37,950,021
Cash payments for salaries and benefits	(347,848)	(405,730)	(753,578)	(203,297)	(399,719)	(603,016)
Cash payments to suppliers for goods and services	-	(407,900)	(407,900)	(13,502)	(179,595)	(193,097)
Net cash provided by (used in) operating activities	**26,402,693**	**(813,630)**	**25,589,063**	**37,684,055**	**(530,147)**	**37,153,908**
Cash Flows from Noncapital Financing Activities						
Interagency loans	-	1,000,000	1,000,000	-	1,000,000	1,000,000
Payments from intergovernmental agreement	39,251,300	-	39,251,300	30,162,500	-	30,162,500
Net cash provided by noncapital financing activities	**39,251,300**	**1,000,000**	**40,251,300**	**30,162,500**	**1,000,000**	**31,162,500**
Cash Flows from Capital and Related Financing Activities						
TIFIA Loan	30,550,501	-	30,550,501	23,449,499	-	23,449,499
Peak period shoulder lane loan	25,000,000	-	25,000,000	-	-	-
Acquisition and construction of capital assets	(77,862,551)	-	(77,862,551)	(89,634,002)	-	(89,634,002)
Net cash used in capital and related financing activities	**(22,312,050)**	**-**	**(22,312,050)**	**(66,184,503)**	**-**	**(66,184,503)**
Cash Flows from Investing Activities						
Investment income	707,963	13,777	721,740	376,941	13,766	390,707
Payment of trustee and loan fees	(407,500)	(110,292)	(517,792)	(33,661)	(80,060)	(113,721)
Purchase of investments	(20,766)	-	(20,766)	(1,601,371)	-	(1,601,371)
Net cash provided by (used in) investing activities	**279,697**	**(96,515)**	**183,182**	**(1,258,091)**	**(66,294)**	**(1,324,385)**
Net increase in cash and cash equivalents	43,621,640	89,855	43,711,495	403,961	403,559	807,520
Cash and cash equivalents, beginning of year	35,158,004	938,376	36,096,380	34,754,043	534,817	35,288,860
Cash and cash equivalents, end of year	**$ 78,779,644**	**$ 1,028,231**	**$ 79,807,875**	**$ 35,158,004**	**$ 938,376**	**$ 36,096,380**
Reconciliation of Operating Loss to Net Cash Provided by (Used in) Operating Activities:						
Operating loss	$ (440,090)	$ (929,429)	$ (1,369,519)	$ (2,931,450)	$ (614,213)	$ (3,545,663)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:						
Adjustments to net pension liability	311,567	14,717	326,284	-	-	-
Other nonoperating revenue included in operating cash flows	-	-	-	3,281,650	-	3,281,650
Receivables, net	(697,302)	(800)	(698,102)	21,882,518	-	21,882,518
Prepaid items	5,507	-	5,507	(13,502)	-	(13,502)
Accounts payable and accrued liabilities	27,223,011	101,882	27,324,893	15,464,839	84,066	15,548,905
Net cash provided by (used in) operating activities	**$ 26,402,693**	**$ (813,630)**	**$ 25,589,063**	**$ 37,684,055**	**$ (530,147)**	**$ 37,153,908**

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

Nature of Operations

The High Performance Transportation Enterprise (the Enterprise or HPTE) is a self-supporting enterprise fund of the State of Colorado. It was established as an entity of the Colorado Department of Transportation (CDOT) under the provisions of Colorado Revised Statutes (C.R.S.) Section 43-4-806. The Enterprise replaced the Colorado Tolling Enterprise (CTE) that had been established in 2002 by the Colorado General Assembly. The Enterprise is tasked with pursuing innovative means to more efficiently finance infrastructure projects that will improve the safety, capacity, and accessibility of the transportation system. Financing projects may come through, among other means, public-private partnerships with other entities, user fee-based revenues and debt issuance. The Enterprise is under the direction of its Board, consisting of seven members. The Enterprise was statutorily established with two distinct funds, the Transportation Special Revenue Fund and the Transportation Enterprise Operating Fund.

Transportation Special Fund

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

The Fund also received amounts advanced from the Transportation Commission for startup costs of the I-25 High Occupancy Toll (HOT) lanes which have been repaid in full.

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. Available amounts within this include funds advanced by the Transportation Commission to the CTE for its initial startup costs and additional loans made subsequently to the Enterprise by the Transportation Commission. These proceeds continue to be drawn upon for general administrative activities of the Enterprise that do not involve the operation of the I-25 Express Lanes.

Basis of Accounting and Presentation

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

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

The basic financial statements of the Enterprise present the financial position, results of operations, and, where applicable, cash flows for only the Enterprise. They do not purport to, and do not present, the financial position of CDOT as of June 30, 2015 or 2014, 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 statement 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 that are restricted in nature are reported as such in the financials. Enterprise receivables are discussed in Note 4.

Capital Assets

The Enterprise records its property and equipment at cost. Contributed capital assets are valued at their estimated depreciated book value on the date donated, which approximates fair value. Maintenance and repairs are charged to current period operating expense; additions and improvements are capitalized. Interest cost relating to construction is capitalized. Certain applicable labor costs are also capitalized. The Enterprise's capitalization level is $500,000 for infrastructure and $5,000 for other capital assets. 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 compensated absences, amounts due to other funds, and unearned revenue.

Compensated Absences

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

Unearned Revenue

Unearned revenue consists of payments made by the Regional Transportation District (RTD) to the Enterprise under two Intergovernmental Agreements. Under the U.S. 36 agreement, RTD will pay the Enterprise $120,000,000 over a four year period for the use of the managed lanes being constructed for U.S. 36 Phase I and $7.5 million over a two year period for use of the Phase II managed lanes. As these lanes are not yet open and RTD does not have use of these lanes, the payments made for the year ended June 30, 2015 are not considered earned revenue and therefore, not recognized as such. The revenue will be considered earned upon the opening of the lanes; Phase I opened on July 22, 2015 and Phase II is expected to open in the spring of 2016. As of June 30, 2015, the Enterprise has invoiced RTD for the full $120,000,000 under this agreement and the first installment of $7.5 million for Phase II.

HPTE and RTD entered into another agreement for the extension of the I-25 HOT lanes north on I-25 to the entrance to RTD's Wagon Wheel Park and Ride. Under this agreement, RTD will pay the Enterprise $750,000 over a two year period for the use of the I-25 HOT lanes. The first payment of $375,000 which has been received by RTD is not considered earned revenue and therefore is not recognized. The extension of the I-25 HOT lanes are expected to open in early 2016.

Deferred Outflows and Deferred Inflows of Resources

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

HPTE's deferred outflow of resources and deferred inflows of resources consist of pension related items. These amounts will be amortized to pension expense in a later period, or in the case of the deferred outflow of resources relating to contributions made subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the subsequent year.

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.

Unrestricted net position

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

Classification of Revenues and Expenses

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

Budgets and Budgetary Accounting

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

Application of Restricted and Unrestricted Resources

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

NOTE 2 – CASH AND POOLED CASH INVESTMENTS

The Enterprise deposits its cash with the Colorado State Treasurer as required by Colorado Revised Statutes. The State Treasurer pools these deposits and invests them in securities authorized by C.R.S. 24-75-601.1. The State Treasury acts as a bank for all State agencies and institutions of higher education, with the exception of the University of Colorado. Monies deposited in the Treasury are invested until the cash is needed. As of June 30, 2015, the Enterprise had cash on deposit with the State Treasurer of $77,723,124 which represented approximately 1 percent of the total $7,661.8 million fair value of deposits in the State Treasurer's Pool (Pool).

For financial reporting purposes all of the Treasurer's investments are reported at fair value, which is determined based on quoted market prices at fiscal year-end. On the basis of the Enterprise's 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.

As of June 30, 2015, cash balances were:

	Transportation Special Fund	Operating Fund	Total
Cash on deposit with State Treasurer	$ 76,434,853	$ 1,024,853	$ 77,459,706
State Treasurer pooled cash investments - unrealized gain	260,039	3,378	263,417
Total	**$ 76,694,892**	**$ 1,028,231**	**$ 77,723,123**

As of June 30, 2014, cash balances were:

	Transportation Special Fund	Operating Fund	Total
Cash on deposit with State Treasurer	$ 35,004,086	$ 934,104	$ 35,938,190
State Treasurer pooled cash investments - unrealized gain	153,918	4,272	158,190
Total	**$ 35,158,004**	**$ 938,376**	**$ 36,096,380**

NOTE 3 – LONG-TERM INVESTMENTS

The Enterprise has recorded long-term investments as of June 30, 2015 and 2014 in the amount of $2.2 million. The amount was recorded based on the requirements of the Transportation Infrastructure Finance and Innovation Act (TIFIA) loan received by the Enterprise.

Provisions of the loan initially required that $604,614 be transferred to a project operation and maintenance account. In May 2014 the Enterprise transferred $1.6 million to establish the required debt service reserve account. These monies for both the operations and maintenance account and the debt service reserve account are being held by the Enterprise's trustee, Zions Bank, and are invested with the Colorado State Treasury. The Bank has entered into an investment agreement with the State Treasury to hold the proceeds in a separate account to be invested in the Pool. The State Treasurer pools these deposits and invests them in securities approved by C.R.S. 24-75-601.1. For the years ended June 30, 2015 and 2014, $22,661 and $7,599 in interest earnings was added to the accounts respectively.

Investments in the Treasurer's Pool are exposed to custodial credit risk if the securities are uninsured, are not registered in the state's name, and are held by either the counterparty to the investment purchase or the counterparty's trust department or agent but not in the state's name. As of June 30, 2015, none of the investments in the State Treasurer's Pool are subject to custodial credit risk.

Credit quality risk is the risk that the issuer or other counterparty to a debt security will not fulfill its obligations. This risk is assessed by national rating agencies that assign a credit quality rating for many investments. Credit quality ratings for obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not reported; however, credit quality ratings are reported for obligations of U.S. government agencies that are not explicitly guaranteed by the U.S. government. Based on these parameters, as of June 30, 2015, approximately 88.0 percent of investments of the Treasurer's Pool are subject to credit quality risk reporting. Except for $87,396,440 of corporate bonds rated lower medium and $25,018,750 of corporate bonds rated very speculative, these investments are rated from upper medium to the highest quality, which indicates that the issuer has strong capacity to pay principal and interest when due.

Interest rate risk is the risk that changes in the market rate of interest will adversely affect the value of an investment. In addition to statutory limitations on the types of investments, the State Treasurer's investment policy mitigates interest rate risk through the use of maturity limits set to meet the needs of the individual fund if the Treasurer is investing for a specific fund rather than the Pool. The Treasurer actively manages the time to maturity in reacting to changes in the yield curve, economic forecasts, and liquidity needs of the participating funds. The Treasurer further limits investment risk by setting a minimum/maximum range for the percentage of investments subject to interest rate risk and by laddering maturities and credit ratings. As of June 30, 2015, the weighted average maturity of investments in the Treasurer's Pool is 0.063 years for Commercial Paper (6.3 percent of the Pool), 1.339 years for U.S. Government Securities (47.5 percent of the Pool), 2.528 years for Asset Backed Securities (18.5 percent of the Pool), and 2.196 years for Corporate Bonds (22.9 percent of the Pool) and 0.010 years for Money Markey Mutual Funds (4.8 percent of the Pool).

The Treasurer's Pool was not subject to foreign currency risk or concentration of credit risk in Fiscal Year 2014-2015.

Additional information on investments of the State Treasurer's Pool may be obtained in the state's Comprehensive Annual Financial Report for the year ended June 30, 2015.

NOTE 4 – ACCOUNTS RECEIVABLE

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

The Enterprise also records receivables from CDOT and PRD for services provided.

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

	2015	2014
Tolling revenues receivable	$ -	$ -
Local government receivable	2,104,267	282,751
CDOT receivable	-	-
Other receivable	4,429	1,127,843
Total accounts receivable	**$ 2,108,696**	**$ 1,410,594**

No allowance has been recorded as all amounts above are believed to be collectible. On March 7, 2014, HPTE transferred all toll revenue and receivables under Phase I of the U.S. 36 project to PRD, per the concessionaire agreement.

NOTE 5 – CAPITAL ASSETS

A summary of changes in capital assets is as follows for the years ended June 30, 2015 and June 30, 2014:

	2015				
	Balance at June 30, 2014	Additions	Disposals	Transfers	Balance at June 30, 2015
Capital assets, not being depreciated					
Assets under construction	$ 105,889,312	$77,862,551	$ -	$ -	$ 183,751,863
Total capital assets	$ 105,889,312	$77,862,551	$ -	$ -	$ 183,751,863

	2014				
	Balance at June 30, 2013	Additions	Disposals	Transfers	Balance at June 30, 2014
Capital assets, not being depreciated					
Assets under construction	$ 16,255,310	$89,634,002	$ -	$ -	$ 105,889,312
Total capital assets	$ 16,255,310	$89,634,002	$ -	$ -	$ 105,889,312

NOTE 6 – 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:

	2015	2014
Vendors payable	$ 640,789	$ 31,341
Contractors payable	44,783,361	18,092,137
Salaries and wages payable	482	45,644
Other payables	2,611	-
Total current accounts payable	**$ 45,427,243**	**$ 18,169,122**

NOTE 7 – LONG-TERM LIABILITIES

Noncurrent liabilities have been recorded for an annual $1,000,000 loan from the Transportation Commission to the operating fund to pay a portion of its operating expenses until sufficient revenues become available to repay the principal and interest on this loan. The FY 2011-12, FY 2012-13, FY 2014-15 loan bears an interest rate of 3.25 percent, 2.5 percent and 2.25 percent, respectively and the FY 2014-15 loan bears an interest rate of 2.75 percent on the unpaid balance, compounded annually. As of June 30, 2015, $265,883 in accrued interest on all loans was recorded and a total of $4 million has been borrowed from the Transportation Commission.

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. These disbursements are completed monthly with the final disbursement being completed in November 2014. Toll revenue from the existing I-25 HOT lanes and future toll revenues from U.S. 36 were pledged to establish the TIFIA 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 Peak Period Shoulder Lane (PPSL) project. To fund the PPSL project, HPTE entered into a $25 million loan with Banc of America Preferred Funding Corporation. This loan is to be repaid from toll revenues earned from the PPSL. Interest accrues at the rate of 2.79 percent and is due each December. Principal payment start in early 2022 with the maturity date in December 2024.

Other long-term liabilities include compensated absences in the amount of $19,282 and net pension liability of $1.9 million. The estimated changes in the cost of compensated absences for vested employees for FY 2015 and for FY 2014 are as follows:

	Balance at June 30, 2014	Increase	Decrease	Balance at June 30, 2015
Transportation Commission	$ 3,000,000	$ 1,000,000	$ -	$ 4,000,000
TIFIA Loan	23,449,499	30,550,501	-	54,000,000
PPSL Program Loan	-	25,000,000	-	25,000,000
Net Pension Liability	-	2,011,091	97,049	1,914,042
Annual Leave	10,993	4,090	-	15,083
Sick Leave	2,473	1,726	-	4,199
Total liability	$ 26,462,965	$ 58,567,408	$ 97,049	$ 84,933,324

	Balance at June 30, 2013	Increase	Decrease	Balance at June 30, 2014
Transportation Commission	$ 2,000,000	$ 1,000,000	$ -	$ 3,000,000
TIFIA Loan	-	23,449,499	-	23,449,499
Annual Leave	12,869	-	(1,876)	10,993
Sick Leave	3,721	-	(1,248)	2,473
Total liability	$ 2,016,590	$ 24,449,499	$ (3,124)	$ 26,462,965

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

	Fiscal Year	Interest Due	Debt Service Payment
2016	$ 689,750	$ -	$ 689,750
2017	697,500	-	697,500
2018	697,500	-	697,500
2019	697,500	-	697,500
2020	697,500	-	697,500
2021-2015	5,157,500	25,000,000	30,157,500
Total payments	$ 8,637,250	$ 25,000,000	$ 33,637,250

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

NOTE 8 – COMMITMENTS

The Enterprise has commitments at the end of FY 2014-15 totaling $10,823,690 related to construction of U.S. 36 project and the concessionaire agreement for the Transportation Special Fund and for consulting services relating to managed lanes in the amount of $469,228 for the Operating Fund.

NOTE 9 – DEFINED BENEFIT PENSION PLAN (As of and for the year ended June 30, 2015, accounted for and reported in accordance with GASB Statement No. 68)

The Enterprise participates in the State Division Trust Fund (SDTF), a cost-sharing multiple-employer defined benefit pension plan administered by the Public Employee's Retirement Association of Colorado (PERA). The net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net pension and additions to/deductions from the fiduciary net position of the SDTF have been determined on the same basis as they are reported by the SDTF 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.

A. Plan Description

Eligible employees of the HPTE are provided with pensions through the State Division Trust Fund (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 fourth 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 public available comprehensive annual financial report that can be obtained at www.copera.org/investments/pera-financial-reports.

B. Benefits Provided

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 fourth at C.R.S. § 24-51-602, 504, 1713, and 1714.

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

- Highest average salary multiplied by 2.5 percent and then multiplied by years of service credit.
- The value of the 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 5 years of service credit has been obtained and the benefit structure under which contributions were made.

Benefit recipients who elect to receive a lifetime retirement benefit are generally eligible to receive post-retirement cost-of-living adjustments (COLAs), referred to as annual increases in the C.R.S. Benefit recipients under the PERA benefit structure who began eligible employment before January 1, 2007 receive an annual increase of 2 percent, unless PERA has a negative investment year, in which case the annual increase for the next three years is the lesser of 2 percent or the average of the Consumer Price Index for Urban Wages Earners and Clerical Workers (CPI-W) for the prior calendar year. Benefit recipients under the PERA benefit structure who began eligible employment after January 1, 2007 receive an annual increase of the lesser of 2 percent or the average CPI-W for the prior calendar year, not to exceed 10 percent of PERA's Annual Increase Reserve for the SDTF.

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 cause by an on-the-job injury are immediately eligible to apply for disability benefits and do not have to meet the five years of service credit requirement. The disability benefit amount is based on the retirement benefit formula shown above considering a minimum of 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

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. Eligible employees with the exception of State Troopers are required to contribute 8 percent of their PERA-includable salary. The employer contribution requirements for all employees except State Troopers are summarized in the table below:

	Fiscal Year 2013		Fiscal Year 2014		Fiscal Year 2015	
	CY12	CY13		CY14		CY15
	7-1-12 to 12-31-12	1-1-13 to 6-30-13	7-1-13 to 12-31-13	1-1-14 to 6-30-14	7-1-14 to 12-31-14	1-1-15 to 6-30-15
Employer Contribution Rate	10.15%	10.15%	10.15%	10.15%	10.15%	10.15%
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%	-1.02%	-1.02%	-1.02%
Amount Apportioned to the SDTF	9.13%	9.13%	9.13%	9.13%	9.13%	9.13%
Amortization Equalization Disbursement (AED) as specified in C.R.S. Section 24-51-411	3.00%	3.40%	3.40%	3.80%	3.80%	4.20%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S., Section 24-51-411	2.50%	3.00%	3.00%	3.50%	3.50%	4.00%
Total Employer Contribution Rate to the SDTF	14.63%	15.53%	15.53%	16.43%	16.43%	17.33%

[1] Rates 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 become payable to the member and the HPTE is statutorily committed to pay the contributions to the SDTF. Employer contributions recognized by the SDTF from the Enterprise were $97,049 for the year ended June 30, 2015.

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

At June 30, 2015, the Enterprise reported a liability of $ 1,914,042 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2013. Standard update procedures were used to roll forward the total pension liability to December 31, 2014. The Enterprise's proportion of the net pension liability was based on HPTE's contributions to the SDTF for the calendar year 2014 relative to the total contributions of participating employers to the SDTF.

At December 31, 2014, the Enterprise's proportion was .02 percent, which was an increase of .01 from its proportion measured as of December 31, 2013.

For the year ended June 30, 2015, the HPTE recognized pension expense of $429,195. At June 30, 2015, the Enterprise reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ -	$ 142
Net difference between projected and actual earnings on pension plan investments	39,028	-
Changes in proportion and differences between contributions recognized and proportionate share of contributions	538,461	31,971
Contributions subsequent to the measurement date	51,134	-
Total	$ 628,623	$ 32,113

$51,134 reported as deferred outflow 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, 2016. 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	
2016	$ 280,532
2017	245,330
2018	9,757
2019	9,757
2020	-
Thereafter	545,376

E. Actuarial Assumptions

The total pension liability in the December 31, 2013 actuarial valuation was determined using the following actuarial assumptions and other inputs:

Price inflation	2.80 percent
Real wage growth	1.10 percent
Wage inflation	3.90 percent
Salary increases, including wage inflation	3.90-9.57 percent
Long-term investment Rate of Return, net of pension plan investment expenses, including price inflation	7.50 percent
Future post-retirement benefit increases:	
PERA Benefit Structure hired prior to 1/1/07 and DPS Benefit Structure (automatic)	2.00 percent
PERA Benefit Structure hired after 12/31/06 (ad hoc, substantively automatic)	Financed by the Annual Increase Reserve

Mortality rates were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on a projection of Scale AA to 2020 with Males set back 1 year, and Females set back 2 years.

The actuarial assumptions used in the December 31, 2013 valuation were based on the results of an actuarial experience study for the period January 1, 2008 through December 31, 2011, adopted by PERA's Board on November 13, 2012, and an economic assumption study, adopted by PERA's Board on November 15, 2013 and January 17, 2014.

The SDTF's long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best estimate ranges of expected future real rates of return (expected return, net of investment expense inflation) were developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation.

The long-term expected rate of return, presented to the PERA Board on November 13, 2013, indicates the target allocation and best estimates of geometric real rates of return for each major asset class and are summarized in the following table:

Asset Class	Target Allocation	10 Year Expected Geometric Real Rate of Return
U.S. Equity – Large Cap	26.76%	5.00%
U.S. Equity – Small Cap	4.40%	5.19%
Non U.S. Equity – Developed	22.06%	5.29%
Non U.S. Equity – Emerging	6.24%	6.76%
Core Fixed Income	24.05%	0.98%
High Yield	1.53%	2.64%
Long Duration Gov't/Credit	0.53%	1.57%
Emerging Market Bonds	0.43%	3.04%
Real Estate	7.00%	5.09%
Private Equity	7.00%	7.15%
Total	100.00%	

In setting the long-term expected rate of return, projections employed to model future returns provide a range of expected long-term return that including expected inflation, ultimately support a long-term rate of return assumption of 7.50%.

F. Discount Rate

The discount rate used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the fixed statutory rates specified in law, including current and 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. Based on those assumptions, the SDTF's fiduciary net position was projected to be available to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return on pension plan investments was applied to all period of projected benefit payments to determine the total pension liability. The discount rate determination does not use the Municipal Bond Index Rate. There was no change in 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 7.50 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 1-percentage-point lower (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Proportionate share of the net pension liability	$ 2,454,265	$ 1,914,042	$ 1,459,643

H. Pension Plan Fiduciary Net Position

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

NOTE 10 – PENSION PLANS (As of and for the year ended June 30, 2014, accounted for and reported in accordance with GASB Statement No. 27)

A. Plan Description

HPTE's employees participate in a defined benefit pension plan. The plan's purpose is to provide income to members and their families at retirement or in case of death or disability. The plan is a cost-sharing multiple-employer plan administered by the Public Employees' Retirement Association (PERA). PERA was established by state statute in 1931. Responsibility for the organization and administration of the plan is placed with the PERA Board of Trustees. Changes to the plan require an actuarial assessment and legislation by the General Assembly. The state plan and other divisions' plans are included in PERA's financial statements, which may be obtained by writing PERA at P.O. Box 5800, Denver, Colorado 80217, by calling PERA at 1-800-759-PERA (7372), or by visiting http://www.copera.org.

Non-higher education employees hired by the state after January 1, 2006 are allowed 60 days to elect to participate in a defined contribution retirement plan administered by the State Deferred Compensation Committee rather than becoming a member of PERA. If that election is not made, the employee becomes a member of PERA, and the member is allowed 60 days from commencing employment to elect to participate in a defined contribution plan administered by PERA rather than the defined benefit plan.

Prior to legislation passed during the 2006 session, higher education employees may have participated in social security, PERA's defined benefit plan, or the institution's optional retirement plan. Currently, higher education employees, except for community college employees, are required to participate in their institution's optional plan, if available, unless they are active or inactive members of PERA with at least one year of service credit. In that case they may elect either PERA or their institution's optional plan. Community college employees hired after January 1, 2010, are required to become members of PERA and must elect either PERA's defined benefit or defined contribution plan within 60 days, unless they had been a PERA member within the prior twelve months. In that case, they are required to remain in the PERA plan in which they participated previously.

PERA members electing the defined contribution plan are allowed an irrevocable election between the second and fifth year to use their defined contribution account to purchase service credit and be covered under the defined benefit retirement plan. However, making this election subjects the member to the rules in effect for those hired on or after January 1, 2007, as discussed below. Employer contributions to both defined contribution plans are the same as the contributions to the PERA defined benefit plan.

Defined benefit plan members (except state troopers) vest after five years of service and are eligible for full retirement based on their original hire date as follows:

- Hired before July 1, 2005 – age 50 with 30 years of service, age 60 with 20 years of service, or age 65 with 5 years of service.
- Hired between July 1, 2005 and December 31, 2006 – any age with 35 years of service, age 55 with 30 years of service, age 60 with 20 years of service, or age 65 with any years of service.
- Hired between January 1, 2007 and December 31, 2010 – any age with 35 years of service, age 55 with 30 years of service, age 60 with 25 years of service, or age 65 with 5 years of service. For members with less than five years of service credit as of January 1, 2011 age and service requirements increase to those required for members hired between January 1, 2007 and December 31, 2010.
- Hired between January 1, 2011 and December 31, 2016 – any age with 35 years of service, age 58 with 30 years of service, age 65 with 5 years of service.
- Hired on or after January 1, 2017 – any age with 35 years of service, age 60 with 30 years of service, or age 65 with 5 years of service.

Members are also eligible for retirement benefits without a reduction for early retirement based on their original hire date as follows:

- Hired before January 1, 2007 – age 55 with a minimum of 5 years of service credit and age plus years of service equals 80 or more.
- Hired between January 1, 2007 and December 2010 – age 55 with a minimum of 5 years of service credit and age plus years of service equals 85 or more. Age plus years of service requirements increase to 85 for members with less than five years of service credit as of January 1, 2011.
- Hired between January 1, 2011 and December 31, 2016 – age 58 and age plus years of service equals 88 or more.
- Hired on or after January 1, 2017 – age 60 and age plus years of service equals 90.

State troopers and judges comprise a small percentage of plan members but have higher contribution rates, and state troopers are eligible for retirement benefits at different ages and years of service.

Members automatically receive the higher of the defined retirement benefit or money purchase benefit at retirement. Defined benefits are calculated as 2.5 percent times the number of years of service times the highest average salary (HAS). For retirements before January 1, 2009, HAS is calculated as one-twelfth of the average of the highest salaries on which contributions were paid, associated with three periods of 12 consecutive months of service credit and limited to a 15 percent increase between periods. For retirements after January 1, 2009, or persons hired on or after January 1, 2007, more restrictive limits are placed on salary increases between periods used in calculating HAS.

Retiree benefits are increased annually in July after one year of retirement based on the member's original hire date as follows:

- Hired before July 1, 2007 – the lesser of 2 percent or the average of the monthly Consumer Price Index increases.
- Hired on or after January 1, 2007 – the lesser of 2 percent or the actual increase in the national Consumer Price Index, limited to a 10 percent reduction in a reserve established for cost of living increases related strictly to those hired on or after January 1, 2007. (The reserve is funded by 1 percentage point of salaries contributed by employers for employees hired on or after January 1, 2007.)
- The upper limits on benefits increase by one-quarter percentage point each year when the funded ratio of PERA equals or exceeds 103 percent and declines by one-quarter percentage point when the funded ratio drops below 90 percent after having exceeded 103 percent. The funded ratio increase does not apply for three years when a negative return on investment occurs.

Members who are disabled, who have five or more years of service credit, six months of which has been earned since the most recent period of membership, may receive retirement benefits if determined to be permanently disabled. If a member dies before retirement, their eligible children under the age of 18 (23 if a full time student) or their spouse may be entitled to a single payment or monthly benefit payments. If there is no eligible child or spouse then financially dependent parents, beneficiaries, or the member's estate, may be entitled to a survivor's benefit.

B. Funding Policy

The contribution requirements of plan members and their employers are established, and may be amended, by the General Assembly. Salary subject to PERA contribution is gross earnings less any reduction in pay to offset employer contributions to the state sponsored IRC 125 plan established under Section 125 of the Internal Revenue Code.

Most employees contribute 8.0 percent (10.0 percent for State troopers) of their salary, as defined in CRS 24-51-101(42), to an individual account in the plan. Effective July 1, 2012, the temporary contribution rate increase of 2.5 percent for members in the State and Judicial Divisions to replace the 2.5 percent reduction in employers contributions effective for FY 2010-11 and FY 2011-12 expired.

From July 1, 2013, to December 31, 2013, the State contributed 16.55 percent (19.25 percent for state troopers and 17.36 percent for the Judicial Branch) of the employee's salary. From January 1, 2014, through June 30, 2014, the state contributed 17.45 percent (20.15 percent for state troopers and 17.36 percent for the Judicial Branch). During all of FY 2013-14, 1.02 percent of the employees' total salary was allocated to the Health Care Trust Fund.

Per Colorado Revised Statutes, an amortization period of 30 years is deemed actuarially sound. At December 31, 2013, the division of PERA in which the state participates has a funded ratio of 57.5 percent and a 60 year amortization period based on current contribution rates. The funded ratio on the market value of assets is slightly higher at 61.0 percent.

In the 2004 and 2010 legislative sessions, the General Assembly authorized an Amortization Equalization Disbursement (AED) to address a pension-funding shortfall. The AED requires PERA employers to pay an additional 0.5 percent of salary for calendar years 2006 and 2007, with subsequent year increases of 0.4 percent of salary through 2017, to a maximum of 5 percent (except for the Judicial Division whose AED contribution was frozen at the 2010 level).

In the 2006 and 2010 legislative sessions, the General Assembly authorized a Supplemental Amortization Equalization Disbursement (SAED) that requires PERA employers to pay an additional one-half percentage point of total salaries, for calendar years 2008 through 2017, to a maximum of 5 percent (except for the Judicial Division whose SAED contribution was frozen at the 2010 level). The SAED will be deducted from the amount otherwise available to increase state employees' salaries.

At a 103 percent funding ratio, both the AED and the SAED will be reduced by one-half percentage point, and for subsequent declines to below 90 percent funded both the AED and SAED will be increased by one-half percentage point. For the Judicial Division, if the funding ratio reaches 90 percent and subsequently declines, the AED and SAED will be increased by one-half percentage point.

Historically members have been allowed to purchase service credit at reduced rates. However, legislation passed in the 2006 session required, that future agreements to purchase service credit be sufficient to fund the related actuarial liability.

The HPTE contributions to PERA and/or the state defined contribution plan for the fiscal years ended June 30, 2014, 2013, and 2012 were $527,689, $568,697, and $413,719, respectively. These contributions met the contribution requirement for each year.

NOTE 11 – OTHER RETIREMENT PLANS

Defined Contribution Retirement Plan (DC Plan)

A. Plan description

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

B. Funding policy

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

	Fiscal Year 2013		Fiscal Year 2014		Fiscal Year 2015	
	CY12	CY13		CY14		CY15
	7-1-12 to 12-31-12	1-1-13 to 6-30-13	7-1-13 to 12-31-13	1-1-14 to 6-30-14	7-1-14 to 12-31-14	1-1-15 to 6-30-15
Amortization Equalization Disbursement (AED) as specified in C.R.S. Section 24-51-411	3.00%	3.40%	3.40%	3.80%	3.80%	4.20%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S., Section 24-51-411	2.50%	3.00%	3.00%	3.50%	3.50%	4.00%
Total Employer Contribution Rate to the SDTF	5.50%	6.40%	6.40%	7.30%	7.30%	8.20%

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. There is no pension expense or pension liability recognized for the years ended June 30, 2015 and 2014.

<u>401(k) Defined Contribution Plan</u>

A. Plan Description

Employees of the HPTE that are also members of the SDTF may voluntary contribute to the Voluntary Investment Program, an Internal Revenue Code Section 401(k) defined contribution plan administered by PERA. Title 24, Article 51, Part 14 of the C.R.S., as amended, assigns the authority to establish the Plan provisions to the PERA Board of Trustees. PERA issues a publicly available comprehensive annual financial report for the 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 and investment earnings.

<u>Deferred Compensation Plan</u>

The PERA Deferred Compensation Plan (457) was established July 1, 2009 as a continuation of the State's deferred compensation plan which was established for state and local government employees in 1981. At July 1, 2009, the State's administrative functions for the 457 plan were transferred to PERA, where all costs of administration and funding are borne by the plan participants. In calendar year 2014, participants were allowed to make contributions of up to 100 percent of their annual gross salary (reduced by their 8 percent PERA contribution) to a maximum of $17,500. Participants who age 50 and older, and contributing the maximum amount allowable, were allowed to make an additional $5,500 contribution in 2014, for total contributions of $23,000. Contributions and earnings are tax deferred. At December 31, 2014, the plan had 17,738 participants.

The Enterprise did not make any contributions to other retirement plans during Fiscal Year 2015.

NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS AND LIFE INSURANCE

A. Plan description

The HPTE contributes to the Health Care Trust Fund ("HCTF"), a cost-sharing multiple-employer healthcare trust administered by PERA. The HCTF benefit provides a health care premium subsidy and health care premium subsidy and health care programs (known as PERACARE) to PERA participating benefit recipients and their eligible beneficiaries. Title 24, Article 21, Part 12 of C.R.S., as amended, establishes the HCTF and sets forth a framework that grants authority to the PERA Board to contact, self-insure and authorize disbursements necessary in order to carry out the purposes of the PERACARE program, including the administration of health care subsidies. PERA issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for the HCTF. That report can be obtained at www.copera.org/investments/pera-financial-reports.

B. Funding Policy

The HPTE is required to contribute at a rate of 1.02 percent of PERA-includable salary for all PERA members as set by statute. No member contributions are required. The contribution requirements for the HPTE are established under Title 24, Article 51, Section 208(1)(f) of the C.R.S., as amended. For the years ending June 30, 2015 and June 30, 2014, the HPTE contributions to the HCTF were $10,291, $7,212, and $4,676 respectively, equal to their required contributions for each year.

NOTE 13 – RISK MANAGEMENT

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

NOTE 14 – CONCESSION AGREEMENT

In the summer of 2013, HPTE and Plenary Roads Denver (PRD) completed the commercial close of a 50-year concession agreement, which is CDOT and HPTE's first Public Private Partnership project. 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 Plenary Roads Denver from HPTE for the next fifty years. The concession agreement is HPTE and CDOT's first public private partnership (P3) project, where public and private sectors work together to provide transportation improvements. PRD will finance, design, and construct U.S. 36 Phase II, and then operate and maintain, Phase I, Phase II, and the existing I-25 HOT lanes.

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 net position. In accordance with the Standard, the

Enterprise will record the U.S. 36 Phase II construction as an asset at fair value upon being placed in operation and being transferred to the Enterprise from Plenary.

NOTE 15 – TAX, SPENDING AND DEBT LIMITATIONS

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

NOTE 16 – ADOPTION OF ACCOUNTING PRINCIPLE

The Enterprise implemented GASB Statement No. 68 of the Governmental Accounting Standards Board (GASB 68), *Accounting and Financial Reporting for Pensions-an amendment of GASB Statement No. 27,* as amended by Governmental Accounting Standards Board Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date, an amendment of GASB Statement No. 68,* which revises and establishes new financial reporting requirements for most governments that provide their employees with pension benefits. The HPTE provides its employees with pension benefits through the State's cost-sharing multiple-employer defined benefit plan administered by PERA. GASB 68 requires employers participating in cost-sharing multiple-employer plans, to record their proportionate share, as defined in GASB 68, of the collective net pension liability. The Enterprise has no legal obligation to fund this shortfall nor does it have any ability to affect funding, benefit, or annual required contribution decisions made by PERA. The adoption of GASB 68 resulted in a $991,249 restatement of net position as of July 1, 2014. The fiscal year 2014 financial statements were not restated as it was not practical to do so as the actuarial data required to restate fiscal year 2014 was not available. Information regarding PERA's current funding status can be found in their Comprehensive Annual Financial Report.

NOTE 17 – CONTINGENT LIABILITY

On March 22, 2014, the Drive Sunshine Institute (DSI), a trade name for The Renewable Energy Initiative, a Colorado nonprofit corporation, and Cliff Smedley filed a complaint in the United States District Court of Colorado against HPTE, the HPTE Board members, certain HPTE staff members, the Colorado Department of Transportation, the Colorado Department of Transportation Commission, Kutak Rock LLP, Hogan Lovells LLP, Goldman, Sachs & Co., and certain other defendants. The complaint was subsequently amended on March 24, 2014 (Amended Complaint). In the Amended Complaint, DSI and Cliff Smedley seek (1) preliminary and permanent injunctive relief related to HPTE's alleged violations under 42 U.S.C. §1983;(2) preliminary and permanent injunctive relief to HPTE's alleged violations of the defendants Constitutional Rights under Colorado law (3) declaratory relief relate to HPTE's alleged violations of Colorado Sunshine laws; (4) preliminary and permanent injunctive relief related to HPTE's alleged violations under the Colorado Open Records Act; (5) preliminary and injunctive relief relating to HPTE's violations of the Colorado Administrative Procedures Act; and (6) preliminary and permanent relief related to HPTE's issuance of the PABS. All defendants in the matter, including the State defendants, filed Motions to Dismiss the lawsuit and no party ever filed an answer. After multiple delays and extensions, Plaintiff voluntarily dismissed the case without prejudice on February 20, 2015 without ever responding to the outstanding motions.

NOTE 18 – REPAYMENT OF PRIOR YEAR TRANSFER

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

The CTE requested Transportation Commission draws of $1,000,000 in FY2002-2003, $2,000,000 and $4,000,000 in FY2005-2006 totaling $7,000,000 and corresponding interagency agreements. These draws were to assist the CTE with their start-up costs in connection with the formation and operations of the CTE. The CTE planned to repay the draws when they receive sufficient bond proceeds or toll revenues. Under the terms of the interagency agreement, the CTE Transportation Commission draws were classified as a transfer. Before the abolishment of the CTE, the CTE made payments of $2,500,000 and $930,000 in FY2007-2008 and $301,822 in FY2008-2009, leaving a balance of $3,268,178 outstanding.

When the HPTE was created, a level III transfer occurred which moved the CTE’s powers, duties, functions, and financial balances to HPTE, which included the balance of the CTE’s draws. HPTE made payments of $301,822 and $905,464 in FY2009-2010 and FY2010-2011 respectively, leaving an outstanding balance of $2,060,892 of the CTE transfers. These amounts are not considered a liability of the Enterprise. HPTE will reimburse CDOT for CTE’s transfers when HPTE has the funds available.

NOTE 19 – SUBSEQUENT EVENT

Tolling commencement and completion of Phase I of the U.S. 36 project occurred on July 22, 2015. The completion of Phase I of the U.S. 36 project initiated the transfer of the $54 million TIFIA liability to Plenary Roads Denver. The required debt service reserve of $1.6 million was also transferred to Plenary Roads Denver and the operations and maintenance reserve of $604,614 was returned to HPTE.

HPTE had unearned revenue of $120 million which consisted of payments from RTD under an Intergovernmental Agreement. Under this agreement RTD paid HPTE $120 million over a four year period for use of the U.S. 36 managed lanes. As of July 22, 2015 the revenue is considered to be earned and as a result HPTE will recognize the full $120 million of unearned revenue.

On September 9, 2015 HPTE and CDOT entered into an Intra-Agency agreement for $2,000,000. CDOT agreed to compensate HPTE for services provided to CDOT for fiscal year 2016. HPTE will be providing various services to CDOT for several transportation projects such as U.S. 36, I-70 East, C-470 Express Lanes, I-25 North, and I-70 Peak Period Shoulder Lanes. HPTE will be completing such task as maintenance and contract monitoring for U.S. 36, project procurement and Statements of Qualification evaluation, issuance of Request for Proposal for the I-70 East project, securing a TIFIA loan and PABs for the C-470 Express Lanes Project, and assisting CDOT with traffic management with the opening of the I-70 West Peak Period Shoulder Lanes and I-25 North Segments 2 and 3. HPTE will also be providing program-wide services, including the implementation of the Aconex document management system, transparency and education on Public-Private Partnerships, and the development of a Public-Private Partnership manual.

Required Supplementary Information

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Colorado High Performance Transportation Enterprise

Required Supplementary Information

Schedule of Proportionate Share of the Net Pension Liability

June 30, 2015

HPTE's proportion of the net pension liability		0.02%
HPTE's proportionate share of the net pension liability	$	1,914,042
HPTE's covered-employee payroll	$	581,304
HPTE's proportionate share of the net pension liability as a percentage of its covered-employee payroll		329.27%
Plan fiduciary net position as a percentage of the total pension liability		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.

Colorado High Performance Transportation Enterprise

Required Supplementary Information

Schedule of Contributions

June 30, 2015

Statutorily required contribution	$	97,049
Contributions in relation to the statutorily required contribution		97,049
Contribution deficiency (excess)	$	-
HPTE's covered-employee payroll	$	609,247
Contributions as a percentage of covered-employee payroll		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.

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

Members of the Legislative Audit Committee:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the business-type activities and each major fund of the Colorado High Performance Transportation Enterprise (the Enterprise), an enterprise fund of the State of Colorado, Department of Transportation, which comprise the statement of financial position as of June 30, 2015 and 2014 and the related statements of revenues, expenses and changes in net position and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated January 21, 2016, which contained emphasis of matters paragraphs regarding the organizational structure of the Enterprise and a change in accounting principle.

Internal Control Over Financial Reporting

Management of the Enterprise is responsible for establishing and maintaining effective internal control over financial reporting (internal control). In planning and performing our audit of the financial statements, we considered the Enterprise's internal control to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions 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 Enterprise'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.

Members of the Legislative Audit Committee:

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

Compliance

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

Purpose of this Report

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

BKD, LLP

Denver, Colorado
January 21, 2016

BKD LLP
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Independent Auditor's Communication to Legislative Audit Committee

Members of the Legislative Audit Committee:

As part of our audit of the financial statements of the High Performance Transportation Enterprise (the Enterprise or HPTE) as of and for the year ended June 30, 2015, we wish to communicate the following to you.

AUDIT SCOPE AND RESULTS

Auditor's Responsibility Under Auditing Standards Generally Accepted in the United States of America and the Standards Applicable to Financial Audits Contained in *Government Auditing Standards* Issued by the Comptroller General of the United States and U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-profit Organizations*

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) Circular A-133, *Audits of States, Local Governments, and Non-profit Organizations* is designed to obtain reasonable, rather than absolute, assurance about the financial statements. 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.

These standards require communication of significant matters related to the financial statement audit 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.

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.

Members of the Legislative Audit Committee:

Alternative Accounting Treatments

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

- No matters are reportable

Management Judgments and Accounting Estimates

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

- Useful lives of capital assets
- Net pension liability and related pension 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
- Concession agreement
- Subsequent event
- Defined benefit pension plan

Audit Adjustments

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

Areas in which adjustments were proposed include:

- No matters are reportable

Proposed Audit Adjustments Not Recorded:

- No matters are reportable

Members of the Legislative Audit Committee:

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:

- During fiscal year 2015, the Enterprise adopted Governmental Accounting Standards Board Statement No. 68 (GASB 68), *Accounting and Financial Reporting for Pensions –An Amendment of GASB Statement No. 27* and Governmental Accounting Standards Board Statement No. 71 (GASB 71), *Pension Transition for Contributions Made Subsequent to the Measurement Date*

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:

- No matters are reportable

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:

- Adoption of GASB 68, that is effective for the year ended June 30, 2015

Members of the Legislative Audit Committee:

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 Written Communications

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

- Management representation letter
- Management letter – to be issued in conjunction with Colorado Department of Transportation management letter

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This information is intended solely for the use of the Legislative Audit Committee, the Office of the State Auditor, Board of Directors, and management of HPTE and is not intended to be, and should not be, used by anyone other than these specified parties.

BKD, LLP

Denver, Colorado
January 21, 2016