COLORADO HIGH PERFORMANCE TRANSPORTATION ENTERPRISE

COLORADO HPTE
PARTNER. INNOVATE. ACCELERATE.

Annual Financial Statements
Fiscal Year 2012

DOT
DEPARTMENT OF TRANSPORTATION

LEGISLATIVE AUDIT COMMITTEE
2012 MEMBERS

Representative Cindy Acree
Chair

Representative Angela Williams
Vice-Chair

Senator Lucia Guzman
Representative James Kerr
Senator Steve King
Senator Scott Renfroe
Representative Su Ryden
Senator Lois Tochtrop

OFFICE OF THE STATE AUDITOR

Dianne E. Ray
State Auditor

Kerri Hunter
Deputy State Auditor

Jonathan Caldwell
Legislative Auditor

CliftonLarsonAllen LLP
Contract Auditors

CliftonLarsonAllen LLP
www.cliftonlarsonallen.com

Members of the Legislative Audit Committee:

We have completed the financial statement audit of the Colorado Department of Transportation's High Performance Transportation Enterprise as of and for the year ended June 30, 2012. 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 audit pursuant to Section 2-3-103, C.R.S., which authorizes the State Auditor to audit the High Performance Transportation Enterprise. The audit is required in order to meet the requirements of financing sources. The reports we have issued as a result of this engagement are set forth in the table of contents which follows.

CliftonLarsonAllen LLP

Greenwood Village, Colorado
December 14, 2012

Colorado High Performance Transportation Enterprise
Financial Statements
June 30, 2012 and 2011

Table of Contents

	Page
Report Summary	1
Background	3
Independent Auditor's Report	4
Management's Discussion and Analysis	6
Basic Financial Statements	
Statements of Net Assets	16
Statements of Revenues, Expenses and Changes in Net Assets	17
Statements of Cash Flows	18
Notes to Financial Statements	19
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on the Audit of Financial Statements Performed in Accordance with Government Auditing Standards	32
Independent Auditor's Required Communication to Legislative Audit Committee	34
Audit Report Distribution Information	36

COLORADO HIGH PERFORMANCE TRANSPORTATION ENTERPRISE
REPORT SUMMARY
Years Ended June 30, 2012 and 2011

Purposes and Scope of Audit

Authority, Purpose and Scope

The Office of the State Auditor, State of Colorado, engaged CliftonLarsonAllen LLP to conduct the financial audit of the Colorado High Performance Transportation Enterprise for the fiscal year ended June 30, 2012. The audit of the Colorado High Performance Transportation Enterprise (the Enterprise) was performed under authority of Section 2-3-103, C.R.S., which authorizes the State Auditor to conduct an annual audit of the Enterprise Funds. The purpose of the audit was to express opinions on the financial statements of the Enterprise for the year ended June 30, 2012.

CliftonLarsonAllen LLP conducted the audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* issued by the Comptroller General of the United States of America.

The purposes and scope of this audit were:

- To express opinions on the financial statements of the Enterprise as of and for the year ended June 30, 2012, including a review of the related systems of internal controls as required by auditing standards generally accepted in the United States of America.

- To review the Enterprise's compliance with rules and regulations governing the expenditure of State funds for the year ended June 30, 2012.

Summary of Major Audit Comments

Audit Findings and Financial Statement Audit Report Section

The audit resulted in no auditor's findings and recommendations.

COLORADO HIGH PERFORMANCE TRANSPORTATION ENTERPRISE
REPORT SUMMARY
Years Ended June 30, 2012 and 2011

Audit Opinions and Reports

The independent auditor's reports, included herein, state that the financial statements of the Enterprise are fairly stated, in all material respects, in accordance with accounting principles generally accepted in the United States of America, and that no material weaknesses in internal controls were discovered during the course of the 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 34.

Summary of Progress in Implementing Prior Year Audit Recommendations

There were no prior year audit recommendations.

COLORADO HIGH PERFORMANCE TRANSPORTATION ENTERPRISE
BACKGROUND
Years Ended June 30, 2012 and 2011

On March 2, 2009, 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 the fiscal year were assumed by the new 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 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 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 currently come primarily from the I-25 Express Lanes tolls. Under an intergovernmental agreement with Regional Transportation District (RTD), revenues generated from these tolls cannot be used for purposes other than the operation and maintenance of the I-25 Express Lanes and the US 36 corridor. The 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 moneys provided by the Transportation Commission from the State Highway fund. These moneys 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 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.

Independent Auditor's Report

Members of the Legislative Audit Committee

We have audited the accompanying financial statements of the business-type activities and each major fund of the Colorado High Performance Transportation Enterprise, an enterprise fund of the State of Colorado, Department of Transportation, as of and for the years ended June 30, 2012 and 2011 which collectively comprise the Colorado High Performance Transportation Enterprise's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Colorado High Performance Transportation Enterprise's management. 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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinions.

As discussed in Note 1, the basic financial statements of the Colorado High Performance Enterprise are intended to present the financial position, results of operations and cash flows for only that portion of the financial reporting entity, the State of Colorado, Department of Transportation, that is attributable to the transactions of the Colorado High Performance Transportation 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, 2012 and 2011, and the changes in its financial position and its cash flows, for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Colorado High Performance Transportation Enterprise as of June 30, 2012 and 2011, and its changes in financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2012 on our consideration of the Colorado High Performance Transportation Enterprise's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is 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* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 6 through 15 be presented to supplement the basic financial statements, such information although not a part of the basic financial statements is required by the Governmental Accounting Standards Board, who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. However, we did not audit the information and express no opinion on it.

CliftonLarsonAllen LLP

Greenwood Village, Colorado
December 14, 2012

Colorado High Performance Transportation Enterprise
Management's Discussion and Analysis
For the Fiscal Years June 30, 2012 and 2011

Management's Discussion and Analysis (MD&A) was prepared by the Colorado High Performance Transportation Enterprise (HPTE) and is designed to provide an analysis of the Enterprise's financial condition and operating results for the fiscal years ended June 30, 2012 and 2011. 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, 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 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. Enterprise staff manages the tolling functions formerly administered by the CTE.

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.

The Enterprise, in partnership with CDOT, applied for and was awarded, in September 2011, a $54 million Transportation Infrastructure Finance Innovation Act (TIFIA) loan by the United States Department of Transportation for a portion of a managed lanes and bus rapid transit project on Colorado US 36. The loan is secured by toll revenues. Proceeds of the loan will be disbursed solely to pay directly for eligible project costs. When drawn upon, interest will accrue at 3.58% per annum. The US 36 project continues to serve as a national model for regional collaboration to implement major corridor projects.

Colorado High Performance Transportation Enterprise
Management's Discussion and Analysis
For the Fiscal Years June 30, 2012 and 2011

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 currently come primarily from the I-25 Express Lanes tolls. Under an intergovernmental agreement with Regional Transportation District (RTD), revenues generated from these tolls cannot be used for purposes other than the operation and maintenance of the I-25 Express Lanes and the US 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 moneys provided by the Transportation Commission from the State Highway Fund. These moneys 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 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

With the awarding of the TIFIA loan, the Enterprise began Phase 1 of the US 36 Managed Lanes/ Bus Rapid Transit Project. 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 US36 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.

Phase II of the project is currently in the procurement stage with the intent to award it to a concessionaire under a 50 year concession agreement. The concession agreement is envisioned to also transfer the operation and revenues from the current I-25 HOT lanes and the phase I project to the concessionaire's control. In April 2012, the USDOT announced its willingness to enter into negotiations with the HPTE to provide an additional TIFIA loan of up to $60 million for the phase II project.

Another near term project of the HPTE is the extension of the I-25 HOT lanes north on I-25 to 120th Avenue. This project was awarded a $15 million TIGER Grant by USDOT in June 2012. Construction of this interim managed lane/BRT project is scheduled to commence in August 2013.

Other potential projects include improvements to Colorado C-470.

The Enterprise 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.

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/Bus Rapid Transit lane on US 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 US 36 stakeholders, CDOT, Colorado Bridge Enterprise (CBE), RTD and the Denver Regional Council of Governments (DRCOG), to secure financing. Funding was approved and available in September of 2011.

Using This Annual Report

This annual report consists of a series of financial statements.

The statements of net assets includes the assets, liabilities, and net assets provides information about the Enterprise's assets and liabilities and reflects the financial position of the Enterprise as of June 30, 2012 and 2011. Over time, increases or decreases in the net assets 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 assets presents the revenues earned and expenses incurred for the years ended June 30, 2012 and 2011. 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, 2012 and 2011.

Net Asset Analysis:

Condensed Statements of Net Assets
(In Thousands)

	Transportation Special Fund			Operating Fund		
As of June 30	2012	2011	2010 (unaudited)	2012	2011	2010 (unaudited)
Assets						
Current assets	$6,839.8	$5,012.4	$4,415.6	$680.5	$1,175.8	$ 1,852.0
Non-current assets	5,375.3	0	0	0	0	0
Total Assets	12,215.1	5,012.4	4,415.6	680.5	1,175.8	1,852.0
Liabilities						
Current liabilities	944.2	141.5	79.9	405.7	232.4	58.7
Non-current liabilities	0	0	0	1032.2	18.9	0
Total Liabilities	944.2	141.5	79.9	1,437.9	251.3	58.7
Net Assets (Deficit)						
Invested in capital assets, net of related debt	4,765.0	0	0	0	0	0
Unrestricted	6,505.9	4,870.9	4,335.7	(757.4)	924.5	1,793.3
Total Net Assets (Deficit)	$11,270.9	$ 4,870.9	$ 4,335.7	$ (757.4)	$ 924.5	$1,793.3

Analysis for FY2011-12:

Transportation Special Fund

Assets

The Transportation Special Fund total assets increased by $7.3 million.

- Current Assets

Current assets increased by $1.8 million due primarily to tolling revenues exceeding vendor payments.

- Non-current Assets

Non-current assets were recorded for the first time. Long term investments totaling $610,317 were recorded based on the requirements of the TIFIA loan received by the Enterprise. The loan required that $604,614 be transferred to a project operation and maintenance account. These moneys are being held by the Enterprise's trustee, Zions Bank, and are invested with the Colorado State Treasury. As of June 30, 2012, $5,703 in interest earnings was added to the account.

In addition, new capital assets consisting of right of way areas purchased in anticipation of US 36 construction were recorded in the amount of $4.7 million

Liabilities
Liabilities increased by $802,771 due to an increase in the accrual of payments to vendors.

Net Assets
The effect of these changes was an increase in net assets for the special fund of $6.4 million.

Operating Fund

Assets
The Operating fund total assets decreased by $495,243 from FY 2010-11 to FY 2011-12 due to increased expenditures related to program development; in particular, the expenditures increased due to program development costs associated with the US36 Phase II effort.

Liabilities
Total liabilities increased by $1.2 million.

- Current liabilities

Current liabilities increased by $173,346 because of additional accruals for vendor payments.

- Non-current liabilities

Non-current liabilities increased by $1,013,303 due primarily to a $1,000,000 operating loan from the Transportation Commission plus accrued interest of $19,055 offset by a $5,752 decrease in accruals for compensation payable. The HPTE will repay the Transportation Commission from moneys in its 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 Assets

The effect of these changes was a decrease in net assets of the operating fund of $1.7 million from the previous fiscal year.

Analysis for FY 2010-2011:

Transportation Special Fund

- ***Assets***

The Transportation Special Fund assets increased by $596,731 from FY 2009-10 to FY 2010-11. This increase is due primarily to tolling revenues exceeding vendor payments including a final reimbursement to CDOT for Enterprise and CTE start-up funds received in prior years.

- ***Liabilities***

Liabilities increased by $61,524 due to accrual of payments to vendors.

- ***Net Assets***

The effect of these changes was an increase in net assets for the special fund of $535,208.

Operating Fund

- ***Assets***

Operating fund assets decreased by $676,253 from FY 2009-10 to FY 2010-11 with payments for operating costs of the enterprise offset by federal receivables.

- ***Liabilities***

Liabilities increased by $192,580 due to accruals for compensation payable in the amount of $45,941 as well as payments due to vendors at year end.

- ***Net Assets***

The effect of these changes was a decrease in net assets of the operating fund of $868,833

(The remainder of this page is intentionally left blank)

Revenue and Expense Analysis

Condensed Schedule of Revenues, Expenses and Changes in Net Assets
For the Fiscal Years Ended June 30, 2012 and 2011
(In Thousands)

	Transportation Special Fund			Operating Fund		
For Year Ended June 30	**2012**	**2011**	**2010 (unaudited)**	**2012**	**2011**	**2010 (unaudited)**
Operating Revenues						
Charges for tolls and services	$ 3,479.0	$ 2,469.8	$2,436.7	$454.6	$ 33.8	$ 11.3
Federal grants	3,900.0	0	0	24.6	875.4	0
Total operating revenues	**7,379.0**	**2,469.8**	**2,436.7**	**479.2**	**909.2**	**11.3**
Operating expenses						
Salaries and benefits	3.7	17.8	91.4	371.7	225.9	78.1
Operating and travel	333.5	176.0	107.4	74.0	105.7	9.0
Professional services	723.3	903.9	1,034.0	1,694.9	1,458.4	104.7
Total operating expenses	**1,060.5**	**1,097.7**	**1,232.8**	**2,140.6**	**1,790.0**	**191.8**
Operating Income/(Loss)	**6,318.5**	**1,372.1**	**1,203.9**	**(1,661.4)**	**(880.8)**	**(180.5)**
Non-operating revenues/(expenses)						
Investment Income	86.9	68.6	181.8	(1.4)	11.9	82.2
Other non-operating expenses	(5.4)	0	0	(19.1)	0	0
Total non-operating rev/(exp)	**81.5**	**68.6**	**181.8**	**(20.5)**	**11.9**	**82.2**
Income before interagency transfers	6,400.0	1,440.7	1,385.7	(1,681.9)	(868.8)	(98.3)
Interagency transfer	0	(905.5)	(301.8)	0	0	0
Change in Net Assets	**6,400.0**	**$ 535.2**	**1,083.9**	**(1,681.9)**	**(868.8)**	**(98.3)**
Net assets, Beginning of the year	4,870.9	4,335.7	3,251.8	924.5	1,793.3	1,891.6
Net assets (deficit), End of the year	**$ 11,270.9**	**$ 4,870.9**	**$4,335.7**	**$ (757.4)**	**$ 924.5**	**$1,793.3**

Variances for 2012 and 2011:

Transportation Special Fund

- **Revenues**

Total revenues increased by $4.9 million. This includes the receipt of federal revenues totaling $3.9 million for acquisition of right of way land along US 36. Additionally, tolling revenues increased by $992,484 over the previous year while fines from tolling lanes increased by $16,745. Tolling revenues have increased with the steady growth of managed lane usage.

Net non-operating revenues and expenses increased by $12,948 due to an increase in interest income earned on cash on deposit at the State Treasury offset by annual fees paid to Zions Bank acting as trustee for the TIFIA loan proceeds.

- **Expenses**

Total operating expenses decreased in FY 2011-12 by $37,154 due to lower costs for professional services of $180,612 offset by an increase in operating and travel of $157,540.

- **Net Assets**

The outcome of these changes was an increase in net assets of $6.4 million in FY 2011-12.

Operating Fund

- **Revenues**

Total revenues decreased by $430,023. While charges for services increased, the Operating fund did not receive new federal funds in FY 2011-12.

- **Expenses**

Total operating costs increased by $350,651. This included an increase in Enterprise staff costs as well as increased professional consultant fees.

Net non-operating revenue and expenses decreased by $32,385. Investment income decreased with less interest earnings and with a net decrease in the fund's share of unrealized gain in market value of the State Treasurer's pooled funds. In addition, $19,055 was accrued as interest payable on the loan from the Transportation Commission.

- **Net Assets**

The outcome of these changes was a decrease in net assets of $1.7 million in FY 2011-12.

Variances for 2011 and 2010:

Transportation Special Fund

- ***Revenues***

Tolling revenues increased by $199,530 over the previous year while fines from tolling lanes decreased by $166,433. The decrease in fine revenue is due to a change in procedures for toll collections. Interest income earned on cash on deposit at the State Treasury decreased with lower interest rates.

- ***Expenses/Interagency Transfers***

Operating costs decreased in FY 2010-11 by $135,151 primarily because payments for professional services and salaries were less in FY 2010-11.

CDOT had previously advanced the Enterprise's predecessor, the CTE, amounts used for start-up costs. When the Enterprise was created in statute, the remaining available funds were transferred to the operating fund of the Enterprise. The Enterprise Board designated specific amounts to be used by the two separate funds within the Enterprise. In 2011, the Enterprise Board chose to repay, from tolling revenues, $905,464, which was the entire amount designated to the Transportation Special Fund.

Operating Fund

- ***Revenues***

The Operating fund received some revenues from Colorado Bridge Enterprise for services that Enterprise staff provides. In addition, the fund received a portion of the Federal TIGER grant in FY 2010-11 as previously discussed. The amount received during the year ended June 30th, was $875,400. Other nominal revenues come from interest earnings of cash on deposit with the State Treasury. The moneys on deposit come from the monies advanced by the Transportation Commission to the CTE for its initial startup costs. These proceeds continue to be drawn upon for general operations of the Enterprise that do not involve the operations of the I-25 Express Lanes.

- ***Expenses***

Operating costs increased by $1.6 million with the hiring of consultants associated with the TIGER grant process. Costs also increased as the director and staff needed to administer the Enterprise were added.

Capital Assets and Debt Administration

(In Thousands)

As of June 30	2012	2011	2010 (Unaudited)
Capital assets not being depreciated	$4,765.0	0	0

In fiscal year 2011-2012, capital assets increased by $4.7 million due to the purchase of right-of-ways for new construction projects.

Debt Outstanding
The long-term portion of the debt was $1 million in FY2011-12. Principal payments will be made when sufficient revenue becomes available to repay the principal and interest of the loan.

Future Funding Award
On June 19, 2012, the Enterprise received advance notice of a $15 million Transportation Investment Generating Economic Recovery (TIGER) grant. Funds are to be used for resurfacing a six mile portion of I-25 north of Denver and extend managed toll lanes.

Financial Contact
If you have questions about this report please contact:
High Performance Transportation Enterprise
4201 E Arkansas Ave
Denver, CO 80222
Attn: Kay Hruska

Colorado High Performance Transportation Enterprise
Statements of Net Assets
June 30, 2012 and 2011

	June 30, 2012			June 30, 2011		
	Transportation Special Fund	Operating	Total	Transportation Special Fund	Operating	Total
ASSETS						
Current assets:						
Cash and pooled cash investments	$ 5,940,475	$ 238,238	$ 6,178,713	$ 5,001,161	$ 1,107,233	$ 6,108,394
Receivables, net	899,311	441,181	1,340,492	11,193	3,236	14,429
Intergovernmental receivables	0	0	0	0	65,276	65,276
Prepaid items	0	1,083	1,083	0	0	0
Total current assets	6,839,786	680,502	7,520,288	**5,012,354**	**1,175,745**	6,188,099
Noncurrent assets:						
Other long-term investments	610,317	0	610,317	0	0	0
Capital assets - nondepreciable	4,765,025	0	4,765,025	0	0	0
Total noncurrent assets	5,375,342	0	5,375,342	**0**	**0**	0
Total assets	**12,215,128**	**680,502**	**12,895,630**	**5,012,354**	**1,175,745**	**6,188,099**
LIABILITIES						
Current liabilities:						
Accounts payable and accrued liabilities	944,226	405,732	1,349,958	141,455	232,386	373,841
Total current liabilities	944,226	405,732	1,349,958	141,455	232,386	**373,841**
NET ASSETS (DEFICIT), END OF THE YEAR						
Due to other funds	0	1,000,000	1,000,000	0	0	0
Accrued interest	0	19,055	19,055	0	0	0
Compensated absences	0	13,135	13,135	0	18,887	18,887
Total noncurrent liabilities	0	1,032,190	1,032,190	0	18,887	18,887
Total liabilities	**944,226**	**1,437,922**	**2,382,148**	**141,455**	**251,273**	**392,728**
NET ASSETS (DEFICIT)						
Restricted for:						
Invested in capital assets, net of related debt	4,765,025	0	4,765,025	0	0	0
Unrestricted	6,505,877	(757,420)	5,748,457	4,870,899	924,472	5,795,371
Total net assets (deficit)	**$ 11,270,902**	**$ (757,420)**	**$ 10,513,482**	**$ 4,870,899**	**$ 924,472**	**$ 5,795,371**

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

Colorado High Performance Transportation Enterprise
Statements of Revenues, Expenses, and Changes in Net Assets
For the Years Ended June 30, 2012 and June 30, 2011

	June 30, 2012			June 30, 2011		
	Transportation Special Fund	Operating	Total	Transportation Special Fund	Operating	Total
OPERATING REVENUES						
Charges for tolls and services	$ 3,443,492	$ 454,577	$ 3,898,069	$ 2,451,008	$ 33,818	$ 2,484,826
Federal grants and contracts	3,900,000	24,609	3,924,609	0	875,391	875,391
Other operating revenues	35,520	0	35,520	18,775	0	18,775
Total operating revenues	**7,379,012**	**479,186**	**7,858,198**	**2,469,783**	**909,209**	**3,378,992**
OPERATING EXPENSES						
Salaries and benefits	3,690	371,715	375,405	17,772	225,879	243,651
Operating and travel	333,503	74,030	407,533	175,963	105,694	281,657
Professional services	723,320	1,694,896	2,418,216	903,932	1,458,417	2,362,349
Total operating expenses	**1,060,513**	**2,140,641**	**3,201,154**	**1,097,667**	**1,789,990**	**2,887,657**
Operating income/(loss)	**6,318,499**	**(1,661,455)**	**4,657,044**	**1,372,116**	**(880,781)**	**491,335**
NONOPERATING REVENUES/(EXPENSES)						
Investment income, net	86,919	(1,382)	85,537	**68,556**	**11,948**	80,504
Other nonoperating (expenses)	(5,415)	(19,055)	(24,470)		0	0
Net nonoperating revenues/(expenses)	**81,504**	**(20,437)**	**61,067**	**68,556**	**11,948**	**80,504**
Income before interagency transfers	**6,400,003**	**(1,681,892)**	**4,718,111**	**1,440,672**	**(868,833)**	**571,839**
INTERAGENCY TRANSFERS	0	0	0	(905,464)	0	(905,464)
CHANGE IN NET ASSETS	**6,400,003**	**(1,681,892)**	**4,718,111**	**535,208**	**(868,833)**	**(333,625)**
NET ASSETS, BEGINNING OF THE YEAR	4,870,899	924,472	5,795,371	4,335,691	1,793,305	6,128,996
NET ASSETS (DEFICIT), END OF THE YEAR	**$ 11,270,902**	**$ (757,420)**	**$ 10,513,482**	**$ 4,870,899**	**$ 924,472**	**$ 5,795,371**

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

Colorado High Performance Transportation Enterprise
Statements of Cash Flows
For the Years Ended June 30, 2012 and 2011

	June 30, 2012			June 30, 2011		
	Transportation Special Fund	Operating	Total	Transportation Special Fund	Operating	Total
CASH FLOWS FROM OPERATING ACTIVITIES						
Cash received from users and grants	$ 6,490,894	$ 106,517	$ 6,597,411	$ 2,480,751	$ 843,069	$ 3,323,820
Cash payments for salaries and benefits	(4,365)	(370,842)	(375,207)	(18,464)	(185,060)	(203,524)
Cash payments to suppliers for goods and services	(253,377)	(1,584,233)	(1,837,610)	(1,017,679)	(1,412,350)	(2,430,029)
Net cash provided/(used) by operating activities	**6,233,152**	**(1,848,558)**	**4,384,594**	**1,444,608**	**(754,341)**	**690,267**
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Interagency transfers	0	1,000,000	1,000,000	(905,464)	0	(905,464)
Net cash provided (used) by noncapital financing activities	**0**	**1,000,000**	**1,000,000**	**(905,464)**	**0**	**(905,464)**
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Acquisition and construction of capital assets	(4,765,025)	0	(4,765,025)	0	0	0
Net cash (used) by capital and related financing activities	**(4,765,025)**	**0**	**(4,765,025)**	**0**	**0**	**0**
CASH FLOWS FROM INVESTING ACTIVITIES						
Investment income	86,919	(1,382)	85,537	68,556	11,948	80,504
Purchase of investments and related fees	(615,732)	(19,055)	(634,787)	0	0	0
Net cash provided/(used) by investing activities	**(528,813)**	**(20,437)**	**(549,250)**	**68,556**	**11,948**	**80,504**
Net increase (decrease) in cash and cash equivalents	939,314	(868,995)	70,319	607,700	(742,393)	(134,693)
Cash and cash equivalents, beginning of year	5,001,161	1,107,233	6,108,394	4,393,461	1,849,626	6,243,087
Cash and cash equivalents, end of year	**5,940,475**	**238,238**	**6,178,713**	**5,001,161**	**1,107,233**	**6,108,394**
Reconciliation of operating gain/loss to net cash provided/(used) by operating activities:						
Operating income/loss	6,318,499	(1,661,455)	4,657,044	1,372,116	(880,781)	491,335
Adjustments to reconcile operating income/loss to net cash provided/(used) by operating activities:						
Changes in assets and liabilities:						
Receivables, net	(888,118)	(372,669)	(1,260,787)	10,968	(864)	10,104
Prepaid items	0	(1,083)	(1,083)	0	0	0
Intergovernmental receivables	0	0	0	0	(65,276)	(65,276)
Accounts payable and accrued liabilities	802,771	186,649	989,420	61,524	192,580	254,104
Net cash provided/(used) by operating activities	**$ 6,233,152**	**$ (1,848,558)**	**$ 4,384,594**	**$ 1,444,608**	**$ (754,341)**	**$ 690,267**

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

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

Nature of Operations

The High Performance Transportation Enterprise (Enterprise) 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 moneys 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 US 36 corridor.

The Fund also received amounts advanced from the Transportation Commission for startup costs 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 HPTE 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), Financial Accounting Standards Board (FASB), and other applicable guidelines or pronouncements. 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 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, 2012, or the results of operations, or cash flows where applicable, for the year 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 and liabilities 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.

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 and amounts due to other funds.

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.

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. 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

Net Assets

The net assets of the Enterprise are classified as both restricted and unrestricted.

Restricted net assets

Restricted net assets represent capital assets net of related debt.

Unrestricted net assets

Unrestricted net assets represent resources derived from services provided to borrowers, lenders, and collection activities. 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 non-operating. Operating revenues and expenses generally result from providing services or incurring expenses in connection with the Enterprise's principal activities. Non-operating 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 FASB Statements

As an enterprise fund, the Enterprise operates as a business-type activity. It follows all current GASB pronouncements as well as all FASB Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins issued on or before November 30, 1989 except those that conflict with a GASB pronouncement.

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. Moneys deposited in the Treasury are invested until the cash is needed.

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 State Treasurer's Pool (Pool), the Enterprise reports an increase or decrease in cash for its share of the Treasurer's unrealized gains and losses on the Pool's underlying investments. The State Treasurer does not invest any of the Pool's resources in any external investment pool, and there is no assignment of income related to participation in the Pool. The unrealized gains/losses included in income reflect only the change in fair value for the fiscal year. Additional information on the Treasurer's pool may be obtained in the State of Colorado's Comprehensive Annual Financial Report.

As of June 30, 2012, cash balances were:

	Transportation Special Fund	Operating Fund	Total
Cash on Deposit with State Treasurer	$ 5,859,231	$ 233,666	$ 6,092,897
State Treasurer pooled cash investments – unrealized gain	81,244	4,572	85,816
Total	$ 5,940,475	$ 238,238	$ 6,178,713

The combined total of $6.2 million represents less than .1 percent of the total $6.5 billion fair value of deposits in the State Treasurer's Pool.

As of June 30, 2011, cash balances were:

	Transportation Special Fund	Operating Fund	Total
Cash on Deposit with State Treasurer	$ 4,926,126	$ 1,088,313	$6,014,439
State Treasurer pooled cash investments – unrealized gain	75,035	18,920	93,955
Total	$ 5,001,161	$ 1,107,233	$ 6,108,394

The combined total of $6.1 million represents less than .1 percent of the total $6.1 billion fair value of deposits in the State Treasurer's Pool.

NOTE 3 – LONG TERM INVESTMENTS

The Enterprise has recorded long-term investments as of June 30, 2012 in the amount of $610,317. 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 required that $604,614 be transferred to a project operation and maintenance account. These moneys 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. As of June 30, 2012, $5,703 in interest earnings was added to the account.

Investments in the State 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, 2012, 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, 2012, approximately 89.0 percent of investments of the State Treasurer's Pool are subject to credit quality risk reporting. Except for $12,085,710 of corporate bonds rated lower medium, these investments are rated from upper medium to the highest quality, which indicates that the issuer has strong capacity to pay the 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, 2012, the weighted average maturity of investments in the Treasurer's Pool is 0.090 years for Commercial Paper (2.1 percent of the Pool), 0.803 years for U.S. Government Securities (75.2 percent of the Pool), 2.379 years for Asset Backed Securities (6.6 percent of the Pool), and 3.252 years for Corporate Bonds (16.1 percent of the Pool).

The State Treasurer's Pool was not subject to foreign currency risk or concentration of credit risk in Fiscal Year 2011-12.

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, 2012.

NOTE 4 – ACCOUNTS RECEIVABLE

The Enterprise records a receivable for tolling revenues earned at year end and expected to be received in the following month. The amount is calculated by the State Department of Revenue based on historical collections.

The Enterprise expects to receive matching funds from local governments remitted for approved projects, i.e. US36 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 for services provided.

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

	2012	2011
Tolling revenues receivable	$32,917	0
Local government receivable	865,024	0
CDOT receivable	441,181	0
Other receivable	1,370	65,276
Total accounts receivable	**$1,340,492**	**$65,276**

NOTE 5 – ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Current liabilities include amounts payable to contractors and vendors as well as an amount recorded for accrued wages. Under C.R.S. 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:

	2012	2011
Vendors payable	$450,655	$345,511
Contractors payable	865,024	0
Salaries and wages payable	34,279	28,330
Total current accounts payable	**$1,349,958**	**$373,841**

NOTE 6 – LONG TERM LIABILITIES

Non-current liabilities have been recorded for a $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 loan bears an interest rate of 3.25% on the unpaid balance, compounded annually. As of June 30, 2012, $19,055 in accrued interest on this loan was recorded.

Other long term liabilities include compensated absences in the amount of $13,135. The estimated changes in the cost of compensated absences for vested employees for FY 2012 and for FY 2011 are as follows:

	Balance June 30, 2011	Increase	Decrease	Balance June 30, 2012
Annual Leave	$16,634	$0	($6,463)	$10,171
Sick Leave	2,253	711	0	2,964
Total liability	**$18,887**	**$711**	**($6,463)**	**$13,135**

	Balance June 30, 2010	Increase	Decrease	Balance June 30, 2011
Annual Leave	$0	$17,880	($1,246)	$16,634
Sick Leave	0	4,721	(2,468)	2,253
Total liability	**$0**	**$22,601**	**($3,714)**	**$18,887**

NOTE 7 – CAPITAL ASSETS

The Enterprise has recorded non-depreciable capital assets totaling $4,765,025 in FY 2011-12. These assets consist of purchased right-of-way properties in anticipation of the reconstruction of US 36. No capital assets had been previously recorded.

NOTE 8 – COMMITMENTS

The Enterprise had recorded commitments at the end of FY 2011-12 for maintenance, courtesy patrol, and toll collections in the amount of $440,043 for the Transportation Special Fund and for consulting services relating to managed lanes in the amount of $503,807 for the Operating Fund.

NOTE 9 – PENSION PLANS

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 PO 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 58 with 30 years of service, or age 65 with 5 years of service.

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 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 on or after January 1, 2007 – age 55 with a minimum of 5 years of service credit and age plus years of service equals 85 or more.
- 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 C.R.S. 24-51-101(42), to an individual account in the plan. Effective July 1, 2011 Senate Bill 11-076 extended the requirement for members in the State and Judicial Divisions to pay 2.5 percent additional member contributions through June 30, 2012. Employer contributions for members in these two divisions will be reduced by 2.5 percent.

From July 1, 2011, to December 31, 2011, the State contributed 12.25 percent (14.95 percent for state troopers and 14.86 percent for the Judicial Branch) of the employee's salary. From January 1, 2012, through June 30, 2012, the state contributed 13.15 percent (15.85 percent for state troopers and 14.86 percent for the Judicial Branch). During all of Fiscal Year 2011-12, 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, 2011, the division of PERA in which the State participates has a funded ratio of 57.7 percent and a 56 year amortization period based on current contribution rates. The funded ratio on the market value of assets is slightly lower at 57.6 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 ending June 30, 2012, 2011, and 2010 were $35,030, $20,227and $15,843, respectively. These contributions met the contribution requirement for each year.

NOTE 10 – OTHER RETIREMENT PLANS

Defined Contribution Plan

The PERA Defined Contribution Retirement Plan was established January 1, 2006, as an alternative to the defined benefit plan. All employees, with the exception of certain higher education employees, have the option of participating in the plan. At July 1, 2009, the State's administrative functions for the defined contribution plan were transferred to PERA. New member contributions to the plan vest from 50 percent to 100 percent evenly over 5 years. Participants in the plan are required to contribute 8 percent (10 percent for state troopers) of their salary. For Fiscal Years 2009-10 and 2010-11 the legislature temporarily increased the required contribution rate to 10.5 percent (12.5 percent for State Troopers). At December 31, 2011, the plan had 4,029 participants.

Deferred Compensation Plan

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 2010, participants were allowed to make contributions of up to 100 percent of their annual gross salary (reduced by their 8 percent PERA contribution with a temporarily increase to 10.5 percent for Fiscal Years 2010-11 and 2011-12) to a maximum of $16,500. Participants who are age 50 and older, and contributing the maximum amount allowable, were allowed to make an additional $5,500 contribution in 2010, for total contributions of $22,000. Contributions and earnings are tax deferred. At December 31, 2011, the plan had 17,821 participants.

NOTE 11. VOLUNTARY TAX-DEFERRED RETIREMENT PLANS

PERA offers a voluntary 401k plan entirely separate from the defined benefit pension plan. The State offers a 457 deferred compensation plan and certain agencies and institutions of the State offer 403(b) or 401(a) plans.

NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS AND LIFE INSURANCE

Health Care Plan

The PERA Health Care Program began covering benefit recipients and qualified dependents on July 1, 1986. This benefit was developed after legislation in 1985 established the Program and the Health Care Fund; the program was converted to a trust fund in 1999. The plan is a cost-sharing multiple-employer plan under which PERA subsidizes a portion of the monthly premium for health care coverage. The benefits and employer contributions are established in statute and may be amended by the General Assembly. PERA includes the Health Care Trust Fund in its Comprehensive Annual Financial Report, which may be obtained by writing PERA at PO Box 5800, Denver, Colorado 80217, by calling PERA at 1-800-759-PERA (7372), or by visiting http://www.copera.org.

After the PERA subsidy, the benefit recipient pays the balance of the premium through an automatic deduction from the monthly retirement benefit. Monthly premium costs for participants depend on the health care plan selected, the PERA subsidy amount, Medicare eligibility, and the number of persons covered. Effective July 1, 2000, the maximum monthly subsidy is $230 per month for benefit recipients who are under 65 years of age and who are not entitled to Medicare and $115 per month for benefit recipients who are 65 years of age or older or who are under 65 years of age and entitled to Medicare. The maximum subsidy is based on the recipient having 20 years of service credit, and is subject to reduction by 5 percent for each year less than 20 years.

Employees are not required to contribute to the Health Care Trust Fund, which is maintained by employer's contributions as discussed above in Note 7. Beginning July 1, 2004, state agencies/institutions are required to contribute 1.02 percent of gross covered wages to the Health Care Trust Fund. The Enterprise contributed $3,050, $1,883, $1,630 as required by statute in Fiscal Years 2011-12, 2010-11, and 2009-10, respectively. In each year the amount contributed was 100 percent of the required contribution.

The Health Care Trust Fund offers two general types of plans: fully-insured plans offered through health care organizations and self-insured plans administered for PERA by third party vendors. As of December 31, 2011, there were 50,217 enrolled participants, including spouses and dependents, from all contributors to the plan. At December 31, 2011, the Health Care Trust Fund had an unfunded actuarial accrued liability of $1.43 billion, a funded ratio of 16.5 percent, and a 49-year amortization period.

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. The Enterprise 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 two years.

NOTE 14 – FUTURE FUNDING AWARD

On June 19, 2012, the Enterprise received advance notice of a $15 million Transportation Investment Generating Economic Recovery (TIGER) grant. Funds are to be used for resurfacing a six mile portion of I-25 north of Denver and extend managed toll lanes.

NOTE 15 – TAX, SPENDING AND DEBT LIMITATIONS

Colorado voters passed an amendment to the State Constitution, Article X, Section 20, 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% of their annual revenue in grants from all state and local governments combined. The Colorado High Performance Transportation Enterprise qualifies as an Enterprise pursuant to C.R.S 43-4-806.

CliftonLarsonAllen

CliftonLarsonAllen LLP
www.cliftonlarsonallen.com

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

Members of the Legislative Audit Committee:

We have audited the accompanying 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 as of and for the years ended June 30, 2012 and 2011, which collectively comprise the Enterprise's basic financial statements and have issued our report thereon dated December 14, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the Enterprise is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Enterprise's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Enterprise's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Enterprise's internal control over financial reporting.

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 misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses as defined above.

Compliance and Other Matters

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.*

This report is intended solely for the information and use of the State of Colorado Legislative Audit Committee, the Enterprise's Board, and management and is not intended to be and should not be used by anyone other than these specified parties.

CliftonLarsonAllen LLP

Greenwood Village, Colorado
December 14, 2012

CliftonLarsonAllen

CliftonLarsonAllen LLP
www.cliftonlarsonallen.com

Independent Auditor's
Required Communications to the Legislative Audit Committee

December 14, 2012

Members of the Legislative Audit Committee:

This letter is to provide you with information about significant matters related to our audit of the financial statements of the Colorado High Performance Transportation Enterprise for the year ended June 30, 2012.

The following are our observations arising from the audit that are relevant to management's responsibilities in overseeing the financial reporting process.

Auditor's Responsibilities under Generally Accepted Auditing Standards. Our audit was performed for the purpose of forming and expressing opinions about whether the financial statements, that have been prepared by management, are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit does not relieve management of its responsibilities.

Other Information in Documents Containing Audited Financial Statements. In connection with the Colorado High Performance Transportation Enterprise's financial statements, we did not perform any procedures or corroborate other information included in the report. However, we read management's discussion and analysis of financial conditions and results of operations and considered whether the information or the manner in which it was presented was materially inconsistent with information or the manner of presentation of the financial statements. Based on our reading, we concluded that the information did not require revision.

Significant Issues Discussed with Management Prior to Retention. We discuss various matters with management prior to retention as the Colorado High Performance Transportation Enterprise's auditors. These discussions occur in the normal course of our professional relationship. There were no significant issues, including the application of accounting principles and auditing standards, which were discussed with management prior to our retention as auditors.

Consultations with Other Accountants. We were informed by management that they made no consultations with other accountants on the application of generally accepted accounting principles or generally accepted auditing standards.

Qualitative Aspects of Accounting Practices.

Accounting Policies
Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Colorado High Performance Transportation Enterprise are described in Note 1 to the financial statements. There were no significant accounting policies or their application which were either initially selected or changed during the year.

We noted no transactions in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

There were no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting Estimates
Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. There were no significant accounting estimates of financial data which would be particularly sensitive and require substantial judgments by management.

Financial Statement Disclosures
Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. There were no particularly sensitive financial statement disclosures.

Corrected Misstatements. There were no misstatements detected as a result of audit procedures and correct by management that were material, either individually or in the aggregate, to the financial statements taken as a whole.

Difficulties Encountered in Performing the Audit. We encountered no significant difficulties in dealing with management related to the performance of our audit.

Representations from Management. We have requested and received representations from management.

Disagreements with Management. There were no disagreements with management on financial accounting and reporting matters, auditing procedures, or other matters which would be significant to the Colorado High Performance Transportation Enterprise's financial statements or our report on those financial statements.

Please contact Bill Petri if you have any questions regarding the matters included in this letter.

CliftonLarsonAllen LLP

HIGH PERFORMANCE TRANSPORTATION ENTERPRISE
DEPARTMENT OF TRANSPORTATION, STATE OF COLORADO

DISTRIBUTION PAGE
YEARS ENDED JUNE 30, 2012

The electronic version of this report is available on the website of the
Office of the State Auditor
www.state.co.us/auditor

A bound report may be obtained by calling the
Office of the State Auditor
303.869.2800

Please refer to the Report Control Number below when requesting this report.

Report Control Number 2093-12a

ARTNER. INNOVATE. ACCELERATE. PARTNER. INNOVATE. ACCELE

COLORADO
HPTE

4201 East Arkansas Avenue
Denver, Colorado 80222
www.coloradodot.info
303.757.9538

NOVATE. ACCELERATE. PARTNER. INNOVATE. ACCELERATE. PARTN