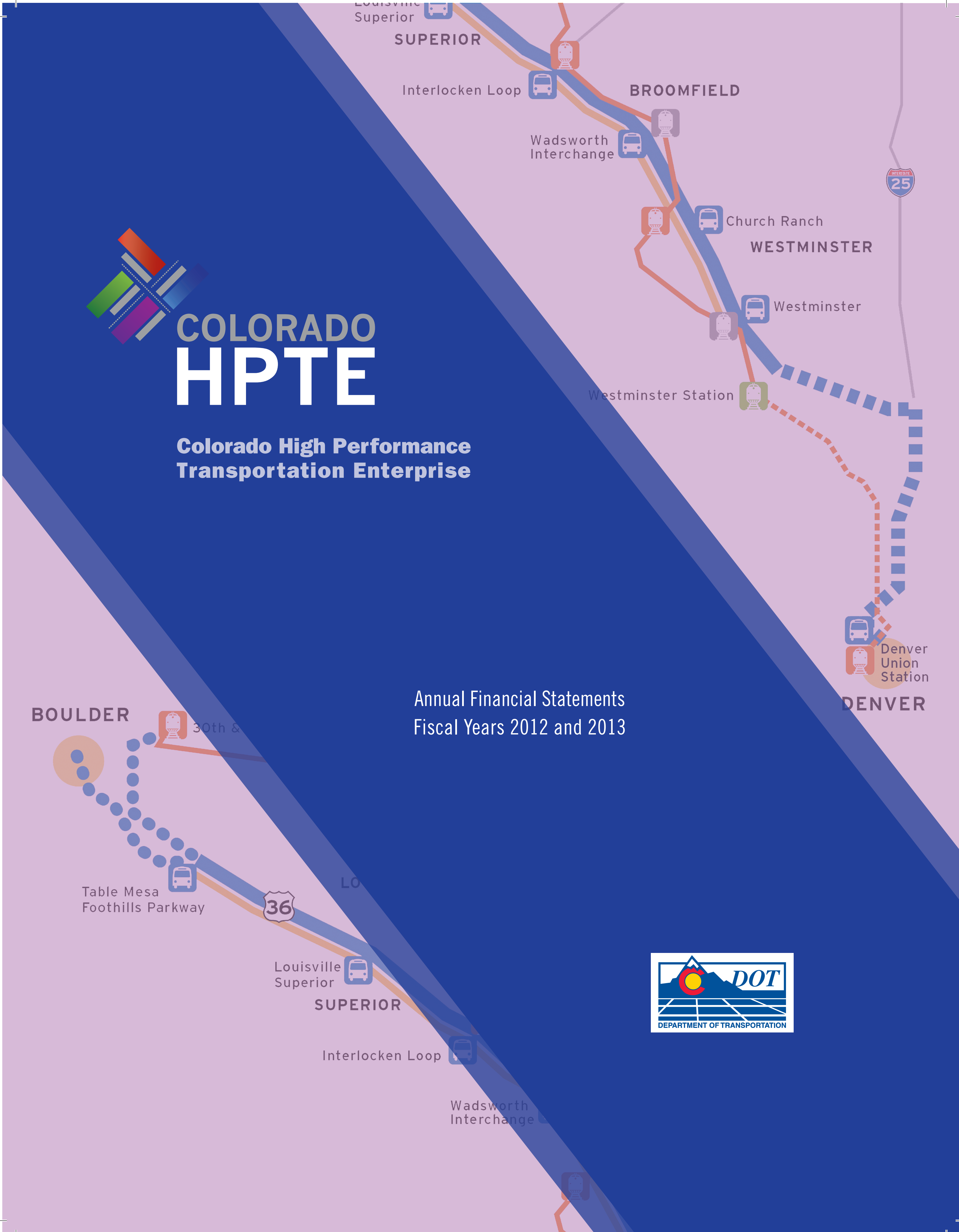
COLORADO HPTE

Colorado High Performance Transportation Enterprise

Annual Financial Statements
Fiscal Years 2012 and 2013



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DEPARTMENT OF TRANSPORTATION

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December 9, 2013

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 year ended June 30, 2013. 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 did not audit the financial statements of the Enterprise as of and for the year ended June 30, 2012 as those financial statements were audited by other auditors.

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, 2013 and 2012

Table of Contents

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Colorado High Performance Transportation Enterprise

Report Summary

Year Ended June 30, 2013

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, 2013. 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., which requires the State Auditor to conduct an annual audit of the Enterprise Fund. The purpose of the audit was to express an opinion on the financial statements of the Enterprise for the year ended June 30, 2013.

The purposes and scope of this audit were to:

- Express an opinion on the financial statements of the Enterprise as of and for the year ended June 30, 2013, 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.*
- To review the Enterprise's compliance with rules and regulations governing the expenditure of State funds for the year ended June 30, 2013.
- 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, 2013.

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 year ended June 30, 2013.

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

Summary of Key Findings and Recommendations

Revenue Recognition

There was one finding related to our testing of internal controls over financial reporting. The finding relates to the proper recognition of revenue under an intergovernmental agreement. An audit adjustment was proposed as a result of this finding (see Recommendation No. 1).

Colorado High Performance Transportation Enterprise

Report Summary

Year Ended June 30, 2013

Summary of Progress in Implementing Prior Year Audit Recommendations

There were no prior year audit recommendations.

Significant Audit Adjustments

One adjustment was proposed, and made by management during the audit for $60,000,000, to reclassify revenue to unearned revenue.

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 53.

Colorado High Performance Transportation Enterprise

Recommendation Locator

Year Ended June 30, 2013

Recommendation Number	Page Number	Recommendation Summary	Response	Implementation Date
1	7	HPTE should work with the Office of the State Controller or other advisors to ensure all complex transactions are accounted for properly.	Agree	August 2013

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Colorado High Performance Transportation Enterprise
Auditor's Finding and Recommendation
Year Ended June 30, 2013

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements of the High Performance Transportation Enterprise (HPTE or the Enterprise) as of and for the year ended June 30, 2013 in accordance with auditing standards generally accepted in the United States of America, we considered HPTE's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of HPTE's internal control. Accordingly, we do not express an opinion on the effectiveness of HPTE's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses and, therefore, there can be no assurance that all deficiencies, significant deficiencies or material weaknesses have been identified.

A deficiency 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 of HPTE's financial statements on a timely basis. A deficiency in design exists when a control necessary to meet a control objective is missing or an existing control is not properly designed so that, even if the control operates as designed, a control objective would not be met. A deficiency in operation exists when a properly designed control does not operate as designed or when the person performing the control does not possess the necessary authority or competence to perform the control effectively.

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 HPTE's financial statements will not be prevented or detected and corrected on a timely basis.

A significant deficiency is a deficiency, or 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.

We observed the following matter that we consider to be a material weakness.

Material Weakness – Internal Control Over Financial Reporting

Revenue Recognition

The Colorado High Performance Transportation Enterprise (HPTE or the Enterprise) is a self-supporting enterprise fund of the State of Colorado. This means HPTE is required to generate its own revenue and does not rely on the State for annual appropriations. HPTE uses the accrual method of accounting and under this method revenues are recognized when earned, regardless of the timing of the actual receipt of the revenue.

In August of 2011, the Colorado Department of Transportation (CDOT) and HPTE entered into an Intergovernmental Agreement with the Regional Transportation District (RTD) in which RTD will pay HPTE $120 million in four annual installments beginning in Fiscal Year 2012 for the perpetual interest in the use of the managed lanes being constructed alongside the U.S. Highway 36 project. It is expected that this project will be completed in Fiscal Year 2016. Under mutual agreement between HPTE and RTD, HPTE did not invoice RTD during Fiscal Year 2012, because the project did not commence as planned and actual construction did not begin until Fiscal Year 2013. Therefore, the first two payments of $30 million each, or $60 million total, were invoiced during Fiscal Year 2013. When the RTD payment was invoiced, HPTE recorded and recognized the entire $60 million amount billed as revenue in the current year.

What was the purpose of the audit work?

The purpose of the audit work was to determine whether revenue under the agreement was recorded at the proper amount and in the proper period.

What audit work was performed and how were results measured?

The audit work included reviewing the Intergovernmental Agreement (IGA) between HPTE and RTD, and holding discussions with management to obtain an understanding of the agreement in order to evaluate the proper accounting under the IGA. This included an assessment regarding the timing as to when the revenue should be considered earned and therefore recognized.

The agreement states that RTD's funding is related to the overall cost of specific elements of the Bus Rapid Transit infrastructure and RTD's right to use the managed lanes in perpetuity. Therefore, it appears that RTD is primarily paying for the use of the lanes and that revenue is not earned under the contract until RTD is able to utilize these lanes, presumably not until the completion of this portion of the project.

What problem did the audit work identify?

HPTE improperly recognized $60 million in earned revenue under the RTD agreement in Fiscal Year 2013 when the installment payments were received. This revenue should have been deferred until the project is completed and RTD is able to use the newly constructed lanes.

We proposed an audit adjustment for HPTE to reclassify the payments from earned revenue to unearned revenue. The adjustment was made to the financial statements by HPTE and the Office of the State Controller to the State's financial statements contained within its Comprehensive Annual Financial Report.

Why did the problem occur?

The IGA is a complex agreement with multiple components involving CDOT, HPTE and RTD. HPTE interpreted its component of the agreement as a service arrangement in which revenue should be earned over the duration of the construction project. Further, HPTE did not consult with the Office of the State Controller once the agreement was in place to ensure it properly recognized the revenue in the correct fiscal year.

Why does this problem matter?

It is vital for revenue to be recorded in the proper period in order for users of the financial statements to obtain an accurate picture of HPTE's financial position. In addition, this agreement only pertains to Phase I of the overall U.S. 36 project. The complexity of the agreements increase with Phase II as well as the pending service concession arrangement expected to be executed in Fiscal Year 2014.

Classification of Finding: Material Weakness

Recommendation No. 1:

HPTE should work with the Office of the State Controller or other outside advisors as necessary, to assist in the determination of the proper accounting for all complex transactions. This should include proper accounting concerning revenue recognition and specifically, ensuring proper accounting over the lifetime of the U.S. Highway 36 project.

High Performance Transportation Enterprise Response:

Agree.

Implementation date: August 2013.

On August 14, 2013, HPTE signed a contract with outside accounting consultants to provide advice with multipart contracts negotiations and to provide guidance for the determination of the appropriate accounting treatment for all complex transactions associated with its future projects. HPTE, in coordination with its accounting consultant, will also seek guidance from the Office of State Controller to ensure proper accounting over the lifetime of the U.S. Highway 36 project and any future projects.

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Colorado High Performance Transportation Enterprise

Background

Year Ended June 30, 2013

On March 2, 2009, 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.

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 currently come primarily from the I-25 Express Lane 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 U.S. 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 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 Department of Transportation's 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 and for the year ended June 30, 2013, and statements of revenues, expenses and changes in net position and of cash flows for the year then ended, and the related notes to the 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 an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Enterprise as of June 30, 2013, and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Year Audited by Other Auditors

The financial statements of the Enterprise as of and for the year ended June 30, 2012 were audited by other auditors whose report dated December 14, 2012 expressed unmodified opinions on those statements.

Emphasis of Matter

As discussed in Note 1 – Nature of Operations and Summary of Significant Accounting Policies, the financial statements of the Enterprise are intended to present the 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, 2013 and 2012 and the changes in its financial position, or cash flows, for the years then ended, in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis 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 audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Members of the Legislative Audit Committee:

Other Reporting Required by *Governmental Auditing Standards*

In accordance with *Government Auditing Standards,* we have also issued our report dated December 9, 2013, 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 Enterprises' internal control over financial reporting and compliance.

BKD, LLP

Denver, Colorado
December 9, 2013

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Colorado High Performance Transportation Enterprise

Management's Discussion and Analysis
(Unaudited)
June 30, 2013 and 2012

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, 2013 and 2012. 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 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.

Throughout the fiscal year HPTE and CDOT have been developing a memorandum of understanding (MOU). The MOU will serve as a guidance document for daily operations and joint projects. CDOT and HPTE worked closely with outside consultants and participated in interviews with other governments to gather information to determine what business practices should be incorporated into the MOU. In addition, several interviews were held with senior management and Board members to ensure that their views and visions of HPTE and CDOT's relationship were encompassed into the MOU. As of June 30, 2013, the MOU was in the final stages of review and will be adopted by the HPTE Board and Transportation Commission in the fall of 2013.

In May 2013, the Board began discussing the eventual shifting to high occupancy vehicle (HOV) 3+ policy. The current HOV policy mandates that vehicles must contain two people to qualify to use the HOV lane in the I-25 High Occupancy Toll (HOT) lanes. If the Board decides to change the HOV policy from HOV 2+ to HOV 3+, this would require vehicles to have three or more people in the vehicle to qualify to use the HOV lanes in the I-25 HOT lanes. Feedback indicated that an HOV3+ policy would have a positive impact on the viability of the U.S. 36 project, and future projects. 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.

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 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 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 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/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 in September of 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 will be disbursed solely to pay directly for eligible project costs. When drawn upon, interest will accrue at 3.58 percent per annum. The U.S. 36 project continues to serve as a national model for regional collaboration to implement major corridor projects. Loan proceeds were drawn subsequent to year-end (see Note 17).

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 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 expected to open for revenue in January 2015.

In the spring 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 concession agreement with PRD will transfer the operations and revenues from the current I-25 HOT lanes and the U.S. 36 project to PRD from HPTE. PRD will finance, design and construct Phase II, and then operate and maintain Phase I, Phase II and the existing I-25 HOT lanes. The final close for the concession agreement between HPTE and PRD is scheduled to be completed in the fall of 2013.

In December 2012, HPTE was granted a $100 million allocation of private activity bonds (PABS). This allocation is a capital source for construction of the Phase II project. HPTE is planning on issuing the bonds in the fall of 2013. The PABS will be repaid by the concessionaire with toll revenues. Phase II is expected to open in late 2015.

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 will invoice RTD on an annual basis for four years at $30 million per year, totaling $120 million. Based on a mutual agreement between all parties, HPTE delayed invoicing RTD until the fall of 2013, totaling $60 million. On June 13, 2013, the RTD IGA was amended to increase amount of the contract from $120 million to $135 million. The additional funding from RTD will be used to fund U.S. 36 Phase II, and if funds are remaining from U.S. 36 Phase I, these funds can be allocated towards Phase II.

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. This project will use the existing highway infrastructure to expand the capacity of the I-25 HOT lanes. This project has been awarded and the notice to proceed was issued in July 2013. The extension is scheduled to open in mid-2015.

Other potential projects include improvements to Colorado C-470. HPTE is working closely with the C-470 Coalition to develop potential managed lanes from I-25 to Kipling. Funding for this project would come from multiple sources, and the managed lanes could be underway as soon as 2017 or as late as 2020, depending on the funding of the project.

HPTE is working closely with CDOT and Colorado Bridge Enterprise on the I-70 East project, and has procured capital finance planning and advisory services in support of the reconstruction of the I-70 corridor from I-25 to Tower Road. HPTE is currently in the development and implementation of a capital finance plan to fund the I-70 East project.

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.

Colorado High Performance Transportation Enterprise

Management's Discussion and Analysis
(Unaudited)
June 30, 2013 and 2012

Using This Annual Report

This annual report consists of a series of financial statements.

The statements of net position includes the assets, liabilities, and net position and provides information about the Enterprise's assets and liabilities and reflects the financial position of the Enterprise as of June 30, 2013 and 2012. 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, 2013 and 2012. 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, 2013 and 2012.

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

Colorado High Performance Transportation Enterprise
Management's Discussion and Analysis
(Unaudited)
June 30, 2013 and 2012

Net Position Analysis

Condensed Statements of Net Position
(In Thousands)

	Transportation Special Fund			Operating Fund		
As of June 30	2013	2012	2011	2013	2012	2011
Assets						
Current Assets	$ 58,048.2	$ 6,839.8	$ 5,012.4	$ 534.8	$ 680.5	$ 1,175.8
Noncurrent Assets	616.9	610.3	-	-	-	-
Capital Assets	16,255.3	4,765.0	-	-	-	-
Total Assets	**74,920.4**	**12,215.1**	**5,012.4**	**534.8**	**680.5**	**1,175.8**
Liabilities						
Current Liabilities	2,651.7	944.2	141.5	45.4	405.7	232.4
Noncurrent Liabilities	60,000.0	-	-	2,092.1	1,032.2	18.9
Total Liabilities	**62,651.7**	**944.2**	**141.5**	**2,137.5**	**1,437.9**	**251.3**
Net Position (Deficit)						
Net Investment in Capital Assets	16,255.3	4,765.0	-	-	-	-
Unrestricted	(3,986.5)	6,505.9	4,870.9	(1,602.7)	(757.4)	924.5
Total Net Position	**$ 12,268.8**	**$ 11,270.9**	**$ 4,870.9**	**$ (1,602.7)**	**$ (757.4)**	**$ 924.5**

FY 2012-13 Analysis

Transportation Special Fund

<u>Assets</u>

The Transportation Special Fund total assets increased by $62.7 million.

<u>Current Assets</u>

Current assets increased by $51.2 million due primarily to an Intergovernmental Agreement (IGA) with RTD, that required RTD to pay HPTE $30 million per year for four years to use the U.S. 36 managed lanes. The IGA with RTD created an increase in cash of $28.8 million and an increase in accounts receivable of $22.4 million due to RTD only making a partial payment towards the invoiced amount of $60 million.

Noncurrent Assets

Long-term investments totaling $616,949 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 monies are being held by the Enterprise's trustee, Zions Bank, and are invested with the Colorado State Treasury. As of June 30, 2013, $12,335 in interest earnings was added to the account. This is an increase from the prior year, because twelve months of interest were collected in FY 2012-13, compared to a partial year in FY 2011-12.

Capital Assets

In FY 2012-13, HPTE capital assets increased by $11.5 million as assets under construction related to U.S. 36 were recorded.

Liabilities

Liabilities increased by $61.7 million due to an increase in the accrual of payments to vendors related to the concessionaire agreement and U.S. 36 and due to $60 million in payments billed to RTD that will not be recognized as revenue in the current year.

Net Position

The effect of these changes was an increase in net position for the Transportation Revenue fund of $997,900. Of the total net position, $16.3 million represents the net investment in capital assets.

Operating Fund

Assets

The operating fund total assets decreased by $145,686 from FY 2011-12 to FY 2012-13 due to a decrease in receivables due from the individual regions for reimbursable expenditures. These reimbursable expenditures, related to the initial start-up of the concession agreement and the U.S. 36 Phase I project originated in the operating fund, but, as the U.S. 36 Project and the concession agreement progressed, these expenditures were no longer considered to be administrative, and were recorded in the transportation special fund for FY 2012-13.

Liabilities

Total liabilities increased by $699,623.

Current liabilities

Current liabilities decreased by $360,307 because of vendor payments related to the concession agreement on U.S. 36. As the U.S. 36 project has progressed, these vendor payments (and related payables) are no longer considered administrative and have been recorded in the transportation special fund.

Noncurrent liabilities

Noncurrent liabilities increased by $1.1 million due primarily to an additional $1 million operating loan from the Transportation Commission, plus accrued interest of $56,475 offset by a $3,454 increase 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.

Net Position

The effect of these changes was a decrease in net position of the operating fund of $845,308 from the previous fiscal year.

FY 2011-12 Analysis

Transportation Special Fund

Assets

The Transportation Special Fund assets increased by $7.3 million. This increase is due primarily to new capital assets consisting of right of way areas purchased in anticipation of U.S. 36 construction.

Liabilities

Liabilities increased by $802,771 due to accrual of payments to vendors.

Net Position

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

Operating Fund

Assets

Operating fund assets decreased by $495,243 due to increased expenditures related to program development; in particular, the expenditures increased due to programmed development cost associated with the U.S. 36 Phase II effort.

Liabilities

Liabilities increased by $1.2 million due to accruals for compensation as well as payments due to vendors at year-end, and due to an additional $1 million loan from the Transportation Commission.

Net Position

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

FY 2010-11 Analysis

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 accruals of payments to vendors.

Net Position

The effect of these changes was an increase in net position 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 increase 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.

Colorado High Performance Transportation Enterprise

Management's Discussion and Analysis
(Unaudited)
June 30, 2013 and 2012

Net Position

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

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	**2013**	**2012**	**2011**	**2013**	**2012**	**2011**
Operating Revenues						
Charges for Tolls and Services	$ 2,610.2	$ 3,443.5	$ 2,451.0	$ 45.3	$ 454.6	$ 33.8
Other Operating Revenues	1,044.9	35.5	18.8	52.8	-	-
Federal Grants	-	3,900.0	-	-	24.6	875.4
Total Operating Revenues	**3,655.1**	**7,379.0**	**2,469.8**	**98.1**	**479.2**	**909.2**
Operating Expenses						
Salaries and Benefits	52.9	3.7	17.8	392.8	371.7	225.9
Operating and Travel	612.6	333.5	176.0	22.6	74.0	105.7
Professional Services	2,741.3	723.3	903.9	476.4	1,694.9	1,458.4
Total Operating Expenses	**3,406.8**	**1,060.5**	**1,097.7**	**891.8**	**2,140.6**	**1,790.0**
Operating Income (Loss)	**248.3**	**6,318.5**	**1,372.1**	**(793.7)**	**(1,661.4)**	**(880.8)**
Nonoperating Revenues (Expenses)						
Investment Income (Loss)	186.1	86.9	68.6	4.9	(1.4)	11.9
Other Nonoperating Revenues (Expenses)	563.5	(5.4)	-	(56.5)	(19.1)	-
Net Nonoperating Revenues (Expenses)	**749.6**	**81.5**	**68.6**	**(51.6)**	**(20.5)**	**11.9**
Income Before Interagency Transfers	997.9	6,400.0	1,440.7	(845.3)	(1,681.9)	(868.8)
Interagency Transfer	-	-	(905.5)	-	-	-
Change in Net Position	**997.9**	**6,400.0**	**535.2**	**(845.3)**	**(1,681.9)**	**(868.8)**
Net Position (Deficit), Beginning of the Year	11,270.9	4,870.9	4,335.7	(757.4)	924.5	1,793.3
Net Position (Deficit), End of the Year	**$ 12,268.8**	**$ 11,270.9**	**$ 4,870.9**	**$ (1,602.7)**	**$ (757.4)**	**$ 924.5**

Variances for FY 2012-13

Transportation Special Fund

Revenues

Total operating revenues decreased by $3.7 million. In FY 2011-12 HPTE received a onetime $3.9 million federal grant for the acquisition of right of way land along U.S. 36. Additionally, tolling revenues decreased by $833,311 from the previous year while fines from tolling lanes increased by $9,360. The decrease in tolling revenue was caused by a change in policy with E-470. In March 2013, E-470 started to invoice HPTE for uncollectable tolls. HPTE made a onetime payment of $72,581 to reimburse E-470 for the uncollectable tolls related to prior fiscal years. Going forward HPTE has made payments of $4,000 per month to E-470.

Net nonoperating revenues and expenses increased by $801,200 due to HPTE invoicing the Regional Business Offices, based on the agreed upon terms of the IGAs with the Regional Business Offices.

Expenses

Total operating expenses increased in FY 2012-13 by $2.3 million due to increased use of professional services and travel expenses for preparation of the concessionaire agreement with Plenary.

Net Position

The outcome of these changes was an increase in net position of $997,900 in FY 2012-13.

Operating Fund

Revenues

Total operating revenues decreased by $381,065. The operating fund did not receive new federal funds in FY 2012-13.

Expenses

Total operating costs decreased by $1,248,791. This included an increase in Enterprise staff costs due to the addition of a new position, and a decrease in professional consultant fees which were paid by the Transportation Special fund.

Net nonoperating expenses increased by $31,143. 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 decreased. In addition, $56,475 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 $845,308 in FY 2012-13.

Variances for FY 2011-12

Transportation Special Fund

Revenues

Total operating 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 U.S. 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 nonoperating 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 Position

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

Operating Fund

Revenues

Total operating 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 nonoperating 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 Position

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

Variances for FY 2010-11

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 2010-2011 by $135,151 primarily because payments for professional services and salaries were less in FY 2010-2011.

CDOT had previously advanced the Enterprise's predecessor the CTE, amounts used for start-up costs. When the Enterprise was created by statute, the remaining available funds were transferred to the operating fund of the Enterprise. The Enterprise Board designed 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 2010-2011. The amount received during the fiscal year was $875,400. Other nominal revenues come from interest earnings of cash on deposit with the State Treasury. The monies 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

Transportation Special Fund

Capital Assets
(In Thousands)

As of June 30	2013	2012	2011
Capital Assets Not Being Depreciated	$ 16,255.3	$ 4,765.0	$ -

In FY 2012-13, capital assets increased by $11.5 million due to start of construction for the U.S. 36 project and increased by $4.7 million in FY 2011-12 due to the purchase of right-of-ways for new construction projects.

The transportation special fund does not have any long-term debt.

Operating Fund

The operating fund does not hold any capital assets.

Debt Outstanding

The long-term portion of the debt was $2 million and $1 million in FY 2012-13 and FY 2011-12, respectively. Principal payments will be made when sufficient revenue becomes available to repay the principal and interest of the loan.

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, 2013 and 2012

	June 30, 2013			June 30, 2012		
	Transportation Special Fund	Operating	Total	Transportation Special Fund	Operating	Total
Assets						
Current assets:						
Cash and pooled cash investments	$ 34,754,043	$ 534,817	$ 35,288,860	$ 5,940,475	$ 238,238	$ 6,178,713
Receivables	23,293,112	-	23,293,112	899,311	441,181	1,340,492
Prepaid items	1,083	-	1,083	-	1,083	1,083
Total current assets	58,048,238	534,817	58,583,055	6,839,786	680,502	7,520,288
Noncurrent assets:						
Other long-term investments	616,949	-	616,949	610,317	-	610,317
Capital assets - nondepreciable	16,255,310	-	16,255,310	4,765,025	-	4,765,025
Total noncurrent assets	16,872,259	-	16,872,259	5,375,342	-	5,375,342
Total assets	**74,920,497**	**534,817**	**75,455,314**	**12,215,128**	**680,502**	**12,895,630**
Liabilities						
Current liabilities:						
Accounts payable and accrued liabilities	2,651,729	45,425	2,697,154	944,226	405,732	1,349,958
Total current liabilities	2,651,729	45,425	2,697,154	944,226	405,732	1,349,958
Noncurrent liabilities						
Due to Transportation Commission	-	2,000,000	2,000,000	-	1,000,000	1,000,000
Accrued interest	-	75,530	75,530	-	19,055	19,055
Compensated absences	-	16,590	16,590	-	13,135	13,135
Unearned revenue	60,000,000	-	60,000,000	-	-	-
Total noncurrent liabilities	60,000,000	2,092,120	62,092,120	-	1,032,190	1,032,190
Total liabilities	**62,651,729**	**2,137,545**	**64,789,274**	**944,226**	**1,437,922**	**2,382,148**
Net Position (Deficit)						
Net investment in capital assets	16,255,310	-	16,255,310	4,765,025	-	4,765,025
Unrestricted deficit	(3,986,542)	(1,602,728)	(5,589,270)	6,505,877	(757,420)	5,748,457
Total net position (deficit)	**$ 12,268,768**	**$ (1,602,728)**	**$ 10,666,040**	**$ 11,270,902**	**$ (757,420)**	**$ 10,513,482**

Colorado High Performance Transportation Enterprise

Statements of Revenues, Expenses, and Changes in Net Position

Years Ended June 30, 2013 and 2012

	June 30, 2013			June 30, 2012		
	Transportation Special Fund	Operating	Total	Transportation Special Fund	Operating	Total
Operating Revenues						
Charges for tolls and services	$ 2,610,181	$ 45,281	$ 2,655,462	$ 3,443,492	$ 454,577	$ 3,898,069
Federal grants and contracts	-	-	-	3,900,000	24,609	3,924,609
Other operating revenues	1,044,881	52,840	1,097,721	35,520	-	35,520
Total operating revenues	**3,655,062**	**98,121**	**3,753,183**	**7,379,012**	**479,186**	**7,858,198**
Operating Expenses						
Salaries and benefits	52,840	392,766	445,606	3,690	371,715	375,405
Operating and travel	612,624	22,667	635,291	333,503	74,030	407,533
Professional services	2,741,312	476,416	3,217,728	723,320	1,694,896	2,418,216
Total operating expenses	**3,406,776**	**891,849**	**4,298,625**	**1,060,513**	**2,140,641**	**3,201,154**
Operating income (loss)	**248,286**	**(793,728)**	**(545,442)**	**6,318,499**	**(1,661,455)**	**4,657,044**
Nonoperating Revenues (Expenses)						
Investment income (loss)	186,076	4,895	190,971	86,919	(1,382)	85,537
Other nonoperating revenues (expenses), net	563,504	(56,475)	507,029	(5,415)	(19,055)	(24,470)
Net nonoperating revenues (expenses)	**749,580**	**(51,580)**	**698,000**	**81,504**	**(20,437)**	**61,067**
Change in Net Position	**997,866**	**(845,308)**	**152,558**	**6,400,003**	**(1,681,892)**	**4,718,111**
Net Position (Deficit), Beginning of the Year	11,270,902	(757,420)	10,513,482	4,870,899	924,472	5,795,371
Net Position (Deficit), End of the Year	**$ 12,268,768**	**$ (1,602,728)**	**$ 10,666,040**	**$ 11,270,902**	**$ (757,420)**	**$ 10,513,482**

Colorado High Performance Transportation Enterprise

Statements of Cash Flows

Years Ended June 30, 2013 and 2012

	June 30, 2013			June 30, 2012		
	Transportation Special Fund	Operating	Total	Transportation Special Fund	Operating	Total
Cash Flows from Operating Activities						
Cash received from users and grants	$ 3,391,324	$ 539,302	$ 3,930,626	$ 6,490,894	$ 106,517	$ 6,597,411
Cash payments for salaries and benefits	(53,441)	(392,209)	(445,650)	(4,365)	(370,842)	(375,207)
Cash payments to suppliers for goods and services	(1,646,914)	(798,934)	(2,445,848)	(253,377)	(1,584,233)	(1,837,610)
Net cash provided by (used in) operating activities	**1,690,969**	**(651,841)**	**1,039,128**	**6,233,152**	**(1,848,558)**	**4,384,594**
Cash Flows from Noncapital Financing Activities						
Interagency loans	-	1,000,000	1,000,000	-	1,000,000	1,000,000
Payments on intergovernmental agreement	37,869,936	-	37,869,936	-	-	-
Net cash provided by noncapital financing activities	**37,869,936**	**1,000,000**	**38,869,936**	**-**	**1,000,000**	**1,000,000**
Cash Flows from Capital and Related Financing Activities						
Acquisition and construction of capital assets	(11,490,285)	-	(11,490,285)	(4,765,025)	-	(4,765,025)
Net cash provided by (used in) capital and related financing activities	**(11,490,285)**	**-**	**(11,490,285)**	**(4,765,025)**	**-**	**(4,765,025)**
Cash Flows from Investing Activities						
Investment income	186,076	4,895	190,971	86,919	(1,382)	85,537
Purchase of investments and related fees	(60,077)	(56,475)	(116,552)	(615,732)	(19,055)	(634,787)
Proceeds on sale of investments	616,949	-	616,949	-	-	-
Net cash provided by (used in) investing activities	**742,948**	**(51,580)**	**691,368**	**(528,813)**	**(20,437)**	**(549,250)**
Net increase (decrease) in cash and cash equivalents	28,813,568	296,579	29,110,147	939,314	(868,995)	70,319
Cash and cash equivalents, beginning of year	5,940,475	238,238	6,178,713	5,001,161	1,107,233	6,108,394
Cash and cash equivalents, end of year	**$ 34,754,043**	**$ 534,817**	**$ 35,288,860**	**$ 5,940,475**	**$ 238,238**	**$ 6,178,713**
Reconciliation of Operating Gain (Loss) to Net Cash Provided by (Used in) Operating Activities:						
Operating income (loss)	$ 248,286	$ (793,728)	$ (545,442)	$ 6,318,499	$ (1,661,455)	$ 4,657,044
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:						
Changes in assets and liabilities:						
Receivables, net	(263,738)	441,180	177,442	(888,118)	(372,669)	(1,260,787)
Prepaid items	(1,083)	-	(1,083)	-	(1,083)	(1,083)
Accounts payable and accrued liabilities	1,707,504	(299,293)	1,408,211	802,771	186,649	989,420
Net cash provided by (used in) operating activities	**$ 1,690,969**	**$ (651,841)**	**$ 1,039,128**	**$ 6,233,152**	**$ (1,848,558)**	**$ 4,384,594**

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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 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, 2013, 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, 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 an Intergovernmental Agreement. Under this agreement, RTD will pay the Enterprise $120,000,000 over a four year period for the use of the managed lanes being constructed on U.S. 36. 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, 2013 are not considered earned revenue and therefore, not recognized as such. The revenue will be considered earned upon the opening of the lanes, expected in January 2015. As of June 30, 2013, the Enterprise has invoiced RTD $60,000,000 under this agreement.

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.

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.

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, 2013, cash balances were:

	Transportation Special Fund	Operating Fund	Total
Cash on deposit with State Treasurer	$ 34,696,662	$ 533,894	$ 35,230,556
State Treasurer pooled cash investments - unrealized gain	57,381	923	58,304
Total	**$ 34,754,043**	**$ 534,817**	**$ 35,288,860**

The combined total of $35.3 million represents less than .1 percent of the total $7.3 billion fair value of deposits in the State Treasurer's Pool.

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**

NOTE 3 – LONG-TERM INVESTMENTS

The Enterprise has recorded long-term investments as of June 30, 2013 and 2012 in the amount of $616,949 and $610,317, respectively. 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 monies 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, 2013 and 2012, $6,632 and $5,703 in interest earnings was added to the account respectively.

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, 2013, 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, 2013 and 2012, approximately 88.5 percent and 89.0 percent, respectively, of investments of the State Treasurer's Pool were subject to credit quality risk reporting. Except for $41,074,270 of corporate bonds rated lower medium on June 30, 2013, 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, 2013, the weighted average maturity of investments in the Treasurer's Pool is 0.037 years for Commercial Paper (1.0 percent of the Pool), 1.321 years for U.S. Government Securities (63.9 percent of the Pool), 3.371 years for Asset Backed Securities (16.0 percent of the Pool), and 3.100 years for Corporate Bonds (19.1 percent of the Pool).

The State Treasurer's Pool was not subject to foreign currency risk or concentration of credit risk in FY 2012-13.

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, 2013.

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 E-470 Public Highway Authority (E-470) and is based on historical collections.

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 for services provided.

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

	2013	2012
Tolling revenues receivable	$ 23,919	$ 32,917
Local government receivable	22,130,064	865,024
CDOT receivable	138,623	441,181
Other receivable	1,000,506	1,370
Total accounts receivable	**$ 23,293,112**	**$ 1,340,492**

No allowance has been recorded as all amounts above are believed to be collectible. However, during the year ended June 30, 2013, HPTE made a one-time payment to E-470 of $72,581 to reimburse E-470 for uncollectible tolls and will make monthly payments of $4,000 to E-470 going forward.

NOTE 5 – ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

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

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

	2013	2012
Vendors payable	$ 2,166,372	$ 450,655
Contractors payable	-	865,024
Salaries and wages payable	30,782	34,279
Other payables	500,000	-
Total current accounts payable	**$ 2,697,154**	**$ 1,349,958**

NOTE 6 – 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 and FY 2012-13 loan bears an interest rate of 3.25 percent and 2.5 percent, respectively on the unpaid balance, compounded annually. As of June 30, 2013, $75,530 in accrued interest on both loans was recorded and a total of $2 million has been borrowed from the Transportation Commission.

Other long-term liabilities include compensated absences in the amount of $16,590. The estimated changes in the cost of compensated absences for vested employees for FY 2013 and for FY 2012 are as follows:

	Balance at June 30, 2012	Increase	Decrease	Balance at June 30, 2013
Annual Leave	$ 10,171	$ 2,698	$ -	$ 12,869
Sick Leave	2,964	757	-	3,721
Total liability	$ 13,135	$ 3,455	$ -	$ 16,590

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

NOTE 7 – CAPITAL ASSETS

A summary of changes in capital assets is as follows for the years ended June 30, 2013 and June 30, 2012:

	2013				
	Balance at June 30, 2012	Additions	Disposals	Transfers	Balance at June 30, 2013
Capital assets, not being depreciated					
Assets under construction	$ 4,765,025	$11,490,285	$ -	$ -	$16,255,310
Total capital assets	$ 4,765,025	$11,490,285	$ -	$ -	$16,255,310

	2012				
	Balance at June 30, 2011	Additions	Disposals	Transfers	Balance at June 30, 2012
Capital assets, not being depreciated					
Assets under construction	$ -	$ 4,765,025	$ -	$ -	$ 4,765,025
Total capital assets	$ -	$ 4,765,025	$ -	$ -	$ 4,765,025

NOTE 8 – COMMITMENTS

The Enterprise has commitments at the end of FY 2012-13 for maintenance, courtesy patrol, and toll collections in the amount of $365,455 for the Transportation Special Fund and for consulting services relating to managed lanes in the amount of $358,467 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 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 Fiscal Years 2010-11 and 2011-12 expired.

From July 1, 2012 to December 31, 2012, the State contributed 15.65 percent (18.35 percent for State troopers and 17.36 percent for the Judicial Branch) of the employee's salary. From January 1, 2013 through June 30, 2013, the State contributed 16.55 percent (19.25 percent for State troopers and 17.36 percent for the Judicial Branch). During all of FY 2012-13, 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, 2012, the division of PERA in which the Enterprise participates has a funded ratio of 59.2 percent and a 53-year amortization period based on current contribution rates. The funded ratio on the market value of assets is slightly higher at 60.2 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 Enterprise contributions to PERA and/or the State defined contribution plan for the fiscal years ended June 30, 2013, 2012, and 2011 were $35,674, $35,030, and $20,227, 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 five years. Participants in the plan are required to contribute 8 percent (10 percent for State troopers) of their salary. The temporary contribution rate increase to 10.5 percent (12.5 percent for State Troopers) effective in Fiscal Years 2010-11 and 2011-12 expired on July 1, 2012. At December 31, 2012, the plan had 4,362 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 2012, 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 $17,000. The reduction for the 8 percent PERA contribution reflects the expiration of the temporary contribution on rate increase to 10.5 percent effective in Fiscal Years 2010-11 and 2011-12. Participants who are age 50 and older, and contributing the maximum amount allowable, were allowed to make an additional $5,500 contribution in 2012, for total contributions of $22,500. Contributions and earnings are tax deferred. At December 31, 2012, the plan had 17,469 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 P.O. 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 9. 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 $2,406, $3,050, and $1,883 as required by statute in Fiscal Years 2012-13, 2011-12, and 2010-11, 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, 2012, there were 51,666 enrolled participants, including spouses and dependents, from all contributors to the plan. At December 31, 2012, the Health Care Trust Fund had an unfunded actuarial accrued liability of $1.43 billion, a funded ratio of 16.5 percent, and a 66-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. 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

On June 27, 2013, HPTE and Plenary Roads Denver (PRD) completed the commercial close of a concession agreement. The commercial close of the concession agreement finalizes the terms of the agreement with the exception of interest rates. The concession agreement with PRD will transfer 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 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 financial close for the concession agreement, which initiates the movement of funds and financial commitments between PRD and HPTE is scheduled for fall 2013.

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

During Fiscal Year 2013, the Enterprise adopted Governmental Accounting Standards Board Statement No. 63, *Financial Reporting of Deferred Outflows of Resources*, *Deferred Inflows of Resources, and Net Position* (GASB 63). GASB 63 provides guidance for reporting deferred outflows of resources, deferred inflows of resources and net position (previously "net assets") in a statement of net position (previously "statement of net assets") and related disclosures. GASB 63 also changes the caption "Invested in capital assets, net of related debt" to "Net investment in capital assets" in the Statement of Net Position. Adoption of GASB 63 had no effect on the Enterprise's beginning net position as of July 1, 2012 or on the change in net position for the year ended June 30, 2013.

NOTE 17 – SUBSEQUENT EVENT

Subsequent to year-end and in accordance with the Transportation Infrastructure Finance and Innovation Act (TIFIA) loan disbursement schedule, the Enterprise has drawn approximately $8,500,000 under the TIFIA loan agreement. These disbursements were made in three monthly draws beginning in October 2013.

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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 Department of Transportation's High Performance Transportation Enterprise (the Enterprise or HPTE), an enterprise fund of the State of Colorado, Department of Transportation, which comprise the basic financial statements as of and for the year ended June 30, 2013, and have issued our report thereon dated December 9, 2013.

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, we considered HPTE's internal control to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of HPTE's internal control. Accordingly, we do not express an opinion on the effectiveness of HPTE's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses and therefore, there can be no assurance that all material weaknesses have been identified. However, as discussed in the accompanying Auditor's Findings and Recommendations section of this document, we identified a certain deficiency in internal control that we consider to be a material weakness.

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 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. 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 HPTE's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency described in the accompanying Auditor's Findings and Recommendations section of this document as Recommendation No. 1 to be a material weakness.

Members of the Legislative Audit Committee:

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 communication 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 compliance. This communication is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Enterprise's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BKD, LLP

Denver, Colorado
December 9, 2013

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 Colorado Department of Transportation's High Performance Transportation Enterprise (the Enterprise or HPTE) as of and for the year ended June 30, 2013, we wish to communicate the following to you.

AUDIT SCOPE AND RESULTS

Auditor's Responsibility Under Auditing Standards Generally Accepted in the United States of America and the Standards Applicable to Financial Audits Contained in *Government Auditing Standards* Issued by the Comptroller General of the United States

An audit performed in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States 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. Our engagement letter more specifically describes our responsibilities.

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.

An audit of the financial statements does not relieve management or those charged with governance of their responsibilities. Our engagement letter more specifically describes your responsibilities.

Qualitative Aspects of Significant Accounting Policies and Practices

Significant Accounting Policies

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

Alternative Accounting Treatments

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

- No matters are reportable

Management Judgments and Accounting Estimates

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

- Useful lives of capital assets

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:

- Concession agreement

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:

Proposed Audit Adjustments Recorded

- To adjust revenue previously recognized under the RTD Intergovernmental Agreement and record unearned revenue

Proposed Audit Adjustments Not Recorded

- No matters are reportable

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:

- Adoption of Governmental Accounting Standards Board Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position* for the fiscal year ended June 30, 2013

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:

- Disclosure of the amortization period for the health care trust fund unfunded actuarial accrued liability
- Service concession arrangement effective for Fiscal Year 2014

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

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BKD, LLP

Denver, Colorado
December 9, 2013

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