



COLORADO
HPT

**Annual Financial Statements
Fiscal Years 2013 and 2014**



Colorado High Performance Transportation Enterprise
Financial Statements and Independent Auditor's Reports
Financial Audit
Years Ended June 30, 2014 and 2013
Compliance Audit
Year Ended June 30, 2014

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December 10, 2014

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, 2014. Our audit was conducted in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

BKD, LLP

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Colorado High Performance Transportation Enterprise
June 30, 2014 and 2013

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Colorado High Performance Transportation Enterprise

Report Summary

Year Ended June 30, 2014

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, 2014. 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, 2014.

The purposes and scope of this audit were to:

- Express opinions on the financial statements of the Enterprise as of and for the year ended June 30, 2014, including consideration of internal control over financial reporting as required by auditing standards generally accepted in the United States of America and *Government Auditing Standards*.
- To review the Enterprise's compliance with rules and regulations governing the expenditure of state funds for the year ended June 30, 2014.
- 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, 2014.

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, 2014.

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

Summary of Key Findings and Recommendations

There are no findings in the current year.

Colorado High Performance Transportation Enterprise

Report Summary

Year Ended June 30, 2014

Summary of Progress in Implementing Prior Year Audit Recommendations

For the FY 2014 audit, we performed audit procedures to determine the disposition of the prior year recommendations relating to FY 2013. For the year ended June 30, 2013, there was one finding relating to revenue recognition and one related recommendation. For the year ended June 30, 2014 we found that the Enterprise properly recorded the payments from Regional Transportation District (RTD) under the U.S. 36 project and that the Enterprise implemented our recommendation. However, ongoing monitoring over this issue is necessary until the completion of the project.

Significant Audit Adjustments

We did not propose any adjustments during the Enterprise's audit.

Auditor's Communication to Legislative Audit Committee

The auditor's communication to the Legislative Audit Committee describes the auditor's responsibility under auditing standards generally accepted in the United States of America and significant management judgments and estimates. This communication is located on page 51.

Colorado High Performance Transportation Enterprise

Disposition of Prior Year Audit Recommendation

Year Ended June 30, 2014

Summary of Progress in Implementing Prior Audit Recommendations

Following is the audit recommendation for the year ended June 30, 2013. The disposition of this audit recommendation as of June 30, 2014 was as follows:

Number	Recommendation	Disposition
1	HPTE should work with the Office of the State Controller or other advisors to ensure all complex transactions are accounted for properly.	Implemented and ongoing The Enterprise properly reported the payments from Regional Transportation District as unearned revenue as of June 30, 2014. The Enterprise has engaged an outside consultant to provide advice on the accounting and reporting relating to the U.S. Highway 36 project and is working with the Office of the State Controller to help ensure proper accounting over the project. However, as the U.S. 36 project is not complete at June 30, 2014, monitoring over the accounting should be ongoing.

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Colorado High Performance Transportation Enterprise

Background

Year Ended June 30, 2014

On March 2, 2009, former Governor Ritter signed into law Colorado SB 09-108, *Funding Advancement for Surface Transportation and Economic Recovery*, otherwise known as FASTER. The new law created the High Performance Transportation Enterprise, replacing the Colorado Tolling Enterprise (CTE) that had been established in 2002.

With the passage of the new legislation, the CTE ceased to exist on March 2, 2009. The activities for the remainder of that fiscal year were assumed by the new Enterprise. Any residual funds available from the original CTE were consolidated in the new Enterprise.

This 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.

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 came primarily from the I-25 Express Lane tolls until March 7, 2014 when Plenary Roads Denver (PRD) commenced operations under the U.S. 36 Managed Lanes Concession Agreement. When other toll facilities come online, the Statewide Transportation Special Revenue 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 10 percent of its total revenues in grants from the state and local governments. Management did not identify any violations of this enterprise status during Fiscal Year 2014.

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Independent Auditor's Report

Members of the Legislative Audit Committee:

Report on the Financial Statements

We have audited the accompanying basic financial statements of the business-type activities and each major fund of the Colorado High Performance Transportation Enterprise (the Enterprise or HPTE), an enterprise fund of the State of Colorado, Department of Transportation, which are comprised of the statements of net position as of June 30, 2014 and 2013, and the related statements of revenues, expenses and changes in net position and of cash flows for the years then ended, and the related notes to the basic financial statements, as listed in the table of contents of the Colorado High Performance Transportation Enterprise.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

Members of the Legislative Audit Committee:

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Enterprise as of June 30, 2014 and 2013, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 – Nature of Operations and Summary of Significant Accounting Policies, the financial statements of the Enterprise are intended to present the 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, 2014 and 2013 and the changes in its financial position, or cash flows, for the years then ended, in conformity with accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

As discussed in Note 16 to the financial statements, in Fiscal Year 2014 the Enterprise adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinions are not modified with respect to this matter.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis 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 10, 2014, 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 10, 2014

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Colorado High Performance Transportation Enterprise

Management's Discussion and Analysis

(Unaudited)

June 30, 2014 and 2013

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, 2014 and 2013. 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 (HPTE), 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 new Enterprise. Any residual funds available from the original CTE were consolidated into the new Enterprise.

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

Including the director, the Enterprise presently has four direct staff for administration of the program. In addition, the Board pays for the services of other Colorado Department of Transportation (CDOT) employees and consultants as necessary.

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

Colorado High Performance Transportation Enterprise

Management's Discussion and Analysis

(Unaudited)

June 30, 2014 and 2013

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

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. A new policy, the HOV3+ policy, requires that vehicles contain three people and was adopted by the Board in January 2013 and is 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 future managed lane corridors, the HOV policy will be decided on a project by project basis and will likely not apply to the C-470 and I-70 Peak Period Shoulder Lanes projects. HOV policy for I-70 east project remains undetermined and HOV policy for I-25 north to Ft. Collins will mirror the policy on U.S. 36 and the existing I-25 HOT lanes.

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

Enterprise Structure

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

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

Colorado High Performance Transportation Enterprise

Management's Discussion and Analysis

(Unaudited)

June 30, 2014 and 2013

The Enterprise retains the status of an enterprise for purposes of Section 20 of Article X of the State Constitution (TABOR) so long as it retains the authority to issue revenue bonds and receives less than 10 percent of its total revenues in grants from the state and local governments. Management has not identified any violations of this enterprise status during Fiscal Year 2014.

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 are disbursed to HPTE solely to pay directly for eligible project costs. Interest accrues at 3.58 percent per annum on actual amounts drawn down. As of the end of FY 2013-14, HPTE has submitted nine draw requests and received \$23,449,499. The U.S. 36 project continues to serve as a national model for regional collaboration to implement major corridor projects.

The acceleration of improvements to this corridor is largely a result of the collaborative efforts of the Enterprise, CDOT, RTD, Colorado Bridge Enterprise (CBE), the 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, including the tolling lanes, expected to open for revenue in the spring of 2015.

Colorado High Performance Transportation Enterprise

Management's Discussion and Analysis

(Unaudited)

June 30, 2014 and 2013

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

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

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

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

Another near term project of the HPTE and CDOT is the extension of the I-25 HOT lanes north on I-25 to the entrance to RTD's Wagon Road Park and Ride. This project was awarded a \$15 million TIGER Grant by USDOT in June 2012. This project largely will use the existing highway infrastructure to expand the capacity of I-25 in this portion of the Denver Metro area and will assist CDOT with traffic management of the I-25 corridor. This project is under construction and is scheduled to open mid-2015. RTD is providing a small contribution toward this project and as it will also serve as an express bus lane, it is subject to some restrictions to ensure effective and efficient operation of RTD's buses.

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. A level II traffic and revenue study for this corridor and a value for money study were completed subsequent to the end of the fiscal year for this potential project. Funding for this project is from multiple sources and includes the use of toll revenues to accelerate the project commencement.

Colorado High Performance Transportation Enterprise

Management's Discussion and Analysis

(Unaudited)

June 30, 2014 and 2013

HPTE is working closely with CDOT and Colorado Bridge Enterprise on the I-70 East project. HPTE is finalizing its evaluation of a performance payment based P3 model for this project. The funding for the I-70 East project also will come from multiple sources. Final project scope also remains under discussion.

The I-70 West Peak Period Shoulder Lanes (PPSL) project is also actively underway to assist CDOT with traffic management on I-70 from the Twin Tunnels to Empire Junction. The existing shoulders on I-70 between these locations will be modestly expanded to allow tolled traffic on the shoulders during peak travel times. HPTE and CDOT are in the process of establishing agreements for the details of this project with Clear Creek County, Federal Highway Administration (FHWA), the City of Idaho Springs and each other. The eastbound PPSL are under construction and design is commencing for the westbound lanes. HPTE is considering at present a commercial loan to pay for much of this project. The project will also benefit from tolls collected in the tolled express lanes under construction in the actual Twin Tunnels.

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.

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, 2014 and 2013. 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, 2014 and 2013. 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, 2014 and 2013.

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

Colorado High Performance Transportation Enterprise
Management's Discussion and Analysis
(Unaudited)
June 30, 2014 and 2013

Net Position Analysis

Condensed Statements of Net Position
(In Thousands)

As of June 30	Transportation Special Fund			Operating Fund		
	2014	2013	2012	2014	2013	2012
Assets						
Current Assets	\$ 36,583.2	\$ 58,048.2	\$ 6,839.8	\$ 938.4	\$ 534.8	\$ 680.5
Noncurrent Assets	2,218.3	617.0	610.3	-	-	-
Capital Assets	105,889.3	16,255.3	4,765.0	-	-	-
Total Assets	144,690.8	74,920.5	12,215.1	938.4	534.8	680.5
Liabilities						
Current Liabilities	18,116.5	2,651.7	944.2	52.5	45.4	405.7
Noncurrent Liabilities	113,637.8	60,000.0	-	3,169.1	2,092.1	1,032.2
Total Liabilities	131,754.3	62,651.7	944.2	3,221.6	2,137.5	1,437.9
Net Position (Deficit)						
Net Investment in Capital Assets	82,439.8	16,255.3	4,765.0	-	-	-
Unrestricted	(69,503.3)	(3,986.5)	6,505.9	(2,283.2)	(1,602.7)	(757.4)
Total Net Position	\$ 12,936.5	\$ 12,268.8	\$ 11,270.9	\$ (2,283.2)	\$ (1,602.7)	\$ (757.4)

FY 2013-14 Analysis

Transportation Special Fund

Assets

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

Current Assets

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

Colorado High Performance Transportation Enterprise
Management's Discussion and Analysis
(Unaudited)
June 30, 2014 and 2013

Noncurrent Assets

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

Capital Assets

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

Liabilities

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

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

Net Position

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

Operating Fund

Assets

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

Liabilities

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

Colorado High Performance Transportation Enterprise
Management's Discussion and Analysis
(Unaudited)
June 30, 2014 and 2013

Current Liabilities

Current liabilities increased by \$7,129 due to accrued payroll.

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 \$80,061 offset by a \$3,124 decrease in accruals for compensation payable. The HPTE will repay the Transportation Commission from monies in its Transportation Special Revenue Fund from future revenue generating activities, such as toll revenues, the issuance of revenue bonds, or concession fees when such funds are not restricted and available for the general use of the HPTE.

Net Position

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

FY 2012-13 Analysis

Transportation Special Fund

Assets

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

Current Assets

Current assets increased by \$51.2 million due primarily to an 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.

Colorado High Performance Transportation Enterprise
Management's Discussion and Analysis
(Unaudited)
June 30, 2014 and 2013

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 Special 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.

Colorado High Performance Transportation Enterprise
Management's Discussion and Analysis
(Unaudited)
June 30, 2014 and 2013

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.

Colorado High Performance Transportation Enterprise
Management's Discussion and Analysis
(Unaudited)
June 30, 2014 and 2013

Revenue and Expense Analysis

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

For Year Ended June 30	Transportation Special Fund			Operating Fund		
	2014	2013	2012	2014	2013	2012
Operating Revenues						
Charges for Tolls and Services	\$ 1,972.7	\$ 2,610.2	\$ 3,443.5	\$ -	\$ 45.3	\$ 454.6
Other Operating Revenues	2,065.0	1,044.9	35.5	49.2	52.8	-
Federal Revenues	14,425.0	-	3,900.0	-	-	24.6
Total Operating Revenues	18,462.7	3,655.1	7,379.0	49.2	98.1	479.2
Operating Expenses						
Salaries and Benefits	203.3	52.9	3.7	396.6	392.8	371.7
Operating and Travel	207.7	612.6	333.5	68.7	22.6	74.0
Construction Expenses	18,015.9	-	-	-	-	-
Professional Services	2,967.2	2,741.3	723.3	198.1	476.4	1,694.9
Total Operating Expenses	21,394.1	3,406.8	1,060.5	663.4	891.8	2,140.6
Operating Income (Loss)	(2,931.4)	248.3	6,318.5	(614.2)	(793.7)	(1,661.4)
Nonoperating Revenues (Expenses)						
Investment Income (Loss)	376.9	186.1	86.9	13.8	4.9	(1.4)
Other Nonoperating Revenues (Expenses)	3,222.2	563.5	(5.4)	(80.1)	(56.5)	(19.1)
Net Nonoperating Revenues (Expenses)	3,599.1	749.6	81.5	(66.3)	(51.6)	(20.5)
Change in Net Position	667.7	997.9	6,400.0	(680.5)	(845.3)	(1,681.9)
Net Position (Deficit), Beginning of the Year	12,268.8	11,270.9	4,870.9	(1,602.7)	(757.4)	924.5
Net Position (Deficit), End of the Year	\$ 12,936.5	\$ 12,268.8	\$ 11,270.9	\$ (2,283.2)	\$ (1,602.7)	\$ (757.4)

Colorado High Performance Transportation Enterprise
Management's Discussion and Analysis
(Unaudited)
June 30, 2014 and 2013

Variances for FY 2013-14

Transportation Special Fund

Revenues

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

The increase of \$2.8 million in net nonoperating revenues was due to local government obligations to complete the U.S. 36 project.

Expenses

Total operating expenses increased in FY 2013-14 by \$18.0 million due primarily to expenses relating to construction activity of U.S. 36.

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

Net Position

The outcome of these changes was an increase in net position of \$667,711 in FY 2013-14.

Operating Fund

Revenues

Total operating revenues decreased by \$48,954.

Expenses

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

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

Colorado High Performance Transportation Enterprise
Management's Discussion and Analysis
(Unaudited)
June 30, 2014 and 2013

Net Position

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

Variances for FY 2012-13

Transportation Special Fund

Revenues

Total operating revenues decreased by \$3.7 million. In FY 2012-13 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 PRD.

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.

Colorado High Performance Transportation Enterprise
Management's Discussion and Analysis
(Unaudited)
June 30, 2014 and 2013

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.

Capital Assets and Debt Administration

Transportation Special Fund

Capital Assets
(In Thousands)

As of June 30	2014	2013	2012
Capital Assets Not Being Depreciated	<u>\$ 105,889.3</u>	<u>\$ 16,300.0</u>	<u>\$ 4,800.0</u>

In FY 2013-14, capital assets increased by \$89.6 million due to the construction for the U.S. 36 project and increased by \$11.5 million in FY 2012-13 due to the start of construction of the U.S. 36 project.

Debt Outstanding

In October 2013, HPTE started to request disbursements of the \$54 million TIFIA loan and at June 30, 2014, HPTE had drawn down \$23.4 million of the loan. The obligation of the TIFIA loan will be transferred to PRD when U.S. 36 is completed, which is scheduled for the spring of 2015.

Colorado High Performance Transportation Enterprise
Management's Discussion and Analysis
(Unaudited)
June 30, 2014 and 2013

Operating Fund

The operating fund does not hold any capital assets.

Debt Outstanding

The long-term portion of the debt was \$3 million and \$2 million in FY 2013-14 and FY 2012-13, respectively. Principal payments will be made when sufficient revenue becomes available to repay the principal and interest of the loan.

Contingencies

On March 22, 2014, the Drive Sunshine Institute (DSI), a trade name for The Renewable Energy Initiative, a Colorado nonprofit corporation, and Cliff Smedley filed a complaint in the United States District Court of Colorado against HPTE, the HPTE Board members, certain HPTE staff members, the Colorado Department of Transportation, the Colorado Department of Transportation Commission, Kutak Rock LLP, Hogan Lovells LLP, Goldman, Sachs & Co., and certain other defendants. The complaint was subsequently amended on March 24, 2014 (Amended Complaint). In the Amended Complaint, DSI and Cliff Smedley seek (1) preliminary and permanent injunctive relief related to HPTE's alleged violations under 42 U.S.C. §1983;(2) preliminary and permanent injunctive relief to HPTE's alleged violations of the defendants Constitutional Rights under Colorado law (3) declaratory relief related to HPTE's alleged violations of Colorado Sunshine laws; (4) preliminary and permanent injunctive relief related to HPTE's alleged violations under the Colorado Open Records Act; (5) preliminary and injunctive relief relating to HPTE's violations of the Colorado Administrative Procedures Act; and (6) preliminary and permanent relief related to HPTE's issuance of the PABS. Any potential loss due for this complaint cannot be determined as of June 30, 2014.

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, 2014 and 2013

	June 30, 2014			June 30, 2013		
	Transportation Special Fund	Operating	Total	Transportation Special Fund	Operating	Total
Assets						
Current assets:						
Cash and pooled cash investments	\$ 35,158,004	\$ 938,376	\$ 36,096,380	\$ 34,754,043	\$ 534,817	\$ 35,288,860
Receivables	1,410,594	-	1,410,594	23,293,112	-	23,293,112
Prepaid items	14,585	-	14,585	1,083	-	1,083
Total current assets	36,583,183	938,376	37,521,559	58,048,238	534,817	58,583,055
Noncurrent assets:						
Other long-term investments	2,218,321	-	2,218,321	616,949	-	616,949
Capital assets - nondepreciable	105,889,312	-	105,889,312	16,255,310	-	16,255,310
Total noncurrent assets	108,107,633	-	108,107,633	16,872,259	-	16,872,259
Total assets	144,690,816	938,376	145,629,192	74,920,497	534,817	75,455,314
Liabilities						
Current liabilities:						
Accounts payable and accrued liabilities	18,116,568	52,554	18,169,122	2,651,729	45,425	2,697,154
Total current liabilities	18,116,568	52,554	18,169,122	2,651,729	45,425	2,697,154
Noncurrent liabilities						
Due to Transportation						
Commission	-	3,000,000	3,000,000	-	2,000,000	2,000,000
TIFIA loan	23,449,499	-	23,449,499	-	-	-
Accrued interest	25,770	155,591	181,361	-	75,530	75,530
Compensated absences	-	13,466	13,466	-	16,590	16,590
Unearned revenue	90,162,500	-	90,162,500	60,000,000	-	60,000,000
Total noncurrent liabilities	113,637,769	3,169,057	116,806,826	60,000,000	2,092,120	62,092,120
Total liabilities	131,754,337	3,221,611	134,975,948	62,651,729	2,137,545	64,789,274
Net Position (Deficit)						
Net investment in capital assets	82,439,813	-	82,439,813	16,255,310	-	16,255,310
Unrestricted deficit	(69,503,334)	(2,283,235)	(71,786,569)	(3,986,542)	(1,602,728)	(5,589,270)
Total net position (deficit)	\$ 12,936,479	\$ (2,283,235)	\$ 10,653,244	\$ 12,268,768	\$ (1,602,728)	\$ 10,666,040

Colorado High Performance Transportation Enterprise
Statements of Revenues, Expenses, and
Changes in Net Position
Years Ended June 30, 2014 and 2013

	June 30, 2014			June 30, 2013		
	Transportation Special Fund	Operating	Total	Transportation Special Fund	Operating	Total
Operating Revenues						
Charges for tolls and services	\$ 1,972,737	\$ -	\$ 1,972,737	\$ 2,610,181	\$ 45,281	\$ 2,655,462
Federal revenues	14,424,965	-	14,424,965	-	-	-
Other operating revenues	2,064,991	49,167	2,114,158	1,044,881	52,840	1,097,721
Total operating revenues	18,462,693	49,167	18,511,860	3,655,062	98,121	3,753,183
Operating Expenses						
Salaries and benefits	203,297	396,595	599,892	52,840	392,766	445,606
Operating and travel	207,727	68,729	276,456	612,624	22,667	635,291
Construction expenses	18,015,878	-	18,015,878	-	-	-
Professional services	2,967,241	198,056	3,165,297	2,741,312	476,416	3,217,728
Total operating expenses	21,394,143	663,380	22,057,523	3,406,776	891,849	4,298,625
Operating income (loss)	(2,931,450)	(614,213)	(3,545,663)	248,286	(793,728)	(545,442)
Nonoperating Revenues (Expenses)						
Investment income	376,941	13,766	390,707	186,076	4,895	190,971
Other nonoperating revenues (expenses), net	3,222,220	(80,060)	3,142,160	563,504	(56,475)	507,029
Net nonoperating revenues (expenses)	3,599,161	(66,294)	3,532,867	749,580	(51,580)	698,000
Change in Net Position	667,711	(680,507)	(12,796)	997,866	(845,308)	152,558
Net Position (Deficit), Beginning of the Year	12,268,768	(1,602,728)	10,666,040	11,270,902	(757,420)	10,513,482
Net Position (Deficit), End of the Year	\$ 12,936,479	\$ (2,283,235)	\$ 10,653,244	\$ 12,268,768	\$ (1,602,728)	\$ 10,666,040

Colorado High Performance Transportation Enterprise

Statements of Cash Flows

Years Ended June 30, 2014 and 2013

	June 30, 2014			June 30, 2013		
	Transportation Special Fund	Operating	Total	Transportation Special Fund	Operating	Total
Cash Flows from Operating Activities						
Cash received from users and grants	\$ 37,900,854	\$ 49,167	\$ 37,950,021	\$ 3,391,324	\$ 539,302	\$ 3,930,626
Cash payments for salaries and benefits	(203,297)	(399,719)	(603,016)	(53,441)	(392,209)	(445,650)
Cash payments to suppliers for goods and services	(13,502)	(179,595)	(193,097)	(1,646,914)	(798,934)	(2,445,848)
Net cash provided by (used in) operating activities	37,684,055	(530,147)	37,153,908	1,690,969	(651,841)	1,039,128
Cash Flows from Noncapital Financing Activities						
Interagency loans	-	1,000,000	1,000,000	-	1,000,000	1,000,000
Payments on intergovernmental agreement	30,162,500	-	30,162,500	37,869,936	-	37,869,936
Net cash provided by noncapital financing activities	30,162,500	1,000,000	31,162,500	37,869,936	1,000,000	38,869,936
Cash Flows from Capital and Related Financing Activities						
TIFIA Loan	23,449,499	-	23,449,499	-	-	-
Acquisition and construction of capital assets	(89,634,002)	-	(89,634,002)	(11,490,285)	-	(11,490,285)
Net cash used in capital and related financing activities	(66,184,503)	-	(66,184,503)	(11,490,285)	-	(11,490,285)
Cash Flows from Investing Activities						
Investment income	376,941	13,766	390,707	186,076	4,895	190,971
Payment of trustee fees	(33,661)	(80,060)	(113,721)	(60,077)	(56,475)	(116,552)
Purchase of investments	(1,601,371)	-	(1,601,371)	616,949	-	616,949
Net cash provided by (used in) investing activities	(1,258,091)	(66,294)	(1,324,385)	742,948	(51,580)	691,368
Net increase in cash and cash equivalents	403,961	403,559	807,520	28,813,568	296,579	29,110,147
Cash and cash equivalents, beginning of year	34,754,043	534,817	35,288,860	5,940,475	238,238	6,178,713
Cash and cash equivalents, end of year	\$ 35,158,004	\$ 938,376	\$ 36,096,380	\$ 34,754,043	\$ 534,817	\$ 35,288,860
Reconciliation of Operating Gain (Loss) to Net Cash Provided by (Used in) Operating Activities:						
Operating income (loss)	\$ (2,931,450)	\$ (614,213)	\$ (3,545,663)	\$ 248,286	\$ (793,728)	\$ (545,442)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:						
NET POSITION (DEFICIT), END OF THE YEAR						
Other nonoperating revenue included in operating cash flows	3,281,650	-	3,281,650	-	-	-
Receivables, net	21,882,518	-	21,882,518	(263,738)	441,180	177,442
Prepaid items	(13,502)	-	(13,502)	(1,083)	-	(1,083)
Accounts payable and accrued liabilities	15,464,839	84,066	15,548,905	1,707,504	(299,293)	1,408,211
NET POSITION (DEFICIT)						
Net cash provided by (used in) operating activities	\$ 37,684,055	\$ (530,147)	\$ 37,153,908	\$ 1,690,969	\$ (651,841)	\$ 1,039,128

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Colorado High Performance Transportation Enterprise

Notes to Financial Statements

June 30, 2014 and 2013

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 (IGA) 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.

Colorado High Performance Transportation Enterprise

Notes to Financial Statements

June 30, 2014 and 2013

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, 2014, 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 statements of cash flows, cash and pooled cash investments are defined as instruments with maturities of three months or less at date of acquisition, and pooled cash held by the Colorado State Treasurer.

Receivables

Receivables 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.

Colorado High Performance Transportation Enterprise

Notes to Financial Statements

June 30, 2014 and 2013

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, 2014 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 the spring of 2015. As of June 30, 2014, the Enterprise has invoiced RTD \$90,000,000 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.

Colorado High Performance Transportation Enterprise

Notes to Financial Statements

June 30, 2014 and 2013

Classification of Revenues and Expenses

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

Budgets and Budgetary Accounting

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

Application of Restricted and Unrestricted Resources

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

NOTE 2 – CASH AND POOLED CASH INVESTMENTS

The Enterprise deposits its cash with the Colorado State Treasurer as required by Colorado Revised Statutes. The State Treasurer pools these deposits and invests them in securities authorized by C.R.S. 24-75-601.1. The State Treasury acts as a bank for all State agencies and institutions of higher education, with the exception of the University of Colorado. Monies deposited in the Treasury are invested until the cash is needed. As of June 30, 2014, the Enterprise had cash on deposit with the State Treasurer of \$36,096,380, which represented approximately .5 percent of the total \$7,455.0 million fair value of deposits in the State Treasurer's Pool (Pool).

For financial reporting purposes all of the Treasurer's investments are reported at fair value, which is determined based on quoted market prices at fiscal year-end. On the basis of the Enterprise's participation in the Pool, the Enterprise reports as an increase or decrease in cash for its share of the Treasurer's unrealized gains and losses on the Pool's underlying investments. The State Treasurer does not invest any of the Pool's resources in any external investment pool, and there is no assignment of income related to participation in the Pool. The unrealized gains/losses included in income reflect only the change in fair value for the fiscal year.

Colorado High Performance Transportation Enterprise
Notes to Financial Statements
June 30, 2014 and 2013

As of June 30, 2014, cash balances were:

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

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	<u>57,381</u>	<u>923</u>	<u>58,304</u>
Total	<u>\$ 34,754,043</u>	<u>\$ 534,817</u>	<u>\$ 35,288,860</u>

NOTE 3 – LONG-TERM INVESTMENTS

The Enterprise has recorded long-term investments as of June 30, 2014 and 2013 in the amount of \$2.2 million and \$616,949, 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 initially required that \$604,614 be transferred to a project operation and maintenance account. In May 2014, the Enterprise transferred \$1.6 million to establish the required debt service reserve account. These monies for both the operations and maintenance account and the debt service reserve account are being held by the Enterprise's trustee, Zions Bank, and are invested with the Colorado State Treasury. The Bank has entered into an investment agreement with the State Treasury to hold the proceeds in a separate account to be invested in the Pool. The State Treasurer pools these deposits and invests them in securities approved by C.R.S. 24-75-601.1. For the years ended June 30, 2014 and 2013, \$7,599, and \$6,632 in interest earnings was added to the accounts, respectively.

Investments in the Treasurer's Pool are exposed to custodial credit risk if the securities are uninsured, are not registered in the state's name, and are held by either the counterparty to the investment purchase or the counterparty's trust department or agent but not in the state's name. As of June 30, 2014, none of the investments in the State Treasurer's Pool are subject to custodial credit risk.

Colorado High Performance Transportation Enterprise

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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, 2014, approximately 87.0 percent of investments of the Treasurer's Pool are subject to credit quality risk reporting. Except for \$15,235,458 of corporate bonds rated lower medium and \$25,428,000 of corporate bonds rated very speculative, these investments are rated from upper medium to the highest quality, which indicates that the issuer has strong capacity to pay principal and interest when due.

Interest rate risk is the risk that changes in the market rate of interest will adversely affect the value of an investment. In addition to statutory limitations on the types of investments, the State Treasurer's investment policy mitigates interest rate risk through the use of maturity limits set to meet the needs of the individual fund if the Treasurer is investing for a specific fund rather than the Pool. The Treasurer actively manages the time to maturity in reacting to changes in the yield curve, economic forecasts, and liquidity needs of the participating funds. The Treasurer further limits investment risk by setting a minimum/maximum range for the percentage of investments subject to interest rate risk and by laddering maturities and credit ratings. As of June 30, 2014, the weighted average maturity of investments in the Treasurer's Pool is 0.043 years for Commercial Paper (1.0 percent of the Pool), 1.424 years for U.S. Government Securities (55.8 percent of the Pool), 3.033 years for Asset Backed Securities (19.9 percent of the Pool), and 2.766 years for Corporate Bonds (23.3 percent of the Pool).

The Treasurer's Pool was not subject to foreign currency risk or concentration of credit risk in FY 2013-14.

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, 2014.

NOTE 4 – ACCOUNTS RECEIVABLE

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

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

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

	2014	2013
Tolling revenues receivable	\$ -	\$ 23,919
Local government receivable	282,751	22,130,064
CDOT receivable	-	138,623
Other receivable	1,127,843	1,000,506
Total accounts receivable	\$ 1,410,594	\$ 23,293,112

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

NOTE 5 – 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:

	2014	2013
Vendors payable	\$ 31,341	\$ 2,166,372
Contractors payable	18,092,137	-
Salaries and wages payable	45,644	30,782
Other payables	-	500,000
Total current accounts payable	\$ 18,169,122	\$ 2,697,154

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, and the FY 2013-14 loan bears an interest rate of 2.25 percent on the unpaid balance, compounded annually. As of June 30, 2014, \$80,060 in accrued interest on all loans was recorded and a total of \$3 million has been borrowed from the Transportation Commission.

Colorado High Performance Transportation Enterprise

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Unearned revenue totaling \$90 million and \$60 million has been recorded on the Statement of Net Position at June 30, 2014 and 2013, respectively, to reflect the IGAs with HPTE, CDOT, and RTD that was signed in August 2011 for \$120 million for Phase I and then amended in June 2013 increasing to \$135 million to reflect Phase II of the U.S. 36 managed lane project. These IGAs are for perpetual use of U.S. 36 managed lanes. The IGAs are structured to have RTD pay HPTE \$30 million in fiscal years 2012, 2013, 2014, and 2015 for Phase I and \$7.5 million in fiscal years 2015 and 2016 for Phase II. The revenue will be recognized when the U.S. 36 project is completed, which is scheduled for the spring of 2015.

In accordance with the TIFIA loan disbursement schedule, the Enterprise has drawn \$23.5 million under the TIFIA loan agreement. These disbursements are completed monthly with the final disbursement being completed in November 2014. Toll revenue from the existing I-25 HOT lanes and future toll revenues from U.S. 36 were pledged to establish the TIFIA loan.

Other long-term liabilities include compensated absences in the amount of \$13,466. The estimated changes in the cost of compensated absences for vested employees for FY 2014 and for FY 2013 are as follows:

	Balance at June 30, 2013	Increase	Decrease	Balance at June 30, 2014
Annual Leave	\$ 12,869	\$ -	\$ (1,876)	\$ 10,993
Sick Leave	3,721	-	(1,248)	2,473
Total liability	<u>\$ 16,590</u>	<u>\$ -</u>	<u>\$ (3,124)</u>	<u>\$ 13,466</u>

	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	<u>\$ 13,135</u>	<u>\$ 3,455</u>	<u>\$ -</u>	<u>\$ 16,590</u>

Colorado High Performance Transportation Enterprise
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NOTE 7 – CAPITAL ASSETS

A summary of changes in capital assets is as follows for the years ended June 30, 2014 and June 30, 2013:

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

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

NOTE 8 – COMMITMENTS

The Enterprise has commitments at the end of FY 2013-14 totaling \$24,231,457 related to construction of U.S. 36 project and the concessionaire agreement for the Transportation Special Fund and for consulting services relating to managed lanes in the amount of \$348,403 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

Colorado High Performance Transportation Enterprise

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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.

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- 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 31, 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.

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- 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 employer contributions effective for FY 2010-11 and FY 2011-12 expired.

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

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

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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's contributions to PERA and/or the state defined contribution plan for the fiscal years ended June 30, 2014, 2013, and 2012 were \$67,826, \$35,674, and \$35,030, respectively. These contributions met the contribution requirement for each year.

NOTE 10 – OTHER RETIREMENT PLANS

Defined Contribution Plan

The PERA Defined Contribution Retirement Plan was established January 1, 2006, as an alternative to the defined benefit plan. All employees, with the exception of certain higher education employees, have the option of participating in the plan. At July 1, 2009, the state's administrative functions for the defined contribution plan were transferred to PERA. New member contributions to the plan vest from 50 percent to 100 percent evenly over 5 years. Participants in the plan are required to contribute 8 percent (10 percent for state troopers) of their salary. The temporary contribution rate increase to 10.5 percent (12.5 percent for state troopers) effective in FY 2010-11 and FY 2011-12 expired on July 1, 2012. At December 31, 2013, the plan had 4,719 participants.

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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 2013, participants were allowed to make contributions of up to 100 percent of their annual gross salary (reduced by their 8 percent PERA contribution) to a maximum of \$17,500. The reduction for the 8 percent PERA contribution reflects the expiration of the temporary contribution rate increase to 10.5 percent effective in FY 2010-11 and FY 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 2013, for total contributions of \$23,000. Contributions and earnings are tax deferred. At December 31, 2013, the plan had 17,462 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.

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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 \$3,042, \$2,406, and \$3,050 as required by statute in FY 2013-14, FY 2012-13, and FY 2011-12, 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, 2013, there were 53,041 enrolled participants, including spouses and dependents, from all contributors to the plan. At December 31, 2013, the Health Care Trust Fund had an unfunded actuarial accrued liability of \$1.26 billion, a funded ratio of 18.8 percent, and a 30-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

In the summer of 2013, HPTE and Plenary Roads Denver (PRD) completed the commercial close of a 50-year concession agreement, which is CDOT and HPTE's first Public Private Partnership project. The financial close of the concession agreement was completed on February 25, 2014. PRD will finance, design, and construct Phase II of U.S. 36, and then operate and maintain Phase I, Phase II and the existing HOT lanes for the next 50 years. Additionally, all operations and toll revenues from the existing I-25 HOT lanes and future tolls revenues from U.S. 36 will be collected by PRD. The concession agreement is HPTE and CDOT's first public private partnership (P3) project, where public and private sectors work together to provide transportation improvements.

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The concession agreement meets the criteria of a service concession arrangement under the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements (SCA)*, and upon the financial close of the concession agreement the Enterprise adopted and implemented GASB 60. The standard addresses SCAs concession agreements between a government and a governmental or nongovernmental entity in which the transferor conveys to an operator the right and related obligation to provide services through the use of infrastructure or another public asset (a facility) in exchange for significant consideration and the operator collects and is compensated by fees from third parties. The statement also includes required disclosures about SCAs. The adoption of GASB 60 did not result in any change on net position. In accordance with the standard, the Enterprise will record the U.S. 36 Phase II construction as an asset at fair value upon being placed in operation and being transferred to the Enterprise from PRD.

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 2014, the Enterprise adopted Statement No. 65 of the Governmental Accounting Standards Board (GASB 65), *Items Previously Reported As Assets and Liabilities*. GASB 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. GASB 65 also provides other financial reporting guidance related to the impact of the financial statement elements of deferred outflows of resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limiting the use of the term “deferred” in financial statement presentations.

Adoption of GASB 65 had no effect on the Enterprise’s beginning net position as of July 1, 2013, or on the change of net position for the year ended June 30, 2014. The Enterprise did not have any deferred inflows of resources or deferred outflows of resources to report for the year ended June 30, 2014.

Colorado High Performance Transportation Enterprise

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NOTE 17 – CONTINGENT LIABILITY

On March 22, 2014, the Drive Sunshine Institute (DSI), a trade name for The Renewable Energy Initiative, a Colorado nonprofit corporation, and Cliff Smedley filed a complaint in the United States District Court of Colorado against HPTE, the HPTE Board members, certain HPTE staff members, the Colorado Department of Transportation, the Colorado Department of Transportation Commission, Kutak Rock LLP, Hogan Lovells LLP, Goldman, Sachs & Co., and certain other defendants. The complaint was subsequently amended on March 24, 2014 (Amended Complaint). In the Amended Complaint, DSI and Cliff Smedley seek (1) preliminary and permanent injunctive relief related to HPTE's alleged violations under 42 U.S.C. §1983;(2) preliminary and permanent injunctive relief to HPTE's alleged violations of the defendants' Constitutional Rights under Colorado law (3) declaratory relief related to HPTE's alleged violations of Colorado Sunshine laws; (4) preliminary and permanent injunctive relief related to HPTE's alleged violations under the Colorado Open Records Act; (5) preliminary and injunctive relief relating to HPTE's violations of the Colorado Administrative Procedures Act; and (6) preliminary and permanent relief related to HPTE's issuance of the PABS. Any potential loss due for this complaint cannot be determined as of June 30, 2014.

NOTE 18 – SUBSEQUENT EVENT

On September 18, 2014, the Transportation Commission approved a proposed agreement between HPTE and CDOT that would finance the acquisition by HPTE of tolling equipment and software for designated toll lanes. CDOT would initially purchase the equipment and then sell them to HPTE under this agreement. HPTE will make installment payments to CDOT using toll revenues. When HPTE has paid CDOT in full, the title to the tolling equipment and software would be transferred to HPTE from CDOT. The maximum amount of the agreement is \$5 million.

In September 2014, the plaintiff described in Note 17 above filed a preliminary injunction that was subsequently denied by the court in October 2014. The state and other defendants also filed a motion to dismiss the complaint and moved to stay the proceedings pending the court's ruling on the motion to dismiss. Instead of responding to the motion to dismiss, plaintiff's counsel moved to withdraw from the case and requested 60 days to find substitute council. As of the date of the audit opinion, the court has not yet ruled on the motion to withdraw.

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

Members of the Legislative Audit Committee:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the business-type activities and each major fund of the Colorado High Performance Transportation Enterprise (the Enterprise), an enterprise fund of the State of Colorado, Department of Transportation, which comprise the basic financial statements as of and for the years ended June 30, 2014 and 2013, and have issued our report thereon dated December 10, 2014.

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 the Enterprise'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 the Enterprise's internal control. Accordingly, we do not express an opinion on the effectiveness of the Enterprise's internal control.

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

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

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

BKD, LLP

Denver, Colorado
December 10, 2014

Independent Auditor's Communication to Legislative Audit Committee

Members of the Legislative Audit Committee:

As part of our audit of the financial statements of the High Performance Transportation Enterprise (the Enterprise or HPTE) as of and for the year ended June 30, 2014, we wish to communicate the following to you.

AUDIT SCOPE AND RESULTS

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

An audit performed in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations* and is designed to obtain reasonable, rather than absolute, assurance about the financial statements and about whether noncompliance with the types of compliance requirements identified in OMB Circular A-133 that could have a direct and material effect on a major federal program occurred. In performing auditing procedures, we establish scopes of audit tests in relation to the financial statements taken as a whole. Our engagement does not include a detailed audit of every transaction.

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.

Qualitative Aspects of Significant Accounting Policies and Practices

Significant Accounting Policies

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

Members of the Legislative Audit Committee:

Alternative Accounting Treatments

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

- No matters are reportable

Management Judgments and Accounting Estimates

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

- Useful lives of capital assets

Financial Statement Disclosures

The following areas involve particularly sensitive financial statement disclosures for which we are prepared to discuss the issues involved and related judgments made in formulating those disclosures:

- Revenue recognition
- Concession agreement
- Subsequent event

Audit Adjustments

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

Areas in which adjustments were proposed include:

- No matters are reportable

Proposed Audit Adjustments Not Recorded:

- No matters are reportable

Members of the Legislative Audit Committee:

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

During the course of the audit, we made the following observations regarding the Enterprise's application of accounting principles:

- Adoption of Governmental Accounting Standards Board Statement No. 65, *Items Previously Reported as Assets and Liabilities*

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:

- No matters are reportable

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:

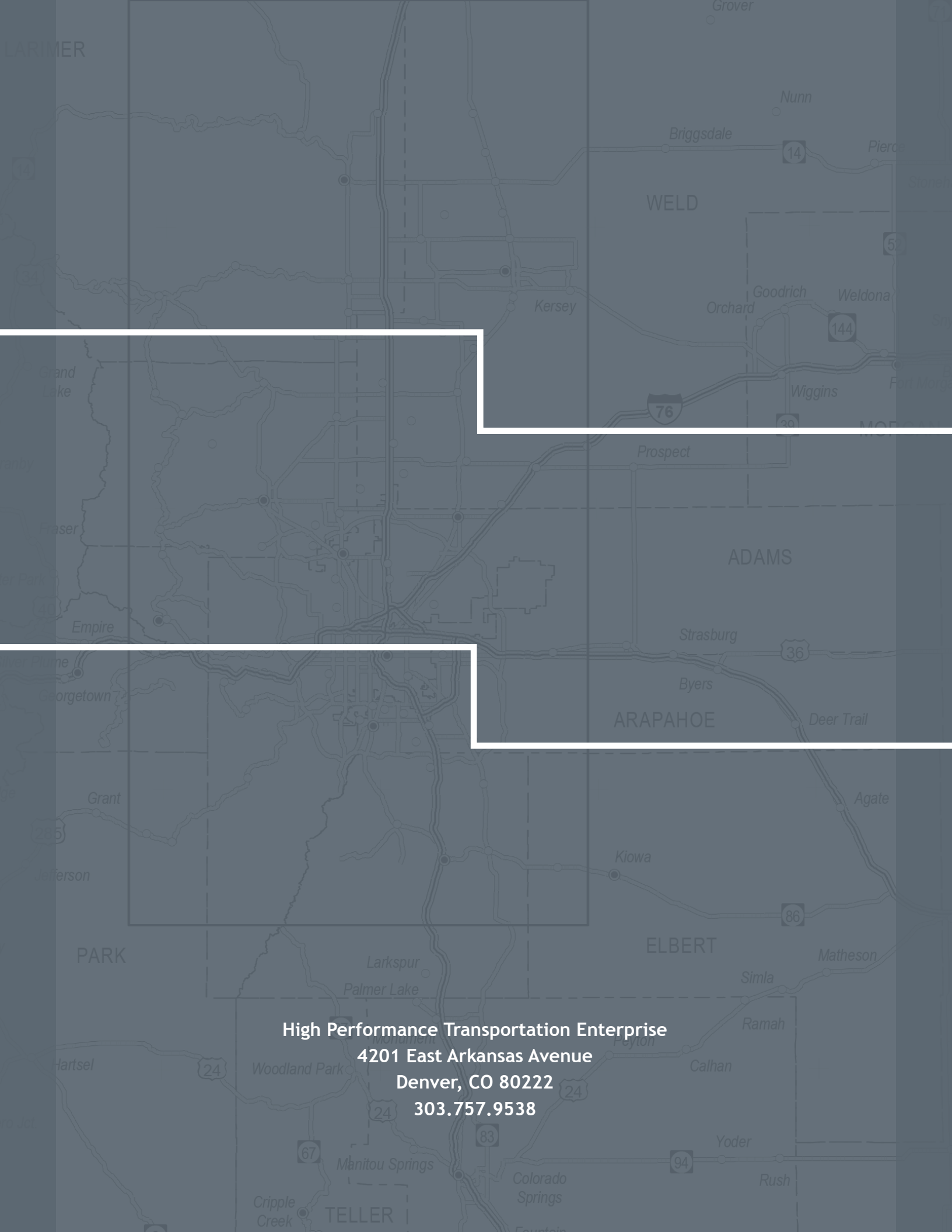
- No matters are reportable

* * * * *

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

BKD, LLP

Denver, Colorado
December 10, 2014



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