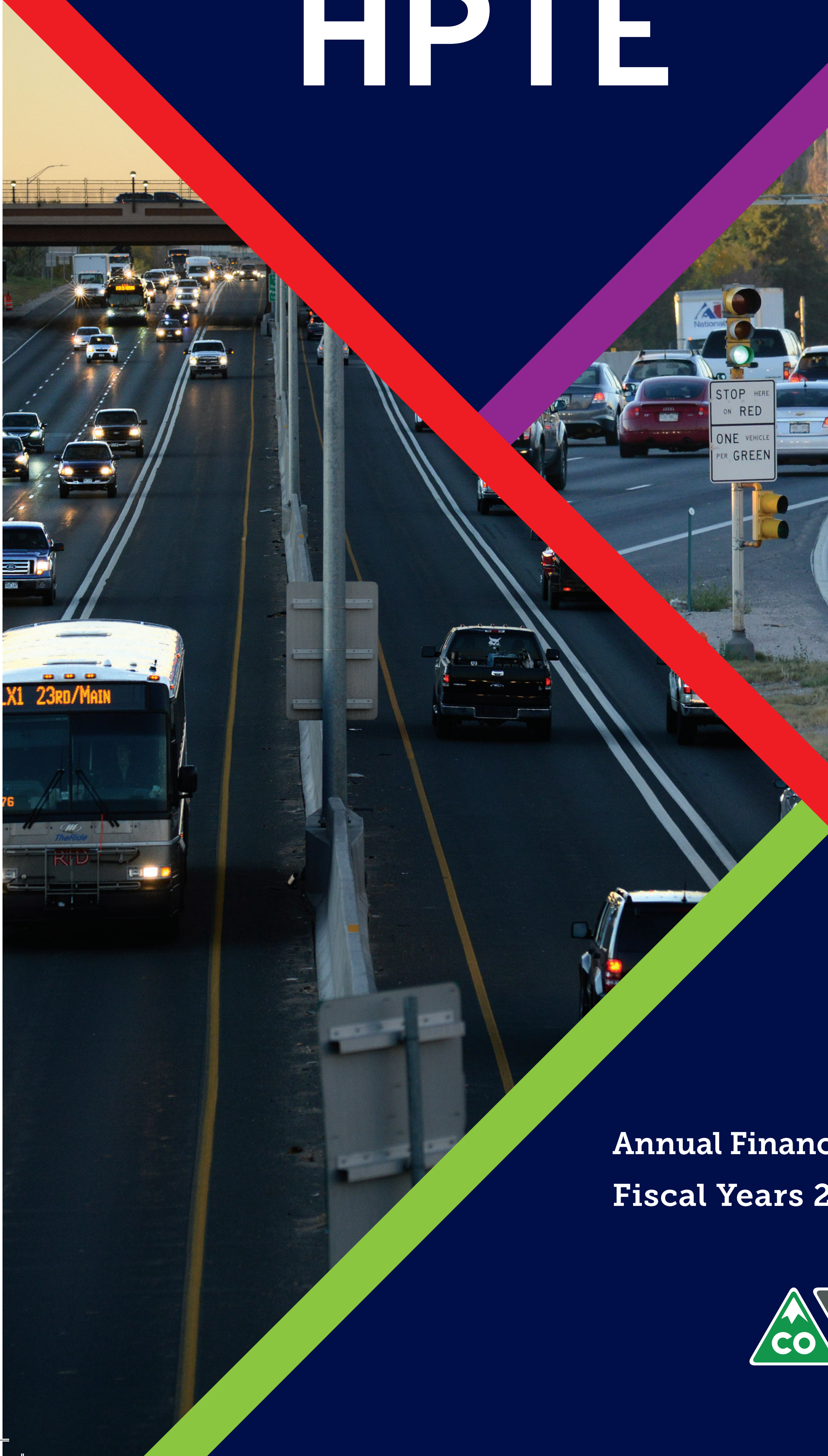
COLORADO HPTE



Annual Financial Statements
Fiscal Years 2016 and 2017

Colorado High Performance Transportation Enterprise

Financial Statements and Independent Auditor's Reports

Financial Audit

Years Ended June 30, 2017 and 2016

Compliance Audit

Year Ended June 30, 2017

LIMITATIONS ON DISCLOSURE OF INFORMATION CONTAINED IN THIS DOCUMENT

The enclosed report is being distributed to you at this time for your information in accordance with Colorado Revised Statutes (CRS).

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

All reports shall be open to public inspection except for that portion of any report containing recommendations, comments, and any narrative statements which is **released only upon the approval of a majority vote of the committee (emphasis supplied).**

SECTION 2-3-103.7 (1) states in part:

Any State employee **or other individual acting in an oversight role as a member of a committee, board, or commission** who willfully and knowingly discloses the contents of any report prepared by, or at the direction of, the Office of the State Auditor prior to **the release of such report by a majority vote** of the committee as provided in Section 2-3-103 (2) is guilty of a misdemeanor and, upon conviction thereof, shall be punished by a fine of not more than five hundred dollars (emphasis supplied).

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BKD LLP
CPAs & Advisors

1801 California Street, Suite 2900 // Denver, CO 80202-2606
303.861.4545 // fax 303.832.5705 // bkd.com

Members of the Legislative Audit Committee:

We have completed the financial statement audit of the Colorado Department of Transportation's High Performance Transportation Enterprise (the Enterprise or HPTE) as of and for the years ended June 30, 2017 and 2016. Our audits were conducted in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

BKD, LLP

January 12, 2018

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Colorado High Performance Transportation Enterprise
June 30, 2017 and 2016

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Colorado High Performance Transportation Enterprise

Report Summary

Year Ended June 30, 2017

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, 2017. 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. The audit of the Colorado High Performance Transportation Enterprise (the Enterprise or HPTE) was performed under authority of Section 2-3-103, C.R.S.

The purposes and scope of this audit were to:

- Express opinions on the financial statements of the Enterprise as of and for the years ended June 30, 2017 and 2016, including consideration of internal control over financial reporting as required by auditing standards generally accepted in the United States of America and *Government Auditing Standards* for the year ended June 30, 2017.
- To review the Enterprise's compliance with rules and regulations governing the expenditure of State funds for the year ended June 30, 2017.
- 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, 2017.

Audit Opinions and Reports

The independent auditor's reports included herein expressed an unmodified opinion on the Enterprise's financial statements as of and for the years ended June 30, 2017 and 2016.

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, 2017

Summary of Progress in Implementing Prior Year Audit Recommendations

There were no prior year audit recommendations.

Significant Audit Adjustments

There was one proposed audit adjustment identified during the audit to properly state capital assets (see Schedule of Adjustments Passed beginning on page 67).

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 63.

Colorado High Performance Transportation Enterprise

Background

Year Ended June 30, 2017

On March 2, 2009, former Governor Ritter signed into law Colorado SB 09-108, *Funding Advancement for Surface Transportation and Economic Recovery Act*, otherwise known as FASTER, creating the High Performance Transportation Enterprise (HPTE or the Enterprise) as a government-owned business within the Colorado Department of Transportation (CDOT). The new law created the High Performance Transportation Enterprise, replacing the Colorado Tolling Enterprise (CTE) that had been established in 2002. With the passage of the new legislation, the CTE ceased to exist on March 2, 2009 and CTE's activities for the remainder of the fiscal year were assumed by HPTE. Any residual funds available from the original CTE were consolidated into HPTE.

The HPTE has the legal responsibility to seek out opportunities for innovative and efficient means of financing and delivering important surface transportation infrastructure projects in the State. It has the statutory power, among others, to impose tolls and other user fees, to issue revenue bonds secured by those fees, and to enter into contracts with public and private entities to facilitate Public Private Partnerships (P3s), which are partnerships between a government and a private sector company that can be used to finance, build, and operate projects.

The law also introduced a new governance structure, creating an HPTE Board of Directors which includes a mix of State Transportation Commissioners and external stakeholders appointed by the Governor to provide expertise and guidance in analyzing P3s and other creative financings mechanisms.

The revised Colorado High Performance Transportation Enterprise statute, Section 43-4-806 C.R.S., requires two separate funds for management of the Enterprise. The Statewide Transportation Special Revenue Fund is referred to in statute and herein as the Transportation Special Fund. The Transportation Special Fund receives revenues collected from tolls, fees and other fines with the intent to separately account for authorized projects. The principal revenues for this fund 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. In addition to the U.S. 36 Managed Lanes, HPTE also oversees the Mountain Express Lanes (MEXL) and the I-25 North Segment II Managed Lanes.

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 for Fiscal Year 2015-16 or 2016-17.

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BKD LLP
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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, 2017 and 2016, and the related statements of revenues, expenses and changes in net position and statements of cash flows for the years then ended, and the related notes to the basic financial statements, as listed in the table of contents of the Colorado High Performance Transportation Enterprise.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *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 Enterprise'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 Enterprise'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.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and each major fund of the Enterprise as of June 30, 2017 and 2016 and the changes in its financial position and its cash flows, where applicable thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of 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 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, 2017 and 2016 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.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and pension information listed in the table of contents be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 12, 2018, on our consideration of the Enterprise's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Enterprise's internal control over financial reporting and compliance.

BKD, LLP

Denver, Colorado
January 12, 2018

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Colorado High Performance Transportation Enterprise

Management's Discussion and Analysis
(Unaudited)
June 30, 2017 and 2016

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, 2017 and 2016. 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

Including the Director, the Enterprise presently has four direct staff for administration of the program. In addition, the Board uses the services of other Colorado Department of Transportation (CDOT) employees and consultants as necessary. The time CDOT staff works for the Enterprise is billed to and paid by the Enterprise. In the coming year, HPTE plans to hire a Tolling Services Manager to oversee all operational tolling requirements.

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

In September 2013 the Board of HPTE and the Transportation Commission (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 (OMPD), a division of CDOT, which frequently supports projects with HPTE involvement.

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

In June 2017, HPTE concluded that HPTE and OMPD should be merged together to create efficiencies between the two groups, eliminate duplication, and to create budget savings for CDOT. HPTE and OMPD already act in concert together, with OMPD supporting HPTE's functions. Merging the two groups would be more efficient, by creating a single organizational hierarchy, working towards a single vision, with unified direction and shared goals. The merger would also allow for a new technical/engineering/program management role to be created in HPTE, filling a need that CDOT project staff have been requesting for some time. The merger of HPTE and OMPD is anticipated to be complete by fall of 2017.

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 and include toll revenue from MEXL and I-25N. Revenues previously included additional receipts from U.S. 36 tolls prior to the closing of the related concession agreement, at which point toll revenue collection was transferred to the concessionaire. 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 is the Enterprise Operating Fund, referred to herein as the Operating Fund. The Operating Fund was initially funded with monies loaned by the Transportation Commission to HPTE from the State Highway Fund (such monies were intended to defray expenses incurred by the Enterprise prior to the receipt of revenues either from bond proceeds or fees). Beginning in 2016, HPTE's fees earned for providing services pursuant to the Fee for Service Intragency Agreement are also deposited into the Operating Fund. Statutes require that the Operating Fund is to be maintained and reported separately from the Transportation Special Fund. Therefore, the financial information for each fund is presented with combined totals in the accompanying financial statements for the Enterprise.

The Enterprise retains the status of an enterprise for purposes of Section 20 of Article X of the State Constitution (TABOR) so long as it retains the authority to issue revenue bonds and receives less than 10 percent of its total revenues in grants from the State and local governments. Management has not identified any violations of this enterprise status for Fiscal Year 2015-16 or 2016-17.

Program Highlights

U.S. 36 Express Lanes

In the summer of 2013, HPTE and Plenary Roads Denver (PRD) 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 financed, designed and constructed Phase II, and now operates and maintains Phase I, Phase II and the existing I-25 Express Lanes. Phase I tolling commencement took place on July 22, 2015, Phase II tolling commencement took place on March 30, 2016, and operations and maintenance of the U.S. 36 Managed Lanes were transferred to PRD.

As part of the financial close between HPTE and PRD, $20 million of private activity bonds (PABs) were issued by PRD, with HPTE acting as a conduit issuer. This allocation is a capital source for construction of the Phase II project, which opened in spring 2016. The PABs are not a liability of HPTE and will be repaid by the concessionaire with future toll revenues.

The U.S. 36 project added a new Express Lane in each direction and installed Intelligent Transportation Systems (ITS) for tolling, transit, traveler information and incident management. In addition, U.S. 36 was widened to accommodate 12-foot-wide inside and outside shoulders, installed a 18 mile bikeway along the U.S. 36 corridor, improved several RTD stations, and several bridges were replaced.

The acceleration of improvements to this corridor is largely a result of the collaborative efforts of the Enterprise, CDOT, RTD, Colorado Bridge Enterprise (CBE), the Denver Regional Council of Governments (DRCOG), and the U.S. 36 local government/business coalition. The project combined local and State contributions with private debt and equity and is a model for future congestion relief efforts in the state. The U.S. 36 project continues to serve as a national model for regional collaboration to implement a major corridor project and was recently awarded The P3 Project of the Year award by the American Road and Transportation Builders Association, and the Award of Merit from Engineering New Report (ENR).

<u>I-25 North</u>

Another HPTE and CDOT project is the extension of the I-25 Express Lanes north on I-25 to the entrance of RTD's Wagon Road Park and Ride near 120th Avenue (I-25 North Segment II). This project was awarded a $15 million Transportation Investment Generating Economic Recovery (TIGER) Grant by USDOT in June 2012. This project largely uses the existing highway infrastructure to expand the capacity of I-25 in this portion of the Denver Metro area and to also assist CDOT with traffic management of the I-25 corridor. This project opened for toll collection in July 2016. RTD provided a contribution towards the project to ensure effective and efficient operation of RTD's buses.

On February 24, 2016, the HPTE closed on a $23,630,000 loan with Banc of America Preferred Funding Corporation to close the funding gap on the I-25N Segment 3 Project (120th to E-470). In 2013, CDOT allocated the use of Responsible Acceleration of Maintenance and Partnerships (RAMP) funds or State Highway funds to HPTE, which were then used on the Project. The project will continue the managed lanes that are currently operating from US 36 up to 120th Avenue. In addition, the project will resurface the existing lanes along this six mile stretch. Extending the project past the limits of Segment 2 from 120th Avenue to E-470 will bring continuity for the traveling public while decreasing travel time and expanding transportation choices further along the I-25 north corridor. The loan is to be repaid from toll revenues earned from the Segment 3 Express Lanes. Interest on the loan accrues at the rate of 1.99 percent and payments are due annually in December. Principal payments start yearly in 2022 with the maturity date in December 2025.

Improvements at the northern most portion of the North I-25 corridor will be along 14 miles of highway between state highways 402 and 14, and will include one tolled express lane in each direction. The total cost of the project is estimated to be $237 million. The planned improvements will provide much needed capacity and help ease congestion in this rapidly growing corridor. CDOT is proceeding with a Design-Build project procurement. The preferred proposer was selected in November 2017.

In 2013, the U.S. Department of Transportation (USDOT) awarded CDOT and local partners a TIGER VIII grant. Other potential funding sources include federal grants (such as FASTLANE), SB 288 transfers, revenue-backed loans, and general fund appropriations. This project is also supported by all of the communities and counties served by this corridor by contribution of funds totaling more than $25 million.

Central 70

HPTE is working closely with CDOT and the Colorado Bridge Enterprise (CBE) on the Central 70 project. In February 2015 the Transportation Commission approved using a Design, Build, Finance, Operate and Maintain (P3 DBFOM) availability payment Public-Private Partnership procurement. The P3 DBFOM structure was selected as the delivery method because of its ability to transfer more risk to the private sector in several key areas including the long-terms costs of maintaining the corridor. In this model, the concessionaire is given annual performance payments and must meet strict operations and maintenance standards. Central 70 will be HPTE's second major P3 project.

In March 2015 the HPTE and the CBE (the Procuring Authorities) released a RFQ with responses due in late June 2015. Four teams were shortlisted and the first draft of the RFP was issued early fall 2015 with the selection of a preferred proposer occurring in November 2017. The start of construction is expected in 2018.

The full project scope includes removing the elevated section of I-70 between Brighton and Colorado boulevards, lowering this portion of the highway below ground, constructing a cover over a portion of the lowered highway, and installing one additional Express Lane in each direction along the length of the project from Brighton Boulevard to Chambers Road.

This project includes a 1.8 mile viaduct bridge, which ranks as the highest priority project for CBE to complete. CDOT, in collaboration with HPTE and CBE, have identified a total project delivery cost of approximately $1.2 billion to construct the 10-mile project. Funding sources currently committed to the I-70 East Project include $850 million from CBE, $50 million from DRCOG, transfers from SB-288 funds totaling $180 million, HPTE toll revenues, and $37 million from the City and County of Denver.

C-470

HPTE is also working closely with CDOT on the C-470 project. After examining the level II traffic and revenue study and incorporating those results into a preliminary value for money analysis, the HPTE Board recommended to the Transportation Commission in November 2014 that the C-470 project be procured using the design build public funding delivery method instead of using a P3 method. In a design build public funding method, HPTE takes the toll risk vs the developer taking the toll risk. The preliminary value for money for analysis came to the conclusion that the project does not receive any additional value in delivering it as a Public-Private Partnership.

CDOT released the Request for Qualifications (RFQ) for the C-470 project in February 2015 and shortlisted three bidders in May 2015. The first draft of the RFP was released in summer 2015, with proposals due late winter 2015. In April 2016, Flatiron Construction and AECOM were selected as the preferred proposer team and the Design Build contract was executed in June 2016.

In August 2016, after years of planning and collaboration, federal, state, and local officials and members of the community joined CDOT and HPTE to celebrate the groundbreaking of the C-470 Express Lanes Project, which increased mobility and user choice on a 12.5 mile stretch of C-470 primarily between I-25 and Wadsworth Boulevard. Over 100,000 motorists currently use this segment of C-470 each day, with volumes projected to increase 40 percent by 2035. Completion of the project is expected in 2019.

HPTE received credit assistance from TIFIA in the amount of $106 million and $176.5 million toll revenue backed bonds, which closed in June 2017. Additionally, HPTE contributed $20 million in RAMP Development Funds so the project could proceed on schedule.

HOV lanes will not be offered on C-470, as an HOV-free policy would result in a funding gap of about $40 million, making the project financially infeasible. The C-470 Coalition (a representative advisory group of area elected and appointed officials) supports this policy, given the critical need to complete the C-470 project.

Mountain Express Lane

In 2014, HPTE arranged financing for the construction of the I-70 Mountain Express Lanes through a $25 million construction loan with Banc of America Preferred Funding Corporation, to be repaid from toll revenues from the lane. Interest accrues at the rate of 2.79 percent and is due each December. Principal payments start yearly in 2022 with the maturity date in December 2024.

Prior to the lanes opening, HPTE and CDOT negotiated agreements for the details of this project with Clear Creek County, Federal Highway Administration (FHWA), and the City of Idaho Springs. The existing shoulders on I-70 between the Twin Tunnels to Empire Junction were expanded to allow tolled traffic on the eastbound shoulders during peak travel times.

The I-70 Mountain Express Lanes (MEXL) project opened for tolling on December 19, 2015. The opening winter season and 2016 summer season showed success across all travel lanes in reducing congestion, improving travel times and safety, even while experiencing record-breaking volumes at the Eisenhower-Johnson Tunnels.

Given the beneficial results of the eastbound Mountain Express Lane, CDOT and HPTE are now studying the implementation of a westbound peak period shoulder lane from the Veterans Memorial Tunnel to Empire Junction. An additional travel lane and curve straightening westbound from Floyd Hill to the

Veterans Memorial Tunnel is also being explored. Project phasing and scope for the projects are still being developed. Technical analysis, planning and stakeholder outreach will continue through 2017.

I-25 South

Widening I-25 from four to six lanes for the 17 miles between Monument and Castle Rock has long been a focus for corridor travelers and elected officials. In 2017, CDOT will accelerate the environmental planning for the project. If funding is identified, the project will be ready for construction by 2019.

CDOT is able to accelerate the funding of the environmental planning due to the financing of the C-470 Express Lanes project. CDOT was able to redirect $15M of C-470 project funds that otherwise were allocated to serve as a "backstop" for loans that will be financing the project in order to allow the project to progress. The $15 million funding represented flexible State funds that allowed CDOT to move them to the project until financing was secured. The accelerated environmental study will look at opportunities to improve operations, reduce congestion and provide more predictable travel times for users. The I-25 South environmental study is funded in part by $3.75M in HPTE RAMP Development Funds.

HOV Transition

In February 2013, the CDOT Transportation Commission adopted a resolution providing that all HOV Express Lanes would change from HOV2 to HOV3 no later than January 1, 2017. The Denver Regional Council of Governments approved this change on U.S. 36 and I-25. HOV3 equals a driver and at least two passengers. Moving to HOV3 accomplished two goals: it helps ensure trip reliability for those in Express Lanes, especially mass transit; and, it helps ensure adequate financing to offset the costs of new Express Lane capacity. In 2016, HPTE and CDOT worked with the General Assembly in response to Senate Bill 16-123, committing to make the transition from HOV2 to HOV3 as smooth as possible to provide free switchable transponders to those who only use their transponders to carpool in the HOV lane (carpool purists). In response, CDOT and HPTE have already reimbursed over seven thousand carpool purists for the $15 transponder fee and are engaging in extensive public outreach and education campaign to ease the transition to HOV3 by providing travel options for all commuters.

For future Express Lane corridors, the HOV policy will be decided on a project by project basis based on the financial feasibility and other corridor considerations.

HPTE Program

In June 2015, HPTE entered into an interagency agreement with CDOT, which compensates HPTE for providing CDOT direct benefits by accelerating infrastructure projects that ordinarily would not have been undertaken due to the constrained fiscal environment. HPTE's status as an enterprise under Section 20 of Article X of the Colorado Constitution, also known as TABOR, has allowed HPTE to accelerate the development and delivery of critical transportation infrastructure projects through the use of innovative financing, public-private partnerships, user fees, revenue bonds and private commercial loan agreements. Per the agreement, HPTE will invoice CDOT for services that will be provided for the I-70 PPSL, Central 70, I-25 North and South, C-470 and U.S. 36 projects. The agreement will be renewed annually (or as often as additional work arises), and requires HPTE and CDOT to create an annual scope of work. HPTE will use the funds from this agreement to pay for the services provided to CDOT.

Using This Annual Report

This annual report consists of a series of financial statements.

The Enterprise reports two major funds, the Transportation Special Fund and the Operating Fund.

The statements of net position includes the assets, liabilities, and net position and provides information about HPTE's assets and liabilities and reflects the financial position of HPTE as of June 30, 2017 and 2016. 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, 2017 and 2016. 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, 2017 and 2016.

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

Net Position Analysis

Condensed Statements of Net Position
(In Thousands)

	Transportation Special Revenue Fund			Operating Fund		
As of June 30	**2017**	**2016**	**2015**	**2017**	**2016**	**2015**
Assets						
Current Assets	$ 30,325.7	$ 36,195.8	$ 78,811.9	$ 1,970.3	$ 1,652.4	1,029.0
Noncurrent Assets	176,079.7	2,715.6	4,323.8	-	-	-
Capital Assets	327,074.4	258,246.3	183,751.9	-	-	-
Total Assets	**533,479.8**	**297,157.7**	**266,887.6**	**1,970.3**	**1,652.4**	**1,029.0**
Deferred Outflows of Resources	**298.3**	**345.7**	**581.1**	**675.0**	**206.3**	**47.5**
Liabilities						
Current Liabilities	10,855.2	2,360.9	45,388.9	155.2	140.4	38.3
Noncurrent Liabilities	228,664.5	51,131.9	211,609.0	5,843.4	5,663.1	5,326.5
Total Liabilities	**239,519.7**	**53,492.8**	**256,997.9**	**5,998.6**	**5,803.5**	**5,364.8**
Deferred Inflows of Resources	**139,663.1**	**142,435.2**	**0.1**	**58.8**	**30.0**	**32.0**
Net Position (Deficit)						
Net Investment in Capital Assets	257,127.6	207,262.3	104,751.9	-	-	-
Unrestricted (Deficit)	(102,532.3)	(105,686.9)	(94,281.2)	(3,412.0)	(3,974.8)	(4,320.4)
Total Net Position (Deficit)	**$ 154,595.3**	**$ 101,575.4**	**$ 10,470.7**	**(3,412.0)**	**$ (3,974.8)**	**$ (4,320.4)**

Fiscal Year 2016-17 Analysis

Transportation Special Revenue Fund

Assets

The Transportation Special Revenue Fund total assets increased by $236.3 million.

Current Assets

Current assets decreased by $5.9 million due primarily to the spending of the Mountain Express Lanes and Segment III construction loan proceeds.

Noncurrent Assets

Noncurrent assets, excluding capital assets increased by $173.4 million due to the increase in restricted cash which are the proceeds from the C-470 bonds.

Capital Assets

In Fiscal Year 2016-17, HPTE capital assets increased by $68.8 million due to the transfer of the I-25 North Segment II managed lanes.

Liabilities

Liabilities increased by $186 million due to the closing of the C-470 bonds which occurred in June 2017.

HPTE issued $176.5 million of bonds and closed a TIFIA loan totaling $106.9 million to construct the C-470 managed lanes. HPTE does not reflect a liability for the C-470 TIFIA loan, due to HPTE not receiving any TIFIA loan proceeds in Fiscal Year 2016-17.

HPTE accrued $382,016 of interest for Fiscal Year 2016-17 for the C-470 bonds. In addition to the C-470 bonds HPTE accrued $253,205 and $375,577 of interest related to the Segment III and MEXL loans for Fiscal Year 2016-17, respectively. Accrual of payments to vendors increased due to the cost of issuance fees associated with the closing of the C-470 debt.

Net Position

The net effect of these changes was an increase in net position for the Transportation Special Revenue Fund of $53 million. Of the total net position, $257.1 million represents the net investment in capital assets.

Operating Fund

Assets

The operating fund total assets increased by $317,898 from Fiscal Year 2015-16 to Fiscal Year 2016-17 due to an increase in cash, which is funded by an intergovernmental agreement with CDOT.

Liabilities

As explained below, total liabilities increased by $194,993 due to an increase in net pension liability of $795,344 which was offset by a HPTE Transportation Commission loan payment of $555,597.

Current Liabilities

Current liabilities increased by $14,723 due to an increase in accrual payments to vendors.

Noncurrent Liabilities

Noncurrent liabilities increased by $180,270 primarily due HPTE's Transportation Commission loan payment of $750,852, which $555,597 was applied towards principal. HPTE accrued interest of $77,378 for Fiscal Year 2016-17 for the Transportation Commission loans. The HPTE will continue to make loan payments from monies in its Transportation Special Revenue or Operating Fund from future revenue generating activities, such as toll revenues, the issuance of revenue bonds, concession fees, or fee for services 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 $564,148 from the previous fiscal year.

Fiscal Year 2015-16 Analysis

Transportation Special Revenue Fund

Assets

The Transportation Special Revenue Fund total assets increased by $30.3 million.

Current Assets

Current assets decreased by $42.6 million due primarily to the spending of the Mountain Express Lanes construction loan proceeds.

Noncurrent Assets

Noncurrent assets, excluding capital assets decreased by $1.6 million due to the reduction of long-term investments and restricted cash. 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 Fiscal Year 2012-13. These monies were held by the Enterprise's trustee, Zions Bank, and were invested with the Colorado State Treasury. In Fiscal Year 2013-14, HPTE established a required debt service reserve account for $1.6 million, which was based on TIFIA loan requirements. These monies were also held by Zions Bank and invested with the Colorado State Treasury. When U.S. 36 Phase I opened in July, the project operations and maintenance account was transferred to PRD and the debt service reserve account was returned to HPTE.

Capital Assets

In Fiscal Year 2015-16, HPTE capital assets increased by $74.5 million due to the U.S. 36 Phase I and Phase II projects being completed and placed into service.

Liabilities

Liabilities decreased by $203.5 million due to the terms of the concession agreement with PRD. When U.S. 36 Phase I was placed into service in July, the liability of the $54 million TIFIA loan was transferred to PRD and HPTE was no longer responsible for this debt.

HPTE closed a $23.6 million loan with Banc of America Funding Corporation to assist with the construction of I-25 North Segment III project. HPTE accrued $164,261 of interest for Fiscal Year 2015-16. In addition to the Segment III loan, HPTE accrued $376,459 of interest related to the MEXL loan for Fiscal Year 2015-16. Accrual of payments to vendors decreased due to the completion of the Phase I and Phase II of the U.S. 36 project.

Net Position

The net effect of these changes was an increase in net position for the Transportation Special Revenue Fund of $91.1 million. Of the total net position, $207.3 million represents the net investment in capital assets.

Operating Fund

Assets

The operating fund total assets increased by $623,285 from Fiscal Year 2014-15 to Fiscal Year 2015-16 due to an increase in cash, which is funded by an intergovernmental agreement with CDOT.

Liabilities

As explained below, total liabilities increased by $438,655 due to the accrued interest of prior fiscal year Transportation Commission loans, and increase in net pension liability of $233,941.

Current Liabilities

Current liabilities increased by $102,104 due to an increase in accrual payments to vendors.

Noncurrent Liabilities

Noncurrent liabilities increased by $336,551 primarily due to the accrued interest of $115,673 for the Transportation Commission loans. 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.

Colorado High Performance Transportation Enterprise

Management's Discussion and Analysis
(Unaudited)
June 30, 2017 and 2016

Net Position

The effect of these changes was an increase in net position of the operating fund of $345,635 from the previous fiscal year.

Revenue and Expense Analysis

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

	Transportation Special Revenue Fund			Operating Fund		
For Year Ended June 30	2017	2016	2015	2017	2016	2015
Operating Revenues						
Charges for Tolls and Services	$ 13,669.5	$ .4	$ 259.2	$ 2,371.6	$ 2,000.0	$ -
Federal Revenues	46.5	28.3	0.9	-	-	-
Other Operating Revenues	1,097.2	149,761.0	3,738.7	26.7	36.4	-
Total Operating Revenues	**14,813.2**	**150,148.4**	**3,998.8**	**2,398.3**	**2,036.4**	**-**
Operating Expenses						
Salaries and Benefits	435.6	574.5	659.4	819.6	539.8	426.3
Operating and Travel	568.3	2,142.3	1,064.8	142.1	321.7	103.6
Construction Expenses	1,448.0	21,271.3	1,620.0	-	-	-
Professional Services	4,390.8	1,512.1	1,094.7	766.6	738.1	399.6
Depreciation Expense	8,526.4	5,197.3	-	-	-	-
Total Operating Expenses	**15,369.1**	**30,697.5**	**4,438.9**	**1,728.3**	**1,599.6**	**929.5**
Operating Income (Loss)	**(555.9)**	**119,450.9**	**(440.1)**	**670.**	**436.8**	**(929.5)**
Nonoperating Revenues (Expenses)						
Investment Income (Loss)	127.3	302.6	708.0	10.6	24.5	13.8
Interest Expense	(1,545.8)	(861.7)	-	(117.9)	(115.7)	(110.2)
Other Nonoperating Revenues (Expenses)	(4,741.0)	(241.0)	(2,753.7)	-	-	-
Loss on Disposal of Capital Asset	(6,175.4)	-	-	-	-	-
Transfer of U.S. 36 General Purpose Lanes to CDOT	-	(27,546.1)	-	-	-	-
Net Nonoperating Revenues (Expenses)	**(12,334.9)**	**(28,346.2)**	**(2,045.7)**	**(107.3)**	**(91.2)**	**(96.4)**
Transfer of I-25 North Segment II managed lanes to HPTE	65,910.7	-	-	-	-	-
Change in Net Position	**53,019.9**	**91,104.7**	**(2,485.8)**	**562.8**	**345.6**	**(1,025.9)**
Beginning Net Position	**101,575.4**	**10,470.7**	**12,956.4**	**(3,974.8)**	**(4,320.4)**	**(3,294.5)**
Net Position (Deficit), End of the Year	**$ 154,595.3**	**$ 101,575.4**	**$ 10,470.7**	**$ (3,412.)**	**$ (3,974.8)**	**$ (4,320.4)**

Variances for Fiscal Year 2016-17

Transportation Special Revenue Fund

Revenues

Total operating revenues decreased by $135.3 million. This decrease is due to HPTE recognizing the revenue earned from an intergovernmental agreement between HPTE and RTD during Fiscal Year 2015-2016. RTD had contributed $120 million for Phase I and $30 million for Phase II of the U.S. 36 project. There was also an increase in charges for tolls and services of $11 million due to opening of the I-25 North Segment II managed lanes and reimbursement of expenses from CDOT relating to implementation of the new HOV policy.

Net nonoperating expenses decreased by $16.0 million due to the completion of Phase II of U.S. 36 project.

Expenses

Total operating expenses decreased in Fiscal Year 2016-17 by $15.3 million. Construction expenses decreased by $19.8 million due to the completion and therefore capitalization of the I-25 Segment III project. The increase in professional services and operating and travel also increased due to the costs associated with closing the C-470 TIFIA Loan and bonds. Depreciation expense also increased due to the transfer of the I-25 North Segment II managed lanes.

Net Position

The outcome of these changes was an increase in net position of $53 million in Fiscal Year 2016-17.

Operating Fund

Revenues

Total operating revenues increased by $361,860 due to an increase of HPTE's Fee for Service Agreement with CDOT.

Expenses

Total operating costs increased by $127,250 due to an increase in salaries and benefits caused by staff time spent on possible future HPTE corridors such as I-25 South and future shoulder lanes for I-70 West Mountain Express Lanes.

Net nonoperating revenues and expenses increased by $16,097 in interest due to the Transportation Commission loan payment of $750,852. Investment income decreased due to a decrease in the fund's share of the unrealized gain in market value of the State Treasurer's pooled funds, which was partially offset by an increase in interest earnings during Fiscal Year 2016-2017. In addition, $77,378 was accrued as interest payable on the loans from the Transportation Commission.

Net Position

The outcome of these changes was an increase in net position of $564,148 in Fiscal Year 2016-17.

Variances for Fiscal Year 2015-16

Transportation Special Revenue Fund

Revenues

Total operating revenues increased by $146.1 million. This increase is due to HPTE recognizing the revenue earned from an intergovernmental agreement between HPTE and RTD, which is based on a fee for RTD's use of the U.S. 36 managed lanes. RTD contributed $120 million for Phase I and $30 million for Phase II of the U.S. 36 project. There was also an increase in charges for tolls and services of $99,905, due to opening of the I-70 Mountain Express Lanes.

Net nonoperating revenues and expenses increased by $26.3 million due to HPTE transferring the cost of the general purpose lanes to CDOT.

Expenses

Total operating expenses increased in Fiscal Year 2015-16 by $26.3 million. Construction expenses increased by $19.7 million due to the completion and therefore capitalization of the U.S. 36 Phase I and Phase II project and also the construction of the I-70 Mountain Express Lanes. The increase in professional services and operating and travel also increased due to the opening of the I-70 Mountain Express Lanes, as HPTE incurred expenses to operate and maintain the I-70 Mountain Express Lanes.

Net Position

The outcome of these changes was an increase in net position of $91.1 million in Fiscal Year 2015-16.

Operating Fund

Revenues

Total operating revenues increased by $2 million due to HPTE's Fee for Service Agreement with CDOT.

Expenses

Total operating costs increased by $670,188 due to an increase in professional consultant fees which funded HPTE's efforts of transparency and public affairs outreach.

Net nonoperating revenues and expenses decreased by $5,341. Investment income increased with more interest earnings while the fund's share of the unrealized gain in market value of the State Treasurer's pooled funds also increased. In addition, $115,673 was accrued as interest payable on the loans from the Transportation Commission.

Net Position

The outcome of these changes was an increase in net position (deficit) of $345,635 in Fiscal Year 2015-16.

Capital Assets and Debt Administration

Transportation Special Revenue Fund

Capital Assets
(In Thousands)

As of June 30	2017	2016	2015
Capital Assets	$ 318,020.6	$ 258,246.3	$ -
Capital Assets, non-depreciable	9,053.9	-	183,751.9
Capital Assets, Net of Accumulated Depreciation	$ 327,074.5	$ 258,246.3	$ 183,751.9

In Fiscal Year 2016-17, capital assets increased overall by $68.8 million. In Fiscal Year 2016-17, non-depreciable assets increased by $9 million due to the construction of the C-470 managed lanes. The increase of $59.8 million of depreciable assets was a result of the capitalization of the I-25 North Segment II managed lanes, which opened in July 2017. Capital assets increased by $74.5 million in Fiscal Year 2015-16 due to the completion of the U.S. 36 project, construction of the I-70 Mountain Express Lanes, and the purchase of tolling equipment and software related to the U.S. 36 and Mountain Express Lanes projects.

Debt Outstanding

In October 2013 HPTE started to request disbursements of the $54 million TIFIA loan and at June 30, 2014 HPTE had drawn down $23.4 million of the loan. During Fiscal Year 2014-15 HPTE had drawn down the remaining balance of $30.6 million. The obligation of the TIFIA loan was transferred to PRD when U.S. 36 Phase I project was completed in July 2015.

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

In February 2016 HPTE entered into a $23.6 million loan with Banc of America Preferred Funding Corporation. The loan will be repaid with toll revenue from I-25 North Segment III. Interest accrues at the rate of 3.35 percent and is due each December and June. Principal payments started in June 2016, with a maturity date in December 2025.

HPTE closed on the financing for the C-470 Managed Lanes Project in June 2017, which consisted of a TIFIA loan totaling $106 million and revenue backed bonds totaling $176 million. As of June 30, 2017, HPTE had not drawn down any TIFIA funds, resulting in no liability at year-end. The C-470 revenue backed bonds interest payments begin in December 2017 and principal payments are due December 2045.

Operating Fund

The operating fund does not hold any capital assets.

Debt Outstanding

The long-term portion of the debt due to the Transportation Commission loans was $3.4 million in Fiscal Year 2016-17 and $4 million in Fiscal Year 2015-16. A payment of $750,852, consisting of $555,597 principal and $195,255 interest was made to CDOT in June 2017. HPTE will continue to make debt payments when sufficient revenue becomes available to repay the principal and interest of the loan.

Financial Contact

If you have questions about this report please contact:

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

Attn: Kay Hruska

Colorado High Performance Transportation Enterprise

Statements of Net Position

June 30, 2017 and 2016

	June 30, 2017			June 30, 2016		
	Transportation Special Revenue Fund	Operating	Total	Transportation Special Revenue Fund	Operating	Total
Assets						
Current assets:						
Cash and pooled cash investments	$ 29,121,766	$ 1,967,845	$ 31,089,611	$ 33,918,645	$ 1,652,371	$ 35,571,016
Receivables	1,203,647	-	1,203,647	2,264,684	45	2,264,729
Prepaid items	250	2,469	2,719	12,500	-	12,500
Total current assets	30,325,663	1,970,314	32,295,977	36,195,829	1,652,416	37,848,245
Noncurrent assets:						
Restricted cash	176,079,693	-	176,079,693	2,715,582	-	2,715,582
Capital assets, nondepreciable	9,053,855	-	9,053,855	-	-	-
Capital assets, net of accumulated depreciation	318,020,562	-	318,020,562	258,246,308	-	258,246,308
Total noncurrent assets	503,154,110	-	503,154,110	260,961,890	-	260,961,890
Total assets	**533,479,773**	**1,970,314**	**535,450,087**	**297,157,719**	**1,652,416**	**298,810,135**
Deferred Outflows of Resources Related to Pensions	**298,321**	**675,032**	**973,353**	**345,690**	**206,363**	**552,053**
Liabilities						
Current liabilities:						
Accounts payable and accrued liabilities	10,855,195	155,155	11,010,350	2,360,918	140,432	2,501,350
Total current liabilities	10,855,195	155,155	11,010,350	2,360,918	140,432	2,501,350
Noncurrent liabilities						
Due to Transportation Commission	-	3,444,403	3,444,403	-	4,000,000	4,000,000
Installment purchase agreement (MIPA)	1,510,740	-	1,510,740	-	-	-
C-470 Bonds	176,525,466	-	176,525,466	-	-	-
MEXL program loan	25,000,000	-	25,000,000	25,000,000	-	25,000,000
I-25 North Segment III program loan	23,630,000	-	23,630,000	23,630,000	-	23,630,000
Accrued interest	1,010,797	304,178	1,314,975	540,721	381,556	922,277
Compensated absences	-	24,120	24,120	-	6,219	6,219
Net pension liability	987,296	2,070,667	3,057,963	863,935	1,275,323	2,139,258
Unearned revenue	237	-	237	1,097,251	-	1,097,251
Total noncurrent liabilities	228,664,536	5,843,368	234,507,904	51,131,907	5,663,098	56,795,005
Total liabilities	**239,519,731**	**5,998,523**	**245,518,254**	**53,492,825**	**5,803,530**	**59,296,355**
Deferred Inflows of Resources						
Items related to pensions	207,862	58,819	266,681	74,638	30,009	104,647
Concession agreement	139,455,195	-	139,455,195	142,360,512	-	142,360,512
Total Deferred Inflows of Resources	**139,663,057**	**58,819**	**139,721,876**	**142,435,150**	**30,009**	**142,465,159**
Net Position (Deficit)						
Net investment in capital assets	257,127,617	-	257,127,617	207,262,310	-	207,262,310
Unrestricted (deficit)	(102,532,311)	(3,411,996)	(105,944,307)	(105,686,876)	(3,974,760)	(109,661,636)
Total net position (deficit)	**$ 154,595,306**	**$ (3,411,996)**	**$ 151,183,310**	**$ 101,575,434**	**$ (3,974,760)**	**$ 97,600,674**

The accompanying notes are an integral part of these financial statements

Colorado High Performance Transportation Enterprise

Statements of Revenues, Expenses, and Changes in Net Position

Years Ended June 30, 2017 and 2016

	June 30, 2017			June 30, 2016		
	Transportation Special Revenue Fund	Operating	Total	Transportation Special Revenue Fund	Operating	Total
Operating Revenues						
Charges for tolls and services	$ 13,669,461	$ 2,371,597	$ 16,041,058	$ 359,152	$ 2,000,000	$ 2,359,152
Federal revenues	46,516	-	46,516	28,294	-	28,294
Other operating revenues	1,097,249	26,689	1,123,938	149,761,022	36,426	149,797,448
Total operating revenues	**14,813,226**	**2,398,286**	**17,211,512**	**150,148,468**	**2,036,426**	**152,184,894**
Operating Expenses						
Salaries and benefits	435,643	819,557	1,255,200	574,422	539,857	1,114,279
Operating and travel	568,309	142,091	710,400	2,142,291	321,701	2,463,992
Construction expenses	1,447,986	-	1,447,986	21,271,348	-	21,271,348
Professional services	4,390,816	766,603	5,157,419	1,512,128	738,059	2,250,187
Depreciation expense	8,526,388	-	8,526,388	5,197,339	-	5,197,339
Total operating expenses	**15,369,142**	**1,728,251**	**17,097,393**	**30,697,528**	**1,599,617**	**32,297,145**
Operating income (loss)	**(555,916)**	**670,035**	**114,119**	**119,450,940**	**436,809**	**119,887,749**
Nonoperating Revenues (Expenses)						
Investment income	127,291	10,606	137,897	302,566	24,499	327,065
Interest expense	(1,545,789)	(117,877)	(1,663,666)	(861,712)	(115,673)	(977,385)
Cost of issuance	(4,741,006)	-	(4,741,006)	(241,000)	-	(241,000)
Loss on disposal of capital asset	(6,175,441)	-	(6,175,441)	-	-	-
Transfer of U.S. 36 general purpose lanes to CDOT	-	-	-	(27,546,054)	-	(27,546,054)
Net nonoperating revenues (expenses)	**(12,334,945)**	**(107,271)**	**(12,442,216)**	**(28,346,200)**	**(91,174)**	**(28,437,374)**
Transfer of I-25 North Segment II managed lanes to HPTE	65,910,733	-	65,910,733	-	-	-
Change in Net Position	**53,019,872**	**562,764**	**53,582,636**	**91,104,740**	**345,635**	**91,450,375**
Beginning net position	101,575,434	(3,974,760)	97,600,674	10,470,694	(4,320,395)	6,150,299
Net Position (Deficit), End of the Year	**$ 154,595,306**	**$ (3,411,996)**	**$ 151,183,310**	**$ 101,575,434**	**$ (3,974,760)**	**$ 97,600,674**

The accompanying notes are an integral part of these financial statements

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Colorado High Performance Transportation Enterprise

Statements of Cash Flows

Years Ended June 30, 2017 and 2016

	June 30, 2017			June 30, 2016		
	Transportation Special Revenue Fund	Operating	Total	Transportation Special Revenue Fund	Operating	Total
Cash Flows from Operating Activities						
Cash received from users and grants	$ 11,871,933	$ 26,734	$ 11,898,667	$ 149,991,680	$ 37,181	$ 150,028,861
Cash payments for salaries and benefits	(131,728)	(454,605)	(586,333)	(273,138)	(471,939)	(745,077)
Cash payments to contractors and suppliers for goods and services	(2,403,171)	(965,391)	(3,368,562)	(67,957,186)	(849,928)	(68,807,114)
Net cash provided by (used in) operating activities	**9,337,034**	**(1,393,262)**	**7,943,772**	**81,761,356**	**(1,284,686)**	**80,476,670**
Cash Flows from Noncapital Financing Activities						
Principal paid on interagency loans	-	(555,597)	(555,597)	-	-	-
Interest paid on interagency loans	-	(117,877)	(117,877)	-	-	-
Payments from intergovernmental agreement	-	2,371,604	2,371,604	(128,316,549)	2,000,000	(126,316,549)
Net cash provided by (used in) noncapital financing activities	**-**	**1,698,130**	**1,698,130**	**(128,316,549)**	**2,000,000**	**(126,316,549)**
Cash Flows from Capital and Related Financing Activities						
Segment III loan	-	-	-	23,630,000	-	23,630,000
Proceeds from C-470 bonds	176,525,466	-	176,525,466	-	-	-
Interest paid on debt	(1,075,712)	-	(1,075,712)	(2,643,551)	-	(2,643,551)
Acquisition and construction of capital assets	(11,605,841)	-	(11,605,841)	(18,877,326)	-	(18,877,326)
Net cash provided by capital and related financing activities	**163,843,913**	**-**	**163,843,913**	**2,109,123**	**-**	**2,109,123**
Cash Flows from Investing Activities						
Investment income	127,291	10,606	137,897	302,566	24,499	327,065
Payment of trustee and loan fees	(4,741,006)	-	(4,741,006)	(241,000)	(115,673)	(356,673)
Purchase of investments	-	-	-	2,239,087	-	2,239,087
Net cash provided by (used in) investing activities	**(4,613,715)**	**10,606**	**(4,603,109)**	**2,300,653**	**(91,174)**	**2,209,479**
Net increase (decrease) in cash and cash equivalents	168,567,232	315,474	168,882,706	(42,145,417)	624,140	(41,521,277)
Cash and cash equivalents, beginning of year	36,634,227	1,652,371	38,286,598	78,779,644	1,028,231	79,807,875
Cash and cash equivalents, end of year	**$ 205,201,459**	**$ 1,967,845**	**$ 207,169,304**	**$ 36,634,227**	**$ 1,652,371**	**$ 38,286,598**

Colorado High Performance Transportation Enterprise

Statements of Cash Flows

Years Ended June 30, 2017 and 2016

	June 30, 2017			June 30, 2016		
	Transportation Special Revenue Fund	Operating	Total	Transportation Special Revenue Fund	Operating	Total
Reconciliation of Operating Loss to Net Cash Provided by (Used in) Operating Activities:						
Operating income (loss)	$ (555,916)	$ 670,035	$ 114,119	$ 119,450,940	$ 436,809	$ 119,887,749
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:						
Depreciation expense	8,526,388	-	8,526,388	5,197,339	-	5,197,339
Net pension liability	123,361	795,334	918,695	301,285	73,035	374,320
Deferred inflow - pension related	133,224	28,810	162,034	-	-	-
Deferred inflow - concession agreement	(2,905,317)	-	(2,905,317)	-	-	-
Deferred outflow - pension related	47,369	(468,669)	(421,300)	-	-	-
Changes in assets and liabilities						
Receivables, net	1,061,037	(2,371,552)	(1,310,515)	(156,788)	(1,999,244)	(2,156,032)
Prepaid items	12,250	(2,469)	9,781	(3,423)	-	(3,423)
Accounts payable and accrued liabilities	3,991,638	(44,751)	3,946,887	(43,027,997)	204,714	(42,823,283)
Unearned revenue	(1,097,000)	-	(1,097,000)	-	-	-
Net cash provided by (used in) operating activities	**$ 9,337,034**	**$ (1,393,262)**	**$ 7,943,772**	**$ 81,761,356**	**$ (1,284,686)**	**$ 80,476,670**
Noncash Investing, Capital and Financing Activities						
Acquisition of capital assets, on account	$ 4,502,587	$ -	$ 4,502,587	$ 2,353,998	$ -	2,353,998
Acquisition of capital assets through issuance of debt	$ 1,510,740	$ -	$ 1,510,740	$ -	$ -	$ -
Transfer of managed lanes to (from) CDOT	$ (59,735,292)	$ -	$ (59,735,292)	$ 27,546,054	$ -	$ 27,546,054
Unrealized gain (loss)	$ (13,491)	$ (864)	$ (14,355)	$ 242,435	$ -	$ 242,435
Transfer of TIFIA loan to Plenary	$ -	$ -	$ -	$ 54,000,000	$ -	$ 54,000,000
Contribution of capital assets	$ 65,910,733	$ -	$ 65,910,733	$ 88,716,505	$ -	$ 88,716,505

The accompanying notes are an integral part of these financial statements

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

Nature of Operations

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

Transportation Special Fund

The Statewide Transportation Special Revenue Fund is referred in statute and herein as the Transportation Special Fund. The Fund is authorized to receive monies from any tolling projects. Currently those revenues come primarily from the I-25 Express Lane tolls and I-70 Mountain Express Lanes. Through an intergovernmental agreement with RTD, revenues generated from I-25 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. In addition to Transportation Commission loan proceeds, the Operating fund is also funded through an intragency agreement with CDOT. These proceeds from the Transportation Commission loans and the intragency agreement continue to be drawn upon for general administrative activities of the Enterprise that do not involve the operation of HPTE’s Express Lanes.

Basis of Accounting and Presentation

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

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

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, 2017 or 2016, or the results of operations, or cash flows where applicable, thereof for the years then ended.

Use of Estimates in Preparation of Financial Statements

The preparation of financial statements, in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities and deferred inflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

Cash and Pooled Cash Investments

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

Receivables

Receivables are recorded for charges for services as well as funds due from other governments. Enterprise receivables are discussed in Note 4.

Capital Assets

The Enterprise records property and equipment at historical cost. Contributed capital assets are valued at their estimated acquisition value on the date donated. Maintenance and repairs are charged to current period operating expense; additions and improvements are capitalized. 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. Tolling software and equipment are depreciated using a straight-line methodology over a useful life of five years. Tolling equipment is depreciated using a straight-line methodology over a useful live of seven years, while toll lanes are depreciated over a useful life of 40 to 50 years, also using a straight-line methodology. Upon retirement or other disposition of property and equipment, the costs and related accumulated depreciation will be removed from the respective accounts and any gains or losses will be included in operating expenses.

Liabilities

Amounts due within one year are reported as current liabilities. Amounts owed after one year are reported as noncurrent liabilities. Current liabilities include amounts that are payable to contractors and vendors as well as an amount recorded for accrued wages as discussed in Note 5. Noncurrent liabilities include outstanding debt and debt service, compensated absences, amounts due to other funds, and unearned revenue.

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

HPTE and RTD entered into an agreement for the extension of the I-25 HOT lanes north on I-25 to the entrance to RTD's Wagon Road Park and Ride. Under this agreement, RTD will pay the Enterprise $750,000 over a two year period for the use of the I-25 HOT lanes. Both installments of $375,000 have been received by HPTE. The I-25 North Segment II lanes opened on July 22, 2016 and HPTE recognized the $750,000 as revenue in Fiscal Year 2016-17.

Deferred Outflows and Deferred Inflows of Resources

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

HPTE's deferred outflows of resources and deferred inflows of resources consist of pension related items. These amounts will be amortized to pension expense in a later period, or in the case of the deferred outflows of resources relating to contributions made subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the subsequent year. Also included in deferred inflows are items related to the service concession agreement. This amount is being amortized to revenue over the duration of the agreement.

Net Position

The net position of the Enterprise is classified as follows:

Net investment in capital assets

Net investment in capital assets represents capital assets, less accumulated depreciation reduced by the outstanding balances of debt attributable to the acquisition, construction or improvement of these assets.

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.

For the year ended June 30, 2017, the Special Revenue Fund reported a deficit unrestricted net position of $102,532,311 which is attributable to unspent proceeds of the C-470 bonds. As the proceeds are spent down, this deficit will decrease. The Operating Fund reported a deficit unrestricted net position $3,411,996 which can be attributed to the implementation of GASB 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, requiring the recognition of a long-term liability for pensions.

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, 2017, the Enterprise had cash on deposit with the State Treasurer of $31,089,611 which represented less than one percent of the total $6,770.2 million fair value of deposits in the State Treasurer's Pool (Pool).

On the basis of the Enterprises' participation in the Pool, the Enterprise reports as an increase or decrease in cash for its share of the Treasurer's unrealized gains and losses on the Pool's underlying investments. The State Treasurer does not invest any of the Pool's resources in any external investment pool, and there is no assignment of income related to participation in the Pool. The unrealized gains/losses included in income reflect only the change in fair value for the fiscal year.

Additional information on investments of the State Treasurer's Pool may be obtained in the State's Comprehensive Annual Financial Report for the year ended June 30, 2017.

NOTE 3 – 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, Plenary Roads Denver (PRD) and E-470 for services provided.

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

	2017	2016
Tolling revenues receivable	$ 88,884	$ 2,676
Local government receivable	-	2,028,361
CDOT receivable	955,828	81,258
Other receivable	158,935	152,434
Total accounts receivable	**$ 1,203,647**	**$ 2,264,729**

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

NOTE 4 – CAPITAL ASSETS

A summary of changes in capital assets is as follows for the years ended June 30, 2017 and 2016:

	2017				
	Balance at June 30, 2016	Additions	Disposals	Transfers	Balance at June 30, 2017
Capital assets, not being depreciated					
Assets under construction	$ -	$ 16,108,769	$ -	$ (7,054,914)	$ 9,053,855
Total capital assets, not being depreciated	-	16,108,769	-	(7,054,914)	9,053,855
Capital assets, being depreciated					
Tolling software	1,715,783	504,399	-	-	2,220,182
Tolling equipment	2,440,713	1,006,037	-	-	3,446,750
Toll lanes	259,287,151	65,910,696	(6,459,043)	7,054,914	325,793,718
Total capital assets, being depreciated	263,443,647	67,421,132	(6,459,043)	7,054,914	331,460,650
Less accumulated depreciation					
Tolling software	(222,384)	(444,058)	-	-	(666,442)
Toll lanes	(4,974,955)	(8,082,330)	283,639	-	(12,773,646)
Total accumulated depreciation	(5,197,339)	(8,526,388)	283,639	-	(13,440,088)
Total capital assets, being depreciated , net	258,246,308	58,894,744	(6,175,404)	7,054,914	318,020,562
Total capital assets, net	$ 258,246,308	$ 75,003,513	$ (6,175,404)	$ -	$ 327,074,417

	2016				
	Balance at June 30, 2015	Additions	Disposals	Transfers	Balance at June 30, 2016
Capital assets, not being depreciated					
Assets under construction	$ 183,751,863	$ 18,521,332	$ -	$ (202,273,195)	$ -
Total capital assets, not being depreciated	183,751,863	18,521,332	-	(202,273,195)	-
Capital assets, being depreciated					
Tolling software	-	435,253	-	1,280,530	1,715,783
Tolling equipment	-	421,380	-	2,019,333	2,440,713
Toll lanes	-	87,859,872	(27,546,053)	198,973,332	259,287,151
Total capital assets, being depreciated	-	88,716,505	(27,546,053)	202,273,195	263,443,647
Less accumulated depreciation					
Tolling software	-	(222,384)	-	-	(222,384)
Toll lanes	-	(4,974,955)	-	-	(4,974,955)
Total accumulated depreciation	-	(5,197,339)	-	-	(5,197,339)
Total capital assets, being depreciated , net	-	83,519,166	(27,546,053)	202,273,195	258,246,308
	$ 183,751,863	$ 102,040,498	$ (27,546,053)	$ -	$ 258,246,308

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:

	2017	2016
Vendors payable	$ 2,743,609	$ 532,515
Contractors payable	8,263,500	1,951,560
Salaries and wages payable	-	1,717
Other payables	3,241	7,131
Current portion of compensated absences	-	8,427
Total current accounts payable	**$ 11,010,350**	**$ 2,501,350**

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 Fiscal Year 2011-12, the Fiscal Year 2012-13, and the Fiscal Year 2013-14 loan bears an interest rate of 3.25 percent, 2.5 percent, and 2.25 percent, respectively, and the Fiscal Year 2014-15 loan bears an interest rate of 2.75 percent on the unpaid balance, compounded annually. As of June 30, 2017, $304,178 in accrued interest on all loans was recorded and a total of $4 million has been borrowed from the Transportation Commission. In June 2017, HPTE made a principal and interest payment to the Transportation Commission totaling $555,597, thus reducing the principal balance to $3,444,403.

In accordance with the Transportation Infrastructure Finance and Innovation Act (TIFIA) loan disbursement schedule, the Enterprise has drawn the full $54 million under the TIFIA loan agreement. Toll revenue from the existing I-25 HOT lanes and future toll revenues from U.S. 36 were pledged to establish the TIFIA loan. Per the terms of the concession agreement, the TIFIA loan liability was transferred to PRD when tolling commenced on U.S. 36 Phase I on July 22, 2015.

To assist CDOT with traffic management on I-70 between the Twin Tunnels and Empire Junction, the existing shoulders would be expanded to allow tolled traffic during peak travel times under the Mountain Express Lanes (MEXL) project. To fund the MEXL project, HPTE entered into a $25 million loan with Banc of America Preferred Funding Corporation in December 2014. This loan is to be repaid from toll revenues earned from the MEXL. Interest accrues at the rate of 2.79 percent and is due each December. Principal payment start in early 2022 with the maturity date in December 2024.

To close the funding gap on the I-25 North Segment III project (120th Avenue to E-470), HPTE entered into a $23.6 million construction loan with Banc of America Preferred Funding Corporation during Fiscal Year 2015-16. This loan is to be repaid from toll revenues earned from I-25 North Segment III. Interest accrues at the rate of 1.99 percent and is due each December and June. Principal payments begin in December 2023 with a maturity date in December 2025.

In June 2017, HPTE closed a $106 million loan with TIFIA and $176.5 million revenue backed bonds for the C-470 project to make up the difference in funding that is needed to complete construction. Both the TIFIA loan and revenue bonds will be repaid with toll revenues earned from the C-470 managed lanes. Principal payments for the revenue bonds start in December 2045. The TIFIA loan accrues interest at the rate of 2.81 percent and principal payments begin when the TIFIA funds are disbursed which is scheduled in the spring of 2018.

As of June 30, 2017, $1,010,797 in accrued interest was recorded in relation to the MEXL loan, I-25 North Segment III loan, and the C-470 bonds.

In November 2014, HPTE entered into an agreement with CDOT called the Master Installment Purchase Agreement (MIPA). This agreement allowed HPTE to finance the cost of tolling equipment and software for the I-25 North Segment II project through CDOT. HPTE agreed to repay CDOT $1.5 million with an interest rate of 2.75 percent. Payments to CDOT start in July 2018 and end in July 2019.

Other long-term liabilities include compensated absences in the amount of $24,120 and net pension liability of $3.1 million. The estimated changes in the cost of compensated absences for vested employees for Fiscal Year 2016-17 and for Fiscal Year 2015-16 are as follows:

	Balance at June 30, 2016	Increase	Decrease	Balance at June 30, 2017	Due Within One Year
Transportation Commission	$ 4,000,000	$ -	$ (555,597)	$ 3,444,403	$ -
C-470 Bonds	-	161,795,000	-	161,795,000	-
Premium on C-470 Bonds	-	14,730,466	-	14,730,466	-
I-25 North Segment III Program Loan	23,630,000	-	-	23,630,000	-
MEXL Program Loan	25,000,000	-	-	25,000,000	-
Installment Purchase Agreement (MIPA)	-	1,510,740	-	1,510,740	-
Net Pension Liability	2,139,258	1,837,410	(918,705)	3,057,963	-
Annual Leave	4,537	15,024	-	19,561	-
Sick Leave	1,682	2,877	-	4,559	-
Total liability	$ 54,775,477	$ 179,891,517	$ (1,474,302)	$ 233,192,692	$ -

	Balance at June 30, 2015	Increase	Decrease	Balance at June 30, 2016	Due Within One Year
Transportation Commission	$ 4,000,000	$ -	$ -	$ 4,000,000	$ -
TIFIA Loan	54,000,000	-	(54,000,000)	-	-
I-25 North Segment III Program Loan	-	23,630,000	-	23,630,000	-
MEXL Program Loan	25,000,000	-	-	25,000,000	-
Net Pension Liability	1,914,042	272,916	(47,700)	2,139,258	-
Annual Leave	15,083	-	(10,546)	4,537	6,153
Sick Leave	4,199	-	(2,517)	1,682	2,274
Total liability	$ 84,933,324	$ 23,902,916	$ (54,060,763)	$ 54,775,477	$ 8,427

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

MEXL Loan

Fiscal Year	Interest Due	Principal Due	Debt Service Payment
2018	$ 697,500	$ -	$ 697,500
2019	697,500	-	697,500
2020	697,500	-	697,500
2021	697,500	-	697,500
2022	697,500	-	697,500
2023-2025	3,762,500	25,000,000	28,762,500
Total payments	$ 7,250,000	$ 25,000,000	$ 32,250,000

Total future debt service payments over the remaining life of the I-25 north segment III program loan is as follows:

Segment III Loan

Fiscal Year	Interest Due	Principal Due	Debt Service Payment
2018	$ 470,237	$ -	$ 470,237
2019	470,237	-	470,237
2020	470,237	-	470,237
2021	470,237	-	470,237
2022	470,237	-	470,237
2023-2026	3,543,669	23,630,000	27,173,669
Total payments	$ 5,894,854	$ 23,630,000	$ 29,524,854

Total future debt service payments over the life of the C-470 bonds is as follows:

C-470 Bonds

Fiscal Year	Interest Due	Principal Due	Debt Service Payment
2018	$ 4,404,419	$ -	$ 4,404,419
2019	8,089,750	-	8,089,750
2020	8,089,750	-	8,089,750
2021	8,089,750	-	8,089,750
2022	8,089,750	-	8,089,750
2023-2027	40,448,750	-	40,448,750
2028-2032	40,448,750	-	40,448,750
2033-2037	40,448,750	-	40,448,750
2038-2042	40,448,750	-	40,448,750
2043-2047	39,958,750	20,185,000	60,143,750
2048-2052	29,585,500	61,520,000	91,105,500
2053-2057	12,422,250	80,090,000	92,512,250
Total payments	$ 280,524,919	$ 161,795,000	$ 442,319,919

Total future debt service payments over the life of the MIPA is as follows:

Master Installment Purchase Agreement (MIPA)

Fiscal Year	Interest Due	Principal Due	Debt Service Payment
2018	$ -	$ -	$ -
2019	84,233	724,070	808,303
2020	21,633	786,670	808,303
Total payments	$ 105,866	$ 1,510,740	$ 1,616,606

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

NOTE 7 – COMMITMENTS

The Enterprise has commitments at the end of Fiscal Year 2016-17 totaling $791,122 related to professional services for the Transportation Special Fund and for consulting services in the amount of $801,097 for the Operating Fund.

NOTE 8 – DEFINED BENEFIT PENSION PLAN

The Enterprise participates in the State Division Trust Fund (SDTF), a cost-sharing multiple-employer defined benefit pension fund administered by the Public Employee's Retirement Association of Colorado (PERA). The net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net pension and additions to/deductions from the fiduciary net position of the SDTF have been determined using the economic resources measurement focus and the accrual basis of accounting. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

A. Plan Description

Eligible employees of the HPTE are provided with pensions through the State Division Trust Fund (SDTF) a cost-sharing multiple-employer defined benefit pension plan administered by PERA. Plan benefits are specified in Title 24, Article 51 of the Colorado Revised Statutes (C.R.S.), administrative rules set fourth at 8 C.C.R. 1502-1, and applicable provisions of the federal Internal Revenue Code. Colorado State law provisions may be amended from time to time by the Colorado General Assembly. PERA issues public available comprehensive annual financial report that can be obtained at www.copera.org/investments/pera-financial-reports.

B. Benefits Provided

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

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

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

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

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

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

Disability benefits are available for eligible employees once they reach five years of earned service credit and are determined to meet the definition of disability. The disability benefit amount is based on the retirement benefit formula shown above considering a minimum 20 years of service credit, if deemed disabled.

Survivor benefits are determined by several factors, which include the amount of earned service credit, highest average salary of the deceased, the benefit structure(s) under which service credit was obtained, and the qualified survivor(s) who will receive the benefits.

C. Contributions

Eligible employees and HPTE are required to contribute to the SDTF at a rate set by Colorado statute. The contribution requirements are established under C.R.S. § 24-51-401, et seq. Eligible employees with the exception of State Troopers are required to contribute eight percent of their PERA-includable salary. The employer contribution requirements for all employees except State Troopers are summarized in the table below:

	Fiscal Year 2015		Fiscal Year 2016		Fiscal Year 2017	
	CY14	CY15		CY16		CY17
	7-1-14 to 12-31-14	1-1-15 to 6-30-15	7-1-15 to 12-31-15	1-1-16 to 6-30-16	7-1-16 to 12-31-16	1-1-17 to 6-30-17
Employer Contribution Rate	10.15%	10.15%	10.15%	10.15%	10.15%	10.15%
Amount of Employer Contribution Apportioned to the Heath Care Trust Fund as specified in C.R.S. Section 24-51-208(1)(f)	-1.02%	-1.02%	-1.02%	-1.02%	-1.02%	-1.02%
Amount Apportioned to the SDTF	9.13%	9.13%	9.13%	9.13%	9.13%	9.13%
Amortization Equalization Disbursement (AED) as specified in C.R.S. Section 24-51-411	3.80%	4.20%	4.20%	4.60%	4.60%	5.00%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S., Section 24-51-411	3.50%	4.00%	4.00%	4.50%	4.50%	5.00%
Total Employer Contribution Rate to the SDTF	16.43%	17.33%	17.33%	18.23%	18.23%	19.13%

[1] Rates are expressed as a percentage of salary as defined in C.R.S. § 24-51-101(42).

Employer contributions are recognized by the SDTF in the period in which the compensation becomes payable to the member and the HPTE is statutorily committed to pay the contributions to the SDTF. Employer contributions recognized by the SDTF from the Enterprise were $75,338 and $91,834 for the years ended June 30, 2017 and 2016 respectively.

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

At June 30, 2017 and 2016, the Enterprise reported a liability of $3,057,963 and $2,139,258, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2016 and 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015 and 2014. Standard update procedures were used to roll forward the total pension liability to December 31, 2016. The Enterprise's proportion of the net pension liability was based on HPTE's contributions to the SDTF for the calendar year 2016 and 2015 relative to the total contributions of participating employers to the SDTF.

At December 31, 2016, the Enterprise's proportion was .0170 percent, which was a decrease of .0033 percent from its proportion measured as of December 31, 2015. At December 31, 2015, the Enterprise's proportion was .0203, which was a decrease of .0001 percent from its proportion measure as of December 31, 2014.

For the years ended June 30, 2017 and 2016, the HPTE recognized pension expense of $654,645 and $467,338, respectively. At June 30, 2017, the Enterprise reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2017		2016	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 30,397	$ -	$ 31,151	$ 66
Changes of assumptions or other inputs	777,965	9,413	-	25,322
Net difference between projected and actual earnings on pension plan investments	101,374	-	161,191	-
Changes in proportion and differences between contributions recognized and proportionate share of contributions	28,088	257,268	313,019	79,259
Contributions subsequent to the measurement date	35,529	-	46,692	-
Total	$ 973,353	$ 266,681	$ 552,053	$ 104,647

$35,529 reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ending June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30, 2017	
2018	$ 358,279
2019	283,681
2020	28,111
2021	1,072
2022	-
Thereafter	$ 671,143

E. Actuarial Assumptions

The total pension liability in the December 31, 2015 actuarial valuation was determined using the following actuarial cost method, actuarial assumptions and other inputs:

Actuarial cost method	Entry age
Price inflation	2.80 percent
Real wage growth	1.10 percent
Wage inflation	3.90 percent
Salary increases, including wage inflation	3.90-9.57 percent
Long-term investment Rate of Return, net of pension plan investment expenses, including price inflation	7.50 percent
Discount rate	7.50 percent
Future post-retirement benefit increases:	
PERA Benefit Structure hired prior to January 1, 2007 and DPS Benefit Structure (automatic)	2.00 percent
PERA Benefit Structure hired after December 31, 2006 (ad hoc, substantively automatic)	Financed by the Annual Increase Reserve

Based on the 2016 experience analysis and the October 28, 2016 actuarial assumptions workshop, revised economic and demographic assumptions were adopted by PERA's Board on November 18, 2016 and effective as of December 31, 2016. These revised assumptions shown below were reflected in the roll-forward calculation of the total pension liability from December 31, 2015 to December 31, 2016:

Actuarial cost method	Entry age
Price inflation	2.40 percent
Real wage growth	1.10 percent
Wage inflation	3.50 percent
Salary increases, including wage inflation	3.50-9.17 percent
Long-term investment Rate of Return, net of pension plan investment expenses, including price inflation	7.25 percent
Discount rate	5.26 percent
Future post-retirement benefit increases:	
PERA Benefit Structure hired prior to January 1, 2007 and DPS Benefit Structure (automatic)	2.00 percent
PERA Benefit Structure hired after December 31, 2006 (ad hoc, substantively automatic)	Financed by the Annual Increase Reserve

Mortality rates used in the December 31, 2015 valuation were based on the RP-2000 Combined Mortality Table for Males and Females, as appropriate, with adjustments for mortality improvements based on a projection of Scale AA to 2020 with Males set back one year, and Females set back two years. Active member mortality was based upon the same mortality rates but adjusted to 55 percent of the base rate for males and 40 percent of the base rate for females. For disabled retirees, the RP-2000 Disabled Mortality Table (set back two years for males and set back two years for females) was assumed.

The actuarial assumptions used in the December 31, 2015 valuation were based on the results of an actuarial experience study for the period January 1, 2008 through December 31, 2011, adopted by PERA's Board on November 13, 2012, and an economic assumption study, adopted by PERA's Board on November 15, 2013 and January 17, 2014.

As a result of the 2016 experience analysis and the October 28, 2016 actuarial assumptions workshop, revised economic and demographic actuarial assumptions including withdrawal dates, retirement rates for early reduced and unreduced retirement, disability rates, administrative expense load, and pre- and post-retirement and disability mortality rates were adopted by PERA's Board on November 18, 2016 to more closely reflect PERA's actual experience. As the revised economic and demographic assumptions are effective as of the measurement date, December 31, 2016, these revised assumptions were reflected in the total pension liability roll-forward procedures.

Healthy mortality assumptions for active member reflect the RP-2014 White Collar Employee Mortality Table, a table specifically developed for actively working people. To allow for an appropriate margin of improved mortality prospectively, the mortality rates incorporate a 70 percent factor applied to males' rates and a 55 percent factor applied to females' rates.

Healthy, post-retirement mortality assumptions reflect the RP-2014 Healthy Annuitant Mortality Table, adjusted as follows:

- **Males:** Mortality improvement projected to 2018 using the MP-2015 projection scale, a 73 percent factor applied to rates for ages less than 80, a 108 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.

- **Females:** Mortality improvements projected to 2020 using the MP-2015 projection scale, a 78 percent factor applied to rates for ages less than 80, a 109 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.

For disabled retirees, the mortality assumption was changed to reflect 90 percent of the RP-2014 Disabled Retiree Mortality Table.

The long-term expected return on plan assets is reviewed as part of regular experience studies prepared every four or five years for PERA. Recently, this assumption has been reviewed more frequently. The most recent analyses were outlined in presentations to PERA's Board on October 28, 2016. As a result of the October 28, 2016 actuarial assumptions workshop and the November 18, 2016 PERA Board meeting, the economic assumptions changed, effective December 31, 2016, as follows:

- Investment rate of return assumption decreased from 7.50 percent per year, compounded annually, net of investment expenses of 7.25 percent per year, compounded annually, net of investment expenses.

- Price inflation assumption decreased from 2.80 percent per year to 2.40 percent per year.

- Real rate of investment return assumption increased from 4.70 percent per year, net of investment expenses, to 4.85 percent per year, net of investment expenses.

- Wage inflation assumption decreased from 3.90 percent per year to 3.50 percent per year.

Several factors were considered in evaluating the long-term rate of assumption for the SDTF, including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation.

As of the November 18, 2016 adoption of the current long-term expected rate of return by the PERA Board, the target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	30 Year Expected Geometric Real Rate of Return
U.S. Equity – Large Cap	21.20%	4.30%
U.S. Equity – Small Cap	7.42%	4.80%
Non U.S. Equity – Developed	18.55%	5.20%
Non U.S. Equity – Emerging	5.83%	5.40%
Core Fixed Income	19.32%	1.20%
High Yield	1.38%	4.30%
Non U.S. Fixed Income-Developed	1.84%	0.60%
Emerging Market Debt	0.46%	3.90%
Core Real Estate	8.50%	4.90%
Opportunity Fund	6.00%	3.80%
Private Equity	8.50%	6.60%
Cash	1.00%	0.20%
Total	100.00%	

In setting the long-term expected rate of return, projections employed to model future returns provide a range of expected long-term returns that including expected inflation, ultimately support a long-term expected rate of return assumption of 7.25 percent.

F. Discount Rate

The discount rate used to measure the total pension liability was 5.26 percent. The projection of cash flows used to determine the discount rate applied the actuarial cost method and assumptions shown above. In addition, the following methods and assumptions were used in the projection of cash flows:

- Updated economic and demographic actuarial assumptions adopted by PERA's Board on November 18, 2016.

- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.50 percent.

- Employee contributions were assumed to be made at the current member contribution rate. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.

- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law and effective as of the measurement date, including current and estimated future AED and SAED, until the Actuarial Value Funding Ratio reaches 103 percent, at which point, the AED and SAED will each drop 0.50 percent every year until they are zero. Additionally, estimated employer contributions included reductions for the funding of the AIR and retiree health care benefits. For future plan members, employer contributions were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.

- Employer contributions and the amount of total service costs for future plan members were based upon a process used by the plan to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.

- The AIR balance was excluded from the initial fiduciary net position, as, per statute, AIR amounts cannot be used to pay benefits until transferred to either retirement benefits reserve or the survivor benefits reserve as appropriate. As the ad hoc post-retirement benefit increases financed by the AIR are defined to have a present value at the long-term expected rate of return on plan investments equal to the amount transferred for their future payment, AIR transfers to the fiduciary net position and the subsequent AIR benefit payments have no impact on the Single Equivalent Interest Rate (SEIR) determination process when the timing of the AIR cash flows is not a factor (i.e., the plan's fiduciary net position is not to be depleted). When AIR cash flow timing is a factor in the SEIR determination process (i.e., the plan's fiduciary net position is projected to be depleted), AIR transfers to the fiduciary net position and the subsequent AIR benefit payments were estimated and included in the projections.

- Benefit payments and contributions were assumed to be made at the end of the month.

Based on the above assumptions and methods, the projection test indicates the SDTF's fiduciary net position was projected to be depleted in 2039 and, as a result, the municipal bond index rate was used in the determination of the discount rate. The long-term expected rate of return of 7.25 percent on pension plan investments was applied to periods through 2039 and the municipal bond index rate, the December average of the Bond Buyer General Obligation 20-year Municipal Bond Index published weekly by the Board of Governors of the Federal Reserve System, was applied to periods on and after 2039 to develop the discount rate. For the measurement date, the municipal bond index rate was 3.86 percent, resulting in a discount rate of 5.26 percent.

As of the prior measurement date, the projection test indicated the SDTF's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments of 7.50 percent was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate determination did not use a municipal bond index rate and the discount rate was 7.50 percent, 2.24 percent higher compared to the current measurement date.

G. Sensitivity of the HPTE Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the proportionate share of the net pension liability calculated using the discount rate of 5.26 percent, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (4.26 percent) or one-percentage-point higher (6.26 percent) than the current rate:

	June 30, 2017		
	1% Decrease (4.26%)	Current Discount Rate (5.26%)	1% Increase (6.26%)
Proportionate share of the net pension liability	$ 3,787,477	$ 3,057,963	$ 2,458,048

H. Pension Plan Fiduciary Net Position

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

NOTE 9 – OTHER RETIREMENT PLANS

Defined Contribution Retirement Plan (DC Plan)

A. Plan Description

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

B. Funding Policy

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

	Fiscal Year 2015		Fiscal Year 2016		Fiscal Year 2017	
	CY14	CY15		CY16		CY17
	7-1-14 to 12-31-14	1-1-15 to 6-30-15	7-1-15 to 12-31-15	1-1-16 to 6-30-16	7-1-16 to 12-31-16	1-1-17 to 6-30-17
Amortization Equalization Disbursement (AED) as specified in C.R.S. Section 24-51-411[1]	3.80%	4.20%	4.20%	4.60%	4.60%	5.00%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S., Section 24-51-411[1]	3.50%	4.00%	4.00%	4.50%	4.50%	5.00%
Total Employer Contribution Rate for AED and SAED[1]	7.30%	8.20%	8.20%	9.10%	9.10%	10.00%

[1] Rates are expressed as a percentage of salary as defined in C.R.S. §24-51-101(42).

Contribution requirements are established under Title 24, Article 51, Section 1505 of the C.R.S., as amended. Participating employees of the PERA DC Plan are immediately vested in their own contributions and investment earnings and are immediately 50 percent vested in the amount of employer contributions made on their behalf. For each full year of participation, vesting of employer contributions increases by 10 percent. Forfeitures are used to pay expenses of the PERA DC Plan in accordance with PERA Rule 16.08 as adopted by the PERA Board of Trustees in accordance with Title 24, Article 51, Section 204 of the C.R.S. As a result, forfeitures do not reduce pension expense.

401(k) Defined Contribution Plan

A. Plan Description

Employees of the HPTE that are also members of the SDTF may voluntary contribute to the Voluntary Investment Program, an Internal Revenue Code Section 401(k) defined contribution plan administered by PERA. Title 24, Article 51, Part 14 of the C.R.S., as amended, assigns the authority to establish the Plan provisions to the PERA Board of Trustees. PERA issues a publicly available comprehensive annual financial report for the Program. That report can be obtained at www.copera.org/investments/pera-financial-reports.

B. Funding Policy

The Voluntary Investment Program is funded by voluntary member contributions up to the maximum limits set by the Internal Revenue Service, as established under Title 24, Article 51, Section 1402 of the C.R.S., as amended.

457 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 2014, participants were allowed to make contributions of up to 100 percent of their annual gross salary (reduced by their eight percent PERA contribution) to a maximum of $18,000. Participants who age 50 and older, and contributing the maximum amount allowable, were allowed to make an additional $6,000 contribution in 2015, for total contributions of $27,000. Contributions and earnings are tax deferred. At December 31, 2016, the plan had 17,814 participants.

The Enterprise did not make any contributions to other retirement plans during Fiscal Year 2016-17 and 2015-16.

NOTE 10 – OTHER POSTEMPLOYMENT BENEFITS AND LIFE INSURANCE

Health Care Trust Fund

A. Plan Description

The HPTE contributes to the Health Care Trust Fund (HCTF), a cost-sharing multiple-employer healthcare trust administered by PERA. The HCTF benefit provides a health care premium subsidy and health care programs (known as PERACare) to PERA participating benefit recipients and their eligible beneficiaries. Title 24, Article 51, Part 12 of the C.R.S., as amended, establishes the HCTF and sets forth a framework that grants authority to the PERA Board to contract, self-insure and authorize disbursements necessary in order to carry out the purposes of the PERACare program, including the administration of health care subsidies. PERA issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for the HCTF. That report can be obtained at www.copera.org/investments/pera-financial-reports.

B. Funding Policy

The HPTE is required to contribute at a rate of 1.02 percent of PERA-includable salary for all PERA members as set by statute. No member contributions are required. The contribution requirements for the HPTE are established under Title 24, Article 51, Part 4 of the C.R.S., as amended. The apportionment of the contributions to the HCTF is established under Title 24, Article 51, Section 208(1)(f) of the C.R.S., as amended. For the years ended June 30, 2017, 2016, and 2015, the HPTE contributions to the HCTF were $7,940, $5,269, and $10,291, respectively, equal to their required contributions for each year.

NOTE 11 – RISK MANAGEMENT

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

NOTE 12 – CONCESSION AGREEMENT

On February 25, 2014, HPTE and Plenary Roads Denver (PRD) completed the financial close of a concession agreement. The commercial close of the concession agreement finalized the terms of the agreement. The concession agreement with PRD transferred the operations, maintenance, and revenues from the I-25 High Occupancy Toll lanes and the U.S. 36 Phase I project to PRD from HPTE for the next 50 years. The concession agreement is HPTE and CDOT's first public private partnership (P3) project, where public and private sectors work together to provide transportation improvements. PRD will finance, design, and construct U.S. 36 Phase II, and then operate and maintain, Phase I, Phase II, and the existing I-25 HOT lanes.

The concession agreement meets the criteria of a service concession arrangement under the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements (SCA)*, and upon the financial close of the concession agreement the Enterprise adopted and implemented GASB 60. The standard addresses SCAs concession agreements between a government and a governmental or nongovernmental entity in which the transferor conveys to an operator the right and related obligation to provide services through the use of infrastructure or another public asset (a facility) in exchange for significant consideration and the operator collects and is compensated by fees from third parties. The statement also includes required disclosures about SCAs. The adoption of GASB 60 did not result in any effect on beginning net position. In accordance with the Standard, the Enterprise recorded 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 in the spring of 2016.

Under the agreement the Enterprise received from PRD a transfer of capital assets and the assumption of the TIFIA loan. In accordance with GASB 60 the Enterprise recorded the capital assets consisting of tolling software and toll lanes at the acquisition value of $88,716.505. The book value of the TIFIA loan assumed by PRD was $54 million. These amount were included in deferred inflows of resources on the statements of net position, and are being amortized over the life of the agreement.

NOTE 13 – TAX, SPENDING AND DEBT LIMITATIONS

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

NOTE 14 – REPAYMENT OF PRIOR YEAR TRANSFER

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

The CTE requested Transportation Commission draws of $1,000,000 in Fiscal Year 2002-03, $2,000,000 and $4,000,000 in Fiscal Year 2005-06 totaling $7,000,000 and corresponding interagency agreements. These draws were to assist the CTE with their start-up costs in connection with the formation and operations of the CTE. The CTE planned to repay the draws when they receive sufficient bond proceeds or toll revenues. Under the terms of the interagency agreement, the CTE Transportation Commission draws were classified as a transfer. Before the abolishment of the CTE, the CTE made payments of $2,500,000 and $930,000 in Fiscal Year 2007-08 and $301,822 in Fiscal Year 2008-09, leaving a balance of $3,057,178 outstanding.

When HPTE was created, a Level III transfer occurred which moved the CTE's powers, duties, functions, and financial balances to HPTE, which included the balance of the CTE's draws. HPTE made payments of $301,822 and $905,464 in Fiscal Year 2009-10 and Fiscal Year 2010-11, respectively, leaving an outstanding balance of $2,060,892 of the CTE transfers. These amounts are not considered a liability of the Enterprise. HPTE will reimburse CDOT for CTE's transfers when HPTE has the funds available.

NOTE 15 – SUBSEQUENT EVENTS

On August 24, 2017, Keiwit Meridiam Partners (KMP) was selected to be the Central 70 project developer to undertake the $1.2 billion dollar project. On November 22, 2017, Colorado Bridge Enterprise (CBE) and the HPTE Boards approved the Project Agreement and completed the commercial close of the Central 70 project. On December 21, 2017, KMP and CBE completed the financial close of the project what included CBE issuing $120,765,426 of Private Activity Bonds (PABs) and closing on a TIFIA loan totaling $416,000,000. Since CBE acted as a conduit issuer for the TIFIA loan and the PABs, CBE has no liabilities to record. The debt will be repaid by KMP. Construction is scheduled to begin in the Fall of 2018.

Required Supplementary Information

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Colorado High Performance Transportation Enterprise

Required Supplementary Information

Schedule of Proportionate Share of the Net Pension Liability

June 30

	2017	2016 *	2015 *
HPTE's proportion of the net pension liability	0.02%	0.02%	0.02%
HPTE's proportionate share of the net pension liability	$ 3,057,963	$ 2,139,258	$ 1,914,042
HPTE's covered payroll	$ 474,500	$ 555,546	$ 581,304
HPTE's proportionate share of the net pension liability as a percentage of its covered payroll	644.46%	385.07%	329.27%
Plan fiduciary net position as a percentage of the total pension liability	42.60%	56.10%	59.84%

Note: Information is not available prior to 2015. In future reports, additional years will be added until 10 years of historical data are presented. Information presented in this schedule has been determined as of the measurement date (December 31) of the collective net pension liablity in accordance with Governmental Accounting Standards Board Statement No. 68.

* Amounts were not updated for the implementation of Governmental Accounting Standards Board Statement No. 82 as amounts were not readily available.

Colorado High Performance Transportation Enterprise
Required Supplementary Information
Schedule of Contributions
June 30

	2017	2016 *	2015 *
Statutorily required contribution	$ 75,338	$ 91,834	$ 97,049
Contributions in relation to the statutorily required contribution	75,338	91,834	97,049
Contribution deficiency (excess)	$ -	$ -	$ -
HPTE's covered payroll	$ 403,308	$ 516,614	$ 609,247
Contributions as a percentage of covered payroll	18.68%	17.78%	15.93%

Note: Information is not available prior to 2015. In future reports, additional years will be added until 10 years of historical data are presented. Information presented in this schedule has been determined as of HPTE's fical year-end (June 30) in accordance with Governmental Accounting Standards Board Statement No. 68.

* Amounts were not updated for the implementation of Governmental Accounting Standards Board Statement No. 82 as amounts were not readily available.

NOTE 1 – 2016 CHANGES IN ASSUMPTIONS OR OTHER INPUTS SINCE 2015

- The investment return assumption was lowered from 7.50 percent to 7.25 percent.
- The price inflation assumption was lowered from 2.80 percent to 2.40 percent.
- The wage inflation assumption was lowered from 3.90 percent to 3.50 percent.
- The post-retirement mortality assumption for healthy lives for the State and Local Government Divisions was changed to the RP-2014 Healthy Annuitant Mortality Table with adjustments for credibility and gender adjustments of a 73 percent factor applied to ages below 80 and a 108 percent factor applied to 80 and above, projected to 2018, for males, and a 78 percent factor applied to ages below 80 and 109 percent factor applied to age 80 and above, projected to 2020, for females.
- For disabled retirees, the mortality assumption was changed to reflect 90 percent of RP-2014 Disabled Retiree Mortality Table.
- The mortality assumption for active members was changed to RP-2014 White Collar Employee Mortality Table, a table specifically developed for actively working people. To allow for an appropriate margin of improved mortality prospectively, the mortality rates incorporate a 70 percent factor applied to male rates and a 55 percent factor applied to female rates.
- The rates of retirement, withdrawal, and disability were revised to reflect more closely actual experience.
- The estimated administrative expense as a percentage of covered payroll was increased from 0.35 percent to 0.40 percent.
- The single equivalent interest rate (SEIR) for the State and School Divisions was lowered from 7.50 percent to 5.26 percent to reflect the changes to the projection’s valuation basis, a projected year of depletion of the fiduciary net position (FNP), and the resulting application of the municipal bond index rate.

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Independent Auditor's 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 or HPTE), an enterprise fund of the State of Colorado, Department of Transportation, which comprise the statements of financial position as of June 30, 2017 and 2016 and the related statements of revenues, expenses and changes in net position and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated January 12, 2018, which contained an emphasis of matter paragraph regarding the organizational structure of the Enterprise.

Internal Control Over Financial Reporting

Management of the Enterprise is responsible for establishing and maintaining effective internal control over financial reporting (internal control). In planning and performing our audit of the financial statements, we considered the Enterprise's internal control to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Enterprise's internal control. Accordingly, we do not express an opinion on the effectiveness of the Enterprise's internal control.

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

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

Compliance and Other Matters

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

Purpose of this Report

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

BKD, LLP

Denver, Colorado
January 12, 2018

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Independent Auditor's Communication to Legislative Audit Committee

Members of the Legislative Audit Committee:

As part of our audits of the financial statements and compliance of the High Performance Transportation Enterprise (the Enterprise or HPTE) as of and for the year ended June 30, 2017, we wish to communicate the following to you.

AUDIT SCOPE AND RESULTS

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

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

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

Audits of the financial statements and compliance do not relieve management or those charged with governance of their responsibilities.

Qualitative Aspects of Significant Accounting Policies and Practices

Significant Accounting Policies

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

Alternative Accounting Treatments

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

- No matters are reportable

Management Judgments and Accounting Estimates

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

- Useful lives of capital assets
- Net pension liability and related pension items
- Concession agreement

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
- Defined benefit pension plan

Audit Adjustments

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

Proposed Audit Adjustments Recorded

- None

Proposed Audit Adjustments Not Recorded

- Attached is a summary of uncorrected misstatements we aggregated during the current engagement and pertaining to the latest period presented that were determined by management to be immaterial, both individually and in the aggregate, to the financial statements as a whole

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

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

- Adoption of Governmental Accounting Standards Board Statement No. 82 (GASB 82), *Pension Issues*

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:

- Consultations related to concessionaire performance and public/private partnership accounting

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

Difficulties Encountered in Performing the Audit

Our audit requires cooperative effort between management and the audit team. During our audit, we found significant difficulties in working effectively on the following matters:

- No matters are reportable

Other Material Communications

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

- Management representation letter

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This communication is intended solely for the information and 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. However, the report is a matter of public record upon release by the Legislative Audit Committee.

BKD, LLP

Denver, Colorado
January 12, 2018

Colorado Department of Transportation

ATTACHMENT

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

HPTE - Fund 536

QUANTITATIVE ANALYSIS

	Before Misstatements	Misstatements	Subsequent to Misstatements	% Change
Current Assets	30,325,663		30,325,663	
Non-Current Assets & Deferred Outflows	503,452,431	(259,066)	503,193,365	-0.05%
Current Liabilities	(10,855,195)		(10,855,195)	
Non-Current Liabilities & Deferred Inflows	(368,327,593)		(368,327,593)	
Current Ratio	2.794		2.794	

Total Assets & Deferred Outflows	533,778,094	(259,066)	533,519,028	-0.05%
Total Liabilities & Deferred Inflows	(379,182,788)		(379,182,788)	
Total Net Position	(154,595,306)	259,066	(154,336,240)	-0.17%

Operating Revenues	(14,813,226)		(14,813,226)	
Operating Expenses	15,369,142	259,066	15,628,208	1.69%
Nonoperating (Revenues) Exp	12,334,945		12,334,945	
Change in Net Position	(53,019,872)	259,066	(52,760,806)	-0.49%

Client: Colorado Department of Transportation
Period Ending: June 30, 2017

HPTE - Fund 536

SCHEDULE OF UNCORRECTED MISSTATEMENTS (ADJUSTMENTS PASSED)

Description	Financial Statement Line Item	Factual (F), Judgmental (J), Projected (P)	Assets & Deferred Outflows		Liabilities & Deferred Inflows						Net Effect on Following Year	
			Current DR (CR)	*Non-Current* DR (CR)	*Current* DR (CR)	*Non-Current* DR (CR)	Operating Revenues DR (CR)	Operating Expenses DR (CR)	Nonoperating (Revenues) Exp DR (CR)	Net Position DR (CR)	*Change in Net Position* DR (CR)	*Net Position* DR (CR)
To adjust for maintenance expense related to the concessionaire agreement for U.S. 36 improperly included as capital assets at year-end		F	0	(259,066)	0	0	0	259,066	0	0	(259,066)	259,066
	Construction Contractor Services (2311)							259,066			(259,066)	
	Roadways (1890)			(259,066)								259,066
Total passed adjustments			0	(259,066)	0	0	0	259,066	0	0	(259,066)	259,066

Impact on Change in Net Position	**259,066**
Impact on Net Position	**259,066**