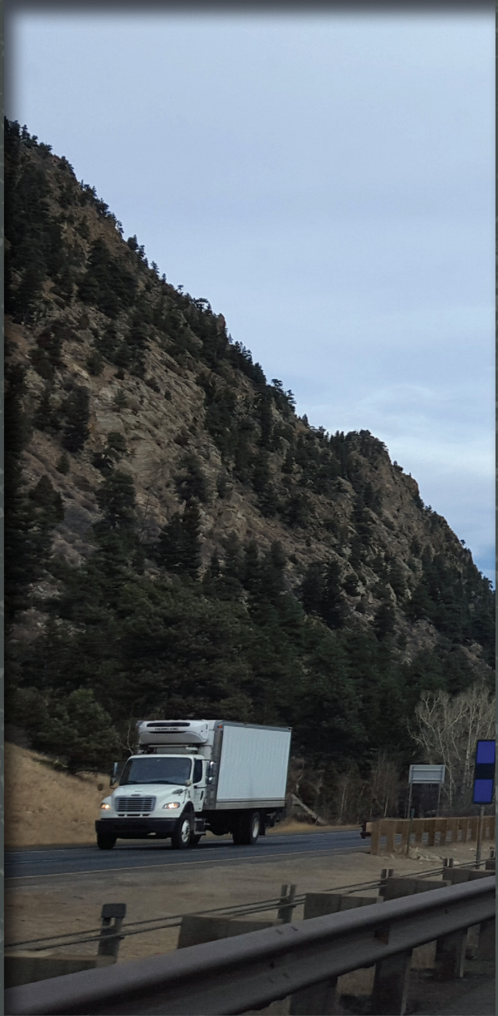

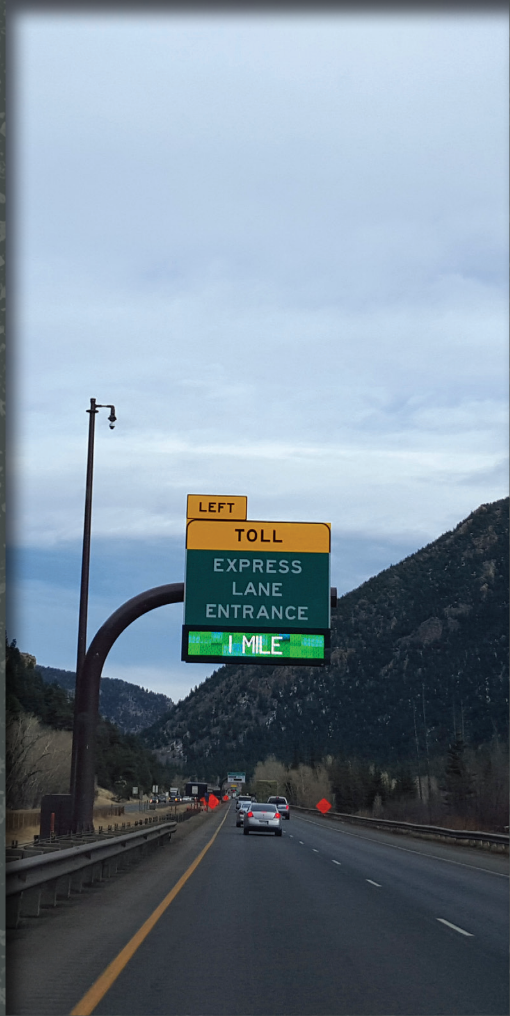

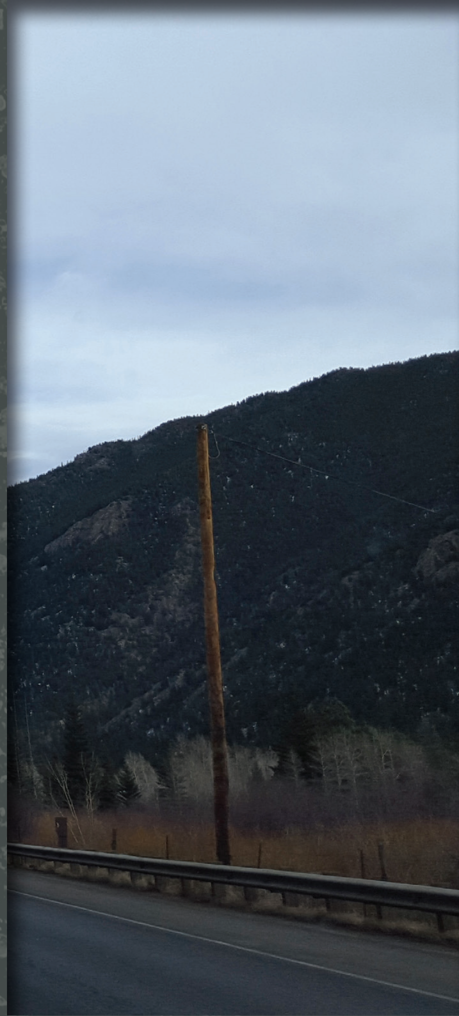

COLORADO
HPTE

CDOT

CO

ANNUAL FINANCIAL STATEMENTS
FISCAL YEARS 2015 AND 2016

Colorado High Performance Transportation Enterprise

Financial Statements and Independent Auditor's Reports

Financial Audit

Years Ended June 30, 2016 and 2015

Compliance Audit

Year Ended June 30, 2016

LEGISLATIVE AUDIT COMMITTEE

Representative Tracy Kraft-Tharp – Chair	Senator Tim Neville– Vice-Chair
Senator Kerry Donovan	Representative Lori Saine
Senator Cheri Jahn	Senator Jim Smallwood
Senator Dan Nordberg	Representative Faith Winter

OFFICE OF THE STATE AUDITOR

Dianne E. Ray	State Auditor
Kerri Hunter	Deputy State Auditor
John Kormos	Contract Monitor
BKD, LLP	Contractor

AN ELECTRONIC VERSION OF THIS REPORT IS AVAILABLE AT
WWW.COLORADO.GOV/AUDITOR

A BOUND REPORT MAY BE OBTAINED BY CALLING THE
OFFICE OF THE STATE AUDITOR
303.869.2800

PLEASE REFER TO REPORT NUMBER 1632-F WHEN REQUESTING THIS REPORT

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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, 2016 and 2015. Our audit was conducted in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

BKD, LLP

January 20, 2017

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Colorado High Performance Transportation Enterprise
June 30, 2016 and 2015

Table of Contents

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Colorado High Performance Transportation Enterprise

Report Summary

Year Ended June 30, 2016

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, 2016. BKD performed the audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and U.S. Office of Management and Budget (OMB) Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance). The audit of the Colorado High Performance Transportation Enterprise (the Enterprise or HPTE) was performed under authority of Section 2-3-103, C.R.S. The purpose of the audit was to express an opinion on the financial statements of the Enterprise for the years ended June 30, 2016 and 2015.

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, 2016 and 2015, 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, 2016.
- To review the Enterprise's compliance with rules and regulations governing the expenditure of state funds for the year ended June 30, 2016.
- 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, 2016.

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, 2016 and 2015.

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, 2016

Summary of Progress in Implementing Prior Year Audit Recommendations

There were no prior year audit recommendations.

Significant Audit Adjustments

There was one proposed entry identified during the audit to properly state the effects of GASB 68. This entry was recorded by the Department.

Auditor's Communication to Legislative Audit Committee

The auditor's communication to the Legislative Audit Committee describes the auditor's responsibility under auditing standards generally accepted in the United States of America and significant management judgments and estimates. This communication is located on page 61.

Colorado High Performance Transportation Enterprise
Background
Year Ended June 30, 2016

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

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

The revised Colorado High Performance Transportation Enterprise statute, Section 43-4-806 C.R.S., requires two separate funds for management of the Enterprise. The Statewide Transportation Special Revenue Fund is referred to in Statute and herein as the Transportation Special Revenue Fund. The principal revenues came primarily from the I-25 Express Lane tolls until March 7, 2014 when Plenary Roads Denver commenced operations under the U.S. 36 Managed Lanes Concession Agreement. When other toll facilities come online, the Transportation Special Fund receives revenues collected from tolls, fees and other fines with the intent to separately account for authorized projects.

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

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

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BKD LLP
CPAs & Advisors

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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, 2016 and 2015, 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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, 2016 and 2015 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 financial reporting entity, State of Colorado, Department of Transportation, that is attributable to the transactions of the Enterprise. They do not purport to, and do not present fairly the financial position of the State of Colorado, Department of Transportation as of June 30, 2016 and 2015 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 20, 2017, 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 20, 2017

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Colorado High Performance Transportation Enterprise

Management's Discussion and Analysis (Unaudited)

June 30, 2016 and 2015

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, 2016 and 2015. The MD&A also informs the reader of the financial issues and activities related to the Enterprise. It should be read in conjunction with the Enterprise's financial statements.

Program Overview

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

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

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

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

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

Colorado High Performance Transportation Enterprise

Management's Discussion and Analysis
(Unaudited)
June 30, 2016 and 2015

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

The second fund is the Enterprise Operating Fund, referred to 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 Interagency 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 ten percent of its total revenues in grants from the state and local governments. Management has not identified any violations of this enterprise status.

Program Highlights

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 and Phase II tolling commencement took place on March 30, 2016.

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 additional Express Lanes 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 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 because it demonstrates the high value and innovation P3 bring to transportation development in the U.S.

I-25 North

Another HPTE and CDOT project is the extension of the I-25 Express Lanes north on I-25 to the entrance to RTD's Wagon Wheel Park and Ride near 120th Avenue. 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, 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 RAMP funds on the Project. The project will continue the managed lanes that are currently operating from U.S. 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.

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 (DBFOM) availability payment Public-Private Partnership procurement. In March 2015 the HPTE and the CBE (the Procuring Authorities) released a RFQ with responses due in late June 2015. Four teams were shortlisted and the first draft of the RFP was issued early fall 2015 with the selection of a preferred proposer expected in 2017. 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-228 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. The Project is 12.5 miles in length spanning the eastern half of the C-470 corridor, starting at the C-470 terminus at I-25 and extending westward along the corridor to Wadsworth Boulevard. The Project will add two tolled express lanes serving westbound traffic for four miles from I-25 to Colorado Boulevard and one tolled express lane serving westbound traffic from Colorado Boulevard to Wadsworth Boulevard. Eastbound, the Project will provide one tolled express lane between Wadsworth Boulevard and I-25. 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. The preliminary value for money for analysis came to the conclusion that the project does not receive any additional value in delivering it as a Public-Private Partnership.

CDOT released the RFQ for the 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 2016. In April 2016, Flatiron Construction and AECOM were selected as the preferred proposer team and the Design Build contract was executed in June 2016. Construction started during the summer of 2016.

In October 2013, the Colorado Transportation Commission allocated $100 million to the C-470 project under its Responsible Acceleration of Maintenance and Partnerships (RAMP) program, with approximately $30 million in FASTER and local funding, $85 million in senior non-recourse toll revenue bonds, and a $110 million TIFIA loan. An investment grade traffic revenue study was complete in the fall 2015. Since January 2016, HPTE has been working closely with TIFIA and its advisors to secure a loan on the project to make up the difference in funding that is needed to complete construction. The loan and the bonds are expected to close in early 2017.

Colorado High Performance Transportation Enterprise

Management's Discussion and Analysis
(Unaudited)
June 30, 2016 and 2015

Mountain Express Lane

The I-70 Mountain Express Lanes (MEXL) project opened for tolling on December 19, 2015 and is assisting CDOT with traffic management on I-70 from the Twin Tunnels to Empire Junction. The existing shoulders on I-70 between these locations were modestly expanded to allow tolled traffic on the shoulders during peak travel times. Prior to the lanes opening, HPTE and CDOT negotiated agreements for the details of this project with Clear Creek County, FHWA, and the City of Idaho Springs. In December 2014, HPTE entered into a $25 million loan with Banc of America Preferred Funding Corporation. The loan is to be repaid from toll revenues from the MEXL. Interest accrues at the rate of 2.79 percent and is due each December. Principal payments start yearly in 2022 with the maturity date in December 2024.

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

HOV Transition

The current Transportation Commission HOV policy mandates that vehicles must contain at least two people to qualify to use the Express Lane in the I-25 and U.S. 36 Express Lanes. In May 2013, the Board and Transportation Commission began discussing the eventual shifting to high occupancy vehicle (HOV) 3+ policy, which would require at least three people in the vehicle to qualify to use the Express Lane without paying a toll. The new policy was adopted by the Board, the Transportation Commission, and DRCOG in January 2013. HOV3+ will be implemented on January 1, 2017. 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. The C-470 and I-70 Peak Period Shoulder Lanes projects do not include HOV. HOV policy for Central 70 and for I-25 north to Ft. Collins will mirror the policy on U.S. 36 and the existing I-25 Express Lanes.

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, issue revenue bonds and enter into 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, 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 ($2.08 million for Fiscal Year 17) 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, 2016 and 2015. 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, 2016 and 2015. 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, 2016 and 2015.

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	**2016**	**2015**	**2014 ***	**2016**	**2015**	**2014 ***
Assets						
Current Assets	$ 36,195.8	$ 78,811.9	$ 36,583.2	$ 1,652.4	1,029.0	$ 938.4
Noncurrent Assets	2,715.6	4,323.8	2,218.3	-	-	-
Capital Assets	258,246.3	183,751.9	105,889.3	-	-	-
Total Assets	**297,157.7**	**266,887.6**	**144,690.8**	**1,652.4**	**1,029.0**	**938.4**
Deferred Outflow of Resources	**345.7**	**581.1**	**-**	**206.3**	**47.5**	**-**
Liabilities						
Current Liabilities	2,360.9	45,388.9	18,116.6	140.4	38.3	52.5
Noncurrent Liabilities	51,131.9	211,609.0	113,637.8	5,663.1	5,326.5	3,169.1
Total Liabilities	**53,492.8**	**256,997.9**	**131,754.4**	**5,803.5**	**5,364.8**	**3,221.6**
Deferred Inflow of Resources	**142,435.2**	**0.1**	**-**	**30.0**	**32.0**	**-**
Net Position (Deficit)						
Net Investment in Capital Assets	207,262.3	104,751.9	82,439.8	-	-	-
Unrestricted (deficit)	(105,686.9)	(94,281.2)	(69,503.3)	(3,974.8)	(4,320.4)	(2,283.2)
Total Net Position	**$ 101,575.4**	**$ 10,470.7**	**$ 12,936.5**	**$ (3,974.8)**	**$ (4,320.4)**	**$ (2,283.2)**

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

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 National 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 National 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 not 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 $210,417.

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.

Net Position

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

Fiscal Year 2014-15 Analysis

Transportation Special Revenue Fund

Assets

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

Current Assets

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

Noncurrent Assets

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

Capital Assets

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

Liabilities

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

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

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

Net Position

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

Operating Fund

Assets

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

Liabilities

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

Current Liabilities

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

Noncurrent Liabilities

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

Net Position

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

Colorado High Performance Transportation Enterprise

Management's Discussion and Analysis
(Unaudited)
June 30, 2016 and 2015

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	**2016**	**2015**	**2014 ***	**2016**	**2015**	**2014 ***
Operating Revenues						
Charges for Tolls and Services	$ 359.1	$ 259.2	$ 1,972.7	$ 2,000.0	$ -	$ -
Federal Revenues	28.3	.9	14,425.0	-	-	-
Other Operating Revenues	149,761.0	3,738.7	2,065.0	36.4	-	49.2
Total Operating Revenues	**150,148.4**	**3,998.8**	**18,462.7**	**2,036.4**	**-**	**49.2**
Operating Expenses						
Salaries and Benefits	574.5	659.4	203.3	539.8	426.3	396.6
Operating and Travel	2,142.3	1,064.8	207.7	321.7	103.6	68.7
Construction Expenses	21,271.3	1,620.0	18,015.9	-	-	-
Professional Services	1,512.1	1,094.7	2,967.2	738.1	399.6	198.1
Depreciation Expense	5,197.3	-	-	-	-	-
Total Operating Expenses	**30,697.5**	**4,438.9**	**21,394.1**	**1,599.6**	**929.5**	**663.4**
Operating Income (Loss)	**119,450.9**	**(440.1)**	**(2,931.4)**	**436.8**	**(929.5)**	**(614.2)**
Nonoperating Revenues (Expenses)						
Investment Income (Loss)	302.6	708.0	376.9	24.5	13.8	13.8
Interest Expense	(861.7)	-	-	-	-	-
Other Nonoperating Revenues (Expenses)	(241.0)	(2,753.7)	3,222.2	(115.7)	(110.2)	(80.1)
Transfer of U.S. 36 general purpose lanes to CDOT	(27,546.1)	-	-	-	-	-
Net Nonoperating Revenues (Expenses)	**(28,346.2)**	**(2,045.7)**	**3,599.1**	**(91.2)**	**(96.4)**	**(66.3)**
Change in Net Position	**91,104.7**	**(2,485.8)**	**667.7**	**345.6**	**(1,025.9)**	**(680.5)**
Beginning Net Position As Restated	**10,470.7**	**12,956.4**	**12,268.8**	**(4,320.4)**	**(3,294.5)**	**(1,602.7)**
Net Position (Deficit), End of the Year	**$ 101,575.4**	**$ 10,470.7**	**$ 12,936.5**	**$ (3,974.8)**	**$ (4,320.4)**	**$ (2,283.2)**

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

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 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 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 MEXL, 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 to provide compensation to HPTE for services provided to CDOT during Fiscal Year 2015-16.

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.

Variances for Fiscal Year 2014-15

<u>Transportation Special Revenue Fund</u>

Revenues

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

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

Expenses

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

Net Position

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

<u>Operating Fund</u>

Revenues

Total operating revenues decreased by $49,167.

Expenses

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

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

Capital Assets and Debt Administration

Transportation Special Revenue Fund

Capital Assets
(In Thousands)

As of June 30	2016	2015	2014
Capital Assets	$ 258,246.3	$ -	$ -
Capital Assets, Non-depreciable	-	183,751.9	105,889.3
Capital Assets, Net of Accumulated Depreciation	$ 258,246.3	$ 183,751.9	$ 105,889.3

In Fiscal Year 2015-16, capital assets increased by $74.5 million due to the completion of the U.S. 36 project, construction of the I-70 Mountain Express Lanes, and purchase of tolling equipment and software related to the U.S. 36 and Mountain Express Lanes (MEXL) projects. Also, in Fiscal Year 2015-16, with the completion of the U.S. 36 Project and MEXL, the projects were moved from non-depreciable to depreciable capital assets. Capital assets increased by $77.9 million in Fiscal Year 2014-15 due to the construction of the U.S. 36 project.

Debt Outstanding

In October 2013 HPTE started to request disbursements of the $54 million TIFIA loan and at June 30, 2014 HPTE had drawn down $23.4 million of the loan. During Fiscal Year 2014-15 HPTE had drawn down the remaining balance of $30.6 million. The obligation of the TIFIA loan was transferred to Plenary 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.

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 $4 million in Fiscal Year 2015-16 and Fiscal Year 2014-15. Principal payments will be made when sufficient revenue becomes available to repay the principal and interest of the loan.

Subsequent Events

Tolling commencement on the extension of the I-25 North Segment II Express Lanes occurred on July 12, 2016. This project largely uses the existing highway infrastructure to expand the capacity of I-25 in this portion of the Denver Metro area and assists CDOT with traffic management of the I-25 corridor. This project was funded through a $15 million TIGER grant by USDOT and RTD provided a $750,000 contribution towards the project to ensure effective and efficient operations of RTD's buses.

Since January 2016, HPTE has been working closely with TIFIA and its advisers to secure a loan and to issue bonds for the C-470 project to make up the difference in funding that is needed to complete construction. HPTE expects to close on $185 million in senior non-recourse toll revenue bonds and a $107 million TIFIA loan for the C-470 project in February 2017.

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, 2016 and 2015

	June 30, 2016			June 30, 2015		
	Transportation Special Revenue Fund	Operating	Total	Transportation Special Revenue Fund	Operating	Total
Assets						
Current assets:						
Cash and pooled cash investments	$ 33,918,645	$ 1,652,371	$ 35,571,016	$ 76,694,892	$ 1,028,231	$ 77,723,123
Receivables	2,264,684	45	2,264,729	2,107,896	800	2,108,696
Prepaid items	12,500	-	12,500	9,077	-	9,077
Total current assets	36,195,829	1,652,416	37,848,245	78,811,865	1,029,031	79,840,896
Noncurrent assets:						
Restricted cash	2,715,582	-	2,715,582	2,084,752	-	2,084,752
Other long-term investments	-	-	-	2,239,087	-	2,239,087
Capital assets, nondepreciable	-	-	-	183,751,863	-	183,751,863
Capital assets, net of accumulated depreciation	258,246,308	-	258,246,308	-	-	-
Total noncurrent assets	260,961,890	-	260,961,890	188,075,702	-	188,075,702
Total assets	**297,157,719**	**1,652,416**	**298,810,135**	**266,887,567**	**1,029,031**	**267,916,598**
Deferred Outflows of Resources Related to Pensions	**345,690**	**206,363**	**552,053**	**581,126**	**47,497**	**628,623**
Liabilities						
Current liabilities:						
Accounts payable and accrued liabilities	2,360,918	140,432	2,501,350	45,388,915	38,328	45,427,243
Total current liabilities	2,360,918	140,432	2,501,350	45,388,915	38,328	45,427,243
Noncurrent liabilities:						
Due to Transportation Commission	-	4,000,000	4,000,000	-	4,000,000	4,000,000
TIFIA loan	-	-	-	54,000,000	-	54,000,000
Peak period shoulder lane loan	25,000,000	-	25,000,000	25,000,000	-	25,000,000
Segment III loan	23,630,000	-	23,630,000	-	-	-
Accrued interest	540,721	381,556	922,277	2,322,559	265,883	2,588,442
Compensated absences	-	6,219	6,219	-	19,282	19,282
Net pension liability	863,935	1,275,323	2,139,258	872,660	1,041,382	1,914,042
Unearned revenue	1,097,251	-	1,097,251	129,413,800	-	129,413,800
Total noncurrent liabilities	51,131,907	5,663,098	56,795,005	211,609,019	5,326,547	216,935,566
Total liabilities	**53,492,825**	**5,803,530**	**59,296,355**	**256,997,934**	**5,364,875**	**262,362,809**
Deferred Inflow of Resources						
Items related to pensions	74,638	30,009	104,647	65	32,048	32,113
Concession agreement	142,360,512	-	142,360,512	-	-	-
Total deferred inflow of resources	**142,435,150**	**30,009**	**142,465,159**	**65**	**32,048**	**32,113**
Net Position (Deficit)						
Net investment in capital assets	207,262,310	-	207,262,310	104,751,863	-	104,751,863
Unrestricted deficit	(105,686,876)	(3,974,760)	(109,661,636)	(94,281,169)	(4,320,395)	(98,601,564)
Total net position (deficit)	**$ 101,575,434**	**$ (3,974,760)**	**$ 97,600,674**	**$ 10,470,694**	**$ (4,320,395)**	**$ 6,150,299**

Colorado High Performance Transportation Enterprise

Statements of Revenues, Expenses, and Changes in Net Position

Years Ended June 30, 2016 and 2015

	June 30, 2016			June 30, 2015		
	Transportation Special Revenue Fund	Operating	Total	Transportation Special Revenue Fund	Operating	Total
Operating Revenues						
Charges for tolls and services	$ 359,152	$ 2,000,000	$ 2,359,152	$ 259,247	$ -	$ 259,247
Federal revenues	28,294	-	28,294	881	-	881
Other operating revenues	149,761,022	36,426	149,797,448	3,738,735	-	3,738,735
Total operating revenues	**150,148,468**	**2,036,426**	**152,184,894**	**3,998,863**	**-**	**3,998,863**
Operating Expenses						
Salaries and benefits	574,422	539,857	1,114,279	659,414	426,300	1,085,714
Operating and travel	2,142,291	321,701	2,463,992	1,064,804	103,566	1,168,370
Construction expenses	21,271,348	-	21,271,348	1,620,021	-	1,620,021
Professional services	1,512,128	738,059	2,250,187	1,094,714	399,563	1,494,277
Depreciation expense	5,197,339	-	5,197,339	-	-	-
Total operating expenses	**30,697,528**	**1,599,617**	**32,297,145**	**4,438,953**	**929,429**	**5,368,382**
Operating income (loss)	**119,450,940**	**436,809**	**119,887,749**	**(440,090)**	**(929,429)**	**(1,369,519)**
Nonoperating Revenues (Expenses)						
Investment income	302,566	24,499	327,065	707,963	13,777	721,740
Interest expense	(861,712)	-	(861,712)	-	-	-
Other nonoperating revenues (expenses), net	(241,000)	(115,673)	(356,673)	(2,753,625)	(110,292)	(2,863,917)
Transfer of U.S. 36 general purpose lanes to CDOT	(27,546,054)	-	(27,546,054)	-	-	-
Net nonoperating revenues (expenses)	**(28,346,200)**	**(91,174)**	**(28,437,374)**	**(2,045,662)**	**(96,515)**	**(2,142,177)**
Change in Net Position	**91,104,740**	**345,635**	**91,450,375**	**(2,485,752)**	**(1,025,944)**	**(3,511,696)**
Beginning net position	10,470,694	(4,320,395)	6,150,299	12,956,446	(3,294,451)	9,661,995
Net Position (Deficit), End of the Year	**$ 101,575,434**	**$ (3,974,760)**	**$ 97,600,674**	**$ 10,470,694**	**$ (4,320,395)**	**$ 6,150,299**

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Colorado High Performance Transportation Enterprise

Statements of Cash Flows

Years Ended June 30, 2016 and 2015

	June 30, 2016			June 30, 2015		
	Transportation Special Revenue Fund	Operating	Total	Transportation Special Revenue Fund	Operating	Total
Cash Flows from Operating Activities						
Cash received from users and grants	$ 149,991,680	$ 37,181	$ 150,028,861	$ 26,750,541	$ -	$ 26,750,541
Cash payments for salaries and benefits	(273,138)	(471,939)	(745,077)	(347,848)	(405,730)	(753,578)
Cash payments to contractors and suppliers for goods and services	(67,957,186)	(849,928)	(68,807,114)	-	(407,900)	(407,900)
Net cash provided by (used in) operating activities	**81,761,356**	**(1,284,686)**	**80,476,670**	**26,402,693**	**(813,630)**	**25,589,063**
Cash Flows from Noncapital Financing Activities						
Interagency loans	-	-	-	-	1,000,000	1,000,000
Payments from intergovernmental agreement	(128,316,549)	2,000,000	(126,316,549)	39,251,300	-	39,251,300
Net cash provided by (used in) noncapital financing activities	**(128,316,549)**	**2,000,000**	**(126,316,549)**	**39,251,300**	**1,000,000**	**40,251,300**
Cash Flows from Capital and Related Financing Activities						
TIFIA loan	-	-	-	30,550,501	-	30,550,501
Mountain express lanes loan	-	-	-	25,000,000	-	25,000,000
Segment III loan	23,630,000	-	23,630,000	-	-	-
Interest paid on debt	(2,643,551)	-	(2,643,551)	-	-	-
Acquisition and construction of capital assets	(18,877,326)	-	(18,877,326)	(77,862,551)	-	(77,862,551)
Net cash provided by (used in) capital and related financing activities	**2,109,123**	**-**	**2,109,123**	**(22,312,050)**	**-**	**(22,312,050)**
Cash Flows from Investing Activities						
Investment income	302,566	24,499	327,065	707,963	13,777	721,740
Payment of trustee and loan fees	(241,000)	(115,673)	(356,673)	(407,500)	(110,292)	(517,792)
Purchase of investments	2,239,087	-	2,239,087	(20,766)	-	(20,766)
Net cash provided by (used in) investing activities	**2,300,653**	**(91,174)**	**2,209,479**	**279,697**	**(96,515)**	**183,182**
Net increase in cash and cash equivalents	(42,145,417)	624,140	(41,521,277)	43,621,640	89,855	43,711,495
Cash and cash equivalents, beginning of year	78,779,644	1,028,231	79,807,875	35,158,004	938,376	36,096,380
Cash and cash equivalents, end of year	**$ 36,634,227**	**$ 1,652,371**	**$ 38,286,598**	**$ 78,779,644**	**$ 1,028,231**	**$ 79,807,875**

Colorado High Performance Transportation Enterprise

Statements of Cash Flows (continued)

Years Ended June 30, 2016 and 2015

	June 30, 2016			June 30, 2015		
	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)	$ 119,450,940	$ 436,809	$ 119,887,749	$ (440,090)	$ (929,429)	$ (1,369,519)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:						
Depreciation expense	5,197,339	-	5,197,339	-	-	-
Pension related items	301,285	73,035	374,320	311,567	14,717	326,284
Changes in assets and liabilities						
Receivables, net	(156,788)	(1,999,244)	(2,156,032)	(697,302)	(800)	(698,102)
Prepaid items	(3,423)	-	(3,423)	5,507	-	5,507
Accounts payable and accrued liabilities	(43,027,997)	204,714	(42,823,283)	27,223,011	101,882	27,324,893
Net cash provided by (used in) operating activities	**$ 81,761,356**	**$ (1,284,686)**	**$ 80,476,670**	**$ 26,402,693**	**$ (813,630)**	**$ 25,589,063**
Noncash Investing, Capital and Financing Activities						
Acquisition of capital assets, on account	$ 2,353,998	$ -	$ 2,353,998	$ -	$ -	$ -
Transfer of managed lanes to CDOT	$ 27,546,054	$ -	$ 27,546,054	$ -	$ -	$ -
Unrealized gains	$ 242,435	$ -	$ 242,435	$ -	$ -	$ -
Transfer of TIFIA loan to Plenary	$ 54,000,000	$ -	$ 54,000,000	$ -	$ -	$ -
Contribution of capital assets	$ 88,716,505	$ -	$ 88,716,505	$ -	$ -	$ -

Colorado High Performance Transportation Enterprise

Notes to Financial Statements

June 30, 2016 and 2015

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 Revenue Fund

The Statewide Transportation Special Revenue Fund is referred in statute and herein as the Transportation Special Fund. The Fund is authorized to receive monies from any tolling projects. Currently those revenues come primarily from the I-25 Express Lanes tolls 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 interagency agreement with CDOT. These proceeds from the Transportation Commission loans and the interagency 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, 2016 or 2015, or the results of operations, or cash flows where applicable, thereof for the years then ended.

Use of Estimates in Preparation of Financial Statements

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

Cash and Pooled Cash Investments

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

Receivables

Receivables 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 its 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 is 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 life 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 6. Noncurrent liabilities include compensated absences, amounts due to other funds, and unearned revenue.

Compensated Absences

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

Unearned Revenue

Unearned revenue consisted of payments made by the Regional Transportation District (RTD) to the Enterprise under two Intergovernmental Agreements. Under the U.S. 36 agreement, RTD paid the Enterprise $120 million over a four year period for the use of the managed lanes being constructed for U.S. 36 Phase I and $7.5 million over a two year period for use of the Phase II managed lanes. The revenue was considered earned upon the opening of the lanes; Phase I opened on July 22, 2015 and Phase II opened March 30, 2015, therefore these amounts are recognized as revenue for the year ended June 30, 2016.

HPTE and RTD entered into another agreement for the extension of the I-25 HOT lanes north on I-25 to the entrance to RTD’s Wagon Wheel Park and Ride. Under this agreement, RTD will pay the Enterprise $750,000 over a two year period for the use of the I-25 HOT lanes. Both installments of $375,000 have been received by HPTE but is not considered earned revenue until the lanes are open, and therefore is not recognized and is included in unearned revenue at June 30, 2016. The extension of the I-25 HOT lanes opened on July 22, 2016.

Deferred Outflows and Deferred Inflows of Resources

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

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

Net Position

The net position of the Enterprise is classified as follows:

Net investment in capital assets

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

Unrestricted net position

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

Classification of Revenues and Expenses

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

Budgets and Budgetary Accounting

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

Application of Restricted and Unrestricted Resources

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

NOTE 2 – CASH AND POOLED CASH INVESTMENTS

The Enterprise deposits its cash with the Colorado State Treasurer as required by Colorado Revised Statutes. The State Treasurer pools these deposits and invests them in securities authorized by C.R.S. 24-75-601.1. The State Treasury acts as a bank for all state agencies and institutions of higher education, with the exception of the University of Colorado. Monies deposited in the Treasury are invested until the cash is needed. As of June 30, 2016, the Enterprise had cash on deposit with the State Treasurer of $35,571,016 which represented less than one percent of the total $7,408.5 million fair value of deposits in the State Treasurer's Pool (Pool). At June 30, 2015, the Enterprise had cash on deposit with the State Treasure of $77,723,124, which represented approximately one percent of the total $7.661.8 million fair value of the deposits with the State Treasurer's Pool (Pool).

For financial reporting purposes all of the Treasurer's investments are reported at fair value, which is determined based on quoted prices in active markets for identical assets ($230 million) and significant other observable inputs ($7,178.5 million) at the fiscal year-end. Individual participating state agencies do not own a proportional share of the Treasury's investments themselves, but instead own equity in the Pool, based on the deposits made by each agency. On the basis of the Enterprise's participation in the Pool, the Enterprise reports as an increase or decrease in cash for its share of the Treasurer's unrealized gains and losses on the Pool's underlying investments. The State Treasurer does not invest any of the Pool's resources in any external investment pool, and there is no assignment of income related to participation in the Pool. The unrealized gains/losses included in income reflect only the change in fair value for the fiscal year.

As of June 30, 2016, cash balances were:

	Transportation Special Fund	Operating Fund	Total
Cash on deposit with State Treasurer	$ 33,676,210	$ 1,641,506	$ 35,317,716
State Treasurer pooled cash investments - unrealized gain	242,435	10,865	253,300
Total	**$ 33,918,645**	**$ 1,652,371**	**$ 35,571,016**

As of June 30, 2015, cash balances were:

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

Investments in the Treasurer's Pool are exposed to custodial credit risk if the securities are uninsured, are not registered in the state's name, and are held by either the counterparty to the investment purchase or the counterparty's trust department or agent but not in the state's name. As of June 30, 2016, none of the investments in the State Treasurer's Pool are subject to custodial credit risk.

Credit quality risk is the risk that the issuer or other counterparty to a debt security will not fulfill its obligations. This risk is assessed by national rating agencies that assign a credit quality rating for many investments. Credit quality ratings for obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not reported; however, credit quality ratings are reported for obligations of U.S. government agencies that are not explicitly guaranteed by the U.S. government. Based on these parameters, as of June 30, 2016, approximately 83.8 percent of investments of the Treasurer's Pool are subject to credit quality risk reporting. Except for $77,761,610 of corporate bonds rated lower, these investments are rated from upper medium to the highest quality, which indicates that the issuer has strong capacity to pay principal and interest when due.

Interest rate risk is the risk that changes in the market rate of interest will adversely affect the value of an investment. In addition to statutory limitations on the types of investments, the State Treasurer's investment policy mitigates interest rate risk through the use of maturity limits set to meet the needs of the individual fund if the Treasurer is investing for a specific fund rather than the Pool. The Treasurer actively manages the time to maturity in reacting to changes in the yield curve, economic forecasts, and liquidity needs of the participating funds. The Treasurer further limits investment risk by setting a minimum/maximum range for the percentage of investments subject to interest rate risk and by laddering maturities and credit ratings. As of June 30, 2016 and 2015, the weighted average maturity of investments in the Treasurer's Pool is as follows:

June 30, 2016

Investment Type	Weighted Average Maturity	Maturity Amount	Percent of Pool
Asset Backed Securities	2.585	$ 1,030,324,633	13.91
Corporate Bonds	1.985	1,668,441,771	22.52
U.S. Government Securities	1.343	3,633,084,620	49.04
Commerical Paper	0.094	846,606,464	11.43
Money Market Mutal Funds	0.000	230,000,000	3.10
Total		**$ 7,408,457,488**	**100.0**

June 30, 2015

Investment Type	Weighted Average Maturity	Maturity Amount	Percent of Pool
Asset Backed Securities	2.528	$ 1,415,965,000	18.50
Corporate Bonds	2.196	1,754,592,000	22.90
U.S. Government Securities	1.339	3,636,259,000	47.50
Commerical Paper	0.063	484,971,000	6.30
Money Market Mutal Funds	0.01	370,000,000	4.80
Total		**$ 7,661,787,000**	**100.0**

The Treasurer's Pool was not subject to foreign currency risk or concentration of credit risk in Fiscal Year 2015-16.

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, 2016.

NOTE 3 – LONG-TERM INVESTMENTS

The Enterprise no longer has long-term investments as of June 30, 2016. As of June 30, 2015, the Enterprise had recorded long-term investments in the amount of $2.2 million in accordance with the requirements of the Transportation Infrastructure Finance and Innovation Act (TIFIA) loan received by the Enterprise. Terms of the concession agreement included a provision for plenary to assume the liability of the loan, and therefore eliminating the Enterprise's investment requirement.

Provisions of the loan initially required that $604,614 be transferred to a project operation and maintenance account. In May 2014, the Enterprise transferred $1.6 million to establish the required debt service reserve account. These monies for both the operations and maintenance account and the debt service reserve account were being held by the Enterprise's trustee, Zions Bank, and were invested with the Colorado State Treasury. The Bank entered into an investment agreement with the State Treasury to hold the proceeds in a separate account to be invested in the Pool. The State Treasurer pools these deposits and invests them in securities approved by C.R.S. 24-75-601.1. For the years ended June 30, 2016 and 2015, $5,843 and $22,661 in interest earnings was added to the accounts, respectively.

As terms of the concession agreement, the project operation and maintenance deposit and its interest earnings was transferred to PRD and the debt service reserve account was returned to HPTE when tolling commenced on July 22, 2015 for U.S. 36 Phase I.

NOTE 4 – ACCOUNTS RECEIVABLE

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

The Enterprise also records receivables from CDOT and Plenary Roads Denver (PRD) for services provided.

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

	2016	2015
Tolling revenues receivable	$ 2,676	$ -
Local government receivable	2,028,361	2,104,267
CDOT receivable	81,258	-
Other receivable	152,434	4,429
Total accounts receivable	**$ 2,264,729**	**$ 2,108,696**

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

NOTE 5 – CAPITAL ASSETS

A summary of changes in capital assets is as follows for the years ended June 30, 2016 and 2015:

	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
Total capital assets, net	$ 183,751,863	$ 102,040,498	$ (27,546,053)	$ -	$ 258,246,308

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

NOTE 6 – ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

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

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

	2016	2015
Vendors payable	$ 532,515	$ 640,789
Contractors payable	1,951,560	44,783,361
Salaries and wages payable	1,717	482
Other payables	7,131	2,611
Current portion of compensated absenses	8,427	-
Total current accounts payable	**$ 2,501,350**	**$ 45,427,243**

NOTE 7 – LONG-TERM LIABILITIES

Noncurrent liabilities have been recorded for an annual $1,000,000 loan from the Transportation Commission to the operating fund to pay a portion of its operating expenses until sufficient revenues become available to repay the principal and interest on this loan. The FY 2011-12, FY 2012-13, FY 2014-15 loan bears an interest rate of 3.25 percent, 2.5 percent and 2.25 percent, respectively, and the FY 2014-15 loan bears an interest rate of 2.75 percent on the unpaid balance, compounded annually. As of June 30, 2016, $381,556 in accrued interest on all loans was recorded and a total of $4 million has been borrowed from the Transportation Commission.

In accordance with the Transportation Infrastructure Finance and Innovation Act (TIFIA) loan disbursement schedule, the Enterprise has drawn the full $54 million under the TIFIA loan agreement. These disbursements are completed monthly with the final disbursement being completed in November 2014. Toll revenue from the existing I-25 HOT lanes and future toll revenues from U.S. 36 were pledged to establish the TIFIA loan. 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, 2016.

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. 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. 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 started in June 2016 with a maturity date in December 2025.

Other long-term liabilities include compensated absences in the amount of $14,646 and net pension liability of $2.1 million. The amount due within one year for compensated absences is $8,427 for FY 16 and $0 for FY 15, shown within the accounts payable and accrued liabilities line item on the statements of financial position. The estimated changes in the cost of compensated absences for vested employees for FY 16 and for FY 15 are as follows:

	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)	-	-
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)	10,689	6,153
Sick Leave	4,199	-	(2,517)	3,957	2,274
Total liability	$ 84,933,324	$ 23,902,916	$ (54,060,763)	$ 54,783,904	$ 8,427

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

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

Fiscal Year	Interest Due	Principal Due	Debt Service Payment
2017	$ 697,500	$ -	$ 697,500
2018	697,500	-	697,500
2019	697,500	-	697,500
2020	697,500	-	697,500
2021	697,500	-	697,500
2022-2025	4,460,000	25,000,000	29,460,000
Total payments	$ 7,947,500	$ 25,000,000	$ 32,947,500

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

Fiscal Year	Interest Due	Principal Due	Debt Service Payment
2017	$ 470,237	$ -	$ 470,237
2018	470,237	-	470,237
2019	470,237	-	470,237
2020	470,237	-	470,237
2021	470,237	-	470,237
2022-2026	4,013,906	23,630,000	27,643,906
Total payments	$ 6,365,091	$ 23,630,000	$ 29,995,091

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

NOTE 8 – COMMITMENTS

The Enterprise has commitments at the end of FY 2015-16 totaling $5,962,311 related to professional services regarding the concessionaire agreement for the Transportation Special Fund and for consulting services in the amount of $1,333,930 for the Operating Fund.

NOTE 9 – DEFINED BENEFIT PENSION PLAN

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

A. Plan Description

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

B. Benefits Provided

PERA provides retirement, disability and survivor benefits. Retirement benefits are determined by the amount of service credit earned and/or purchased, highest average salary, the benefit structure(s) under which the member retires, the benefit option selected at retirement, and age at retirement. Retirement eligibility is specified in tables set fourth at C.R.S. § 24-51-602, 504, 1713, and 1714.

The lifetime retirement 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 accounts 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 Wages Earners and Clerical Workers (CPI-W) for the prior calendar year. Benefit recipients under the PERA benefit structure who began eligible employment after January 1, 2007 receive an annual increase of the lesser of two percent or the average CPI-W for the prior calendar year, not to exceed 10 percent of PERA's Annual Increase Reserve for the SDTF.

Disability benefits are available for eligible employees once they reach five years of earned service credit and are determined to meet the definition of disability. State Troopers whose disability is cause by an on-the-job injury are immediately eligible to apply for disability benefits and do not have to meet the five years of service credit requirement. The disability benefit amount is based on the retirement benefit formula shown above considering a minimum of 20 years of service credit, if deemed disabled.

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

C. Contributions

Eligible employees and HPTE are required to contribute to the SDTF at a rate set by Colorado statute. The contribution requirements are established under C.R.S. § 24-51-401, et seq. Eligible employees with the exception of State Troopers are required to contribute 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 2014		**Fiscal Year 2015**		**Fiscal Year 2016**	
	CY13	**CY14**		**CY15**		**CY16**
	7-1-13 to 12-31-13	1-1-14 to 6-30-14	7-1-14 to 12-31-14	1-1-15 to 6-30-15	7-1-15 to 12-31-15	1-1-16 to 6-30-16
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	3.40%	3.80%	3.80%	4.20%	4.20%	4.60%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S., Section 24-51-411	3.00%	3.50%	3.50%	4.00%	4.00%	4.50%
Total Employer Contribution Rate to the SDTF	15.53%	16.43%	16.43%	17.33%	17.33%	18.23%

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

Employer contributions are recognized by the SDTF in the period in which the compensation become payable to the member and the HPTE is statutorily committed to pay the contributions to the SDTF. Employer contributions recognized by the SDTF from the Enterprise were $91,834 and $97,049 for the years ended June 30, 2016 and 2015, respectively.

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

At June 30, 2016 and 2015, respectively, the Enterprise reported a liability of $ 2,139,258 and $1,914,042 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2015 and 2014, and the total pension liability used to calculate the net pension liability at December 31, 2015 and 2014 was determined by an actuarial valuation as of December 31, 2014 and 2013, respectively. Standard update procedures were used to roll forward the total pension liability to December 31, 2015 and 2014. The Enterprise's proportion of the net pension liability was based on HPTE's contributions to the SDTF for the calendar year 2015 and 2014 relative to the total contributions of participating employers to the SDTF.

At December 31, 2015, the Enterprise's proportion was .0203 percent, which was a decrease of .0001 percent from its proportion measured as of December 31, 2014. At December 31, 2014, the Enterprise's proportion was .0204 which was an increase of .01 from its proportion measured as of December 31, 2013.

For the years ended June 30, 2016 and 2015, the HPTE recognized pension expense of $467,338 and $429,195 respectively. At June 30, 2016 and 2015, the Enterprise reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Fiscal Year 2016		Fiscal Year 2015	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 31,151	$ 66	$ -	$ 142
Changes of assumptions or other inputs	-	25,322	-	-
Net difference between projected and actual earnings on pension plan investments	161,191	-	39,028	-
Changes in proportion and differences between contributions recognized and proportionate share of contributions	313,019	79,259	538,461	31,971
Contributions subsequent to the measurement date	46,692	-	51,134	-
Total	$ 552,053	$ 104,647	$ 628,623	$ 32,113

$46,692 reported as deferred outflow of resources related to pensions, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30, 2016	
2017	$ 280,465
2018	44,524
2019	42,733
2020	32,992
2021	-
Thereafter	$ 400,714

E. Actuarial Assumptions

The total pension liability for both the December 31, 2014 and 2013 actuarial valuation was determined using the following 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
Future post-retirement benefit increases:	
PERA Benefit Structure hired prior to 1/1/07 and DPS Benefit Structure (automatic)	2.00 percent
PERA Benefit Structure hired after 12/31/06 (ad hoc, substantively automatic)	Financed by the Annual Increase Reserve

Mortality rates were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on a projection of Scale AA to 2020 with Males set back one year, and Females set back two years, for both the December 31, 2014 and 2013 actuarial valuations.

The actuarial assumptions used for both the December 31, 2014 and 2013 valuations 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.

Changes to assumptions or other inputs since the December 31, 2013 actuarial valuation are as follows:

- The following programming changes were made:
  - Valuation of the full survivor benefit without any reduction for possible remarriage.
  - Reflection of the employer match on separation benefits for all eligible years.

- Reflection of one year of service eligibility for survivor annuity benefit.
- Refinement of the 18 month annual increase timing.
- Refinements to directly value certain and life, modified cash refund and pop-up benefit forms.

- The following methodology changes were made:
  - Recognition of merit salary increases in the first projection year.
  - Elimination of the assumption that 35% of future disabled members elect to receive a refund.
  - Removal of the negative value adjustment for liabilities associated with refunds of future terminating members.
  - Adjustments to the timing of the normal cost and unfunded actuarial accrued liability payment calculations to reflect contributions throughout the year.

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

As the November 15, 2013 adoption of the 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	10 Year Expected Geometric Real Rate of Return
U.S. Equity – Large Cap	26.76%	5.00%
U.S. Equity – Small Cap	4.40%	5.19%
Non U.S. Equity – Developed	22.06%	5.29%
Non U.S. Equity – Emerging	6.24%	6.76%
Core Fixed Income	24.05%	0.98%
High Yield	1.53%	2.64%
Long Duration Gov't/Credit	0.53%	1.57%
Emerging Market Bonds	0.43%	3.04%
Real Estate	7.00%	5.09%
Private Equity	7.00%	7.15%
Total	100.00%	

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

F. Discount Rate

The discount rate used to measure the total pension liability for December 31, 2015 and 2014 was 7.50 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:

- 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 3.90%.

- 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, including current and estimated future AED and SAED, until the Actuarial Value Funding Ration reaches 103%, at which point, the AED and SAED will each drop .50% 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 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 actuarial cost method and assumptions, the SDTF's fiduciary net position was projected to be available to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate determination does not use the Municipal bond Index Rate. There was no change in the discount rate from the prior measurement date.

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

The following presents the proportionate share of the net pension liability calculated using the discount rate of 7.50 percent, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate:

	June 30, 2016		
	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Proportionate share of the net pension liability	$ 2,702,652	$ 2,139,258	$ 1,667,998

	June 30, 2015		
	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Proportionate share of the net pension liability	$ 2,454,265	$ 1,914,042	$ 1,459,643

H. Pension Plan Fiduciary Net Position

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

NOTE 10 – OTHER RETIREMENT PLANS

<u>Defined Contribution Retirement Plan (DC Plan)</u>

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 2014		Fiscal Year 2015		Fiscal Year 2016	
	CY13	CY14		CY15		CY16
	7-1-13 to 12-31-13	1-1-14 to 6-30-14	7-1-14 to 12-31-14	1-1-15 to 6-30-15	7-1-15 to 12-31-15	1-1-16 to 6-30-16
Amortization Equalization Disbursement (AED) as specified in C.R.S. Section 24-51-411	3.40%	3.80%	3.80%	4.20%	4.20%	4.60%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S., Section 24-51-411[1]	3.00%	3.50%	3.50%	4.00%	4.00%	4.50%
Total Employer Contribution Rate for AED and SAED[1]	6.40%	7.30%	7.30%	8.20%	8.20%	9.10%

[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, 2015, the plan had 17,814 participants.

The Enterprise did not make any contributions to other retirement plans during Fiscal Year 2016 or 2015.

NOTE 11 – OTHER POSTEMPLOYMENT BENEFITS AND LIFE INSURANCE

Health Care Trust Fund

A. Plan Description

HPTE contributes to the Health Care Trust Fund (HCTF), a cost-sharing multiple-employer healthcare trust administered by PERA. The HCTF benefit provides a health care premium subsidy and health care premium subsidy and health care programs (known as PERACARE) to PERA participating benefit recipients and their eligible beneficiaries. Title 24, Article 21, Part 12 of C.R.S., as amended, establishes the HCTF and sets forth a framework that grants authority to the PERA Board to 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

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 HPTE are established under Title 24, Article 51, Section 208(1)(f) of the C.R.S., as amended. For the years ended June 30, 2016, 2015 and 2014, HPTE contributions to HCTF were $5,269, $10,291 and $7,212, respectively, equal to their required contributions for each year.

NOTE 12 – 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 13 – 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 amounts are included in deferred inflows of resources on the statement of net position, and will be amortized to revenue in a systematic and rational manner over the term of the concession agreement (50 years).

As part of the financial close between HPTE and PRD, PRD issued $20 million of private activity bonds (PABS), with HPTE acting as a conduit issuer. The PABS are not a liability of HPTE and will be repaid by PRD with future toll revenues.

NOTE 14 – 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 15 – 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 FY 2002-03, $2,000,000 and $4,000,000 in FY 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 FY 2007-08 and $301,822 in FY 2008-09, leaving a balance of $3,268,178 outstanding.

When the HPTE was created, a level III transfer occurred which moved the CTE's powers, duties, functions, and financial balances to HPTE, which included the balance of the CTE's draws. HPTE made payments of $301,822 and $905,464 in FY 2009-10 and FY 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 16 – SUBSEQUENT EVENT

Tolling commencement on the extension of the I-25 North Segment II Express Lanes occurred on July 12, 2016. This project uses the existing highway infrastructure to expand the capacity of I-25 in this portion of the Denver Metro area and assists CDOT with traffic management of the I-25 corridor. This project was funded through a $15 million TIGER Grant by USDOT and RTD provided a contribution of $750,000 towards the project to ensure effective and efficient operations of RTD's buses.

As part of the financial close between HPTE and PRD, PRD issued $20 million of private activity bonds (PABS), with HPTE acting as a conduit issuer. The PABS are not a liability of HPTE and will be repaid by PRD with future toll revenues.

Since January 2016, HPTE has been working closely with TIFIA and its advisers to secure a loan and to issue bonds for the C-470 project to make up the difference in funding that is needed to complete construction. HPTE is scheduled to close on $185 million in senior non-recourse toll revenue bonds and a $107 million TIFIA loan for the C-470 project in February 2017.

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, 2016

	2016	2015
HPTE's proportion of the net pension liability	0.02%	0.02%
HPTE's proportionate share of the net pension liability	$ 2,139,258	$ 1,914,042
HPTE's covered-employee payroll	$ 555,546	$ 581,304
HPTE's proportionate share of the net pension liability as a percentage of its covered-employee payroll	385.07%	329.27%
Plan fiduciary net position as a percentage of the total pension liability	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 liability in accordance with Governmental Accounting Standards Board Statement No. 68.

Colorado High Performance Transportation Enterprise

Required Supplementary Information

Schedule of Contributions

June 30, 2016

	2016	2015
Statutorily required contribution	$ 91,834	$ 97,049
Contributions in relation to the statutorily required contribution	91,834	97,049
Contribution deficiency (excess)	$ -	$ -
HPTE's covered-employee payroll	$ 516,614	$ 609,247
Contributions as a percentage of covered-employee payroll	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 fiscal year-end (June 30) in accordance with Governmental Accounting Standards Board Statement No. 68.

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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), an enterprise fund of the State of Colorado, Department of Transportation, which comprise the statement of financial position as of June 30, 2016 and 2015 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 20, 2017, 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*.

We noted certain matters that we reported to the Enterprise's management in a separate letter dated January 20, 2017.

Purpose of this Report

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

BKD, LLP

Denver, Colorado
January 20, 2017

BKD LLP
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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, 2016, we wish to communicate the following to you.

AUDIT SCOPE AND RESULTS

Auditor's Responsibility Under Auditing Standards Generally Accepted in the United States of America and the Standards Applicable to Financial Audits Contained in *Government Auditing Standards* Issued by the Comptroller General of the United States and U.S. Office of Management and Budget (OMB) Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance)

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. 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.

Members of the Legislative Audit Committee:

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
- Subsequent event
- Defined benefit pension plan

Audit Adjustments

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

Members of the Legislative Audit Committee:

Areas in which adjustments were proposed include:

Proposed Audit Adjustments Recorded
- GASB 68

Proposed Audit Adjustments Not Recorded
- No matters are reportable

<u>Auditor's Judgments About the Quality of the Enterprise's Accounting Principles</u>

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

- Adoption of Governmental Accounting Standards Board Statement No. 60 (GASB 60), *Accounting and Financial Reporting for Service Concussion Arrangements*

<u>Disagreements with Management</u>

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

<u>Consultation with Other Accountants</u>

During our audit we became aware that management had consulted with other accountants about the following auditing or accounting matters:

- Consultations relating to adoption of GASB 60

<u>Significant Issues Discussed with Management</u>

<u>Prior to Retention</u>

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

Members of the Legislative Audit Committee:

During the Audit Process

During the audit process, the following issues were discussed or were the subject of correspondence with management:

- GASB 60 adoption
- Second year of GASB 68

Difficulties Encountered in Performing the Audit

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

- No matters are reportable

Other Material Written Communications

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

- Management representation letter

* * * * *

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

BKD, LLP

January 20, 2017