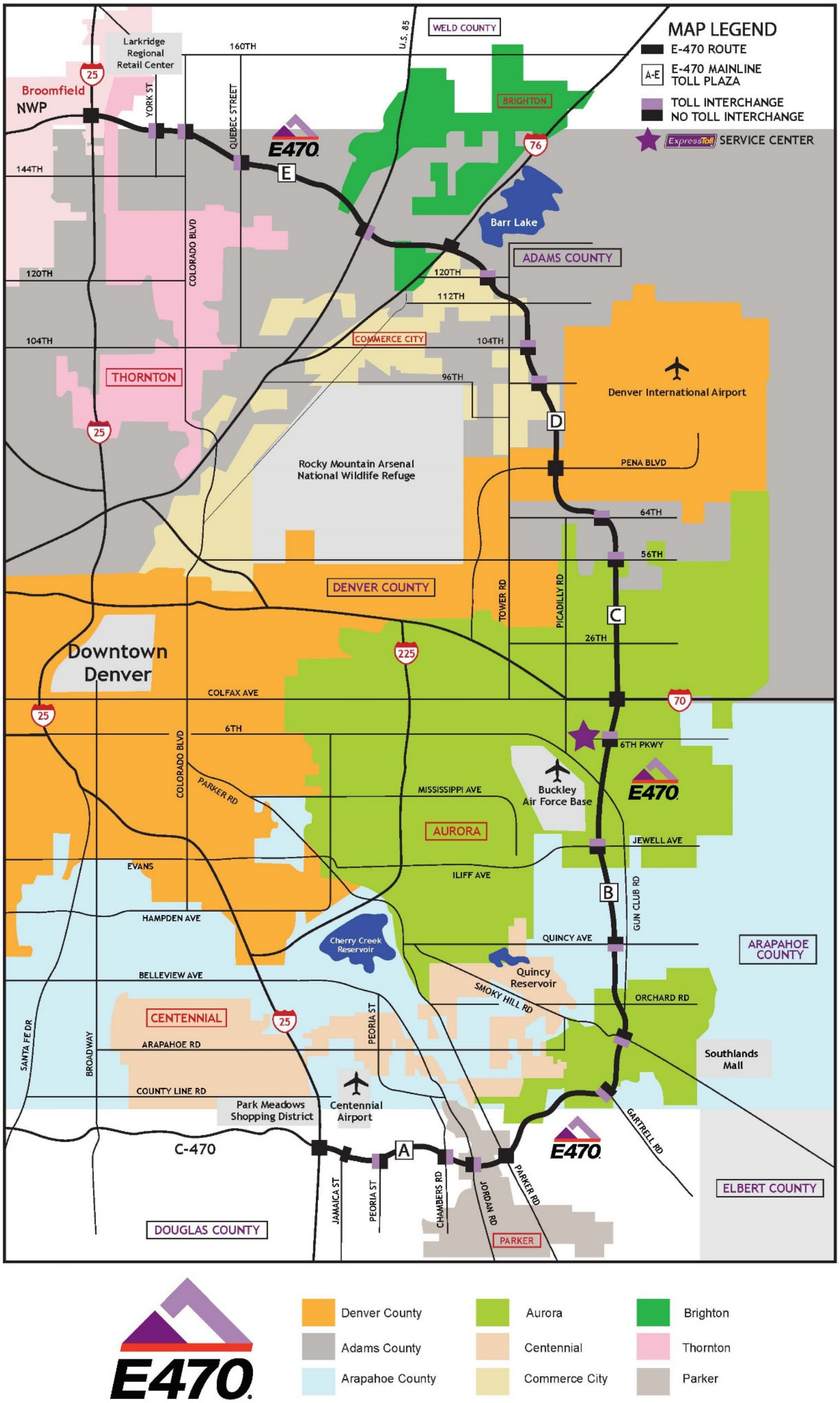
E-470 PUBLIC HIGHWAY AUTHORITY

2021 BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021 & 2020

(WITH INDEPENDENT AUDITORS' REPORT THEREON)


MAP LEGEND
E-470 ROUTE
A-E E-470 MAINLINE TOLL PLAZA
TOLL INTERCHANGE
NO TOLL INTERCHANGE
ExpressToll SERVICE CENTER
WELD COUNTY
ADAMS COUNTY
DENVER COUNTY
ARAPAHOE COUNTY
ELBERT COUNTY
DOUGLAS COUNTY
Larkridge Regional Retail Center
Broomfield
NWP
BRIGHTON
THORNTON
COMMERCE CITY
AURORA
CENTENNIAL
PARKER
Barr Lake
Denver International Airport
Rocky Mountain Arsenal National Wildlife Refuge
Downtown Denver
Buckley Air Force Base
Cherry Creek Reservoir
Quincy Reservoir
Southlands Mall
Park Meadows Shopping District
Centennial Airport
C-470
E470
160TH
144TH
120TH
112TH
104TH
96TH
PENA BLVD
64TH
56TH
26TH
COLFAX AVE
6TH
6TH PKWY
MISSISSIPPI AVE
JEWELL AVE
ILIFF AVE
EVANS
HAMPDEN AVE
QUINCY AVE
BELLEVIEW AVE
ORCHARD RD
ARAPAHOE RD
COUNTY LINE RD
SMOKY HILL RD
PARKER RD
GARTRELL RD
GUN CLUB RD
TOWER RD
PICADILLY RD
COLORADO BLVD
QUEBEC STREET
YORK ST
U.S. 85
SANTA FE DR
BROADWAY
JAMAICA ST
PEORIA ST
CHAMBERS RD
JORDAN RD
25
76
225
70
A
B
C
D
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Denver County
Adams County
Arapahoe County
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Centennial
Commerce City
Brighton
Thornton
Parker

E-470 PUBLIC HIGHWAY AUTHORITY

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The following is management's discussion and analysis of the financial performance and activity of the E-470 Public Highway Authority (the Authority or E-470) and is designed to provide an introduction and overview that may be used to interpret the basic financial statements as of and for the years ended December 31, 2021 and 2020. This discussion has been prepared by management covering complete data for a three-year period and should be read in conjunction with the basic financial statements and notes thereto, which immediately follow this section.

Authority Overview

E-470 is a toll road that forms a semicircular beltway along the eastern perimeter of the Denver metropolitan area. The 75 mile-per-hour toll road extends 47 miles from State Highway C-470 at I-25, to I-25 at Northwest Parkway, a toll road managed by a separate highway authority. The toll road travels through three counties and five municipalities and provides easy access to Denver International Airport.

The toll road has been financed, constructed, operated, and governed by the Authority, which is a body corporate and political subdivision of the State of Colorado, established in January 1988 with all the powers, duties, and privileges permitted by the Public Highway Authority Law of the State, part 5 of article 4 of title 43, Colorado Revised Statutes, as amended (Public Highway Act). Under the Public Highway Act, the Authority has the power without voter approval, unless limited by the contract creating such authority, to construct, finance, operate, or maintain beltways and other transportation improvements; take private property by condemnation; establish and collect tolls on any highway provided by the Authority; establish and collect a highway expansion fee from persons developing property within the boundaries of the Authority; and issue bonds and pledge its revenue to payment of bonds along with other powers as specified within the Public Highway Act.

The toll road was constructed and opened in segments from 1991 to 2003. Segment I of the toll road, I-25 South to Parker Road, was opened to traffic in June 1991. The northern portion of Segment II, 56th Avenue to 120th Avenue, and the southern portion of Segment III, Parker Road to Smoky Hill Road, opened to traffic in July 1998. In May 1999, the remaining portions of Segments II and III, Smoky Hill Road to 56th Avenue, were opened to link the already operational north and south sections of the E-470 toll road. Segment IV, the final segment of the E-470 toll road, was opened in two sections. The first, from 120th Avenue to U.S. Highway 85, opened in August 2002; the second, from U.S. Highway 85 to I-25 North, opened in January 2003. The four-lane toll road (with 20 miles consisting of six lanes) has been designed to accommodate future widening up to eight lanes and to allow for the addition of continuous recreation paths.

The Authority consists of eight member jurisdictions, each of which has an elected official representative that sits on the Authority's board of directors as voting members (the board): Adams, Arapahoe, and Douglas counties, and the municipalities of Aurora, Brighton, Commerce City, Parker, and Thornton. The Authority also has nine nonvoting members including the cities of Arvada, Lone Tree, and Greeley, City and County of Broomfield, Weld County, Denver Regional Council of Governments (DRCOG), Regional Transportation District (RTD), Regional Air Quality Council (RAQC), and the Colorado Department of Transportation (CDOT). Appointments to the board are made annually for both voting and nonvoting members and are made by the individual jurisdictions.

The Authority provides two options for toll payments – ExpressToll and License Plate Toll (LPT).

ExpressToll is a state-of-the-art electronic system that allows drivers to pass through mainline tolling points and ramps on any Colorado toll facility without stopping or slowing below the prevailing speed limit. ExpressToll customers paid 37% to 39% less in tolls on E-470 in 2021, depending on location, compared to License Plate Toll customers due to a toll differential. ExpressToll currently operates with either the older Title 21 hardcase transponder, the windshield 6c sticker tag, or the newer switchable High Occupancy Vehicle (HOV) transponder that allows tolls to be automatically deducted from a customer's prepaid account as the customer uses a toll facility.

LPT customers are all customers that do not have an ExpressToll account. LPT customers are generally billed on a monthly basis for all accumulated toll transactions through any tolling points (mainline and ramps) on any Colorado toll facility (except Northwest Parkway). Cameras photograph the front and rear license plates of all vehicles and, if the vehicle does not have an ExpressToll account, a statement (bill) is sent to the registered owner of the vehicle. No advance registration is required. LPT customers may also set up a managed account online to prepay tolls, leave a credit card on file, receive statements via email, or pay for tolls prior to a statement being generated.

The Authority provides various back office tolling services to the Northwest Parkway (NWP); Colorado Transportation Investment Office (CTIO, formerly High Performance Transportation Enterprise or HPTE), a division of CDOT; and CTIO's concessionaire, Plenary Roads Denver, LLC (Plenary) for their tolled facilities in Colorado. There are managed lane facilities on US-36, I-25 Central, I-70 Mountain Express Lane (MEXL), I-25 North Segments 2 and 3, and C-470. E-470's tolling back office, labeled and marketed with the ExpressToll+ logo, serves all customers on managed toll facilities (HOV and Express lanes), allowing customers to manage only one account and ensuring a seamless customer experience, regardless of which Colorado toll facility is used. The Authority has provided several other services to CTIO and Plenary, including, but not limited to, integrating and installing toll equipment, toll collection system enhancements and modifications, and system testing and go-live support. The Authority has been providing back office services to CDOT since 2006 and to the Northwest Parkway since 2004.

2021 Financial Highlights

- The outbreak of the novel coronavirus disease (COVID-19), and resulting pandemic that has impacted the region, state, country, and world, continued to impact the Authority's toll transaction levels and related toll revenues throughout 2021. Due to the government lockdowns, mandates and restrictions imposed by the state and local jurisdictions that carried over from 2020 through the first quarter of 2021, transactions in January and February 2021 on E-470 were 34.6% below pre-pandemic levels in January and February 2020. As cases, deaths, and hospitalizations decreased, and the state and local jurisdictions loosened restrictions, the Authority saw a consistent and robust month-over-month increase in transaction volumes through July 2021, followed by a normalized traffic pattern for the rest of 2021. However, levels on E-470 were still down between 7% and 13% on a monthly basis between August and December 2021 when compared to the same months in 2019 (previous record transaction year before the pandemic). Future impacts to the Authority's traffic levels and operations remain uncertain, but it appears that the deep impact from 2020 has subsided, and continued improvements through 2021 have led to some normalization. The current traffic and revenue study for near and long-term projections has factored in estimated longer-term impacts such as broad remote and hybrid work changes, school and business travel behaviors, and other shifts in travel patterns resulting from the pandemic. The disruption from the pandemic caused significant changes to the Authority's 2020 and 2021 financial results as compared to previous years; however, the Authority's management remained proactive to successfully manage its operations, budget, capital projects, financial position, liquidity, and key financial metrics including debt service coverage, as well as successfully conducted two debt refinancing transactions, with the June 2020 transaction specifically providing debt relief and reduction during the expected recessionary and recovery periods.
- Transactions on the E-470 toll road experienced growth of 31% from 58.1 million transactions in 2020 to 76.2 million transactions in 2021. Due to the COVID-19 pandemic and the government lockdowns, mandates and restrictions imposed on the State and regional businesses and travelling public in prior year, transactions on the E-470 toll road experienced reduced traffic of 36% from 90.3 million transactions in 2019 to 58.1 million transactions in 2020.
- Operating revenues increased 36% from 2020 to 2021 from $176.6 million to $240.7 million. Operating revenues decreased 34% from 2019 to 2020 from $267.7 million to $176.6 million.
- Operating expenses, before depreciation, increased 3% from 2020 to 2021 from $54.8 million to $56.5 million. Operating expenses, before depreciation, decreased 5% from 2019 to 2020 from $57.4 million to $54.8 million.
- Debt service coverage, a critical measurement of the Authority's annual operations, for fiscal year 2021 was 2.04 versus an original budgeted ratio of 1.90. Debt service coverage for fiscal year 2020 was 1.85 versus an original budgeted ratio of 1.96 and was 2.10 versus a budgeted 1.98 in 2019. In response to the significant decrease in transactions and toll revenues from the COVID-19 pandemic, the Authority paid approximately $36.2 million in 2020 from unrestricted funds to manage monthly cash flows during the early months of the pandemic and to alleviate the annual debt service coverage by reducing the aggregate debt service due and paid from 2020 revenues in the calculation. The Authority did not pay any debt service due in 2021 from unrestricted funds.
- In June 2021, the Authority refinanced approximately $138.6 million at par related to the 2017B and 2019A LIBOR Index Term Rate bonds. The Series 2017B bonds were subject to optional early redemption on or after March 1, 2021, with a mandatory tender and remarketing date of September 1, 2021, and the Series

2019A bonds were subject to optional early redemption on or after September 1, 2020, with a mandatory tender and remarketing date of September 1, 2021. The Authority exercised an early redemption option on both series to take advantage of low interest rates and debt service savings. The successful refunding resulted in the Series 2021B SOFR Index Term Rate bonds of $138.6 million with no change to the principal amounts or maturities. The Series 2021B bonds pay interest at 67% of SOFR plus 35 basis points (0.35%) with a term date of September 1, 2024. The Authority used funds from the General Surplus account (Senior Bond Defeasance Fund) to pay all related underwriting fees and other issuance costs totaling approximately $1.2 million. The refunding resulted in a net present value economic gain of $2.3 million. The refunding reduced debt service amounts due in the years 2021 to and including 2039 by a present value of $3.6 million. In conjunction with the bond transaction, the Authority received reaffirmed ratings from both S&P and Moody's at A and A2, respectively. S&P moved to a stable outlook.

- In conjunction with the 2021 bond transaction, the Authority engaged its Traffic and Revenue Consultant to conduct a bring down letter that revised future forecasts for the E-470 toll road from 2021 through 2050, considering regional updates, capital planning, economic updates, traffic and revenue trends on E-470, future toll rate schedules, and impacts from the COVID-19 pandemic. The report was published in April 2021, and the Authority finished the year in line with these projections at 99% of revised 2021 transactions and 106% of revised 2021 net toll revenues.
- The Authority entered into a ground lease agreement regarding redevelopment of certain parcels with Petrogas Group US, Inc. (Applegreen) in November 2021 to initially redevelop four toll plaza locations along the roadway in order to provide customers with additional convenience services and features like gasoline, food, beverage and rest areas, which will provide future rental income to the Authority for these sites once opened. Construction is anticipated to begin in late 2022 or 2023.
- During 2021, the Authority began design and contracting for the next significant multiyear widening project to expand E-470 from two lanes to three lanes in each direction between I-70 and 104th Avenue, including several interchange additions and improvements. This project is scheduled to begin construction in the summer of 2022 and span three to four years with completion towards the end of 2024 or early 2025. The Authority has budgeted a total of $238.5 million for the multiyear construction project in 2022 through 2025.
- Regarding tolling services, the Authority continued to provide back office services on other tolled facilities in the State of Colorado for NWP, CTIO, and Plenary in 2021. There were no new toll facilities opened in 2021 for which E-470 provides back office services. The Authority's back office toll collection system processed approximately 25.6 million and 16.4 million tolled transactions on other roadways in 2021 and 2020, respectively, with all roadways seeing a recovery in toll transactions and revenues from the COVID-19 pandemic. Toll collection or system costs originally incurred by the Authority for services provided to other entities are charged to the applicable entity (CDOT, CTIO, Plenary, or NWP). Tolling services revenues to recover these costs in 2021 and 2020 totaled approximately $9.0 million and $6.7 million, respectively.
- Regarding 2021 toll rates, in May 2020, the Authority's board of directors approved and adopted Resolution 20-01, "Regarding Extension of Resolution 19-03 Toll Rate Schedule," to reaffirm all 2021 rates with no changes made to ExpressToll or LPT rates from 2020 rates. The freezing of the toll rates was mainly due to the pandemic impacts and continuing to evaluate how the pandemic progressed without introducing another variable in the form of changing toll rates.

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The 2021 ExpressToll rate for a two-axle vehicle was $2.70 at mainline toll plazas A and C and $2.95 at mainline toll plazas B, D, and E. ExpressToll rates increase incrementally at the mainline toll plazas if the vehicle has more than two axles. All ramp tolling points charged a rate of $1.25, regardless of axle count, for ExpressToll customers. The 2021 LPT toll rate for a two-axle vehicle was $4.30 at mainline toll plazas A and C and $4.65 at mainline toll plazas B, D and E. LPT toll rates also increase incrementally at the mainline toll plazas if the vehicle has more than two axles. All ramp tolling points charged a rate of $2.05, regardless of axle count, for LPT customers.

Summary of Operations

The Authority's operating revenues, which include toll revenues, other toll-related fees, and tolling services revenues, for 2021 were $240.7 million, a 36% increase over the $176.6 million in 2020. Toll revenues, net of related bad debts, were $218.5 million and $155.8 million of total operating revenues in 2021 and 2020, respectively. This increase is primarily due to increased overall toll transactions of 31% from 2020 as a result of recovery from the COVID-19 pandemic and easing government lockdowns, mandates and restrictions imposed on the state, regional businesses and travelling public. Toll revenues, net of related bad debts, for fiscal year 2021 were $3.2 million above the $215.3 million 2021 operating budget. Traffic on E-470 during 2021 combined for 76.2 million transactions, with approximately 70% of the corresponding toll revenues coming from ExpressToll accounts. Operating revenues for 2020 were $176.6 million, a 34% decrease over the $267.7 million in 2019. This decrease is primarily due to decreased overall toll transactions of 36% from 2019 as a result of the COVID-19 pandemic and the government lockdowns, mandates and restrictions imposed on the state, regional businesses and travelling public. Operating revenues for 2019 were $267.7 million, a 7% increase over 2018, which is due to increased overall toll transactions and an incremental toll increase for LPT customers that began on January 1, 2019.

Total operating expenses, before depreciation, for 2021 were $56.5 million, a 3% increase over the $54.8 million in 2020. The increase is primarily due to higher toll collection costs from the 31% increase in E-470 toll transaction volume in 2021, coupled with a 56% increase in tolled transactions incurred on other Colorado toll facilities. Costs incurred for other toll facilities are recovered and recorded as tolling services revenue. Costs such as call center and image processing labor, registered vehicle owner information retrieval, credit card fees, printing and postage on bills and notices, and employee salary and benefits expense, offset by a decrease in IT-related projects expensed during the year, accounted for the overall $1.7 million increase from prior year. There were no other individually significant fluctuations. Total operating expenses, before depreciation, for 2020 were $54.8 million, a 5% decrease over the $57.4 million in 2019. The decrease is primarily due to lower toll collection costs from the 36% decrease in E-470 toll transaction volume in 2020, coupled with a 42% decrease in tolled transactions incurred on other Colorado toll facilities. Costs incurred for other toll facilities are recovered and recorded as tolling services revenue. Costs such as call center and image processing labor, registered vehicle owner information retrieval, credit card fees, printing and postage on bills and notices, offset by an increase in advanced account advisors labor and IT-related projects expensed during the year accounted for $1.8 million of the overall $2.6 million decrease from prior year. There were no other individually significant fluctuations.

Total Senior Revenue Bond principal and interest payments from the senior debt service fund during 2021 and 2020 were $98.6 million and $111.0 million, respectively, on the Series 1997, 2000, 2010, 2015, 2017, 2019, 2020, and 2021 bonds, and includes the interest rate swap differentials. The total $98.6 million of principal and interest payments in 2021 were made from the senior debt service fund. In response to the significant decrease in transactions and toll revenues because of the pandemic and local, state and federal lockdowns and restrictions during 2020, the Authority specifically funded the $36.2 million due on the Series 2000 bonds in 2020 from the unrestricted Senior Bonds Defeasance Fund of the General Surplus account. This amount was reduced from the aggregate senior debt service due for the 2020 debt service coverage ratio and resulted in net Senior Revenue Bond principal and interest payments from the senior debt service fund of $74.8 million in 2020. Debt service coverage for 2021 was 2.04, compared to 1.85 in 2020 and 2.10 in 2019. The Bond Resolutions require producing net revenues of at least 1.30 times the aggregate senior debt service due for the year.

Overview of Basic Financial Statements

The Authority only engages in business-type activities. These activities are intended to recover all related costs through user fee charges (tolls) to external customers for services provided. The Authority reports its business-type activities in a single enterprise fund, meaning that its activities are operated and reported like a private-sector business. The Authority's basic financial statements include comparative statements of net position; statements of revenues, expenses, and changes in net position; and the statements of cash flows. Also included are the notes to the basic financial statements that provide more detailed information. These basic financial statements are prepared in accordance with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board (GASB).

The Authority's net position comprises the following components:

- *Net investment in capital assets* – Consists of the Authority's investment in capital assets (e.g., land, buildings, equipment, and infrastructure), net of accumulated depreciation, and deferred outflows of resources, reduced by the outstanding balances of bonds that are attributable to the acquisition, construction, or improvement of those assets. The Authority uses these capital assets to provide services to the public; consequently, these assets are not available for future spending.
- *Restricted for debt service* – Represents resources that are subject to external restrictions on how they may be used and consists of restricted assets reduced by restricted liabilities whereby these restricted liabilities will generally be liquidated with the restricted assets reported. If liabilities and deferred inflows of resources that relate to specific restricted assets exceed those assets, no restricted component of net position is reported under GASB, and the net negative amount reduces unrestricted net position.
- *Unrestricted* – Represents resources that may be used to meet the Authority's ongoing obligations to the public and creditors and are not included in the determination of net investment in capital assets or restricted for debt service components of net position. If liabilities and deferred inflows of resources that relate to specific restricted assets exceed those assets, no restricted component of net position is reported under GASB, and the net negative amount reduces unrestricted net position.

Financial Results and Analysis

Summary of Net Position

	2021	2020	2019
Current assets:			
Current unrestricted assets	$ 236,861,113	219,194,320	325,447,095
Current restricted assets	58,877,020	52,905,615	68,701,055
Total current assets	295,738,133	272,099,935	394,148,150
Noncurrent assets:			
Capital assets, net of accumulated depreciation	580,916,489	607,430,765	587,788,716
Other noncurrent assets	326,004,908	280,761,400	246,820,262
Total noncurrent assets	906,921,397	888,192,165	834,608,978
Total assets	1,202,659,530	1,160,292,100	1,228,757,128
Deferred outflows of resources	46,755,475	54,099,716	60,577,101
Total assets and deferred outflows of resources	1,249,415,005	1,214,391,816	1,289,334,229
Current liabilities:			
Current liabilities payable from unrestricted assets	49,363,926	50,369,122	53,290,607
Current liabilities payable from restricted assets	87,501,299	87,540,596	103,883,264
Total current liabilities	136,865,225	137,909,718	157,173,871
Noncurrent liabilities	1,291,871,402	1,332,937,957	1,387,732,751
Total liabilities	1,428,736,627	1,470,847,675	1,544,906,622
Deferred inflows of resources	2,212,968	3,017,684	—
Total net position	(181,534,590)	(259,473,543)	(255,572,393)
Total liabilities and deferred inflows of resources and net position	$ 1,249,415,005	1,214,391,816	1,289,334,229

(C o n t i n u e d)

The largest portion of the Authority's assets is noncurrent. Approximately 48% and 52% of the total assets are capital assets (e.g., infrastructure, buildings, equipment, and other), net of accumulated depreciation as of December 31, 2021 and 2020, respectively. The Authority uses these capital assets to provide services, and consequently, these assets are not available to liquidate liabilities or for other future spending. The original acquisition of capital assets was primarily financed from revenue bond proceeds, with capital assets over the past several years being financed with unrestricted funds. Approximately $550.7 million, or 46%, and $490.6 million, or 42%, of the total assets are cash equivalents and investments as of December 31, 2021 and 2020, respectively. Of these amounts, approximately $364.5 million and $301.3 million are within the General Surplus accounts as of December 31, 2021 and 2020, respectively, which have specific unrestricted purposes, such as fully funding the Authority's future capital budget and bond defeasances. Noncurrent bonds payable was approximately 96% and 95% of total noncurrent liabilities in 2021 and 2020, respectively. Total current liabilities were $136.9 million and $137.9 million at the end of 2021 and 2020, respectively. Of the total current liabilities, $87.5 million (64%) and $87.5 million (63%) for 2021 and 2020, respectively, were current bonds payable and related accrued interest payable. These liabilities are to be paid from current assets and the subsequent year's operating and nonoperating revenue as allowed under the Bond Resolutions.

Capital Assets

Total capital assets (gross), including construction in progress, increased from $1,298 million in 2020 to $1,313 million in 2021. Accumulated depreciation reduced the year-end capital asset balances to $580.9 million in 2021 and $607.4 million in 2020. During 2021, the Authority expended approximately $18.2 million on capital projects and successfully completed capital projects totaling $14.1 million, which were closed from construction in progress to their respective capital asset accounts. The major projects completed include wrap up work on the major widening project from two lanes to three lanes in each direction between Quincy Avenue and I-70 that was substantially completed in 2020, facility and security improvements at the Authority's headquarters building, a buyout purchase of solar panels at various Authority facilities and ramp locations, and various enhancements to the Authority's toll collection system and technical environment. During 2020, the Authority expended approximately $69.1 million on capital projects and successfully completed capital projects totaling $83.7 million, which were closed from construction in progress to their respective capital asset accounts. The major projects completed include the major widening project from two lanes to three lanes in each direction between Quincy Avenue and I-70, the expansion of storage facilities at Maintenance Support Site A for additional snow removal material and plow storage, and various enhancements to the Authority's toll collection system and technical environment. During 2019, the Authority expended approximately $43.2 million on capital projects and successfully completed capital projects totaling $16.4 million, which were closed from construction in progress to their respective capital asset accounts. The major projects completed include a three-mile section of the widening project comprising one southbound lane from Jewell Avenue to Quincy Avenue, the purchase of temporary concrete barriers for use in the current and future widening projects, replacement of rooftop heating, ventilation, and air conditioning (HVAC) units at the Authority's headquarters building, and various enhancements to the Authority's toll collection system and technical environment.

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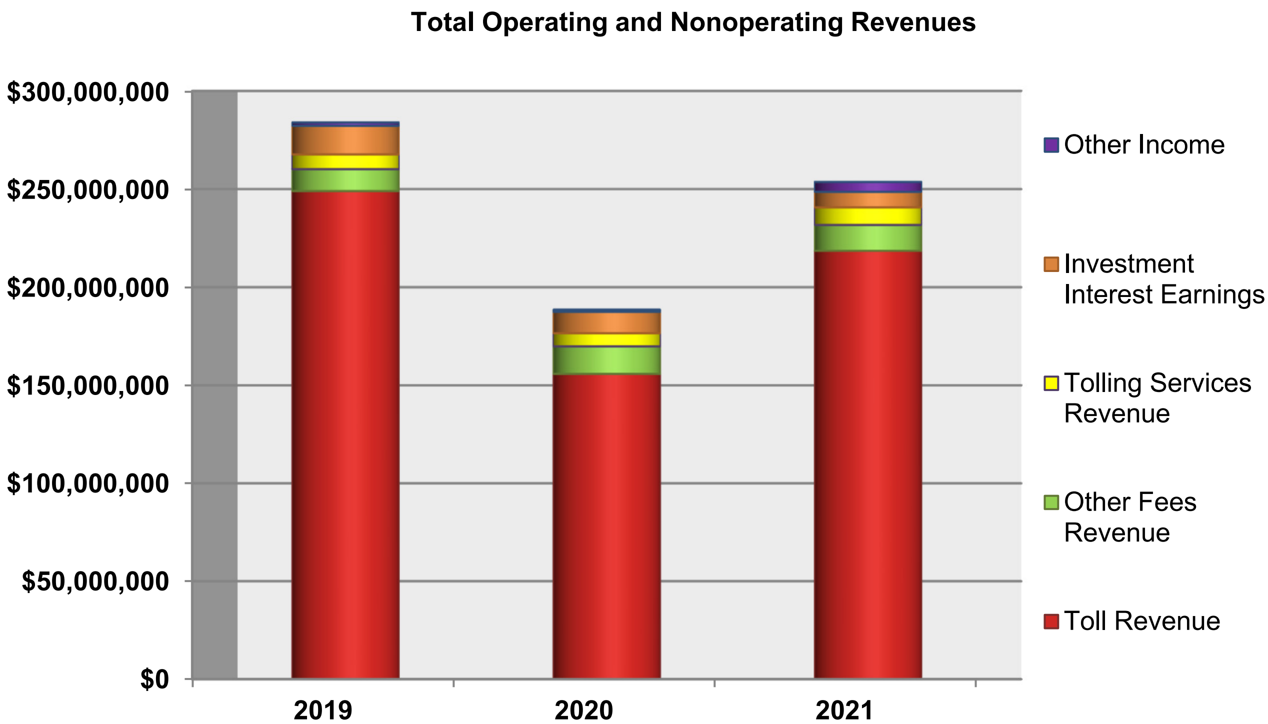
Summary of Revenue, Expenses, and Changes in Net Position

		2021	2020	2019
Operating revenues	$	240,699,262	176,555,679	267,666,532
Operating expenses before depreciation		(56,470,740)	(54,790,481)	(57,361,364)
Depreciation		(41,928,584)	(42,018,206)	(42,057,059)
Operating income		142,299,938	79,746,992	168,248,109
Nonoperating revenues (expenses):				
Interest expenses		(79,350,123)	(88,903,625)	(92,648,504)
Investment revenues, net		10,360,332	1,756,426	5,107,228
Intergovernmental revenue		238,965	2,915,064	1,109,107
Other income		5,009,389	1,128,745	1,664,579
Total nonoperating expenses		(63,741,437)	(83,103,390)	(84,767,590)
Loss before intergovernmental expense		78,558,501	(3,356,398)	83,480,519
Intergovernmental expense		(619,548)	(544,752)	—
Change in net position		77,938,953	(3,901,150)	83,480,519
Net position, beginning of year		(259,473,543)	(255,572,393)	(339,052,912)
Net position, end of year	$	(181,534,590)	(259,473,543)	(255,572,393)

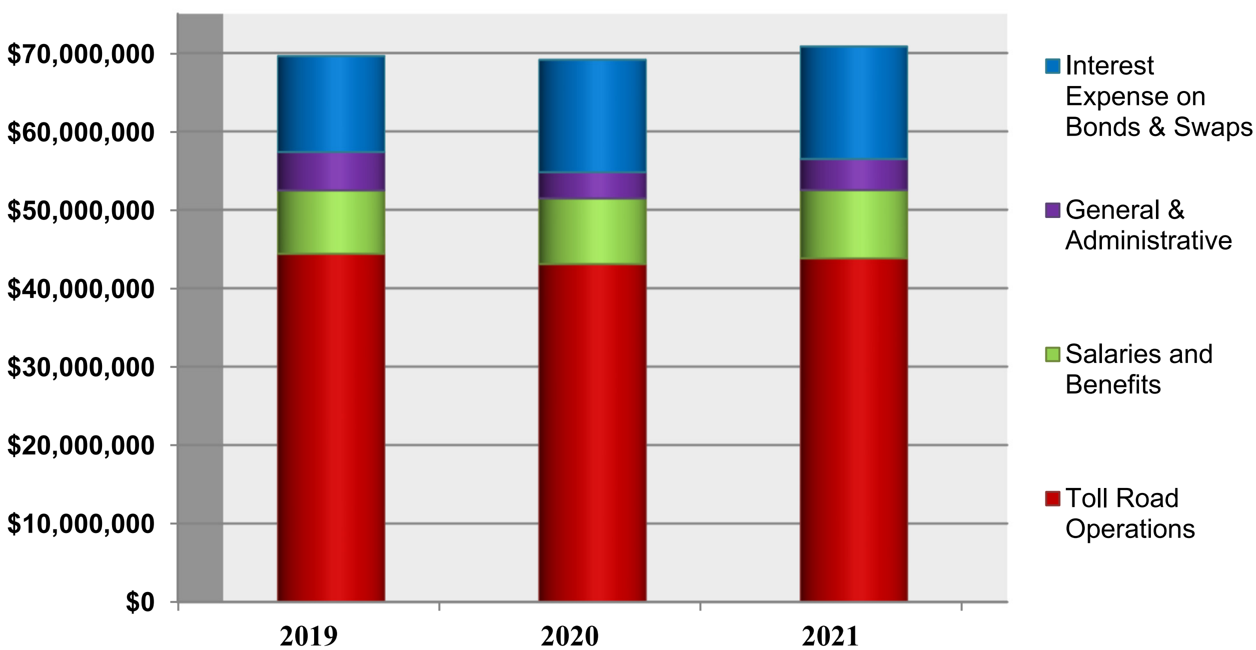
Operating revenues (which include tolls, other toll-related fees, and tolling services revenues) in 2021 and 2020 were $240.7 million and $176.6 million, respectively, an increase of 36% over 2020. Operating expenses before depreciation increased by $1.7 million to $56.5 million in 2021. Depreciation expense decreased by $0.1 million to $41.9 million in 2021. Overall, operating income increased by $62.6 million from 2020 to $142.3 million, primarily due to the recovery from impacts of the pandemic and the resulting government lockdowns, mandates and restrictions imposed on the state, regional businesses, and travelling public that were prevalent in 2020 and eased in 2021. Total net nonoperating expenses decreased by $19.4 million to $63.7 million in 2021, which was attributed to changes in interest rates and the corresponding effect on the change in fair value of derivative instruments and investments of $11.6 million, a decrease in interest expenses of $9.6 million, and an increase in intergovernmental and other revenue of $1.2 million, offset by a decrease in interest earned on investments of $3.0 million. The overall increase in net position was $77.9 million in 2021, which is $81.8 million more than the decrease in net position of $3.9 million in 2020.

Operating revenues in 2020 and 2019 were $176.6 million and $267.7 million, respectively, a decrease of 34% over 2019. Operating expenses before depreciation decreased by $2.6 million to $54.8 million in 2020. Depreciation expense decreased by $0.1 million to $42.0 million in 2020. Overall, operating income decreased by $88.5 million from 2019 to $79.7 million due to the impacts of the pandemic and the government lockdowns, mandates and restrictions imposed on the state, regional businesses, and travelling public. Total net nonoperating expenses decreased by $1.7 million to $83.1 million in 2020, which was attributed to changes in interest rates and the corresponding effect on the change in fair value of derivative instruments and investments of $0.4 million, a decrease in interest expenses of $3.7 million, and an increase in intergovernmental and other revenue of $1.3 million, offset by a decrease in interest earned on investments of $3.7 million. The overall decrease in net position was $3.9 million in 2020, which is $87.4 million less than the increase in net position of $83.5 million in 2019.



Operating and nonoperating revenues included in the chart above for 2021, 2020, and 2019 were $253.6 million, $188.6 million, and $283.9 million, respectively.

Total Operating and Interest on Bonds & Swaps Expenses



Total operating expenses, before depreciation and including nonoperating interest expense on bonds and interest rate swaps for 2021 and 2020, were $70.8 million and $69.1 million, respectively. Toll road operations expenses increased by $0.7 million to $43.8 million in 2021 versus $43.1 million in 2020. The increase is primarily due to higher toll collection costs from the 31% increase in E-470 toll transaction volume in 2021, coupled with a 56% increase in tolled transactions incurred on other Colorado toll facilities. Costs incurred for other toll facilities are recovered and recorded as tolling services revenue. These increased costs include call center and image processing labor, registered vehicle owner information retrieval, credit card fees, and printing and postage on bills and notices, offset by a decrease in IT-related projects expensed during the year. Nonoperating interest expenses on bonds and swaps remained flat at $14.4 million in 2021 as compared to 2020 due to the June 2020 bond transaction and resulting savings on the refunded Series 2010C bonds interest, the final maturity of the Series 2015A bonds in September 2020, and the June 2021 bond transaction and resulting savings on the Series 2021B bonds interest. These decreases in interest expense were offset by an increase in interest expense on the 2020A bonds due to the first scheduled interest payment, covering June 2020 through February 2021, occurring in March 2021, which was planned to allow additional flexibility during the pandemic in 2020.

Total operating expenses, before depreciation and including nonoperating interest expense on bonds and interest rate swaps for 2020 and 2019, were $69.1 million and $69.6 million, respectively. Toll road operations expenses decreased by $1.3 million to $43.1 million in 2020 versus $44.4 million in 2019. The decrease is primarily due to lower toll collection costs from the 36% decrease in E-470 toll transaction volume in 2020, coupled with a 42% decrease in tolled transactions incurred on other Colorado toll facilities. Costs incurred for other toll facilities are recovered and recorded as tolling services revenue. These decreased costs include call center and image processing labor, registered vehicle owner information retrieval, credit card fees, printing and postage on bills and notices, offset by an increase in advanced account advisors labor and IT-related projects expensed during the year. Nonoperating interest expenses on bonds and swaps increased from $12.2 million in 2019 to $14.4 million in 2020 due primarily to the June 2020 bond transaction and related interest on the new 2020A current interest bonds, net of the decrease in interest on the refunded 2010C current interest bonds. This difference reflects the refunded 2004B capital appreciation bonds which, prior to being refunded with the Series 2020A bonds, had annual expense reflected in the *Accretion on capital appreciation bonds* line, whereas the new expense on 2020A current interest bonds is accrued and reflected in the *Interest on bonds and interest rate swaps* line. Accretion expense decreased by $3.7 million from 2019 due to this bond expense change.

Debt Administration and Debt Service

In 2021, principal and interest paid on Senior Bond debt from restricted debt service totaling $98.6 million consisted of $44.8 million in Series 1997 bonds, $37.7 million in Series 2000 bonds, $0.4 million in Series 2017 bonds, $0.2 million in Series 2019 bonds, $10.1 million in Series 2020 bonds, $0.2 million on Series 2021 bonds, and $5.2 million on the two interest rate swaps settlement differential.

In 2020, the Authority paid principal and interest paid on Senior Bond debt totaling $111.0 million. Of this amount, payments of principal and interest from restricted debt service totaling $74.8 million consisted of $44.8 million in Series 1997 bonds, $2.2 million in Series 2010 bonds, $21.5 million in Series 2015 bonds, $1.0 million in Series 2017 bonds, $0.6 million in Series 2019 bonds, and $4.7 million on the two interest rate swaps settlement differential. In response to the significant decrease in transactions and toll revenues as a result of the COVID-19 pandemic and local, state and federal lockdowns and restrictions during 2020, the Authority specifically paid the $36.2 million due in 2020 on the Series 2000 bonds from the unrestricted Senior Bonds Defeasance Fund of the General Surplus account.

In 2019, principal and interest paid on Senior Bond debt from restricted debt service totaling $108.8 million consisted of $44.8 million in Series 1997 bonds, $33.1 million in Series 2000 bonds, $4.3 million in Series 2010 bonds, $20.2 million in Series 2015 bonds, $2.2 million in Series 2017 bonds, $1.0 million in Series 2019 bonds, and $3.2 million on the two interest rate swaps settlement differential.

Bonds payable includes current interest bonds (CIB), capital appreciation bonds (CAB), LIBOR index bonds, and SOFR index bonds consisting of both new issue and refunded bonds of the Authority.

E-470 Revenue Bonds Outstanding Principal

	2021	2020
Series 1997 B Capital Appreciation	$ 194,307,376	227,217,286
Series 2000 B Capital Appreciation	433,135,770	443,229,952
Series 2004 A Capital Appreciation	189,474,268	179,643,115
Series 2006 B Capital Appreciation	122,393,345	116,413,438
Series 2010 A Capital Appreciation	47,730,154	44,505,818
Series 2017 B LIBOR Notes	—	66,075,000
Series 2019 A LIBOR Notes	—	72,565,000
Series 2020 A Current Interest	167,370,000	167,370,000
Series 2021B SOFR Notes	138,640,000	—
Premiums	33,186,084	36,202,534
Total	$ 1,326,236,997	1,353,222,143

The Authority actively manages its debt based on the current debt profile and market opportunities as they relate to the overall operating condition of the Authority. Below is a summary of the significant debt management activities in 2021 and 2020:

- On June 3, 2021, The Authority successfully refunded the Series 2017B LIBOR Index Term Rate bonds and the Series 2019A LIBOR Index Term Rate bonds totaling approximately $138.6 million at par, with no change to the principal amounts or maturities. The Series 2017B bonds were subject to optional early redemption on or after March 1, 2021, with a mandatory tender and remarketing date of September 1, 2021, and the Series 2019A bonds were subject to optional early redemption on or after September 1, 2020, with a mandatory tender and remarketing date of September 1, 2021. The Authority exercised an early redemption option on both series to take advantage of low interest rates and debt service savings. The Series 2017B bonds of $66.1 million paid interest each month based on 67% of the previous period's final calculated LIBOR market pricing plus 105 basis points (1.05%), and the Series 2019A bonds of $72.5 million paid interest each month based on 67% of the previous period's final calculated LIBOR market pricing plus 42 basis points (0.42%). These series were refunded with the new Series 2021B SOFR Index bonds (at 67% of SOFR) plus 35 basis points (0.35%) over a three-and-a-quarter-year term (term date of September 1, 2024). The Authority used funds from the General Surplus account (Senior Bond Defeasance Fund) to pay all related underwriting fees and other issuance costs totaling approximately $1.2 million. The refunding resulted in a net present value economic gain of $2.3 million. The refunding reduced debt service amounts due in the years 2021 to and including 2039 by a present value of $3.6 million.

- In June 2020, the Authority successfully closed on the planned debt restructuring bond transaction, which included a cash contribution to partially pay off callable debt and refund the remaining portion to take advantage of very low interest rates and meet a long-standing debt management goal of lowering and leveling the future debt service profile. The Authority had approximately $252 million of debt callable on September 1, 2020 which included the Series 2004B and 2010C Bonds with coupon rates ranging between 5.25%–5.72%. The Authority, as part of its debt management plan, contributed approximately $50 million in cash from the unrestricted Senior Bonds Defeasance Fund of the General Surplus account to cash defease a portion of the callable debt and refunded the remaining portion at a par amount of $167.4 million along with a $39.0 million bond premium (not including the cost of issuance expense of $2.3 million). The bond sale was met with an extremely positive response from municipal bond investors, as the Authority was able to generate more than $4.5 billion in orders from more than 75 investor accounts. The overwhelming investor interest led to the sale being 26 times over-subscribed. This excess demand allowed the Authority to achieve improved savings and borrowing rates and was comparable to higher-rated credits recently in the market. The Authority was able to lock in an All-In True Interest Cost of 2.9% on the transaction, which is substantially lower than the previous rates. The Series 2020A Bonds have new annual principal amounts due between September 1, 2023 and September 1, 2040 ranging between $1.5 million and $50 million. The Authority also included future flexibility in the restructuring with additional call opportunities in 2024 totaling $50 million and in 2030 totaling $48.4 million. The refunding resulted in a net present value economic gain of $79.5 million. The refunding, including the cash contribution of $50 million, reduced debt service amounts due from 2020 to 2040 by a present value of $129.5 million.
- The provisions of GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, are applicable to the Authority due to the two remaining 2007 pay-fixed interest rate swaps. The notional amounts on the two swaps in total correspond with specific maturities of the Series 2021 bonds. The swaps were determined to be investment derivatives as of December 31, 2021 and 2020 with a net liability fair value of $49.2 million and $60.5 million, respectively, and derivative instruments investment gain of $11.3 million in 2021 and loss of $10.3 million in 2020. The Authority values the interest rate swap derivatives at fair value in accordance with GASB Statement No. 72, *Fair Value Measurement and Application.*

As of December 31, 2021, the Authority maintains underlying senior bonds ratings from Moody's and Standard and Poor's. Standard and Poor's and Moody's both reaffirmed the Authority's underlying bond rating (i.e. no change from 2020) in conjunction with the 2021 bond transaction based on the financial strength, liquidity, proactive management and debt restructuring plans to reduce and level future debt service. These reaffirmations were in light of the financial downturn and COVID-19 pandemic that has significantly impacted the Authority's traffic and revenue levels when compared to previous periods. In April 2021, Standard and Poor's raised the Authority's outlook from negative (placed on all U.S. transportation infrastructure issuers in March 2020) to stable, recognizing continued recovery of the U.S. toll road sector from negative pandemic impacts. Moody's, as part of the formal bond transaction rating, reaffirmed the stable outlook of the Authority. The Authority did not request a Fitch rating in conjunction with the 2020 or 2021 bond transaction. The Authority is not required to carry the Fitch rating and does not intend to request a Fitch rating on future bond transactions. No further rating actions have occurred since the bond transaction in June of 2021.

Ratings and outlook as of December 31, 2021:

	Rating	Outlook
Rating agency:		
Moody's	A2	Stable
Standard and Poor's	A	Stable

Notes Payable

The Authority entered into an intergovernmental agreement with Douglas County in 2003 to receive contributed funds for costs of the Jamaica Road interchange ramp construction. Based on this agreement, the remaining contributed funds as of 2008 of $2.4 million were to be repaid in 10 equal payments (noninterest-bearing) beginning in 2011. The annual payment of $0.24 million was made from unrestricted funds, and the final scheduled payment occurred in January 2020.

	2021	2020	2019
Local member jurisdiction (Douglas County)	$ —	—	240,769

Economic Factors

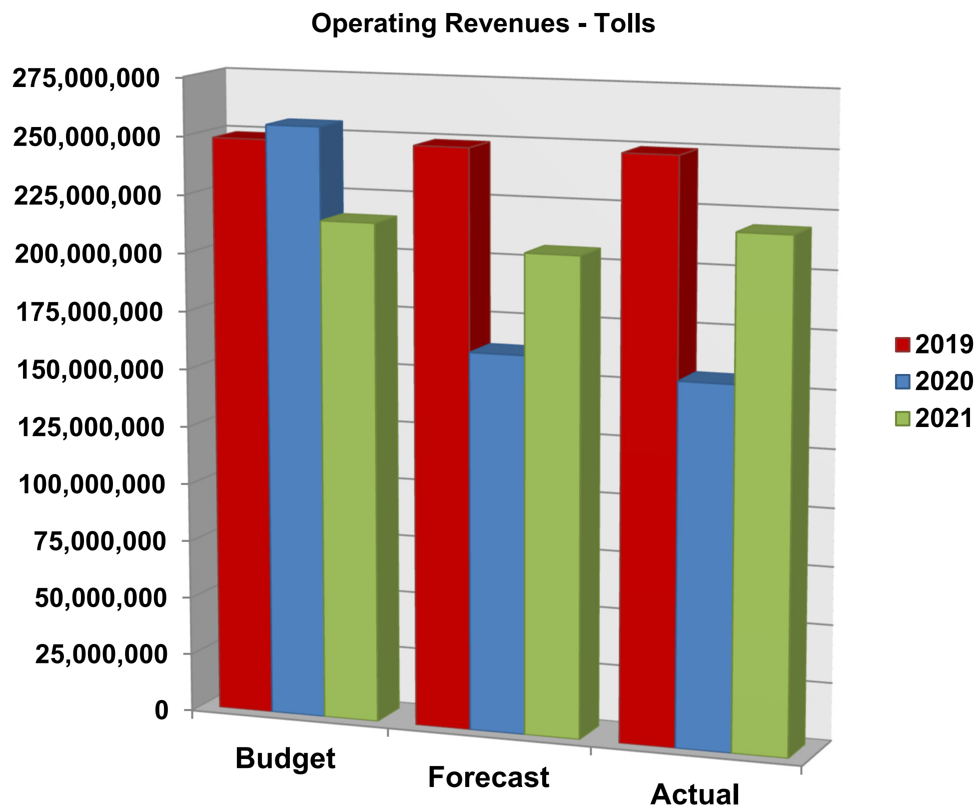
Estimates by the Authority's traffic and revenue consultant are shown against actual toll revenue, net of uncollectible amounts for the fiscal years ended 2021, 2020, and 2019. The Authority has engaged a traffic and revenue consultant to conduct investment-grade traffic and revenue studies and updated reviews over the years based on current economic conditions of surrounding areas and bond refunding transactions. The Authority completed a full investment-grade traffic and revenue study in May 2020, in conjunction with the 2020 bond transaction, to update the Authority's forecasts in light of the COVID-19 pandemic and economic downturn, consider new travel characteristics, and update baseline estimates from previous studies. Additionally, the Authority completed a bring down letter in April 2021 in conjunction with the 2021 bond deal. The 2021 forecast figures below are from the April 2021 bring down letter, while the 2020 forecast figures are from the May 2020 report, and the 2019 forecast figures are from a bring down letter dated December 2018. The toll forecasts may differ from the Authority's budget, only includes the toll revenue, net of estimated bad debts, and excludes the Authority's other toll-related fees that are included in operating revenues during the reporting period.

Transactions (Annual Total)

Year	ExpressToll	LPT	Total traffic	Forecast	Variance	Percentage variance
2021	53,879,170	22,310,637	76,189,807	77,013,000	(823,193)	(1%)
2020	42,010,116	16,060,073	58,070,189	59,905,000	(1,834,811)	(3%)
2019	65,832,535	24,447,035	90,279,570	92,311,000	(2,031,430)	(2%)

Toll Revenues, Net (Annual Total)

Year	ExpressToll	LPT	Total toll revenue	Forecast	Variance	Percentage variance
2021	$ 152,095,581	66,448,284	218,543,865	205,778,000	12,765,865	6%
2020	116,915,752	38,882,099	155,797,851	162,727,000	(6,929,149)	(4%)
2019	182,952,082	66,061,014	249,013,096	248,626,000	387,096	0%



Budget Results

The Authority is required under state law and board resolutions to prepare an annual budget of operating and capital outlays as well as debt service due in the upcoming year. The annual budget is approved by the Authority's board of directors before the budget (calendar) year begins. Appropriations generally do not carry over to future periods, and overall net outlay overages, or budget amendments, require additional approval by the board. The original approved budget by the board is generally considered the final budget. The budget is recorded on the Authority's budget basis and conforms to the Bond Resolutions Revenue Covenant calculation. Refer to the Other Information – Revenue Covenant section for reconciliation to the basic financial statements

(Continued)

for operating balances and senior debt service due. Further, toll revenue amounts budgeted by management may differ from the traffic and revenue consultant's forecasts.

The following is a summary of the Authority's 2021 operating budget (which was prepared and approved by the board in December 2020) compared to the actual results, as well as the capital budget compared to the actual results as of and for the year ended December 31, 2021:

	2021 Budget	2021 Results	Variance	Percentage variance
Total revenue	$ 243,503,000	253,733,550	10,230,550	4 %
Total operating expenditures	(55,660,700)	(53,075,181)	2,585,519	(5)
Net revenue	187,842,300	200,658,369	12,816,069	7
Less VRF bonds debt service due	—	—	—	—
Senior debt service due	99,014,000	98,601,671	(412,329)	—
Debt service coverage ratio	1.90	2.04	0.14	7 %
Capital and renewal and replacement costs	$ 38,625,200	20,004,208	(18,620,992)	(48)%

During 2021, the original budget was the final approved budget and total budgeted operating revenues ended $10.2 million, or 4%, over budget. This is primarily due to net toll revenues ending over budget by $3.3 million from the higher than budgeted traffic during the year, as well as toll fees ending over the conservative budget by $3.4 million as older unpaid transactions aged through the billing process and were collected. Total operating expenses ended $2.6 million, or 5%, under budget, which is mainly attributable to lower than budgeted costs such as call center and image review labor, credit card fees, law enforcement, as well as discretionary maintenance and general and administrative costs. These final budget results led to a debt service coverage ratio of 2.04, which is higher than the original budgeted ratio of 1.90 for 2021.

Capital and renewal and replacement costs, which are excluded from the debt service coverage ratio as specified in the Bond Resolutions and fully paid from unrestricted funds, were $18.6 million, or 48% under budget. This variance is primarily due to the unanticipated schedule delays in the next generation lane equipment implementation project, where costs were shifted from 2021 to future years. In addition, there were other capital projects and interchange improvements that were not incurred in 2021 due to contract timeline changes and other shifts from the pandemic.

(Continued)

The following is a summary of the Authority's 2020 operating budget compared to the actual results, as well as the capital budget compared to the actual results as of and for the year ended December 31, 2020:

		2020 Budget	2020 Results	Variance	Percentage variance
Total revenue	$	284,920,000	189,030,648	(95,889,352)	(34)%
Total operating expenditures		(62,706,700)	(50,579,618)	12,127,082	(19)
Net revenue		222,213,300	138,451,030	(83,762,270)	(38)
Less VRF bonds debt service due				—	—
Senior debt service due, net		113,211,000	74,811,507	(38,399,493)	(34)
Debt service coverage ratio		1.96	1.85	(0.11)	(6)%
Capital and renewal and replacement costs	$	94,541,100	71,402,216	(23,138,884)	(24)%

During 2020, the original budget was the final approved budget and total budgeted operating revenues ended $95.9 million, or 34%, under budget. This is primarily due to net toll revenues ending under budget by $99.2 million from the lower than budgeted traffic during the year as a result of COVID-19 impacts, as well as toll fees ending over budget by $3.6 million as older unpaid transactions from the high traffic levels in 2019 aged through the billing process and were collected. Total operating expenses ended $12.1 million, or 19%, under budget, which is mainly attributable to lower than budgeted toll collection costs as a result of reduced traffic from COVID-19 impacts, such as call center and advanced account advisors labor, registered vehicle owner information retrieval, credit card fees, printing and postage on bills and notices, as well as discretionary general and administrative costs. These final budget results led to a debt service coverage ratio of 1.85 when factoring in the $36.2 million of debt service paid from unrestricted funds and excluded from the ratio calculation, which is lower than the original budgeted ratio of 1.96 for 2020.

Capital and renewal and replacement costs, which are excluded from the debt service coverage ratio as specified in the Bond Resolutions and fully paid from unrestricted funds, were $23.1 million, or 24%, under budget. This variance is primarily due to the postponement of discretionary capital projects in 2020 in order to preserve cash flows necessitated by the lower than budgeted traffic during the year as a result of COVID-19 impacts. The postponed projects were not yet started and did not create deferred maintenance for the Authority as a result of the delay. The large widening project from Quincy Avenue to I-70 was not delayed and was substantially completed in 2020 on schedule.

Reserves Management

Pursuant to the Bond Resolutions, the Authority is required to maintain reserve accounts, including the Senior Bonds Debt Service Reserve Fund and an Operating Reserve Fund. In addition, a General Surplus account is maintained in accordance with the Bond Resolutions. The General Surplus account is unrestricted and is currently divided into three subaccount funds for administrative purposes: the Senior Bonds Defeasance Fund, the Capital Improvements Fund, and the Rainy Day Fund. At December 31, 2021 and 2020, all required and restricted reserves were fully funded as specified by the Bond Resolutions.

Tolling Services Agreements

The Authority entered into a tolling services agreement with CTIO for tolled facilities on I-25 North, C-470, and I-70 Mountain Express Lanes, a tolling services agreement with CTIO and its concessionaire, Plenary, for tolled facilities on US-36 and I-25 Central, as well as a tolling services agreement with NWP to provide certain electronic toll collection back office services. Back office services occur after toll commencement on each toll facility and include major items, such as maintenance of the toll system and website, toll billing and collections, license plate image review, and provision of the customer service center. These agreements provide economies of scale for toll collection costs and seamless interoperability for customers on Colorado toll facilities, allowing them to maintain and manage one toll account. As part of the agreements, the Authority collects electronic tolls for the other tolling facilities and transfers the funds daily to NWP (ExpressToll only) and to CTIO/Plenary (ExpressToll and LPT) for transactions that occurred and were collected on their toll facilities. The tolls collected and remitted on behalf of other entities are only included in the Authority's statements of cash flows. Costs incurred are recovered by tolling services revenues charged to NWP, CTIO, and Plenary for their share of toll collection costs that are included in operating expenses on the statements of revenues, expenses, and changes in net position. All roadways saw continued recovery from COVID-19 pandemic impacts during the year with an overall increase of 56% in total transactions processed by the Authority from 2020 to 2021. These tolling services revenues totaled $9.0 million and $6.7 million in 2021 and 2020, respectively.

Business Risks

Current events concerning the novel coronavirus disease (COVID-19) and following pandemic has adversely impacted the Authority's 2020 and 2021 operations and financial condition. The COVID-19 pandemic has altered the behavior of businesses and people in a manner that caused broad negative effects on global and local economies and added other challenges like government fiscal policy and spending, supply-chain issues, fuel prices, and inflation. These adverse impacts were evident in 2020 and 2021 and may continue into 2022 and beyond within the United States, the State of Colorado, and the Authority's service area.

Highway tolls are the predominant source of revenue available to the Authority to pay debt service on its outstanding bonds. The ultimate use of the E-470 toll road by motorists and the level of toll revenues to be generated through such use are influenced by numerous factors. The COVID-19 pandemic has had, and may continue to have, an adverse impact on travel. This has resulted in decreased traffic volume generally on all Colorado roads, although volume has improved during the last nine months of 2021. The level of toll revenues has been negatively impacted by such decreased traffic levels when compared to pre-pandemic levels (fiscal year 2019), and the duration of the on-going impact is difficult to predict at this time.

The Authority has been closely monitoring traffic volume on the E-470 toll road as a result of the pandemic and saw 2020 transaction volumes 36% below 2019 and 2021 transaction levels 16% below 2019, but 31% above 2020. The Authority has revised its toll revenue projections several times during this pandemic period (spring 2020, spring 2021, and then again with the future toll rate policy for 2022 to 2024 rates in December 2021) to ensure the future financial condition, key metrics, fund balances, and capital planning remained consistent with the financial goals of the Authority. The Authority finished 2021 at 99% of the revised toll revenue projections completed in the spring of 2021.

While traffic volume has been negatively impacted since March 2020 and throughout 2021 as compared to pre-pandemic levels, the Authority currently has unrestricted funds within the General Surplus Account which could be available to pay debt service when due, if needed. Additionally, in response to and as a result of such decreased traffic volume, the Authority's operating expenses and budgeted capital spending were revised in 2021 to proactively manage key metrics and fund balances for future planning and recovery. The Authority believes, although there is no certainty, that such unrestricted funds together with future net toll revenues will be sufficient to pay debt service when due. However, the extent to which the continued COVID-19 pandemic impacts and other challenges noted (government fiscal policy and spending, supply-chain issues, fuel prices, and inflation), the Authority's operations and its financial condition will depend on future developments, which remain uncertain and cannot be fully determined at this time.

Future Management Plans

Regarding capital projects, the Authority will begin construction in 2022 on the next segment for road widening from two lanes to three lanes in each direction between I-70 and 104th Avenue in Aurora and Adams County. This project is scheduled to begin construction in the summer of 2022 and span three to four years with completion towards the end of 2024 or early 2025. The Authority has budgeted a total of $238.5 million for the multiyear construction project in 2022 through 2025, including $65.8 million budgeted in 2022. This significant project is planned to include interchange improvements to 64th Avenue and Pena Boulevard, and new interchanges at 38th Avenue and 48th Avenue. Also planned for inclusion is a reconfiguration of the tolling points at toll plazas C and D, a multi-use trail extension, and pavement overlay from 104th Avenue to 120th Avenue. The entire budgeted and estimated project cost is scheduled to be funded from the Authority's Capital Improvements Fund of the General Surplus account. Other major capital projects in 2022 include approximately $2.9 million for capital outlays related to the finalized and executed lease agreement with Applegreen to repurpose and redevelop four vacant mainline toll plaza buildings as customer convenience service stations; approximately $17.1 million for the next generation lane equipment and software integration project along E-470 (which will continue into 2023); $7.6 million to continue preliminary design work on a multiyear project to modernize the Authority's toll collection system back office software; adding traffic signals and interchange improvements at Gartrell Road ($1.2 million) and Jewell Avenue ($1.5 million); planning for the future addition of the Sable Boulevard interchange with $1.1 million in design costs; and approximately $14.4 million to relocate the Central Maintenance Facility (CMF) due to the Aurora Highlands development and sale of land in 2020, which included the current CMF and toll plaza C buildings. The large capital program in 2022 of $128.2 million is scheduled to be fully funded from the Authority's Capital Improvements Fund of the General Surplus account, along with the remaining projects and costs within the Authority's five-year capital plan. The impact of these capital projects on the Authority's overall operations or financial condition, if any, is not known at this time.

Regarding 2022 toll rates, in November 2021, the Authority's board of directors approved and adopted Resolution 21-02, "Regarding the Adoption of a Toll Rate Schedule," to adjust and restructure the toll rates for 2022 through 2024 for all ExpressToll and LPT customers. The board approved an annual toll rate reduction to the mainline gantry tolling locations effective January 1, 2022, where gantry A was reduced by $0.10 for both ExpressToll and LPT rates, and all other mainline gantries (B, C, D and E) were reduced by $0.05 from the 2021 toll rates. These same reductions are planned for 2023 and 2024, pending annual review and reaffirmation of the policy and rate schedule by the board of directors, considering financial results and condition of the Authority at that time. Ramp locations and toll rates remained unchanged from 2021 levels during the policy period. These reductions provide relief to all customers in an equitable manner during this challenging economic period and allow flexibility in assessing the continued recovery from the pandemic. Additionally, these reductions address the higher average toll rate per mile at toll gantry A, on the southern end of the tollway, versus other mainline locations and are still expected to meet the Authority's financial goals in the short and long term, with a minimal projected impact to the Authority's annual net toll revenues (1% estimated reduction in 2022). The Authority's board also chose to keep the commercial vehicle (classified as three+ axles) pilot program intact during this policy period, with all multi-axle rates being refactored from the new reduced baseline two-axle ExpressToll rates at each mainline toll gantry. The forecasts based on the 2022 toll rate structure continue to support the Authority's debt management plan, financial goals, and projected capital funding needs in the near future and will be reviewed annually to ensure stability is maintained regarding the Authority's financial condition.

Regarding tolling services, the Authority will continue to provide back office services on other tolled facilities in the State of Colorado for NWP, CTIO, and Plenary. The Authority is working closely with CTIO and its new toll lane vendor to implement and integrate westbound I-70 MEXL lanes for tolling operations by the end of 2022. Other projects are planned by CTIO, and formal agreements and timelines are being discussed and negotiated between CTIO and E-470. The Authority plans to continue services under the tolling services agreements with the various entities to provide a single back office to toll road users in the State of Colorado, with the board approving in February 2022 to extend the agreement with CTIO through June 30, 2028, or a five-year extension from the previous expiration of June 30, 2023.

Regarding debt management, the Authority does not have any scheduled debt call opportunities or planned new-money financings in 2022 or 2023. The Authority's next scheduled refinancing date is June 2024 with the Series 2021B SOFR Floating Rate Notes of $138.6 million and September 2024 with the Series 2020A bonds callable principal of $50.0 million from the 2040 tranche.

Contacting E-470's Financial Management

This financial report is designed to provide overview information to the Authority's bondholders, customers, and other interested parties. Should you have any questions about this report, contact the E-470 Public Highway Authority's Director of Finance at 22470 E. Stephen D. Hogan Parkway, Suite 100, Aurora, Colorado 80018.

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KPMG LLP
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Independent Auditors' Report

To the Board of Directors
E-470 Public Highway Authority:

Opinion

We have audited the financial statements of the E-470 Public Highway Authority (the Authority), as of and for the years ended December 31, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the E-470 Public Highway Authority as of December 31, 2021 and 2020, and the changes in financial position and cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audits of the Financial Statements section of our report. We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with U.S. generally accepted accounting principles, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

(Continued)

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of 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 Information

Management is responsible for the other information included in the annual financial report. The other information comprises the revenue covenant section but does not include the basic financial statements and our auditors' report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audits of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

KPMG LLP

Denver, Colorado
April 15, 2022

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E-470 PUBLIC HIGHWAY AUTHORITY

Statements of Net Position

December 31, 2021 and 2020

Assets		**2021**	**2020**
Current unrestricted assets:			
Cash and cash equivalents	$	83,090,280	120,337,266
Investments		105,666,653	63,766,382
Cash and cash equivalents limited for construction		8,005,936	8,539,570
Accrued interest receivable		2,191,190	2,388,055
Accounts receivable, net of allowance for uncollectibles		33,160,969	23,408,430
Notes receivable		4,512,229	487,541
Prepaid expenses and other current assets		233,856	267,076
Total current unrestricted assets		236,861,113	219,194,320
Current restricted assets:			
Cash and cash equivalents for debt service		32,036,770	38,219,571
Investments for debt service		26,797,349	14,633,284
Accrued interest receivable		42,901	52,760
Total current restricted assets		58,877,020	52,905,615
Total current assets		295,738,133	272,099,935
Noncurrent assets:			
Unrestricted investments		227,294,582	168,066,149
Restricted investments for debt service		89,352,084	97,932,378
Prepaid bond costs and other noncurrent assets		7,019,635	7,912,037
Notes receivable		2,338,607	6,850,836
Capital assets, net of accumulated depreciation		580,916,489	607,430,765
Total noncurrent assets		906,921,397	888,192,165
Total assets		1,202,659,530	1,160,292,100
Deferred outflows of resources:			
Loss on refundings of debt		46,755,475	54,099,716
Total assets and deferred outflows of resources	$	1,249,415,005	1,214,391,816

(Continued)

E-470 PUBLIC HIGHWAY AUTHORITY

Statements of Net Position

December 31, 2021 and 2020

Liabilities		2021	2020
Current liabilities payable from unrestricted assets:			
Accounts payable and accrued expenses	$	8,075,644	11,330,326
Unearned toll revenue		40,853,566	38,421,976
Intergovernmental liability		—	185,791
Derivative instruments – interest rate swaps		434,716	431,029
Total current liabilities payable from unrestricted assets		49,363,926	50,369,122
Current liabilities payable from restricted assets:			
Bonds payable (including accumulated accretion on capital appreciation bonds of $62,741,200 in 2021 and $60,099,839 in 2020)		84,200,000	82,495,000
Accrued interest payable		3,301,299	5,045,596
Total current liabilities payable from restricted assets		87,501,299	87,540,596
Total current liabilities		136,865,225	137,909,718
Noncurrent liabilities:			
Bonds payable (including accumulated accretion on capital appreciation bonds of $604,606,855 in 2021 and $608,821,751 in 2020)		1,242,036,997	1,270,727,143
Other restricted noncurrent liabilities		1,038,270	2,143,934
Derivative instruments – interest rate swaps		48,796,135	60,066,880
Total noncurrent liabilities		1,291,871,402	1,332,937,957
Total liabilities		1,428,736,627	1,470,847,675
Deferred inflows of resources:			
Related to gain on sale of asset		2,212,968	3,017,684
Net position:			
Net investment in capital assets		62,560,079	70,882,052
Unrestricted deficit		(244,094,669)	(330,355,595)
Total net position		(181,534,590)	(259,473,543)
Commitments and contingencies (notes 9, 10, 14, 15, 16, and 17)			
Total liabilities and deferred inflows of resources and net position	$	1,249,415,005	1,214,391,816

See accompanying notes to basic financial statements.

E-470 PUBLIC HIGHWAY AUTHORITY

Statements of Revenues, Expenses, and Changes in Net Position

Years ended December 31, 2021 and 2020

	2021	2020
Operating revenues:		
Tolls	$ 218,543,865	155,797,851
Other fees	13,193,049	14,036,226
Tolling services	8,962,348	6,721,602
Total operating revenues	240,699,262	176,555,679
Operating expenses:		
Toll road operations	43,800,527	43,080,038
Salaries and benefits	8,707,943	8,375,712
General and administrative	3,962,270	3,334,731
Total operating expenses before depreciation	56,470,740	54,790,481
Depreciation	41,928,584	42,018,206
Total operating expenses	98,399,324	96,808,687
Operating income	142,299,938	79,746,992
Nonoperating revenue (expenses):		
Interest expenses:		
Interest on bonds and interest rate swaps	(14,362,375)	(14,353,205)
Accretion on capital appreciation bonds	(58,526,304)	(65,986,742)
Other bond amortization expenses	(6,461,444)	(8,563,678)
Investment revenues (expenses):		
Interest earned on investments	7,908,081	10,873,905
Net change in the fair value of investments	(8,814,807)	1,210,979
Net change in the fair value of derivative instruments	11,267,058	(10,328,458)
Intergovernmental revenue	238,965	2,915,064
Other income	5,009,389	1,128,745
Total nonoperating expenses	(63,741,437)	(83,103,390)
Income before intergovernmental expense	78,558,501	(3,356,398)
Intergovernmental expense	(619,548)	(544,752)
Change in net position	77,938,953	(3,901,150)
Net position, beginning of year	(259,473,543)	(255,572,393)
Net position, end of year	$ (181,534,590)	(259,473,543)

See accompanying notes to basic financial statements.

E-470 PUBLIC HIGHWAY AUTHORITY

Statements of Cash Flows

Years ended December 31, 2021 and 2020

	2021	2020
Cash flows from operating activities:		
Receipts of authority vehicle tolls and toll fees	$ 224,293,649	182,521,621
Receipts from third parties for tolling services	9,407,925	5,548,017
Payments to employees	(8,714,101)	(8,238,661)
Payments to suppliers	(50,998,748)	(47,612,498)
Net cash provided by operating activities	173,988,725	132,218,479
Cash flows from capital and related financing activities:		
Payment of other noncurrent liabilities	(1,291,478)	(68,913)
Payment of notes payable	—	(240,769)
Purchase and construction of capital assets	(16,547,948)	(66,729,176)
Receipts from third parties for capital assets	1,409,835	218,727
Proceeds from sale of capital assets	8,700	2,021,705
Interest paid	(16,106,672)	(11,600,873)
Principal payments on bonds from restricted debt service funds	(82,495,000)	(65,390,000)
Principal payments on bonds from unrestricted general surplus funds	—	(36,200,000)
Proceeds from refunded bond series	138,640,000	206,405,272
Payment of cash from bond proceeds to refund related bond series	(138,640,000)	(202,005,203)
Payment of unrestricted cash to defease related callable bond series	—	(50,000,000)
Interest received on escrow deposit for related bond series	—	83,540
Payment of bond issuance costs for related bond series	(1,241,250)	(1,974,382)
Receipt of other intergovernmental contributions for capital assets	563,135	1,400,000
Net cash used in capital and related financing activities	(115,700,678)	(224,080,072)
Cash flows from noncapital financing activities:		
Receipts of non-Authority third party vehicle tolls and toll fees	51,835,864	35,951,824
Remittance to third parties for non-Authority vehicle tolls and toll fees	(51,717,276)	(36,289,998)
Purchases of equipment and support services for third parties	—	(685,910)
Receipts from third parties for equipment and support services	17,968	745,035
Other receipts and disbursements	3,003,497	1,898,644
Payment of other noncapital intergovernmental obligations	—	(544,752)
Net cash provided by noncapital financing activities	3,140,053	1,074,843
Cash flows from investing activities:		
Proceeds from sales of investments	114,891,918	252,126,330
Purchases of investments	(228,561,924)	(144,616,507)
Interest received	8,049,985	11,025,376
Receipts of scheduled principal and interest on loans	228,500	228,500
Net cash (used in) provided by investing activities	(105,391,521)	118,763,699
Net (decrease) increase in cash and cash equivalents	(43,963,421)	27,976,949
Cash and cash equivalents, beginning of year	167,096,407	139,119,458
Cash and cash equivalents, end of year	$ 123,132,986	167,096,407
Reconciliation of cash and cash equivalentsto the statements of net position:		
Cash and cash equivalents – current – unrestricted	$ 83,090,280	120,337,266
Cash and cash equivalents – current – restricted for debt service	32,036,770	38,219,571
Cash and cash equivalents – current – unrestricted limited for construction	8,005,936	8,539,570
Cash and cash equivalents, end of year	$ 123,132,986	167,096,407

(C o n t i n u e d)

Statements of Cash Flows

Years ended December 31, 2021 and 2020

		2021	2020
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	$	142,299,938	79,746,992
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation		41,928,584	42,018,206
Changes in assets and liabilities:			
Accounts receivable, net (tolls, late fees, and tolling services)		(9,331,337)	8,273,678
Prepaid expenses and other current assets		33,220	(264,481)
Accounts payable and accrued expenses		(3,274,872)	(796,185)
Unearned toll revenue		2,333,192	3,240,269
Net cash provided by operating activities	$	173,988,725	132,218,479
Noncash transactions:			
Interest expense recorded due to bond accretion	$	58,526,304	65,986,742
Interest expense recorded due to amortization of deferred outflows of resources		7,344,241	8,301,315
Interest expense recorded due to amortization of prepaid bond costs and other assets		892,402	1,388,856
Interest expense recorded due to amortization of net bond premiums		3,016,450	3,017,335
Decrease (Increase) in fair value of derivative instruments – interest rate swaps		11,267,058	(10,328,458)
Investment change recorded due to amortization of net investment premiums (discounts)		207,624	(405,529)
Investment loss recorded due to amortization of other restricted noncurrent liabilities		(393,358)	(467,277)
(Decrease) Increase in fair value of investments		(8,814,807)	1,210,979
Net loss on disposal of capital assets		(295,430)	(664,900)
Decrease in other restricted noncurrent liabilities		207,544	207,544
Net loss due to refundings of debt on related bond series transaction		—	(1,823,930)
Noncash sale of capital asset facilities with leaseback provision		—	(2,382,316)
Noncash gain recorded due to amortization of deferred inflows of resources		804,716	—
Intergovernmental liability		185,791	4,915,064
Noncash intergovernmental contribution of assets		(829,510)	—

See accompanying notes to basic financial statements.

(1) Financial Reporting Entity

The E-470 Authority (the First Authority) is a separate legal entity, created in February 1985, by an intergovernmental agreement among Adams County, Arapahoe County, Douglas County, and the City of Aurora. The purpose of the agreement was to plan, design, and construct the E-470 Highway (the Project). The First Authority did not have the power to incur debt; therefore, Arapahoe County (the County) issued bonds to finance the Project.

In January 1988, the E-470 Public Highway Authority (the Authority) was created by the original members of the First Authority pursuant to Colorado Revised Statutes Title 43, Article 4, Part 5. The Town of Parker, City of Thornton, City of Brighton, and City of Commerce City became participants in the Authority in 1989, 1990, 1991, and 1995, respectively. In February 1989, all rights, privileges, obligations, and liabilities of the First Authority were assigned to the Authority. In the event the Authority is ever dissolved, all rights, privileges, obligations, and liabilities will transfer back to the First Authority. As required by accounting principles generally accepted in the United States of America, the accompanying basic financial statements present the Authority and its component unit, an entity for which the Authority is considered to be financially accountable, as discussed below. The blended component unit, although a legally separate entity, is, in substance, part of the Authority's operations, and therefore, data from this component unit is combined with data of the primary government.

The First Authority is a blended component unit of the Authority; however, it currently has no assets, liabilities, or operations.

In an opinion dated May 15, 1995, the Colorado Supreme Court held that the County had relinquished any control it had over the 1986 Bonds and the alignment of the Project in February 1989 when it executed the Delegation and Substitution Agreement and amendments to the Establishing Contract to that effect. Therefore, the Authority is not a component unit of the County.

Intergovernmental Agreements with Arapahoe County, Colorado

Since its creation, the First Authority was not legally empowered to issue debt; therefore, the County authorized issuance of $722,010,000 of Capital Improvement Trust Fund Highway Revenue Bonds Series 1986A-M. The ultimate objective of this issuance was to remit the proceeds to the Authority for the construction of the Project. In the contract establishing the Authority, the County assigned to the Authority all of the County's rights and privileges with respect to the bonds, and the Authority assumed all of the County's obligations with respect to the bonds. The proceeds of the bond issue were invested and held in trust for the benefit of the owners of the bonds (until the releases, as described below). The bonds were generally remarketed every six months.

In February 1989, the Authority released from escrow the Series D bonds in the amount of $63,260,000 to complete construction on the first phase of the toll road (Segment I). In consideration of the obligations assumed by the Authority and to assist the Project, the County granted to the Authority all the County's rights to the excess investment earnings for all bond series. In addition, the Authority agreed to pay all bond administration costs with no financial obligation to the County.

At the August 31, 1995 remarketing of the bonds, the funds remaining were released from escrow to finance the costs associated with the design, acquisition of property, and construction of Segments II and III of the Project. Any bonds that were not remarketed were redeemed on August 31, 1995.

Due to the interrelationship between the County and the Authority in this financing arrangement, all the transactions incurred by the County relating to this financing are included in the accompanying basic financial statements as if they were incurred by the Authority.

Tolling Services Agreements

The Authority provides various services to the Northwest Parkway (NWP); Colorado Transportation Investment Office (CTIO, formerly High Performance Transportation Enterprise or HPTE), a division of Colorado Department of Transportation (CDOT); and CTIO's concessionaire, Plenary Roads Denver, LLC (Plenary), including, but not limited to, integrating and installing toll equipment, toll collection system enhancements and modifications, system testing and go-live support, and back office toll collection services. E-470's tolling back office process allows customers to have a single account to manage and ensures a seamless customer experience regardless of which Colorado tolled facility is used. Toll collection or system costs originally incurred by the Authority for services provided to other entities are charged to the applicable entity (CDOT, CTIO, Plenary, or NWP).

(2) Summary of Significant Accounting Policies

(a) Basis of Accounting

The operations of the Authority are accounted for as an enterprise fund. Enterprise funds are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenue is recorded when earned, and expenses are recorded at the time liabilities are incurred. Enterprise funds are used to account for those operations for which the pricing policies of the entity establish fees and charges designed to recover its costs, including capital costs, such as depreciation and debt service. The basis of accounting also incorporates Governmental Accounting Standards Board (GASB) Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*.

(b) Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America involves the use of management's estimates. These estimates are based upon management's best judgments, after considering past and current events and assumptions about future events. Actual results could differ from those estimates.

(c) Cash and Cash Equivalents

The Authority considers all highly liquid instruments purchased with an original maturity of three months or less to be cash equivalents, which may include authorized money market mutual funds, local government investment pools, commercial paper, or repurchase agreements. Cash and cash equivalents may be restricted by the Trustee under the Master and Supplemental Bond Resolutions (Bond Resolutions) or other externally imposed restrictions. The basic financial statements include statements of cash flows showing cash and cash equivalents provided by and used in operating, noncapital and capital financing, and investing activities.

(d) Investments

The Authority invests its funds in accordance with the Authority's Bond Resolutions and Colorado statutes (CRS 24-75-601). The Authority's authorized investments may consist of U.S. government agency securities, U.S. Treasury securities, commercial paper, municipal bonds, and an investment agreement. Investments may be restricted by the Trustee under the Bond Resolutions. Investments are reported in the financial statements at fair value, with the exception of the following assets, which are recorded using a cost-based measure in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools,* and GASB Statement No. 72, *Fair Value Measurement and Application*:

- Money market investments that have a remaining maturity at time of purchase of one year or less. These money market accounts are held with Securities and Exchange Commission registered investment companies under Rule 2a-7 of the Investment Company Act of 1940, as amended, and are reported at amortized cost.
- Nonparticipating investment agreement with Societe Generale, as it cannot be traded, and its value is not affected by market interest rate changes.

(e) Accounts Receivable

Accounts receivable represents amounts due for customer tolls (License Plate Toll (LPT) and ExpressToll) and any assessed late fees, net of the estimated uncollectible toll and fee receivables, and other miscellaneous receivables from third parties. The Authority accrues the related revenue when earned. An allowance for estimated uncollectible toll receivables is recognized to reduce the gross amount of receivables to its net realizable value. The allowance for customer tolls is estimated based on historical collection information by revenue type.

(f) Capital Assets

Capital assets have an estimated useful life in excess of one year and an initial cost greater than $5,000 for software, fixtures, and equipment; $50,000 for land improvements; $100,000 for buildings; and $500,000 for infrastructure (roadway, bridges, and ramps).

Capital assets are recorded at historical cost. Costs include not only purchase price or construction cost, but also ancillary charges necessary to place the asset in its intended location and condition for use. Ancillary charges include, but are not limited to, costs, such as freight and transportation charges, site preparation expenditures, professional fees, and legal expenses directly attributable to asset acquisition. Donations of capital assets represent facilities, or cash payments for facilities, received from property owners, governmental agencies, and customers. Donated capital assets are recorded at estimated fair value at the date of transfer.

Capital assets are depreciated using the straight-line method over their estimated useful lives. Those capital assets subject to depreciation have the following useful lives:

Assets	Years
Software	3
Fixtures and equipment	5–10
Land and building improvements	20
Buildings	40
Infrastructure	30

Ongoing construction costs associated with the Authority's toll road are capitalized as construction in progress (CIP). As construction is not yet complete, depreciation is not recorded on these CIP costs. The Authority recognizes interest costs on the tax-exempt debt used to finance the assets under construction (if applicable) as an expense in the period in which the cost is incurred.

(g) Prepaid Bond Costs and Premiums and Discounts

Prepaid bond costs and other noncurrent assets as well as bond premiums and discounts are deferred and amortized as a component of interest expense – other bond amortization expenses using the effective-interest method over the life of the related bonds.

(h) Deferred Outflows of Resources

Deferred outflows of resources represent a consumption of net assets that applies to a future period and will not be recognized as an outflow of resources (expense) until that time. The deferral balances are from losses on refundings of debt that are amortized as a component of interest expense – other bond amortization expenses using the straight-line method over the remaining life of the old (refunded) debt or the life of the new debt, whichever is shorter.

(i) Deferred Inflows of Resources

Deferred inflows of resources represent a consumption of net assets that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. The deferral balances are from gain on sale of assets with a leaseback provision that is amortized as a component of other income using the straight-line method over the related operating lease term.

(j) Revenue and Expenses

The Authority's statements of revenue, expenses, and changes in net position distinguish between operating and nonoperating revenue and expenses. Operating revenues consist of vehicle tolls and other toll-related fees assessed (late fees, civil penalties, or other fines and fees) associated with the operation of the Authority's toll road, net of estimated bad debts. The Authority recognizes toll operating revenues when earned. Advance payments received for toll operating revenues are deferred as unearned toll revenue on the statements of net position and are recognized as revenue as the customers use the Authority's toll road. Advance payments used as customers drive on non-Authority facilities in Colorado are remitted to the appropriate agency and are not recognized as revenue on the Authority's statements of revenues, expenses, and changes in net position. Operating revenues also include revenues for providing tolling services to other entities, which is recognized as an exchange transaction. Any amounts collected and remitted to external entities for tolls incurred on other tolled facilities are only included in the Authority's statements of cash flows. Operating expenses include costs incurred to provide for maintenance and administration of the toll road.

Nonoperating revenue and expenses consist of interest expense, investment revenues, including interest earned on investments and change in derivative instruments, and other miscellaneous revenues and expenses.

(k) Net Position Amounts

Net position amounts reported in the Authority's statements of net position consist of three categories: net investment in capital assets; restricted for debt service; and unrestricted. The Authority's board of directors, along with any state statutes, has official authorization to assign funds for a specific purpose. Net investment in capital assets consists of the Authority's investment in capital assets (e.g., land, buildings, equipment, and infrastructure), net of accumulated depreciation, and deferred outflows of resources, reduced by the outstanding balances of bonds that are attributable to the acquisition, construction, or improvement of those assets. Restricted for debt service represents resources that are subject to external restrictions on how they may be used and consists of restricted assets reduced by restricted liabilities where the restricted liability will generally be liquidated with the restricted assets reported. If liabilities and deferred inflows of resources that relate to specific restricted assets exceed those assets, no restricted component of net position is reported under GASB, and the net negative amount reduces unrestricted net position. Unrestricted net position represents resources that may be used to meet the Authority's ongoing obligations to the public and creditors and are not included in the determination of net investment in capital assets or restricted for debt service components of net position. This balance includes any noncurrent accreted portions of revenue bonds payable. These net position amounts are available to fund any obligation of the Authority. When an expense is incurred for purposes for which both restricted and unrestricted net position is available, the Authority generally uses unrestricted funds first, then restricted as needed.

As of December 31, 2021 and 2020, the Authority had a total net deficit of approximately $181.5 million and $259.5 million, respectively. The Authority primarily plans to fund this net deficit with increased annual growth in toll operations revenues and other nonoperating revenues.

(l) Income Taxes

The income derived by the Authority is exempt from federal income tax under the provisions of Internal Revenue Code Section 115 and as a governmental entity that is not a college or university, the Authority is not subject to any unrelated business income tax under Internal Revenue Code Section 511. Accordingly, no provision for the payment or refund of income taxes has been made in the accompanying basic financial statements.

(3) Fair Value Measurements

The Authority categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. Under GASB Statement No. 72, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. GASB Statement No. 72 establishes a hierarchy of three levels of inputs that may be used to measure fair value:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities, accessible at the measurement date. Observable markets include exchanges markets, dealer markets, brokered markets, and principal-to-principal markets.
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly or indirectly. Level 2 inputs include quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities, such as interest rates and yield curves observable at commonly quoted intervals, implied volatilities, credit spreads, and market-corroborated inputs.
- Level 3 – Unobservable inputs for an asset or liability.

Investments

Where quoted market prices for identical assets are available in an active market, securities are classified within Level 1 of the hierarchy. If quoted market prices for identical assets are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, reported trades of comparable securities, spreads off benchmark yields, and issuer spreads. Such securities are classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, securities would be classified within Level 3 of the hierarchy. The Authority has no Level 3 securities as of December 31, 2021 or 2020, respectively.

Interest Rate Swap Agreements

The fair values are based on the notional amounts outstanding and estimated using forward-looking interest rate curves (swap reference rate), discounted future cash flows, and credit spreads that are observable or can be corroborated by observable market data and, therefore, are classified within Level 2 of the hierarchy.

The Authority has the following recurring fair value measurements as of December 31, 2021:

		Fair value measurement using		
	Total 2021	**Quoted prices in active markets for identical assets (Level 1)**	**Significant other observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**
Investment type:				
U.S. government agency	$ 223,807,187	—	223,807,187	—
U.S. Treasury securities	207,952,618	—	207,952,618	—
Commercial paper	8,879,590	—	8,879,590	—
Total investments measured at fair value	440,639,395	—	440,639,395	—
Cash Equivalents (CE) and investments measured at cost:				
Money market mutual funds	101,547,555			
Investment agreement	8,471,273			
Total CE and investments measured at cost	110,018,828			
Total CE and investments held by the authority	$ 550,658,223			
Liability type:				
Derivative instruments – interest rate swaps	$ (49,230,851)	—	(49,230,851)	—
Total liabilities measured at fair value	$ (49,230,851)	—	(49,230,851)	—

The Authority has the following recurring fair value measurements as of December 31, 2020:

		Fair value measurement using		
	Total 2020	**Quoted prices in active markets for identical assets (Level 1)**	**Significant other observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**
Investment type:				
U.S. government agency	$ 263,351,611	—	263,351,611	—
U.S. Treasury securities	72,575,309	—	72,575,309	—
Total investments measured at fair value	335,926,920	—	335,926,920	—
Cash Equivalents (CE) and investments measured at cost:				
Money market mutual funds	146,178,770			
Investment agreement	8,471,273			
Total CE and investments measured at cost	154,650,043			
Total CE and investments held by the authority	$ 490,576,963			
Liability type:				
Derivative instruments – interest rate swaps	$ (60,497,909)	—	(60,497,909)	—
Total liabilities measured at fair value	$ (60,497,909)	—	(60,497,909)	—

(4) Cash, Cash Equivalents, and Investments

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels (currently, $250,000 by the Federal Deposit Insurance Corporation (FDIC)) must be collateralized. The eligible collateral is specified by the PDPA. The PDPA allows the institution to create a single collateral pool for all public funds, and the pool is to be maintained by another institution or held in trust for all the uninsured public deposits as a group. The State Regulatory Commission for banks and savings and loan associations is required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools. At December 31, 2021 and 2020, the Authority's cash deposits had a book balance of $21.6 million and $20.9 million, respectively, and a corresponding bank balance of $21.6 million and $21.0 million, respectively. The difference between the book and bank balances is due to outstanding checks and deposits not yet processed by the banks.

As of December 31, 2021 and 2020, the Authority's book balances are classified as follows:

		2021	
	Deposits	Cash equivalents and investments	Total
Restricted cash and cash equivalents by trustee under the Bond Resolutions	$ —	32,036,770	32,036,770
Unrestricted cash and cash equivalents – undesignated	21,585,431	69,510,785	91,096,216
Restricted investments by trustee under the Bond Resolutions	—	116,149,433	116,149,433
Unrestricted investments – undesignated	—	332,961,235	332,961,235
	$ 21,585,431	550,658,223	572,243,654

		2020	
	Deposits	Cash equivalents and investments	Total
Restricted cash and cash equivalents by trustee under the Bond Resolutions	$ —	38,219,571	38,219,571
Unrestricted cash and cash equivalents – undesignated	20,917,637	107,959,199	128,876,836
Restricted investments by trustee under the Bond Resolutions	—	112,565,662	112,565,662
Unrestricted investments – undesignated	—	231,832,531	231,832,531
	$ 20,917,637	490,576,963	511,494,600

The following is a summary of the Authority’s cash equivalents and investments by type at December 31, 2021 and 2020, at fair value, including the money market mutual funds and investment agreement using a cost-based measurement:

	2021	2020
U.S. government agency	$ 223,807,187	263,351,611
U.S. Treasury securities	207,952,618	72,575,309
Money market mutual funds	101,547,555	146,178,770
Commercial paper	8,879,590	—
Investment agreement	8,471,273	8,471,273
	$ 550,658,223	490,576,963

(a) Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Authority’s policies regarding credit risk comply with Colorado statutes (CRS 24-75-601, as amended) and the Bond Resolutions. Colorado statutes specify the following investment instruments that meet defined rating and risk criteria in which local government entities may invest:

- Obligations of the United States and certain U.S. government agency securities
- Bonds of certain government entities
- Bankers’ acceptances of certain banks
- Commercial paper with a certain rating
- Repurchase agreements
- Certain money market mutual funds
- Local government investment pools
- Certain investment agreements

The Authority may invest or deposit any funds in the manner provided by law for political subdivisions of the state. In addition, the Authority may direct a corporate trustee, which holds funds of the Authority, to invest or deposit such funds in investments or deposits other than those specified by law for political subdivisions of the state if the board of directors determines, by resolution, that (1) such investment or deposit meets the standard established in the Colorado Revised Statutes; (2) the income is at least comparable to income available on investments or deposits specified by law for political subdivisions of the state; and (3) such investments will assist the Authority in the financing, construction, maintenance, or operation of public highways.

The following is a summary of the Authority's cash equivalents and investments at December 31, 2021 with credit ratings based on the Standard & Poor's and Moody's ratings scales:

	2021	
	Fair value	**Rating**
U.S. government agency:		
Federal Farm Credit Banks (FFCB)	$ 56,746,535	AA+/Aaa
Federal Home Loan Banks (FHLB)	36,374,273	AA+/Aaa
Federal Home Loan Mortgage Corporation (FHLMC)	35,361,584	AA+/Aaa
Federal National Mortgage Association (FNMA)	44,844,783	AA+/Aaa
International Bank for Reconstruction and Development	41,757,898	AAA/Aaa
Student Loan Marketing Association Discount Note	8,722,114	Not rated
Total U.S. government agency	223,807,187	
U.S. Treasury securities:		
U.S. Treasury notes	207,952,618	Not applicable
Money market mutual funds:		
Federated Government Obligations Fund	72,478,803	AAAm/Aaa-mf
Federated Treasury Obligations Fund	107,701	AAAm/Aaa-mf
First American Funds Government Obligations Class Z Fund	20,955,115	AAAm/Aaa-mf
COLOTRUST PLUS+ Fund	8,005,936	AAAm/Not rated
Total money market mutual funds	101,547,555	
Investment agreement:		
Societe Generale	8,471,273	A/A1
Commercial paper:		
MUFG Bank Ltd/NY	3,641,912	A-1/P-1
Rabobank Nederland NV NY	1,248,148	A-1/P-1
Toyota Motor Credit Corporation	3,989,530	A-1+/P-1
Total commercial paper	8,879,590	
Total cash equivalents and investments	$ 550,658,223	

U.S. Treasury notes are guaranteed by the U.S. federal government and are, therefore, not subject to credit risk.

The following is a summary of the Authority’s cash equivalents and investments at December 31, 2020 with credit ratings based on the Standard & Poor’s and Moody’s ratings scales:

	2020	
	Fair value	**Rating**
U.S. government agency:		
Federal Farm Credit Banks (FFCB)	$ 60,541,267	AA+/Aaa
Federal Home Loan Banks (FHLB)	56,259,682	AA+/Aaa
Federal Home Loan Mortgage Corporation (FHLMC)	43,260,696	AA+/Aaa
Federal National Mortgage Association (FNMA)	49,743,633	AA+/Aaa
International Bank for Reconstruction and Development	44,709,667	AAA/Aaa
Student Loan Marketing Association Discount Note	8,836,666	Not rated
Total U.S. government agency	263,351,611	
U.S. Treasury securities:		
U.S. Treasury notes	67,346,740	Not applicable
U.S. Treasury bills	5,228,569	Not applicable
Total U.S. Treasury securities	72,575,309	
Money market mutual funds:		
Federated Government Obligations Fund	91,962,950	AAAm/Aaa-mf
Federated Treasury Obligations Fund	33,738,016	AAAm/Aaa-mf
PFM Funds Government Select Series	12,475,733	AAAm/Not rated
COLOTRUST PLUS+ Fund	8,002,071	AAAm/Not rated
Total money market mutual funds	146,178,770	
Investment agreement:		
Societe Generale	8,471,273	A/A2
Total cash equivalents and investments	$ 490,576,963	

U.S. Treasury notes are guaranteed by the U.S. federal government and are, therefore, not subject to credit risk.

(b) Interest Rate Risk

Interest rate risk is the risk that an investment’s value will change due to change in the level of interest rates. The Authority currently employs one professional investment management firm to manage its investments. The funds are all “laddered” so that investments do not mature all at once and are in compliance with the Colorado statutes and Bond Resolutions. Additionally, 96% and 95% of the cash equivalents and investments have maturities of three years or less at December 31, 2021 and 2020, respectively.

As of December 31, 2021, the Authority held the following cash equivalents and investments:

	Fair value	Less than one year	Between one and two years	Between two and three years	Greater than three years
U.S. government agency	$ 223,807,187	78,503,975	128,197,126	17,106,086	—
U.S. Treasury securities	207,952,618	45,080,436	40,578,849	111,401,824	10,891,509
Commercial paper	8,879,590	8,879,590	—	—	—
Investment agreement	8,471,273	—	—	—	8,471,273
Total investments	449,110,668	132,464,001	168,775,975	128,507,910	19,362,782
Money market mutual funds	101,547,555	101,547,555	—	—	—
Total cash equivalents and investments	$ 550,658,223	234,011,556	168,775,975	128,507,910	19,362,782

Because the money market mutual funds have a weighted average maturity less than three months as of December 31, 2021, the funds are presented as cash equivalents with maturities of less than one year.

As of December 31, 2020, the Authority held the following cash equivalents and investments:

	Fair value	Less than one year	Between one and two years	Between two and three years	Greater than three years
U.S. government agency	$ 263,351,611	51,858,238	81,953,703	114,434,295	15,105,375
U.S. Treasury securities	72,575,309	26,541,428	35,297,692	10,736,189	—
Investment agreement	8,471,273	—	—	—	8,471,273
Total investments	344,398,193	78,399,666	117,251,395	125,170,484	23,576,648
Money market mutual funds	146,178,770	146,178,770	—	—	—
Total cash equivalents and investments	$ 490,576,963	224,578,436	117,251,395	125,170,484	23,576,648

Because the money market mutual funds have a weighted average maturity less than three months as of December 31, 2020, the funds are presented as cash equivalents with maturities of less than one year.

(c) Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The Authority has no custodial credit risk as all securities are registered in the name of the Authority and held by a third-party safekeeping agent. Investments in money market mutual funds are not exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book entry form.

(d) Concentration of Credit Risk

The Authority does not have a limit on the amount that may be invested in any one issuer. As of December 31, 2021 and 2020, approximately 41% and 54%, respectively, of the Authority's cash equivalents and investments are in U.S. government agency investments that are not fully backed by the full faith and credit of the federal government. The investments include FFCB, FHLB, FHLMC, FNMA, International Bank for Reconstruction and Development, and Student Loan Marketing Association investments.

(e) Restricted Funds

The Authority maintains restricted accounts and funds as required per the Bond Resolutions or other externally imposed restrictions. Cash and cash equivalents and investments as of December 31, 2021 and 2020 are restricted as follows:

		2021	2020
Senior Bonds Debt Service Reserve Fund	$	93,777,055	95,351,267
Senior Bonds Debt Service Account		33,516,227	33,070,008
Operating Reserve Fund		11,266,862	9,805,521
Trust Revenue Fund		9,626,059	12,558,437
	$	148,186,203	150,785,233

The restricted funds and accounts have been established in accordance with the Bond Resolutions or other externally imposed restrictions. The Authority maintains other restricted accounts that do not have any funding requirements and thus have a $0 balance as of December 31, 2021 and 2020 and are not shown above. The Bond Resolutions provide, among other provisions, that certain accounting procedures be followed and certain funds and accounts be established to provide bondholders a degree of security against certain contingencies. Brief descriptions of these funds and accounts are as follows:

Senior Bonds Debt Service Reserve Fund – Pursuant to the Bond Resolutions, a Senior Bonds Debt Service Reserve Fund was established solely for the benefit of the holders of the Senior Bonds in the event amounts on deposit in the Senior Bonds Debt Service Account are insufficient to make required payments. As of December 31, 2021 and 2020, the Senior Bonds Debt Service Reserve Fund requirement was $118.0 million, and the account was fully funded at December 31, 2021 and 2020, with balances of $118.8 million and $120.4 million, respectively. The change in year-end balances is due to fair value fluctuations. These balances include cash and cash equivalents and investments of $93.8 million and $95.4 million at December 31, 2021 and 2020, respectively, combined with the $25 million available under a reserve fund surety bond provided by MBIA – administered by National Public Finance Guarantee (NPFG). Within the fund, the Authority holds numerous long-term investment securities, one of which is an investment agreement with Societe Generale. Under the agreement, among other provisions, Societe Generale pays the Authority 6.61% of the investment principal amount on a semiannual basis and must post collateral at a specified amount if their long-term unsecured credit rating is reduced below AA– by Standard and Poor's (S&P) or Aa3 by Moody's. Societe Generale was rated A by S&P and A1 by Moody's at December 31, 2021 and was rated A by S&P and A2 by Moody's at December 31, 2020, and thus has posted collateral in accordance with the agreement. The

Authority may terminate the agreement at any time; however, Societe Generale may not terminate the agreement until final maturity in 2026.

Senior Bonds Debt Service Account – Pursuant to the Bond Resolutions, the Senior Bonds Debt Service account is funded from current year revenues in an amount equal to the aggregate senior bond debt service payable during the current fiscal year, including the monthly cash settlements paid on the Authority's interest rate swaps and variable floating rate notes based on London Interbank Offered Rate (LIBOR) or Secured Overnight Financing Rate (SOFR). Other senior bond series' interest due is paid semiannually by the Trustee on March 1 and September 1, with outstanding senior bonds payable principal (including any accretion) due on September 1 for the applicable bond series.

Trust Revenue Fund – Except as otherwise provided in the Bond Resolutions, all revenues will be delivered to the Trustee immediately upon receipt by the Authority and will be deposited by the Trustee in the Trust Revenue Fund to be used by the Authority for the purposes of funding any other restricted accounts (including the Senior Bond Debt Service Account) and current year operating expenses. The Master Bond Resolutions allow the Authority to move surplus funds from the Trust Revenue Fund to the General Surplus account (or subaccounts therein) on a monthly basis but also must maintain a retained balance within the Trust Revenue Fund at month-end equal to one-half of the aggregate amount required to be transferred to the Senior Bonds Debt Service Account during such month. The required retained balance was $4.1 million as of December 31, 2021 and 2020, respectively, and was fully funded.

Operating Reserve Fund – Under the provisions of the Bond Resolutions, the Operating Reserve Fund is required to be maintained in an amount equal to one-sixth of annual budgeted operating expenses, as determined by the Authority. As of December 31, 2021 and 2020, $11.3 million and $9.8 million, respectively, were on deposit in the Operating Reserve Fund, which exceeded the required balance of $10.7 million and $9.3 million, respectively, during these periods.

Rebate Fund – Moneys will be deposited into the Rebate Fund pursuant to the Bond Resolutions and used solely for the purpose of paying amounts due to the United States of America pursuant to the Internal Revenue Code and arbitrage rebate regulations issued by the Internal Revenue Service (IRS). Funds within the Rebate Fund are only required when an arbitrage rebate liability is due. If the amount in the Rebate Fund is in excess of the amount required to be deposited based on the assessed arbitrage rebate liability, such excess will be transferred to the Authority.

(f) Unrestricted Funds

The General Surplus account is unrestricted and is currently divided into three subaccounts for administrative purposes: the Senior Bond Defeasance Fund, the Capital Improvements Fund, and the Rainy Day Fund. These unrestricted funds are available to fund any allowable obligations of the Authority; however, the Bond Resolutions include a requirement that the General Surplus account not be reduced below $20 million unless the Authority's bond insurer, NPFG, provides written consent to such a distribution below this level. As of December 31, 2021 and 2020, the Authority held $424.1 million and $360.7 million, respectively, in total unrestricted funds, including cash and cash equivalents and investments. Approximately $364.5 and $301.3 million were within the General Surplus accounts as of December 31, 2021 and 2020, respectively, which have specific purposes, such as fully funding the Authority's future capital budget and bond defeasances, and assisted with prior year debt service to manage the economic downturn due to the COVID-19 pandemic.

(g) Investment Income

Investment income's interest earned on investments consists of restricted and unrestricted investment earnings, any associated premium or discounts, and any realized gains or losses on the investments. Also, included in total investment income is the change in the fair value of investments as of the end of the reporting period. The Authority recognized total investment loss of $907 thousand in 2021 and total investment gain of $12.1 million in 2020, excluding the net change in fair value of derivative instruments. Restricted interest earned on investments was $7.5 thousand in 2021 and $0.2 million in 2020 and is restricted by the Bond Resolutions or by other externally imposed restrictions. Unrestricted investment income may be earned within restricted investment accounts as long as those accounts are fully funded by year-end, as required by the Bond Resolutions.

(5) Accounts Receivable

The following is a summary of accounts and tolls receivable balances and related allowance as of December 31, 2021 and 2020:

		2021	2020
Tolls receivable (billed)	$	24,427,684	17,423,847
Accrued toll revenue – transactions still processing		5,278,827	5,434,159
Unbilled toll revenue		3,581,453	2,473,340
Accounts receivable		2,658,563	2,671,953
Late fee receivable		1,836,227	1,371,260
Total accounts receivable		37,782,754	29,374,559
Allowance for uncollectible tolls receivable		(3,978,187)	(5,440,388)
Allowance for uncollectible late fee receivable		(643,598)	(525,741)
Total accounts receivable, net of allowance for uncollectibles	$	33,160,969	23,408,430

With LPT tolls receivable, there are three stages accrued within the basic financial statements: accrued toll revenue (transactions in process for billing); unbilled toll revenue (transactions assigned to a customer account and are waiting to be billed); and tolls receivable (transactions that have been billed to a customer and are awaiting payment). Customers are generally billed each month for all toll activity incurred during the previous month and have 30 days to pay. If the first bill is unpaid, customers will be sent a second and third bill with a $5 late fee assessed on the second bill only and have an additional 60 days to pay the outstanding tolls and fee. If still unpaid, the tolls may be remitted to a collection law firm where additional collection fees, including civil penalties and adjudication fees, may be assessed with a possible hold being placed on the customer's vehicle registration. ExpressToll customers with unpaid tolls may have their transponder deactivated, account converted to LPT, and may be remitted to the collection law firm where additional collection fees, including civil penalties and adjudication fees may be assessed with a possible hold being placed on the customer's vehicle registration. Once converted, future tolls on these accounts will be at the higher LPT rate. Further, tolls charged to customers for LPT versus ExpressToll vary based on the approved two-tiered toll rates, which were effective beginning January 1, 2021. Based on the outstanding tolls and related late fees in fiscal years 2021 and 2020, the Authority has approximately $4.6 million and $6.0 million, respectively, in outstanding tolls and late fee receivables at year-end that are not expected to be collected within the next fiscal year.

(6) Notes Receivable

The following is an analysis of changes in notes receivable for the year ended December 31, 2021 and 2020, which includes elements from three separate IGA agreements summarized below:

		Balance at January 1, 2021	Additions	Reductions	Balance at December 31, 2021	Due within one year
Other intergovernmental agreements	$	7,338,377	263,136	750,677	6,850,836	4,512,229

		Balance at January 1, 2020	Additions	Reductions	Balance at December 31, 2020	Due within one year
Other intergovernmental agreements	$	5,521,342	5,400,000	3,582,965	7,338,377	487,541

(a) Intergovernmental Agreement with City of Aurora regarding Stephen D. Hogan Parkway

The Authority entered into an intergovernmental agreement in 2015 with the City of Aurora (the City) regarding the extension of 6th Avenue from its former terminus in an eastward direction from Buckley Air Force Base to East 6th Parkway and E-470. This extension, opened in 2019 as East Stephen D. Hogan Parkway, established a more direct route of travel, thereby filling a gap in the regional roadway network. In addition, the forecasted traffic and revenue on E-470 indicates that the extension will provide future revenue increases for the Authority. In consideration of the potential future revenue impacts, the Authority agreed to contribute $4.0 million toward the cost of construction in the form of a $2.0 million contribution and a $2.0 million loan, both of which were disbursed to the City on August 9, 2018 from the Capital Improvements Fund. The $2.0 million contribution was presented as an intergovernmental expense in 2018. The loan has a 10-year term beginning on August 9, 2018, the date the Authority's proceeds were disbursed to the City, and bears interest at a rate of 2.5% per annum. At December 31, 2021 and 2020, the current notes receivable balance was $0.2 million, respectively. At December 31, 2021 and 2020, the noncurrent notes receivable balance was $1.3 million and $1.5 million, respectively.

(b) Intergovernmental Agreement with South Aurora Regional Improvement Authority and Arapahoe County regarding E-470 Ramp Relocation at Quincy Avenue

The Authority entered into an intergovernmental agreement in 2019 with South Aurora Regional Improvement Authority (SARIA) and Arapahoe County (the County) regarding relocation of the northbound on and off-ramps at Quincy Avenue, including the installation of a new signalized intersection to assist with mitigation of traffic congestion. The County improved the current intersection of Quincy Ave and Gun Club Road with a partial continuous flow intersection, and the proximity of the northbound on and off-ramps of E-470 at Quincy Avenue created operational and safety concerns, which the relocation alleviated. The Authority was responsible for facilitating, overseeing, and completing the project, which was constructed in conjunction with the Quincy to I-70 widening project to achieve economies of scale and other efficiencies and cost savings and was substantially completed in 2020. Under the agreement, SARIA and the County each contributed one-third of the project costs, estimated at the time of the agreement to be $3.0 million each. E-470 received $2.0 million from SARIA and $1.7 million from the County as of December 31, 2020. As of December 31, 2020, the revised estimated total project costs were approximately $6.0 million versus the original estimate of $9.0 million, resulting in a total project savings of $3.0 million. As such, the Authority allocated one-third of the total project savings to each entity and reduced the balance of notes receivable due from SARIA and the County, along with the corresponding intergovernmental liability, by $1.0 million each, or $2.0 million total, as of December 31, 2020. Project closeout was completed in 2021, and the final total cost of the project was $6.4 million. E-470 received final payments due of $0.1 million from SARIA and $0.4 million from the County in 2021.

(c) Purchase and Sale Agreement with Aurora Highlands, LLC regarding Sale and Leaseback of land and facilities located at Toll Plaza C and Central Maintenance Facility

The Authority entered into a purchase and sale agreement in 2020 with Aurora Highlands, LLC (Aurora Highlands), a developer and Nevada limited liability company, to sell the Authority's land and building facilities located at Toll Plaza C and Central Maintenance Facility, in order for Aurora Highlands to construct a large residential development in the area. Facilities at this site include two administrative buildings and a maintenance yard containing a salt barn for snow removal material storage and a vehicle storage bay. The agreement contains a leaseback provision allowing E-470 to retain the facilities for operational purposes for up to 4 years, until October 12, 2024 or such earlier date upon which E-470 voluntarily vacates the premises. The total sales price for assets sold was $7.4 million, delivered as $2.0 million in cash upon closing in October 2020 and $5.4 million in notes receivable, to be paid in installments of $4.3 million payable when the Authority executes a construction contract for replacement facilities, which is estimated to occur during 2022, and the final $1.1 million payable to the Authority when it provides written notice that it has vacated the leased premises, which is estimated to be Q3 of 2024 but no later than October 12, 2024. As of December 31, 2021, $4.3 million is presented as current notes receivable and $1.1 million is presented as noncurrent notes receivable. As of December 31, 2020, $5.4 million is presented as noncurrent notes receivable. See notes 13 and 14 for further discussion of financial statement impacts related to this agreement as they pertain to deferred inflows of resources and commitments and contingencies.

(7) Capital Assets

A summary of changes in capital assets for the year ended December 31, 2021 is as follows:

	Balance at January 1, 2021	Increases	Decreases	Transfers	Balance at December 31, 2021
Capital assets not being depreciated:					
Land	$ 110,340,733	—	(80,622)	—	110,260,111
Construction in progress	10,804,018	18,191,023	(2,391,963)	(14,120,212)	12,482,866
Total capital assets not being depreciated	121,144,751	18,191,023	(2,472,585)	(14,120,212)	122,742,977
Depreciable capital assets:					
Infrastructure	1,066,336,363	8,084,516	(38,112)	—	1,074,382,767
Buildings	26,704,600	1,196,225	(490,485)	—	27,410,340
Equipment	38,755,863	2,796,237	(298,704)	—	41,253,396
Software, fixtures, improvements, and other assets	45,090,584	2,043,234	(257,860)	—	46,875,958
Total depreciable capital assets	1,176,887,410	14,120,212	(1,085,161)	—	1,189,922,461
Less accumulated depreciation for:					
Infrastructure	(611,143,913)	(34,897,186)	22,945	—	(646,018,154)
Buildings	(11,635,784)	(876,232)	218,193	—	(12,293,823)
Equipment	(30,238,682)	(2,215,061)	282,031	—	(32,171,712)
Software, fixtures, improvements, and other assets	(37,583,017)	(3,940,105)	257,862	—	(41,265,260)
Total accumulated depreciation	(690,601,396)	(41,928,584)	781,031	—	(731,748,949)
Depreciable capital assets, net	486,286,014	(27,808,372)	(304,130)	—	458,173,512
Total capital assets, net	$ 607,430,765	(9,617,349)	(2,776,715)	(14,120,212)	580,916,489

A summary of changes in capital assets for the year ended December 31, 2020 is as follows:

	Balance at January 1, 2020	Increases	Decreases	Transfers	Balance at December 31, 2020
Capital assets not being depreciated:					
Land	$ 111,567,711	—	(1,226,978)	—	110,340,733
Construction in progress	27,736,671	69,061,968	(2,332,792)	(83,661,829)	10,804,018
Total capital assets not being depreciated	139,304,382	69,061,968	(3,559,770)	(83,661,829)	121,144,751
Depreciable capital assets:					
Infrastructure	1,002,233,129	75,234,756	(11,131,522)	—	1,066,336,363
Buildings	24,681,841	3,613,370	(1,590,611)	—	26,704,600
Equipment	38,088,708	2,272,568	(1,605,413)	—	38,755,863
Software, fixtures, improvements, and other assets	42,586,953	2,541,135	(37,504)	—	45,090,584
Total depreciable capital assets	1,107,590,631	83,661,829	(14,365,050)	—	1,176,887,410
Less accumulated depreciation for:					
Infrastructure	(585,969,323)	(33,287,502)	8,112,912	—	(611,143,913)
Buildings	(11,671,700)	(863,922)	899,838	—	(11,635,784)
Equipment	(29,532,173)	(2,179,362)	1,472,853	—	(30,238,682)
Software, fixtures, improvements, and other assets	(31,933,101)	(5,687,420)	37,504	—	(37,583,017)
Total accumulated depreciation	(659,106,297)	(42,018,206)	10,523,107	—	(690,601,396)
Depreciable capital assets, net	448,484,334	41,643,623	(3,841,943)	—	486,286,014
Total capital assets, net	$ 587,788,716	110,705,591	(7,401,713)	(83,661,829)	607,430,765

(8) Deferred Outflows of Resources

The deferred outflows of resources represent the remaining unamortized deferral balances from losses on refundings of debt. The balances of $46.8 million and $54.1 million as of December 31, 2021 and 2020, respectively, are included within the net investment in capital assets component of net position.

A summary of deferred outflows of resources as of December 31, 2021 and 2020 is as follows:

		2021	2020
Deferred refunding 1997	$	9,311,033	11,312,017
Deferred refunding 2004		7,866,921	8,422,233
Deferred refunding 2006		4,401,043	4,723,071
Deferred refunding 2008		7,934,401	8,706,263
Deferred refunding 2010		1,765,800	2,144,186
Deferred refunding 2017		—	2,405,466
Deferred refunding 2019		—	2,952,157
Deferred refunding 2020		11,063,561	13,434,323
Deferred refunding 2021		4,412,716	—
	$	46,755,475	54,099,716

(9) Bonds Payable

Bonds payable include current interest bonds (CIB), capital appreciation bonds (CAB), LIBOR index bonds, and SOFR index bonds consisting of both new issue and refunded bonds of the Authority. The Authority is committed to repay the bonds and related interest from its revenues and allowable restricted investments. The interest rates on outstanding current interest bonds at December 31, 2021 was 5.00%. The average outstanding coupon (interest) rate on all outstanding current interest bonds was 5.00% for the years ended December 31, 2021 and 2020. Yields on outstanding capital appreciation bonds at December 31, 2021 and 2020 ranged from 5.06% to 7.13%. The average outstanding yield rate on all outstanding capital appreciation bonds was 5.96% and 5.95% for the years ended December 31, 2021 and 2020, respectively. Most bond series' interest due is paid semiannually on March 1 and September 1, with outstanding principal due on September 1 for the applicable bond series. The Series 2017 and Series 2019 LIBOR index term rate bonds accrued and paid interest monthly through June 3, 2021 based on the variable 67% of one month LIBOR index plus 105 basis points (bps), or 1.05% on the 2017B bonds, and 42 basis points, or 0.42% on the 2019A bonds. The Series 2021 SOFR index term rate bonds accrue and pay interest monthly, beginning in June 2021, based on the variable 67% of one month SOFR index plus 35 basis points (bps), or 0.35% on the 2021B bonds.

The Bond Resolutions require that the Authority maintain a Revenue Covenant (also referred to as the debt service coverage ratio) of at least 1.30 times the aggregate debt service due for the year. For the years ended December 31, 2021 and 2020, the Authority exceeded the required debt service coverage ratio of 1.30. Refer to the Other Information – Revenue Covenant (unaudited) section for the 2021 debt service coverage calculation and reconciliation to the basic financial statements for operating balances and senior debt service due.

The following is a summary of the bonds payable by bond series and type as of December 31, 2021:

Bonds outstanding	Original principal amount	Refunded series (if applicable)	Current maturity dates (1)	Current interest rate/yield ranges	Annual principal maturity due ranges
Series 1997 B CAB	$ 342,217,730	1986 Bonds	2022 – 2026	5.52%	$ 44,795,000 – 44,800,000
Series 2000 B CAB	252,848,750	—	2022 – 2033	6.25% – 6.35%	39,400,000 – 104,200,000
Series 2004 A CAB	76,484,624	2000 B CAB *	2027 – 2036	5.33% – 5.46%	78,425,000 – 78,500,000
Series 2006 B CAB	56,932,723	2000 A CIB	2035 – 2039	5.06% – 5.08%	60,000,000 – 70,720,000
Series 2010 A CAB	21,834,746	1997B CAB *	2035 – 2041	7.08% – 7.13%	7,860,000 – 52,385,000
Series 2020 A CIB	167,370,000	2004 B CAB & 2010 C CIB	2023 – 2040	5.00%	1,500,000 – 50,000,000
Series 2021 B SOFR	138,640,000	2017 B & 2019 A LIBOR	2026 – 2039	67% SOFR + 35bps	20,565,000 – 44,460,000

(1) The current maturity dates include a range, but does not indicate that there are maturities every year within the range.

* The refunded bonds were partially refunded by the new series bonds.

Series 2021B Bonds – On June 3, 2021, The Authority refunded the Series 2017B LIBOR Index Term Rate bonds and the Series 2019A LIBOR Index Term Rate bonds totaling approximately $138.6 million at par, with no change to the principal amounts or maturities. The Series 2017B bonds were subject to optional early redemption on or after March 1, 2021, with a mandatory tender and remarketing date of September 1, 2021, and the Series 2019A bonds were subject to optional early redemption on or after September 1, 2020, with a mandatory tender and remarketing date of September 1, 2021. The Authority exercised an early redemption option on both series to take advantage of low interest rates and debt service savings. The Series 2017B bonds of $66.1 million paid interest each month based on 67% of the previous period's final calculated LIBOR market pricing plus 105 basis points (1.05%), and the Series 2019A bonds of $72.5 million paid interest each month based on 67% of the previous period's final calculated LIBOR market pricing plus 42 basis points (0.42%). These series were refunded with the new Series 2021B SOFR Index bonds (also at 67%) plus 35 basis points (0.35%) over a three-and-a-quarter-year term (term date of September 1, 2024). The proceeds totaling $138.6 million were used to defease the outstanding Series 2017B and 2019A bonds, and the related liability for those bonds were removed from the Authority's statements of net position. The Authority used funds from the General Surplus account (Senior Bond Defeasance Fund) to pay all related underwriting fees and other issuance costs totaling approximately $1.2 million.

The principal portions of the Series 2021B bonds are payable in September 2026 and September 2037 to September 2039, with amounts ranging between $20.6 million and $44.5 million. These principal amounts due did not change from the refunded bonds principal debt service requirements. The Series 2021B bonds are subject to an optional redemption on or after June 1, 2024, with a mandatory tender and remarketing date of September 1, 2024. If the bonds are not converted (or refunded) by the mandatory redemption date, the bonds will reset to a failed remarketing rate of 9.00% based on the Bond Resolutions.

The refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt in the prior year of $5.0 million for the 2021B bonds. This difference, reported in the accompanying basic financial statements as a component of deferred outflows of resources within the 2021 deferred refunding balance, are being amortized as a component of interest expense over the shorter life of the old (including previous refunded debt) and the new debt, which is 2026. The refunding resulted in a net present value economic gain of $2.3 million. The refunding reduced debt service amounts due in the years 2021 to and including 2039 by a present value of $3.6 million.

Series 2020A Bonds – On June 18, 2020, the Authority closed on the major debt restructuring bond transaction, which included a cash contribution to partially pay off callable debt and refund the remaining portion to take advantage of very low interest rates and meet a long-standing debt management goal of lowering and leveling the future debt service profile. The Authority had a $252 million call opportunity for approximately $170.4 million of the Series 2004B Capital Appreciation Bonds (including the original par value of $70.7 million) and approximately $81.7 million of the Series 2010C Current Interest Bonds. Both series had a call date of September 1, 2020, and it was permissible to price and close the transaction 90 days prior to the call date. The callable maturities ranged between 2027 and 2036 for the Series 2004B Bonds at a coupon rate of 5.60–5.72% and ranged between 2025 and 2026 for the Series 2010C Bonds at a coupon rate of 5.25–5.375%. The Authority, as part of its debt management plan, contributed approximately $50 million in cash from the unrestricted Senior Bonds Defeasance Fund of the General Surplus account to cash defease a portion of the callable debt, and refunded the remaining portion at a par amount of $167.4 million along with a $39.0 million bond premium (not including the cost of issuance expense of $2.3 million).

The Series 2020A Bonds have new annual principal amounts due between September 1, 2023 and September 1, 2040 ranging between $1.5 million and $50 million. The coupon rate on the new maturities is 5.00%, with yields to maturity ranging between 0.58% on the short-term end to 4.04% on the long-term end. The All-In True Interest Cost achieved was 2.9% on the Series 2020A Bonds, which is lower than the rates being accrued and paid on the refunded bonds. The Authority also included future flexibility in the restructuring with additional call opportunities in 2024 on the 2040 principal maturity of the Series 2020A Bonds totaling $50 million, and in 2030 on the 2034 to 2036 principal maturities totaling $48.4 million. The Authority will evaluate these opportunities as the call dates get closer. The related liabilities for the applicable portions of the 2004B and 2010C refunded bonds were removed from the Authority's statements of net position. The transaction reduced and leveled the future debt service profile and provided initial debt service relief in the near-term periods to assist with the on-going COVID-19 pandemic and impact on toll revenues and customer usage of the toll road.

The refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $14.7 million. This difference, reported in the accompanying basic financial statements as a component of deferred outflows of resources within the 2020 deferred refunding balance, is being amortized as a component of interest expense over the shorter life of the old (including previous refunded debt) and the new debt, which is 2026. The refunding resulted in a net present value economic gain of $79.5 million. The refunding, including the cash contribution of $50 million, reduced debt service amounts due from 2020 to 2040 by a present value of $129.5 million.

The following is an analysis of changes in bonds payable and associated bond premiums and discounts for the year ended December 31, 2021:

	Balance at January 1, 2021	Additions	Reductions	Balance at December 31, 2021	Due within one year
Series 1997B CAB (Principal)	$ 63,784,759	—	12,173,937	51,610,822	11,476,416
Series 1997B CAB (Accretion)	163,432,527	11,885,090	32,621,063	142,696,554	33,323,584
Series 2000B CAB (Principal)	123,051,167	—	10,221,224	112,829,943	9,982,384
Series 2000B CAB (Accretion)	320,178,785	27,605,818	27,478,776	320,305,827	29,417,616
Series 2004A CAB (Principal)	76,484,624	—	—	76,484,624	—
Series 2004A CAB (Accretion)	103,158,491	9,831,153	—	112,989,644	—
Premium Series 2004	170,286	—	13,426	156,860	—
Series 2006B CAB (Principal)	56,932,723	—	—	56,932,723	—
Series 2006B CAB (Accretion)	59,480,715	5,979,907	—	65,460,622	—
Series 2010A CAB (Principal)	21,834,746	—	—	21,834,746	—
Series 2010A CAB (Accretion)	22,671,072	3,224,336	—	25,895,408	—
Series 2017B LIBOR Notes	66,075,000	—	66,075,000	—	—
Series 2019A LIBOR Notes	72,565,000	—	72,565,000	—	—
Series 2020A CIB	167,370,000	—	—	167,370,000	—
Premium 2020A CIB	36,032,248	—	3,003,024	33,029,224	—
Series 2021B SOFR Notes	—	138,640,000	—	138,640,000	—
Total	$ 1,353,222,143	197,166,304	224,151,450	1,326,236,997	84,200,000

The following is an analysis of changes in bonds payable and associated bond premiums and discounts for the year ended December 31, 2020:

	Balance at January 1, 2020	Additions	Reductions	Balance at December 31, 2020	Due within one year
Series 1997B CAB (Principal)	$ 76,638,775	—	12,854,016	63,784,759	12,173,937
Series 1997B CAB (Accretion)	181,757,025	13,621,486	31,945,984	163,432,527	32,621,063
Series 2000B CAB (Principal)	133,526,723	—	10,475,556	123,051,167	10,221,224
Series 2000B CAB (Accretion)	317,785,099	28,118,130	25,724,444	320,178,785	27,478,776
Series 2004A CAB (Principal)	76,484,624	—	—	76,484,624	—
Series 2004A CAB (Accretion)	93,837,458	9,321,033	—	103,158,491	—
Series 2004B CAB (Principal)	70,705,810	—	70,705,810	—	—
Series 2004B CAB (Accretion)	93,411,912	6,232,481	99,644,393	—	—
Premium Series 2004	371,427	—	201,141	170,286	—
Series 2006B CAB (Principal)	56,932,723	—	—	56,932,723	—
Series 2006B CAB (Accretion)	53,792,983	5,687,732	—	59,480,715	—
Series 2010A CAB (Principal)	21,834,746	—	—	21,834,746	—
Series 2010A CAB (Accretion)	19,665,192	3,005,880	—	22,671,072	—
Series 2010C CIB	81,655,000	—	81,655,000	—	—
Discount 2010C CIB	(126,720)	126,720	—	—	—
Series 2015A CIB	20,590,000	—	20,590,000	—	—
Series 2017B LIBOR Notes	66,075,000	—	—	66,075,000	—
Series 2019A LIBOR Notes	72,565,000	—	—	72,565,000	—
Series 2020A CIB	—	167,370,000	—	167,370,000	—
Premium 2020A CIB	—	39,035,272	3,003,024	36,032,248	—
Total	$ 1,437,502,777	272,518,734	356,799,368	1,353,222,143	82,495,000

At December 31, 2021, scheduled payments for bonds payable over the next five years and thereafter are as follows:

	Principal	Swap and debt interest	Total
Year(s) ending December 31:			
2022	$ 84,200,000	14,049,967	98,249,967
2023	87,395,000	14,053,590	101,448,590
2024	91,940,000	14,253,390	106,193,390
2025	92,185,000	15,013,250	107,198,250
2026	92,575,000	14,621,937	107,196,937
2027 – 2031	502,825,000	56,631,000	559,456,000
2032 – 2036	499,870,000	51,758,500	551,628,500
2037 – 2041	517,175,000	21,009,062	538,184,062
	1,968,165,000	201,390,696	2,169,555,696
Add premiums	33,186,084	—	33,186,084
Total scheduled payments	2,001,351,084	201,390,696	2,202,741,780
Less future years' accretion	(675,114,087)	—	(675,114,087)
Total bonds payable	$ 1,326,236,997	201,390,696	1,527,627,693

Included in the above principal payment schedule is $675.1 million of expected future year interest accretion on the Senior CAB 1997B bond series, Senior CAB 2000B bond series, Senior CAB 2004A bonds series, Senior 2006B bond series, and the Senior 2010A bond series.

(10) Derivative Instruments

The Authority has two outstanding interest rate swap agreements that are considered investment derivatives under GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, as of December 31, 2021 and 2020.

As a means to hedge its borrowing costs, when compared against fixed-rate bonds at the time of issuance of the Series 2007 auction-rate bonds in June 2007, the Authority originally entered into separate pay-fixed, receive-floating LIBOR interest rate swap agreements with Morgan Stanley (MS-1) and JP Morgan (JP-1) (formerly known as Bear Stearns). The intention of these two pay-fixed swaps was to effectively change the Authority's variable interest rate on the Series 2007 auction-rate bonds to a synthetic fixed rate of 3.832% until final maturity of the bonds in September 2039. The swaps and related Series 2007 bonds have since gone through a series of remarketings, refundings, and partial swap terminations since 2007 and are now associated only with the remaining 2021B SOFR Index Term Rate Bonds.

The 2007 pay-fixed MS-1 and JP-1 swaps have outstanding notional amounts from 2026 to 2039 related to the outstanding Series 2021B bond maturities. As of December 31, 2021, the Authority pays variable interest on each month based on the previous months' final 67% of SOFR index rate plus 35 basis points (0.35%) for the Series 2021B bonds. These spreads plus the MS-1 and JP-1 pay-fixed interest rate of 3.832% leads to a synthetic interest rate of 4.182% on the outstanding Series 2021B bonds during the term-rate period, where the Authority takes on the basis risk between 67% of LIBOR (swaps) and 67% of SOFR (bonds). However, the relationship between both the Series 2021B bonds and the two swaps did not meet the requirements of a hedging derivative instrument; therefore, the related swap fair values are recorded as investment derivatives as of December 31, 2021 and 2020.

During 2021 and 2020, the Authority recognized, on the accrual basis, swap settlements on the 2007 pay-fixed swaps (MS-1 and JP-1) of $5.2 million and $4.8 million, respectively.

The following table provides a summary of the Authority's investment derivative interest rate swaps as of December 31, 2021 and 2020:

Counterparty	Effective date	Maturity date	Terms		Original notional amount	2021 and 2020 notional amount
JP Morgan	June 14, 2007	September 1, 2039	Pay 3.832%; receive 67% one-month LIBOR	$	155,252,500	69,320,000
Morgan Stanley	June 14, 2007	September 1, 2039	Pay 3.832%; receive 67% one-month LIBOR		155,252,500	69,320,000
			Total notional amounts for pay-fixed swaps	$	310,505,000	138,640,000

The Authority values the interest rate swap derivatives at fair value in accordance with generally accepted accounting principles (note 3) and has subscribed to an independent monitoring service to assist in the review of the monthly cash flows and fair market valuations.

The fair values of derivative instruments outstanding at December 31, 2021, classified by type, and changes in fair value of such derivative instruments for the year then ended, as reported in the basic financial statements, are as follows:

	2021 Changes in fair value			Fair value at December 31, 2021		
	Classification		Amount	Classification		Amount
Investment derivative instruments:						
JP-1 Pay-fixed interest rate swap	Derivative gain	$	5,633,561	Derivative instruments	$	(24,615,423)
MS-1 Pay-fixed interest rate swap	Derivative gain		5,633,497	Derivative instruments		(24,615,428)
	Investment revenues: Derivative gain	$	11,267,058	Derivative instruments	$	(49,230,851)

(Continued)

The fair values of derivative instruments outstanding at December 31, 2020, classified by type, and changes in fair value of such derivative instruments for the year then ended, as reported in the basic financial statements, are as follows:

	2020 Changes in fair value			Fair value at December 31, 2020		
	Classification		Amount	Classification		Amount
Investment derivative instruments:						
JP-1 Pay-fixed interest rate swap	Derivative loss	$	(5,161,650)	Derivative instruments	$	(30,248,984)
MS-1 Pay-fixed interest rate swap	Derivative loss		(5,166,808)	Derivative instruments		(30,248,925)
	Investment revenues: Derivative loss	$	(10,328,458)	Derivative instruments	$	(60,497,909)

(a) Credit Risk

Credit risk can be measured by actual market value exposure or theoretical exposure. When the fair value of any swap has a positive fair market value, the Authority is exposed to the actual risk that the counterparty will not fulfill its obligations. As of December 31, 2021 and 2020, the Authority did not have credit risk as the fair value on the two remaining swaps are liabilities to the Authority.

Under the current swap agreements, JP Morgan Chase Bank, N.A. is required to maintain credit quality ratings of “Aa3” by Moody’s or “AA–” by S&P, while Morgan Stanley Capital Services Inc. is required to maintain credit quality ratings of at least two of the following ratings, which is a “Baa2” from Moody’s, “BBB” from S&P, and “BBB” from Fitch. As of December 31, 2021, the swap counterparties had the following ratings from Moody’s, S&P, and Fitch:

Counterparty	Moody’s	S&P	Fitch
JP Morgan	Aa2	A+	AA
Morgan Stanley	A1	BBB+	A

Due to ratings adjustments with both swap counterparties over the past several years, the Authority entered into a separate credit support annex agreement with Morgan Stanley in 2010 during the time of the 2010 tender transaction and entered into a credit support annex agreement with JP Morgan in 2013 due to their S&P rating downgrade to A+. Under these agreements, the Authority can require the counterparty to post collateral at any time when the aggregate fair market value of the Morgan Stanley swaps or the separate JP Morgan swap is an asset to the Authority; however, these counterparty rating downgrades did not trigger a termination event. The Authority monitors its fair market value and the ratings on its counterparties regularly to determine if credit risk is a concern. The Authority has not calculated theoretical credit exposure on its swaps. There is no master netting agreement between the Authority and either counterparty.

(b) Interest Rate Risk

Interest rate risk exists if the investment derivative exposes the Authority to interest rate risk. Each of the investment derivatives exposes the Authority to interest rate risk because changes in interest rates will affect the fair market value of each of the investment derivatives. As variable LIBOR rates increase or decrease, the amount of each net settlement changes resulting in potentially dramatic changes in fair market value from period to period.

The following table shows the impact of a 25 basis point (0.25%) increase and decrease in related rates in a parallel yield curve shift for each outstanding investment derivative as of December 31, 2021:

		Fair value at December 31, 2021	Interest rates up 25 basis points	Interest rates down 25 basis points
JP-1 Receive-variable (LIBOR) swap	$	(24,615,423)	(22,740,852)	(26,606,451)
MS-1 Receive-variable (LIBOR) swap		(24,615,428)	(22,740,856)	(26,606,459)
	$	(49,230,851)	(45,481,708)	(53,212,910)

The following table shows the impact of a 25 basis point (0.25%) increase and decrease in related rates in a parallel yield curve shift for each outstanding investment derivative as of December 31, 2020:

		Fair value at December 31, 2020	Interest rates up 25 basis points	Interest rates down 25 basis points
JP-1 Receive-variable (LIBOR) swap	$	(30,248,984)	(28,051,919)	(32,532,717)
MS-1 Receive-variable (LIBOR) swap		(30,248,925)	(28,051,856)	(32,532,663)
	$	(60,497,909)	(56,103,775)	(65,065,380)

(c) Foreign Currency Risk

All of the interest rate swaps are denominated in U.S. dollars; therefore, the Authority is not exposed to foreign currency risk.

(d) Contingent Features

The Authority or counterparty may terminate the swap if the other party fails to perform under the terms of the swap contract or any credit support annex agreement. In such cases, the Authority may owe or be due a termination payment depending on the fair market value of the interest rate swap at that time. The termination payment due to the counterparty or from the counterparty may not be equal to the fair market value. A termination of any interest rate swap may automatically occur due to cross default, bankruptcy, merger, and other defined events found in the swap agreements. Termination risk is a contingent feature of the investment derivatives and is described below. The Authority is not required to post collateral under its swap agreements.

Termination Risk: The 2007 LIBOR interest rate swap agreements (JP-1 and MS-1) expire on September 1, 2039. Both swap agreements are subject to early termination by the parties in certain specified events. These events include events of default and other ratings of the Authority and swap counterparty falling below the specified ratings in the swap agreements. No additional early automatic termination events were triggered as of December 31, 2021 or 2020. The Authority's underlying senior bond rating would have to go below BBB– by S&P or Baa3 by Moody's to cause a termination event. As of December 31, 2021 and 2020, the Authority's underlying senior bond rating was A by S&P and A2 by Moody's. If the swap agreements had an unscheduled ending, any associated termination payments would not impact the Authority's asset/liability strategy as the Authority holds approximately $364.5 million and $301.3 million in unrestricted funds within the General Surplus accounts at December 31, 2021 and 2020, respectively. In addition, the Authority has the ability to exercise, at its sole discretion, early termination of the swap agreements at a mutually agreed-upon price for any reason.

(11) Notes Payable

The following is an analysis of changes in notes payable for the years ended December 31, 2021 and 2020:

		Balance at January 1, 2021	Additions	Reductions	Balance at December 31, 2021	Due within one year
Other intergovernmental agreements	$	—	—	—	—	—

		Balance at January 1, 2020	Additions	Reductions	Balance at December 31, 2020	Due within one year
Other intergovernmental agreements	$	240,769	—	240,769	—	—

The Authority entered into an intergovernmental agreement with Douglas County in 2003 to receive contributed funds for costs of the Jamaica Road interchange ramp construction. Based on this agreement, the remaining contributed funds of $2.4 million as of 2008 are to be repaid in 10 equal payments (noninterest-bearing) beginning in 2011. The annual payment of $0.2 million was made from unrestricted funds, and the final scheduled payment occurred in January 2020.

(12) Other Restricted Noncurrent Liabilities

Other restricted noncurrent liabilities includes the remaining unamortized balance of the 1997 forward delivery agreement and any arbitrage rebate liability to the Authority, if applicable. The following is an analysis of changes in the unamortized balance of the 1997 forward delivery agreement for the years ended December 31, 2021 and 2020:

	Balance at January 1, 2021	Additions	Reductions	Balance at December 31, 2021
$	1,170,895	—	207,544	963,351

	Balance at January 1, 2020	Additions	Reductions	Balance at December 31, 2020
$	1,378,439	—	207,544	1,170,895

Under the Bond Resolutions, the Authority is required to make scheduled payments with respect to 1997 Senior Bonds by depositing certain moneys into the Senior Bonds Debt Service Account held by the Trustee. The Authority has deemed the reinvestment of these funds for a period prior to the required payment date to be desirable. To facilitate the reinvestment, the Authority entered into a Debt Service Forward Delivery Agreement in December 1997 with U.S. Bank National Association and Lehman Brothers Special Financing Inc. (LBSF). Under the terms of the original agreement in 1997, LBSF agreed to pay a facility fee of $11.3 million for the opportunity to use the funds to invest in qualified securities. The agreement provides for the appropriate amounts to be available as needed for scheduled debt service payments.

During 2007, 2008, and 2010, the Authority refunded, tendered, and redeemed a portion of the Series 1997A, 1997B, and 1997C bonds, respectively. By entering into these transactions on the Series 1997 bonds, the Authority no longer had a requirement to deposit interest and principal into the Senior Bonds Debt Service Account in the amount that was originally agreed upon when entering into the Debt Service Forward Delivery Agreement with LBSF. Partial termination payments were made to LBSF in 2007 ($6.5 million), 2008 ($0.3 million), and 2010 ($0.2 million). Due to bankruptcy of LBSF, the Authority entered into a novation agreement in 2013 to transfer the forward delivery agreement from LBSF to Deutsche Bank. No terms of the original agreement were changed, and the Authority did not incur any expenses from the novation. The remaining balance of the 1997 forward delivery agreement is being amortized over the life of the outstanding 1997 bonds, which reach final maturity in September 2026.

The Internal Revenue Code and arbitrage rebate regulations issued by the IRS require rebate to the federal government of excess investment earnings on tax-exempt debt proceeds if the yield on those earnings exceeds the effective yield on the related tax-exempt debt issued. Excess earnings must be rebated every five years or upon maturity of the debt, whichever is earlier. The Authority has an assessed arbitrage rebate liability of $0.1 million as of December 31, 2021 and $1.0 million as of December 31, 2020. A rebate of $1.0 million related to the 2017B bonds and a rebate of $0.3 million related to the 2019A bonds was due and paid in 2021. A rebate of $0.07 million related to the 2015A bonds was due and paid in 2020.

(13) Deferred Inflows of Resources

The Authority entered into a purchase and sale agreement in 2020 with Aurora Highlands to sell the Authority's land and building facilities located at Toll Plaza C and Central Maintenance Facility, in order for Aurora Highlands to construct a large residential development in the area. Facilities at this site include two administrative buildings and a maintenance yard containing a salt barn for snow removal material storage and a vehicle storage bay. The agreement contains a leaseback provision allowing E-470 to retain the facilities for operational purposes for up to 4 years, until October 12, 2024 or such earlier date upon which E-470 voluntarily vacates the premises. The sale of assets resulted in a gain of approximately $3.2 million, which was recorded as a deferred inflow of resources and is amortized as a component of other income using the straight line method over the related operating lease term, which is 4 years beginning on October 12, 2020. Approximately $0.8 million and $0.2 million was amortized as a component of other income as of December 31, 2021 and 2020, respectively. The balance of $2.2 million and $3.0 million as of December 31, 2021 and 2020, respectively, is included within the unrestricted component of net position. See also notes 6 and 14 for further discussion of financial statement impacts related to this agreement as they pertain to notes receivable and commitments and contingencies.

(14) Commitments and Contingencies

(a) Tax, Spending, and Debt Limitations

In November 1992, the voters of Colorado approved Amendment 1, referred to as the Taxpayers Bill of Rights (TABOR), which added a new Section 20 to Article X of the Colorado Constitution. TABOR contains tax, spending, revenue, and debt limitations that apply to the State of Colorado and all local governments. Enterprises, defined as government-owned businesses authorized to issue revenue bonds and receiving less than 10% of annual revenue in grants from all state and local governments combined, are excluded from the provisions of TABOR. The Authority's operations qualify for this exclusion.

(b) Risk Management

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors or omissions; injuries to employees; and natural disasters. The Authority maintains commercial insurance for most risks of loss. Claims, expenses, and liabilities are reported when it is probable that a loss has occurred, and the amount of that loss can be reasonably estimated. At December 31, 2021 and 2020, no amounts have been recorded for pending or future claims. Further, claims have not exceeded insurance limits for each of the past three years.

(c) Intergovernmental Agreement with City of Aurora regarding Stephen D. Hogan Parkway

The Authority entered into an intergovernmental agreement in 2015 with the City of Aurora (the City) regarding the extension of 6th Avenue from its former terminus in an eastward direction from Buckley Air Force Base to East 6th Parkway and E-470. This extension, opened in 2019 as East Stephen D. Hogan Parkway, established a more direct route of travel, thereby filling a gap in the regional roadway network. In addition, the forecasted traffic and revenue on E-470 indicates that the extension will provide future revenue increases for the Authority. In consideration of the potential future revenue impacts, the Authority agreed to contribute $4.0 million toward the cost of construction in the form of a $2.0 million contribution and a $2.0 million loan, which has a 10-year term beginning on August 9, 2018, the date the Authority's proceeds were disbursed to the City, and bears interest at a rate of 2.5%

per annum. Both components of the Authority's contribution were conditioned upon all other funds being appropriated by the City of Aurora or otherwise irrevocably committed to the City of Aurora by third parties. The loan is presented as notes receivable on the statement of net position as of December 31, 2021 and 2020, with an outstanding principal balance of \$1.5 million and \$1.6 million, respectively.

(d) Intergovernmental Agreement with City of Commerce City regarding 120th Avenue Traffic Signals

The Authority entered into an intergovernmental agreement in 2019 with the City of Commerce City (Commerce City) regarding the funding of traffic signals located on the northbound and southbound on and off-ramps at the intersection of E-470 and 120th Avenue. The traffic signals benefit the travelling public in this area by way of increased safety and traffic control, and construction was substantially completed in 2020, with final project closeout in early 2021. Commerce City was responsible for project design and construction, as well as being solely responsible for operation and maintenance in perpetuity. The Authority provided funding for design, construction, and construction management in an amount not to exceed \$750 thousand dollars per the agreement. Funds were placed in a designated and segregated E-470 account, the unspent portion of which is presented as cash and cash equivalent limited for construction on the statement of net position as of December 31, 2020. The Authority released a total of \$0.5 million to Commerce City upon presentation and mutual approval of progress invoices for eligible expenses incurred in 2020, which is presented as an intergovernmental expense below nonoperating revenue (expenses) due to the agreement's nature as a voluntary non-exchange transaction. There were no additional expenses incurred in 2021. Upon project close out in 2021, remaining funds of \$0.2 million in the designated and segregated E-470 account remained with the Authority and were transferred back to the Capital Improvements Fund within the General Surplus account.

(e) Purchase and Sale Agreement with Aurora Highlands, LLC regarding Sale and Leaseback of land and facilities located at Toll Plaza C and Central Maintenance Facility

The Authority entered into a purchase and sale agreement in 2020 with Aurora Highlands to sell the Authority's land and building facilities located at Toll Plaza C and Central Maintenance Facility, in order for Aurora Highlands to construct a large residential development in the area. Facilities at this site include two administrative buildings and a maintenance yard containing a salt barn for snow removal material storage and a vehicle storage bay. The agreement contains a leaseback provision allowing E-470 to retain the facilities for operational purposes for up to 4 years, until October 12, 2024 or such earlier date upon which E-470 voluntarily vacates the premises. The total sales price for assets sold was \$7.4 million, delivered as \$2.0 million in cash upon closing in October 2020 and \$5.4 million in notes receivable, to be paid in installments of \$4.3 million payable when the Authority executes a construction contract for replacement facilities, which is estimated to occur during 2022, and the final \$1.1 million payable to the Authority when it provides written notice that it has vacated the leased premises, which estimated to be Q3 of 2024 but no later than October 12, 2024. The replacement facilities will be located on an owned parcel of land adjacent to the Authority's administrative headquarters facility off Stephen D. Hogan Parkway in Aurora and will include salt storage, magnesium chloride (MgCl) storage, fuel tank, mechanic bays, wash bays, truck storage, additional storage for supplies and materials, and office space for Authority employees and contractors. Design activities occurred in 2021 and early 2022, contracting and permitting is planned in 2022, and construction is planned to begin in late 2022 and continue through mid-2024.

(f) Intergovernmental Agreement with 64th ARI Authority regarding E-470 and 64th Avenue Interchange Widening Funding and Design

E-470 entered into an intergovernmental agreement with 64th Ave. ARI Authority (64th AAA) in October 2020 regarding the design and funding of the 64th Avenue interchange widening project. Cost savings and efficiencies may be realized to the mutual benefit of both parties by planning and executing the construction of the interchange widening in connection with the 64th Avenue Regional Improvements Project. Accordingly, the Authority is agreeable to accelerating design and potentially construction of the project and to provide a contribution to 64th AAA to be used solely to fund capital costs for the interchange. Pursuant to this IGA, the Authority deposited $8.0 million in a UMB bank escrow account in October 2020 to be used toward the 64th interchange project. No monies may be disbursed from the escrow account until a separate construction and maintenance intergovernmental agreement is negotiated and executed and provided to the escrow agent (UMB). If a separate construction and maintenance IGA is not executed on or before July 31, 2022, all monies in the escrow account and any earned interest are returned to the Authority within 5 business days of written notice provided to UMB by the Authority. As of the date of this report, negotiations on a separate IGA with 64th ARI are unlikely to be complete by July 31, 2022, and this date may be extended by amendment to the IGA. If the July 31, 2022 deadline is not met and the funds are returned to the Authority, the current agreement states that the funds are still to be held in a dedicated account for sole use toward the construction of the 64th Ave interchange, and the Authority would then construct the interchange as part of its upcoming widening project from two lanes to three lanes in each direction between I-70 and 104th Avenue to achieve economies of scale with the overall project. E-470 will own, operate, and maintain the bridge, ramps and tolling infrastructure being funded by the $8.0 million contribution, and 64th AAA will own and maintain connecting facilities such as local roads, frontage roads, 64th Ave, etc. The $8.0 million escrow account is presented as current unrestricted cash and cash equivalents limited for construction on the statement of net position as of December 31, 2021 and 2020.

(15) Intergovernmental Liability

(a) E-470 Ramp Relocation at Quincy Avenue

The Authority entered into an intergovernmental agreement in 2019 with South Aurora Regional Improvement Authority (SARIA) and Arapahoe County (the County) regarding relocation of the northbound on and off-ramps at Quincy Avenue, including the installation of a new signalized intersection to assist with mitigation of traffic congestion. The County improved the current intersection of Quincy Ave and Gun Club Road with a partial continuous flow intersection, and the proximity of the northbound on and off-ramps of E-470 at Quincy Avenue created operational and safety concerns, which the relocation alleviated. The Authority was responsible for facilitating, overseeing, and completing the project, which was constructed in conjunction with the Quincy to I-70 widening project to achieve economies of scale and other efficiencies and cost savings and was substantially completed in 2020. Under the agreement, SARIA and the County each contributed one-third of the project costs, estimated at the time of the agreement to be $3.0 million each. Two-thirds, or $2.9 million, of the total project costs expended by the Authority in 2020 was recognized as intergovernmental revenue and a reduction of the intergovernmental liability. Two thirds, or $449 thousand, of the total project construction costs expended by the Authority in 2021 was recognized as intergovernmental revenue, and the remaining balance of the intergovernmental liability was reduced to zero. The remaining current intergovernmental liability as of December 31, 2021 and 2020 was $0 and $0.2 million, respectively. Project closeout was completed in 2021, and the final total cost of the project was $6.4 million. E-470 received final payments due of $0.1 million from SARIA and $0.4 million from the County in 2021. There are no remaining unpaid amounts as of December 31, 2021. See note 6 for further discussion of financial statement impacts related to this agreement as it pertains to notes receivable.

(16) Litigation

The Authority is from time to time involved in various legal proceedings characterized as normally incidental to the business of the Authority. Management does not believe that the outcome of any legal proceedings will have a materially adverse impact on the financial position or results of operations of the Authority.

(17) Retirement Plans

In lieu of Social Security, the Authority contributes 6.2% of all compensation for regular employees to a retirement plan, up to the maximum Federal Insurance Contributions Act (FICA) base level of $142,800 in 2021 and $137,700 in 2020, for a maximum contribution of $8,854 for 2021 and $8,537 for 2020. Plan members are also required to contribute 6.2% of their annual covered salary. The plan is a defined-contribution plan administered by MissionSquare Retirement, formerly International City/County Management Association (ICMA) Retirement Corporation. Plan provisions and contribution requirements are established by and can be amended by the Authority’s board of directors. The Authority and its employees each contributed $0.4 million to this plan in each of 2021 and 2020. Employees are immediately vested.

In addition, the Authority contributes to 401(a) Retirement Plan covering 10% of all compensation for regular employees. Employees are not allowed to make contributions to the plan. The plan is a defined-contribution plan administered by MissionSquare Retirement, formerly ICMA Retirement Corporation. Plan provisions and contribution requirements are established by and can be amended by the Authority’s board of directors. Employees are 50% vested at the date of hire and 100% vested after one year of service. The Authority also matches employee contributions to the available 457 deferred compensation retirement plan up to $3,000 per employee per year, and these employer contributions are deposited into the 401(a) Retirement Plan due to the IRS annual deferral limit for 457 plans. The Authority contributed $0.8 million to this plan in 2021 and $0.7 million to this plan in 2020.

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E-470 PUBLIC HIGHWAY AUTHORITY

Other Information – Revenue Covenant

Year ended December 31, 2021

(Unaudited)

Section 7.18 of the Master and Supplemental Bond Resolutions (Bond Resolutions), titled “Revenue Covenant,” requires that there shall be sufficient revenues (as defined) collected, after the provision for the payment of operating expenses (as defined), to produce net income at least 1.30 times the aggregate senior debt service due for the year. The year ended December 31, 2002 was the first fiscal year the revenue covenant was applicable, and such covenant is applicable to all subsequent years through the payment of the Senior Bonds.

For the year ended December 31, 2021, the Authority exceeded the required debt service coverage ratio reporting an actual ratio of 2.04. Below is the calculation for the year ended December 31, 2021:

Revenue:		
Operating revenues	$	240,699,262
Unrestricted investment income		8,050,187
Other income		4,984,101
Total revenue		253,733,550
Less operating expenses before depreciation, net of renewal and replacement expenses		(53,075,181)
Net income available for senior debt service		200,658,369
Aggregate senior debt service due during the year	$	98,601,671
Senior debt service coverage ratio		2.04

The following is a summary description of key terminology of terms identified in the Bond Resolutions. Please refer to the Bond Resolutions for a complete description and additional clarification of the below terms.

Revenue: As defined by the Bond Resolutions, revenue comprises amounts received by the Authority from fees, tolls, rates, and charges for the privilege of traveling on the E-470 toll road. Revenues also include all other amounts derived from or in respect of the ownership or operation of the toll road, which constitute revenues in accordance with generally accepted accounting principles, including accrued toll revenues. Revenues also include other amounts derived from the E-470 toll road, as defined in the Bond Resolutions. Revenues do not include investment income that is externally restricted by credit agreements for purposes other than senior debt service. Revenues also do not include investment income that is noncash in nature, such as unrealized gains (losses), premiums, and discounts.

E-470 PUBLIC HIGHWAY AUTHORITY

Other Information – Revenue Covenant

Year ended December 31, 2021

(Unaudited)

The following is a reconciliation of investment income reported in the audited basic financial statements of the Authority for the year ended December 31, 2021 to unrestricted investment income available for senior debt service:

Interest earned on investments per the basic financial statements	$	7,908,081
Less:		
Gain on investments		(64,900)
Restricted investment income		(7,541)
Unamortized investment premium		214,547
Other income	$	8,050,187

The following is a reconciliation of other income reported in the audited basic financial statements of the Authority for the year ended December 31, 2021 to other income available for senior debt service:

Other income per the basic financial statements	$	5,009,389
Less:		
Gain on disposal of capital assets		(509,286)
Increase in arbitrage rebate		393,358
Add:		
Other nonoperating expenses		90,640
Other income	$	4,984,101

Operating Expense: As defined by the Bond Resolutions, operating expenses are amounts expended for the operation, maintenance, repair, and any other current expenses or obligations required to be paid by the Authority directly attributable to the operation of the E-470 toll road. Operating expenses do not include depreciation expense, interest for debt service, or expenses associated with the renewal and replacement accounts established under the Bond Resolutions. Per the Bond Resolutions, renewal and replacement expenses are to be funded after senior debt service.

E-470 PUBLIC HIGHWAY AUTHORITY

Other Information – Revenue Covenant

Year ended December 31, 2021

(Unaudited)

The following is a reconciliation of operating expenses before depreciation expense reported in the audited basic financial statements of the Authority for the year ended December 31, 2021 to operating expenses before depreciation expense, net of nonoperating fund expenses, included in the revenue covenant calculation:

Operating expenses before depreciation and interest per the audited basic financial statements	$	56,470,740
Less renewal and replacement expenses		(3,395,559)
Operating expenses before depreciation expense, net of nonoperating fund expenses	$	53,075,181

Aggregate Senior Debt Service Due, Net: For the year ended December 31, 2021, aggregate senior debt service due is all principal and interest paid on outstanding senior bonds (cash basis), which includes Senior Bond Series 1997B, 2000B, 2017B, 2019A, 2020A, and 2021B, as well as the paid settlement differential on the Authority's interest rate swaps during the year.

Senior Debt Service Coverage Ratio: Senior debt service coverage ratio is the ratio of net income available for senior debt service to aggregate debt service due, net during the fiscal year.