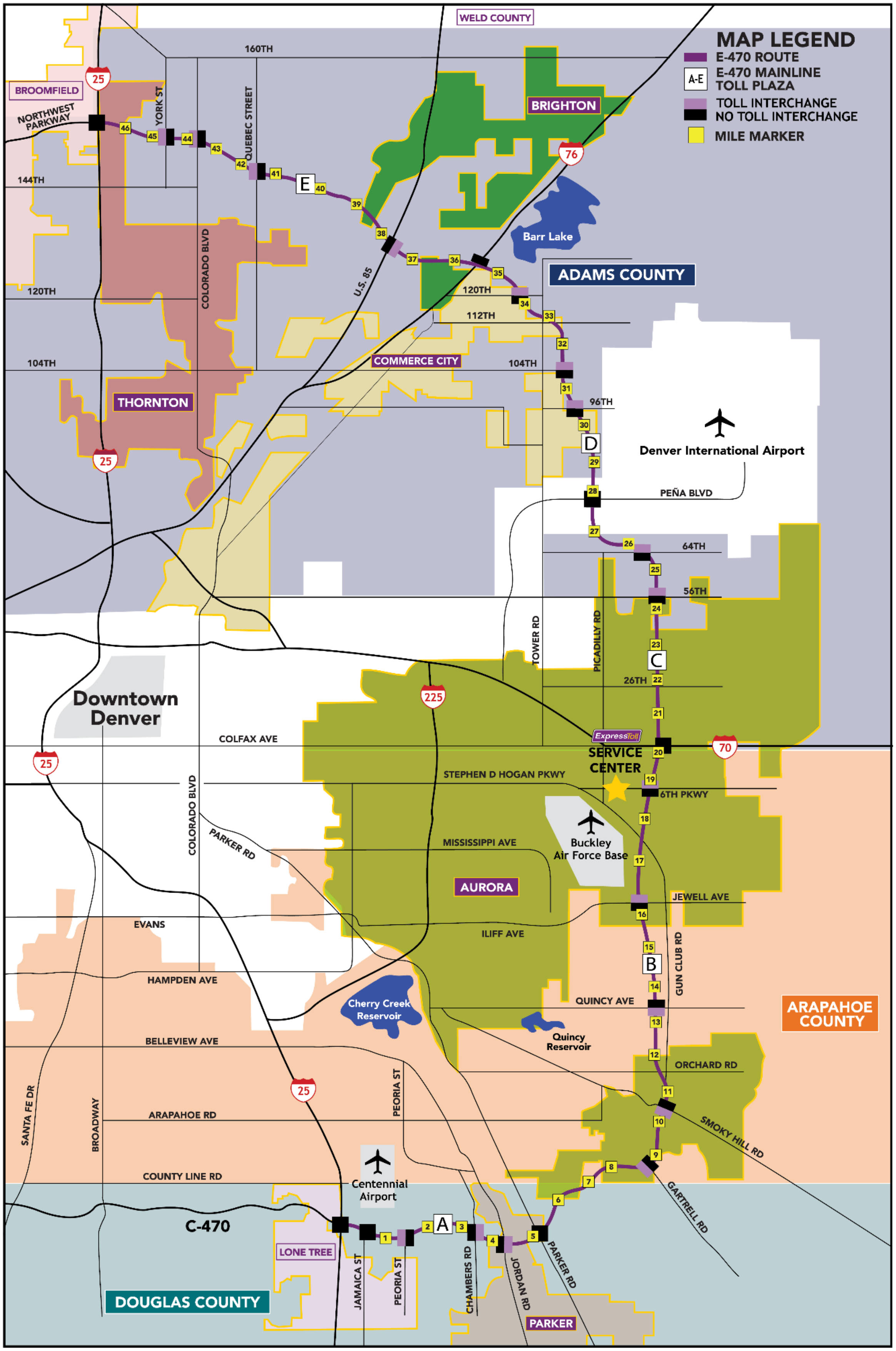
E-470 PUBLIC HIGHWAY AUTHORITY

2022 BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022 & 2021

(WITH INDEPENDENT AUDITORS' REPORT THEREON)



E470

ADAMS COUNTY	AURORA	PARKER
ARAPAHOE COUNTY	BRIGHTON	THORNTON
DOUGLAS COUNTY	COMMERCE CITY	

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, 2022 and 2021. 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 2022, 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, also known as 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 Lanes (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 currently provides several other services to CTIO and Plenary, including, but not limited to, integrating to the back office, 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.

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2022 Financial Highlights

- Fiscal year 2022 brought several challenges and changes to traffic patterns along the corridor, but the Authority was able to monitor and manage through the monthly fluctuations and end the year with stable and positive financial results. Early in the year, the COVID-19 Omicron variant swept through the country and local region causing travel disruptions over the December 2021 holidays and into January 2022. Shortly thereafter, the Denver metro area experienced a very snowy February, while fuel prices and inflation on consumer goods spiked on a national scale and remained historically high through the summer, causing anomalies in the Authority's normal seasonal traffic patterns and volumes. However, fuel prices declined, and inflation moderated in late summer, while many local businesses and governments went back to the office on a routine basis in the fall. This led to a rebound in the Authority's traffic with very consistent and improved traffic the last four months of the year which approximated budget and surpassed 2019 levels for September through December. This was the first time since late 2019 and early 2020 that traffic rebounded to levels seen prior to the pandemic. Further, the Authority has not been immune to broad inflation and cost increases impacting all aspects of the Authority's operations and capital program expenditures. Management remained proactive in an effort to contain the operating expenses as much as possible but saw the biggest impact on the Authority's capital budget and contract estimates for several of the large capital projects in flight or beginning in 2023, with increases over 20-40% from project and spending estimates completed in 2021. The capital cost increases, which are consistent with increases experienced by CDOT and other regional entities, include areas such as fuel, concrete, asphalt, steel, labor, and other earthmoving activities needed for several of the Authority's large capital projects. Despite these challenges, the Authority was able to maintain compliance with its debt management plan, which includes financial goals for year-end results, and still plans to invest in future phases of expansion, technology, and infrastructure improvements by utilizing unrestricted funds for the entire capital program in the foreseeable future.
- Transactions on the E-470 toll road experienced growth of 13% from 76.2 million transactions in 2021 to 86.2 million transactions in 2022. 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.
- Operating revenues increased 6% from 2021 to 2022 from $240.7 million to $254.6 million. Operating revenues increased 36% from 2020 to 2021 from $176.6 million to $240.7 million.
- Operating expenses, before depreciation, increased 16% from 2021 to 2022 from $56.5 million to $65.5 million. Operating expenses, before depreciation, increased 3% from 2020 to 2021 from $54.8 million to $56.5 million.
- Debt service coverage, a critical measurement of the Authority's annual operations, for fiscal year 2022 was 2.11 versus an original budgeted ratio of 2.07. In prior years, debt service coverage for fiscal year 2021 was 2.04 versus an original budgeted ratio of 1.90 and was 1.85 versus a budgeted 1.96 in 2020.
- 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 interchange additions at 38th Avenue and 48th Avenue and improvements to the 64th Avenue interchange and bridge over Pena Boulevard. Project construction began in September 2022 with completion estimated to occur in mid-2025. The Authority has spent $18.7 million on this project through December 31, 2022, and has budgeted and estimated a remaining $341 million, including contingency, for the multiyear construction project in 2023 through 2025.

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- 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 2022. One new toll facility, I-70 MEXL westbound, opened in July 2022 for which E-470 provides back office services. The Authority's back office toll collection system processed approximately 30.8 million and 25.6 million tolled transactions on other roadways in 2022 and 2021, respectively. 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 2022 and 2021 totaled approximately $10.3 million and $9.0 million, respectively.
- 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, contingent upon annual review and resolution prior to the beginning of each fiscal year. 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. 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.

  The 2022 ExpressToll rate for a two-axle vehicle was $2.60 at mainline toll plaza A, $2.65 at mainline toll plaza C, and $2.90 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 2022 LPT toll rate for a two-axle vehicle was $4.20 at mainline toll plaza A, $4.25 at mainline toll plaza C, and $4.60 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.
- In late 2021, the Authority engaged its Traffic and Revenue Consultant to conduct a forecast update letter that revised future forecasts for the E-470 toll road from 2022 through 2050, based on the new board-approved toll rate policy. The report was published in December 2021 and factored in the board approved toll rate decrease at all mainline gantries. The Authority finished the year near these projections at 96% of projected 2022 transactions and 97% of projected 2022 net toll revenues.

Summary of Operations

The Authority's operating revenues, which include toll revenues, other toll-related fees, and tolling services revenues, for 2022 were $254.6 million, a 6% increase over the $240.7 million in 2021. Toll revenues, net of related bad debts, were $231.3 million and $218.5 million of total operating revenues in 2022 and 2021, respectively. This increase is primarily due to increased overall toll transactions of 13% from 2021 as a result of continued recovery following the COVID-19 pandemic. Toll revenues, net of related bad debts, for fiscal year 2022 were $6.6 million below the $237.9 million 2022 operating budget. Traffic on E-470 during 2022 combined for 86.2 million transactions, with approximately 75% of the corresponding toll revenues coming from ExpressToll accounts. Operating revenues for 2021 were $240.7 million, a 36% increase over the $176.6 million in 2020. 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. Operating revenues for 2020 were

$176.6 million, a 34% decrease from 2019, which is due to significantly decreased toll transactions as a result of the COVID-19 pandemic.

Total operating expenses, before depreciation, for 2022 were $65.5 million, a 16% increase over the $56.5 million in 2021. The increase is primarily due to higher toll collection costs from the 13% increase in E-470 toll transaction volume in 2022, coupled with a 20% increase in tolled transactions incurred on other Colorado toll facilities, along with generally increased costs related to broad inflationary pressures. Costs incurred for other toll facilities are recovered and recorded as tolling services revenue. Costs such as labor related to the customer service center, courtesy patrol, communication center, administrative law court processing and Colorado State Patrol traffic enforcement; registered vehicle owner information retrieval; credit card fees; printing and postage on bills and notices; snow removal labor, materials and fuel; software licensing; IT technical support contract labor; and employee salary and benefits expense; offset by a decrease in image processing labor, accounted for $7.9 million of the overall $9.0 million increase from prior year. There were no other individually significant fluctuations. 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 Senior Revenue Bond principal and interest payments from the senior debt service fund during 2022 and 2021 were $98.2 million and $98.6 million, respectively, on the Series 1997, 2000, 2017, 2019, 2020, and 2021 bonds, and includes the interest rate swap differentials. The total $98.2 million and $98.6 million of principal and interest payments in 2022 and 2021, respectively, were made from the senior debt service fund. Debt service coverage for 2022 was 2.11, compared to 2.04 in 2021 and 1.85 in 2020. 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.

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Financial Results and Analysis

Summary of Net Position

	2022	2021 (restated)	2020
Current assets:			
Current unrestricted assets	$ 282,474,905	237,064,754	219,194,320
Current restricted assets	99,863,105	58,877,020	52,905,615
Total current assets	382,338,010	295,941,774	272,099,935
Noncurrent assets:			
Capital assets, net of accumulated depreciation	574,735,271	580,916,489	607,430,765
Other noncurrent assets	307,151,063	328,759,717	280,761,400
Total noncurrent assets	881,886,334	909,676,206	888,192,165
Total assets	1,264,224,344	1,205,617,980	1,160,292,100
Deferred outflows of resources	39,487,295	46,755,475	54,099,716
Total assets and deferred outflows of resources	1,303,711,639	1,252,373,455	1,214,391,816
Current liabilities:			
Current liabilities payable from unrestricted assets	61,904,054	49,363,926	50,369,122
Current liabilities payable from restricted assets	90,674,427	87,501,299	87,540,596
Total current liabilities	152,578,481	136,865,225	137,909,718
Noncurrent liabilities	1,229,222,698	1,291,871,402	1,332,937,957
Total liabilities	1,381,801,179	1,428,736,627	1,470,847,675
Deferred inflows of resources	4,060,894	5,115,334	3,017,684
Total net position	(82,150,434)	(181,478,506)	(259,473,543)
Total liabilities and deferred inflows of resources and net position	$ 1,303,711,639	1,252,373,455	1,214,391,816

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The largest portion of the Authority's assets is noncurrent. Approximately 45% and 48% of the total assets are capital assets (e.g., infrastructure, buildings, equipment, and other), net of accumulated depreciation as of December 31, 2022 and 2021, 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, while newer capital assets for over a decade have been financed with unrestricted funds. Approximately $613.6 million, or 49%, and $550.7 million, or 46%, of the total assets are cash equivalents and investments as of December 31, 2022 and 2021, respectively. Of these amounts, approximately $410.7 million and $364.5 million are within the General Surplus accounts as of December 31, 2022 and 2021, respectively, which have specific unrestricted purposes, such as fully funding the Authority's future capital budget and bond defeasances. Noncurrent bonds payable was approximately 98% and 96% of total noncurrent liabilities in 2022 and 2021, respectively. Total current liabilities were $152.6 million and $136.9 million at the end of 2022 and 2021, respectively. Of the total current liabilities, $90.7 million (59%) and $87.5 million (64%) for 2022 and 2021, 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 $1,313 million in 2021 to $1,338 million in 2022. Accumulated depreciation reduced the year-end capital asset balances to $574.7 million in 2022 and $580.9 million in 2021. During 2022, the Authority expended approximately $33.6 million on capital projects and successfully completed capital projects totaling $4.9 million, which were closed from construction in progress to their respective capital asset accounts. The major projects completed include replacement of several fleet vehicles for maintenance and roadside assistance purposes and various enhancements to the Authority's toll collection system and technical environment. 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.

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Summary of Revenue, Expenses, and Changes in Net Position

	2022	2021 (restated)	2020
Operating revenues	$ 254,615,695	240,699,262	176,555,679
Operating expenses before depreciation	(65,505,636)	(56,470,740)	(54,790,481)
Depreciation	(39,885,962)	(41,928,584)	(42,018,206)
Operating income	149,224,097	142,299,938	79,746,992
Nonoperating revenues (expenses):			
Interest expenses	(76,147,252)	(79,350,123)	(88,903,625)
Investment revenues, net	22,778,124	10,360,332	1,756,426
Intergovernmental revenue	—	238,965	2,915,064
Other income	3,473,103	5,065,473	1,128,745
Total nonoperating expenses	(49,896,025)	(63,685,353)	(83,103,390)
Loss before intergovernmental expense	99,328,072	78,614,585	(3,356,398)
Intergovernmental expense	—	(619,548)	(544,752)
Change in net position	99,328,072	77,995,037	(3,901,150)
Net position, beginning of year	(181,478,506)	(259,473,543)	(255,572,393)
Net position, end of year	$ (82,150,434)	(181,478,506)	(259,473,543)

Operating revenues (which include tolls, other toll-related fees, and tolling services revenues) in 2022 and 2021 were $254.6 million and $240.7 million, respectively, an increase of 6% over 2021. Operating expenses before depreciation increased by $9.0 million to $65.5 million in 2022. Depreciation expense decreased by $2.0 million to $39.9 million in 2022. Overall, operating income increased by $6.9 million from 2021 to $149.2 million, primarily due to increased overall toll transactions of 13% from 2021 on E-470, coupled with a 20% increase in tolled transactions incurred on other Colorado toll facilities, as a result of continued recovery following the COVID-19 pandemic. Total net nonoperating expenses decreased by $13.8 million to $49.9 million in 2022, which was attributed to increases in interest rates and the corresponding effect on the change in fair value of derivative instruments and investments of $9.3 million, a decrease in interest expenses of $3.2 million, and an increase in interest earned on investments of $3.1 million, offset by a decrease in intergovernmental and other revenue of $1.8 million. The overall increase in net position was $99.3 million in 2022, which is $21.3 million more than the increase in net position of $78.0 million in 2021.

Operating 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

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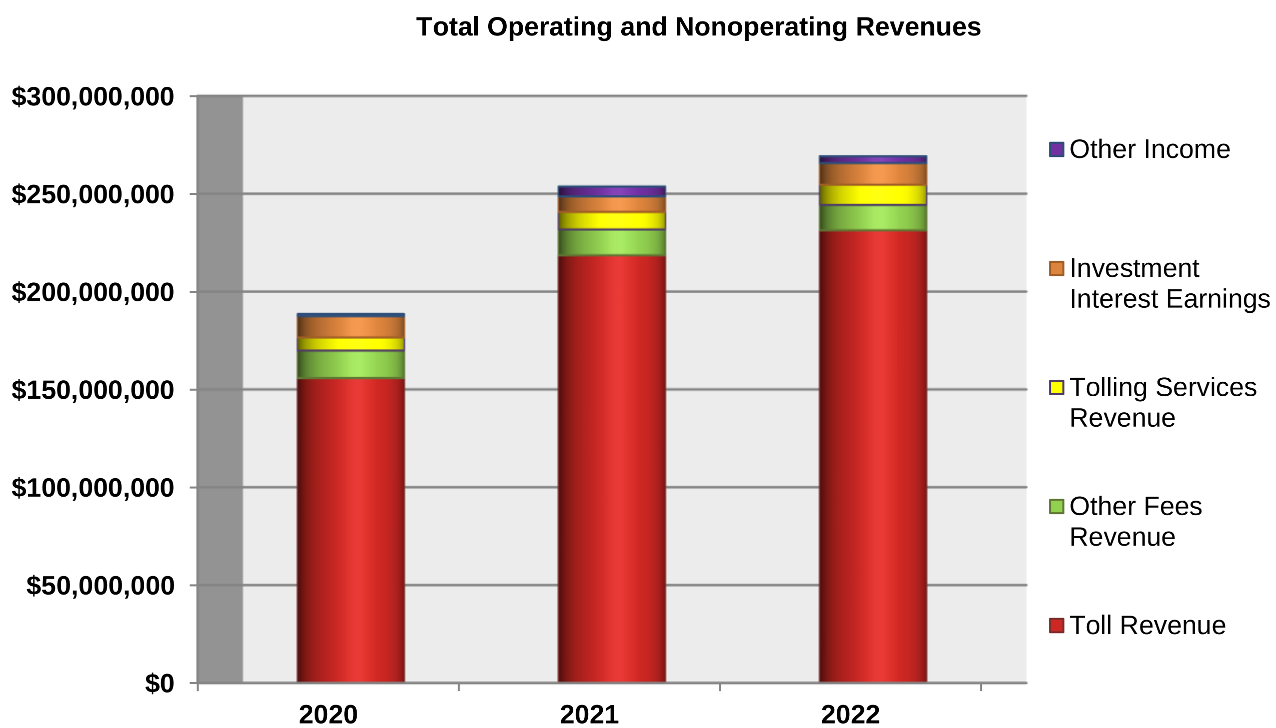
$19.4 million to $63.7 million in 2021, which was attributed to changes in interest rates and the corresponding effect on the change in fair value of derivative instruments and investments of $11.6 million, a decrease in interest expenses of $9.6 million, and an increase in intergovernmental and other 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 $78.0 million in 2021, which is $81.9 million more than the decrease in net position of $3.9 million in 2020.



Operating and nonoperating revenues included in the chart above for 2022, 2021, and 2020 were $269.2 million, $253.7 million, and $188.6 million, respectively.

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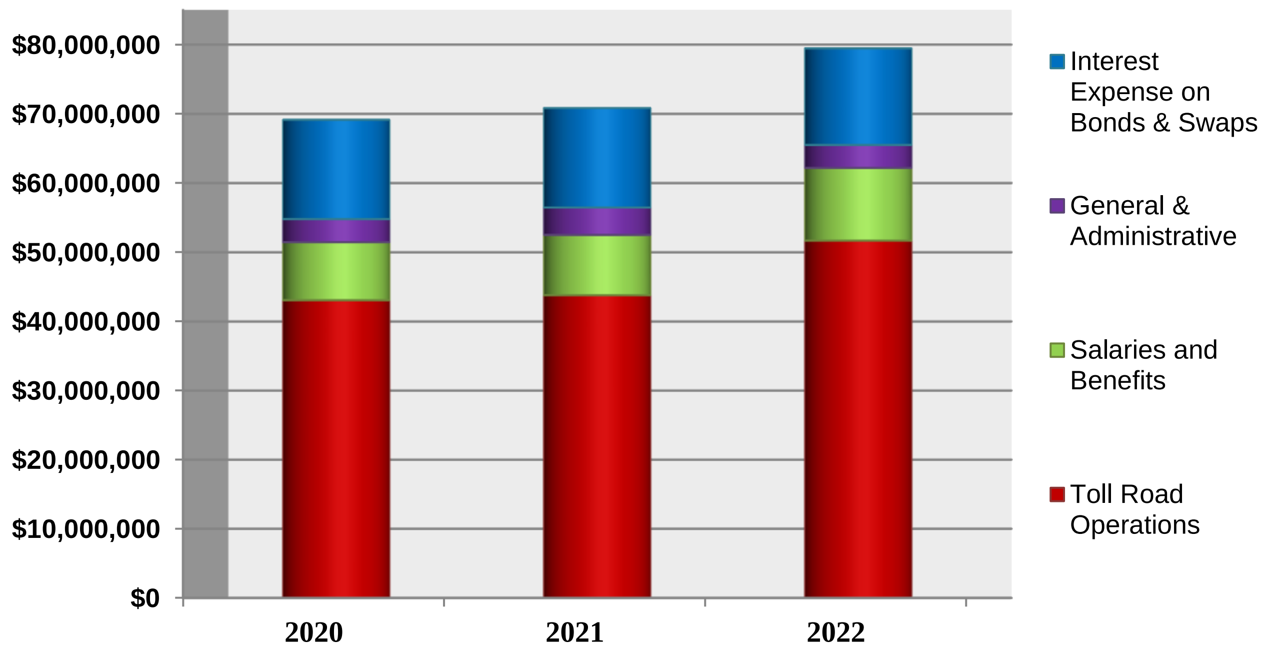
Total Operating Expenses and Interest on Bonds & Swaps



Total operating expenses, before depreciation and including nonoperating interest expense on bonds and interest rate swaps, for 2022 and 2021 were $79.4 million and $70.8 million, respectively. Toll road operations expenses increased by $7.9 million to $51.7 million in 2022 versus $43.8 million in 2021. The increase is primarily due to higher toll collection costs from the 13% increase in E-470 toll transaction volume in 2022, coupled with a 20% increase in tolled transactions incurred on other Colorado toll facilities, along with generally increased costs related to broad inflationary pressures. Costs incurred for other toll facilities are recovered and recorded as tolling services revenue. These increased costs include labor related to the customer service center, courtesy patrol, communication center, administrative law court processing and Colorado State Patrol traffic enforcement; registered vehicle owner information retrieval; credit card fees; printing and postage on bills and notices; snow removal labor, materials, and fuel; software licensing; IT technical support contract labor; and employee salary and benefits expense; offset by a decrease in image processing labor. Nonoperating interest expenses on bonds and swaps decreased by $0.5 million to $13.9 million in 2022 as compared to 2021 due to increases in interest rates during 2022 which resulted in a $1.7 million decrease in the variable LIBOR swap settlements paid, offset by an increase of $1.2 million in interest paid on the related 2021B SOFR variable notes (2021B SOFR, 2017B LIBOR and 2019A LIBOR variable notes in 2021).

(C o n t i n u e d)

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.

Debt Administration and Debt Service

In 2022, principal and interest paid on Senior Bond debt from restricted debt service totaling $98.2 million consisted of $44.8 million on Series 1997 bonds, $39.4 million on Series 2000 bonds, $8.4 million on Series 2020 bonds, $1.7 million on Series 2021 bonds, and $3.9 million on the two interest rate swaps settlement differential.

In 2021, principal and interest paid on Senior Bond debt from restricted debt service totaling $98.6 million consisted of $44.8 million on Series 1997 bonds, $37.7 million on Series 2000 bonds, $0.4 million on Series 2017 bonds, $0.2 million on Series 2019 bonds, $10.1 million on 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 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 on Series 1997 bonds, $2.2 million on Series 2010 bonds, $21.5 million on Series 2015 bonds, $1.0 million on Series 2017 bonds, $0.6 million on 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 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.

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

E-470 Revenue Bonds Outstanding Principal

	2022	2021
Series 1997 B Capital Appreciation	$ 159,556,713	194,307,376
Series 2000 B Capital Appreciation	420,689,858	433,135,770
Series 2004 A Capital Appreciation	199,843,518	189,474,268
Series 2006 B Capital Appreciation	128,680,382	122,393,345
Series 2010 A Capital Appreciation	51,187,820	47,730,154
Series 2020 A Current Interest	167,370,000	167,370,000
Series 2021B SOFR Notes	138,640,000	138,640,000
Premiums	30,168,900	33,186,084
Total	$ 1,296,137,191	1,326,236,997

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, as there were no debt transactions in 2022:

- 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.

- 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, 2022 and 2021 with a net liability fair value of $19.3 million and $49.2 million, respectively, and derivative instruments investment gain of

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$29.9 million in 2022 and $11.3 million in 2021. 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, 2022, 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 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. No formal rating surveillance or bond transactions occurred in 2022, and no changes were made from informal updates provided to the rating agencies. During the pandemic, the reaffirmations were in light of the financial downturn and COVID-19 pandemic that 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 formal rating actions have occurred since the bond transaction in June of 2021.

Ratings and outlook as of December 31, 2022:

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

Economic Factors

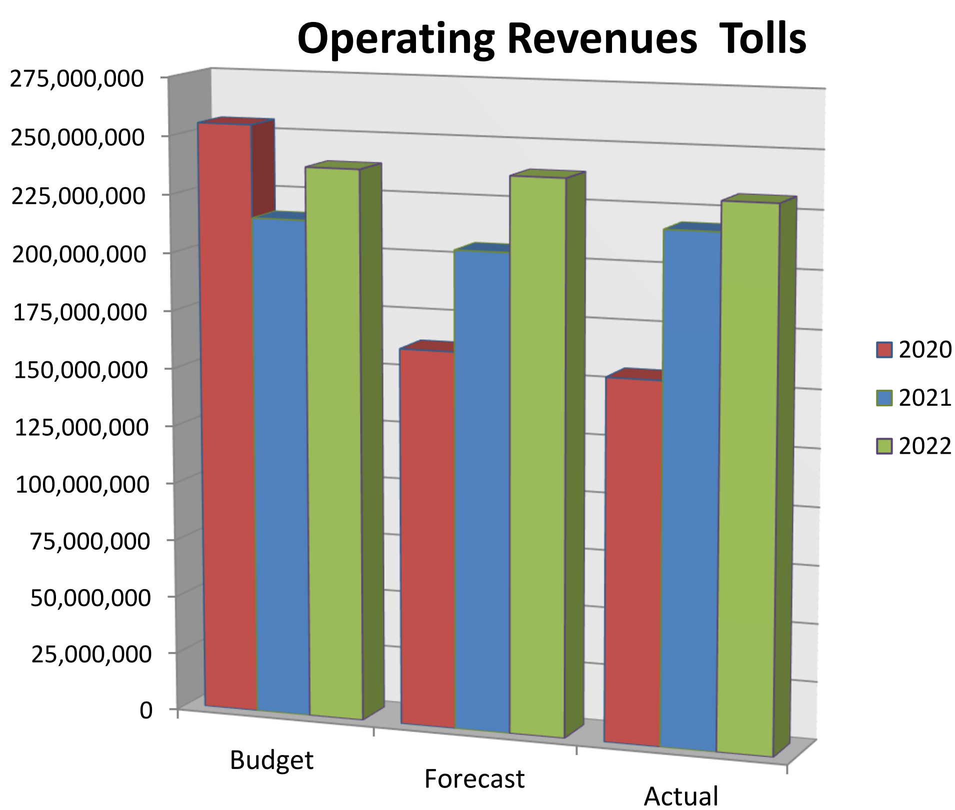
Estimates by the Authority's traffic and revenue consultant (CDM Smith) are shown against actual toll revenue, net of uncollectible amounts for the fiscal years ended 2022, 2021, and 2020. The Authority has engaged a traffic and revenue consultant to conduct investment-grade traffic and revenue studies 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. In late 2021, the Authority engaged CDM Smith to conduct a forecast update letter that revised future forecasts for the E-470 toll road from 2022 through 2050, based on the new board-approved toll rate policy. This report was published in December 2021. The 2022 forecast figures below are from the December 2021 update letter, while the 2021 forecast figures below are from the April 2021 bring down letter, and the 2020 forecast figures are from the May 2020 report. 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
2022	62,794,838	23,388,701	86,183,539	90,198,000	(4,014,461)	(4%)
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%)

Toll Revenues, Net (Annual Total)

Year	ExpressToll	LPT	Total toll revenue	Forecast	Variance	Percentage variance
2022	$ 173,299,758	58,025,520	231,325,278	237,917,000	(6,591,722)	(3%)
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%)



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 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 2022 operating budget (which was prepared and approved by the board in December 2021) 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, 2022:

		2022 Budget	2022 Results	Variance	Percentage variance
Total revenue	$	268,566,000	267,789,973	(776,027)	— %
Total operating expenditures		(64,216,200)	(60,868,920)	3,347,280	(5)
Net revenue		204,349,800	206,921,053	2,571,253	1
Senior debt service due		98,500,000	98,164,945	(335,055)	—
Debt service coverage ratio		2.07	2.11	0.04	2 %
Capital and renewal and replacement costs	$	128,211,600	39,701,575	(88,510,025)	(69)%

During 2022, the original budget was the final approved budget and total budgeted operating revenues ended $0.8 million, or 0%, under budget. This is primarily due to net toll revenues ending under budget by $6.6 million from the lower than budgeted traffic during the year, as well as toll fees ending over the conservative budget by $2.9 million as older unpaid transactions aged through the billing process and were collected. Additionally, other revenues ended $2.9 million over budget due to higher than budgeted investment income as interest rates increased in 2022, higher than budgeted tolling services revenue from a 20% increase in tolled transactions incurred on other Colorado toll facilities, and contributed land related to the 38th Avenue interchange construction project. Total operating expenses ended $3.3 million, or 5%, under budget, which is mainly attributable to lower than budgeted costs across the organization resulting from a concerted effort to contain costs given uncertain traffic levels and economic conditions throughout 2022. These final budget results led to a debt service coverage ratio of 2.11, which is higher than the original budgeted ratio of 2.07 for 2022.

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 $88.5 million, or 69% under

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budget. This variance is primarily due to the continued schedule delays in the next generation lane equipment implementation project, as well as unanticipated schedule and supply chain delays in the I-70 to 104th Avenue widening project and Central Maintenance Facility relocation construction project, where costs were shifted from 2022 to future years.

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
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.

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

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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, 2022 and 2021, 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 2022 with an overall increase of 20% in total transactions processed by the Authority from 2021 to 2022. These tolling services revenues totaled $10.3 million and $9.0 million in 2022 and 2021, respectively.

Business Risks

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 had a significant impact on customer travel patterns and behaviors and resulted in adverse results and decreased traffic volumes along the entire corridor, with a reduction in 2020 transactions of 36% from the previous record high level of 2019. Since 2020, the recovery from the pandemic's impacts on global and local economies and other challenges such as government fiscal policy and spending, supply chain issues, fuel prices, and broad inflation have caused a slow but steady recovery of Authority transaction volumes and toll revenues. Fiscal year 2021 saw volumes increase by 31% from 2020, while 2022 saw another 13% increase from 2021 and a return of monthly traffic levels to pre-pandemic highs set in 2019 during the last four months of 2022.

Throughout this entire period, the Authority has been closely monitoring monthly and annual traffic volumes along the E-470 toll road and has remained very proactive and flexible with revisions to toll revenue projections, budget, and operating and capital costs. The Authority finished 2022 at 97% of the toll revenue projections completed by CDM Smith in December 2021, which included a toll rate decrease effective January 1, 2022 at all mainline toll plazas. While traffic volumes have fluctuated significantly since early 2020, the Authority has adequate unrestricted funds within the General Surplus Account which could be available to pay debt service when due, if needed, and the Authority continues to fund the capital program from these unrestricted funds as well. 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 as well as self-fund the entire capital program as planned, despite the increased cost estimates for some of the larger capital projects due to inflationary impacts.

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 began construction in late 2022 on the next segment for road widening from two lanes to three lanes in each direction between I-70 in Aurora and 104th Avenue in Adams County. This project is scheduled to span over three years of construction with completion estimated in mid-2025. The Authority has spent $18.7 million through December 31, 2022 and has budgeted an additional $341.0 million, including contingency, for the multiyear construction project in 2023 through 2025, for a total project estimated cost of $359.7 million. This significant project is planned to include improvements to the 64th Avenue interchange and bridge over Pena Boulevard, and new interchanges at 38th Avenue and 48th Avenue. Also planned for inclusion is a reconfiguration of the tolling points at toll plaza C, a multi-use trail extension, and a potential 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 2023 include:

- the executed lease agreement with Applegreen to repurpose and redevelop four vacant mainline toll plaza buildings as customer convenience service stations where the Authority has spent $2.6 million through 2022, with $4.8 million estimated in 2023 to ready the sites for conversion by Applegreen.

- approximately $12.7 million budgeted in 2023 for the next generation lane equipment and software integration project along E-470, with $12.0 million spent to date through 2022 on this multiyear project.

- $9.5 million budgeted in 2023 to continue design and development on a multiyear project to modernize the Authority's toll collection system back office software, with $2.7 million spent to date through 2022 on this multiyear project.

- adding traffic signals and interchange improvements at Gartrell Road ($1.2 million budgeted in 2023).

- planning for the future addition of the Sable Boulevard interchange with $1.6 million in 2023 budgeted design costs.

- approximately $33.0 million budgeted in 2023 to relocate the Central Maintenance Facility (CMF) due to the Aurora Highlands development and sale of land and buildings in 2020, which is projected to be completed in 2024.

The above projects span multiple years and may have additional costs in 2024 which are not yet board approved. The large $226.8 million capital program in 2023 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 2023 toll rates, in December 2022, the Authority's board of directors approved and adopted Resolution 22-02, "Regarding 2023 Toll Rates and Toll Rate Schedule," to extend the 2022 Toll Rates for the first portion of fiscal year 2023 in lieu of immediately lowering tolls as set forth in the prior year Resolution 22-01, which scheduled another slight toll rate decrease at the mainline toll gantries. This change is due to uncertain and volatile economic factors impacting the costs of the Authority's operations and its capital projects, including but not limited to the tail-end of the pandemic impacts, the war in Ukraine, supply chain issues, fuel price fluctuations, potential recessionary pressures, and wide-reaching inflationary conditions. As a result, the Authority's board voted not to lower tolls at the start of 2023, citing the need to maintain continuity of business operations. Authority staff will continue to closely monitor the economic volatility concerns into the first and second quarter of fiscal year 2023 such that the Board can re-evaluate the impacts on customer travel behaviors and financial conditions of the Authority. The Board shall re-evaluate and consider lowering of tolls, either as specified by the Current Toll Resolution, or in some other manner, by no later than July 1, 2023, at which time the Board may adopt a revised Toll Rate Schedule for the remainder of 2023. The Authority projects to meet its financial goals detailed within the debt management policy for the foreseeable future with stable financial planning.

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 the Central I-70 express lanes and related equity program, as well as to integrate the I-25 South GAP express lanes in 2023. Other future 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 agreement with CTIO expiring on June 30, 2028.

Regarding debt management, the Authority does not have any scheduled debt call opportunities or planned new-money financings in 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.

KPMG LLP
Suite 800
1225 17th Street
Denver, CO 80202-5598

Independent Auditors' Report

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, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements for the years then ended as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of December 31, 2022 and 2021, and the changes in its financial position and its 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 Audit 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.

Emphasis of Matter

As discussed in note 2(n) to the basic financial statements, in 2022, the Authority adopted Government Accounting Standards Board Statement No. 87, *Leases*. Our opinion is not modified with respect to this matter.

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

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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.

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 GAAS, 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 audits 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

Our audit was conducted for the purpose of forming an opinion on the basic financial statements as a whole. The Other Information – Revenue Covenant is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

KPMG LLP

Denver, Colorado
April 17, 2023

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E-470 PUBLIC HIGHWAY AUTHORITY

Statements of Net Position

December 31, 2022 and 2021

Assets		2022	2021 (restated)
Current unrestricted assets:			
Cash and cash equivalents	$	88,531,007	83,090,280
Investments		136,224,961	105,666,653
Cash and cash equivalents limited for construction		16,144,009	8,005,936
Accrued interest receivable		2,811,016	2,195,929
Accounts receivable, net of allowance for uncollectibles		32,339,925	33,160,969
Notes receivable		4,517,035	4,512,229
Leases receivable		205,522	198,902
Prepaid expenses and other current assets		1,701,430	233,856
Total current unrestricted assets		282,474,905	237,064,754
Current restricted assets:			
Cash and cash equivalents for debt service		46,567,372	32,036,770
Investments for debt service		53,243,743	26,797,349
Accrued interest receivable		51,990	42,901
Total current restricted assets		99,863,105	58,877,020
Total current assets		382,338,010	295,941,774
Noncurrent assets:			
Unrestricted investments		241,765,885	227,294,582
Restricted investments for debt service		54,510,488	89,352,084
Prepaid bond costs and other noncurrent assets		6,183,831	7,019,635
Notes receivable		2,141,572	2,338,607
Leases receivable		2,549,287	2,754,809
Capital assets, net of accumulated depreciation		574,735,271	580,916,489
Total noncurrent assets		881,886,334	909,676,206
Total assets		1,264,224,344	1,205,617,980
Deferred outflows of resources:			
Loss on refundings of debt		39,487,295	46,755,475
Total assets and deferred outflows of resources	$	1,303,711,639	1,252,373,455

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E-470 PUBLIC HIGHWAY AUTHORITY

Statements of Net Position

December 31, 2022 and 2021

Liabilities		**2022**	**2021 (restated)**
Current liabilities payable from unrestricted assets:			
Accounts payable and accrued expenses	$	18,097,443	8,075,644
Unearned toll revenue		43,698,630	40,853,566
Derivative instruments – interest rate swaps		107,981	434,716
Total current liabilities payable from unrestricted assets		61,904,054	49,363,926
Current liabilities payable from restricted assets:			
Bonds payable (including accumulated accretion on capital appreciation bonds of $65,236,517 in 2022 and $62,741,200 in 2021)		87,395,000	84,200,000
Accrued interest payable		3,279,427	3,301,299
Total current liabilities payable from restricted assets		90,674,427	87,501,299
Total current liabilities		152,578,481	136,865,225
Noncurrent liabilities:			
Bonds payable (including accumulated accretion on capital appreciation bonds of $596,487,716 in 2022 and $604,606,855 in 2021)		1,208,742,191	1,242,036,997
Other restricted noncurrent liabilities		1,304,811	1,038,270
Derivative instruments – interest rate swaps		19,175,696	48,796,135
Total noncurrent liabilities		1,229,222,698	1,291,871,402
Total liabilities		1,381,801,179	1,428,736,627
Deferred inflows of resources:			
Related to gain on sale of asset		1,408,252	2,212,968
Related to leased assets		2,652,642	2,902,366
Total deferred inflows of resources		4,060,894	5,115,334
Net position:			
Net investment in capital assets		64,970,221	62,560,079
Unrestricted deficit		(147,120,655)	(244,038,585)
Total net position		(82,150,434)	(181,478,506)
Commitments and contingencies (notes 10, 11, 14, 15, and 16)			
Total liabilities and deferred inflows of resources and net position	$	1,303,711,639	1,252,373,455

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, 2022 and 2021

	2022	2021 (restated)
Operating revenues:		
Tolls	$ 231,325,278	218,543,865
Other fees	12,941,449	13,193,049
Tolling services	10,348,968	8,962,348
Total operating revenues	254,615,695	240,699,262
Operating expenses:		
Toll road operations	51,681,128	43,800,527
Salaries and benefits	10,501,553	8,707,943
General and administrative	3,322,955	3,962,270
Total operating expenses before depreciation	65,505,636	56,470,740
Depreciation	39,885,962	41,928,584
Total operating expenses	105,391,598	98,399,324
Operating income	149,224,097	142,299,938
Nonoperating revenue (expenses):		
Interest expenses:		
Interest on bonds and interest rate swaps	(13,943,074)	(14,362,375)
Accretion on capital appreciation bonds	(57,117,378)	(58,526,304)
Other bond amortization expenses	(5,086,800)	(6,461,444)
Investment revenues (expenses):		
Interest earned on investments	11,065,087	7,908,081
Net change in the fair value of investments	(18,234,137)	(8,814,807)
Net change in the fair value of derivative instruments	29,947,174	11,267,058
Intergovernmental revenue	—	238,965
Other income	3,473,103	5,065,473
Total nonoperating expenses	(49,896,025)	(63,685,353)
Income before intergovernmental expense	99,328,072	78,614,585
Intergovernmental expense	—	(619,548)
Change in net position	99,328,072	77,995,037
Net position, beginning of year	(181,478,506)	(259,473,543)
Net position, end of year	$ (82,150,434)	(181,478,506)

See accompanying notes to basic financial statements.

E-470 PUBLIC HIGHWAY AUTHORITY

Statements of Cash Flows

Years ended December 31, 2022 and 2021

		2022	2021 (restated)
Cash flows from operating activities:			
Receipts of authority vehicle tolls and toll fees	$	248,670,188	224,293,649
Receipts from third parties for tolling services		10,014,444	9,407,925
Payments to employees		(10,429,387)	(8,714,101)
Payments to suppliers		(46,623,636)	(50,998,748)
Net cash provided by operating activities		201,631,609	173,988,725
Cash flows from capital and related financing activities:			
Payment of other noncurrent liabilities		—	(1,291,478)
Purchase and construction of capital assets		(33,561,451)	(16,547,948)
Receipts from third parties for capital assets		660,145	1,409,835
Proceeds from sale of capital assets		197,589	8,700
Receipts from leases of capital assets		260,306	255,951
Interest paid		(13,964,945)	(16,106,672)
Principal payments on bonds from restricted debt service funds		(84,200,000)	(82,495,000)
Proceeds from refunded bond series		—	138,640,000
Payment of cash from bond proceeds to refund related bond series		—	(138,640,000)
Payment of bond issuance costs for related bond series		—	(1,241,250)
Receipt of other intergovernmental contributions for capital assets		—	563,135
Net cash used in capital and related financing activities		(130,608,356)	(115,444,727)
Cash flows from noncapital financing activities:			
Receipts of non-Authority third party vehicle tolls and toll fees		67,346,426	51,835,864
Remittance to third parties for non-Authority vehicle tolls and toll fees		(67,066,880)	(51,717,276)
Purchases of equipment and support services for third parties		(43,118)	—
Receipts from third parties for equipment and support services		29,702	17,968
Other receipts and disbursements		1,226,934	2,747,546
Net cash provided by noncapital financing activities		1,493,064	2,884,102
Cash flows from investing activities:			
Proceeds from sales of investments		162,015,905	114,891,918
Purchases of investments		(215,861,370)	(228,561,924)
Interest received		9,210,050	8,049,985
Receipts of scheduled principal and interest on loans		228,500	228,500
Net cash used in investing activities		(44,406,915)	(105,391,521)
Net (decrease) increase in cash and cash equivalents		28,109,402	(43,963,421)
Cash and cash equivalents, beginning of year		123,132,986	167,096,407
Cash and cash equivalents, end of year	$	151,242,388	123,132,986

(Continued)

E-470 PUBLIC HIGHWAY AUTHORITY

Statements of Cash Flows

Years ended December 31, 2022 and 2021

		2022	2021 (restated)
Reconciliation of cash and cash equivalents to the statements of net position:			
Cash and cash equivalents – current – unrestricted	$	88,531,007	83,090,280
Cash and cash equivalents – current – restricted for debt service		46,567,372	32,036,770
Cash and cash equivalents – current – unrestricted limited for construction		16,144,009	8,005,936
Cash and cash equivalents, end of year	$	151,242,388	123,132,986
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	$	149,224,097	142,299,938
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation		39,885,962	41,928,584
Changes in assets and liabilities:			
Accounts receivable, net (tolls, late fees, and tolling services)		1,401,807	(9,331,337)
Prepaid expenses and other current assets		(1,467,574)	33,220
Accounts payable and accrued expenses		9,919,850	(3,274,872)
Unearned toll revenue		2,667,467	2,333,192
Net cash provided by operating activities	$	201,631,609	173,988,725
Noncash transactions:			
Interest expense recorded due to bond accretion	$	57,117,378	58,526,304
Interest expense recorded due to amortization of deferred outflows of resources		7,268,180	7,344,241
Interest expense recorded due to amortization of prepaid bond costs and other assets		835,804	892,402
Interest expense recorded due to amortization of net bond premiums		3,017,184	3,016,450
Increase in fair value of derivative instruments – interest rate swaps		29,947,174	11,267,058
Investment change recorded due to amortization of net investment premiums (discounts)		(1,027,703)	207,624
Investment loss recorded due to amortization of other restricted noncurrent liabilities		(474,085)	(393,358)
Decrease in fair value of investments		(18,234,137)	(8,814,807)
Net loss on disposal of capital assets		(142,458)	(295,430)
Decrease in other restricted noncurrent liabilities		207,544	207,544
Noncash gain recorded due to amortization of deferred inflows of resources		1,054,440	1,054,439
Noncash intergovernmental contribution of assets		—	(829,510)
Noncash contributed capital assets from third parties		594,840	—
Noncash sale of capital assets		(111,500)	—
Intergovernmental liability		—	185,791

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.

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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.

(Continued)

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) Leases

The Authority is a lessor for various noncancellable leases of certain parcels of its land to various third parties who use the space to install cell towers on Authority property. The Authority recognizes a lease receivable and a deferred inflow of resources in the basic financial statements.

At the commencement of a lease, the Authority initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Key estimates and judgments include how the Authority determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts.

- The Authority uses its estimated incremental borrowing rate as the discount rate for leases.

- The lease term includes the noncancellable period of the lease. Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

The Authority monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

(j) 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 related to (a) a gain on sale of assets with a leaseback provision, and (b) leased assets where the Authority is the lessor, as further discussed in section (2)(i) above. Both types of deferral balances are amortized as a component of other income using the straight-line method over the related lease term. See also note 13 for additional discussion on these balances.

(k) 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.

(l) 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

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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, 2022 and 2021, the Authority had a total net deficit of approximately $82.2 million and $181.5 million, respectively. The Authority primarily plans to fund this net deficit with increased annual growth in toll operations revenues and other nonoperating revenues.

(m) 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.

(n) Implementation of Accounting Standards

As of December 31, 2022, the Authority implemented GASB Statement No. 87, *Leases*, which was effective for periods beginning after June 15, 2021. This Statement establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. Accounting changes adopted to conform to the provisions of this statement were applied retroactively by restating the basic financial statements for fiscal year 2021 related to leases receivable, deferred inflows of resources, accrued interest receivable, and other income. Required disclosures related to leases receivable and deferred inflows of resources for fiscal year 2021 have been added to conform to fiscal year 2022 presentation. The following table presents the effects of the immaterial adjustments to the statement of net position, statement of revenues, expenses, and changes in net position, and statement of cash flows as of and for the year ended December 31, 2021:

	As previously reported	Adjustments	As adjusted
Statement of Net Position:			
Current unrestricted assets: Accrued interest receivable	$ 2,191,190	$ 4,739	$ 2,195,929
Current unrestricted assets: Leases receivable	-	198,902	198,902
Total current unrestricted assets	236,861,113	203,641	237,064,754
Total current assets	295,738,133	203,641	295,941,774
Noncurrent assets: Leases receivable	-	2,754,809	2,754,809
Total noncurrent assets	906,921,397	2,754,809	909,676,206
Total assets	1,202,659,530	2,958,450	1,205,617,980
Total assets and deferred outflows of resources	1,249,415,005	2,958,450	1,252,373,455
Deferred inflows of resources: Related to leased assets	-	2,902,366	2,902,366
Total deferred inflows of resources	2,212,968	2,902,366	5,115,334
Net position: unrestriced deficit	(244,094,669)	56,084	(244,038,585)
Total net position	(181,534,590)	56,084	(181,478,506)
Total liabilities and deferred inflows of resources and net position	1,249,415,005	2,958,450	1,252,373,455
Statements of Revenues, Expenses, and Changes in Net Position:			
Other income	5,009,389	56,084	5,065,473
Total nonoperating expenses	(63,741,437)	56,084	(63,685,353)
Income before intergovernmental expense	78,558,501	56,084	78,614,585
Change in net position	77,938,953	56,084	77,995,037
Net position, end of year	(181,534,590)	56,084	(181,478,506)
Statement of Cash Flows			
Receipts from leases of capital assets	-	255,951	255,951
Net cash used in capital and related financing activities	(115,700,678)	255,951	(115,444,727)
Other receipts and disbursements	3,003,497	(255,951)	2,747,546
Net cash provided by noncapital financing activities	3,140,053	(255,951)	2,884,102
Noncash gain recorded due to amortization of deferred inflows of resources	804,716	249,723	1,054,439

(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, 2022 or 2021, 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.

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The Authority has the following recurring fair value measurements as of December 31, 2022:

	Total 2022	Fair value measurement using: 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	$ 226,162,945	—	226,162,945	—
U.S. Treasury securities	235,486,010	—	235,486,010	—
Commercial paper	15,624,849	—	15,624,849	—
Total investments measured at fair value	477,273,804	—	477,273,804	—
Cash Equivalents (CE) and investments measured at cost:				
Money market mutual funds	127,864,467			
Investment agreement	8,471,273			
Total CE and investments measured at cost	136,335,740			
Total CE and investments held by the authority	$ 613,609,544			
Liability type:				
Derivative instruments – interest rate swaps	$ (19,283,677)	—	(19,283,677)	—
Total liabilities measured at fair value	$ (19,283,677)	—	(19,283,677)	—

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)	—

(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, 2022 and 2021, the Authority's cash deposits had a book balance of $23.4 million and $21.6 million, respectively, and a corresponding bank balance of $23.4 million and $21.6 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, 2022 and 2021, the Authority's book balances are classified as follows:

		2022	
	Deposits	**Cash equivalents and investments**	**Total**
Restricted cash and cash equivalents by trustee under the Bond Resolutions	$ —	46,567,372	46,567,372
Unrestricted cash and cash equivalents – undesignated	23,377,921	81,297,095	104,675,016
Restricted investments by trustee under the Bond Resolutions	—	107,754,231	107,754,231
Unrestricted investments – undesignated	—	377,990,846	377,990,846
	$ 23,377,921	613,609,544	636,987,465

		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

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The following is a summary of the Authority's cash equivalents and investments by type at December 31, 2022 and 2021, at fair value, including the money market mutual funds and investment agreement using a cost-based measurement:

		2022	2021
U.S. Treasury securities	$	235,486,010	207,952,618
U.S. government agency		226,162,945	223,807,187
Money market mutual funds		127,864,467	101,547,555
Commercial paper		15,624,849	8,879,590
Investment agreement		8,471,273	8,471,273
	$	613,609,544	550,658,223

(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.

(Continued)

The following is a summary of the Authority's cash equivalents and investments at December 31, 2022 with credit ratings based on the Standard & Poor's and Moody's ratings scales:

	2022	
	Fair value	**Rating**
U.S. government agency:		
Federal Farm Credit Banks (FFCB)	$ 72,517,118	AA+/Aaa
Federal Home Loan Banks (FHLB)	55,605,366	AA+/Aaa
Federal Home Loan Mortgage Corporation (FHLMC)	32,081,233	AA+/Aaa
Federal National Mortgage Association (FNMA)	27,030,783	AA+/Aaa
International Bank for Reconstruction and Development	38,928,445	AAA/Aaa
Total U.S. government agency	226,162,945	
U.S. Treasury securities:		
U.S. Treasury notes	235,486,010	Not applicable
Money market mutual funds:		
Federated Government Obligations Fund	99,262,765	AAAm/Aaa-mf
Federated Treasury Obligations Fund	68,654	AAAm/Aaa-mf
First American Funds Government Obligations Class Z Fund	20,389,039	AAAm/Aaa-mf
COLOTRUST PLUS+ Fund	8,144,009	AAAm/Not rated
Total money market mutual funds	127,864,467	
Investment agreement:		
Societe Generale	8,471,273	A/A1
Commercial paper:		
J.P. Morgan Securities LLC	2,491,971	A-1/P-1
MUFG Bank Ltd/NY	6,266,213	A-1/P-1
Toyota Motor Credit Corporation	6,866,665	A-1+/P-1
Total commercial paper	15,624,849	
Total cash equivalents and investments	$ 613,609,544	

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, 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.

(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

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compliance with the Colorado statutes and Bond Resolutions. Additionally, 96% of the cash equivalents and investments have maturities of three years or less at December 31, 2022 and 2021, respectively.

As of December 31, 2022, 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. Treasury securities	$ 235,486,010	42,208,339	106,361,493	71,489,838	15,426,340
U.S. government agency	226,162,945	131,635,516	84,784,701	9,742,728	—
Commercial paper	15,624,849	15,624,849	—	—	—
Investment agreement	8,471,273	—	—	—	8,471,273
Total investments	485,745,077	189,468,704	191,146,194	81,232,566	23,897,613
Money market mutual funds	127,864,467	127,864,467	—	—	—
Total cash equivalents and investments	$ 613,609,544	317,333,171	191,146,194	81,232,566	23,897,613

Because the money market mutual funds have a weighted average maturity less than three months as of December 31, 2022, the funds are presented as cash equivalents with maturities of less than one year.

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.

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(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

No more than 5% of the Authority's total portfolio may be invested in securities of any single issuer, other than the US Government, its agencies and enterprises, local agency government investment pools, money market funds and repurchase agreements. As of December 31, 2022 and 2021, approximately 37% and 41%, 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, 2022 and 2021 are restricted as follows:

		2022	2021
Senior Bonds Debt Service Reserve Fund	$	94,430,151	93,777,055
Senior Bonds Debt Service Account		35,435,592	33,516,227
Operating Reserve Fund		11,560,017	11,266,862
Trust Revenue Fund		12,895,843	9,626,059
	$	154,321,603	148,186,203

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, 2022 and 2021 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, 2022 and 2021, the Senior Bonds Debt Service Reserve Fund requirement was $118.0 million, and the account was fully funded at December 31, 2022 and 2021, with balances of $119.4 million and $118.8 million, respectively. The change in year-end balances is

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due to fair value fluctuations. These balances include cash and cash equivalents and investments of $94.4 million and $93.8 million at December 31, 2022 and 2021, 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, 2022 and 2021, respectively, 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 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 $4.3 million as of December 31, 2022 and $4.1 million as of December 31, 2021 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, 2022 and 2021, $11.6 million and $11.3 million, respectively, were on deposit in the Operating Reserve Fund, which exceeded the required balance of $11.0 million and $10.7 million, respectively, during these periods.

Rebate Fund – Funds 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. There were no amounts on deposit in the Rebate Fund as of December 31, 2022 and 2021.

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(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, 2022 and 2021, the Authority held $482.7 million and $424.1 million, respectively, in total unrestricted funds, including cash and cash equivalents and investments. Approximately $410.7 million and $364.5 million were within the General Surplus accounts as of December 31, 2022 and 2021, respectively, which have specific purposes, such as fully funding the Authority's future capital budget or bond defeasances, or to assist with managing debt service due during an economic downturn, such as the COVID-19 pandemic in 2020.

(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 $7.2 million in 2022 and $907 thousand in 2021, excluding the net change in fair value of derivative instruments. Restricted interest earned on investments was $0.4 million in 2022 and $7.5 thousand in 2021 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, 2022 and 2021:

		2022	2021
Tolls receivable (billed)	$	27,104,405	24,427,684
Accrued toll revenue – transactions still processing		4,831,503	5,278,827
Unbilled toll revenue		3,178,018	3,581,453
Accounts receivable		3,571,908	2,658,563
Late fee receivable		1,682,990	1,836,227
Total accounts receivable		40,368,824	37,782,754
Allowance for uncollectible tolls receivable		(7,429,081)	(3,978,187)
Allowance for uncollectible late fee receivable		(599,818)	(643,598)
Total accounts receivable, net of allowance for uncollectibles	$	32,339,925	33,160,969

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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, 2022. Based on the outstanding tolls and related late fees in fiscal years 2022 and 2021, the Authority has approximately $8.0 million and $4.6 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, 2022 and 2021, which includes elements from three separate intergovernmental agreements (IGA) summarized below:

		Balance at January 1, 2022	Additions	Reductions	Balance at December 31, 2022	Due within one year
Other intergovernmental agreements	$	6,850,836	—	192,229	6,658,607	4,517,035

		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

(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 indicated 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, 2022 and 2021, the current notes receivable balance was $0.2 million, respectively. At December 31, 2022 and 2021, the noncurrent notes receivable balance was $1.1 million and $1.3 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. 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 was no activity related to this IGA in 2022.

(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. The notes receivable balance is to be paid in installments of $4.3 million payable when the Authority executes a construction contract for replacement facilities, which was originally estimated to occur in 2022 but was finalized in February 2023, 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 in the third quarter of 2024 but no later than October 12, 2024. As of December 31, 2022 and 2021, respectively, $4.3 million is presented as current notes receivable and $1.1 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) Leases Receivable

The Authority leases certain parcels of its land to various third parties who use the space to install cell towers on Authority property, the terms of which expire 2026 through 2045. Payments for most of the leases increase at each 5 year renewal term by 15% or annually by the Consumer Price Index (Index), with the latter based upon the Index at lease commencement.

Revenue recognized under lease contracts during the year(s) ended December 31, 2022 and 2021, was $0.3 million, respectively, which includes both lease revenue and interest. The Authority recognized lease revenue of $6.0 thousand and $4.0 thousand, for the year(s) ended December 31, 2022 and 2021, respectively, for variable payments not previously included in the measurement of the lease receivable.

(8) Capital Assets

A summary of changes in capital assets for the year ended December 31, 2022 is as follows:

	Balance at January 1, 2022	Increases	Decreases	Transfers	Balance at December 31, 2022
Capital assets not being depreciated:					
Land	$ 110,260,111	594,840	—	—	110,854,951
Construction in progress	12,482,866	33,976,503	(415,052)	(4,949,772)	41,094,545
Total capital assets not being depreciated	122,742,977	34,571,343	(415,052)	(4,949,772)	151,949,496
Depreciable capital assets:					
Infrastructure	1,074,382,767	—	—	—	1,074,382,767
Buildings	27,410,340	—	—	—	27,410,340
Equipment	41,253,396	3,701,709	(5,722,077)	—	39,233,028
Software, fixtures, improvements, and other assets	46,875,958	1,248,063	(2,633,064)	—	45,490,957
Total depreciable capital assets	1,189,922,461	4,949,772	(8,355,141)	—	1,186,517,092
Less accumulated depreciation for:					
Infrastructure	(646,018,154)	(34,161,332)	—	—	(680,179,486)
Buildings	(12,293,823)	(846,013)	—	—	(13,139,836)
Equipment	(32,171,712)	(2,324,342)	5,419,804	—	(29,076,250)
Software, fixtures, improvements, and other assets	(41,265,260)	(2,554,275)	2,483,790	—	(41,335,745)
Total accumulated depreciation	(731,748,949)	(39,885,962)	7,903,594	—	(763,731,317)
Depreciable capital assets, net	458,173,512	(34,936,190)	(451,547)	—	422,785,775
Total capital assets, net	$ 580,916,489	(364,847)	(866,599)	(4,949,772)	574,735,271

(C o n t i n u e d)

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

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(9) Deferred Outflows of Resources

The deferred outflows of resources represent the remaining unamortized deferral balances from losses on refundings of debt. The balances of $39.5 million and $46.8 million as of December 31, 2022 and 2021, 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, 2022 and 2021 is as follows:

	2022	2021
Deferred refunding 1997	$ 7,310,048	9,311,033
Deferred refunding 2004	7,311,609	7,866,921
Deferred refunding 2006	4,079,016	4,401,043
Deferred refunding 2008	7,239,276	7,934,401
Deferred refunding 2010	1,387,414	1,765,800
Deferred refunding 2020	8,692,798	11,063,561
Deferred refunding 2021	3,467,134	4,412,716
	$ 39,487,295	46,755,475

(10) Bonds Payable

Bonds payable include current interest bonds (CIB), capital appreciation bonds (CAB), 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 rate on outstanding current interest bonds at December 31, 2022 was 5.00%. The average outstanding coupon (interest) rate on all outstanding current interest bonds was 5.00% for the years ended December 31, 2022 and 2021. Yields on outstanding capital appreciation bonds at December 31, 2022 and 2021 ranged from 5.06% to 7.13%. The average outstanding yield rate on all outstanding capital appreciation bonds was 5.96% for the years ended December 31, 2022 and 2021, 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 2021 SOFR index term rate bonds accrue and pay interest monthly 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, 2022 and 2021, the Authority exceeded the required debt service coverage ratio of 1.30. Refer to the Other Information – Revenue Covenant (unaudited) section for the 2022 debt service coverage calculation and reconciliation to the basic financial statements for operating balances and senior debt service due.

(C o n t i n u e d)

The following is a summary of the bonds payable by bond series and type as of December 31, 2022:

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	2023 – 2026	5.52%	$	44,795,000 – 44,800,000
Series 2000 B CAB		252,848,750	—	2023 – 2033	6.25% – 6.35%		41,100,000 – 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, 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 $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.

The following is an analysis of changes in bonds payable and associated bond premiums and discounts for the year ended December 31, 2022:

	Balance at January 1, 2022	Additions	Reductions	Balance at December 31, 2022	Due within one year
Series 1997B CAB (Principal)	$ 51,610,822	—	11,476,416	40,134,406	10,866,819
Series 1997B CAB (Accretion)	142,696,554	10,049,337	33,323,584	119,422,307	33,928,181
Series 2000B CAB (Principal)	112,829,943	—	9,982,384	102,847,559	9,791,664
Series 2000B CAB (Accretion)	320,305,827	26,954,088	29,417,616	317,842,299	31,308,336
Series 2004A CAB (Principal)	76,484,624	—	—	76,484,624	—
Series 2004A CAB (Accretion)	112,989,644	10,369,250	—	123,358,894	—
Premium Series 2004	156,860	—	14,160	142,700	—
Series 2006B CAB (Principal)	56,932,723	—	—	56,932,723	—
Series 2006B CAB (Accretion)	65,460,622	6,287,037	—	71,747,659	—
Series 2010A CAB (Principal)	21,834,746	—	—	21,834,746	—
Series 2010A CAB (Accretion)	25,895,408	3,457,666	—	29,353,074	—
Series 2020A CIB	167,370,000	—	—	167,370,000	—
Premium 2020A CIB	33,029,224	—	3,003,024	30,026,200	1,500,000
Series 2021B SOFR Notes	138,640,000	—	—	138,640,000	—
Total	$ 1,326,236,997	57,117,378	87,217,184	1,296,137,191	87,395,000

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

At December 31, 2022, 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:			
2023	$ 87,395,000	14,060,501	101,455,501
2024	91,940,000	13,985,501	105,925,501
2025	92,185,000	13,773,251	105,958,251
2026	92,575,000	13,357,563	105,932,563
2027	94,705,000	11,434,186	106,139,186
2028 – 2032	512,320,000	49,681,927	562,001,927
2033 – 2037	513,750,000	43,637,414	557,387,414
2038 – 2042	399,095,000	11,711,112	410,806,112
	1,883,965,000	171,641,455	2,055,606,455
Add premiums	30,168,900	—	30,168,900
Total scheduled payments	1,914,133,900	171,641,455	2,085,775,355
Less future years' accretion	(617,996,709)	—	(617,996,709)
Total bonds payable	$ 1,296,137,191	171,641,455	1,467,778,646

Included in the above principal payment schedule is $618.0 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.

(11) 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, 2022 and 2021.

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, 2022, the Authority pays variable interest 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, 2022 and 2021.

During 2022 and 2021, the Authority recognized, on the accrual basis, swap settlements on the 2007 pay-fixed swaps (MS-1 and JP-1) of $3.5 million and $5.2 million, respectively.

The following table provides a summary of the Authority's investment derivative interest rate swaps as of December 31, 2022 and 2021:

Counterparty	Effective date	Maturity date	Terms		Original notional amount	2022 and 2021 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

(Continued)

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, 2022, 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:

		2022 Changes in fair value			Fair value at December 31, 2022		
		Classification		**Amount**	**Classification**		**Amount**
Investment derivative instruments:							
JP-1	Pay-fixed interest rate swap	Derivative gain	$	14,973,539	Derivative instruments	$	(9,641,883)
MS-1	Pay-fixed interest rate swap	Derivative gain		14,973,635	Derivative instruments		(9,641,794)
		Investment revenues: Derivative gain	$	29,947,174	Derivative instruments	$	(19,283,677)

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)

(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, 2022 and 2021, 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: “Baa2” from Moody’s, “BBB” from S&P, and “BBB” from Fitch. As of December 31, 2022, 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	A-	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, 2022:

		Fair value at December 31, 2022	Interest rates up 25 basis points	Interest rates down 25 basis points
JP-1 Receive-variable (LIBOR) swap	$	(9,641,883)	(8,449,828)	(11,083,946)
MS-1 Receive-variable (LIBOR) swap		(9,641,794)	(8,449,725)	(11,083,840)
	$	(19,283,677)	(16,899,553)	(22,167,786)

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)

(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, 2022 or 2021. 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, 2022 and 2021, 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 $410.7 million and $364.5 million in unrestricted funds within the General Surplus accounts at December 31, 2022 and 2021, 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.

(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, 2022 and 2021:

	Balance at January 1, 2022	Additions	Reductions	Balance at December 31, 2022
$	963,351	—	207,545	755,806

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

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 $0.5 million as of December 31, 2022 and $0.1 million as of December 31, 2021. No rebate was due or paid in 2022. 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.

(13) Deferred Inflows of Resources

(a) Related to Gain on Sale of Asset

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 initially recorded as a deferred inflow of resources in 2020 and is amortized as a component of other income using the straight line method over the related lease term, which is 4 years beginning on October 12, 2020. Approximately $0.8 million was amortized as a component of other income in 2022 and 2021, respectively. The balance of $1.4 million and $2.2 million as of December 31, 2022 and 2021, 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.

(b) Related to Leased Assets

The Authority leases certain parcels of its land to various third parties who use the space to install cell towers on Authority property, the terms of which expire 2026 through 2045. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as a component of other income over the life of the applicable lease term. See also note 7 for further discussion of financial statement impacts related to these leased assets as they pertain to leases receivable.

(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, 2022 and 2021, 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 indicated 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, 2022 and 2021, with an outstanding principal balance of $1.3 million and $1.5 million, respectively.

(d) 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. The notes receivable balance is to be paid in installments of $4.3 million payable when the Authority executes a construction contract for replacement facilities, which was originally estimated to occur during 2022 but was finalized in February 2023, 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 in the third quarter 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 occurred in 2022, and construction began in late 2022 and is planned to continue through mid-2024.

(e) 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 Avenue 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 December 31, 2023, 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 construction and maintenance IGA with 64th ARI are in progress. If the December 31, 2023 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, 2022 and 2021.

(f) Intergovernmental Agreement with Windler Public Improvement Authority regarding E-470 and 48th Avenue Interchange Widening Funding and Design

E-470 entered into an intergovernmental agreement with Windler Public Improvement Authority (WPIA) in February 2022 regarding the design and funding of the 48th Avenue interchange construction project. Cost savings and efficiencies may be realized to the mutual benefit of both parties by planning and executing the construction of the interchange in connection with the WPIA Regional Improvements Project. Accordingly, the Authority is agreeable to accelerating design and construction of the interchange and to provide a contribution to WPIA to be used solely to fund capital costs for the interchange. As of the date of this report, WPIA has provided notice of intent, pursuant to the IGA, to construct the interchange using their contractor. Pursuant to this IGA, the Authority deposited $8.0 million in a segregated US Bank account in February 2022 to be used toward the 48th Avenue interchange project. WPIA is responsible for any cost overruns with no additional liability to E-470 beyond its initial contribution. No monies may be disbursed from the segregated account until construction is completed and progress payments are invoiced by WPIA to the Authority. No liability is recognized in the financial statements until such time that WPIA incurs and invoices the Authority for actual costs to construct the interchange. E-470 will own, operate, and maintain the bridge, ramps and tolling infrastructure being funded by the $8.0 million contribution, and WPIA will own and maintain connecting facilities such as local roads, frontage roads, 48th 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, 2022.

(15) 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.

(C o n t i n u e d)

(16) 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) individual wage base of $147,000 in 2022 and $142,800 in 2021, for a maximum contribution of $9,114 for 2022 and $8,854 for 2021. 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 $0.5 million to this plan in 2022 and $0.4 million in 2021. 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 $0.9 million to this plan in 2022 and $0.8 million to this plan in 2021.

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E-470 PUBLIC HIGHWAY AUTHORITY

Other Information – Revenue Covenant

Year ended December 31, 2022

(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, 2022, the Authority exceeded the required debt service coverage ratio reporting an actual ratio of 2.11. Below is the calculation for the year ended December 31, 2022:

Revenue:		
Operating revenues	$	254,615,695
Unrestricted investment income		9,668,107
Other income		3,506,171
Total revenue		267,789,973
Less operating expenses before depreciation, net of renewal and replacement expenses		(60,868,920)
Net income available for senior debt service		206,921,053
Aggregate senior debt service due during the year	$	98,164,945
Senior debt service coverage ratio		2.11

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, 2022

(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, 2022 to unrestricted investment income available for senior debt service:

Interest earned on investments per the basic financial statements	$	11,065,087
Less:		
Restricted investment income		(375,052)
Amortized investment discount		(1,026,550)
Loss on investments		4,622
Unrestricted investment income	$	9,668,107

The following is a reconciliation of other income reported in the audited basic financial statements of the Authority for the year ended December 31, 2022 to other income available for senior debt service:

Other income per the basic financial statements	$	3,473,103
Less:		
Gain on disposal of capital assets		(662,257)
Increase in arbitrage rebate		474,085
Add:		
Other nonoperating expenses		221,240
Other income	$	3,506,171

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.

(C o n t i n u e d)

E-470 PUBLIC HIGHWAY AUTHORITY

Other Information – Revenue Covenant

Year ended December 31, 2022

(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, 2022 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	$	65,505,636
Less renewal and replacement expenses		(4,636,716)
Operating expenses before depreciation expense, net of nonoperating fund expenses	$	60,868,920

Aggregate Senior Debt Service Due, Net: For the year ended December 31, 2022, aggregate senior debt service due is all principal and interest paid on outstanding senior bonds (cash basis), which includes Senior Bond Series 1997B, 2000B, 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.