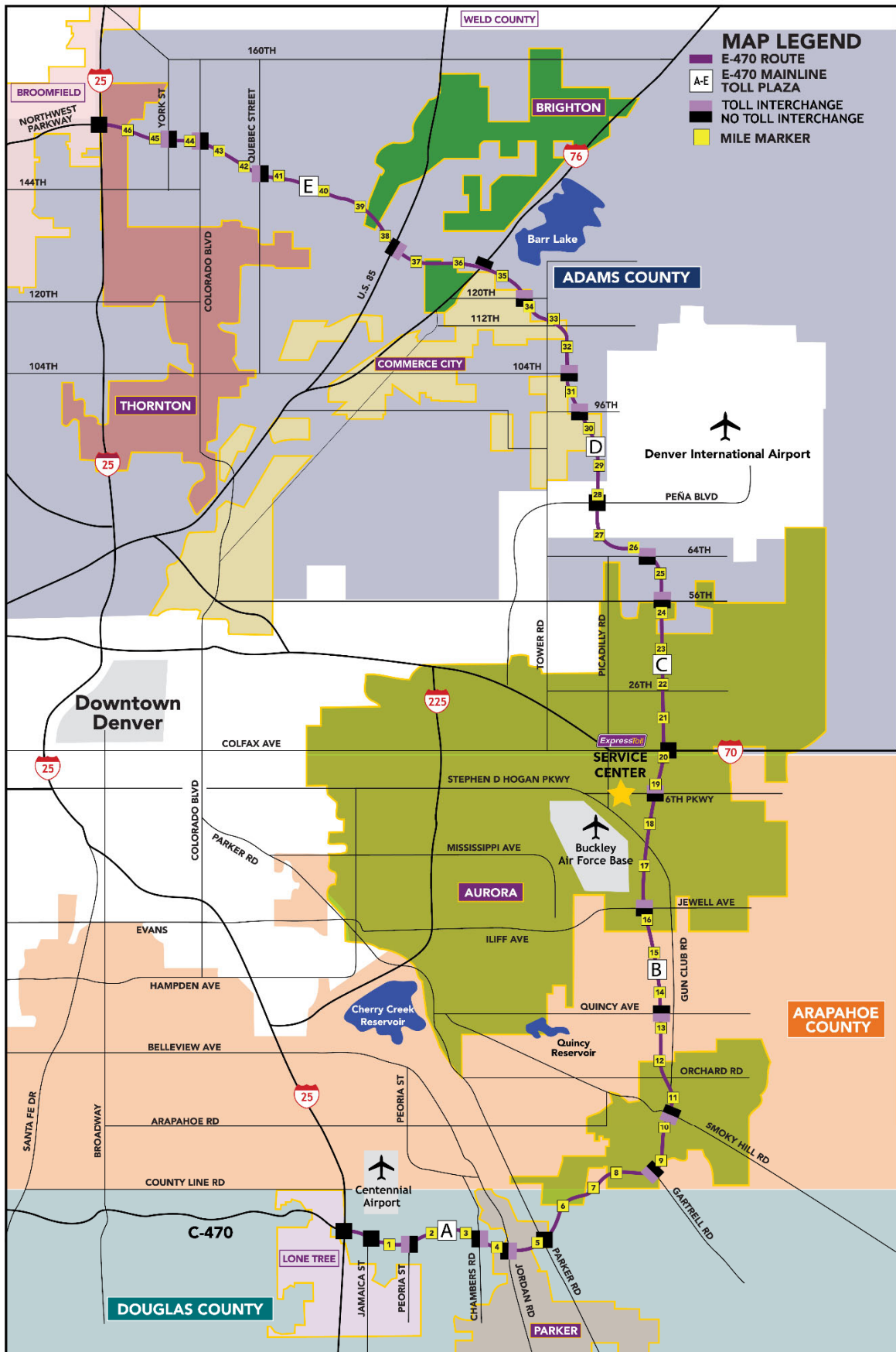




**E-470 PUBLIC HIGHWAY AUTHORITY**  
**2023 BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023 & 2022**  
(WITH INDEPENDENT AUDITORS' REPORT THEREON)





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

## **E-470 PUBLIC HIGHWAY AUTHORITY**

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## **E-470 PUBLIC HIGHWAY AUTHORITY**

### **Management's Discussion and Analysis**

December 31, 2023 and 2022

(Unaudited)

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, 2023 and 2022. 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 in Douglas County south of Denver, to I-25 at Northwest Parkway in Thornton. 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, 56<sup>th</sup> Avenue to 120<sup>th</sup> 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 56<sup>th</sup> 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 120<sup>th</sup> 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.

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### **Management's Discussion and Analysis**

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(Unaudited)

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 2023, 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-70 Central, 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.

## **E-470 PUBLIC HIGHWAY AUTHORITY**

### **Management's Discussion and Analysis**

December 31, 2023 and 2022

(Unaudited)

#### **2023 Financial Highlights**

- Transactions on the E-470 toll road experienced growth of 11% from 86.2 million transactions in 2022 to 95.5 million transactions in 2023. This was the highest annual traffic on record, and each month from February through December reached a new all-time monthly traffic record. 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.
- Operating revenues increased 13% from 2022 to 2023 from \$254.6 million to \$287.6 million. Operating revenues increased 6% from 2021 to 2022 from \$240.7 million to \$254.6 million.
- Operating expenses, before depreciation and amortization, increased 15% from 2022 to 2023 from \$65.5 million to \$75.6 million. Operating expenses, before depreciation and amortization, increased 16% from 2021 to 2022 from \$56.5 million to \$65.5 million.
- Due to the record traffic levels that exceeded originally forecasted levels and resulted in higher than budgeted direct costs, combined with continued broad inflationary impacts, the board of directors approved an amended 2023 operating budget in October. The amended 2023 operating budget authorized and appropriated an additional \$4.0 million in operating expenses. Total 2023 operating expenses before depreciation and amortization, net of renewal and replacement expenses, were \$67.2 million, as compared to the original budget of \$66.2 million and the amended budget of \$70.2 million.
- Debt service coverage, a critical measurement of the Authority's annual operations, for fiscal year 2023 was 2.39 versus an original budgeted ratio of 1.96 and a budgeted ratio, as amended in October 2023, of 1.93. In prior years, debt service coverage for fiscal year 2022 was 2.11 versus an original budgeted ratio of 2.07 and was 2.04 versus a budgeted 1.90 in 2021.
- During 2021, the Authority began to design and contract for the next significant multiyear widening project to expand E-470 from two lanes to three lanes in each direction between I-70 and 104<sup>th</sup> Avenue, including interchange additions at 38<sup>th</sup> Avenue and 48<sup>th</sup> Avenue and improvements to the 64<sup>th</sup> 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 \$154.8 million on this project through December 31, 2023, and has estimated and budgeted a remaining \$215 million, including contingency, for the multiyear construction project in 2024 through 2025.
- Regarding tolling services, the Authority continued to provide back office services on other tolled facilities in the State of Colorado for NWP, CTIO, and Plenary in 2023. One new toll facility, I-70 Central, opened in July 2023 for which E-470 provides back office services. The Authority's back office toll collection system processed approximately 39.5 million and 30.8 million tolled transactions on other roadways in 2023 and 2022, 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 2023 and 2022 totaled approximately \$13.1 million and \$10.3 million, respectively.
- 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 was 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,



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### **Management's Discussion and Analysis**

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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. The board re-evaluated year-to-date customer travel behaviors, economic trends and financial condition of the Authority in June 2023 and determined to hold toll rates flat for the remainder of 2023.

- The 2023 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 2023 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 2023 through 2051, 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 exceeded these projections at 102.6% of projected 2023 transactions and 107.7% of projected 2023 net toll revenues.

### **Summary of Operations**

The Authority's operating revenues, which include toll revenues, other toll-related fees, and tolling services revenues, for 2023 were \$287.6 million, a 13% increase over the \$254.6 million in 2022. Toll revenues, net of related bad debts, were \$259.9 million and \$231.3 million of total operating revenues in 2023 and 2022, respectively. This increase is primarily due to increased overall toll transactions of 11% from 2022 as a result of continued recovery that is driving growth following the COVID-19 pandemic. Toll revenues, net of related bad debts, for fiscal year 2023 were \$25.9 million above the \$234.0 million 2023 operating budget. Traffic on E-470 during 2023 totaled 95.5 million transactions, with approximately 75% of the corresponding toll revenues coming from ExpressToll accounts. Operating revenues for 2022 were \$254.6 million, a 6% increase over \$240.7 million in 2021. 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. Operating revenues for 2021 were \$240.7 million, a 36% increase from 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.

Total operating expenses, before depreciation and amortization, for 2023 were \$75.6 million, a 15% increase over the \$65.5 million in 2022. The increase is primarily due to higher toll collection costs from the 11% increase in E-470 toll transaction volume in 2023, coupled with a 28% increase in tolled transactions that occurred on other Colorado toll facilities, along with general cost increases related to continued 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, image processing, roadside assistance, communication center, and administrative law court processing; credit card fees; printing and postage on bills and notices; traffic and revenue studies; software licensing; IT and tolling equipment technical support contract labor; and employee salary and benefits expense; offset by a decrease in Colorado State Patrol traffic enforcement and registered vehicle owner information retrieval, accounted for \$9.1 million of the overall \$10.1 million increase from prior year. There were no other individually significant fluctuations. Total operating



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### Management's Discussion and Analysis

December 31, 2023 and 2022

(Unaudited)

expenses, before depreciation and amortization, 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 that occurred on other Colorado toll facilities. Costs incurred for other toll facilities are recovered and recorded as tolling services revenue. Costs such as labor related to the customer service center, roadside assistance, 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 Senior Revenue Bond principal and interest payments from the senior debt service fund during 2023 and 2022 were \$101.4 million and \$98.2 million, respectively, on the Series 1997, 2000, 2020, and 2021 bonds, and includes the interest rate swap differentials. The total \$101.4 million and \$98.2 million of principal and interest payments in 2023 and 2022, respectively, were made from the senior debt service fund. Debt service coverage for 2023 was 2.39, compared to 2.11 in 2022 and 2.04 in 2021. 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

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## Management's Discussion and Analysis

December 31, 2023 and 2022

(Unaudited)

relate to specific restricted assets exceed those assets, no restricted component of net position is reported under GASB, and the net negative amount reduces unrestricted net position.

**Financial Results and Analysis****Summary of Net Position**

|  | <b>2023</b>      | <b>2022</b>   | <b>2021<br/>(restated)</b> |
|--|------------------|---------------|----------------------------|
| Current assets:  |                  |               |                            |
| Current unrestricted assets  | \$ 424,984,058   | 282,474,905   | 237,064,754                |
| Current restricted assets  | 78,624,178       | 99,863,105    | 58,877,020                 |
| Total current assets   | 503,608,236      | 382,338,010   | 295,941,774                |
| Noncurrent assets:   |                  |               |                            |
| Capital assets, net of accumulated depreciation                      | 726,582,921      | 574,735,271   | 580,916,489                |
| Other noncurrent assets  | 182,238,836      | 307,151,063   | 328,759,717                |
| Total noncurrent assets  | 908,821,757      | 881,886,334   | 909,676,206                |
| Total assets   | 1,412,429,993    | 1,264,224,344 | 1,205,617,980              |
| Deferred outflows of resources                                       | 32,292,798       | 39,487,295    | 46,755,475                 |
| Total assets and deferred outflows of resources                      | \$ 1,444,722,791 | 1,303,711,639 | 1,252,373,455              |
| Current liabilities:   |                  |               |                            |
| Current liabilities payable from unrestricted assets                 | \$ 89,049,723    | 61,904,054    | 49,363,926                 |
| Current liabilities payable from restricted assets                   | 95,188,101       | 90,674,427    | 87,501,299                 |
| Total current liabilities  | 184,237,824      | 152,578,481   | 136,865,225                |
| Noncurrent liabilities   | 1,190,090,921    | 1,229,222,698 | 1,291,871,402              |
| Total liabilities  | 1,374,328,745    | 1,381,801,179 | 1,428,736,627              |
| Deferred inflows of resources  | 3,006,456        | 4,060,894     | 5,115,334                  |
| Total net position   | 67,387,590       | (82,150,434)  | (181,478,506)              |
| Total liabilities and deferred inflows of resources and net position | \$ 1,444,722,791 | 1,303,711,639 | 1,252,373,455              |

## **E-470 PUBLIC HIGHWAY AUTHORITY**

### **Management's Discussion and Analysis**

**December 31, 2023 and 2022**

**(Unaudited)**

The largest portion of the Authority's assets is noncurrent. Approximately 51% and 45% of total assets are capital and right-to-use assets (e.g., infrastructure, buildings, equipment, and other), net of accumulated depreciation and amortization as of December 31, 2023 and 2022, 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 \$597.1 million, or 42%, and \$613.6 million, or 49%, of total assets are cash equivalents and investments as of December 31, 2023 and 2022, respectively. Of these amounts, approximately \$394.3 million and \$410.7 million are within the General Surplus accounts as of December 31, 2023 and 2022, 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% of total noncurrent liabilities in both 2023 and 2022, respectively. Total current liabilities were \$184.2 million and \$152.6 million at the end of 2023 and 2022, respectively. Of the total current liabilities, \$95.2 million (52%) and \$90.7 million (59%) for 2023 and 2022, 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 and Right-to-Use Assets***

Total capital and right-to-use assets (gross), including construction in progress, increased from \$1,338 million in 2022 to \$1,524 million in 2023. Accumulated depreciation and amortization reduced the year-end capital asset balances to \$726.6 million in 2023 and \$574.7 million in 2022. During 2023, the Authority expended approximately \$193.7 million on capital projects and successfully completed capital projects totaling \$38.0 million, which were closed from construction in progress to their respective capital asset accounts. The major projects completed include replacement of tolling equipment at 96 lane locations with next generation lane equipment and technology, construction of a new toll plaza C gantry, relocation of tolling equipment to new roadside cabinets at two toll plazas, 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 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.

**E-470 PUBLIC HIGHWAY AUTHORITY**

## Management's Discussion and Analysis

December 31, 2023 and 2022

(Unaudited)

**Summary of Revenue, Expenses, and Changes in Net Position**

|  | <b>2023</b>    | <b>2022</b>   | <b>2021<br/>(restated)</b> |
|--|----------------|---------------|----------------------------|
| Operating revenues                     | \$ 287,650,336 | 254,615,695   | 240,699,262                |
| Operating expenses before depreciation | (75,615,302)   | (65,505,636)  | (56,470,740)               |
| Depreciation and amortization          | (41,606,027)   | (39,885,962)  | (41,928,584)               |
| Operating income                       | 170,429,007    | 149,224,097   | 142,299,938                |
| Nonoperating revenues (expenses):      |                |               |                            |
| Interest expenses                      | (74,439,988)   | (76,147,252)  | (79,350,123)               |
| Investment revenues, net               | 27,521,816     | 22,778,124    | 10,360,332                 |
| Intergovernmental revenue              | 20,721,541     | —             | 238,965                    |
| Other income                           | 6,207,308      | 3,473,103     | 5,065,473                  |
| Total nonoperating expenses            | (19,989,323)   | (49,896,025)  | (63,685,353)               |
| Loss before intergovernmental expense  | 150,439,684    | 99,328,072    | 78,614,585                 |
| Intergovernmental expense              | (901,660)      | —             | (619,548)                  |
| Change in net position                 | 149,538,024    | 99,328,072    | 77,995,037                 |
| Net position, beginning of year        | (82,150,434)   | (181,478,506) | (259,473,543)              |
| Net position, end of year              | \$ 67,387,590  | (82,150,434)  | (181,478,506)              |

Operating revenues (which include tolls, other toll-related fees, and tolling services revenues) in 2023 and 2022 were \$287.6 million and \$254.6 million, respectively, an increase of 13% over 2022. Operating expenses before depreciation and amortization increased by \$10.1 million to \$75.6 million in 2023 versus \$65.5 million in 2022. Depreciation and amortization expense increased by \$1.7 million to \$41.6 million in 2023 versus \$39.9 million in 2022. Overall, operating income increased by \$21.2 million from 2022 to \$170.4 million, primarily due to increased overall toll transactions of 11% on E-470, as compared to prior year, coupled with a 28% increase in tolled transactions incurred on other Colorado toll facilities, as a result of continued recovery from the COVID-19 pandemic. Total net nonoperating expenses decreased by \$29.9 million to \$20.0 million in 2023, which was attributed to changes in interest rates and the corresponding effect on the change in fair value of derivative instruments and investments of \$3.4 million, offset by a decrease in interest expenses of \$1.7 million, an increase in interest earned on investments of \$8.2 million, and an increase in intergovernmental and other revenue of \$23.4 million. The overall increase in net position was \$149.5 million in 2023, which is \$50.2 million more than the increase in net position of \$99.3 million in 2022.

Operating revenues in 2022 and 2021 were \$254.6 million and \$240.7 million, respectively, an increase of 6% over 2021. Operating expenses before depreciation and amortization increased by \$9.0 million to \$65.5 million in 2022 versus \$56.5 million in 2021. Depreciation and amortization expense decreased by \$2.0 million to \$39.9 million in 2022 versus \$41.9 million in 2021. Overall, operating income increased by \$6.9 million from

## E-470 PUBLIC HIGHWAY AUTHORITY

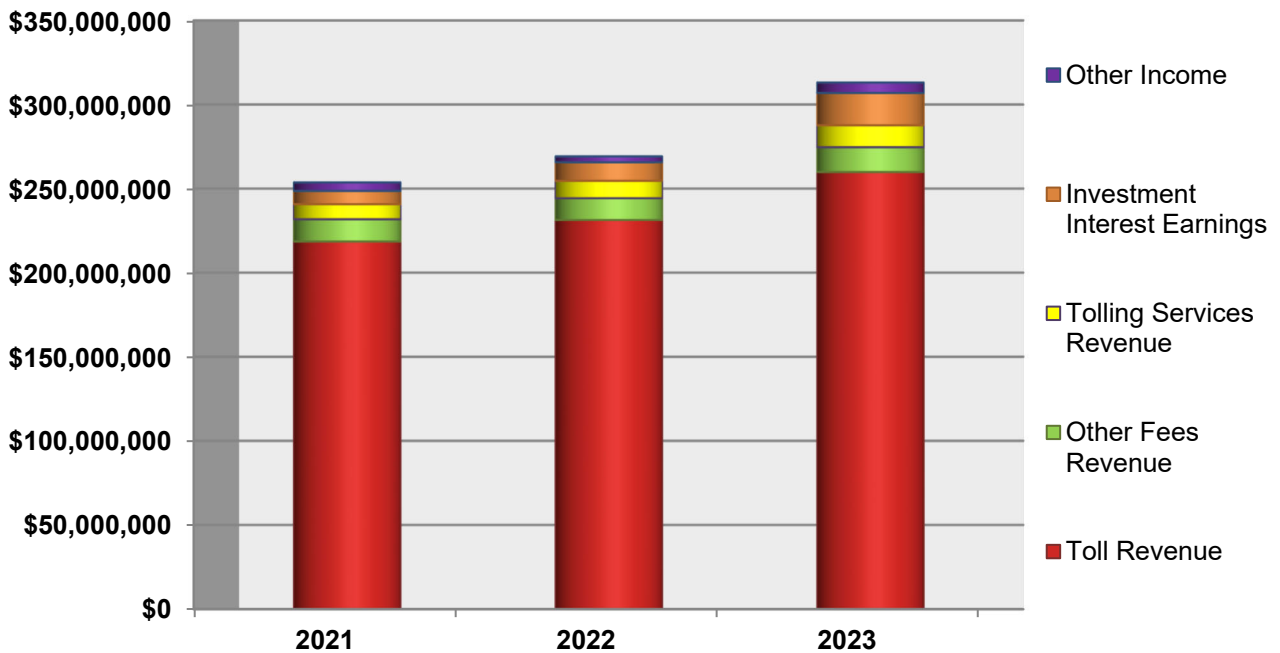
### Management's Discussion and Analysis

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(Unaudited)

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.

### Total Operating and Nonoperating Revenues



Operating and nonoperating revenues included in the chart above for 2023, 2022, and 2021 were \$313.1 million, \$269.2 million, and \$253.7 million, respectively.

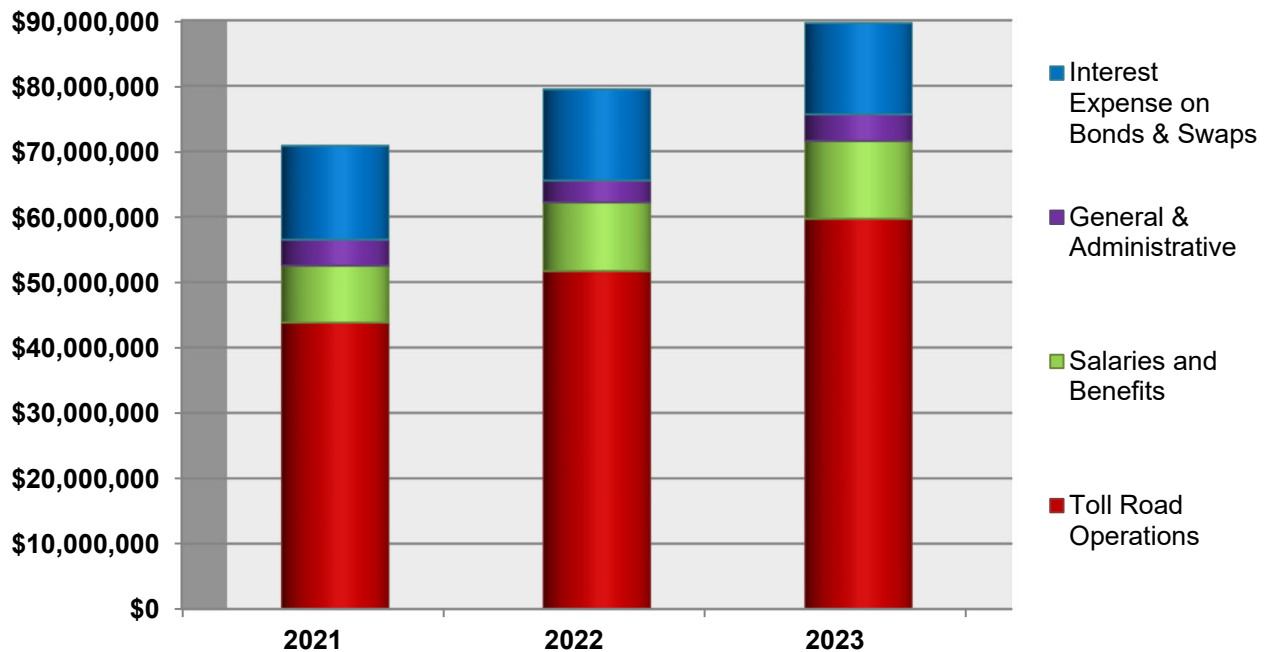
## E-470 PUBLIC HIGHWAY AUTHORITY

### Management's Discussion and Analysis

December 31, 2023 and 2022

(Unaudited)

#### Total Operating and Interest on Bonds & Swaps Expenses



Total operating expenses, before depreciation and amortization and including nonoperating interest expense on bonds and interest rate swaps, for 2023 and 2022 were \$89.6 million and \$79.4 million, respectively. Toll road operations expenses increased by \$8.0 million to \$59.7 million in 2023 versus \$51.7 million in 2022. The increase is primarily due to higher toll collection costs from the 11% increase in E-470 toll transactions in 2023, coupled with a 28% increase in tolled transactions incurred on other Colorado toll facilities, along with general cost increases related to continued 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, image processing, roadside assistance, communication center, and administrative law court processing; credit card fees; printing and postage on bills and notices; traffic and revenue studies; software licensing; and IT and tolling equipment technical support contract labor; offset by a decrease in Colorado State Patrol traffic enforcement and registered vehicle owner information retrieval. Nonoperating interest expenses on bonds and swaps remained consistent at \$13.9 million in 2023 as compared to 2022.

Total operating expenses, before depreciation and amortization 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

## **E-470 PUBLIC HIGHWAY AUTHORITY**

### **Management's Discussion and Analysis**

**December 31, 2023 and 2022**

**(Unaudited)**

increase is primarily due to higher toll collection costs from the 13% increase in E-470 toll transactions in 2022, coupled with a 20% increase in tolled transactions incurred on other Colorado toll facilities, along with general cost increases 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, roadside assistance, 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).

#### ***Debt Administration and Debt Service***

In 2023, principal and interest paid on Senior Bond debt from restricted debt service totaling \$101.4 million consisted of \$44.8 million on Series 1997 bonds, \$41.1 million on Series 2000 bonds, \$9.9 million on Series 2020 bonds, \$5.0 million on Series 2021 bonds, and \$0.6 million on the two interest rate swaps settlement differential.

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.



## **E-470 PUBLIC HIGHWAY AUTHORITY**

### **Management's Discussion and Analysis**

December 31, 2023 and 2022

(Unaudited)

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**

|                                    | <b>2023</b>             | <b>2022</b>          |
|------------------------------------|-------------------------|----------------------|
| Series 1997 B Capital Appreciation | \$ 122,866,496          | 159,556,713          |
| Series 2000 B Capital Appreciation | 405,736,203             | 420,689,858          |
| Series 2004 A Capital Appreciation | 210,780,254             | 199,843,518          |
| Series 2006 B Capital Appreciation | 135,290,281             | 128,680,382          |
| Series 2010 A Capital Appreciation | 54,895,580              | 51,187,820           |
| Series 2020 A Current Interest     | 165,870,000             | 167,370,000          |
| Series 2021B SOFR Notes            | 138,640,000             | 138,640,000          |
| Premiums                           | 27,177,854              | 30,168,900           |
| Total                              | <u>\$ 1,261,256,668</u> | <u>1,296,137,191</u> |

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. There were no debt transactions in 2022 or 2023.

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, 2023 and 2022 with a net liability fair value of \$19.3 million, respectively, and derivative instruments investment loss of \$17 thousand in 2023 and derivative instruments investment gain of \$29.9 million in 2022. 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, 2023, the Authority maintains underlying senior bonds ratings from Moody's and Standard and Poor's. In conjunction with routine surveillance in 2023, Standard and Poor's and Moody's both upgraded the Authority's underlying bond rating based on the financial strength, liquidity, proactive management, and debt restructuring plans to reduce and level future debt service. The Authority's underlying bond rating was upgraded to A+ from A by Standard and Poor's and was upgraded to A1 from A2 by Moody's. Both ratings reflect a stable outlook. No formal rating surveillance or bond transactions occurred in 2022, and no changes were made from informal updates provided to the rating agencies during that year. The Authority did not request a Fitch rating in conjunction with the past two bond transactions. The Authority is not required to carry the Fitch rating and does not intend to request a Fitch rating on future bond transactions.

## E-470 PUBLIC HIGHWAY AUTHORITY

### Management's Discussion and Analysis

December 31, 2023 and 2022

(Unaudited)

Ratings and outlook as of December 31, 2023:

|                     | <u>Rating</u> | <u>Outlook</u> |
|---------------------|---------------|----------------|
| Rating agency:      |               |                |
| Moody's             | A1            | 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 2023, 2022, and 2021. 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 bring down letter in April 2021 in conjunction with the 2021 bonds, to revise forecasts from the May 2020 full investment-grade traffic and revenue study. 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 board-approved toll rate policy at that time. This report was published in December 2021. CDM Smith began a new traffic and revenue study in late 2023, however the report was not final as of December 31, 2023. The 2023 and 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. 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)

| <u>Year</u> | <u>ExpressToll</u> | <u>LPT</u> | <u>Total traffic</u> | <u>Forecast</u> | <u>Variance</u> | <u>Percentage variance</u> |
|-------------|--------------------|------------|----------------------|-----------------|-----------------|----------------------------|
| 2023        | \$ 70,894,453      | 24,637,378 | 95,531,831           | 93,143,000      | 2,388,831       | 3%                         |
| 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%)                       |

#### Toll Revenues, Net (Annual Total)

| <u>Year</u> | <u>ExpressToll</u> | <u>LPT</u> | <u>Total toll revenue</u> | <u>Forecast</u> | <u>Variance</u> | <u>Percentage variance</u> |
|-------------|--------------------|------------|---------------------------|-----------------|-----------------|----------------------------|
| 2023        | \$ 194,931,908     | 64,940,573 | 259,872,481               | 241,245,000     | 18,627,481      | 8%                         |
| 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%                         |

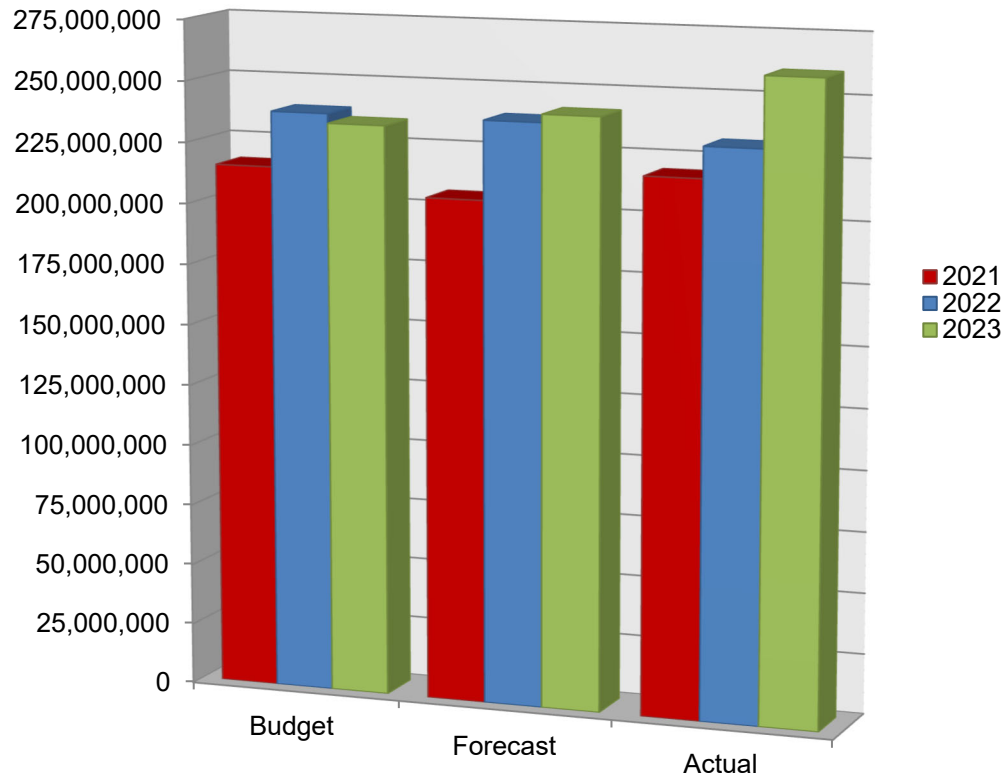
## E-470 PUBLIC HIGHWAY AUTHORITY

### Management's Discussion and Analysis

December 31, 2023 and 2022

(Unaudited)

#### Operating Revenues – Tolls



#### *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.

Due to the record traffic levels that exceeded originally forecasted levels and resulted in higher than budgeted direct costs, combined with continued broad inflationary impacts, the board of directors approved an amended 2023 operating budget in October. The amended 2023 operating budget authorized and appropriated an additional \$4.0 million in operating expenses.

## E-470 PUBLIC HIGHWAY AUTHORITY

### Management's Discussion and Analysis

December 31, 2023 and 2022

(Unaudited)

The following is a summary of the Authority's 2023 operating budget amendment, which was approved by the board in October 2023. There were no amendments to the original 2023 capital budget.

|                                | <b>2023 Original<br/>Budget</b> | <b>2023 Amended<br/>Budget</b> | <b>Variance</b> | <b>Percentage<br/>variance</b> |
|--------------------------------|---------------------------------|--------------------------------|-----------------|--------------------------------|
| Total revenue                  | \$ 265,563,000                  | 265,563,000                    | —               | — %                            |
| Total operating expenditures   | (66,217,000)                    | (70,217,000)                   | (4,000,000)     | 6                              |
| Net revenue                    | 199,346,000                     | 195,346,000                    | (4,000,000)     | (2)                            |
| Senior debt service due        | 101,450,000                     | 101,450,000                    | —               | —                              |
| Debt service<br>coverage ratio | 1.96                            | 1.93                           | (0.03)          | (2)%                           |

The following is a summary of the Authority's 2023 operating budget (which was prepared and approved by the board in December 2022, as amended in October 2023) 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, 2023:

|  | <b>2023 Amended<br/>Budget</b> | <b>2023 Results</b> | <b>Variance</b> | <b>Percentage<br/>variance</b> |
|--|--------------------------------|---------------------|-----------------|--------------------------------|
| Total revenue                                | \$ 265,563,000                 | 309,785,173         | 44,222,173      | 17 %                           |
| Total operating expenditures                 | (70,217,000)                   | (67,186,037)        | 3,030,963       | (4)                            |
| Net revenue                                  | 195,346,000                    | 242,599,136         | 47,253,136      | 24                             |
| Senior debt service due                      | 101,450,000                    | 101,382,826         | (67,174)        | —                              |
| Debt service<br>coverage ratio               | 1.93                           | 2.39                | 0.46            | 24 %                           |
| Capital and renewal and<br>replacement costs | \$ 226,750,000                 | 196,100,727         | (30,649,273)    | (14)%                          |

During 2023, total budgeted operating revenues ended \$44.2 million, or 17%, over budget. This is primarily due to net toll revenues ending over budget by \$25.9 million from the higher 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 \$15.4 million over budget due to higher than budgeted tolling services revenue from a 28% increase in tolled transactions incurred on other Colorado toll facilities, along with higher than budgeted investment income due to elevated interest rates on the short end of the yield curve in 2023 where the Authority had a higher concentration of short term maturities for large capital project cash flows. Total operating expenses ended \$3.0 million, or 4%, under budget, which is attributable to the conservative budget amendment which added an additional \$4.0 million in authorized operating expenditures for direct costs resulting from higher than budgeted toll transactions. These

## E-470 PUBLIC HIGHWAY AUTHORITY

### Management's Discussion and Analysis

December 31, 2023 and 2022

(Unaudited)

final budget results led to a debt service coverage ratio of 2.39, which is higher than both the original budgeted ratio of 1.96 and the amended budgeted ratio of 1.93 for 2023.

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 \$30.6 million, or 14% under budget. This variance is primarily due to slight schedule delays in the I-70 to 104<sup>th</sup> Avenue widening project and Central Maintenance Facility relocation construction project, where costs were shifted from 2023 to future years, but the projects remain under budget overall.

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:

|   | <b>2022 Budget</b> | <b>2022 Results</b> | <b>Variance</b> | <b>Percentage variance</b> |
|---|--------------------|---------------------|-----------------|----------------------------|
| 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               | <u>2.07</u>        | <u>2.11</u>         | <u>0.04</u>     | <u>2 %</u>                 |
| 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 38<sup>th</sup> 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 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 104<sup>th</sup> Avenue

## **E-470 PUBLIC HIGHWAY AUTHORITY**

### **Management's Discussion and Analysis**

December 31, 2023 and 2022

(Unaudited)

widening project and Central Maintenance Facility relocation construction project, where costs were shifted from 2022 to future years.

#### **Reserves Management**

Pursuant to the Bond Resolutions, the Authority is required to maintain reserve accounts, including the Senior Bonds Debt Service Reserve Fund and an Operating Reserve Fund. In addition, a General Surplus account is maintained in accordance with the Bond Resolutions. The General Surplus account is unrestricted and is currently divided into three subaccount funds for administrative purposes: the Senior Bonds Defeasance Fund, the Capital Improvements Fund, and the Rainy Day Fund. At December 31, 2023 and 2022, 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, I-70 Mountain Express Lanes, and I-70 Central; 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 and 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 growth during 2023 with an overall increase of 28% in total transactions processed by the Authority from 2022 to 2023. These tolling services revenues totaled \$13.1 million and \$10.3 million in 2023 and 2022, 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. Since the COVID-19 pandemic in 2020, when toll transactions and revenue decreased by 36% and 37% respectively from 2019, there has been a slow but steady recovery to pre-pandemic levels. Fiscal year 2021 saw toll transaction volumes increase by 31% from 2020, while 2022 saw volumes increase by another 13% from 2021. Finally, 2023 saw transaction volume increase by 11% over 2022 and reach the highest annual traffic on record, with each month from February through December also setting a new all-time monthly traffic record. Despite the continued impacts on global and local economies caused by broad inflation, elevated fuel prices and supply chain issues, E-470 exceeded 2019 levels of both toll transactions and revenue by 6% and 4%, respectively.

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 2023 at 108% of the toll revenue projections per

## **E-470 PUBLIC HIGHWAY AUTHORITY**

### **Management's Discussion and Analysis**

December 31, 2023 and 2022

(Unaudited)

the CDM Smith December 2021 bring down letter. In addition to traffic volumes recovering from the depressed levels experienced during the pandemic, the Authority continues to have adequate unrestricted funds within the General Surplus Account which could be available to pay debt service when due, if needed, and which continues to fund the capital program. As of December 31, 2023, restricted fund balances were \$161.3 million and unrestricted funds within the General Surplus Account were \$394.3 million, respectively. 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 in the near-term as planned, despite the increased cost estimates for some of the larger capital projects due to inflationary impacts. Though over the last decade the Authority has been able to level off its annual debt service payments to relieve the pressure of increasing toll rates to match increases in annual debt service payments, continued growth in traffic and revenue will be necessary to keep up with increasing costs of operation. This growth and its impact on 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 104<sup>th</sup> 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 \$154.8 million through December 31, 2023 and has budgeted an additional \$215 million, including contingency, for the multiyear construction project in 2024 and 2025, for a total project estimated cost of \$369.8 million. This significant project includes improvements to the 64<sup>th</sup> Avenue and Pena Boulevard interchanges, as well as new interchanges at 38<sup>th</sup> Avenue and 48<sup>th</sup> Avenue, which are scheduled to open in 2024. To accommodate the new 38<sup>th</sup> Avenue interchange, a new mainline tolling gantry was installed at toll plaza C in 2023. The project scope also includes a six mile extension of the multi-use trail and a full pavement overlay of all existing lanes in the project area to extend the pavement useful life. 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 2024 include:

- continued implementation of the executed lease agreement with Applegreen to repurpose and redevelop three vacant mainline toll plaza buildings as convenience store/service stations where the Authority has spent \$3.1 million through 2023, with \$3.8 million estimated in 2024 to ready the sites for development by Applegreen.
- the next generation lane equipment and software integration project along E-470 was substantially completed in 2023 and is now moving into the operation and maintenance phase in 2024. Approximately \$21.5 million was spent to date through 2023 with \$6.2 million budgeted in the 2024 capital budget to complete final installations and system acceptance testing and \$2.2 million budgeted in the 2024 operating budget for contracted operation and maintenance activities.
- \$8.8 million budgeted in 2024 to continue design and development on a multiyear project to modernize the Authority's toll collection system back-office software, with \$7.2 million spent to date through 2023 on this multiyear project.
- adding traffic signals and interchange improvements at Jewell Avenue (\$1.5 million budgeted in 2024).
- final design for the future addition of the Sable Boulevard interchange with \$7.3 million in 2024 budgeted design and construction costs.



## **E-470 PUBLIC HIGHWAY AUTHORITY**

### **Management's Discussion and Analysis**

December 31, 2023 and 2022

(Unaudited)

- approximately \$11.2 million budgeted in 2024 to complete construction of 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 mid-2024.

The above projects span multiple years and may have additional costs in 2025 which are not yet board approved. The large \$217.2 million capital program in 2024 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 2024 toll rates, in December 2023, the Authority's board of directors approved and adopted Resolution 23-02, "Regarding 2024 Toll Rates and Toll Rate Schedule," to extend the 2023 Toll Rates for fiscal year 2024. This action marked the second consecutive year that the board of directors voted to freeze toll rates at the same levels as the previous two years, citing that this action allows E-470 to maintain the financial stability to support current and future roadway improvements that benefit customers without raising toll rates. Toll rates will remain at this level until such time that they are modified by future board resolution. Authority staff will continue to closely monitor the economic volatility concerns, customer travel behaviors and financial condition of the Authority into fiscal year 2024. The Authority projects that it will 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 integrate the I-25 South GAP express lanes and I-25 North Segments 6, 7 and 8 in 2024. 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 in 2024, the Authority plans to refinance the Series 2021B SOFR Floating Rate Notes of \$138.6 million and the Series 2020A bonds callable principle of \$50.0 million from the 2040 maturity. The Authority's next scheduled refinancing date is September 1, 2026 with the Series 2006B callable CABs with an original principal value of \$56.9 million.

### **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, 2023 and 2022, 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, 2023 and 2022, 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.

### *Responsibilities of Management for the Financial Statements*

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

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

### *Auditors' Responsibilities for the Audit of the Financial Statements*

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



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 26, 2024

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# **E-470 PUBLIC HIGHWAY AUTHORITY**

## Statements of Net Position

December 31, 2023 and 2022

| <b>Assets</b>   | <b>2023</b>             | <b>2022</b>          |
|---|-------------------------|----------------------|
| Current unrestricted assets:  |                         |                      |
| Cash and cash equivalents   | \$ 157,380,600          | 88,531,007           |
| Investments   | 206,168,734             | 136,224,961          |
| Cash and cash equivalents limited for construction                                | 11,789,204              | 16,144,009           |
| Accrued interest receivable   | 2,207,924               | 2,811,016            |
| Accounts receivable, net of allowance for uncollectibles                          | 42,348,343              | 32,339,925           |
| Notes receivable  | 4,212,572               | 4,517,035            |
| Leases receivable   | 212,665                 | 205,522              |
| Prepaid expenses and other current assets   | 664,016                 | 1,701,430            |
| Total current unrestricted assets   | <u>424,984,058</u>      | <u>282,474,905</u>   |
| Current restricted assets:  |                         |                      |
| Cash and cash equivalents for debt service  | 43,612,246              | 46,567,372           |
| Investments for debt service  | 34,903,337              | 53,243,743           |
| Accrued interest receivable   | 108,595                 | 51,990               |
| Total current restricted assets   | <u>78,624,178</u>       | <u>99,863,105</u>    |
| Total current assets  | <u>503,608,236</u>      | <u>382,338,010</u>   |
| Noncurrent assets:  |                         |                      |
| Unrestricted investments  | 90,802,362              | 241,765,885          |
| Restricted investments for debt service   | 82,830,923              | 54,510,488           |
| Prepaid bond costs and other noncurrent assets                                    | 5,409,318               | 6,183,831            |
| Notes receivable  | 859,611                 | 2,141,572            |
| Leases receivable   | 2,336,622               | 2,549,287            |
| Capital and right-to-use assets, net of accumulated depreciation and amortization | 726,582,921             | 574,735,271          |
| Total noncurrent assets   | <u>908,821,757</u>      | <u>881,886,334</u>   |
| Total assets  | <u>1,412,429,993</u>    | <u>1,264,224,344</u> |
| Deferred outflows of resources:   |                         |                      |
| Loss on refundings of debt  | 32,292,798              | 39,487,295           |
| Total assets and deferred outflows of resources                                   | <u>\$ 1,444,722,791</u> | <u>1,303,711,639</u> |



# **E-470 PUBLIC HIGHWAY AUTHORITY**

## Statements of Net Position

December 31, 2023 and 2022

| <b>Liabilities</b>   | <b>2023</b>      | <b>2022</b>   |
|--|------------------|---------------|
| Current liabilities payable from unrestricted assets:  |                  |               |
| Accounts payable and accrued expenses  | \$ 37,955,240    | 18,097,443    |
| Unearned toll revenue  | 48,145,069       | 43,698,630    |
| Intergovernmental liability  | 2,930,611        | —             |
| Derivative instruments – interest rate swaps   | 18,803           | 107,981       |
| Total current liabilities payable from unrestricted assets   | 89,049,723       | 61,904,054    |
| Current liabilities payable from restricted assets:  |                  |               |
| Bonds payable (including accumulated accretion on capital appreciation bonds of \$67,906,614 in 2023 and \$65,236,517 in 2022)   | 91,940,000       | 87,395,000    |
| Accrued interest payable   | 3,248,101        | 3,279,427     |
| Total current liabilities payable from restricted assets   | 95,188,101       | 90,674,427    |
| Total current liabilities  | 184,237,824      | 152,578,481   |
| Noncurrent liabilities:  |                  |               |
| Bonds payable (including accumulated accretion on capital appreciation bonds of \$584,086,625 in 2023 and \$596,487,716 in 2022) | 1,169,316,668    | 1,208,742,191 |
| Other restricted noncurrent liabilities  | 1,491,957        | 1,304,811     |
| Derivative instruments – interest rate swaps   | 19,282,296       | 19,175,696    |
| Total noncurrent liabilities   | 1,190,090,921    | 1,229,222,698 |
| Total liabilities  | 1,374,328,745    | 1,381,801,179 |
| Deferred inflows of resources:   |                  |               |
| Related to gain on sale of asset   | 603,537          | 1,408,252     |
| Related to leased assets   | 2,402,919        | 2,652,642     |
| Total deferred inflows of resources  | 3,006,456        | 4,060,894     |
| Net position:  |                  |               |
| Net investment in capital assets   | 233,942,030      | 64,970,221    |
| Unrestricted deficit   | (166,554,440)    | (147,120,655) |
| Total net position   | 67,387,590       | (82,150,434)  |
| Commitments and contingencies (notes 10, 11, 14, 15, and 16)   |                  |               |
| Total liabilities and deferred inflows of resources and net position   | \$ 1,444,722,791 | 1,303,711,639 |

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, 2023 and 2022

|  | <b>2023</b>          | <b>2022</b>          |
|--|----------------------|----------------------|
| Operating revenues:                                    |                      |                      |
| Tolls  | \$ 259,872,481       | 231,325,278          |
| Other fees   | 14,689,009           | 12,941,449           |
| Tolling services                                       | 13,088,846           | 10,348,968           |
| Total operating revenues                               | <u>287,650,336</u>   | <u>254,615,695</u>   |
| Operating expenses:                                    |                      |                      |
| Toll road operations                                   | 59,664,971           | 51,681,128           |
| Salaries and benefits                                  | 11,897,967           | 10,501,553           |
| General and administrative                             | 4,052,364            | 3,322,955            |
| Total operating expenses before depreciation           | <u>75,615,302</u>    | <u>65,505,636</u>    |
| Depreciation and amortization                          | <u>41,606,027</u>    | <u>39,885,962</u>    |
| Total operating expenses                               | <u>117,221,329</u>   | <u>105,391,598</u>   |
| Operating income                                       | <u>170,429,007</u>   | <u>149,224,097</u>   |
| Nonoperating revenue (expenses):                       |                      |                      |
| Interest expenses:                                     |                      |                      |
| Interest on bonds and interest rate swaps              | (13,956,500)         | (13,943,074)         |
| Accretion on capital appreciation bonds                | (55,505,523)         | (57,117,378)         |
| Other bond amortization expenses                       | (4,977,965)          | (5,086,800)          |
| Investment revenues (expenses):                        |                      |                      |
| Interest earned on investments                         | 19,230,784           | 11,065,087           |
| Net change in the fair value of investments            | 8,308,454            | (18,234,137)         |
| Net change in the fair value of derivative instruments | (17,422)             | 29,947,174           |
| Intergovernmental revenue                              | 20,721,541           | —                    |
| Other income   | 6,207,308            | 3,473,103            |
| Total nonoperating expenses                            | <u>(19,989,323)</u>  | <u>(49,896,025)</u>  |
| Income before intergovernmental expense                | 150,439,684          | 99,328,072           |
| Intergovernmental expense                              | <u>(901,660)</u>     | <u>—</u>             |
| Change in net position                                 | 149,538,024          | 99,328,072           |
| Net position, beginning of year                        | <u>(82,150,434)</u>  | <u>(181,478,506)</u> |
| Net position, end of year                              | <u>\$ 67,387,590</u> | <u>(82,150,434)</u>  |

See accompanying notes to basic financial statements.



# **E-470 PUBLIC HIGHWAY AUTHORITY**

## **Statements of Cash Flows**

Years ended December 31, 2023 and 2022

|   | <b>2023</b>                  | <b>2022</b>               |
|---|------------------------------|---------------------------|
| Cash flows from operating activities:                                     |                              |                           |
| Receipts of authority vehicle tolls and toll fees                         | \$ 275,469,313               | 248,670,188               |
| Receipts from third parties for tolling services                          | 12,889,229                   | 10,014,444                |
| Payments to employees   | (11,764,189)                 | (10,429,387)              |
| Payments to suppliers   | (43,256,162)                 | (46,623,636)              |
| Net cash provided by operating activities                                 | <u>233,338,191</u>           | <u>201,631,609</u>        |
| Cash flows from capital and related financing activities:                 |                              |                           |
| Purchase and construction of capital assets                               | (188,243,565)                | (33,561,451)              |
| Receipts from third parties for capital assets                            | 595,548                      | 660,145                   |
| Proceeds from sale of capital assets                                      | 91,700                       | 197,589                   |
| Receipts from leases of capital assets                                    | 264,163                      | 260,306                   |
| Interest paid   | (13,987,826)                 | (13,964,945)              |
| Principal payments on bonds from restricted debt service funds            | (87,395,000)                 | (84,200,000)              |
| Receipts of other intergovernmental contributions for capital assets      | 11,305,060                   | —                         |
| Net cash used in capital and related financing activities                 | <u>(277,369,920)</u>         | <u>(130,608,356)</u>      |
| Cash flows from noncapital financing activities:                          |                              |                           |
| Receipts of non-Authority third party vehicle tolls and toll fees         | 92,862,472                   | 67,346,426                |
| Remittance to third parties for non-Authority vehicle tolls and toll fees | (92,291,820)                 | (67,066,880)              |
| Purchases of equipment and support services for third parties             | (106,853)                    | (43,118)                  |
| Receipts from third parties for equipment and support services            | 117,573                      | 29,702                    |
| Other receipts and disbursements  | 6,081,957                    | 1,226,934                 |
| Payment of other noncapital intergovernmental obligations                 | (778,660)                    | —                         |
| Receipts of other noncapital intergovernmental obligations                | 540,566                      | —                         |
| Net cash provided by noncapital financing activities                      | <u>6,425,235</u>             | <u>1,493,064</u>          |
| Cash flows from investing activities:                                     |                              |                           |
| Proceeds from sales of investments  | 232,094,640                  | 162,015,905               |
| Purchases of investments  | (151,251,194)                | (215,861,370)             |
| Interest received   | 18,074,210                   | 9,210,050                 |
| Receipts of scheduled principal and interest on loans                     | 228,500                      | 228,500                   |
| Net cash used in investing activities                                     | <u>99,146,156</u>            | <u>(44,406,915)</u>       |
| Net (decrease) increase in cash and cash equivalents                      | 61,539,662                   | 28,109,402                |
| Cash and cash equivalents, beginning of year                              | <u>151,242,388</u>           | <u>123,132,986</u>        |
| Cash and cash equivalents, end of year                                    | <u><u>\$ 212,782,050</u></u> | <u><u>151,242,388</u></u> |



# **E-470 PUBLIC HIGHWAY AUTHORITY**

## **Statements of Cash Flows**

Years ended December 31, 2023 and 2022

|   | <b>2023</b>           | <b>2022</b>        |
|---|-----------------------|--------------------|
| Reconciliation of cash and cash equivalents to the statements of net position:          |                       |                    |
| Cash and cash equivalents – current – unrestricted                                      | \$ 157,380,600        | 88,531,007         |
| Cash and cash equivalents – current – restricted for debt service                       | 43,612,246            | 46,567,372         |
| Cash and cash equivalents – current – unrestricted limited for construction             | 11,789,204            | 16,144,009         |
| Cash and cash equivalents, end of year  | <u>\$ 212,782,050</u> | <u>151,242,388</u> |
| Reconciliation of operating income to net cash provided by operating activities:        |                       |                    |
| Operating income  | \$ 170,429,007        | 149,224,097        |
| Adjustments to reconcile operating income to net cash provided by operating activities: |                       |                    |
| Depreciation and amortization   | 41,606,027            | 39,885,962         |
| Changes in assets and liabilities:  |                       |                    |
| Accounts receivable, net (tolls, late fees, and tolling services)                       | (3,344,841)           | 1,401,807          |
| Prepaid expenses and other current assets   | 1,037,414             | (1,467,574)        |
| Accounts payable and accrued expenses   | 19,557,853            | 9,919,850          |
| Unearned toll revenue   | 4,052,731             | 2,667,467          |
| Net cash provided by operating activities   | <u>\$ 233,338,191</u> | <u>201,631,609</u> |
| Noncash transactions:   |                       |                    |
| Interest expense recorded due to bond accretion   | \$ 55,505,523         | 57,117,378         |
| Interest expense recorded due to amortization of deferred outflows of resources         | 7,194,497             | 7,268,180          |
| Interest expense recorded due to amortization of prepaid bond costs and other assets    | 774,513               | 835,804            |
| Interest expense recorded due to amortization of net bond premiums                      | 2,991,046             | 3,017,184          |
| (Decrease) Increase in fair value of derivative instruments – interest rate swaps       | (17,422)              | 29,947,174         |
| Investment change recorded due to amortization of net investment premiums (discounts)   | (1,711,961)           | (1,027,703)        |
| Investment loss recorded due to amortization of other restricted noncurrent liabilities | (394,690)             | (474,085)          |
| Increase (decrease) in fair value of investments  | 8,308,454             | (18,234,137)       |
| Net loss on disposal of capital assets  | (1,085,439)           | (142,458)          |
| Decrease in other restricted noncurrent liabilities                                     | 207,544               | 207,544            |
| Noncash gain recorded due to amortization of deferred inflows of resources              | 1,054,438             | 1,054,440          |
| Noncash contributed capital assets from third parties                                   | 6,387,251             | 594,840            |
| Noncash sale of capital assets  | —                     | (111,500)          |

See accompanying notes to basic financial statements.

## **E-470 PUBLIC HIGHWAY AUTHORITY**

Notes to Financial Statements

Year ended December 31, 2023

### **(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.

## **E-470 PUBLIC HIGHWAY AUTHORITY**

### **Notes to Financial Statements**

**Year ended December 31, 2023**

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.

## **E-470 PUBLIC HIGHWAY AUTHORITY**

### **Notes to Financial Statements**

Year ended December 31, 2023

#### **(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 invoiced 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.

## E-470 PUBLIC HIGHWAY AUTHORITY

### Notes to Financial Statements

Year ended December 31, 2023

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:

| <b>Assets</b>                  | <b>Years</b> |
|--------------------------------|--------------|
| 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.

## **E-470 PUBLIC HIGHWAY AUTHORITY**

### **Notes to Financial Statements**

Year ended December 31, 2023

- 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) *Right-to-use Subscription Assets and Related Subscription Liabilities***

Subscription assets are typically recorded at the initial measurement of the subscription liability, plus subscription payments made at or before the commencement of the subscription-based information technology arrangement (SBITA) term, less any SBITA vendor incentives received from the SBITA vendor and certain payments made before the commencement of the SBITA term, plus capitalizable initial implementation costs. Subscription assets are amortized on a straight-line basis over the shorter of the SBITA term or the useful life of the underlying IT asset. The Authority typically prepays for SBITA arrangements at the commencement of the SBITA term and therefore does not have related subscription liabilities.

#### **(k) *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.

#### **(l) *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.



## **E-470 PUBLIC HIGHWAY AUTHORITY**

### **Notes to Financial Statements**

**Year ended December 31, 2023**

#### **(m) Net Position Amounts**

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

As of December 31, 2023 and 2022, the Authority had a total net investment of approximately \$67.4 million and a total net deficit of \$82.2 million, respectively.

#### **(n) 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.

#### **(o) Implementation of Accounting Standards**

As of December 31, 2023, the Authority implemented GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, which was effective for periods beginning after June 15, 2022. This statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for governments. Under this statement, a government is required to recognize a right-to-use subscription asset, an intangible asset, and a corresponding subscription liability, thereby enhancing the relevance and consistency of information about governments' SBITAs. The Authority typically prepays for SBITA arrangements at the commencement of the SBITA term and therefore does not have related subscription liabilities. Accounting changes adopted to conform to the provisions of this statement were applied prospectively with no restatement of fiscal year 2022 balances, as the impacts were immaterial to *Capital and right-to-use assets, net of accumulated depreciation and amortization* and the financial statements as a whole as of December 31, 2022. For fiscal year 2023, SBITA arrangements totaling \$0.8 million, net, are included in *Capital and right-to-use assets, net of accumulated depreciation and amortization*, as detailed in Note 8.

## **E-470 PUBLIC HIGHWAY AUTHORITY**

### **Notes to Financial Statements**

**Year ended December 31, 2023**

#### **(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, 2023 or 2022, 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.

# **E-470 PUBLIC HIGHWAY AUTHORITY**

Notes to Financial Statements

Year ended December 31, 2023

The Authority has the following recurring fair value measurements as of December 31, 2023:

|  |                 | Fair value measurement using  |   |  |
|--|-----------------|---|---|--|
|  |                 | Quoted prices<br>in active<br>markets for<br>identical<br>assets<br>(Level 1) | Significant<br>other<br>observable<br>inputs<br>(Level 2) | Significant<br>unobservable<br>inputs<br>(Level 3) |
|  | Total<br>2023   |   |   |  |
| Investment type:   |                 |   |   |  |
| U.S. government agency                                     | \$ 136,515,980  | —   | 136,515,980   | —  |
| U.S. Treasury securities                                   | 301,644,124     | —   | 301,644,124   | —  |
| Commercial paper   | 2,961,324       | —   | 2,961,324   | —  |
| Total investments<br>measured at<br>fair value             | 441,121,428     | —   | 441,121,428   | —  |
| Cash Equivalents (CE) and<br>investments measured at cost: |                 |   |   |  |
| Money market mutual funds                                  | 147,512,844     |   |   |  |
| Investment agreement                                       | 8,471,273       |   |   |  |
| Total CE and<br>investments<br>measured at cost            | 155,984,117     |   |   |  |
| Total CE and<br>investments held<br>by the authority       | \$ 597,105,545  |   |   |  |
| Liability type:  |                 |   |   |  |
| Derivative instruments – interest<br>rate swaps            | \$ (19,301,099) | —   | (19,301,099)  | —  |
| Total liabilities<br>measured at fair<br>value             | \$ (19,301,099) | —   | (19,301,099)  | —  |

# **E-470 PUBLIC HIGHWAY AUTHORITY**

Notes to Financial Statements

Year ended December 31, 2023

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

|  | <b>Fair value measurement using</b> |   |  |  |
|--|-------------------------------------|---|--|--|
|  |                                     | <b>Quoted prices<br/>in active<br/>markets for<br/>identical<br/>assets<br/>(Level 1)</b> | <b>Significant<br/>other<br/>observable<br/>inputs<br/>(Level 2)</b> | <b>Significant<br/>unobservable<br/>inputs<br/>(Level 3)</b> |
|  | <b>Total<br/>2022</b>               |   |  |  |
| 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<br>measured at<br>fair value             | <u>477,273,804</u>                  | <u>—</u>  | <u>477,273,804</u>   | <u>—</u>   |
| Cash Equivalents (CE) and<br>investments measured at cost: |                                     |   |  |  |
| Money market mutual funds                                  | 127,864,467                         |   |  |  |
| Investment agreement                                       | <u>8,471,273</u>                    |   |  |  |
| Total CE and<br>investments<br>measured at cost            | <u>136,335,740</u>                  |   |  |  |
| Total CE and<br>investments held<br>by the authority       | <u>\$ 613,609,544</u>               |   |  |  |
| Liability type:  |                                     |   |  |  |
| Derivative instruments – interest<br>rate swaps            | \$ (19,283,677)                     | —   | (19,283,677)   | —  |
| Total liabilities<br>measured at fair<br>value             | <u>\$ (19,283,677)</u>              | <u>—</u>  | <u>(19,283,677)</u>  | <u>—</u>   |

## E-470 PUBLIC HIGHWAY AUTHORITY

### Notes to Financial Statements

Year ended December 31, 2023

#### (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. As of December 31, 2023 and 2022, the Authority's cash deposits had a book balance of \$30.4 million and \$23.4 million, respectively, and a corresponding bank balance of \$30.4 million and \$23.4 million, respectively.

As of December 31, 2023 and 2022, the Authority's book balances are classified as follows:

| <b>2023</b>  |                      |   |                    |
|--|----------------------|---|--------------------|
|  | <b>Deposits</b>      | <b>Cash equivalents<br/>and investments</b> | <b>Total</b>       |
| Restricted cash and cash equivalents by trustee under the Bond Resolutions | \$ —                 | 43,612,246                                  | 43,612,246         |
| Unrestricted cash and cash equivalents – undesignated                      | 30,381,861           | 138,787,943                                 | 169,169,804        |
| Restricted investments by trustee under the Bond Resolutions               | —                    | 117,734,260                                 | 117,734,260        |
| Unrestricted investments – undesignated                                    | —                    | 296,971,096                                 | 296,971,096        |
|  | <u>\$ 30,381,861</u> | <u>597,105,545</u>                          | <u>627,487,406</u> |

| <b>2022</b>  |                      |   |                    |
|--|----------------------|---|--------------------|
|  | <b>Deposits</b>      | <b>Cash equivalents<br/>and investments</b> | <b>Total</b>       |
| 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        |
|  | <u>\$ 23,377,921</u> | <u>613,609,544</u>                          | <u>636,987,465</u> |

## E-470 PUBLIC HIGHWAY AUTHORITY

### Notes to Financial Statements

Year ended December 31, 2023

The following is a summary of the Authority's cash equivalents and investments by type as of December 31, 2023 and 2022, at fair value, including the money market mutual funds and investment agreement using a cost-based measurement:

|                           | <b>2023</b>           | <b>2022</b>        |
|---------------------------|-----------------------|--------------------|
| U.S. Treasury securities  | \$ 301,644,124        | 235,486,010        |
| Money market mutual funds | 147,512,844           | 127,864,467        |
| U.S. government agency    | 136,515,980           | 226,162,945        |
| Investment agreement      | 8,471,273             | 8,471,273          |
| Commercial paper          | 2,961,324             | 15,624,849         |
|                           | <u>\$ 597,105,545</u> | <u>613,609,544</u> |

#### (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.

**E-470 PUBLIC HIGHWAY AUTHORITY**

## Notes to Financial Statements

Year ended December 31, 2023

The following is a summary of the Authority's cash equivalents and investments as of December 31, 2023 with credit ratings based on the Standard & Poor's and Moody's ratings scales:

|  | <b>2023</b>           |                |
|--|-----------------------|----------------|
|  | <b>Fair value</b>     | <b>Rating</b>  |
| U.S. government agency:                                  |                       |                |
| Federal Farm Credit Banks (FFCB)                         | \$ 67,141,683         | AA+/Aaa        |
| Federal Home Loan Banks (FHLB)                           | 57,652,828            | AA+/Aaa        |
| Federal National Mortgage Association (FNMA)             | 11,721,469            | AA+/Aaa        |
| Total U.S. government agency                             | <u>136,515,980</u>    |                |
| U.S. Treasury securities:                                |                       |                |
| U.S. Treasury notes                                      | 242,154,336           | Not applicable |
| U.S. Treasury bills                                      | 59,489,788            | Not applicable |
| Total U.S. Treasury Securities                           | <u>301,644,124</u>    |                |
| Money market mutual funds:                               |                       |                |
| Federated Government Obligations Fund                    | 105,391,875           | AAAm/Aaa-mf    |
| Federated Treasury Obligations Fund                      | 131,627               | AAAm/Aaa-mf    |
| First American Funds Government Obligations Class Z Fund | 41,989,342            | AAAm/Aaa-mf    |
| Total money market mutual funds                          | <u>147,512,844</u>    |                |
| Investment agreement:                                    |                       |                |
| Societe Generale   | <u>8,471,273</u>      | A/A1           |
| Commercial paper:  |                       |                |
| MUFG Bank Ltd/NY   | 1,489,842             | A-1/P-1        |
| Rabobank Nederland NV NY                                 | 1,471,482             | A-1/P-1        |
| Total commercial paper                                   | <u>2,961,324</u>      |                |
| Total cash equivalents and investments                   | <u>\$ 597,105,545</u> |                |

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

**E-470 PUBLIC HIGHWAY AUTHORITY**

## Notes to Financial Statements

Year ended December 31, 2023

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

|  | <b>2022</b>           |                |
|--|-----------------------|----------------|
|  | <b>Fair value</b>     | <b>Rating</b>  |
| 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                             | <u>226,162,945</u>    |                |
| U.S. Treasury securities:                                |                       |                |
| U.S. Treasury notes                                      | <u>235,486,010</u>    | 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                                     | <u>8,144,009</u>      | AAAm/Not rated |
| Total money market mutual funds                          | <u>127,864,467</u>    |                |
| Investment agreement:                                    |                       |                |
| Societe Generale   | <u>8,471,273</u>      | 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                          | <u>6,866,665</u>      | A-1+/P-1       |
| Total commercial paper                                   | <u>15,624,849</u>     |                |
| Total cash equivalents and investments                   | <u>\$ 613,609,544</u> |                |

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

**(b) Interest Rate Risk**

Interest rate risk is the risk that an investment's value will change due to change in the level of interest rates. The Authority currently employs one professional investment management firm to manage its investments. The funds are all "laddered" so that investments do not mature all at once and are in compliance with the Colorado statutes and Bond Resolutions. Additionally, 91% and 96% of the cash



## E-470 PUBLIC HIGHWAY AUTHORITY

### Notes to Financial Statements

Year ended December 31, 2023

equivalents and investments have maturities of three years or less as of December 31, 2023 and 2022, respectively.

As of December 31, 2023, the Authority held the following cash equivalents and investments:

|   | Fair value     | Less than<br>one year | Between one<br>and two years | Between two<br>and three<br>years | Greater than<br>three years |
|---|----------------|-----------------------|------------------------------|-----------------------------------|-----------------------------|
| U.S. Treasury securities                  | \$ 301,644,124 | 181,611,993           | 77,694,306                   | 11,087,745                        | 31,250,080                  |
| U.S. government agency                    | 136,515,980    | 91,386,098            | 20,933,226                   | 3,985,519                         | 20,211,137                  |
| Investment agreement                      | 8,471,273      | —                     | —                            | 8,471,273                         | —                           |
| Commercial paper                          | 2,961,324      | 2,961,324             | —                            | —                                 | —                           |
| Total investments                         | 449,592,701    | 275,959,415           | 98,627,532                   | 23,544,537                        | 51,461,217                  |
| Money market mutual funds                 | 147,512,844    | 147,512,844           | —                            | —                                 | —                           |
| Total cash equivalents<br>and investments | \$ 597,105,545 | 423,472,259           | 98,627,532                   | 23,544,537                        | 51,461,217                  |

Because the money market mutual funds have a weighted average maturity less than three months as of December 31, 2023, the funds are presented as cash equivalents with maturities of less than one year.

As of December 31, 2022, the Authority held the following cash equivalents and investments:

|   | Fair value     | Less than<br>one year | Between one<br>and two years | Between two<br>and three<br>years | Greater than<br>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<br>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.

#### (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

## E-470 PUBLIC HIGHWAY AUTHORITY

### Notes to Financial Statements

Year ended December 31, 2023

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, 2023 and 2022, approximately 23% and 37%, 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, and International Bank for Reconstruction and Development 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, 2023 and 2022 are restricted as follows:

|  | 2023                  | 2022               |
|--|-----------------------|--------------------|
| Senior Bonds Debt Service Reserve Fund | \$ 95,091,446         | 94,430,151         |
| Senior Bonds Debt Service Account      | 39,185,331            | 35,435,592         |
| Operating Reserve Fund                 | 13,750,629            | 11,560,017         |
| Trust Revenue Fund                     | 13,319,100            | 12,895,843         |
|  | <u>\$ 161,346,506</u> | <u>154,321,603</u> |

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, 2023 and 2022 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, 2023 and 2022, the Senior Bonds Debt Service Reserve Fund requirement was \$118.0 million, and the account was fully funded as of December 31, 2023 and 2022, with balances of \$120.1 million and \$119.4 million, respectively. The change in year-end balances is due to fair value fluctuations. These balances include cash and cash equivalents and investments of \$95.1 million and \$94.4 million as of December 31, 2023 and 2022, respectively, combined with the \$25 million available under a reserve fund surety bond provided by MBIA – administered by National Public Finance Guarantee (NPFPG). Within the fund, the Authority holds numerous long-term investment

## **E-470 PUBLIC HIGHWAY AUTHORITY**

### **Notes to Financial Statements**

**Year ended December 31, 2023**

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 as of December 31, 2023 and 2022, 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 \$4.4 million as of December 31, 2023 and \$4.3 million as of December 31, 2022 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, 2023 and 2022, the Operating Reserve Fund requirement was \$13.2 million and \$11.0 million, respectively, and was fully funded with balances of \$13.8 million and \$11.6 million, respectively.

*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, 2023 and 2022.

## E-470 PUBLIC HIGHWAY AUTHORITY

### Notes to Financial Statements

Year ended December 31, 2023

#### (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, 2023 and 2022, the Authority held \$466.1 million and \$482.7 million, respectively, in total unrestricted funds, including cash and cash equivalents and investments. Approximately \$394.3 million and \$410.7 million were within the General Surplus accounts as of December 31, 2023 and 2022, 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, if necessary.

#### (g) *Investment Income*

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 gain of \$27.5 million in 2023 and investment loss of \$7.2 million in 2022, excluding the net change in fair value of derivative instruments. Restricted interest earned on investments was \$1.9 million in 2023 and \$0.4 million in 2022 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, 2023 and 2022:

|  | <b>2023</b>   | <b>2022</b> |
|--|---------------|-------------|
| Tolls receivable (billed)                                      | \$ 31,937,751 | 27,104,405  |
| Accrued toll revenue – transactions still processing           | 4,531,697     | 4,831,503   |
| Unbilled toll revenue  | 3,607,935     | 3,178,018   |
| Accounts receivable  | 10,434,762    | 3,571,908   |
| Late fee receivable  | 1,945,931     | 1,682,990   |
| Total accounts receivable                                      | 52,458,076    | 40,368,824  |
| Allowance for uncollectible tolls receivable                   | (9,442,863)   | (7,429,081) |
| Allowance for uncollectible late fee receivable                | (666,870)     | (599,818)   |
| Total accounts receivable, net of allowance for uncollectibles | \$ 42,348,343 | 32,339,925  |

## E-470 PUBLIC HIGHWAY AUTHORITY

### Notes to Financial Statements

Year ended December 31, 2023

With LPT tolls receivable, there are three stages at which tolls are 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 30 days per bill 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 the possibility of a 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 referred to the collection law firm where additional collection fees, including civil penalties and adjudication fees may be assessed with the possibility of a 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, 2023. Based on the outstanding tolls and related late fees in fiscal years 2023 and 2022, the Authority has approximately \$10.1 million and \$8.0 million, respectively, in outstanding tolls and late fee receivables at year-end that are not expected to be collected within the next fiscal year.

#### (6) Notes Receivable

The following is an analysis of changes in notes receivable for the year ended December 31, 2023 and 2022, which includes elements from three separate intergovernmental agreements (IGA) summarized below:

|                                    | <b>Balance at<br/>January 1,<br/>2023</b> | <b>Additions</b> | <b>Reductions</b> | <b>Balance at<br/>December 31,<br/>2023</b> | <b>Due<br/>within one<br/>year</b> |
|------------------------------------|---|------------------|-------------------|---|------------------------------------|
| Other intergovernmental agreements | \$ 6,658,607                              | 2,930,611        | (4,517,035)       | 5,072,183                                   | 4,212,572                          |
|                                    | <b>Balance at<br/>January 1,<br/>2022</b> | <b>Additions</b> | <b>Reductions</b> | <b>Balance at<br/>December 31,<br/>2022</b> | <b>Due<br/>within one<br/>year</b> |
| Other intergovernmental agreements | \$ 6,850,836                              | —                | (192,229)         | 6,658,607                                   | 4,517,035                          |

When an amount within current Notes Receivable becomes due pursuant to an agreement, the amount is reflected within Accounts Receivable on the statement of net position when it is invoiced to the respective contractual counterparty.

#### (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

## **E-470 PUBLIC HIGHWAY AUTHORITY**

### **Notes to Financial Statements**

**Year ended December 31, 2023**

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. As of December 31, 2023 and 2022, the current notes receivable balance was \$0.2 million, respectively. As of December 31, 2023 and 2022, the noncurrent notes receivable balance was \$0.9 million and \$1.1 million, respectively.

**(b) *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, 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, 2023, \$1.1 million is presented as current notes receivable. As of December 31, 2022, \$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.

**(c) *Intergovernmental Agreement with the Aerotropolis Regional Transportation Authority (ARTA) regarding 38<sup>th</sup> Avenue Interchange Funding and Construction***

The Authority entered into an IGA with ARTA on August 8, 2019 regarding E-470 and 38<sup>th</sup> Avenue interchange funding and construction, in order to facilitate the provision of public infrastructure related to the development of the Aurora Highlands area in the City of Aurora within Adams County. Both parties acknowledge that significant efficiencies and cost savings may be realized to the mutual benefit of both parties by planning and executing the construction of the interchange in connection with the widening project from I-70 to 104th Avenue. Accordingly, the Authority is agreeable to accelerating construction of the interchange provided that ARTA pays the costs associated with the initial interchange design and the costs of the design and construction of the bridge, pursuant to the terms and conditions set forth in the IGA. The Authority will own, operate, and partially maintain the interchange upon its completion. ARTA is responsible for maintenance of the connecting facilities until such time they are accepted for ownership and maintenance by the City of Aurora, Adams County, or other public entities with jurisdiction. No significant activity occurred relative to this agreement between August 2019 and Q1 2023 as additional funding efforts and design activities were underway by ARTA.

## **E-470 PUBLIC HIGHWAY AUTHORITY**

### **Notes to Financial Statements**

**Year ended December 31, 2023**

In 2023, final design and contracting was completed in conjunction with the widening project. The estimated total project cost is \$87.3 million, with \$16.9 million attributable to the portion of costs for which ARTA is responsible per the IGA (e.g. the bridge) and \$70.4 million attributable to costs for which E-470 is responsible (e.g. non-bridge costs). During 2023, the Authority incurred and invoiced ARTA for completed project costs totaling \$14.0 million, which is reflected as intergovernmental revenue on the statement of revenues, expenses, and changes in net position. As of December 31, 2023, the remaining ARTA portion of \$2.9 million is presented as current notes receivable and current intergovernmental liability, as the Authority has an obligation under the IGA to construct the remaining portion of the asset.

#### **(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, 2023 and 2022, was \$0.3 million, respectively, which includes both lease revenue and interest. The Authority recognized lease revenue of \$6.0 thousand, for the year(s) ended December 31, 2023 and 2022, respectively, for variable payments not previously included in the measurement of the lease receivable.

# **E-470 PUBLIC HIGHWAY AUTHORITY**

## Notes to Financial Statements

Year ended December 31, 2023

### **(8) Capital and Right-to-use Subscription Assets**

A summary of changes in capital and right-to-use assets for the year ended December 31, 2023 is as follows:

|   | <b>Balance at<br/>January 1,<br/>2023</b> | <b>Increases</b> | <b>Decreases</b> | <b>Transfers</b> | <b>Balance at<br/>December 31,<br/>2023</b> |
|---|---|------------------|------------------|------------------|---|
| Capital assets not being depreciated:                 |   |                  |                  |                  |   |
| Land  | \$ 110,854,951                            | —                | (6,930)          | —                | 110,848,021                                 |
| Construction in progress                              | 41,094,545                                | 195,496,209      | (1,752,842)      | (38,025,102)     | 196,812,810                                 |
| Total capital assets not being depreciated            | 151,949,496                               | 195,496,209      | (1,759,772)      | (38,025,102)     | 307,660,831                                 |
| Depreciable capital assets:                           |   |                  |                  |                  |   |
| Infrastructure  | 1,074,382,767                             | 10,800,379       | (2,362,807)      | —                | 1,082,820,339                               |
| Buildings   | 27,410,340                                | 547,914          | —                | —                | 27,958,254                                  |
| Equipment   | 39,233,028                                | 21,568,455       | (5,812,781)      | —                | 54,988,702                                  |
| Software, fixtures, improvements, and other assets    | 45,490,957                                | 5,108,354        | (655,745)        | —                | 49,943,566                                  |
| Total depreciable capital assets                      | 1,186,517,092                             | 38,025,102       | (8,831,333)      | —                | 1,215,710,861                               |
| Right-to-use assets:                                  |   |                  |                  |                  |   |
| Prepaid IT subscription assets                        | —   | 887,451          | —                | —                | 887,451                                     |
| Less accumulated depreciation on capital assets:      |   |                  |                  |                  |   |
| Infrastructure  | (680,179,486)                             | (34,187,194)     | 1,915,650        | —                | (712,451,030)                               |
| Buildings   | (13,139,836)                              | (856,378)        | —                | —                | (13,996,214)                                |
| Equipment   | (29,076,250)                              | (4,435,949)      | 5,090,200        | —                | (28,421,999)                                |
| Software, fixtures, improvements, and other assets    | (41,335,745)                              | (2,077,203)      | 655,272          | —                | (42,757,676)                                |
| Total accumulated depreciation                        | (763,731,317)                             | (41,556,724)     | 7,661,122        | —                | (797,626,919)                               |
| Less accumulated amortization on right-to-use assets: |   |                  |                  |                  |   |
| Prepaid IT subscription assets                        | —   | (49,303)         | —                | —                | (49,303)                                    |
| Total accumulated amortization                        | —   | (49,303)         | —                | —                | (49,303)                                    |
| Depreciable capital assets, net                       | 422,785,775                               | (3,531,622)      | (1,170,211)      | —                | 418,083,942                                 |
| Right-to-use assets, net                              | —   | 838,148          | —                | —                | 838,148                                     |
| Total capital and right-to-use assets, net            | \$ 574,735,271                            | 192,802,735      | (2,929,983)      | (38,025,102)     | 726,582,921                                 |



# **E-470 PUBLIC HIGHWAY AUTHORITY**

## Notes to Financial Statements

Year ended December 31, 2023

A summary of changes in capital and right-to-use assets for the year ended December 31, 2022 is as follows:

|   | Balance at<br>January 1,<br>2022 | Increases    | Decreases   | Transfers   | Balance at<br>December 31,<br>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                      |
| Right-to-use assets:                                  |                                  |              |             |             |                                    |
| Prepaid IT subscription assets                        | —                                | —            | —           | —           | —                                  |
| Less accumulated depreciation on capital assets:      |                                  |              |             |             |                                    |
| 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)                      |
| Less accumulated amortization on right-to-use assets: |                                  |              |             |             |                                    |
| Prepaid IT subscription assets                        | —                                | —            | —           | —           | —                                  |
| Total accumulated amortization                        | —                                | —            | —           | —           | —                                  |
| Depreciable capital assets, net                       | 458,173,512                      | (34,936,190) | (451,547)   | —           | 422,785,775                        |
| Right-to-use assets, net                              | —                                | —            | —           | —           | —                                  |
| Total capital and right-to-use assets, net            | \$ 580,916,489                   | (364,847)    | (866,599)   | (4,949,772) | 574,735,271                        |

## E-470 PUBLIC HIGHWAY AUTHORITY

### Notes to Financial Statements

Year ended December 31, 2023

#### (9) Deferred Outflows of Resources

The deferred outflows of resources represent the remaining unamortized deferral balances from losses on refunding of debt. The balances of \$32.3 million and \$39.5 million as of December 31, 2023 and 2022, 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, 2023 and 2022 is as follows:

|                         | 2023                 | 2022              |
|-------------------------|----------------------|-------------------|
| Deferred refunding 1997 | \$ 5,309,064         | 7,310,048         |
| Deferred refunding 2004 | 6,756,297            | 7,311,609         |
| Deferred refunding 2006 | 3,756,988            | 4,079,016         |
| Deferred refunding 2008 | 6,617,833            | 7,239,276         |
| Deferred refunding 2010 | 1,009,029            | 1,387,414         |
| Deferred refunding 2020 | 6,322,035            | 8,692,798         |
| Deferred refunding 2021 | 2,521,552            | 3,467,134         |
|                         | <u>\$ 32,292,798</u> | <u>39,487,295</u> |

#### (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 as of December 31, 2023 was 5.00%. The average outstanding coupon (interest) rate on all outstanding current interest bonds was 5.00% for the years ended December 31, 2023 and 2022. Yields on outstanding capital appreciation bonds as of December 31, 2023 and 2022 ranged from 5.06% to 7.13%. The average outstanding yield rate on all outstanding capital appreciation bonds was 5.94% and 5.96% for the years ended December 31, 2023 and 2022, 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, 2023 and 2022, the Authority exceeded the required debt service coverage ratio of 1.30. Refer to the Other Information – Revenue Covenant (unaudited) section for the 2023 debt service coverage calculation and reconciliation to the basic financial statements for operating balances and senior debt service due.

## E-470 PUBLIC HIGHWAY AUTHORITY

### Notes to Financial Statements

Year ended December 31, 2023

The following is a summary of the bonds payable by bond series and type as of December 31, 2023:

| 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                      | 2024 – 2026                | 5.52%                              | \$ 44,795,000 – 44,800,000           |
| Series 2000 B CAB  | 252,848,750               | —                               | 2024 – 2033                | 6.30% – 6.35%                      | 42,900,000 – 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               |
|                    |                           | 2004 B CAB &                    |                            |                                    |                                      |
| Series 2020 A CIB  | 167,370,000               | 2010 C CIB                      | 2024 – 2040                | 5.00%                              | 2,685,000 – 50,000,000               |
|                    |                           | 2017 B & 2019 A                 |                            |                                    |                                      |
| Series 2021 B SOFR | 138,640,000               | 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.

The Authority did not execute any bond transactions in 2022 or 2023.

The following is an analysis of changes in bonds payable and associated bond premiums and discounts for the year ended December 31, 2023:

|                              | Balance at January 1, 2023 | Additions  | Reductions | Balance at December 31, 2023 | Due within one year |
|------------------------------|----------------------------|------------|------------|------------------------------|---------------------|
| Series 1997B CAB (Principal) | \$ 40,134,406              | —          | 10,866,819 | 29,267,587                   | 10,290,755          |
| Series 1997B CAB (Accretion) | 119,422,307                | 8,104,783  | 33,928,181 | 93,598,909                   | 34,504,245          |
| Series 2000B CAB (Principal) | 102,847,559                | —          | 9,791,664  | 93,055,895                   | 9,497,631           |
| Series 2000B CAB (Accretion) | 317,842,299                | 26,146,345 | 31,308,336 | 312,680,308                  | 33,402,369          |
| Series 2004A CAB (Principal) | 76,484,624                 | —          | —          | 76,484,624                   | —                   |
| Series 2004A CAB (Accretion) | 123,358,894                | 10,936,736 | —          | 134,295,630                  | —                   |
| Premium Series 2004          | 142,700                    | —          | 14,936     | 127,764                      | —                   |
| Series 2006B CAB (Principal) | 56,932,723                 | —          | —          | 56,932,723                   | —                   |
| Series 2006B CAB (Accretion) | 71,747,659                 | 6,609,899  | —          | 78,357,558                   | —                   |
| Series 2010A CAB (Principal) | 21,834,746                 | —          | —          | 21,834,746                   | —                   |
| Series 2010A CAB (Accretion) | 29,353,074                 | 3,707,760  | —          | 33,060,834                   | —                   |
| Series 2020A CIB             | 167,370,000                | —          | 1,500,000  | 165,870,000                  | 4,245,000           |
| Premium 2020A CIB            | 30,026,200                 | —          | 2,976,110  | 27,050,090                   | —                   |
| Series 2021B SOFR Notes      | 138,640,000                | —          | —          | 138,640,000                  | —                   |
| Total                        | \$ 1,296,137,191           | 55,505,523 | 90,386,046 | 1,261,256,668                | 91,940,000          |

# **E-470 PUBLIC HIGHWAY AUTHORITY**

## Notes to Financial Statements

Year ended December 31, 2023

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<br>January 1,<br>2022 | Additions  | Reductions | Balance at<br>December 31,<br>2022 | Due within<br>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             |

As of December 31, 2023, scheduled payments for bonds payable over the next five years and thereafter are as follows:

|                              | Principal        | Swap and<br>debt interest | Total         |
|------------------------------|------------------|---------------------------|---------------|
| Year(s) ending December 31:  |                  |                           |               |
| 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                         | 95,520,000       | 10,620,186                | 106,140,186   |
| 2029 – 2033                  | 521,000,000      | 48,827,177                | 569,827,177   |
| 2034 – 2038                  | 530,835,000      | 39,366,190                | 570,201,190   |
| 2039 – 2041                  | 277,810,000      | 6,216,899                 | 284,026,899   |
|                              | 1,796,570,000    | 157,580,953               | 1,954,150,953 |
| Add premiums                 | 27,177,854       | —                         | 27,177,854    |
| Total scheduled payments     | 1,823,747,854    | 157,580,953               | 1,981,328,807 |
| Less future years' accretion | (562,491,186)    | —                         | (562,491,186) |
| Total bonds payable          | \$ 1,261,256,668 | 157,580,953               | 1,418,837,621 |

## E-470 PUBLIC HIGHWAY AUTHORITY

### Notes to Financial Statements

Year ended December 31, 2023

Included in the above principal payment schedule is \$562.5 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 CAB 2006B bond series, and the Senior CAB 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, 2023 and 2022.

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. As the LIBOR index ceased publication after June 30, 2023, the Authority adopted the International Swaps and Derivatives Association (ISDA) 2020 IBOR Fallbacks Protocol which enables parties to streamline adoption of a Fallback Rate (SOFR) in swap agreements formerly based on LIBOR, without significant contract amendments with swap counterparties. After this adoption, the interest rate swap agreements with Morgan Stanley (MS-1) and JP Morgan (JP-1) are pay-fixed, receive-floating SOFR.

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, 2023, 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. 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, 2023 and 2022.

During 2023 and 2022, the Authority recognized, on the accrual basis, swap settlements on the 2007 pay-fixed swaps (MS-1 and JP-1) of \$0.5 million and \$3.5 million, respectively.

# **E-470 PUBLIC HIGHWAY AUTHORITY**

## **Notes to Financial Statements**

**Year ended December 31, 2023**

The following table provides a summary of the Authority's investment derivative interest rate swaps as of December 31, 2023:

| <b>Swap</b>                                | <b>Counterparty</b> | <b>Effective date</b> | <b>Maturity date</b> | <b>Terms</b>  | <b>Original notional amount</b> | <b>2023 notional amount</b> |
|--|---------------------|-----------------------|----------------------|---|---------------------------------|-----------------------------|
| JP-1                                       | JP Morgan           | June 14, 2007         | September 1, 2039    | Pay 3.832%; receive 67% one-month SOFR plus 7.67016 bps | \$ 155,252,500                  | 69,320,000                  |
| MS-1                                       | Morgan Stanley      | June 14, 2007         | September 1, 2039    | Pay 3.832%; receive 67% one-month SOFR plus 7.67016 bps | 155,252,500                     | 69,320,000                  |
| Total notional amounts for pay-fixed swaps |                     |                       |                      |   | \$ 310,505,000                  | 138,640,000                 |

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

| <b>Swap</b>                                | <b>Counterparty</b> | <b>Effective date</b> | <b>Maturity date</b> | <b>Terms</b>                            | <b>Original notional amount</b> | <b>2022 notional amount</b> |
|--|---------------------|-----------------------|----------------------|---|---------------------------------|-----------------------------|
| JP-1                                       | JP Morgan           | June 14, 2007         | September 1, 2039    | Pay 3.832%; receive 67% one-month LIBOR | \$ 155,252,500                  | 69,320,000                  |
| MS-1                                       | Morgan Stanley      | June 14, 2007         | September 1, 2039    | Pay 3.832%; receive 67% one-month LIBOR | 155,252,500                     | 69,320,000                  |
| Total notional amounts for pay-fixed swaps |                     |                       |                      |   | \$ 310,505,000                  | 138,640,000                 |

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

## E-470 PUBLIC HIGHWAY AUTHORITY

### Notes to Financial Statements

Year ended December 31, 2023

The fair values of derivative instruments outstanding as of December 31, 2023, 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:

|                                    |                              | <b>2023 Changes in fair value</b> |               | <b>Fair value at December 31, 2023</b> |                 |
|------------------------------------|------------------------------|-----------------------------------|---------------|--|-----------------|
|                                    |                              | <b>Classification</b>             | <b>Amount</b> | <b>Classification</b>                  | <b>Amount</b>   |
| Investment derivative instruments: |                              |                                   |               |  |                 |
| JP-1                               | Pay-fixed interest rate swap | Derivative loss                   | \$ (8,666)    | Derivative instruments                 | \$ (9,650,550)  |
| MS-1                               | Pay-fixed interest rate swap | Derivative loss                   | (8,756)       | Derivative instruments                 | (9,650,549)     |
| Investment revenues:               |                              |                                   |               | Derivative instruments                 |                 |
|                                    |                              | Derivative loss                   | \$ (17,422)   |  | \$ (19,301,099) |

The fair values of derivative instruments outstanding as of 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:

|                                    |                              | <b>2022 Changes in fair value</b> |               | <b>Fair value at December 31, 2022</b> |                 |
|------------------------------------|------------------------------|-----------------------------------|---------------|--|-----------------|
|                                    |                              | <b>Classification</b>             | <b>Amount</b> | <b>Classification</b>                  | <b>Amount</b>   |
| 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 instruments                 |                 |
|                                    |                              | Derivative gain                   | \$ 29,947,174 |  | \$ (19,283,677) |

#### (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, 2023 and 2022, the Authority did not have credit risk as the fair value on the two remaining swaps are liabilities to the Authority.

## E-470 PUBLIC HIGHWAY AUTHORITY

### Notes to Financial Statements

Year ended December 31, 2023

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, 2023, 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 SOFR 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, 2023:

|                                   | Fair value at<br>December 31,<br>2023 | Interest rates<br>up 25<br>basis points | Interest rates<br>down 25<br>basis points |
|-----------------------------------|---------------------------------------|---|---|
| JP-1 Receive-variable (SOFR) swap | \$ (9,650,550)                        | (7,928,591)                             | (11,860,638)                              |
| MS-1 Receive-variable (SOFR) swap | (9,650,549)                           | (7,928,591)                             | (11,860,638)                              |
|                                   | <u>\$ (19,301,099)</u>                | <u>(15,857,182)</u>                     | <u>(23,721,276)</u>                       |



## E-470 PUBLIC HIGHWAY AUTHORITY

### Notes to Financial Statements

Year ended December 31, 2023

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:

|                                    | <b>Fair value at<br/>December 31,<br/>2022</b> | <b>Interest rates<br/>up 25<br/>basis points</b> | <b>Interest rates<br/>down 25<br/>basis points</b> |
|------------------------------------|--|--|--|
| 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)                                       |
|                                    | <u>\$ (19,283,677)</u>                         | <u>(16,899,553)</u>                              | <u>(22,167,786)</u>                                |

#### (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 SOFR 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, 2023 or 2022. 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, 2023, the Authority's underlying senior bond rating was A+ by S&P and A1 by Moody's. As of December 31, 2022, 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 \$394.3 million and \$410.7 million in unrestricted funds within the General Surplus accounts as of December 31, 2023 and 2022, respectively. In addition, the Authority could exercise, at its sole discretion, early termination of the swap agreements at a mutually agreed-upon price for any reason.

## E-470 PUBLIC HIGHWAY AUTHORITY

Notes to Financial Statements

Year ended December 31, 2023

### (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, 2023 and 2022:

|    | <b>Balance at<br/>January 1, 2023</b> | <b>Additions</b> | <b>Reductions</b> | <b>Balance at<br/>December 31, 2023</b> |
|----|---------------------------------------|------------------|-------------------|---|
| \$ | 755,806                               | —                | (207,544)         | 548,262                                 |

|    | <b>Balance at<br/>January 1, 2022</b> | <b>Additions</b> | <b>Reductions</b> | <b>Balance at<br/>December 31, 2022</b> |
|----|---------------------------------------|------------------|-------------------|---|
| \$ | 963,351                               | —                | (207,545)         | 755,806                                 |

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 \$0.9 million as of December 31, 2023 and \$0.5 million as of December 31, 2022. No rebate was due or paid in 2022 or 2023.

## **E-470 PUBLIC HIGHWAY AUTHORITY**

### **Notes to Financial Statements**

Year ended December 31, 2023

#### **(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, 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 2023 and 2022, respectively. The balance of \$0.6 million and \$1.4 million as of December 31, 2023 and 2022, 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. As of December 31, 2023 and 2022, no amounts have been recorded for pending or future claims. Further, claims have not exceeded insurance limits for each of the past three years.

## **E-470 PUBLIC HIGHWAY AUTHORITY**

Notes to Financial Statements

Year ended December 31, 2023

**(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, 2023 and 2022, with an outstanding principal balance of \$1.1 million and \$1.3 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 was to be paid in installments of \$4.3 million payable when the Authority executed a construction contract for replacement facilities, which occurred and was paid in 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. 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 64<sup>th</sup> ARI Authority regarding E-470 and 64<sup>th</sup> Avenue Interchange Widening Funding and Design**

E-470 entered into an intergovernmental agreement with 64<sup>th</sup> Ave. ARI Authority (64<sup>th</sup> AAA) in October 2020 regarding the design and funding of the 64<sup>th</sup> 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 64<sup>th</sup> Avenue Regional Improvements Project, where 64<sup>th</sup> AAA is responsible for construction of the project. Accordingly, the Authority is agreeable to accelerating design and construction of the project and to provide a

## **E-470 PUBLIC HIGHWAY AUTHORITY**

### **Notes to Financial Statements**

**Year ended December 31, 2023**

contribution to 64<sup>th</sup> AAA to be used solely to fund capital costs for the interchange. Pursuant to this IGA, the Authority deposited \$8.0 million in an escrow account in October 2020 to be used toward the 64<sup>th</sup> Avenue interchange project. The IGA specifies that all interest earned on the escrow funds is to remain in the project and becomes part of the Authority's contribution. Monies may be disbursed from the segregated account as construction is completed and progress payments are invoiced by 64<sup>th</sup> AAA to the Authority. No liability is recognized in the financial statements until such time that 64<sup>th</sup> AAA incurs and invoices the Authority for actual costs to construct the interchange. In July 2023, the IGA was amended to state that if 64<sup>th</sup> AAA does not complete construction by December 31, 2025, they shall reimburse E-470 the amount of all payments made by E-470, and E-470 shall be permitted to retain all funds remaining within the project account.

Project construction began in November 2023. The Authority authorized release of \$1.3 million to 64<sup>th</sup> AAA upon presentation and mutual approval of progress invoices for eligible expenses incurred in 2023 to construct assets that the Authority will own, which is presented as CIP within capital and right-to-use assets, net, and also within accounts payable and accrued expenses on the statement of net position as of December 31, 2023. E-470 will own, operate, and maintain the bridge and ramps being funded by the \$8.0 million contribution plus accrued interest, and 64<sup>th</sup> AAA will own and maintain connecting facilities such as local roads, frontage roads, 64<sup>th</sup> Ave, etc. As of December 31, 2023 and 2022, respectively, the \$8.5 million and \$8.1 million unspent portion of the escrow account is presented as current unrestricted cash and cash equivalents limited for construction on the statement of net position, which includes accrued interest earned in the account to date.

**(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, where WPIA is responsible for the construction of the 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. Pursuant to this IGA, the Authority deposited \$8.0 million in a segregated US Bank account in February 2022 to be used toward the 48<sup>th</sup> Avenue interchange project. WPIA is responsible for any cost overruns with no additional liability to E-470 beyond its initial contribution. Monies may be disbursed from the segregated account as 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 PUBLIC HIGHWAY AUTHORITY**

### **Notes to Financial Statements**

**Year ended December 31, 2023**

Project construction began in January 2023. The Authority released a total of \$5.2 million to WPIA upon presentation and mutual approval of progress invoices for eligible expenses incurred in 2023 to construct assets that the Authority will own, which is presented as CIP within capital and right-to-use assets, net, on the statement of net position. 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, 48<sup>th</sup> Ave, etc. The Authority incurred \$0.4 million in additional project expenses in 2023, paid directly to its vendor for project owner representation services. As of December 31, 2023 and 2022, respectively, the \$2.8 million and \$8.0 million unspent portion of the escrow account is presented as current unrestricted cash and cash equivalents limited for construction on the statement of net position.

As of December 31, 2023, WPIA completed a total of \$12.8 million on construction of project assets that the Authority will own, so the Authority recognized an accrual of \$7.6 million which is presented as CIP within capital and right-to-use assets, net, on the statement of net position as of December 31, 2023, as WPIA's expenditures in excess of the Authority's \$8.0 million contribution will ultimately become a contributed asset to the Authority at project completion. The offset to this \$7.6 million accrual is recognized as \$1.3 million within accounts payable and accrued expenses on the statement of net position for the portion that will be paid from escrow funds, and \$6.3 million within intergovernmental revenue on the statement of revenues, expenses, and changes in net position for the portion that will be paid by WPIA.

#### **(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.

#### **(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 \$160,200 in 2023 and \$147,000 in 2022, for a maximum contribution of \$9,932 for 2023 and \$9,114 for 2022. 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 2023 and 2022, respectively. 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 \$1.0 million to this plan in 2023 and \$0.9 million to this plan in 2022.

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## E-470 PUBLIC HIGHWAY AUTHORITY

### Other Information – Revenue Covenant

Year ended December 31, 2023

(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, 2003 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, 2023, the Authority exceeded the required debt service coverage ratio reporting an actual ratio of 2.39. Below is the calculation for the year ended December 31, 2023:

Revenue:

|   |                     |
|---|---------------------|
| Operating revenues per the basic financial statements   | \$ 287,650,336      |
| Unrestricted investment income  | 15,184,222          |
| Other income  | <u>6,950,615</u>    |
| Total revenue   | 309,785,173         |
| Less operating expenses before depreciation and amortization, net of renewal and replacement expenses | <u>(67,186,037)</u> |
| Net income available for senior debt service  | <u>242,599,136</u>  |
| Aggregate senior debt service due during the year   | \$ 101,382,826      |
| Senior debt service coverage ratio  | 2.39                |

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, 2023

(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, 2023 to unrestricted investment income available for senior debt service:

|   |    |                   |
|---|----|-------------------|
| Interest earned on investments per the basic financial statements | \$ | 19,230,784        |
| Less:   |    |                   |
| Restricted investment income                                      |    | (1,923,284)       |
| Amortized investment discount                                     |    | (2,339,968)       |
| Loss on investments   |    | 216,690           |
| Unrestricted investment income                                    | \$ | <u>15,184,222</u> |

The following is a reconciliation of other income reported in the audited basic financial statements of the Authority for the year ended December 31, 2023 to other income available for senior debt service:

|   |    |                  |
|---|----|------------------|
| Other income per the basic financial statements | \$ | 6,207,308        |
| Less:   |    |                  |
| Loss on disposal of capital assets              |    | 280,724          |
| Increase in arbitrage rebate                    |    | 394,690          |
| Add:  |    |                  |
| Other nonoperating expenses                     |    | 67,893           |
| Other income                                    | \$ | <u>6,950,615</u> |

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

## E-470 PUBLIC HIGHWAY AUTHORITY

### Other Information – Revenue Covenant

Year ended December 31, 2023

(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, 2023 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 basic financial statements | \$ 75,615,302        |
| Less renewal and replacement expenses  | <u>(8,429,265)</u>   |
| Operating expenses before depreciation expense, net of nonoperating fund expenses      | <u>\$ 67,186,037</u> |

*Aggregate Senior Debt Service Due, Net:* For the year ended December 31, 2023, 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.