Colorado Department of Transportation’s Bridge Enterprise

Financial Statements and Independent Auditor’s Reports

Financial Audit

Years Ended June 30, 2015 and 2014

Compliance Audit

Year Ended June 30, 2015

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BKD LLP
CPAs & Advisors

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303.861.4545 // fax 303.832.5705 // bkd.com

January 21, 2016

Members of the Legislative Audit Committee:

We have completed the financial statement audit of the Colorado Department of Transportation's Bridge Enterprise (the Enterprise or the CBE) as of and for the years ended June 30, 2015 and 2014. Our audit was conducted in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

BKD, LLP

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Colorado Bridge Enterprise

June 30, 2015 and 2014

Table of Contents

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Colorado Bridge Enterprise
Report Summary
Year Ended June 30, 2015

Purposes and Scope of Audit

The Office of the State Auditor engaged BKD, LLP (BKD) to conduct a financial and compliance audit of the Colorado Bridge Enterprise for the fiscal year ended June 30, 2015. BKD performed the audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations.* The audit of the Colorado Bridge Enterprise (the Enterprise or the CBE) was performed under authority of Section 2-3-103, C.R.S. The purpose of the audit was to express an opinion on the financial statements of the Enterprise for the years ended June 30, 2015 and 2014.

The purposes and scope of this audit were to:

- Express an opinion on the financial statements of the Enterprise as of and for the years ended June 30, 2015 and 2014, including consideration of internal control over financial reporting as required by auditing standards generally accepted in the United States of America and *Government Auditing Standards* for the year ended June 30, 2015.
- Review the CBE's compliance with rules and regulations governing the expenditure of State funds for the year ended June 30, 2015.
- Issue a report on the CBE's internal control over financial reporting and on compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters based on our audit of the financial statements performed in accordance with *Government Auditing Standards* for the year ended June 30, 2015.

Audit Opinions and Reports

The independent auditor's reports included herein expressed an unmodified opinion on the CBE's financial statements as of and for the year ended June 30, 2015.

No material weaknesses in internal control over financial reporting were identified.

No instances of noncompliance considered material to the financial statements were disclosed by the audit.

Summary of Key Findings and Recommendations

There are no findings and recommendations reported for the year ended June 30, 2015.

Summary of Progress in Implementing Prior Year Audit Recommendations

There were no prior year audit recommendations.

Colorado Bridge Enterprise

Report Summary

Year Ended June 30, 2015

Significant Audit Adjustments

There were three proposed audit adjustment identified during the audit to properly state capital assets and accounts payable (see Schedule of Adjustments Passed beginning of page 63.)

Auditor's Communication to Legislative Audit Committee

The auditor's communication to the Legislative Audit Committee describes the auditor's responsibility under auditing standards generally accepted in the United States of America and significant management judgments and estimates. This communication is located on page 59.

Colorado Bridge Enterprise
Background
Year Ended June 30, 2014

On March 2, 2009, former Governor Ritter signed into law Colorado SB 09-108, Funding Advancements for Surface Transportation and Economic Recovery, otherwise known as FASTER. The law created the Colorado Bridge Enterprise (the CBE) and also authorized a new bridge safety surcharge fee assessed as a motor vehicle registration fee. The surcharge is dedicated for Colorado's most deficient bridges based on Federal bridge standards. Revenues from the newly established bridge safety surcharge were phased in over three years, 50 percent of the total surcharge in FY 2009-10, 75 percent in FY 2010-11, and 100 percent in FY 2011-12, and thereafter. The business purpose of the CBE is to finance, repair, and replace any designated bridge in the state.

The legislation appointed the Colorado Transportation Commission to serve as the CBE Board of Directors (Board) to provide oversight. Per statute, the Board has the authority to designate the Bridge Enterprise director, and the Board appointed the Colorado Department of Transportation (CDOT) executive director as the Bridge Enterprise director.

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

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BKD LLP
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Independent Auditors' Report on Financial Statements and Supplementary Information

Members of the Legislative Audit Committee:

Report on the Financial Statements

We have audited the accompanying basic financial statements of Colorado Bridge Enterprise (the CBE or the Enterprise), an enterprise fund of the State of Colorado, Department of Transportation, which are comprised of the statements of net position as of June 30, 2015 and 2014, and the related statement of revenues, expenses and changes in net position and statements of cash flows for the years then ended and the related notes to the basic financial statements as listed in the table of contents of the Colorado Bridge Enterprise.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

Members of the Legislative Audit Committee:

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of CBE as of June 30, 2015 and 2014 and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As discussed in Note 1 – Nature of Operations and Summary of Significant Accounting Policies, the financial statements of CBE are intended to present the net position and changes in financial position and, where applicable, cash flows for only that portion of the financial reporting entity, State of Colorado, Department of Transportation, that is attributable to the transactions of CBE. They do not purport to, and do not present fairly the financial position of the State of Colorado, Department of Transportation as of June 30, 2015 and 2014 and the changes in its financial position, or cash flows, for the years then ended, in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

As discussed in Note 17 to the financial statements, in fiscal year 2015 the Enterprise adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions, an amendment of GASB Statement No. 27*, as amended by Governmental Accounting Standards Board Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date, an amendment of GASB Statement No. 68*. Our opinion is not modified with respect to this matter

Required Supplementary Information

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

Members of the Legislative Audit Committee:

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 21, 2016, on our consideration of CBE's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering CBE's internal control over financial reporting and compliance.

BKD, LLP

Denver, Colorado
January 21, 2016

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Colorado Bridge Enterprise

Management's Discussion and Analysis
(Unaudited)
June 30, 2015 and 2014

Management's Discussion and Analysis (MD&A) was prepared by the Colorado Bridge Enterprise (the Enterprise or the CBE) and is designed to provide an analysis of the CBE's financial condition and operating results for the fiscal years ended June 30, 2015 and 2014. The MD&A also informs the reader of the financial issues and activities related to the CBE. It should be read in conjunction with CBE's financial statements.

Program Overview

On March 2, 2009, former Governor Ritter signed into law Colorado SB 09-108, Funding Advancements for Surface Transportation and Economic Recovery, otherwise known as FASTER. The law created the CBE and also authorized a new bridge safety surcharge. This surcharge is dedicated for use on Colorado's most deficient bridges based on federal bridge standards and is paid by individuals as part of the annual vehicle registration fee. Revenues from the newly established bridge safety surcharge were phased in over three years, 50 percent of the total surcharge in FY 2009-10, 75 percent in FY 2010-11 and 100 percent in FY 2011-12. The business purpose of the CBE is to finance, repair, construct, and replace any designated bridge in the state.

The legislation appointed the Colorado Transportation Commission to serve as the CBE Board of Directors (Board) to provide oversight. Per statute, the Board has the authority to designate the CBE Director and the Board appointed the Colorado Department of Transportation (CDOT) Executive Director as the CBE Director.

As provided in FASTER, the CBE constitutes an "enterprise" for purposes of Section 20 of Article X of the State Constitution (commonly referred to as "TABOR"), and accordingly, is not subject to the revenue and spending limitations of TABOR as long as it receives less than ten percent of its total revenues in grants from the State and from local governments. Management has not identified any violation of this enterprise status.

Because it was constituted as a government-owned business, the CBE may issue revenue bonds to accelerate construction to replace or repair Colorado's most deficient bridges.

Designated Bridges

In FY 2010-11, the CBE Board initially identified 128 bridges across the State highway system that qualified as "Designated Bridges" within the eligibility criteria established under FASTER. Subsequently, the Board added other bridges bringing the total number eligible to receive FASTER funding to 189 as of June 30, 2015.

The list of designated bridges is supplemented and amended over time as bridges are repaired, replaced or otherwise removed from the list and as additional bridges qualifying under the eligibility criteria established under FASTER are identified. The CBE does plan to address as many of the structures as funding permits.

Bridge Maintenance Program

In November 2010, CDOT and CBE entered into an agreement that authorizes CDOT to inspect and provide maintenance to bridges owned by CBE. The CBE is invoiced by CDOT on a quarterly basis for expenses related to the operation and maintenance of all bridges owned by the CBE.

Bridge Completion Status

Bridge projects under the CBE may include the repair, replacement, or ongoing operation or maintenance, or any combination thereof, of these designated bridges. The majority of the designated bridges are currently in the construction phase. In conjunction with this, the CBE is charged for the expenses incurred by CDOT's specialty groups which are diligently working on completing the requisite approvals and permits associated with environmental, railroad, and utility clearances; securing the necessary Right-of-Way (ROW); and finalizing intergovernmental agreements (as required).

Nonetheless, CBE made significant progress in FY 2014-15. Approximately 69 percent of the current FASTER eligible bridges are now either in the construction phase or completed. The current status of these 189 FASTER eligible bridges within the program as of June 2015 is shown below:

Project Phase	Number of Bridges
Future projects	29
In design phase	13
Design complete	1
In construction phase	23
Projects complete	107
Evaluated, no action at this time	16
Total	189

Below is the status, as of June 2015, of the 30 bridges originally identified as most deficient by the Board:

Status	Worst 30
Completed	28
In construction	1
Designed	0
In design	1
Remaining	0
Total	30

The CBE has completed 28 of the 30 bridges originally identified as the most deficient and another is in the construction phase. The final remaining bridge is the I-70 viaduct, which currently is in the design phase.

Bridge Project Financing

In order to effectively and timely meet the goals of the program, the Board has used several alternatives to funding of bridge projects. These include:

Debt Issuance

In December 2010, the CBE issued $300 million in Colorado Bridge Enterprise Revenue Bonds Series 2010A for the purpose of financing project costs. The Board has determined to use the bond proceeds for the construction of 93 of the bridges. These 93 bridges are tracked separately from the total population of designated bridges. The proceeds are expected to fully fund 55 of the projects with 38 projects partially funded with available sources and requiring either a future bond issue or other funding to complete.

The proceeds of debt issuance are recorded as long-term debt in the financial statements with interest payable as of June 30, 2015 recorded as current. Principal payments on the bonds begin in 2025 with final maturity in December 2040. Interest payments, as well as principal when due, are payable on June 1 and December 1 of each year. The debt proceeds are held by the Trustee, Zions First National Bank, and invested by the State Treasury per written agreements. The CBE has agreed to place with the Trustee, on December 1st and June 1st of each year, an amount equal to the debt service costs for the year.

The Series 2010A Bonds were issued as taxable, Build America Bonds (BABs) as authorized by the federal American Recovery and Reinvestment Act (Recovery Act). Pursuant to the Recovery Act, the CBE expects to receive federal direct payments (subsidy) from the United States Treasury equal to 35 percent of the interest payable on the Series 2010A Bonds. The Internal Revenue Service (IRS) Code imposes requirements on the Series 2010A Bonds that the CBE must continue to meet after the Series 2010A Bonds are issued in order to receive the federal direct payments. These requirements generally involve the way that Series 2010A Bond proceeds must be invested and ultimately used, and the periodic submission of requests for payment. If the CBE does not meet these requirements, it is possible that the program may not receive the federal direct payments.

Pursuant to the requirements of the Balance Budget and Emergency Deficit Control Act of 1985, the BABs bonds are subject to sequestration. In FY 2013-14, an executive order was signed reducing the federal direct payments by 7.2 percent. In FY 2014-15 the federal direct payment was reduced by an additional .1 percent for a total reduction of 7.3 percent since FY 2013-14.

For a comprehensive discussion of the bond issuance please refer to the Notes to the Financial Statements.

Federal Funds

In November 2010, the Transportation Commission adopted a resolution expressing its intent to annually consider allocating to the Colorado Bridge Enterprise $15 million of eligible federal funds. If so allocated, such federal funds will be allocated with the CBE and will be available to pay the principal and interest on the Series 2010A Bonds. The resolution directs the CDOT Executive Director to include the allocation to the CBE of eligible federal funds in the specified amount in the budget proposal submitted to the Transportation Commission each year. However, the Transportation Commission is not obligated to allocate funds to the CBE. The resolution provides that it is the Transportation Commission's intention that any decision as to whether or not to allocate such funds in any year will be made by the Transportation Commission, in its sole discretion, in the year in which the allocation is to occur.

In FY 2014-15 the Transportation Commission allocated to the CBE $15 million in federal funds. In FY 2013-14 federal funds allocated also totaled $15 million.

Highlights of FY 2014-15

Prioritization Plan

The CBE continues to utilize a scoring system whereas both quantitative and qualitative criteria are taken into consideration to determine which FASTER eligible bridge(s) represent the best use of available FASTER funding. The scoring worksheet assigns each FASTER eligible bridge with a numerical value that provides a peer-wise comparison to eligible bridges. Bridge Enterprise and Region staff utilize this tool to ensure funding is being directed to the most deserving structure. The latest prioritization scores for unprogrammed bridges was distributed in April 2015 and will be presented at the July 2015 Board of Directors meeting.

100 Year Design Life Initiative

The purpose of the 100 Year Design Life Initiative is to determine the strategies that can be used in Colorado to enhance the service life of bridges, and the best projects to utilize the strategies identified. Through the research clear strategies were identified that are best used in the unique geographies of Colorado. In addition to identifying a tiered system of strategies to use, the final document also gives bridge designers tools to ensure that strategies are cost-effective as well as direction on the best candidate bridges that can be used.

Illex Design Build in Pueblo, Colorado

The Ilex Design/Build project represents the first construction project of the new Pueblo Freeway. The first phase project which will reconstruct Interstate 25 between City Center Drive (1st Street) and Ilex Street through downtown Pueblo is partially funded by CBE, with CBE contributing to eight bridges on the project and started construction in the Spring of 2015.

10-Year Bridge Program Plan

CBE developed a 10-Year Bridge Program Plan in FY 2012-13. The 10-Year Bridge Program Plan examined the long-term financial capability of the program as it relates to remaining bond capacity, and projected yearly revenues contrasted with forecasted yearly expenditures. The 10-Year Bridge Program Plan was based upon a cash flow model that recognized incoming revenues as compared to outgoing expenditures. CBE is in the process of updating the 10-year financial plan. The plan updated will be an in-depth forecast to include the I-70 viaduct project.

Grand Avenue Bridge in Glenwood Springs, Colorado

The Grand Ave Bridge replacement project replaces a functionally obsolete structure with a new structure on par with current standards. Additionally this project improves the functionality of traffic and pedestrian interfaces on each end of the project. The project required an extensive environmental process as well as significant regional design collaboration. In the spring of 2015 the project reached a major milestone in the completion of the environmental process and is currently transitioning to the procurement and construction phase.

Interstate 70 (Viaduct) Replacement Project

The reconstruction of Interstate 70 from Brighton Boulevard to Tower Road is slated to be the largest project in Colorado history. The approximately $1.2B project is in the final environmental phase. If supported in the final environmental impact statement document, the preferred alternative would replace the aging I-70 Viaduct between Brighton Boulevard and Colorado Boulevard with a lowered section of highway. The CBE Board of Directors committed to utilizing a design/build/operate/maintain procurement method in which a concessionaire/developer would construct the project, operate tolling lanes and maintain the facilities they construct for a specified period. The project procurement has moved forward with soliciting requests for qualifications (RFQ) from interested firms.

CBE Website Maintenance

CBE staff in concert with CDOT Communications continues to provide up to date bridge data and material for the website found at http://www.coloradodot.info/programs/BridgeEnterprise. The site contains items such as frequently asked questions, a comprehensive list of FASTER eligible bridges, an expanded section on business opportunities with a link to the current bid list, a project/program progress status updated monthly, and an interactive State map of all FASTER eligible bridges with relevant statistical information.

Using This Annual Report

This annual report consists of a series of financial statements.

The statements of net position include the assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position, provide information about the CBE assets and liabilities and reflect the financial position of the CBE as of June 30, 2015 and 2014. Over time, increases or decreases in the net position continues to serve as a useful indicator of whether the financial position of the CBE is improving or deteriorating.

The statements of revenues, expenses, and changes in net position present the revenues earned and expenses incurred for the years ended June 30, 2015 and 2014. Revenues and expenses are reported on the accrual basis. Thus, revenues and expenses are reported in the statement for some items that will result in cash flows in future fiscal years.

The statements of cash flows present information of cash inflows and outflows related to the CBE's activities for the years ended June 30, 2015 and 2014.

Net Position Analysis

Condensed Statements of Net Position
(In Thousands)

	June 30, 2015	June 30, 2014 *	June 30, 2013 *
Assets			
Current Assets	$ 261,108.6	$ 269,877.3	$ 170,818.3
Noncurrent Assets	34,837.2	49,580.1	168,841.6
Capital Assets	564,680.4	431,444.2	304,999.4
Total Assets	**860,626.2**	**750,901.6**	**644,659.3**
Deferred Outflows	**450.1**	**-**	**-**
Liabilities			
Current Liabilities	13,493.2	9,117.6	12,325.7
Long-term Liabilities	310,670.9	300,010.3	300,012.0
Total Liabilities	**324,164.1**	**309,127.9**	**312,337.7**
Deferred Inflow	**1,959.0**	**-**	**-**
Net Position			
Net Investment in Capital Assets	264,745.9	134,143.6	124,659.1
Restricted for Debt Service	21,209.8	18,263.0	12,148.2
Unrestricted	248,997.5	289,367.1	195,514.3
Total Net Position	**$ 534,953.2**	**$ 441,773.7**	**$ 332,321.6**

* Years ended June 30, 2014 and 2013 were not restated for the adoption of GASB Statement No. 68 because it was not practical to do so.

FY 2015-14 Analysis

Assets

Total assets increased in FY 2014-15 by $109.7 million, due to explanations provided below.

Current Assets

Current assets decreased by $8.8 million in FY 2014-15 due to a decrease in cash caused by the spending of FASTER revenue for the I-70 viaduct project.

Noncurrent Assets

Noncurrent assets, excluding capital assets, decreased by $14.7 million due to a decrease in long-term investments which are used to fund the construction of bridges.

Capital Assets

Completed bridge projects increased by $50.4 million, net of accumulated depreciation. The increased amount also includes a portion of debt interest that has been capitalized based on bond proceeds directly attributable to the costs of the bridges being constructed. Assets under construction increased by $71.5 million, as funds are being used on the design of the I-70 Viaduct project.

Liabilities

Total liabilities increased by $15 million in FY 2014-15, due to explanations provided below.

Current Liabilities

The entire $4.4 million increase was attributable to an increase of current accounts payable. Amounts were accrued for bridge project costs and retainage on project contracts as well as debt interest payable at year-end.

Noncurrent Liabilities

Noncurrent liabilities increased by $10.6 million in FY 2014-15 due largely to the implementation of GASB 68, requiring the recording of net pension liability of $10.2 million.

Net Position

Total net position increased by $93.2 million in FY 2014-15. Of the ending balance $21.2 million is restricted for payment of debt service in the following year. Also $264.7 million represents the net amount invested in capital assets. This amount includes capitalized assets and construction in progress. The remainder of the net position is unrestricted. The beginning FY 2014-15 net position was restated for the adoption of GASB 68. The restatement amount was $12.4 million and represents the recording of the net pension liability as a result of the adoption (see Note 17).

FY 2013-14 Analysis

Assets

Total assets increased in FY 2013-14 by $106.2 million, due to explanations provided below.

Current Assets

Current assets increased by $99.1 million in FY 2013-14. The increase was due to increased FASTER and federal revenues, transfer of debt proceeds to be used for construction projects and interest receivable on debt proceeds.

Noncurrent Assets

Noncurrent assets, excluding capital assets, decreased by $119.3 million primarily due to a decrease in long-term investments which are to fund the construction of bridges which increased by $224.3 million, net of accumulated depreciation.

Capital Assets

Completed bridge projects increased by $224.3 million, net of accumulated depreciation. The increased amount also includes a portion of debt interest that has been capitalized based on bond proceeds directly attributable to the costs of the bridges being constructed. Assets under construction decreased as funds are being conserved to be used on the I-70 Viaduct project.

Liabilities

Total liabilities decreased by $3.2 million in FY 2013-14, due to explanations provided below.

Current Liabilities

The entire $3.2 million was attributable to a decrease of current accounts payable. Amounts were accrued for bridge project costs and retainage on project contracts as well as debt interest payable at year-end.

Noncurrent Liabilities

Noncurrent liabilities decreased by $1,802 in FY 2013-14 due to a change in the balance of compensated absences.

Net Position

Total net position increased by $109.5 million in FY 2013-14. Of the ending balance $18.3 million is restricted for payment of debt service in the following year. Also $134.1 million represents the net amount invested in capital assets. This amount includes capitalized assets and construction in progress. The remainder of the net position is unrestricted.

Revenue and Expense Analysis

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

	June 30, 2015	June 30, 2014 *	June 30, 2013 *
Operating Revenues			
FASTER Revenues	$ 98,026.6	$ 95,700.1	$ 92,839.5
Federal Revenues	10,207.5	12,973.5	15,421.4
Other Revenues	4,364.2	2,343.1	598.3
Total Operating Revenues	**112,598.3**	**111,016.7**	**108,859.2**
Operating Expenses			
Salaries and Benefits	121.2	170.3	180.0
Program Management	889.5	1,093.1	1,454.0
Bridge operations and maintenance expense	102.8	684.0	193.1
Depreciation expense	4,576.0	3,130.7	830.1
Total Operating Expenses	**5,689.5**	**5,078.1**	**2,657.2**
Operating Income	**106,908.8**	**105,938.6**	**106,202.0**
Net Nonoperating Revenues (Expenses)	**(1,363.0)**	**3,513.5**	**2,940.8**
Change in Net Position	**105,545.8**	**109,452.1**	**109,142.8**
Beginning net position, before restatement	441,773.7	332,321.6	223,178.8
Adjustment for change in accounting principle	(12,366.3)	-	-
Beginning net position as restated	**$ 429,407.4**	**$ 332,321.6**	**$ 223,178.8**
Net Position, End of year	**$ 534,953.2**	**$ 441,773.7**	**$ 332,321.6**

* Years ended June 30, 2014 and 2013 were not restated for the adoption of GASB Statement No. 68 because it was not practical to do so.

FY 2015-14 Analysis

Revenues

Total operating revenues increased by $1.6 million in FY 2014-15, due to the explanations provided below.

The primary source of operating revenues for the CBE is from the bridge surcharge authorized in the FASTER legislation. The FASTER legislation authorizes a surcharge upon the registration of a motor vehicle with the amount of the surcharge ranging from $13 to $32 depending on the type and weight of the vehicle. As the program was established, the surcharge was to be phased in over three years. As FY 2014-15 represents the sixth full year of collection, 100 percent of the total fee is applied and FASTER revenues increased by $2.3 million primarily due to increased car registrations. Other operating revenues received from local governments as matching funds for construction projects also increased by $2 million.

The CBE received federal funds from federal highway revenues directed to the CBE. Federal highway revenues decreased by $2.8 million, due to the completion of majority of the FASTER eligible bridges.

Expenses

Total operating expenses increased by $611,333. The majority of the increase was $1.4 million in depreciation expense as additional bridges were capitalized and depreciated. Salaries and benefits decreased by $49,164 and program management decreased by $203,586 due to staffing changes during the fiscal year. Furthermore, operating expenses includes pension expense as a result of the adoption of GASB 68. Pension expense recorded in operating expense for the year ended June 30, 2015 was a reduction of expense of $209,922.

Nonoperating Revenues (Expenses)

Net nonoperating expenses decreased by $4.9 million.

The BABs subsidy was decreased by $3,761, due to the effects of the Federal sequester. Interest expense decreased by $3.6 million during FY 2014-15 while net investment income also decreased by $1.1 million.

Change in Net Position

The effect of these changes, net of the adjustment to beginning net position for the adoption of GASB 68, was an increase in net position in the amount of $93.2 million.

FY 2013-14 Analysis

Revenues

Total operating revenues increased by $2.2 million in FY 2013-14.

The primary source of operating revenues for the CBE is from the bridge surcharge authorized in the FASTER legislation. The FASTER legislation authorizes a surcharge upon the registration of a motor vehicle with the amount of the surcharge ranging from $13 to $32 depending on the type and weight of the vehicle. As the program was established, the surcharge was to be phased in over three years. As FY 2013-14 represents the fifth full year of collection, 100 percent of the total fee is applied and FASTER revenues increased by $2.9 million primarily due to increased car registrations. Other operating revenues received from local governments as matching funds for construction projects also increased by $1.7 million.

The CBE received federal funds from federal highway revenues directed to the CBE. Federal highway revenues decreased by $2.4 million, due to the completion of majority of the FASTER eligible bridges.

Expenses

Total operating expenses increased by $2.4 million. The majority of the increase was $2.3 million in depreciation expense as additional bridges were capitalized and depreciated. The additional capitalization of bridges caused bridge operations and maintenance to increase by $490,968.

Nonoperating Revenues (Expenses)

Net nonoperating expenses increased by $572,714.

The BABs subsidy was decreased by $181,884, due to the effects of the Federal sequester. Interest expense decreased by $357,199 during FY 2013-14 while net investment income also decreased by $1.1 million.

Change in Net Position

The effect of these changes was an increase in net position in the amount of $109.4 million resulting in an ending balance of net position of $441.8.

Capital Assets

Capital Assets and Debt Administration
(In Thousands)

	June 30, 2015	June 30, 2014	June 30, 2013
Bridges	$ 367,765.1	$ 317,332.2	$ 92,996.1
Capital Assets Not Being Depreciated	196,915.3	114,112.0	212,003.3
Capital Assets, Net of Accumulated Depreciation	**$ 564,680.4**	**$ 431,444.2**	**$ 304,999.4**

CBE's investment in capital assets includes land, capital assets under construction and completed bridge projects. Total capital assets as of June 30, 2015 are $564.7 million, net of accumulated depreciation of $3.1 million. Significant capital assets events during the current fiscal year include:

- The I-70 Viaduct project is in the design phase at a cost of $82.3 million.
- Two bridge projects were completed during the current year and transferred from the assets under construction category to the bridge category at a cost of $52.1 million.

Debt Outstanding

The long-term portion of the bond debt remained at $300 million in FY 2014-15. Principal payments do not begin until December 2025.

Contingencies

On May 12, 2012, the TABOR Foundation, a nonprofit organization in Colorado, filed a complaint in the district court for the City and County of Denver against the CBE, the Colorado Transportation Commission and certain members of the Commission. In the complaint, the TABOR Foundation requested that the court declare the bridge safety surcharge and the bonds issued by the CBE as unconstitutional; and that the CBE must be directed to refund all revenue collected, plus interest.

The FASTER lawsuit hearing occurred on May 13th and 14th, 2013 in Denver District Court. The Finding of Fact and Conclusions Law filed by the Judge ruled in favor of CBE on July 19, 2013. On September 6, 2013 the TABOR foundation filed with the Court of Appeals. The oral arguments for the appeal were held on July 8, 2014. On August 14, 2014, the Court of Appeals ruled in favor of CBE.

On September 25, 2014 the TABOR foundation filed a petition for a writ of certiorari with the Colorado Supreme Court requesting it to hear an appeal of the Court of Appeals' decision. Counsel for CBE filled an objection on October 20, 2014 arguing that the Supreme Court should not accept the petition. On June 29, 2015 the Court of Appeals' decision in favor of CBE was upheld by the Supreme Court, ending this litigation.

Financial Contact

If you have questions about this report please contact:

Colorado Bridge Enterprise
4201 East Arkansas Avenue
Denver, Colorado 80222

Attn: Kay Hruska

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Colorado Bridge Enterprise

Statements of Net Position

June 30, 2015 and 2014

	June 30, 2015	June 30, 2014
Assets		
Current assets:		
Cash and pooled cash investments	$ 250,192,136	$ 260,608,116
Receivables, net of allowance	8,479,445	7,988,910
Intergovernmental receivables	2,436,164	1,279,913
Prepaid items	880	375
Total current assets	261,108,625	269,877,314
Noncurrent assets:		
Long-term investments	34,837,191	49,580,112
Capital assets not being depreciated	196,915,314	114,112,007
Bridges, net of accumulated depreciation	367,765,115	317,332,155
Total noncurrent assets	599,517,620	481,024,274
Total assets	**860,626,245**	**750,901,588**
Deferred Outflows of Resources Related to Pensions	**450,091**	**-**
Liabilities		
Current liabilities:		
Accounts payable and accrued liabilities	13,493,166	9,117,613
Total current liabilities	13,493,166	9,117,613
Noncurrent Liabilities:		
Long term debt	300,000,000	300,000,000
Compensated absences	12,751	10,285
Unearned revenue	492,871	-
Net pension liability	10,165,317	-
Total noncurrent liabilities	310,670,939	300,010,285
Total liabilities	**324,164,105**	**309,127,898**
Deferred Inflows of Resources Related to Pensions	**1,959,009**	**-**
Net Position		
Net investment in capital assets	264,745,927	134,143,607
Restricted for debt service	21,209,801	18,262,961
Unrestricted	248,997,494	289,367,122
Total net position	**$ 534,953,222**	**$ 441,773,690**

Colorado Bridge Enterprise

Statements of Revenues, Expenses, and Changes in Net Position

Years Ended June 30, 2015 and 2014

	June 30, 2015	June 30, 2014
Operating Revenues		
FASTER revenues	$ 98,026,565	$ 95,700,102
Federal revenues	10,207,520	12,973,540
Other operating revenues	4,364,249	2,343,071
Total operating revenues	**112,598,334**	**111,016,713**
Operating Expenses		
Salaries and benefits	121,182	170,346
Program management	889,512	1,093,098
Bridge operations and maintenance expense	102,819	684,033
Depreciation expense	4,575,965	3,130,668
Total operating expenses	**5,689,478**	**5,078,145**
Operating income	**106,908,856**	**105,938,568**
Nonoperating Revenues (Expenses)		
Build America Bonds subsidy	5,918,642	5,922,403
Investment income, net	2,755,293	3,896,436
Gain (loss) on sale or impairment of capital asset	(168,125)	-
Interest expense	(9,868,828)	(6,305,303)
Net nonoperating revenues (expenses)	**(1,363,018)**	**3,513,536**
Change in Net Position	**105,545,838**	**109,452,104**
Beginning net position, before restatement	441,773,690	332,321,586
Adjustment for change in accounting principle	(12,366,306)	-
Beginning net position as restated	**$ 429,407,384**	**$ 332,321,586**
Net Position, End of year	**$ 534,953,222**	**$ 441,773,690**

Colorado Bridge Enterprise

Statements of Cash Flows

Years Ended June 30, 2015 and 2014

	June 30, 2015	June 30, 2014
Cash Flows from Operating Activities		
Cash received from users and grants	$ 116,271,350	$ 110,063,500
Cash payment for salaries and benefits	(146,355)	(172,148)
Cash payments to contractors and suppliers of goods and services	(2,094,614)	(1,831,362)
Net cash provided by operating activities	**114,030,381**	**108,059,990**
Cash Flows from Capital Financing Activities		
Interest subsidy received	5,918,642	5,922,403
Acquisition and construction of capital assets	(129,612,720)	(120,798,228)
Interest paid on capital debt	(18,234,000)	(18,234,000)
Net cash used by noncapital financing activities	**(141,928,078)**	**(133,109,825)**
Cash Flows from Investing Activities		
Purchase of investments and related fees	(21,849,250)	(25,251,484)
Proceeds from sales and maturities of investments	36,592,174	144,513,012
Investment income	2,738,793	3,996,682
Net cash provided by investing activities	**17,481,717**	**123,258,210**
Net increase (decrease) in cash and cash equivalents	(10,415,980)	98,208,375
Cash and cash equivalents, beginning of period	260,608,116	162,399,741
Cash and cash equivalents, end of period	**$ 250,192,136**	**$ 260,608,116**
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:		
Operating Income	**$ 106,908,856**	**$ 105,938,568**
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation expense	4,575,965	3,130,668
Adjustment to net pension liability	(692,071)	-
Changes in assets and liabilities:		
Receivables, net	(474,035)	69,480
Intergovernmental receivables	(1,156,251)	(1,023,122)
Prepaid expense	(505)	2,708
Accounts payable and accrued liabilities	4,375,551	(58,312)
Unearned revenue	492,871	-
Net cash provided by operating activities	**$ 114,030,381**	**$ 108,059,990**
Noncash Investing, Capital and Financing Activities		
Acquisition of capital assets, on account	$ 11,973,666	$ 7,274,360
Loss on impairment of assets	$ 168,125	$ -
Unrealized gains	$ 818,291	$ 1,142,023

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

Nature of Operations

The Colorado Bridge Enterprise (CBE or the Enterprise) is a self-supporting enterprise fund of the State of Colorado. It was established as an entity of the Colorado Department of Transportation (CDOT) pursuant to Colorado Revised Statutes (C.R.S) 43-4-805. The statute authorized a new bridge safety surcharge fee dedicated specifically to address Colorado's most deficient bridges. These bridges meet specific measures identified by statutes based upon federal criteria. The statute also created the Colorado Bridge Enterprise board to provide oversight for the CBE. The CDOT Executive Director serves as the CBE Director.

The CBE constitutes an enterprise for purposes of Section 20 of Article X of the State Constitution. The legislation appointed the Transportation commission to serve as the Colorado Bridge Enterprise Board of Directors (Board). The business purpose of the CBE is to "finance, repair, reconstruct, and replace any designated bridge in the state." Because it was constituted as a government-owned business, the CBE may issue revenue bonds to accelerate construction to replace or repair Colorado's poor bridges.

Basis of Accounting and Presentation

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

The financial statements of the CBE have been prepared in accordance with Generally Accepted Accounting Principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). The CBE uses self-balancing accounting funds to record its financial accounting transactions.

The basic financial statements of the CBE present the financial position, results of operations, and cash flows for only the Enterprise. They do not purport to, and do not present, the financial position of CDOT as of June 30, 2015 and 2014 or the results of operations, or cash flows where applicable, for the year then ended.

Use of Estimates in Preparation of Financial Statements

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

Cash and Pooled Cash Investments

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

Receivables

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

Capital Assets

The Colorado Bridge Enterprise records its property and equipment at cost. Contributed capital assets are recorded at estimated book value, which approximates fair value on the date they are accepted into the CBE. Maintenance and repairs are charged to current period operating expense; additions and improvements are capitalized. Interest cost relating to construction is capitalized. Certain applicable labor costs are also capitalized. The CBE's capitalization level is $500,000 for infrastructure and $5,000 for other capital assets. Upon retirement or other disposition of property and equipment, the costs and related accumulated depreciation will be removed from the respective accounts and any gains or losses will be included in operating expenses.

Deferred Outflows and Deferred Inflows of Resources

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

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

Capitalized Interest

Interest incurred during construction is reflected in the capitalized value of the asset constructed. Total interest incurred during the years ended June 30, 2015 and 2014 was $18,234,000 and $18,234,000 respectively. Interest expense capitalized during the years ended June 30, 2015 and 2014 were $8,365,171 and $11,928,697, respectively.

Liabilities

Amounts due within one year are reported as current liabilities. Amounts owed after one year are reported as noncurrent liabilities. CBE liabilities are detailed in Note 8.

Unearned Revenue

Unearned revenue consists of contributions made by local entities under various Intergovernmental Agreements related to several CBE projects. As many of these projects are not yet completed, the payments made by the local entities are not considered earned revenue, and therefore, are not recognized as such. The revenue will be recognized when the construction has been completed for the projects.

Compensated Absences

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

Net Position

The net position of the CBE is classified as follows:

Net investment in capital assets

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

Restricted net position

Restricted net position represent resources in which the CBE is contractually obligated to spend or reserve in accordance with restrictions imposed by external parties.

Unrestricted net position

Unrestricted net position represents resources that are not restricted for any project or other purpose. These resources are used to pay the operating costs of the CBE and are also available for future construction.

Classification of Revenues and Expenses

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

Budgets and Budgetary Accounting

By statute, the CBE is continuously funded through user surcharge fees. Therefore, the budget is not legislatively adopted and budgetary comparison information is not a required part of these financial statements.

Application of Restricted and Unrestricted Resources

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

NOTE 2 – CASH ON DEPOSIT WITH THE STATE TREASURER

The CBE deposits its cash with the Colorado State Treasurer as required by statute. The State Treasurer pools these deposits and invests them in securities authorized by C.R.S 24-75-601.1. The State Treasury acts as a bank for all State agencies and institutions of higher education, with the exception of the University of Colorado. Monies deposited in the Treasury are invested until the cash is needed.

For financial reporting purposes all of the Treasurer's investments are reported at fair value, which is determined based on quoted market prices at fiscal year-end. On the basis of CBE's participation in the Pool, CBE reports as an increase or decrease in cash for its share of the Treasurer's unrealized gains and losses on the Pool's underlying investments. The State Treasurer does not invest any of the Pool's resources in any external investment pool, and there is no assignment of income related to participation in the Pool. The unrealized gains/losses included in income reflect only the change in fair value for the fiscal year.

As of June 30 the cash balances were as follows:

	2015	**2014**
Cash on deposit with State Treasurer	$ 249,373,845	$ 259,466,093
State Treasurer pooled cash investments - unrealized gain	818,291	1,142,023
Total	**$ 250,192,136**	**$ 260,608,116**

As of June 30, 2015, the CBE had cash on deposit with the State Treasurer of $250,192,136, which represented approximately 3.3 percent of the total $7,661.8 million fair value of deposits in the State Treasurer's Pool. On June 30, 2014 the CBE had cash on deposit with the State Treasurer of $260,608,116 which represents approximately 3.5 percent of the total $7,455.0 billion fair value of deposits in the Pool.

NOTE 3 – LONG-TERM INVESTMENTS

The CBE has also recorded long-term investments as of June 30, 2015 and 2014 in the amount of $34,837,191 and $49,580,112, respectively. These amounts represent debt proceeds held by CBE's trustee, Zions First National Bank. Zions Bank has entered into an investment agreement with the State Treasury to hold the proceeds in a separate account to be invested in the Pool. The State Treasurer pools these deposits and invests them in securities approved by C.R.S. Section 24-75-601.1.

Investments in the Treasurer's Pool are exposed to custodial credit risk if the securities are uninsured, are not registered in the state's name, and are held by either the counterparty to the investment purchase or the counterparty's trust department or agent but not in the state's name. As of June 30, 2015 none of the investments in the State Treasurer's Pool are subject to custodial credit risk.

Credit quality risk is the risk that the issuer or other counterparty to a debt security will not fulfill its obligations. This risk is assessed by national rating agencies that assign a credit quality rating for many investments. Credit quality ratings for obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not reported; however, credit quality ratings are reported for obligations of U.S. government agencies that are not explicitly guaranteed by the U.S. government. Based on these parameters, as of June 30, 2015, approximately 88.0 percent of investments of the Treasurer's Pool are subject to credit quality risk reporting. Except for $87,396,440 of corporate bonds rated lower medium and $25,018,750 of corporate bonds rated very speculative, these investments are rated from upper medium to the highest quality, which indicates that the issuer has strong capacity to pay principal and interest when due.

Interest rate risk is the risk that changes in the market rate of interest will adversely affect the value of an investment. In addition to statutory limitations on the types of investments, the State Treasurer's investment policy mitigates interest rate risk through the use of maturity limits set to meet the needs of the individual fund if the Treasurer is investing for a specific fund rather than the Pool. The Treasurer actively manages the time to maturity in reacting to changes in the yield curve, economic forecasts, and liquidity needs of the participating funds. The Treasurer further limits investment risk by setting a minimum/maximum range for the percentage of investments subject to interest rate risk and by laddering maturities and credit ratings. As of June 30, 2015, the weighted average maturity of investments in the Treasurer's Pool is 0.063 years for Commercial Paper (6.3 percent of the Pool), 1.339 years for U.S. Government Securities (47.5 percent of the Pool), 2.528 years for Asset Backed Securities (18.5 percent of the Pool), 2.196 years for Corporate Bonds (22.9 percent of the Pool), and 0.010 years for Money Market Mutual Funds (4.8 percent of the Pool).

The Treasurer's Pool was not subject to foreign currency risk or concentration of credit risk in FY 2014-15.

Additional information on investments of the State Treasurer's Pool may be obtained in the state's Comprehensive Annual Financial Report for the year ended June 30, 2015.

NOTE 4 – ACCOUNTS RECEIVABLE

CBE records a receivable for FASTER revenues earned at year-end and paid in the subsequent month. The amount is calculated by the State Department of Revenue based on historical collections.

CBE also expects to receive matching funds from local governments and from the federal government for approved projects. The amounts are recorded in CBE financial statements directly from CDOT's federal aid billing system based on the project status.

Debt proceeds are retained by Zions First National Bank acting as trustee and invested for the trustee by the Colorado State Treasury per an investment agreement. Interest due on the balance at June 30, 2015 is recorded by CBE.

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

	2015	2014
FASTER revenues receivable	$ 8,400,324	$ 7,943,591
Trustee interest receivable	58,603	42,102
Other receivable	20,518	3,217
Total accounts receivable	**$ 8,479,445**	**$ 7,988,910**

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

	2015	2014
Federal government receivable	$ -	$ 9,452
Local government receivable	2,436,164	1,270,461
Total intergovernment receivable	**$ 2,436,164**	**$ 1,279,913**

CBE believes all receivable amounts are collectable and therefore no allowance is recorded.

NOTE 5 – CAPITAL ASSETS

By the end of FY 2014-15, as a result of construction projects, a total of 78 bridges have been capitalized. They are depreciated using straight-line methodology over a useful life of 75 years. Costs capitalized include all expenses directly associated with the construction of the asset.

A summary of changes in capital assets is as follows for the years ended June 30, 2015 and June 30, 2014:

	Balance at June 30, 2014	Additions	Disposals	Transfers	Balance at June 30, 2015
Capital assets, not being depreciated					
Land	$ 14,144,431	$ -	$ -	$ 11,269,692	$ 25,414,123
Assets under construction	99,967,576	135,094,727	(168,125)	(63,392,987)	171,501,191
Total capital assets, not being depreciated	114,112,007	135,094,727	(168,125)	(52,123,295)	196,915,314
Capital assets, being depreciated					
Bridges	321,629,526	2,885,629	-	52,123,295	376,638,450
Accumulated depreciation	(4,297,371)	(4,575,965)	-	-	(8,873,336)
Total capital assets, being depreciated, net	317,332,155	(1,690,336)	-	52,123,295	367,765,114
Capital assets, net	$431,444,162	$133,404,391	$ (168,125)	$ -	$564,680,428

	Balance at June 30, 2013	Additions	Disposals	Transfers	Balance at June 30, 2014
Capital assets, not being depreciated					
Land	$ 8,920,876	$ -	$ -	$ 5,223,555	$ 14,144,431
Assets under construction	203,082,420	129,575,400	-	(232,690,244)	99,967,576
Total capital assets, not being depreciated	212,003,296	129,575,400	-	(227,466,689)	114,112,007
Capital assets, being depreciated					
Bridges	94,162,837	-	-	227,466,689	321,629,526
Accumulated depreciation	(1,166,703)	(3,130,668)	-	-	(4,297,371)
Total capital assets, being depreciated, net	92,996,134	(3,130,668)	-	227,466,689	317,332,155
Capital assets, net	$304,999,430	$126,444,732	$ -	$ -	$431,444,162

NOTE 6 – ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Liabilities due and payable as of June 30 have been calculated and recorded as follows:

	2015	2014
Accrued interest expense on debt issuance	$ 1,519,500	$ 1,519,500
Retainage payable	1,489,175	1,431,903
Accrued compensation payable	-	323,444
Accrued project costs payable	10,481,824	5,831,376
Other payables	2,667	11,390
Total accrued liabilities	**$ 13,493,166**	**$ 9,117,613**

NOTE 7 – COMMITMENTS

The CBE had outstanding commitments for construction in the amount of $135,828,816 at June 30, 2015.

NOTE 8 – LONG TERM LIABILITIES

The CBE has recorded debt for the years ended June 30, 2015 and June 30, 2014 as follows:

	Balance at June 30, 2014	Issuances/ Additions	Retirements	Balance at June 30, 2015	Amount Due Within One Year
Bridge Enterprise Revenue Bonds	$ 300,000,000	$ -	$ -	$ 300,000,000	$ -
Net pension liability	-	10,647,466	482,149	10,165,317	-
	$ 300,000,000	$ 10,647,466	$ 482,149	$ 310,165,317	$ -

	Balance at June 30, 2013	Issuances	Retirements	Balance at June 30, 2014	Amount Due Within One Year
Bridge Enterprise Revenue Bonds	$ 300,000,000	$ -	$ -	$ 300,000,000	$ -

On December 10, 2010, the CBE issued $300 million in Colorado Bridge Enterprise Revenue Bonds Series 2010A for the purpose of financing the project costs. The CBE currently anticipates that all or a portion of the construction and/or design costs related to the 93 bridge projects identified for the bond program will be financed or refinanced with a portion of the proceeds of the Series 2010A Bonds. The Series 2010A Bonds were issued as taxable, Build America Bonds, as authorized by the federal American Recovery and Reinvestment Act. Pursuant to the Act, the CBE expects to receive federal direct payments from the United States Treasury equal to 35 percent of the interest payable on the Series 2010A Bonds. The Bonds were issued with a coupon rate of 6.078 percent but with the federal subsidy, the net interest cost of the Bonds for the CBE is approximately 3.97 percent.

Pursuant to the requirements of the Balance Budget and Emergency Deficit Control Act of 1985, the BABs bonds are subject to sequestration. In FY 2013-14, an executive order was signed reducing the federal direct payments by 7.2 percent and in FY 2014-15 the federal direct payment was reduced by 7.3 percent.

The IRS Code imposes requirements on the Series 2010A Bonds that the CBE must continue to meet after the Series 2010A Bonds are issued in order to receive the Federal direct payments. These requirements generally involve the way that Series 2010A Bond proceeds must be invested, ultimately used, and the periodic submission of requests for payment. If the CBE does not meet these requirements, it is possible that the program may not continue to receive the federal payments.

The proceeds of this issuance are recorded as long-term debt in the financial statements with interest payable as of June 30, 2015 recorded as current. Interest payments are due on June 1 and December 1 of each year. A portion of the Bonds mature in December 2025 with the balance due by December 2040. The debt proceeds are held by the Trustee, Zions First National Bank, and invested by the State Treasury per written agreement.

The primary source of revenues to repay the debt obligations comes from bridge surcharges as defined in statute and from the Build America Bond subsidy (BABs). The Transportation Commission has also committed, subject to annual approval, up to $15 million in Federal Highway Authority funds annually to pay a portion of the debt service costs of the bonds. Please see further discussion of availability of these funds in Note 9.

This agreement is detailed in a Memorandum of Agreement between the Federal Highway Administration and CBE.

Total future debt service payments over the remaining life of the bonds are as follows:

Fiscal Year	Interest Due	Principal Due	Less BAB Subsidy	Net Debt Service Payment
2016	$ 18,234,000	$ -	$ 6,381,900	$ 11,852,100
2017	18,234,000	-	6,381,900	11,852,100
2018	18,234,000	-	6,381,900	11,852,100
2019	18,234,000	-	6,381,900	11,852,100
2020	18,234,000	-	6,381,900	11,852,100
2021 to 2025	91,170,000	-	31,909,500	59,260,500
2026 to 2029	80,233,551	74,320,000	28,081,743	126,471,808
2030 to 2034	55,259,657	90,550,000	19,340,880	126,468,777
2035 to 2039	24,831,517	110,325,000	8,691,031	126,465,486
2040 to 2043	753,824	24,805,000	263,838	25,294,986
Total payments	**$ 343,418,549**	**$ 300,000,000**	**$ 120,196,492**	**$ 523,222,057**

The semi-annual debt service payments are not paid before the BABs subsidy is received. The BABs subsidy is received prior to the due date of the semi-annual debt service payments.

NOTE 9 – AVAILABILITY OF FEDERAL FUNDS

Although the Transportation Commission adopted resolution TC-1925 in November 2010 expressing its intent to annually consider allocating and transferring from CDOT to the CBE $15 million of eligible federal funds, the Transportation Commission is not obligated to make such transfers. The decision whether or not to allocate and transfer such federal funds will be made on an annual basis and will be in the sole discretion of the Transportation Commission. Such decision may be affected by the amounts of such federal funds that are available to CDOT in the future, which may be adversely impacted by federal budgeting and appropriation constraints or changes in federal law. There is no assurance that such federal funds will be available in future years to pay costs associated with designated bridge projects or to pay debt service on the Series 2010A Bonds. For the years ended June 30, 2015 and 2014, $15,000,000 was allocated and transferred to the CBE.

NOTE 10 – DEFINED BENEFIT PENSION PLAN (As of and for the year ended June 30, 2015, accounted for and reported in accordance with GASB Statement No. 68)

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

A. Plan Description

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

B. Benefits Provided

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

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

Highest average salary multiplied by 2.5 percent and then multiplied by years of service credit

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

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

Members may elect to withdraw their member contribution accounts upon termination of employment with all PERA employers; waiving rights to any lifetime retirement benefits earned. If eligible, the member may receive a match of either 50 percent or 100 percent on eligible amounts depending on when contributions were remitted to PERA, the date employment was terminated, whether 5 years of service credit has been obtained and the benefit structure under which contributions were made.

Benefit recipients who elect to receive a lifetime retirement benefit are generally eligible to receive post-retirement cost-of-living adjustments (COLAs), referred to as annual increases in the C.R.S. Benefit recipients under the PERA benefit structure who began eligible employment before January 1, 2007 receive an annual increase of 2 percent, unless PERA has a negative investment year, in which case the annual increase for the next three years is the lesser of 2 percent or the average of the Consumer Price Index for Urban Wages Earners and Clerical Workers (CPI-W) for the prior calendar year. Benefit recipients under the PERA benefit structure who began eligible employment after January 1, 2007 receive an annual increase of the lesser of 2 percent or the average CPI-W for the prior calendar year, not to exceed 10 percent of PERA's Annual Increase Reserve for the SDTF.

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

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

C. Contributions

Eligible employees and CBE are required to contribute to the SDTF at a rate set by Colorado statute. The contribution requirements are established under C.R.S. § 24-51-401, et seq. Eligible employees with the exception of State Troopers are required to contribute 8 percent of their PERA-includable salary. The employer contribution requirements for all employees except State Troopers are summarized in the table below:

	Fiscal Year 2013		Fiscal Year 2014		Fiscal Year 2015	
	CY12	CY13		CY14		CY15
	7-1-12 to 12-31-12	1-1-13 to 6-30-13	7-1-13 to 12-31-13	1-1-14 to 6-30-14	7-1-14 to 12-31-14	1-1-15 to 6-30-15
Employer Contribution Rate	10.15%	10.15%	10.15%	10.15%	10.15%	10.15%
Amount of Employer Contribution Apportioned to the Heath Care Trust Fund as specified in C.R.S. Section 24-51-208(1)(f)	-1.02%	-1.02%	-1.02%	-1.02%	-1.02%	-1.02%
Amount Apportioned to the SDTF	9.13%	9.13%	9.13%	9.13%	9.13%	9.13%
Amortization Equalization Disbursement (AED) as specified in C.R.S. Section 24-51-411	3.00%	3.40%	3.40%	3.80%	3.80%	4.20%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S., Section 24-51-411	2.50%	3.00%	3.00%	3.50%	3.50%	4.00%
Total Employer Contribution Rate to the SDTF	14.63%	15.53%	15.53%	16.43%	16.43%	17.33%

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

Employer contributions are recognized by the SDTF in the period in which the compensation become payable to the member and the HPTE is statutorily committed to pay the contributions to the SDTF. Employer contributions recognized by the SDTF from the CBE were $454,689 for the year ended June 30, 2015.

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

At June 30, 2015, the CBE reported a liability of $ 10,165,317 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2013. Standard update procedures were used to roll forward the total pension liability to December 31, 2014. The CBE proportion of the net pension liability was based on CBE's contributions to the SDTF for the calendar year 2014 relative to the total contributions of participating employers to the SDTF.

At December 31, 2014, the CBE proportion was .11 percent, which was decrease of .03 from its proportion measured as of December 31, 2013.

For the year ended June 30, 2015, pension expense recognized by the CBE was a reduction of operating expense of $209,922. At June 30, 2015, the CBE reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ -	$ 753
Net difference between projected and actual earnings on pension plan	207,272	-
Changes in proportion and differences between contributions recognized	-	1,958,256
Contributions subsequent to the measurement date	242,819	-
Total	$ 450,091	$ 1,959,009

$242,819 reported as deferred outflow of resources related to pensions, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30	
2016	$ (995,780)
2017	(859,593)
2018	51,818
2019	51,818
2020	-
Total	$ (1,751,737)

E. Actuarial Assumptions

The total pension liability in the December 31, 2013 actuarial valuation was determined using the following actuarial assumptions and other inputs:

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

Mortality rates were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on a projection of Scale AA to 2020 with Males set back 1 year, and Females set back 2 years.

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

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

The long-term expected rate of return, presented to the PERA Board on November 13, 2013, indicates the target allocation and best estimates of geometric real rates of return for each major asset class and are summarized in the following table:

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

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

F. Discount Rate

The discount rate used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the fixed statutory rates specified in law, including current and future AED and SAED, until the Actuarial Value Funding Ratio reaches 103 percent, at which point the AED and SAED will each drop 0.50 percent every year until they are zero. Based on those assumptions, the SDTF's fiduciary net position was projected to be available to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return on pension plan investments was applied to all period of projected benefit payments to determine the total pension liability. The discount rate determination does not use the Municipal Bond Index Rate. There was no change in discount rate from the prior measurement date.

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

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

	1% Decrease (6.5%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Proportionate share of the net pension liability	$ 13,034,395	$ 10,165,317	$ 7,752,039

H. Pension Plan Fiduciary Net Position

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

NOTE 11 – PENSION PLANS (As of and for the year ended June 30, 2014, accounted for and reported in accordance with GASB Statement No. 27)

A. Plan Description

CBE's employees participate in a defined benefit pension plan. The plan's purpose is to provide income to members and their families at retirement or in case of death or disability. The plan is a cost-sharing multiple-employer plan administered by the Public Employees' Retirement Association (PERA). PERA was established by state statute in 1931. Responsibility for the organization and administration of the plan is placed with the PERA Board of Trustees. Changes to the plan require an actuarial assessment and legislation by the General Assembly. The state plan and other divisions' plans are included in PERA's financial statements, which may be obtained by writing PERA at P.O. Box 5800, Denver, Colorado 80217, by calling PERA at 1-800-759-PERA (7372), or by visiting http://www.copera.org.

Non-higher education employees hired by the state after January 1, 2006 are allowed 60 days to elect to participate in a defined contribution retirement plan administered by the State Deferred Compensation Committee rather than becoming a member of PERA. If that election is not made, the employee becomes a member of PERA, and the member is allowed 60 days from commencing employment to elect to participate in a defined contribution plan administered by PERA rather than the defined benefit plan.

Prior to legislation passed during the 2006 session, higher education employees may have participated in social security, PERA's defined benefit plan, or the institution's optional retirement plan. Currently, higher education employees, except for community college employees, are required to participate in their institution's optional plan, if available, unless they are active or inactive members of PERA with at least one year of service credit. In that case they may elect either PERA or their institution's optional plan. Community college employees hired after January 1, 2010, are required to become members of PERA and must elect either PERA's defined benefit or defined contribution plan within 60 days, unless they had been a PERA member within the prior twelve months. In that case, they are required to remain in the PERA plan in which they participated previously.

PERA members electing the defined contribution plan are allowed an irrevocable election between the second and fifth year to use their defined contribution account to purchase service credit and be covered under the defined benefit retirement plan. However, making this election subjects the member to the rules in effect for those hired on or after January 1, 2007, as discussed below. Employer contributions to both defined contribution plans are the same as the contributions to the PERA defined benefit plan.

Defined benefit plan members (except state troopers) vest after five years of service and are eligible for full retirement based on their original hire date as follows:

- Hired before July 1, 2005 – age 50 with 30 years of service, age 60 with 20 years of service, or age 65 with 5 years of service.
- Hired between July 1, 2005 and December 31, 2006 – any age with 35 years of service, age 55 with 30 years of service, age 60 with 20 years of service, or age 65 with any years of service.
- Hired between January 1, 2007 and December 31, 2010 – any age with 35 years of service, age 55 with 30 years of service, age 60 with 25 years of service, or age 65 with 5 years of service. For members with less than five years of service credit as of January 1, 2011 age and service requirements increase to those required for members hired between January 1, 2007 and December 31, 2010.
- Hired between January 1, 2011 and December 31, 2016 – any age with 35 years of service, age 58 with 30 years of service, age 65 with 5 years of service.
- Hired on or after January 1, 2017 – any age with 35 years of service, age 60 with 30 years of service, or age 65 with 5 years of service.

Members are also eligible for retirement benefits without a reduction for early retirement based on their original hire date as follows:

- Hired before January 1, 2007 – age 55 with a minimum of 5 years of service credit and age plus years of service equals 80 or more.
- Hired between January 1, 2007 and December 2010 – age 55 with a minimum of 5 years of service credit and age plus years of service equals 85 or more. Age plus years of service requirements increase to 85 for members with less than five years of service credit as of January 1, 2011.

- Hired between January 1, 2011 and December 31, 2016 – age 58 and age plus years of service equals 88 or more.
- Hired on or after January 1, 2017 – age 60 and age plus years of service equals 90.

State troopers and judges comprise a small percentage of plan members but have higher contribution rates, and state troopers are eligible for retirement benefits at different ages and years of service.

Members automatically receive the higher of the defined retirement benefit or money purchase benefit at retirement. Defined benefits are calculated as 2.5 percent times the number of years of service times the highest average salary (HAS). For retirements before January 1, 2009, HAS is calculated as one-twelfth of the average of the highest salaries on which contributions were paid, associated with three periods of 12 consecutive months of service credit and limited to a 15 percent increase between periods. For retirements after January 1, 2009, or persons hired on or after January 1, 2007, more restrictive limits are placed on salary increases between periods used in calculating HAS.

Retiree benefits are increased annually in July after one year of retirement based on the member's original hire date as follows:

- Hired before July 1, 2007 – the lesser of 2 percent or the average of the monthly Consumer Price Index increases.
- Hired on or after January 1, 2007 – the lesser of 2 percent or the actual increase in the national Consumer Price Index, limited to a 10 percent reduction in a reserve established for cost of living increases related strictly to those hired on or after January 1, 2007. (The reserve is funded by 1 percentage point of salaries contributed by employers for employees hired on or after January 1, 2007.)
- The upper limits on benefits increase by one-quarter percentage point each year when the funded ratio of PERA equals or exceeds 103 percent and declines by one-quarter percentage point when the funded ratio drops below 90 percent after having exceeded 103 percent. The funded ratio increase does not apply for three years when a negative return on investment occurs.

Members who are disabled, who have five or more years of service credit, six months of which has been earned since the most recent period of membership, may receive retirement benefits if determined to be permanently disabled. If a member dies before retirement, their eligible children under the age of 18 (23 if a full time student) or their spouse may be entitled to a single payment or monthly benefit payments. If there is no eligible child or spouse then financially dependent parents, beneficiaries, or the member's estate, may be entitled to a survivor's benefit.

B. Funding Policy

The contribution requirements of plan members and their employers are established, and may be amended, by the General Assembly. Salary subject to PERA contribution is gross earnings less any reduction in pay to offset employer contributions to the state sponsored IRC 125 plan established under Section 125 of the Internal Revenue Code.

Most employees contribute 8.0 percent (10.0 percent for State troopers) of their salary, as defined in CRS 24-51-101(42), to an individual account in the plan. Effective July 1, 2012, the temporary contribution rate increase of 2.5 percent for members in the State and Judicial Divisions to replace the 2.5 percent reduction in employers contributions effective for FY 2010-11 and FY 2011-12 expired.

From July 1, 2013, to December 31, 2013, the State contributed 16.55 percent (19.25 percent for state troopers and 17.36 percent for the Judicial Branch) of the employee's salary. From January 1, 2014, through June 30, 2014, the state contributed 17.45 percent (20.15 percent for state troopers and 17.36 percent for the Judicial Branch). During all of FY 2013-14, 1.02 percent of the employees' total salary was allocated to the Health Care Trust Fund.

Per Colorado Revised Statutes, an amortization period of 30 years is deemed actuarially sound. At December 31, 2013, the division of PERA in which the state participates has a funded ratio of 57.5 percent and a 60 year amortization period based on current contribution rates. The funded ratio on the market value of assets is slightly higher at 61.0 percent.

In the 2004 and 2010 legislative sessions, the General Assembly authorized an Amortization Equalization Disbursement (AED) to address a pension-funding shortfall. The AED requires PERA employers to pay an additional 0.5 percent of salary for calendar years 2006 and 2007, with subsequent year increases of 0.4 percent of salary through 2017, to a maximum of 5 percent (except for the Judicial Division whose AED contribution was frozen at the 2010 level).

In the 2006 and 2010 legislative sessions, the General Assembly authorized a Supplemental Amortization Equalization Disbursement (SAED) that requires PERA employers to pay an additional one-half percentage point of total salaries, for calendar years 2008 through 2017, to a maximum of 5 percent (except for the Judicial Division whose SAED contribution was frozen at the 2010 level). The SAED will be deducted from the amount otherwise available to increase state employees' salaries.

At a 103 percent funding ratio, both the AED and the SAED will be reduced by one-half percentage point, and for subsequent declines to below 90 percent funded both the AED and SAED will be increased by one-half percentage point. For the Judicial Division, if the funding ratio reaches 90 percent and subsequently declines, the AED and SAED will be increased by one-half percentage point.

Historically members have been allowed to purchase service credit at reduced rates. However, legislation passed in the 2006 session required, that future agreements to purchase service credit be sufficient to fund the related actuarial liability.

The CBE contributions to PERA and/or the state defined contribution plan for the fiscal years ended June 30, 2014, 2013, and 2012 were $527,689, $568,697, and $413,719, respectively. These contributions met the contribution requirement for each year.

NOTE 12 – OTHER RETIREMENT PLANS

Defined Contribution Plan (DC Plan)

A. Plan description

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

B. Funding policy

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

	Fiscal Year 2013		Fiscal Year 2014		Fiscal Year 2015	
	CY12	CY13		CY14		CY15
	7-1-12 to 12-31-12	1-1-13 to 6-30-13	7-1-13 to 12-31-13	1-1-14 to 6-30-14	7-1-14 to 12-31-14	1-1-15 to 6-30-15
Amortization Equalization Disbursement (AED) as specified in C.R.S. Section 24-51-411	3.00%	3.40%	3.40%	3.80%	3.80%	4.20%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S., Section 24-51-411	2.50%	3.00%	3.00%	3.50%	3.50%	4.00%
Total Employer Contribution Rate to the SDTF	5.50%	6.40%	6.40%	7.30%	7.30%	8.20%

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

Contribution requirements are established under Title 24, Article 51, Section 1505 of the C.R.S., as amended. Participating employees of the PERA DC Plan are immediately vested in their own contributions and investment earnings and are immediately 50 percent vested in the amount of employer contributions made on their behalf. For each full year of participation, vesting of employer contributions increases by 10 percent. Forfeitures are used to pay expenses of the PERA DC Plan in accordance with PERA Rule 16.08 as adopted by the PERA Board of Trustees in accordance with Title 24, Article 51, Section 204 of the C.R.S. As a result, forfeitures do not reduce pension expense. There is no pension expense or pension liability recognized for the years ended June 30, 2015 and 2014.

401(k) Defined Contribution Plan

A. Plan Description

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

B. Funding Policy

The Voluntary Investment Program is funded by voluntary member contributions up to the maximum limits set by the Internal Revenue Service, as established under Title 24, Article 51, Section 1402 of the C.R.S., as amended. Employees are immediately vested in their own contributions and investment earnings.

Deferred Compensation Plan

The PERA Deferred Compensation Plan (457) was established July 1, 2009 as a continuation of the State's deferred compensation plan which was established for state and local government employees in 1981. At July 1, 2009, the State's administrative functions for the 457 plan were transferred to PERA, where all costs of administration and funding are borne by the plan participants. In calendar year 2014, participants were allowed to make contributions of up to 100 percent of their annual gross salary (reduced by their 8 percent PERA contribution) to a maximum of $17,500. Participants who age 50 and older, and contributing the maximum amount allowable, were allowed to make an additional $5,500 contribution in 2014, for total contributions of $23,000. Contributions and earnings are tax deferred. At December 31, 2014, the plan had 17,738 participants.

The CBE did not make any contributions to other retirement plans during Fiscal Year 2015.

NOTE 13 – OTHER POSTEMPLOYMENT BENEFITS AND LIFE INSURANCE

Health Care Trust Fund

A. Plan description

The CBE contributes to the Health Care Trust Fund ("HCTF"), a cost-sharing multiple-employer healthcare trust administered by PERA. The HCTF benefit provides a health care premium subsidy and health care premium subsidy and health care programs (known as PERACARE) to PERA participating benefit recipients and their eligible beneficiaries. Title 24, Article 21, Part 12 of C.R.S., as amended, establishes the HCTF and sets forth a framework that grants authority to the PERA Board to contact, self-insure and authorize disbursements necessary in order to carry out the purposes of the PERACARE program, including the administration of health care subsidies. PERA issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for the HCTF. That report can be obtained at www.copera.org/investements/pera-financial-reports.

B. Funding Policy

The CBE is required to contribute at a rate of 1.02 percent of PERA-includable salary for all PERA members as set by statute. No member contributions are required. The contribution requirements for the CBE are established under Title 24, Article 51, Section 208(1)(f) of the C.R.S., as amended. For the years ending June 30, 2015 and June 30, 2014, and June 30, 2013 the CBE contributions to the HCTF were $48,215, $56,140, and $60,711 respectively, equal to their required contributions for each year.

NOTE 14 – RISK MANAGEMENT

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

NOTE 15 – TAX, SPENDING AND DEBT LIMITATIONS

Colorado voters passed an amendment to the State Constitution, Article X, Section 20, which has several limitations, including revenue raising, spending abilities, and other specific requirements of State and local governments. The amendment excludes from its provision Enterprise operations. Enterprises are defined as government-owned businesses authorized to issue revenue bonds, which receive less than 10 percent of their annual revenue in grants from all State and local governments combined. The CBE qualifies as an Enterprise pursuant to C.R.S. Section 43-4-805 (2)(c).

NOTE 16 – CONTINGENT LIABILITY

On May 12, 2012, the TABOR Foundation, a nonprofit organization in Colorado, filed a complaint in the district court for the City and County of Denver against the CBE, the Colorado Transportation Commission and certain members of the Commission. In the complaint, the TABOR Foundation requests that the court declare the bridge safety surcharge and the bonds issued by the CBE as unconstitutional; and that the CBE must be directed to refund all revenue collected, plus interest.

The FASTER lawsuit occurred on May 13, 2013 and May 14, 2013. The Finding of Fact and Conclusions Law filed by the Judge ruled in favor of CBE. On September 6, 2013 the TABOR foundation filed with the Court of Appeals. Oral arguments for the appeal were held on July 8, 2014. The Court of Appeals ruled in favor of CBE on August 14, 2014.

On September 25, 2014 the TABOR Foundation filed a petition for a writ of certiorari with the Colorado Supreme Court requesting it to hear an appeal of the Court of Appeals' decision. Counsel for CBE filed an objection on October 20, 2014 arguing that the Supreme Court should not accept the petition. On June 29, 2015 the Court of Appeals' decision in favor of CBE was upheld by the Supreme Court ending this litigation.

NOTE 17 – ADOPTION OF ACCOUNTING PRINCIPLE

The CBE implemented GASB Statement No. 68 of the Governmental Accounting Standards Board (GASB 68), *Accounting and Financial Reporting for Pensions-an amendment of GASB Statement No. 27*, as amended by Governmental Accounting Standards Board Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date, an amendment of GASB Statement No. 68*, which revises and establishes new financial reporting requirements for most governments that provide their employees with pension benefits. The CBE provides its employees with pension benefits through the State's cost-sharing multiple-employer defined benefit program administered by the Public Employee's Retirement Association of Colorado (PERA). GASB 68 requires employers participating in cost-sharing multiple-employer plans, to record their proportionate share, as defined in GASB 68, of the collective net pension liability. The Enterprise has no legal obligation to fund this shortfall nor does it have any ability to affect funding, benefit, or annual required contribution decisions made by PERA. The adoption of GASB 68 resulted in a $12.4 million restatement of net position as of July 1, 2014. The fiscal year 2014 financial statements were not restated as it was not practical to do so as the actuarial data required to restate fiscal year 2014 was not available. Information regarding PERA's current funding status can be found in their Comprehensive Annual Financial Report.

Required Supplementary Information

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Colorado Bridge Enterprise

Required Supplementary Information

Schedule of Proportionate Share of the Net Pension Liability

June 30, 2015

CBE's proportion of the net pension liability	0.11%
CBE's proportionate share of the net pension liability	$ 10,165,317
CBE's covered-employee payroll	$ 3,087,257
CBE's proportionate share of the net pension liability as a percentage of its covered-employee payroll	329.27%
Plan fiduciary net position as a percentage of the total pension liability	59.80%

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

Colorado Bridge Enterprise
Required Supplementary Information
Schedule of Contributions
June 30, 2015

Statutorily required contribution	$ 454,689
Contributions in relation to the statutorily required contribution	454,689
Contribution deficiency (excess)	$ -
CBE's covered-employee payroll	$ 2,853,298
Contributions as a percentage of covered-employee payroll	15.94%

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

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Independent Auditors’ Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*

Members of the Legislative Audit Committee:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Colorado Bridge Enterprise (the CBE or the Enterprise), an enterprise fund of the State of Colorado, Department of Transportation, which comprise the statement of financial position as of June 30, 2015 and the related statements of revenues, expenses and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 21, 2015, which contained emphasis of matters paragraphs regarding the organizational structure of the Enterprise and a change in accounting principle.

Internal Control Over Financial Reporting

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

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

Members of the Legislative Audit Committee:

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

Compliance

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

Purpose of this Report

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

BKD, LLP

Denver, Colorado
January 21, 2015

BKD LLP
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Independent Auditor’s Communication to Legislative Audit Committee

Members of the Legislative Audit Committee:

As part of our audit of the financial statements of the Colorado Bridge Enterprise (the CBE or the Enterprise) as of and for the year ended June 30, 2015, we wish to communicate the following to you.

AUDIT SCOPE AND RESULTS

Auditor’s Responsibility Under Auditing Standards Generally Accepted in the United States of America and the Standards Applicable to Financial Audits Contained in *Government Auditing Standards* Issued by the Comptroller General of the United States and U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-profit Organizations*

An audit performed in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-profit Organizations* is designed to obtain reasonable, rather than absolute, assurance about the financial statements. In performing auditing procedures, we establish scopes of audit tests in relation to the financial statements taken as a whole. Our engagement does not include a detailed audit of every transaction.

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

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

Qualitative Aspects of Significant Accounting Policies and Practices

Significant Accounting Policies

The Enterprise’s significant accounting policies are described in Note 1 of the audited financial statements.

Members of the Legislative Audit Committee:

Alternative Accounting Treatments

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

- No matters are reportable

Management Judgments and Accounting Estimates

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

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

Financial Statement Disclosures

The following areas involve particularly sensitive financial statement disclosures for which we are prepared to discuss the issues involved and related judgments made in formulating those disclosures:

- Revenue recognition
- Contingent liability defined benefit pension plan

Audit Adjustments

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

Areas in which adjustments were proposed include:

Proposed Audit Adjustments Recorded

- Adjustment to record accounts payable

Proposed Audit Adjustments Not Recorded

- Attached, beginning on page 63, is a summary of uncorrected misstatements we aggregated during the current engagement and pertaining to the latest period presented that were determined by management to be immaterial, both individually and in the aggregate, to the financial statements as a whole

Members of the Legislative Audit Committee:

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

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

- During fiscal year 2015, the Enterprise adopted Governmental Accounting Standards Board Statement No. 68 (GASB 68), *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27* and Governmental Accounting Standards Board Statement No. 71 (GASB 71), *Pension Transition for Contributions Made Subsequent to the Measurement Date*

<u>Disagreements with Management</u>

The following matters involved disagreements which if not satisfactorily resolved would have caused a modified auditor's opinion on the financial statements:

- No matters are reportable

<u>Consultation with Other Accountants</u>

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

- No matters are reportable

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

<u>Prior to Retention</u>

During our discussion with management prior to our engagement, the following issues regarding application of accounting principles or auditing standards were discussed:

- No matters are reportable

<u>During the Audit Process</u>

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

- Adoption of GASB 68, that is effective for the year ended June 30, 2015

Members of the Legislative Audit Committee:

Difficulties Encountered in Performing the Audit

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

- No matters are reportable

Other Material Written Communications

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

- Management representation letter
- Management letter – to be issued in conjunction with Colorado Department of Transportation management letter

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

BKD, LLP

Denver, Colorado
January 21, 2016

Colorado Department of Transportation

ATTACHMENT

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

Colorado Bridge Enterprise

QUANTITATIVE ANALYSIS

	Before Misstatements	Misstatements	Subsequent to Misstatements	% Change
Current Assets	261,108,625		261,108,625	
Non-Current Assets	599,967,711	(459,590)	599,508,121	-0.08%
Current Liabilities	(13,493,166)	179,990	(13,313,176)	-1.33%
Non-Current Liabilities	(312,629,948)		(312,629,948)	
Current Ratio	19.351		19.613	1.35%

Total Assets & Deferred Outflows	861,076,336	(459,590)	860,616,746	-0.05%
Total Liabilities & Deferred inflows	(326,123,114)	179,990	(325,943,124)	-0.06%
Total Net Position	(534,953,222)	279,600	(534,673,622)	-0.05%

Operating Revenues	(112,598,334)		(112,598,334)	
Operating Expenses	5,689,478	279,600	5,969,078	4.91%
Nonoperating Revenues (Exp)	(1,363,018)		(1,363,018)	
Change in Net Position	(105,545,838)	279,600	(105,266,238)	-0.26%

Client: Colorado Department of Transportation

Period Ending: June 30, 2015

Colorado Bridge Enterprise

SCHEDULE OF UNCORRECTED MISSTATEMENTS (ADJUSTMENTS PASSED)

		Factual (F), Judgmental (J)	Assets		Liabilities						Net Effect on Following Year	
			Current	*Non-Current*	*Current*	*Non-Current*	Operating Revenues	Operating Expenses	Nonoperating Revenues (Exp)	Net Position	*Change in Net Position*	*Net Position*
Description	**Financial Statement Line Item**	**Projected (P)**	DR (CR)	DR (CR)	DR (CR)	DR (CR)	DR (CR)	DR (CR)	DR (CR)	DR (CR)	DR (CR)	DR (CR)
Colorado Bridge Enterprise: To correct over accrual of Assets Under Construction		**Factual**	0	(1,054,667)	1,054,667	0	0	0	0	0	0	0
	Accounts Payable				1,054,667							
	Assets Under Construction			(1,054,667)								
Colorado Bridge Enterprise: To record unadjusted projected misstatements in remaining population		**Projected**	0	0	(279,600)	0	0	279,600	0	0	(279,600)	279,600
	Construction Contractor Services							279,600			(279,600)	
	Accounts Payable				(279,600)							279,600
Colorado Bridge Enterprise: To properly record retainage payable and Assets Under Construction		**Factual**	0	595,077	(595,077)	0	0	0	0	0	0	0
	Assets Under Construction			595,077								
	Retainage Payable				(595,077)							
Total passed adjustments			0	(459,590)	179,990	0	0	279,600	0	0	(279,600)	279,600

Impact on Change in Net Position	**279,600**
Impact on Net Position	**279,600**