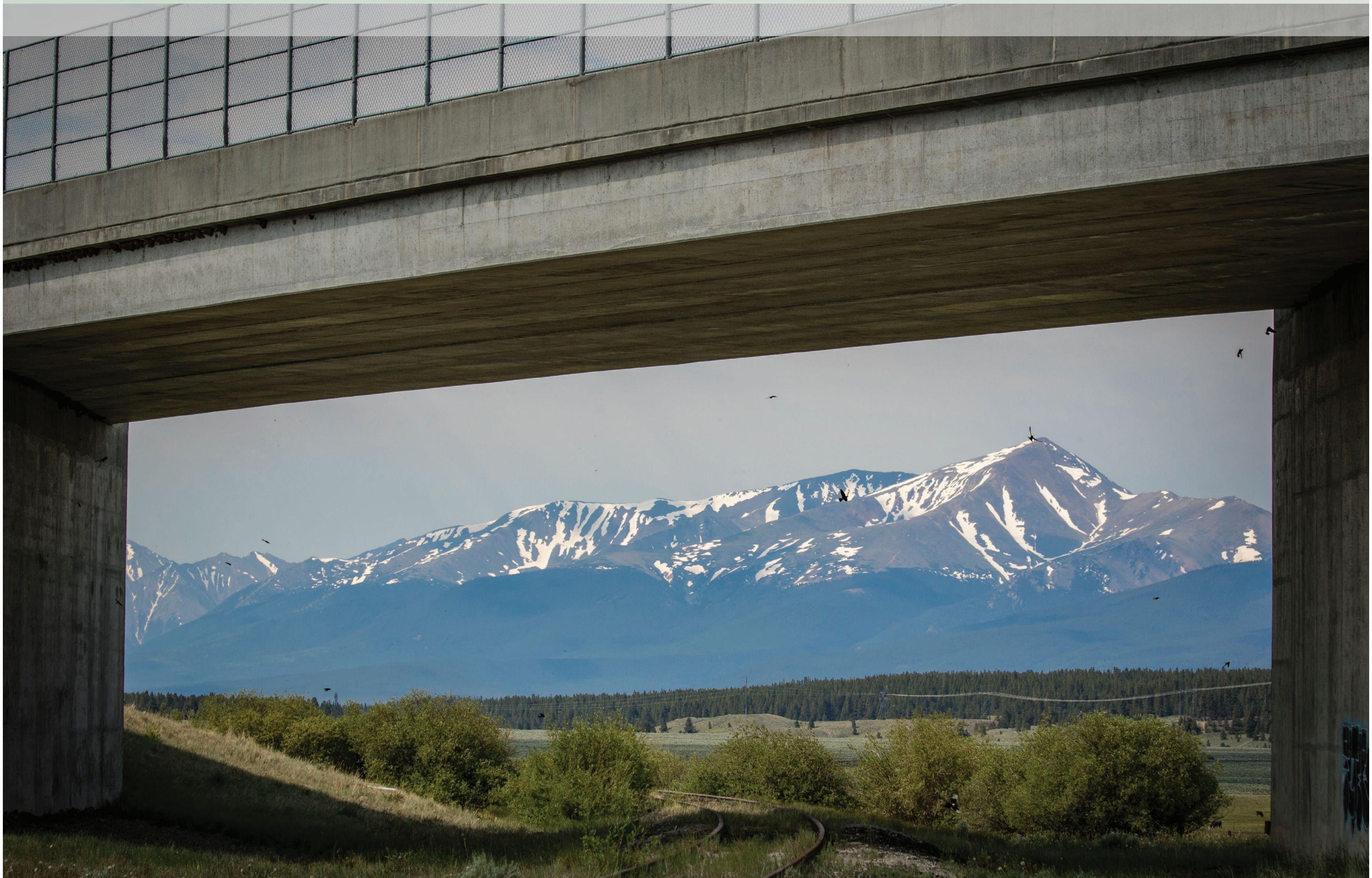
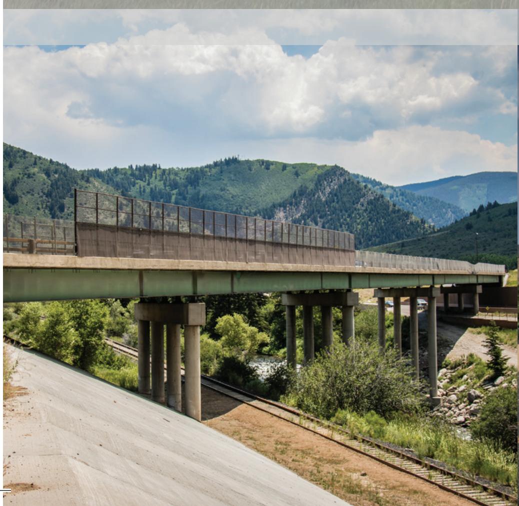
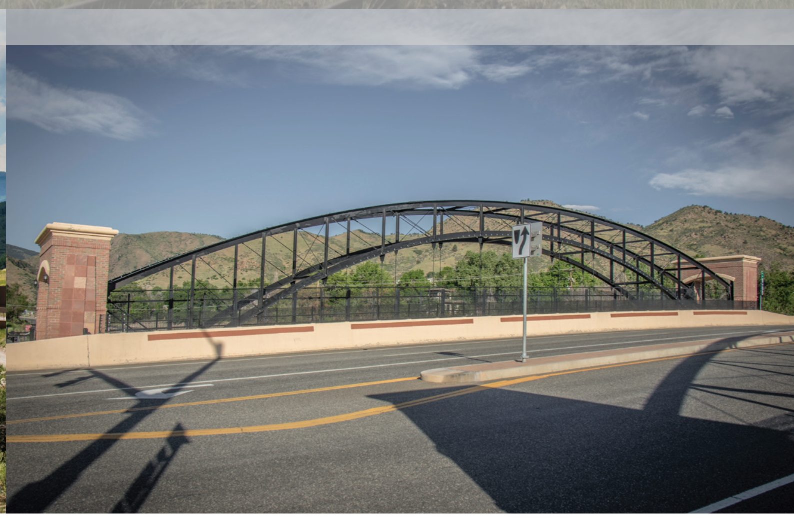
Colorado Bridge Enterprise

Annual Financial Statements | Fiscal Years 2016 and 2017







CO

CDOT

COLORADO AT WORK

PROJECT FUNDED BY YOUR FASTER VEHICLE REGISTRATION FEES

Colorado Department of Transportation’s Bridge Enterprise

Financial Statements and Independent Auditor’s Reports

Financial Audit

Years Ended June 30, 2017 and 2016

Compliance Audit

Year Ended June 30, 2017

LEGISLATIVE AUDIT COMMITTEE

Representative Tracy Kraft-Tharp – Chair	Senator Tim Neville – Vice-Chair
Senator Kerry Donovan	Senator Jim Smallwood
Representative Tim Leonard	Senator Nancy Todd
Representative Lori Saine	Representative Faith Winter

OFFICE OF THE STATE AUDITOR

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

AN ELECTRONIC VERSION OF THIS REPORT IS AVAILABLE AT
WWW.STATE.CO.US/AUDITOR

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

PLEASE REFER TO REPORT NUMBER 1733-F WHEN REQUESTING THIS REPORT

THIS PAGE LEFT BLANK INTENTIONALLY

BKD LLP
CPAs & Advisors

1801 California Street, Suite 2900 // Denver, CO 80202-2606
303.861.4545 // fax 303.832.5705 // bkd.com

Members of the Legislative Audit Committee:

We have completed the financial statement audits of the Colorado Department of Transportation's Bridge Enterprise (the Enterprise or the CBE) as of and for the years ended June 30, 2017 and 2016. Our audits were conducted in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

BKD, LLP

January 12, 2018

THIS PAGE LEFT BLANK INTENTIONALLY

Colorado Bridge Enterprise

June 30, 2017 and 2016

Table of Contents

THIS PAGE LEFT BLANK INTENTIONALLY

Colorado Bridge Enterprise
Report Summary
Year Ended June 30, 2017

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, 2017. 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. 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 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, 2017 and 2016, 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, 2017.
- Review the CBE's compliance with rules and regulations governing the expenditure of State funds for the year ended June 30, 2017.
- 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, 2017.

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, 2017.

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, 2017.

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, 2017

Significant Audit Adjustments

There was one proposed audit adjustment identified during the audit to properly state capital assets and accounts payable (see Schedule of Adjustments Passed beginning of page 61.)

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 57.

Colorado Bridge Enterprise
Background
Year Ended June 30, 2017

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. 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 10 percent of its total revenues in grants from the State and local governments. Management did not identify any violations of this enterprise status, for Fiscal Year 2016 or 2017.

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.

THIS PAGE LEFT BLANK INTENTIONALLY

BKD LLP
CPAs & Advisors

1801 California Street, Suite 2900 // Denver, CO 80202-2606
303.861.4545 // fax 303.832.5705 // bkd.com

Independent Auditor's Report

Members of the Legislative Audit Committee:

Report on the Financial Statements

We have audited the accompanying financial statements of Colorado Bridge Enterprise (the Enterprise or CBE), an enterprise fund of the State of Colorado, Department of Transportation, which are comprised of the statements of net position as of June 30, 2017 and 2016, and the related statements of revenues, expenses and changes in net position and statements of cash flows for the years then ended and the related notes to the 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 Enterprise'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 Enterprise's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Enterprise as of June 30, 2017 and 2016 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 Matter

As discussed in Note 1 – Nature of Operations and Summary of Significant Accounting Policies, the financial statements of the Enterprise are intended to present the net position and changes in financial position and, where applicable, cash flows for only that portion of the State of Colorado, Department of Transportation, that is attributable to the transactions of the Enterprise. They do not purport to, and do not present fairly the financial position of the State of Colorado, Department of Transportation as of June 30, 2017 and 2016 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.

Required Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 12, 2018, on our consideration of the Enterprise's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Enterprise's internal control over financial reporting and compliance.

BKD, LLP

Denver, Colorado
January 12, 2018

THIS PAGE LEFT BLANK INTENTIONALLY

Colorado Bridge Enterprise
Management's Discussion and Analysis (Unaudited)
June 30, 2017 and 2016

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, 2017 and 2016. 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.

Designated Bridges

In Fiscal Year 2010-11, the CBE Board initially identified 128 bridges across the State highway system that qualified as "Designated Bridges" within the eligibility criteria established by the CBE Board. Subsequently, an additional 74 bridges have qualified bringing the total number of bridges eligible to receive FASTER funding to 202 as of June 30, 2017.

A designated bridge is defined as every bridge including any roadways, sidewalks, or other infrastructure connected or adjacent to or required for the optimal functioning of the bridge that:

- Is part of the state highway system
- Has been identified by CBE as structurally deficient or functionally obsolete
- Has been rated as poor, which is a sufficiency rating less than 50

The list of designated bridges is supplemented and amended over time as bridges are repaired, replaced or otherwise removed from the list. Additional bridges are added to the list as they qualify under the eligibility criteria established under FASTER and the CBE Board. The CBE program has no mandate to address every eligible structure, however the program strives to address as many structures as available resources permit.

Bridge Maintenance Program

In November 2010, Colorado Department of Transportation (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 maintenance and inspection of all bridges owned by the CBE.

Bridge Completion Status

CBE projects may include the repair, replacement, ongoing maintenance, inspection, or any combination thereof, of these designated bridges. The majority of the designated bridges are currently complete, in the construction phase, or have the design of the new bridge completed. In conjunction with these projects, CBE funds the expenses incurred by CDOT's specialty groups which work to complete 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).

CBE made significant progress in Fiscal Year 2016-17. A majority of the current FASTER eligible bridges are now either in the construction phase or completed. The current status of these 202 FASTER eligible bridges within the program as of June 2017 is shown below:

Project Phase	Number of Bridges
Future projects	46
In design phase	4
Design complete	10
In construction phase	10
Projects complete	132
Total	202

Below is the status, as of June 2017, 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. When the bridge currently in construction is complete, the final remaining bridge will be the Central 70 Project (I-70 viaduct) in Denver, 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 funding mechanisms. 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 resolved to use the revenue bond proceeds and any earned interest to provide at least partial funding for the design and or construction of 89 of the bridges. These 89 bridges are tracked separately from the total population of designated bridges. Projects partially funded with bond funds use other available sources revenue sources such as FASTER funds, federal funding and local agency contributions to complete the project.

The proceeds of debt issuance are recorded as long-term debt in the financial statements with interest payable as of June 30, 2017 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 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 are subject to sequestration. In Fiscal Years 2014-15, 2015-16 and 2016-17 an executive order was signed reducing the federal direct payments. In Fiscal Year 2016-17 the rate is approximately 3.97 percent.

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 $15 million of eligible federal funds to the Colorado Bridge Enterprise. If allocated, such federal funds will be allocated to CBE and will be available to fund the debt service 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.

Each year since resolution adoption, for the period of Fiscal Year 2010-11 through 2016-17, the Transportation Commission has allocated to the CBE $15 million in federal funds. In November 2016, a memorandum of understanding was executed regarding the temporary suspension of the annual transfer of $15 million in federal funds for three years starting in Fiscal Year 2017-18. The transfer of eligible federal funds will be reinstated in Fiscal Year 2020-21.

Highlights of Fiscal Year 2016-17

Prioritization Plan

The CBE continues to utilize a prioritization system whereas both quantitative and qualitative criteria are taken into consideration to determine which FASTER eligible bridge(s) represent the current best use of available FASTER funding. This system provides a peer-wise comparison between eligible bridges. Bridge Enterprise and Region staff utilizes this tool to ensure funding is being directed to the most deserving structure. The latest prioritization scores for unprogrammed bridges were distributed in December 2016 and June 2017.

Ilex Design/Build in Pueblo, Colorado

The Ilex Design/Build project represents the first construction project of the new Pueblo Freeway. The first phase of the project will reconstruct Interstate 25 between City Center Drive (1st Street) and Ilex Street through downtown Pueblo and is partially funded by CBE. CBE has programmed and budgeted eight bridges on the project. The project started construction in the spring of 2015 and is currently scheduled to be complete by the end of calendar year 2018.

4- and 10-Year Bridge Program Plan

In Fiscal Year 2012-13 CBE developed a 10-Year Program Plan. The 10-Year 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 plan was based upon a cash flow model that recognized incoming revenues as compared to outgoing expenditures. The 10-Year Program Plan was updated in October 2016. CBE has also developed a mid-range 4-Year Program Plan which was finalized in August 2016. The 4-Year Plan will be updated annually, beginning in January 2018 to align with the Statewide Transportation Improvement Program (STIP) update. The STIP is federally required and is the planning document that identifies all the transportation projects that CDOT, including CBE, intends to fund over a rolling four year period. It is prepared in cooperation with the Federal Highway Administration (FHWA) and local government entities throughout the state, including Transportation Planning Regions (TPRs) and Metropolitan Planning Organizations (MPOs). The STIP is updated on an annual basis to incorporate a new fiscal year, with the new updated STIP being adopted by the CDOT Transportation Commission in May and approved by FHWA in June. Both the STIP and the 4-year program reflect current funding commitment resolutions made by the CBE Board of Directors for the Central 70 (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 due to the location of the project being within a semi-urban corridor. The contracting team submitted a successful bid through the construction manager/general contractor (CM/GC) process and was given Notice to Proceed in 2016 by CBE. By the end of the Fiscal Year 2016-17, the contractor is ahead of schedule for the pedestrian bridge replacement and has completed nearly half of the overall construction. The total project is currently on schedule and budget, however the critical 90 day traffic detour period is scheduled to start in August 2017 and has significant challenges and risks that may impact the schedule and budget.

Central 70 Project (I-70 Viaduct)

The reconstruction of Interstate 70 from Brighton Boulevard to Tower Road is slated to be the largest project in Colorado history. The approximately $1.2 billion project is in the final environmental phase. If supported in the final Record of Decision document, the preferred alternative would replace the aging I-70 viaduct between Brighton Boulevard and Colorado Boulevard with a lowered section of highway and added managed lanes. The CBE Board of Directors has committed to utilizing a design/ build/operate/maintain (P3) procurement method in which a concessionaire/developer would construct the project, operate managed lanes and maintain the facilities they construct for a specified period. The project procurement team has short listed four developer groups and has released the final request for proposals. The final award to one developer group is expected in the fall of 2017. The selected developer will then be required to submit a viable financial plan before financial close can occur. Financial close for the project is expected in the winter of 2018 with a Notice to Proceed shortly thereafter.

CBE Website Maintenance

CBE staff, in collaboration with the CDOT Communications Office, 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, and provides information about the CBE assets, liabilities, deferred outflows and inflows of resources and reflects the financial position of the CBE as of June 30, 2017 and

2016. 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, 2017 and 2016. 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, 2017 and 2016.

Net Position Analysis

Condensed Statements of Net Position
(In Thousands)

	June 30, 2017	June 30, 2016	June 30, 2015
Assets			
Current Assets	$ 218,738.3	$ 238,129.6	$ 261,108.6
Noncurrent Assets	18,269.4	18,301.4	34,837.2
Capital Assets	829,172.8	706,504.9	564,680.4
Total Assets	**1,066,180.5**	**962,935.9**	**860,626.2**
Deferred Outflows of Resources Related to Pensions	**6,259.3**	**1,949.3**	**450.1**
Liabilities			
Current Liabilities	8,513.9	8,935.8	13,493.2
Long-term Liabilities	319,849.5	315,329.1	310,670.9
Total Liabilities	**328,363.4**	**324,264.9**	**324,164.1**
Deferred Inflows of Resources Related to Pensions	**624.2**	**1,057.2**	**1,959.0**
Net Position			
Net Investment in Capital Assets	522,256.7	406,504.9	264,745.9
Restricted for Debt Service	18,269.4	18,259.4	21,209.8
Unrestricted	202,926.1	214,798.8	248,997.5
Total Net Position	**743,452.2**	**$ 639,563.1**	**$ 534,953.2**

Fiscal Year 2016-17 Analysis

Assets

Total assets increased in Fiscal Year 2016-17 by $103.2 million, due to explanations provided below.

Current Assets

Current assets decreased by $19.4 million in Fiscal Year 2016-17. The decrease in cash of $13.2 million is due to the spending of FASTER revenue for the Central 70, Grand Avenue and Ilex projects.

Noncurrent Assets

Noncurrent assets, excluding capital assets, decreased by $32,077 due to a decrease in long-term investments. A reduction in interest earnings on the 2010A debt service reserve accounts caused the decrease in long-term investments. The decrease in interest earnings is due to the 2010A bond proceeds being fully expended, causing a lower balance of which interest can be earned on.

Capital Assets

Completed bridge projects increased by $51.6 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 $71.0 million, due the Central 70, Grand Avenue, and Ilex projects. The increase in land is due to right-of-way purchased for the Central 70 project.

Liabilities

Total liabilities increased by $4.1 million in Fiscal Year 2016-17, due to explanations provided below.

Current Liabilities

Current liabilities decreased by $421,873 in Fiscal Year 2016-17 caused by a reduction in accrued liabilities. CBE had fewer liabilities to accrue due to CBE having few construction projects and concentrating on the Central 70 and Grand Avenue projects.

Noncurrent Liabilities

Noncurrent liabilities increased by $4.5 million in Fiscal Year 2016-17 due to an increase in net pension liability. The completion of the Grand Avenue pedestrian bridge resulted in unearned revenue being recognized, thus creating a decrease of unearned revenue for Fiscal Year 2016-17. A portion of the unearned revenue balance was a contribution from the City of Glenwood Springs for the aesthetic elements of the Grand Avenue project.

Net Position

Total net position increased by $103.9 million in Fiscal Year 2016-17. Of the ending balance $18.3 million is restricted for payment of debt service in the following year. Also $522.3 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.

Fiscal Year 2015-16 Analysis

Assets

Total assets increased in Fiscal Year 2015-16 by $102.3 million, due to explanations provided below.

Current Assets

Current assets decreased by $30.0 million in Fiscal Year 2015-16 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 $16.5 million due to a decrease in long-term investments. Long-term investments decreased due to the spending of the 2010A bond proceeds on bridge construction projects.

Capital Assets

Completed bridge projects increased by $140.9 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 by $948,480 million, as more bridges are being completed.

Liabilities

Total liabilities increased by $100,798 in Fiscal Year 2015-16, due to explanations provided below.

Current Liabilities

The entire $4.6 million decrease 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 increased by $4.7 million in Fiscal Year 2015-16 due largely to an increase in unearned revenue. The increase in unearned revenue is due to the City of Glenwood Springs contribution for aesthetic elements of the Grand Avenue project. This revenue will be recognized when the project is completed.

Net Position

Total net position increased by $104.6 million in Fiscal Year 2015-16. Of the ending balance $18.3 million is restricted for payment of debt service in the following year. Also $406.5 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 Fiscal Year 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.

Revenue and Expense Analysis

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

	June 30, 2017	June 30, 2016	June 30, 2015
Operating Revenues			
FASTER Revenues	$ 103,985.1	$ 100,891.4	$ 98,026.6
Federal Revenues	10,964.0	6,915.0	10,207.5
Other Revenues	3,861.8	4,858.0	4,364.2
Total Operating Revenues	**118,811.0**	**112,664.4**	**112,598.3**
Operating Expenses			
Salaries and Benefits	2,960.5	171.8	121.2
Program Management	3,215.4	1,602.6	889.5
Bridge Operations and Maintenance Expense	100.8	148.2	102.8
Depreciation Expense	7,490.9	5,921.4	4,576.0
Total Operating Expenses	**13,767.6**	**7,844.0**	**5,689.5**
Operating Income	**105,043.4**	**104,820.4**	**106,908.9**
Net Nonoperating Revenues (Expenses)	**(1,154.3)**	**(210.6)**	**(1,363.0)**
Change in Net Position	**103,889.1**	**104,609.8**	**105,545.8**
Beginning Net Position	**$ 639,563.1**	**$ 534,953.2**	**$ 429,407.4**
Net Position, End of year	**$ 743,452.2**	**$ 639,563.1**	**$ 534,953.2**

Fiscal Year 2016-17 Analysis

Revenues

Total operating revenues increased by $6.1 million in Fiscal Year 2016-17, 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. FASTER revenues increased by $3.1 million primarily due to increased car registrations.

Other operating revenues received from local governments as matching funds for construction projects decreased by $996,178.

The CBE received federal funds from federal highway revenues directed to the CBE. Federal highway revenues increased by $4.0 million, due to the Central 70, Grand Avenue, and Ilex projects.

Expenses

Total operating expenses increased by $5.9 million. The majority of the increase in operating expenses was from salaries and benefits and program management. Salaries and benefits increased by $2.8 million and program management increased by $1.6 million due to staff time spent on management of the Grand Avenue, Ilex projects, and Central 70 projects. Furthermore, operating expenses includes pension expense related to GASB 68. Pension expense increased by $3.0 million in Fiscal Year 2016-17.

Nonoperating Revenues (Expenses)

Net nonoperating expenses increased by $943,749.

The Build America Bonds (BABs) subsidy was decreased by $6,382, due to the effects of the federal sequester. Net investment income also decreased by $2.0 million due to the 2010A bond proceeds being spent, thus less interest being earned.

Change in Net Position

The effect of these changes was an increase in net position in the amount of $103.9 million.

Fiscal Year 2015-16 Analysis

Revenues

Total operating revenues increased by $66,089 in Fiscal Year 2015-16, 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. 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 decreased by $493,752.

The CBE received federal funds from federal highway revenues directed to the CBE. Federal highway revenues decreased by $3.3 million, due to the completion of majority of the FASTER eligible bridges.

Expenses

Total operating expenses increased by $2.2 million. The majority of the increase was $1.3 million in depreciation expense as additional bridges were capitalized and depreciated. Salaries and benefits increased by $50,622 and program management increased by $713,097 staff time related to the Central 70 project. Furthermore, operating expenses includes pension expense as a result of GASB 68. Pension expense was reduced by $426,559 in Fiscal Year 2015-16.

Nonoperating Revenues (Expenses)

Net nonoperating expenses decreased by $1.2 million.

The Build America Bonds (BABs) subsidy was increased by $29,289, due to the effects of the federal sequester, which was less in Fiscal Year 2014-15. Interest expense decreased by $1.0 million during Fiscal Year 2015-16 while net investment income also increased by $304,391.

Change in Net Position

The effect of these changes was an increase in net position in the amount of $104.6 million.

Colorado Bridge Enterprise
Management's Discussion and Analysis (Unaudited)
June 30, 2017 and 2016

Capital Assets

Capital Assets and Debt Administration
(In Thousands)

	June 30, 2017	June 30, 2016	June 30, 2015
Bridges	$ 560,269.1	$ 508,641.1	$ 367,765.1
Land	56,945.4	37,934.1	-
Capital Assets Not Being Depreciated	211,958.3	159,929.7	196,915.3
Capital Assets, Net of Accumulated Depreciation	**$ 829,172.8**	**706,504.9**	**$ 564,680.4**

CBE's investment in capital assets includes land, capital assets under construction and completed bridge projects. Total capital assets as of June 30, 2017 are $829.2 million, net of accumulated depreciation of $22.3 million. Significant capital assets events during the current fiscal year include:

- The Central 70 project is in the design phase at a budget of $142.3 million
- Grand Avenue/SH 82 project is currently in construction and has a budget totaling $112.6 million
- Ilex project is in the construction phase and has a budget of $56.5 million

Debt Outstanding

The long-term portion of the bond debt remained at $300.0 million in Fiscal Year 2016-17. Principal payments do not begin until December 2025.

Financial Contact

If you have questions about this report please contact:

Colorado Bridge Enterprise
4201 East Arkansas Avenue
Denver, Colorado 80222

Attn: Kay Hruska

THIS PAGE LEFT BLANK INTENTIONALLY

Colorado Bridge Enterprise

Statements of Net Position

June 30, 2017 and 2016

	June 30, 2017	June 30, 2016
Assets		
Current assets:		
Cash and pooled cash investments	$ 206,483,097	$ 219,671,625
Receivables, net of allowance	10,517,913	11,857,848
Intergovernmental receivables	1,736,742	6,598,955
Prepaid items	586	1,129
Total current assets	218,738,338	238,129,557
Noncurrent assets:		
Long-term investments	18,269,353	18,301,430
Land	56,945,454	37,934,092
Capital assets not being depreciated	211,958,269	159,929,702
Bridges, net of accumulated depreciation	560,269,061	508,641,075
Total noncurrent assets	847,442,137	724,806,299
Total assets	**1,066,180,475**	**962,935,856**
Deferred Outflows of Resources Related to Pensions	**6,259,336**	**1,949,343**
Liabilities		
Current liabilities:		
Accounts payable and accrued liabilities	8,513,924	8,935,797
Total current liabilities	8,513,924	8,935,797
Noncurrent Liabilities:		
Long-term debt	300,000,000	300,000,000
Compensated absences	14,369	13,064
Unearned revenue	6,421	3,000,089
Net pension liability	19,828,708	12,315,953
Total noncurrent liabilities	319,849,498	315,329,106
Total liabilities	**328,363,422**	**324,264,903**
Deferred Inflows of Resources Related to Pensions	**624,223**	**1,057,225**
Net Position		
Net investment in capital assets	522,256,660	406,504,870
Restricted for debt service	18,269,353	18,259,427
Unrestricted	202,926,153	214,798,774
Total net position	**$ 743,452,166**	**$ 639,563,071**

The accompanying notes are an integral part of these financial statements

Colorado Bridge Enterprise

Statements of Revenues, Expenses, and Changes in Net Position

Years Ended June 30, 2017 and 2016

	June 30, 2017	June 30, 2016
Operating Revenues		
FASTER revenues	$ 103,985,122	$ 100,891,411
Federal revenues	10,964,036	6,915,011
Other operating revenues	3,861,823	4,858,001
Total operating revenues	**118,810,981**	**112,664,423**
Operating Expenses		
Salaries and benefits	2,960,520	171,804
Program management	3,215,403	1,602,609
Bridge operations and maintenance expense	100,810	148,186
Depreciation expense	7,490,850	5,921,421
Total operating expenses	**13,767,583**	**7,844,020**
Operating income	**105,043,398**	**104,820,403**
Nonoperating Revenues (Expenses)		
Build America Bonds subsidy (BABs)	5,941,549	5,947,931
Investment income, net	1,047,549	3,059,684
Gain (loss) on sale or impairment of capital asset	-	(386,247)
Interest expense	(8,143,401)	(8,831,922)
Net nonoperating revenues (expenses)	**(1,154,303)**	**(210,554)**
Change in Net Position	**103,889,095**	**104,609,849**
Beginning net position	639,563,071	534,953,222
Net Position, End of year	**$ 743,452,166**	**$ 639,563,071**

The accompanying notes are an integral part of these financial statements

Colorado Bridge Enterprise

Statements of Cash Flows

Years Ended June 30, 2017 and 2016

	June 30, 2017	June 30, 2016
Cash Flows from Operating Activities		
Cash received from users and grants	$ 122,019,461	$ 103,117,558
Cash payment for salaries and benefits	(189,454)	(167,000)
Cash payments to contractors and suppliers of goods and services	(3,737,544)	(2,050,413)
Net cash provided by operating activities	**118,092,463**	**100,900,145**
Cash Flows from Capital Financing Activities		
Interest subsidy received	5,941,549	5,947,931
Acquisition and construction of capital assets	(120,068,166)	(138,730,031)
Interest paid on capital debt	(18,234,000)	(18,234,000)
Net cash used by noncapital financing activities	**(132,360,617)**	**(151,016,100)**
Cash Flows from Investing Activities		
Purchase of investments and related fees	(18,261,806)	(15,460,842)
Proceeds from sales and maturities of investments	18,293,883	31,996,602
Investment income	1,047,549	3,059,684
Net cash provided by investing activities	**1,079,626**	**19,595,444**
Net decrease in cash and cash equivalents	(13,188,528)	(30,520,511)
Cash and cash equivalents, beginning of period	219,671,625	250,192,136
Cash and cash equivalents, end of period	**$ 206,483,097**	**$ 219,671,625**
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:		
Operating Income	**$ 105,043,398**	**$ 104,820,403**
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation expense	7,490,850	5,921,421
Adjustment to net pension liability	7,512,755	2,150,636
Changes in assets and liabilities:		
Receivables, net	1,339,935	(3,378,403)
Intergovernmental receivables	4,862,213	(4,162,790)
Compensated absences	1,305	-
Deferred inflow	(433,002)	(901,784)
Deferred outflow	(4,309,993)	(1,499,252)
Prepaid expense	543	(249)
Accounts payable and accrued liabilities	(421,873)	(4,557,055)
Unearned revenue	(2,993,668)	2,507,218
Net cash provided by operating activities	**$ 118,092,463**	**$ 100,900,145**
Noncash Investing, Capital and Financing Activities		
Acquisition of capital assets, on account	$ 6,916,424	$ 7,416,297
Loss on disposal of assets	$ -	$ 386,247
Unrealized gains (losses)	$ (90,647)	$ 1,438,147

The accompanying notes are an integral part of these financial statements

THIS PAGE LEFT BLANK INTENTIONALLY

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) Section 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, 2017 and 2016 or the results of operations, or cash flows where applicable, for the years then ended.

Use of Estimates in Preparation of Financial Statements

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

Cash and Pooled Cash Investments

Cash and pooled cash investments consist of cash on deposit with the State Treasurer. For purposes of the statements 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 historical cost. Contributed capital assets are recorded at acquisition 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 outflows 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 outflows 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, 2017 and 2016 was $18,234,000. Interest expense capitalized during the years ended June 30, 2017 and 2016 was $10,090,599 and $9,402,078 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 6 and 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 AND POOLED INVESTMENTS

The CBE deposits its cash with the Colorado State Treasurer as required by Colorado Revised Statutes (C.R.S.). The State Treasurer pools these deposits and invests them in securities authorized by Section 24-75-601.1, C.R.S. The State Treasury acts as a bank for all state agencies and institutions of higher education, with the exception of the University of Colorado. Monies deposited in the Treasury are invested until the cash is needed. As of June 30, 2017, the CBE had cash on deposit with the State Treasurer of $206,483,097 which represented approximately three percent of the total $6,770.2 million fair value of deposits in the State Treasurer's Pool (Pool).

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.

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, 2017.

NOTE 3 – LONG-TERM INVESTMENTS

The CBE has also recorded long-term investments as of June 30, 2017 and 2016 in the amount of $18,269,353 and $18,301,430, respectively. These amounts represent debt proceeds and debt service reserve held by CBE's trustee, Zions 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 as disclosed in Note 2. The State Treasurer pools these deposits and invests them in securities approved by C.R.S. Section 24-75-601.1.

Investments in the State Treasurer's Pool are recorded at fair value as of June 30, 2017. Fair value is the price that would be received to sell an asset or transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. Inputs are used in applying the various valuation techniques and take into account the assumptions that market participants use to make valuation decisions. Inputs may include price information, credit data, interest and yield curve data, and other factors specific to the financial instrument. Observable inputs reflect market data obtained from independent sources. In contrast, unobservable inputs reflect the entity's assumptions about how market participants would value the financial instrument. Valuation techniques should maximize the use of observable inputs to the extent available.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The following describes the hierarchy of inputs used to measure fair value and the primary valuation methodologies used for financial instruments measured at fair value on a recurring basis:

Level 1 Investments

Values are based on quoted prices (unadjusted) for identical assets (or liabilities) in active markets that a government can access at the measurement date.

Level 2 Investments with Inputs

Other than quoted prices included within Level 1 that are observable for an asset (or liability), either directly or indirectly.

Level 3 Investments

Classified as Level 3 have unobservable inputs for an asset (or liability) and may require a degree of professional judgment.

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using market prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections, and cash flows. Such securities are classified in Level 2 of the valuation hierarchy.

CBE's only investments with recurring measurements are its investments with State Treasury in the amount of $18,269,353 and $18,301,430 for the years ended June 30, 2017 and 2016 respectively. CBE's equity in the Pool is valued using the equivalent of the net asset value, and thus is not included in the fair value hierarchy.

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 Bank acting as trustee and invested for the trustee by the Colorado State Treasury per an investment agreement. Interest due on the year-end balances is recorded by CBE.

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

	2017	2016
FASTER revenues receivable	$ 8,910,709	$ 8,451,937
Trustee interest receivable	41,795	32,639
Other receivable	1,565,409	3,373,272
Total accounts receivable	**$ 10,517,913**	**$ 11,857,848**

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

	2017	2016
Local government receivable	1,736,742	6,598,955
Total intergovernment receivable	**$ 1,736,742**	**$ 6,598,955**

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

NOTE 5 – CAPITAL ASSETS

By the end of Fiscal Year 2016-17, as a result of construction projects, a total of 96 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.

Colorado Bridge Enterprise

Notes to Financial Statements

June 30, 2017 and 2016

A summary of changes in capital assets is as follows for the years ended June 30, 2017 and 2016:

	Balance at June 30, 2016	Additions	Disposals	Transfers	Balance at June 30, 2017
Capital assets, not being depreciated					
Land	$ 37,934,092	$ -	$ -	$ 19,011,362	$ 56,945,454
Assets under construction	159,929,702	130,158,765	-	(78,130,198)	211,958,269
Total capital assets, not being depreciated	197,863,794	130,158,765	-	(59,118,836)	268,903,723
Capital assets, being depreciated					
Bridges	523,435,832	-	-	59,118,836	582,554,668
Accumulated depreciation	(14,794,757)	(7,490,850)	-	-	(22,285,607)
Total capital assets, being depreciated, net	508,641,075	(7,490,850)	-	59,118,836	560,269,061
Capital assets, net	$ 706,504,869	$ 122,667,915	$ -	$ -	$ 829,172,784

	Balance at June 30, 2015	Additions	Disposals	Transfers	Balance at June 30, 2016
Capital assets, not being depreciated					
Land	$ 25,414,123	$ -	$ -	$ 12,519,969	$ 37,934,092
Assets under construction	171,501,191	148,132,109	(386,247)	(159,317,351)	159,929,702
Total capital assets, not being depreciated	196,915,314	148,132,109	(386,247)	(146,797,382)	197,863,794
Capital assets, being depreciated					
Bridges	376,638,450	-	-	146,797,382	523,435,832
Accumulated depreciation	(8,873,336)	(5,921,421)	-	-	(14,794,757)
Total capital assets, being depreciated, net	367,765,114	(5,921,421)	-	146,797,382	508,641,075
Capital assets, net	$ 564,680,428	$ 142,210,688	$ (386,247)	$ -	$ 706,504,869

NOTE 6 – ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

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

	2017	2016
Accrued interest expense on debt issuance	$ 1,519,500	$ 1,519,500
Retainage payable	2,227,473	1,871,253
Accrued project costs payable	4,750,300	5,415,746
Other payables	16,651	129,298
Total accrued liabilities	**$ 8,513,924**	**$ 8,935,797**

NOTE 7 – COMMITMENTS

The CBE had outstanding commitments for construction in the amount of $68,137,294 at June 30, 2017.

NOTE 8 – LONG TERM LIABILITIES

The CBE has recorded debt for the years ended June 30, 2017 and 2016 as follows:

	Balance at June 30, 2016	Issuances/ Additions	Retirements	Balance at June 30, 2017	Amount Due Within One Year
Bridge Enterprise Revenue Bonds	$ 300,000,000	$ -	$ -	$ 300,000,000	$ -
Net pension liability	12,315,953	7,875,326	362,571	19,828,708	-
	$ 312,315,953	$ 7,875,326	$ 362,571	$ 319,828,708	$ -

	Balance at June 30, 2015	Issuances/ Additions	Retirements	Balance at June 30, 2016	Amount Due Within One Year
Bridge Enterprise Revenue Bonds	$ 300,000,000	$ -	$ -	$ 300,000,000	$ -
Net pension liability	10,165,317	5,417,660	3,267,024	12,315,953	-
	$ 310,165,317	$ 5,417,660	$ 3,267,024	$ 312,315,953	$ -

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 Series 2010A Bonds were issued as taxable, Build America Bonds (BABs), 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 are subject to sequestration. In Fiscal Year 2016-17, an executive order was signed reducing the federal direct payments by 6.9 percent and in Fiscal Year 2015-16 the federal direct payment was reduced by 6.8 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, 2017 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 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 BABs subsidy. 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
2018	$ 18,234,000	$ -	$ 6,056,423	$ 12,177,577
2019	18,234,000	-	6,056,423	12,177,577
2020	18,234,000	-	6,056,423	12,177,577
2021	18,234,000	-	6,056,423	12,177,577
2022	18,234,000	-	6,056,423	12,177,577
2023 to 2027	89,486,090	27,980,000	29,722,805	87,743,285
2028 to 2032	70,831,493	80,430,000	23,526,680	127,734,813
2033 to 2037	43,804,602	97,995,000	14,549,699	127,249,903
2038 to 2041	11,658,364	93,595,000	3,872,325	101,381,039
Total payments	**$ 306,950,549**	**$ 300,000,000**	**$ 101,953,624**	**$ 504,996,925**

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.

In November 2016, a memorandum of understanding was executed regarding the temporary suspension of the annual transfer of $15 million in federal funds for three years starting in Fiscal Year 2017-18. The transfer eligible federal funds will be reinstated in Fiscal Year 2020-21.

NOTE 10 – DEFINED BENEFIT PENSION PLAN

The CBE participates in the State Division Trust Fund (SDTF), a cost-sharing multiple-employer defined benefit pension fund 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 position and additions to/deductions from the fiduciary net position of the SDTF have been determined 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 forth 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 a publicly 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 forth at C.R.S. § 24-51-602, 604, 1713, and 1714.

The lifetime retirement benefit 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 five years of service credit has been obtained and the benefit structure under which contributions were made.

Benefit recipients who elect to receive a lifetime retirement benefit are generally eligible to receive post-retirement cost-of-living adjustments (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 two percent, unless PERA has a negative investment year, in which case the annual increase for the next three years is the lesser of two percent or the average of the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) for the prior calendar year. Benefit recipients under the PERA benefit structure who began eligible employment after January 1, 2007 receive an annual increase of the lesser of two percent or the average CPI-W for the prior calendar year, not to exceed 10 percent of PERA's Annual Increase Reserve (AIR) 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 eight percent of their PERA-includable salary. The employer contribution requirements for all employees except State Troopers are summarized in the table below:

	Fiscal Year 2015		Fiscal Year 2016		Fiscal Year 2017	
	CY14	CY15		CY16		CY17
	7-1-14 to 12-31-14	1-1-15 to 6-30-15	7-1-15 to 12-31-15	1-1-16 to 6-30-16	7-1-16 to 12-31-16	1-1-17 to 6-30-17
Employer Contribution Rate[1]	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[1]	3.80%	4.20%	4.20%	4.60%	4.60%	5.00%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S., Section 24-51-411[1]	3.50%	4.00%	4.00%	4.50%	4.50%	5.00%
Total Employer Contribution Rate to the SDTF[1]	16.43%	17.33%	17.33%	18.23%	18.23%	19.13%

[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 becomes payable to the member and the CBE is statutorily committed to pay the contributions to the SDTF. Employer contributions recognized by the SDTF from the CBE were $362,571 and $630,061 for the years ended June 30, 2017 and 2016, respectively.

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

The CBE reported a liability of $19,828,708 and $12,315,953 at June 30, 2017 and 2016, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2016 and 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015 and 2014. Standard update procedures were used to roll forward the total pension liability to December 31, 2016. The CBE proportion of the net pension liability was based on CBE's contributions to the SDTF for the calendar year 2016 and 2015, relative to the total contributions of participating employers to the SDTF.

At December 31, 2016, the CBE proportion was .11 percent, which was decrease of .01 percent from its proportion measured as of December 31, 2015. At December 31, 2015, the CBE proportion was .12 percent, which was an increase of .01 from its proportion measured as of December 31, 2014.

For the years ended June 30, 2017 and 2016, pension expense recognized by the CBE was $2,749,021 and $382,294, respectively. At June 30, 2017 and 2016, the reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2017		2016	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 197,099	$ -	$ 179,341	$ 380
Changes in assumptions or other inputs	5,044,551	61,034	-	145,786
Net difference between projected and actual earnings on pension plan	657,337	-	927,995	-
Changes in proportion and differences between contributions recognized and proportionate share of contributions	240,071	563,189	523,401	911,059
Contributions subsequent to the measurement date	120,278	-	318,606	-
Total	$ 6,259,336	$ 624,223	$ 1,949,343	$ 1,057,225

$120,278 reported as deferred outflows 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 ending June 30, 2018. 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	
2018	$ 3,087,443
2019	2,238,149
2020	182,283
2021	6,960
2022	-
Thereafter	-
	$ 5,514,835

E. Actuarial Assumptions

The total pension liability in the December 31, 2015 actuarial valuation was determined using the following actuarial cost method, actuarial assumptions and other inputs:

Actuarial cost method	Entry age
Price inflation	2.80 percent
Real wage growth	1.10 percent
Wage inflation	3.90 percent
Salary increases, including wage inflation	3.90-9.57 percent
Long-term investment Rate of Return, net of pension plan investment expenses, including price inflation	7.50 percent
Discount rate	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

Based on the 2016 experience analysis and the October 28, 2016 actuarial assumptions workshop, revised economic and demographic assumptions were adopted by PERA's Board on November 18, 2016 and effective as of December 31, 2016. These revised assumptions shown below were reflected in the roll-forward calculation of the total pension liability from December 31, 2015 to December 31, 2016:

Actuarial cost method	Entry age
Price inflation	2.40 percent
Real wage growth	1.10 percent
Wage inflation	3.50 percent
Salary increases, including wage inflation	3.50-9.17 percent
Long-term investment Rate of Return, net of pension plan investment expenses, including price inflation	7.25 percent
Discount rate	5.26 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 used in the December 31, 2015 valuation were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on a projection of Scale AA to 2020 with Males set back one year, and Females set back two years. Active member mortality was based upon the same mortality rates but adjusted to 55 percent of the base rate for males and 40 percent of the base rate for females. For disabled retirees, the RP-2000 Disabled Mortality Table (set back two years for males and set back two years for females) was assumed.

The actuarial assumptions used in the December 31, 2015 and 2014 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.

As a result of the 2016 experience analysis and the October 26, 2016 actuarial assumptions workshop, revised economic and demographic actuarial assumptions including withdrawal rates, retirement rates for early reduced and unreduced retirement, disability rates, administrative expense load, and pre- and post-retirement and disability mortality rates were adopted by PERA's Board on November 18, 2016 to more closely reflect PERA's actual experience. As the revised economic and demographic assumptions are effective as of the measurement date, December 31, 2016, these revised assumptions were reflected in the total pension liability roll-forward procedures.

Healthy mortality assumptions for active members reflect the RP-2014 White Collar Employee Mortality Table, a table specifically developed for actively working people. To allow for an appropriate margin of improved mortality prospectively, the mortality rates incorporate a 70 percent factor applied to male rates and a 55 percent factor applied to female rates.

Healthy, post-retirement mortality assumptions reflect the RP-2014 Healthy Annuitant Mortality Table, adjusted as follows:

- **Males:** Mortality improvement projected to 2018 using the MP-2015 projection scale, a 73 percent factor applied to rates for ages less than 80, a 108 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.

- **Females:** Mortality improvement projected to 2020 using the MP-2015 projection scale, a 78 percent factor applied to rates for ages less than 80, a 109 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.

For disabled retirees, the mortality assumption was changed to reflect 90 percent of the RP-2014 Disabled Retiree Mortality Table.

The long-term expected return on plan assets is reviewed as part of regular experience studies prepared every four or five years for PERA. Recently, this assumption has been reviewed more frequently. The most recent analyses were outlined in presentations to PERA's Board on October 28, 2016. As a result of the October 28, 2016 actuarial assumptions workshop and the November 18, 2016 PERA Board meeting, the economic assumptions changed, effective December 31, 2016, as follows:

- Investment rate of return assumption decreased from 7.50 percent per year, compounded annually, net of investment expenses to 7.25 percent, per year, compounded annually, net of investment expenses.

- Price inflation assumption decreased from 2.80 percent per year to 2.40 percent per year.

- Real rate of investment return assumption increased from 4.70 percent per year, net of investment expenses, to 4.85 percent per year, net of investment expenses.

- Wage inflation assumption decreased from 3.90 percent per year to 3.50 percent per year.

Several factors were considered in evaluating the long-term rate of return assumption for the SDTF, including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation.

As of November 18, 2016 adoption of the current long-term expected rate of return by the PERA Board, the target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	30 Year Expected Geometric Real Rate of Return
U.S. Equity – Large Cap	21.20%	4.30%
U.S. Equity – Small Cap	7.42%	4.80%
Non U.S. Equity – Developed	18.55%	5.20%
Non U.S. Equity – Emerging	5.83%	5.40%
Core Fixed Income	19.32%	1.20%
High Yield	1.38%	4.30%
Non U.S. Fixed Income-Developed	1.84%	0.60%
Emerging Market Debt	0.46%	3.90%
Core Real Estate	8.50%	4.90%
Opportunity Fund	6.00%	3.80%
Private Equity	8.50%	6.60%
Cash	1.00%	0.20%
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 returns that including expected inflation, ultimately support a long-term expected rate of return assumption of 7.25 percent.

F. Discount Rate

The discount rate used to measure the total pension liability at December 31, 2016 and 2015 was 5.26 percent and 7.5 percent, respectively. The projection of cash flows used to determine the discount rate applied the actuarial cost method and assumptions shown above. In addition, the following methods and assumptions were used in the projection of cash flows:

- Updated economic and demographic actuarial assumptions adopted by PERA's Board on November 18, 2016.

- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.50 percent.

- Employee contributions were assumed to be made at the current member contribution rate. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.

- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law and effective as of the measurement date, including current and estimated 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. Additionally, estimated employer contributions included reductions for the funding of AIR and retiree health care benefits. For future plan members, employer contributions were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.

- Employer contributions and the amount of total service costs for future plan members were based upon a process used by the plan to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.

- The AIR balance was excluded from the initial fiduciary net position, as, per statute, AIR amounts cannot be used to pay benefits until transferred to either the retirement benefits reserve or the survivor benefits reserve, as appropriate. As the ad hoc post-retirement benefit increases financed by the AIR are defined to have a present value at the long-term expected rate of return on plan investments equal to the amount transferred for their future payment, AIR transfers to the fiduciary net position and the subsequent AIR benefit payments have no impact on the Single Equivalent Interest Rate (SEIR) determination process when the timing of AIR cash flows is not a factor (i.e., the plan's fiduciary net position is not projected to be depleted). When AIR cash flow timing is a factor in the SEIR determination process (i.e., the plan's fiduciary net position is projected to be depleted), AIR transfers to the fiduciary net position and the subsequent AIR benefit payments were estimated and included in the projections.

- Benefit payments and contributions were assumed to be made at the end of the month.

Based on the above actuarial cost method and assumptions, the projection test indicates the SDTF's fiduciary net position was projected to be depleted in 2039 and, as a result, the municipal bond index rate was used in determination of the discount rate. The long-term excepted rate of return of 7.25 percent on pension plan investments was applied to periods through 2039 and the municipal bond index rate, the December average of the Bond Buyer General Obligation 20-year Municipal Bond Index published weekly by the Board of Governors in the Federal Reserve System, was applied to periods on and after 2039 to develop the discount rate. For the measurement date at December 31, 2016, the municipal bond index rate was 3.86 percent, resulting in a discount rate of 5.26 percent.

As of the prior measurement date at December 31, 2015, the projection test indicated the SDTF's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments of 7.50 percent was applied to all periods of projected benefit plans to determine the total pension liability. The discount rate determination did not use a municipal bond index rate and the discount rate was 7.50 percent, 2.24 percent higher compared to the current 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 5.26 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 one-percentage-point lower (4.26 percent) or one-percentage-point higher (6.26 percent) than the current rate:

	June 30, 2017		
	1% Decrease (4.26%)	Current Discount Rate (5.26%)	1% Increase (6.26%)
Proportionate share of the net pension liability	$ 24,559,082	$ 19,828,708	$ 15,942,341

H. Pension Plan Fiduciary Net Position

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

NOTE 11 – OTHER RETIREMENT PLANS

Voluntary Investment Program

A. Plan Description

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

Defined Contribution Retirement 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 2015		Fiscal Year 2016		Fiscal Year 2017	
	CY14	CY15		CY16		CY17
	7-1-14 to 12-31-14	1-1-15 to 6-30-15	7-1-15 to 12-31-15	1-1-16 to 6-30-16	7-1-16 to 12-31-16	1-1-17 to 6-30-17
Amortization Equalization Disbursement (AED) as specified in C.R.S. Section 24-51-411[1]	3.80%	4.20%	4.20%	4.60%	4.60%	5.00%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S., Section 24-51-411[1]	3.50%	4.00%	4.00%	4.50%	4.50%	5.00%
Total Employer Contribution Rate for AED and SAED[1]	7.30%	8.20%	8.20%	9.10%	9.10%	10.00%

[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. Participating employees in the PERA DC Plan contributed $13,060,000 and the State of Colorado recognized pension contributions of $10,382,000 for the PERA DC plan.

457 Deferred Compensation Plan

The PERA Deferred Compensation Plan (457) was established July 1, 2009 as a continuation of the State's deferred compensation plan which was established for state and local government employees in 1981. At July 1, 2009, the State's administrative functions for the 457 plan were transferred to PERA, where all costs of administration and funding are borne by the plan participants. In calendar year 2016, 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 $18,000. Participants who are age 50 and older, and contributing the maximum amount allowable, were allowed to make an additional $6,000 contribution in 2016. Special 457(b) catch-up contributions allow a participant for three years prior to the normal retirement age to contribute the lesser of (1) Twice the annual limit ($36,000 in 2015, 2016, and 2017) or (2) The basic annual limit plus the amount of the basic limit not used in prior years (only allowed if not using age 50 or over catch up contributions). Contributions and earnings are tax deferred. At December 31, 2016, the plan had 17,921 participants.

The CBE did not make any contributions to other retirement plans during Fiscal Year 2016-17 and 2015-16.

NOTE 12 – 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 51, Part 12 of the C.R.S., as amended, establishes the HCTF and sets forth a framework that grants authority to the PERA Board to contract, self-insure and authorize disbursements necessary in order to carry out the purposes of the PERACare program, including the administration of health care subsidies. PERA issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for the HCTF. That report can be obtained at www.copera.org/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, Part 4 of the C.R.S., as amended. The apportionment of the contributions to the HCTF is established under Title 24, Article 51, Section 208(1)(f) of the C.R.S., as amended. For the years ended June 30, 2017, 2016, and 2015 the CBE contributions to the HCTF were $38,254, $36,158, and $48,215, respectively, equal to their required contributions for each year.

NOTE 13 – 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 14 – 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 15 – SUBSEQUENT EVENTS

On August 24, 2017, Keiwit Meridiam Partners (KMP) was selected to be the Central 70 project developer to undertake the $1.2 billion dollar project. On November 22, 2017, CBE and the HPTE Boards approved the Project Agreement and completed the commercial close of the Central 70 project. On December 21, 2017, KMP and CBE completed the financial close of the project which included CBE issuing $120,765,426 of Private Activity Bonds (PABs) and closing on a TIFIA loan totaling $416,000,000. Since CBE acted as a conduit issuer for the TIFIA loan and the PABs, CBE has no liabilities to record. The debt will be repaid by KMP. Construction is scheduled to begin in the Fall of 2018.

THIS PAGE LEFT BLANK INTENTIONALLY

Required Supplementary Information

Colorado Bridge Enterprise

Required Supplementary Information

Schedule of Proportionate Share of the Net Pension Liability

June 30

	2017	2016 *	2015 *
CBE's proportion of the net pension liability	0.11%	0.12%	0.11%
CBE's proportionate share of the net pension liability	$ 19,828,708	$ 12,315,953	$ 10,165,317
CBE's covered payroll	$ 3,076,792	$ 3,193,343	$ 3,087,257
CBE's proportionate share of the net pension liability as a percentage of its covered payroll	644.46%	385.68%	329.27%
Plan fiduciary net position as a percentage of the total pension liability	42.60%	56.10%	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

* Amounts were not updated for the implementation of Governmental Accounting Standards Board Statement No. 82 as amounts were not readily available.

Colorado Bridge Enterprise

Required Supplementary Information

Schedule of Contributions

June 30

	2017	2016 *	2015 *
Statutorily required contribution	$ 365,722	$ 630,061	$ 454,689
Contributions in relation to the statutorily required contribution	365,722	630,061	454,689
Contribution deficiency (excess)	$ -	$ -	$ -
CBE's covered payroll	$ 1,957,828	$ 3,544,901	$ 2,853,298
Contributions as a percentage of covered payroll	18.68%	17.77%	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

* Amounts were not updated for the implementation of Governmental Accounting Standards Board Statement No. 82 as amounts were not readily available.

Colorado Bridge Enterprise
Notes to Required Supplementary Information
June 30, 2017 and 2016

NOTE 1 – 2016 CHANGES IN ASSUMPTIONS OR OTHER INPUTS SINCE 2015

- The investment return assumption was lowered from 7.50 percent to 7.25 percent.
- The price inflation assumption was lowered from 2.80 percent to 2.40 percent.
- The wage inflation assumption was lowered from 3.90 percent to 3.50 percent.
- The post-retirement mortality assumption for healthy lives for the State and Local Government Divisions was changed to the RP-2014 Healthy Annuitant Mortality Table with adjustments for credibility and gender adjustments of a 73 percent factor applied to ages below 80 and a 108 percent factor applied to 80 and above, projected to 2018, for males, and a 78 percent factor applied to ages below 80 and 109 percent factor applied to age 80 and above, projected to 2020, for females.
- For disabled retirees, the mortality assumption was changed to reflect 90 percent of RP-2014 Disabled Retiree Mortality Table.
- The mortality assumption for active members was changed to RP-2014 White Collar Employee Mortality Table, a table specifically developed for actively working people. To allow for an appropriate margin of improved mortality prospectively, the mortality rates incorporate a 70 percent factor applied to male rates and a 55 percent factor applied to female rates.
- The rates of retirement, withdrawal, and disability were revised to reflect more closely actual experience.
- The estimated administrative expense as a percentage of covered payroll was increased from 0.35 percent to 0.40 percent.
- The single equivalent interest rate (SEIR) for the State and School Divisions was lowered from 7.50 percent to 5.26 percent to reflect the changes to the projection's valuation basis, a projected year of depletion of the fiduciary net position (FNP), and the resulting application of the municipal bond index rate.

BKD LLP
CPAs & Advisors

1801 California Street, Suite 2900 // Denver, CO 80202-2606
303.861.4545 // fax 303.832.5705 // bkd.com

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 Enterprise or CBE), an enterprise fund of the State of Colorado, Department of Transportation, which comprise the statements of financial position as of June 30, 2017 and 2016 and the related statements of revenues, expenses and changes in net position and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated January 12, 2018, which contained an emphasis of matter paragraph regarding the organizational structure of the Enterprise.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

We noted certain matters that we reported to the Enterprise's management in a separate letter dated January 12, 2018.

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 Enterprise's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Enterprise's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BKD, LLP

Denver, Colorado
January 12, 2018

BKD LLP
CPAs & Advisors
1801 California Street, Suite 2900 // Denver, CO 80202-2606
303.861.4545 // fax 303.832.5705 // bkd.com

Independent Auditor's Communication to Legislative Audit Committee

Members of the Legislative Audit Committee:

As part of our audits of the financial statements and compliance of the Colorado Bridge Enterprise (the Enterprise or CBE) as of and for the year ended June 30, 2017, we wish to communicate the following to you.

AUDIT SCOPE AND RESULTS

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

An audit performed in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and U.S. Office of Management and Budget (OMB), Uniform Guidance is designed to obtain reasonable, rather than absolute, assurance about the financial statements and about whether noncompliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on a major federal program occurred. In performing auditing procedures, we establish scopes of audit tests in relation to the financial statements taken as a whole. Our engagement does not include a detailed audit of every transaction.

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

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

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.

Alternative Accounting Treatments

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

- No matters are reportable

Management Judgments and Accounting Estimates

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

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

Financial Statement Disclosures

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

- Revenue recognition
- 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.

Proposed Audit Adjustments Recorded

- To properly recognize accounts payable

Proposed Audit Adjustments Not Recorded

- Attached 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

Auditor's Judgments About the Quality of the Enterprise's Accounting Principles

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

- Adoption of Governmental Accounting Standards Board Statement No. 82 (GASB 82), *Pension issues*

Disagreements with Management

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

Consultation with Other Accountants

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

- No matters are reportable

Significant Issues Discussed with Management

Prior to Retention

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

During the Audit Process

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

- No matters are reportable

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 Communications

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

- Management representation letter
- Management letter

* * * * *

This communication 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 12, 2018

Colorado Department of Transportation - Bridge Enterprise

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.

CBE - Fund 538

QUANTITATIVE ANALYSIS

	Before Misstatements	Misstatements	Subsequent to Misstatements	% Change
Current Assets	218,738,338	1,612,102	220,350,440	0.74%
Non-Current Assets & Deferred Outflows	853,701,473		853,701,473	
Current Liabilities	(8,513,924)	(1,612,102)	(10,126,026)	18.93%
Non-Current Liabilities & Deferred Inflows	(320,473,721)		(320,473,721)	
Current Ratio	25.692		21.761	-15.30%

Total Assets & Deferred Outflows	1,072,439,811	1,612,102	1,074,051,913	0.15%
Total Liabilities & Deferred Inflows	(328,987,645)	(1,612,102)	(330,599,747)	0.49%
Total Net Position	(743,452,166)		(743,452,166)	

Operating Revenues	(118,810,981)		(118,810,981)	
Operating Expenses	13,767,583		13,767,583	
Nonoperating (Revenues) Exp	1,154,303		1,154,303	
Change in Net Position	(103,889,095)		(103,889,095)	

Client: Colorado Department of Transportation - Bridge Enterprise

Period Ending: June 30, 2017

CBE - Fund 538

SCHEDULE OF UNCORRECTED MISSTATEMENTS (ADJUSTMENTS PASSED)

			Assets & Deferred Outflows		Liabilities & Deferred Inflows						Net Effect on Following Year	
Description	Financial Statement Line Item	Factual (F), Judgmental (J), Projected (P)	*Current* DR (CR)	*Non-Current* DR (CR)	*Current* DR (CR)	*Non-Current* DR (CR)	Operating Revenues DR (CR)	Operating Expenses DR (CR)	Nonoperating (Revenues) Exp DR (CR)	Net Position DR (CR)	*Change in Net Position* DR (CR)	*Net Position* DR (CR)
To adjust for an underaccrual of accounts payable at year-end.		F	1,232,310	0	(1,232,310)	0	0	0	0	0	0	0
	Construction in Progress - Infrastructure (1887)		1,232,310									(1,232,310)
	Accounts Payable (2120)				(1,232,310)							1,232,310
To adjust for an underaccrual of accounts payable at year-end.		F	379,792	0	(379,792)	0	0	0	0	0	0	0
	Operating Cash (1100)		379,792									(379,792)
	Accounts Payable (2120)				(379,792)							379,792
Total passed adjustments			1,612,102	0	(1,612,102)	0	0	0	0	0	0	0

Impact on Change in Net Position	**0**
Impact on Net Position	**0**